



COLORADO

Colorado Water Conservation Board

Department of Natural Resources
1313 Sherman Street, Room 718
Denver, CO 80203

November 22, 2019

Corinne Koehler, President
Pueblo Conservancy District
Pueblo Union Depot
200 West B Street, Suite 120
Pueblo, CO 81003

Re: Arkansas River and Wildhorse Creek Levees - Loan Increase
Contract Number CT2019-366

Dear Ms. Koehler:

I am pleased to inform you that on November 20, 2019 the CWCB recommended your loan increase be included in the CWCB's 2020 Projects Bill for General Assembly approval. We will notify you upon the Governor's signature of the Bill. Loan funds in excess of the current contract amount will be available after the loan contract is amended.

The Board approved a loan increase of \$6,060,000 (\$6,000,000 for project costs and \$60,000 for the 1% Loan Service Fee). The total loan amount will become \$23,230,000 (\$23,000,000 for Project costs and \$230,000 for the 1% service fee). The loan terms shall remain 30 years at low-income municipal interest rate of 2.45% per annum.

I have attached a copy of the updated Board memo that includes the Board's approval.

On behalf of the Board, I would like to thank you for your interest in a CWCB Water Project Loan.

Sincerely,

Kirk Russell, P.E., Chief
Finance Section

Attachment: Updated Board Memo





COLORADO
**Colorado Water
Conservation Board**
Department of Natural Resources

1313 Sherman Street
Denver, CO 80203
P (303) 866-3441
F (303) 866-4474

Jared Polis, Governor
Dan Gibbs, DNR Executive Director
Rebecca Mitchell, CWCB Director

TO: Colorado Water Conservation Board Members

FROM: Rachel Pittinger, P.E., Project Manager
Kirk Russell, P.E., Finance Section Chief

DATE: November 20-21, 2019 Board Meeting (Updated November 20, 2019)

AGENDA ITEM: 11a. Change to Existing Loans
Pueblo Conservancy District - Arkansas River and Wildhorse Creek Levees

Introduction

The Pueblo Conservancy District (District) received approval of a \$17,170,000 CWCB loan at the September 2017 Board Meeting and subsequent approval through the 2018 Water Projects Bill (Senate Bill 18-218) to finance the Arkansas River and Wildhorse Creek Levees (Project). The purpose of the Project is to repair the levees within the City of Pueblo to bring them up to Federal Emergency Management Agency (FEMA) standards to provide flood protection to the City. The District's current CWCB loan contract for \$17,000,000 (Contract Number CT2019-366) constructed several phases of the Project. One more phase that includes replacement of additional lineal feet of the levee will increase the total Project cost to \$23,000,000. This loan increase request will allow completion of the last construction phase and allow long term financing from a single source. See attached Project Data Sheet for a location map and Project summary.

Staff Recommendation (Board approved Staff Recommendation November 20, 2019)

Staff recommends the Board request the General Assembly authorize a loan for \$23,230,000 to the Pueblo Conservancy District in the 2020 CWCB Projects Bill.

The \$23,230,000 (\$23,000,000 for Project costs and \$230,000 for the 1% service fee) loan to the Pueblo Conservancy District is for costs related to the Arkansas River and Wildhorse Creek Levees Project, from the Severance Tax Perpetual Base Fund. This is an increase of \$6,060,000 (\$6,000,000 for Project costs and \$60,000 for the 1% service fee). The loan terms shall remain 30 years at low-income municipal interest rate of 2.45% per annum. Security for the loan shall remain in compliance with CWCB Financial Policy #5.

This loan is conditioned upon:

1. Pueblo Conservancy District shall payoff the existing loan to Bank of the San Juans as referenced in the original loan contract and shall provide the CWCB with a pay request letter that includes the amount needed to pay in full the existing loan, including the loan number, name, and address of the lender. After CWCB review and acceptance of the request, the CWCB will pay the Pueblo Conservancy District the amount set forth in the request. Payment of said request shall be made at the time of disbursement of loan funds.



Project Update

Construction of the 3,000 lineal feet of Wildhorse Creek levee is complete. For the last phase, completion of approximately 3,300 lineal feet of removing and replacing concrete on the Arkansas River levee face, grouting and filling voids, and construction of a portion of the levee maintenance road along that dips below bridges is planned. Overall, construction activity is limited to November to March when the river flows are the lowest. The updated Project cost estimate is \$23,000,000 as shown in Table 1. The cost estimate includes the last phase of design and construction of the Project including the final Federal Emergency Management Agency (FEMA) Certification preparation by the Engineer, NorthStar Engineering and Surveying, Inc.

TABLE 1: UPDATED PROJECT COST ESTIMATE

Task	Original	Current
Design and Engineering	\$2,500,000	\$4,210,000
Construction	\$14,500,000	\$18,700,000
Final FEMA certification	-	\$90,000
Total	\$17,000,000	\$23,000,000

Permitting: The District obtained a Section 404 Permit issued by the U.S. Army Corps of Engineers' authorizing the work in the Arkansas River.

Schedule: Construction is underway and will continue through the spring of 2020, in the non-irrigation season and low-flow river conditions.

Financial Analysis

Table 2 provides a summary of the Project's financial aspects. The term of the loan will remain at 30 years at a Low-Income Municipal interest rate of 2.45% (Ownership: 100% Low-Income Municipal). This increase will cover 100% of eligible costs.

TABLE 2: UPDATED FINANCIAL SUMMARY

	Original	Current
Total Project Cost	\$23,000,000	\$23,000,000
District's Contribution	\$6,000,000	\$0
CWCB Loan Amount	\$17,000,000	\$23,000,000
CWCB Loan Amount (Including 1% Service Fee)	\$17,170,000	\$23,230,000
CWCB Annual Loan Payment	\$814,883	\$1,102,489
CWCB Annual Loan Obligation (including 10% Reserve)	\$896,371	\$1,212,738

Creditworthiness: The Company has \$19,910,713 in existing debt, which will increase due to the last phase of construction by the spring of 2020 to \$23,000,000. In 2016, the District's maintenance fund revenue was increased by 35% per the District Court's approval in 2017 increasing the District's revenues to allow for this Project. Both the 2017 Bond and the CWCB loan are dedicated to the Wildhorse Levee and the Arkansas River Levee as part of flood protection for the City of Pueblo. The Pueblo County Assessor indicated that the District's revenues for 2020 will increase to approximately \$1,900,000 due to an increase in the valuation of properties in Pueblo County.

TABLE 3: UPDATED EXISTING DEBT

Lender	Original Balance	Current Balance	Annual Payment	Maturity Date	Collateral
2017 Bond - Bank of the San Juans	\$10,000,000	\$2,740,713 ⁽¹⁾	\$537,500	2025	Maintenance Assessment Fund Revenues
Subtotal (Existing Debt)		\$2,740,713	\$537,500		
CWCB CT2019-366	\$17,170,000 (In Disbursement)	\$17,170,000 (Max Approved)	\$814,883 (Max Approved)	TBD	Maintenance Assessment Fund Revenues
Total		\$19,910,713	\$1,352,383		

⁽¹⁾ This amount will increase to \$5,000,000 by the spring of 2020.

TABLE 4: UPDATED FINANCIAL RATIOS

Financial Ratio	Past Years	Future w/ Project
Operating Ratio (revenues/expenses) weak: <100% - average: 100% - 120% - strong: >120%	119% (average) \$1.36M/\$1.15M	104% (average) \$1.90M/\$1.82M
Debt Service Coverage Ratio (revenues-expenses)/debt service weak: <100% - average: 100% - 120% - strong: >120%	140% (strong) (\$1.36M-\$609K) \$538K	106% (average) (\$1.90M-\$609K) \$1.21M
Cash Reserves to Current Expenses weak: <50% - average: 50% - 100% - strong: >100%	128% (strong) \$1.47M/\$1.15M	185% (strong) \$3.37M/\$1.82M

Collateral: Security for this loan will remain a pledge of the maintenance assessment fund revenues. This is in compliance with CWCB Financial Policy #5 (Collateral).

cc: Ms. Corrine Koehler, President, Pueblo Water Conservancy District
Mr. Don Banner, Attorney, Pueblo Water Conservancy District
Ms. Jennifer Mele, Colorado Attorney General's Office

Attachment: Water Project Loan Program - Project Data Sheet
Original Board Memo (September 2017)



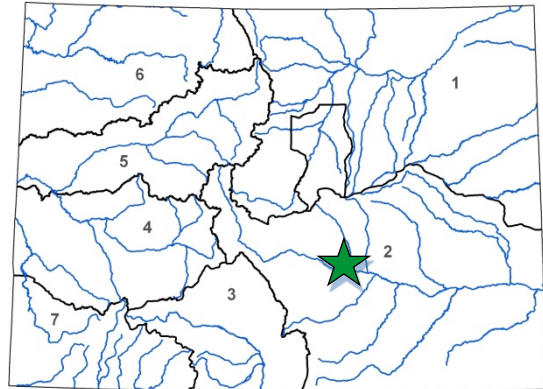
Arkansas River and Wildhorse Creek Levee Rehabilitation

Pueblo Conservancy District

(Loan Increase)

November 2019 Meeting

L O A N D E T A I L S	
Project Cost:	\$23,000,000
CWCB Loan (with Service Fee):	\$23,230,000
Loan Term and Interest Rate:	30 years at 2.45%
Funding Source:	Severance Tax Perpetual Base Fund
B O R R O W E R T Y P E	
Agriculture	Municipal Commercial
0%	100% Low - 0% Mid -0% High 0%
P R O J E C T D E T A I L S	
Project Type:	Flood Control
Average Annual Diversions:	N/A



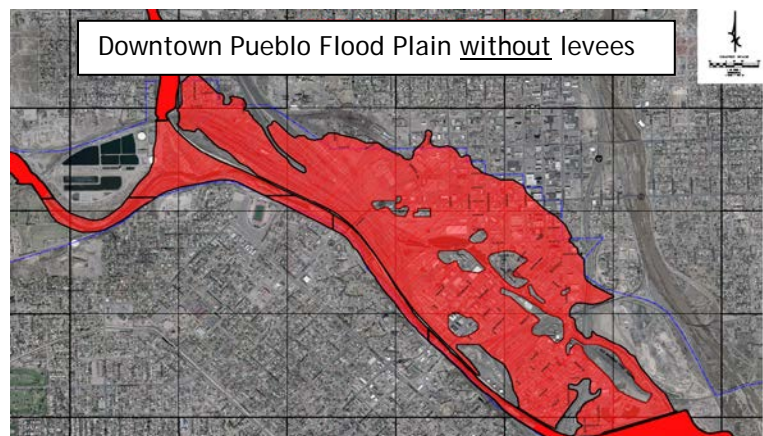
The District was formed in response to the 1921 flood in Pueblo. Its primary function is flood protection within its designated boundaries. In 2006, the District was advised that unless the Arkansas and Wildhorse Creek levees were accredited by the Federal Emergency Management Agency (FEMA), the City would lose its protected status which ensures that flood insurance can be provided at affordable rates.

The District's current CWCB loan contract for \$17,000,000 constructed several phases of the Project. One more phase that includes replacement of additional lineal feet of the levee will increase the total Project cost to \$23,000,000. To date, the District has completed the reconstruction and stabilization of 9,700 feet of the Arkansas River Levee, and approximately 3,300 lineal feet will be removed and replaced in the last phase of this Project. Approximately 3,000 feet of Wildhorse Creek Levee has been constructed and complies with FEMA standards. Construction is limited to November to March when river flows are the lowest. The Project is expected to be complete by spring of 2020.

L O C A T I O N			
County:	Pueblo		
Water Source:	Arkansas River		
Drainage Basin:	Arkansas		
Division:	2	District:	14



Wildhorse Creek Levee



Downtown Pueblo Flood Plain without levees



Arkansas River Levee



Arkansas River Levee repair and reconstruction 12/2017