



## COLORADO

### Colorado Water Conservation Board

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

September 21, 2020

Justin Catalano, Manager  
Florida Consolidated Ditch Company  
691 CR 233 Unit B1A  
Durango, CO 81301  
[floridaditch@gmail.com](mailto:floridaditch@gmail.com)

Re: Florida Canal Diversion Replacement Project - Loan Approval

Dear Mr. Catalano:

I am pleased to inform you that on September 17, 2020 the Colorado Water Conservation Board approved your funding request for the Florida Canal Diversion Replacement Project as described in the application and approved Loan Feasibility Study titled "Florida Canal Diversion Structure Rehabilitation Project, CWCB Loan Feasibility Study" dated July 2020. The Board approved a loan not to exceed \$757,500 (\$750,000 for Project costs and \$7,500 for the 1% service fee). The loan terms shall be 1.30% per annum for 30 years. The Board also approved Water Supply Reserve Fund (WSRF) grant of up to \$275,000 for costs related to the Florida Canal Diversion Replacement Project.

The Board also approved a WSRF Grant for \$275,000. This grant along with all previous approved funding for the Project will be available for disbursement at a prorated amount throughout the Project.

I have attached the updated Board memo dated September 18, 2020, that includes the Board's approval. After the Board approves the funding there are a few steps that remain in the process including:

**Contracting:** An executed contract must be in place before funds can be disbursed for eligible project expenses. Peg Mason, Loan Contracts Manager, will contact you to initiate the contracting process. She can be reached at (303) 866-3441 x3227.

**Design/Construction:** You must adhere to the CWCB Design and Construction Administration Procedures including an invitation to the Prebid, Preconstruction and Bid Opening meetings. Matthew Stearns, P.E., will be the Project Manager for this phase of the process and will work with you on the disbursements of your loan funds. He can be reached at (303) 866-3441 x3257.

On behalf of the Board, I would like to thank you for your interest in a loan from the CWCB.

Sincerely,

Kirk Russell, P.E., Chief  
Finance Section

Attachment: Updated Board Memo





**COLORADO**

**Colorado Water  
Conservation Board**

Department of Natural Resources

1313 Sherman Street, Room 718  
Denver, CO 80203

P (303) 866-3441  
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Jared Polis, Governor

Dan Gibbs, DNR Executive Director

Rebecca Mitchell, CWCB Director

**TO:** Colorado Water Conservation Board Members

**FROM:** Matthew Stearns, P.E., Project Manager  
Kirk Russell, P.E., Finance Section Chief

**DATE:** September 16-17, 2020, Board Meeting (Updated September 18, 2020)

**AGENDA ITEM:** 20a. Water Project Loan/Grant  
Florida Consolidated Ditch Company – Florida Canal Diversion Replacement

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**Staff Recommendation for CWCB Loan: (Board approved Staff Recommendation  
September 17, 2020)**

Staff recommends the Board approve a loan not to exceed \$757,500 (\$750,000 for Project costs and \$7,500 for the 1% service fee) to the Florida Consolidated Ditch Company for costs related to the Florida Canal Diversion Replacement Project, from the Severance Tax Perpetual Base Fund. The loan terms shall be 30 years at a blended interest rate of 1.30% per annum. Security for the loan shall be in compliance with CWCB Financial Policy #5.

**Staff Recommendation for WSRF Grant: (Board approved Staff Recommendation  
September 17, 2020)**

Staff recommends approval of up to \$250,000 from the Statewide Fund and \$25,000 from the Southwest Basin Fund to the Florida Consolidated Ditch Company for costs related to the Florida Canal Diversion Replacement Project.

**Introduction:**

The Florida Consolidated Ditch Company (Company) is applying for a loan and a Water Supply Reserve Fund (WSRF) grant for the Florida Canal Diversion Replacement (Project). The Florida Canal delivers water to shareholders for irrigation in La Plata County. The diversion structure was showing significant deterioration by 2017, when Lemon Reservoir released a large volume of water due to the good water year, and was subsequently damaged. While emergency repairs were installed soon after, they are temporary in nature and a long-term solution is needed. The long-term solution is rehabilitation of the structure that incorporates removal of a dangerous low-head dam and inclusion of in-stream fish passage improvements. The total Project cost is estimated to be \$1,200,000. The Company is requesting a loan for approximately 63% of the Project cost and a WSRF grant for approximately 23% of the Project cost. The Project has previously received approval of two Water Plan Grants at the May 2018 Board Meeting for \$175,000, or approximately 14% of the current Project cost. In addition, the company is seeking a grant from the Southwestern Water Conservation District. See attached Project Data Sheet for a location map and Project summary.



**Background:**

The Company diverts natural streamflow and storage water from the Florida River to approximately 18,000 acres of irrigated farmland in La Plata County by means of two diversions; one is the Florida Canal, and the other is the Florida Farmers Ditch. Specifically, the Florida Canal diverts an average of 10,254 AF of water a year for irrigation, including water from Lemon Reservoir, and it provides water to Pistorius Reservoir, a Colorado Parks and Wildlife State Wildlife Area.

As part of the U.S. Bureau of Reclamation (USBR) Florida Project, Lemon Reservoir provides “Project Water” that is used to regulate streamflow in the Florida River, and provides irrigation water on the Florida Mesa. This irrigation water is used in the service area of the Company and the Florida Water Conservancy District (District), which operates the Florida Project. Despite “Project Water” users receiving water from the Company, they are not shareholders and instead, the District pays the Company for delivery. The Florida River also contains two instream flow water rights near the Project, between Lemon Reservoir and the confluence of the Florida and the Animas Rivers.

The Florida Canal is controlled by a diversion structure and headgate approximately 9 miles downstream of Lemon Reservoir on the Florida River. The structure, constructed around 1975, is composed of concrete, steel, and wood, and is exhibiting significant deterioration. In early 2017, after a large release of water from Lemon Reservoir, portions of the timber-faced structure were damaged. Emergency repairs were installed in May 2017; however, these were temporary in nature and the Company is seeking a permanent solution that increases public safety by removing a dangerous low head dam, provides a more reliable source of water for Pistorius Reservoir, and enhances the aquatic habitat in the natural stream corridor by promoting fish passage and aquatic connectivity.

At the March 2018 Board Meeting, the Company was awarded a WSRF grant for \$99,000 to prepare the Feasibility Study, acquire the easement, and review environmental and cultural permitting needs. This combined with other grant funds and Company contributions, helped the Company to fund an interdisciplinary development of the project. In particular, the Company has coordinated with the landowner, US. Fish and Wildlife Service, and Colorado Parks and Wildlife to develop a multi-beneficial outcome project. The Project is supported by the State Engineer’s Office, Dam Safety Branch as it will remove a dangerous low-head dam, and by Colorado Parks and Wildlife as it will provide adult fish passage .

The Company is seeking a Water Project Loan and a WSRF grant, in addition to two Water Plan Grants from the Agricultural, and the Environmental and Recreation categories approved at the May 2018 Board meeting. The Company also has a pending application for a grant from the Southwestern Water Conservation District. This funding package will allow the Company to replace the existing diversion structure for the benefit of all shareholders and “Project Water” users.

**Borrower – Florida Consolidated Ditch Company**

The Company was established in 2014 with the consolidation of the four original Florida Mesa canal companies. These companies were the Florida Farmers Ditch Company, the Florida Canal Company, the Florida Canal Enlargement Company, and the Florida Cooperative Ditch Company, with shares of these companies consolidated into Class A; Class B and Class B Deeded; Class C; and Class D shares in the Company respectively. Class B deeded shares are the same as Class B shares, but without voting rights. In total, there are currently 293 shareholders with 6,200 shares. The company is a nonprofit

corporation in good standing with the Colorado Secretary of State and its 7-member Board of Directors exercise the corporate powers of the Company.

Revenues are primarily generated through assessments on shareholders and payments from the District for "Project Water." An annual budget, including assessments, is set at the annual shareholder meeting by a majority vote of shareholders with voting rights, with each share providing one vote. Payment of assessments are enforced by the Board of Directors through a 1% per month charge on delinquent assessments and a water shut off until payment is received in full, or in the case of nonpayment, by sale of the shares.

**Loan Feasibility Study:**

Peter Foster, P.E. of Wright Water Engineers, Inc. prepared the Loan Feasibility Study titled "Florida Canal Diversion Structure Rehabilitation Project, CWCB Loan Feasibility Study" dated July 2020. The feasibility study was prepared in accordance with CWCB guidelines and includes an analysis of alternatives, preliminary engineering design, construction cost estimates, with financial statements provided by the Company.

**Water Rights:**

The Company owns and operates two canals: the Florida Canal, which diverts water under the Florida Canal (Share B) and Florida Canal Enlargement (Share C) water rights, and the Florida Farmers Ditch, which diverts water under the Florida Farmers Ditch (Share A) and Florida Co-operative Ditch (Share D) water rights. Water delivered to Pastorius Reservoir is decreed under the Florida Canal water rights. Water rights related to the Project diversion structure are summarized in Table 1.

**TABLE 1: PROJECT WATER RIGHTS**

Name (Share)	Amount	Appropriation Date	Adjudication Date	Water Court Case No.
Florida Canal (B)	24 CFS	9/29/1888	11/8/1923	CA1751
Florida Canal (B)	16 CFS	3/9/1893	11/8/1923	CA1751
Florida Canal (B)	970 AF	5/29/1911	11/8/1923	CA1751
Florida Canal (C)	31 CFS	3/13/1907	11/8/1923	B-1751
Florida Canal (C)	40 CFS	3/13/1907	11/8/1923	CA1751

**Project Description:**

The purpose of the Project is to repair the diversion structure to maintain historical diversions into the Florida Canal, while reducing sediment and debris entering the headgate. The Company is also interested in improving public safety, enhancing the natural stream corridor, and enhancing fish passage and connectivity. The following alternatives were analyzed:

**Alternative 1 - No Action:** This alternative would require more regular monitoring and ongoing emergency repairs to the diversion structure. In the event of a catastrophic failure, the irrigation water supply for 8,000 acres would be interrupted, causing a significant impact to the local economy.

**Alternative 2 - Repair Existing Structure:** This alternative would involve buttressing the existing structure and constructing a new diversion structure immediately downstream of the existing

structure. While the Company would be able to maintain historic diversions, the dangers of the low head dam would remain, and it would continue to function as a fish barrier. The total project cost for this alternative is estimated to be \$700,000. Selecting this option would make it ineligible for the grants the Company has already, or is attempting, to secure.

***Selected Alternative 3 - Replace the Existing Structure:*** This alternative will construct a combination of Newbury riffles and cross vane structures downstream of the existing diversion structure. Newbury riffles create a series of riffle runs and step-pools acting in a similar fashion to a fish ladder; however, they require more stream length to accomplish this. Cross vane structures can be installed closer together than Newbury riffles because they focus stream flows to the center of the channel with a small drop, but can still facilitate fish passage. This combination of riffles and structures provides a safer recreational environment, promotes fish passage while meeting the structural footprint requirements of the landowner, and is aesthetically pleasing. The total cost for this alternative is estimated to be \$1,200,000 as shown in Table 2. While this alternative is the most expensive, it meets the objectives of the project while providing multi-beneficial outcomes.

TABLE 2: ESTIMATED PROJECT COST

Task	Total
Engineering Design	\$60,000
Reclamation Plan Development and Post Construction Monitoring	\$41,000
Bidding and Construction Administration	\$92,000
Environmental	\$75,000
Construction	\$711,000
Contingency (23%)	\$221,000
<b>TOTAL</b>	<b>\$1,200,000</b>

***Permitting:*** The Company's engineer expects the project will not require a 404 permit due to agricultural water use exemptions. In addition, while the project is not required to obtain a permit under the Endangered Species Act for the New Mexico meadow jumping mouse, the Company and its engineer are coordinating with the U.S. Fish and Wildlife Service to develop Best Management Practices to avoid any potential for impact. The Company will need to obtain a floodplain development permit from the County. The selected contractor will need to obtain a construction dewatering permit and construction stormwater discharge permit prior to construction. The Company is also in the final stages of negotiations with the landowner to obtain an easement for the Project. In lieu of requesting compensation, the landowner requested a reclamation plan and monitoring.

***Schedule:*** Final design is planned for early 2022 with construction expected to occur in late 2022 through early 2023. Post construction reclamation and performance monitoring is expected to continue in 2023 and 2024.

## Water Supply Reserve Fund

**Applicant & Grantee:** Florida Consolidated Ditch Company  
**Water Activity Name:** Florida Canal Diversion Structure Replacement, Phase 2  
**Water Activity Purpose:** Agricultural/E&R-Implementation  
**County:** La Plata  
**Drainage Basin:** Southwest  
**Water Source:** Florida River

At the July 2020 Southwest Basin Roundtable meeting, the Roundtable recommended approval of the Florida Canal Diversion Structure Replacement, Phase 2 application request for the following Basin and Statewide Funds:

**Amount Requested/Source of Funds:** \$25,000 Southwest Basin Account  
\$250,000 Statewide Account  
\$275,000 Total Request

**Matching Funds:** Basin Fund Match = \$25,000 = 10% of statewide grant request (meets 10% min);  
Non-Statewide Fund Match: \$950,000 = 380% of statewide grant request (meets 50% min);  
Applicant & 3<sup>rd</sup> party match: \$925,000 = 370% of statewide grant request (meets 10% min)

**Discussion:** This project supports both the agricultural, and environmental & recreation objectives of the Water Plan. The Project is falls under IPP 4-MB of the Southwest Basin's Implementation Plan. It also meets a Measurable Goal or Outcome of the Southwest Basins BIP to maintain Agricultural Water Needs, Meet Environmental Water Needs, and Comply with Colorado River Compact and Manage Risk.

**Issues/Additional Needs:** No issues or additional needs have been identified.

**Eligibility Requirements:** The application meets requirements of all eligibility components: General Eligibility, Entity Eligibility, Water Activity Eligibility, and Eligibility Based on Match Requirements.

**Evaluation Criteria:** This activity has undergone review and staff has determined it satisfies the Evaluation Criteria outlined in Colorado's Water Plan, Section 9.4. Please refer to Basin Roundtable Chair's Recommendation Letter and the Application for a detailed response.

Funding Source	Cash	In-kind	Total	Status
CWCB Water Project Loan	\$750,000	\$0	\$750,000	
Colorado Water Plan Grants (2018)	\$175,000	\$0	\$175,000	Secured
Sub-total	\$925,000	\$0	\$925,000	
WSRF Southwest Account	\$25,000	\$0	\$25,000	
WSRF Statewide Account	\$250,000	\$0	\$250,000	
Total Project Costs	\$1,200,000	\$0	\$1,200,000	

## CWCB Loan Program

### Financial Analysis:

Table 3 provides a summary of the Project's financial aspects. The Company qualifies for a blended interest rate of 1.30% for a 30-year term (Ownership: 94% Agricultural, 6% Mid Municipal, <1% Commercial) per CWCB Financial Policy #7 (Lending Rate Determination.)

TABLE 3: FINANCIAL SUMMARY

Total Project Cost	\$1,200,000
Water Plan Grants Secured (Agriculture and Environmental and Recreation)	\$175,000
Water Supply Reserve Fund grant	\$275,000
CWCB Loan Amount	\$750,000
CWCB Loan Amount (Including 1% Service Fee)	\$757,500
CWCB Annual Loan Payment	\$30,655
CWCB Annual Loan Obligation (1 <sup>st</sup> Ten Years)	\$33,721
Number of Shares (Class B, Class B deeded, and Class C) <sup>(1)</sup>	3,200
Annual Loan Obligation per Share	\$11
Current Total Assessment per Share	\$110

(1) The Company anticipates that all 6,200 shareholders will be assessed to pay back the loan since all shareholders will benefit; however, since this will be decided by a vote of shareholders in November, only the Florida Canal water rights shareholders are shown.

**Loan/Grant Payment:** The District plans to apply for a Water Plan Grant in December 2020. If the grant is approved, it will go toward the Project costs and reduce the loan amount needed to complete this Project.

**Creditworthiness:** The Company has one existing loan with CWCB not to exceed \$1,085,750 approved by the Board in May 2017 for the Hess Lateral Improvement Project. No disbursements have been made from this loan; however, the annual loan obligation is estimated to be \$51,871. The Company has no other debt.

TABLE 4: FINANCIAL RATIOS

Financial Ratio	Prior Years	Future w/ Projects <sup>1</sup>
Operating Ratio (revenues/expenses) weak: <100% - average: 100% - 120% - strong: >120%	102% (average) \$490K/\$481K	100% (average) \$567K/\$567K
Debt Service Coverage Ratio (revenues-expenses)/debt service weak: <100% - average: 100% - 120% - strong: >120%	N/A	100% (average) \$567K-\$481K \$85.6.0K
Cash Reserves to Current Expenses weak: <50% - average: 50% - 100% - strong: >100%	18% (weak) \$84.4K/\$481K	15% (weak) \$84.4K/\$567K
Annual Operating Cost per Acre-Foot (43,000 AF) <sup>2</sup> weak: >\$20 - average: \$10 - \$20 - strong: <\$10	\$11 (average) \$481K/43.0K AF	\$13 (average) \$567K/43.0K AF

(1) Costs associated with the Hess Lateral loan are included in the Future w/ Projects ratios but not considered in the Prior Years Ratios as they have not withdrawn any loan funds to date.

(2) Annual Operating Cost per Acre-Foot is based on the diversions by the Company as a whole.

**Collateral:** Security for this loan will be a pledge of assessment revenues backed by a rate covenant and the Project itself (Florida Canal diversion structure). This security is in compliance with the CWCB Financial Policy #5 (Collateral).

cc: Justin Catalano, Manager, Florida Consolidated Ditch Company  
Jennifer Mele, Colorado Attorney General's Office

Attachment: Water Project Loan Program - Project Data Sheet



## COLORADO

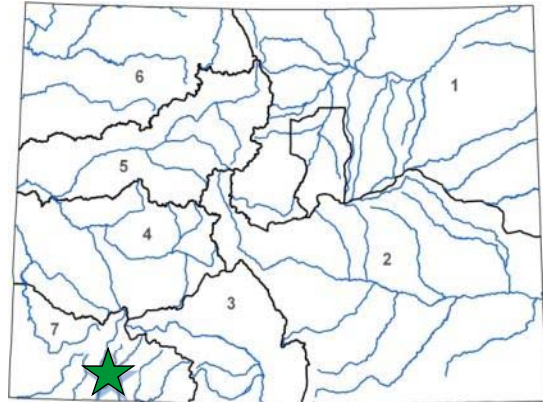
Colorado Water  
Conservation Board  
Department of Natural Resources

## Florida Canal Diversion Replacement

Florida Consolidated Ditch Company

September 2020 Board Meeting

L O A N   D E T A I L S	
Project Cost:	\$1,200,000
CWCB Loan (with 1% Service Fee):	\$757,500
Loan Term and Interest Rate:	30 years @ 1.30%
Funding Source:	Severance Tax PBF & WSRF & WPG
B O R R O W E R   T Y P E	
Agriculture	Municipal      Commercial
94%	0% Low - 6% Mid - 0% High      <1%
P R O J E C T   D E T A I L S	
Project Type:	Diversion Structure Replacement
Average Annual Diversions:	10,254 AF



The Company is a non-profit mutual ditch company established in 2014 out of the four original Florida Mesa canal companies. It owns and operates both the Florida Farmers Ditch and the Florida Canal, serving 293 shareholders and supporting approximately 16,000 acres of primarily pasture grass and hay production. The Florida Canal has pre-compact water rights totaling 80 cfs.

L O C A T I O N	
County:	La Plata
Water Source:	Florida River
Drainage Basin:	San Juan/Dolores
Division:	7      District: 30

The existing diversion structure was constructed around the turn of the century, and currently diverts both natural streamflow and Lemon Reservoir storage water to shareholders and Project Water Users. In 2017, the timber face of the structure began to fail after a release from Lemon Reservoir and was temporarily repaired. Since then the Company has pursued a long-term solution that incorporates multi-beneficial outcomes, including removal of a dangerous low head dam and incorporation of in-stream fish passage components. Current funding for the Project will come from the CWCB loan, \$275,000 in requested WSRF grant funds, and \$175,000 in previously approved Water Plan grant funds. The Company also plans to request an additional Water Plan grant in March and a Southwestern Water Conservation District grant in November to reduce the loan to 50% of project costs. Construction is expected to begin in the fall of 2022.

