



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

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Jared Polis, Governor  
Dan Gibbs, DNR Executive Director  
Lauren Ris, CWCB Acting Director

**TO:** Colorado Water Conservation Board Members

**FROM:** Cole Bedford, P.E., Project Manager  
Kirk Russell, P.E., Finance Section Chief

**DATE:** July 19-20, 2023 Board Meeting

**AGENDA ITEM:** 13a. Change to Existing Loans  
Cottonwood Water and Sanitation District  
Water Infrastructure and Supply Efficiency (WISE) Phase 2 Infrastructure Project

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#### **Staff Recommendation**

Staff recommends the Board approve a loan not to exceed \$1,690,740 (\$1,674,000 for project costs and \$16,740 for the 1% service fee) to the Cottonwood Water and Sanitation District, acting by and through its water activity enterprise, for costs related to the WISE Phase 2 Infrastructure Project, from the Construction Fund. The loan term will remain 30 years at an interest rate of 3.00% per annum. This is an increase of \$563,580 (\$558,000 for Project costs and \$5,580 for the 1% service fee) to CWCB Loan Contract CT2015-0105. Security for the loan shall be in compliance with CWCB Financial Policy #5.

#### **Introduction/Background**

The Cottonwood Water and Sanitation District (Cottonwood) received approval of four separate loan contracts (CT2015-0102, CT2015-0106, CT2015-0105, and CT2015-0104) for costs related to their participation in the Water Infrastructure and Supply Efficiency (WISE) Project at the May 2014 meeting of the CWCB. The combined authorization of the four loans was \$4,508,640 which was 90% of the estimated total Project cost.

Each of the loans covered costs related to one of four separate WISE sub-projects. The first two sub-projects (East Cherry Creek Valley Pipeline Purchase and Phase 1 Infrastructure) are complete and the loans closed out and put into repayment. The second two sub-projects (Phase 2 Infrastructure and Denver International Airport Connection) are ongoing and experiencing cost overruns. As a result, Cottonwood is requesting an increase to the Phase 2 Infrastructure loan (CT2015-0105). Cottonwood expects to submit a request to increase the Denver International Airport (DIA) Connection loan later this year. See the attached Project Data Sheet for a location map and project summary and original board memo dated May 2014.



## Project Update

The primary component of the WISE Phase 2 Infrastructure Project is the construction of the Binney Interconnect which directly connects the Prairie Waters Project outfall at the Binney Water Purification Plant and the ECCV Western Pipeline. Work on Phase 2 and the Binney Interconnect began in 2020. Construction efforts were delayed and costs increased due to COVID, but is now nearly complete. Once final electrical infrastructure is complete, the permanent connections can be completed and the temporary connections made during Phase 1 can be removed.

**Permitting:** All permitting required to undertake the project has been completed.

**Schedule:** It is expected that final electrical infrastructure will be installed later this year and that the loan will be closed out soon afterwards.

## Financial Analysis

Table 1 provides an update of summary of the Project's financial aspects. The loan term shall remain 30 years. The interest rate shall remain at the May 2014 High Municipal Income rate of 3.00%.

**TABLE 1: UPDATED FINANCIAL SUMMARY**

Project Item	Original	Current
Project Cost	\$1,240,000	\$1,798,000
Borrower Match <sup>1</sup>	\$124,000	\$124,000
CWCB Loan Amount	\$1,116,000	\$1,674,000
CWCB Loan Amount (Including 1% Service Fee)	\$1,127,160	\$1,690,740
CWCB Annual Loan Payment	\$57,507	\$86,260
CWCB Annual Loan Obligation (1 <sup>st</sup> Ten Years)	\$63,258	\$94,886

<sup>1</sup>In 2014, CWCB policy required that Water Project Loan Program loans cover 90% of project costs matched by a 10% contribution by the Borrower. Policy now allows loans to cover 100% of costs, so no increase to the Borrower Match is recommended as part of this loan increase.

**Creditworthiness:** Cottonwood carries no debt collateralized by their Water Activity Enterprise except for their CWCB WISE Loans. This existing debt is described in Table 2. Financial ratios are shown in Table 3.

**TABLE 2: EXISTING ENTERPRISE DEBT**

Lender	Original Balance	Current Balance	Annual Payment	Maturity Date	Collateral
CWCB (CT2015-0102)	\$342,921	\$283,473	\$19,478	2043	Enterprise Revenues
CWCB (CT2015-0106)	\$347,967	\$325,360	\$17,753	2049	Enterprise Revenues
CWCB (CT2015-0104)	\$363,600 <sup>1</sup>	\$195,945	\$18,551 <sup>2</sup>	Open	Enterprise Revenues
		\$804,778	\$55,782		

<sup>1</sup>Including 1% Service Fee

<sup>2</sup>Assumes that the loan closes out after disbursing the full loan authorization

**TABLE 3: UPDATED FINANCIAL RATIOS**

Financial Ratio	Past Years	Future w/ Project	Future w/ Increase
Operating Ratio (revenues/expenses) weak: <100%   average: 100% - 120%   strong: >120%	104% (average) \$3.2M/\$3.1M	102% (average) \$3.4M/\$3.4M	100% (average) \$3.3M/\$3.3M
Debt Service Coverage Ratio (revenues-expenses)/debt service weak: <100%   average: 100% - 120%   strong: >120%	N/A	100% (average) <u>(\$3.4M-\$3.1M)</u> \$0.3M	100% (average) <u>(\$3.3M-\$3.1M)</u> \$0.2M
Cash Reserves to Current Expenses weak: <50%   average: 50% - 100%   strong: >100%	42% (weak) \$1.3M/\$3.1M	33% (weak) \$1.1M/\$3.4M	33% (weak) \$1.1M/\$3.3M
Debt per Service Connection (2,300 & 3,410) weak: >\$5,000   average: \$2,500 - \$5,000   strong: <\$2,500	N/A	\$1,960 (strong) \$4.5M/2.3K	\$735 <sup>1</sup> (strong) \$2.5M/3.4K
Average Monthly Water Bill weak: >\$60   average: \$30 - \$60   strong: <\$30	\$54 (average)	\$62 (weak)	\$59 (average)

<sup>1</sup> Because Cottonwood took less than their full loan authorizations on their already completed WISE loans and they have increased in size, the future Debt per Service Connection ratio is stronger than projected in 2014

**Collateral:** Security for this loan will remain a pledge of Cottonwood's water activity enterprise revenues backed by a rate covenant as evidenced by annual financial reporting. This security is in compliance with the CWCB financial Policy #5 (Collateral).

cc: Luis Tovar, General Manager, Cottonwood Water and Sanitation District  
 Jennifer Mele, Colorado Attorney General's Office

Attachments: Original Board Memo (May 2014)  
 Water Project Loan Program - Project Data Sheet

# STATE OF COLORADO

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## Colorado Water Conservation Board Department of Natural Resources

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John W. Hickenlooper  
Governor

Mike King  
DNR Executive Director

James Eklund  
CWCB Director

TO: Colorado Water Conservation Board Members

FROM: Derek Johnson, P.E., Project Manager *DJ*  
Kirk Russell, P.E., Chief *KR*  
Finance Section

DATE: May 9, 2014 (Updated May 23, 2014)

SUBJECT: **Agenda Item 30a, May 21-22, 2014 Board Meeting**  
**Water Infrastructure and Supply Efficiency (WISE) Project Loans**  
**Cottonwood Water and Sanitation District**

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### Introduction

The Cottonwood Water & Sanitation District (Cottonwood or District), acting by and through its water activity enterprise, is requesting a loan for its participation in the Water Infrastructure and Supply Efficiency (WISE) Project. The WISE Project is included in the CWCB Projects Bill (HB14-1333). For the purposes of this loan, the Project is defined as the District's participation therein. The goal of the Project is to reduce the District's dependence on non-renewable water sources. The District is requesting a loan from the CWCB for 90% of its \$4,960,000.00 project cost. See attached Project Data Sheet for a location map and a project summary.

### Staff Recommendation (Board approved staff recommendation on May 22, 2014)

Staff recommends the Board approve a total loan not to exceed \$4,508,640 (\$4,464,000 for Project costs and \$44,640 for the 1% Loan Service Fee) to the Cottonwood Water & Sanitation District, acting by and through its water activity enterprise, for its participation in the Water Infrastructure and Supply Efficiency (WISE) Project from the Construction Fund. The loan terms shall be 30 years at the high-income municipal interest rate of 3.0% per annum. Security for the loan shall be in compliance with CWCB Financial Policy #5.

(INFORMATION IN SMALL CAPS IS COMMON TO ALL WISE LOANS)

### **WISE Project Overview**

THE WISE PROJECT IS THE RESULT OF REGIONAL COOPERATIVE PLANNING EFFORTS BETWEEN DENVER WATER, AURORA WATER, AND 10 REGIONAL WATER PROVIDERS IN THE SOUTH METROPOLITAN AREA.

WATER PROVIDERS IN THE SOUTH METROPOLITAN DENVER AREA RELY PRIMARILY ON BEDROCK GROUNDWATER TO SUPPLY MUNICIPAL AND INDUSTRIAL WATER NEEDS. ALTHOUGH THERE IS A SUBSTANTIAL AMOUNT OF GROUNDWATER IN BEDROCK AQUIFERS UNDERLYING THE DENVER AREA, THESE SUPPLIES DO NOT HAVE A NATURAL SOURCE OF REPLENISHMENT AND ARE THUS CONSIDERED TO BE NON-RENEWABLE. GROUNDWATER AND WELL PRODUCTION DATA INDICATE THAT GROUNDWATER LEVELS ARE DECLINING IN MANY AREAS AS A RESULT OF GROUNDWATER PUMPING. AREA WATER PROVIDERS RECOGNIZE THE NEED TO TRANSITION TO RENEWABLE WATER SUPPLY SOURCES.

THE SOUTH METRO WISE AUTHORITY (WISE AUTHORITY) IS COMPRISED OF TEN GOVERNMENTAL WATER PROVIDERS IN DOUGLAS AND ARAPAHOE COUNTIES BOUND TOGETHER BY A 2013 INTERGOVERNMENTAL AGREEMENT. STAFF IS RECOMMENDING FOUR WISE AUTHORITY MEMBERS FOR LOAN FUNDING THROUGH CWCB.

THE WISE PROJECT WILL UTILIZE EXCESS CAPACITY IN AURORA'S PRAIRIE WATERS PROJECT AND AS-AVAILABLE REUSABLE RETURN FLOWS FROM DENVER WATER AND AURORA WATER TO CREATE A NEW SURFACE WATER SUPPLY FOR WISE AUTHORITY MEMBERS. REUSABLE RETURN FLOWS WILL BE DELIVERED FROM THE SOUTH PLATTE RIVER THROUGH AURORA'S PRAIRIE WATERS SYSTEM TO ITS BINNEY WATER PURIFICATION FACILITY. TREATED WATER WILL THEN BE DELIVERED TO A MASTER METER FOR FURTHER DISTRIBUTION TO WISE AUTHORITY MEMBERS.

WATER DELIVERIES RESULTING FROM THE WISE PROJECT WILL BE VARIABLE AND, AT TIMES, INTERMITTENT. WATER DELIVERIES THROUGH THE WISE PROJECT CAN BE DIRECTLY USED IN PARTICIPANTS' DISTRIBUTION SYSTEMS WHEN DEMANDS COINCIDE WITH THE AVAILABILITY OF SUPPLIES. TO THE DEGREE THAT DELIVERIES EXCEED DEMAND (IN ANY GIVEN MONTH OR DAY), EXCESS WATER CAN BE PUT INTO STORAGE FOR LATER WITHDRAWAL. STORAGE SITES THAT MAY BE UTILIZED INCLUDE RUETER-HESS RESERVOIR AND AQUIFER STORAGE AND RECOVERY (ASR).

WATER WILL BE DELIVERED TO PARTICIPANTS BASED ON THE AMOUNTS DEFINED IN THE WATER DELIVERY AGREEMENT BETWEEN AURORA WATER, DENVER WATER AND THE WISE AUTHORITY. THIS DEFINED VOLUME IS REFERRED TO AS THE SUBSCRIPTION LEVEL, AND IS BASED ON AVERAGE ANNUAL WATER DELIVERIES OVER A 10-YEAR BLOCK OF TIME IN ACRE-FEET PER YEAR. THE FOLLOWING *TABLE 1: WISE PARTICIPANTS & DELIVERIES* LISTS THE AMOUNT OF WATER TO WHICH EACH WISE AUTHORITY MEMBER HAS COMMITTED IN THE WATER DELIVERY AGREEMENT.

**TABLE 1: WISE PARTICIPANTS & DELIVERIES**

<b>WISE Authority Member</b>	<b>10-Year Guar. Delivery (acre-feet)</b>	<b>Subscription Level (acre-feet per year)</b>
<b>Cottonwood *</b>	<b>4,000</b>	<b>400</b>
<b>Inverness *</b>	<b>5,000</b>	<b>500</b>
<b>Parker *</b>	<b>12,000</b>	<b>1,200</b>
<b>Pinery *</b>	<b>5,000</b>	<b>500</b>
Rangeview	5,000	500
Castle Rock	10,000	1,000
Centennial	10,000	1,000
Dominion	13,250	1,325
Stonegate	5,000	500
Meridian	3,000	300
<b>Totals</b>	<b>72,250</b>	<b>7,225</b>

*\* Entities in bold are recommended for CWCB loans.*

FACILITIES TO BE CONSTRUCTED OR ACQUIRED FOR THE WISE PROJECT CAN BE CONSIDERED CORE OR LOCAL COMPONENTS. CORE INFRASTRUCTURE COMPONENTS ARE THOSE DOWNSTREAM OF AURORA'S BINNEY WATER PURIFICATION FACILITY (BWPF) CLEAR WELL AND MASTER METER THAT ARE NECESSARY FOR SERVICE TO ALL OR MOST OF THE PARTICIPANTS, AND RELATED COSTS THEREFORE ARE DISTRIBUTED AMONG ALL WISE AUTHORITY PARTICIPANTS ACCORDING TO THEIR COMMITTED DELIVERY SUBSCRIPTION LEVEL. LOCAL INFRASTRUCTURE COMPONENTS ARE NECESSARY ELEMENTS FOR INDIVIDUAL OR SMALLER GROUPS OF WISE AUTHORITY PARTICIPANTS, AND ARE DIRECTLY APPLIED TO THE BENEFITING MEMBERS. THE CWCB LOANS FOR THE OVERALL PROJECT HAVE BEEN DIVIDED INTO FOUR SEPARATE LOAN CONTRACTS ACCORDING TO FUNDING, TIMELINE, AND LOCATION:

CONTRACT #1 - EAST CHERRY CREEK VALLEY (ECCV) PIPELINE PURCHASE: DELIVERIES TO THE WISE AUTHORITY MEMBERS WILL BE BROUGHT SOUTH THROUGH AURORA'S PRAIRIE WATERS PIPELINE TO A DELIVERY AND MASTER METER POINT LOCATED AT AURORA'S BWPF. SUBSEQUENT DELIVERY TO AREAS WEST WILL BE MADE VIA THE ECCV WESTERN PIPELINE. THE WISE AUTHORITY WILL PURCHASE AN 85% OWNERSHIP INTEREST IN THE 15-MILE ECCV WESTERN PIPELINE, WITH THE REMAINING 15% OWNERSHIP TO BE HELD BY DENVER WATER. ECCV WILL RETAIN RIGHTS TO CARRYING CAPACITY IN THE PIPELINE.

CONTRACT #2 - PHASE 1 INFRASTRUCTURE: COMPONENTS INCLUDED IN THIS PHASE/LOAN INCLUDE A TEMPORARY DIRECT CONNECTION TO AURORA'S DISTRIBUTION SYSTEM TO PROVIDE SHORT-TERM DELIVERIES, AND MODIFICATIONS TO THE ECCV WESTERN PIPELINE NECESSARY TO MAKE WISE WATER DELIVERIES. LOCAL COMPONENTS CONSIST OF SEVERAL TURNOUTS TO BE CONSTRUCTED TO DELIVER WATER DIRECTLY TO WISE PARTICIPANTS WITH SYSTEMS ADJACENT TO THE PIPELINE. ADDITIONAL PUMP STATIONS WILL BE CONSTRUCTED TO DELIVER WATER TO STORAGE IN RUETER-HESS RESERVOIR AND CONVEY WATER TO PARTICIPANTS LOCATED SOUTH OF RUETER-HESS RESERVOIR. THIS PHASE INCLUDES TWO PUMP STATIONS, AND 45 MILES OF NEW PIPELINES VARYING BETWEEN 8- AND 42- INCHES IN DIAMETER.

**CONTRACT #3 - PHASE 2 INFRASTRUCTURE:** COMPONENTS INCLUDED IN THIS PHASE/LOAN INCLUDE A PUMP STATION AND PIPELINE FROM THE BWPF TO THE EXISTING ECCV PIPELINE, REPLACING THE TEMPORARY INTERCONNECT WITH THE AURORA DISTRIBUTION SYSTEM AND INCREASING THE CAPACITY OF THE OVERALL SYSTEM. WATER WILL BE PUMPED GENERALLY WEST TO A HIGH POINT, THEN WEST ALONG THE HIGHWAY E-470/C-470 CORRIDOR THROUGH THE EXISTING ECCV WESTERN PIPELINE.

**CONTRACT #4 - DENVER INTERNATIONAL AIRPORT (DIA) CONNECTION:** THE DIA CONNECTION PROJECT COMPONENT, A 24-INCH 6 MILE PIPELINE INTERCONNECTION BETWEEN DENVER WATER'S TREATED DISTRIBUTION SYSTEM NEAR DIA AND AURORA'S PRAIRIE WATERS PIPELINE, WILL PROVIDE BLEND WATER DELIVERIES FOR THE WISE AUTHORITY MEMBERS. DENVER WATER WILL OWN AND OPERATE THE DIA CONNECTION.

**TABLE 2: WISE AUTHORITY PROJECT COSTS**

WISE Authority Member	ECCV Pipeline Purchase	Phase 1 & 2 Infrastructure	DIA Connection	Totals
<b>Cottonwood *</b>	\$ 420,000	\$ 4,140,000	\$ 400,000	\$ 4,960,000
<b>Inverness *</b>	\$ 2,030,000	\$ 2,870,000	\$ 500,000	\$ 5,400,000
<b>Parker *</b>	\$ 4,870,000	\$ 11,226,000	\$ 1,210,000	\$ 17,306,000
<b>Pinery *</b>	\$ 2,030,000	\$ 8,390,000	\$ 500,000	\$ 10,920,000
Range view	\$ 2,030,000	\$ 3,903,900	\$ 500,000	\$ 6,433,900
Castle Rock	\$ 4,060,000	\$ 34,934,900	\$ 1,000,000	\$ 39,994,900
Centennial	\$ 4,060,000	\$ 4,046,900	\$ 1,000,000	\$ 9,106,900
Dominion	\$ 5,370,000	\$ 37,008,400	\$ 1,330,000	\$ 43,708,400
Meridian	\$ 1,220,000	\$ 1,272,700	\$ 300,000	\$ 2,792,700
Stonegate	\$ 2,030,000	\$ 4,304,300	\$ 500,000	\$ 6,834,300
<b>Component Totals</b>	<b>\$ 28,120,000</b>	<b>\$ 112,097,100</b>	<b>\$ 7,240,000</b>	<b>\$ 147,457,100</b>

*\* Entities in bold are recommended for CWCB funding.*

**SCHEDULE:** ALL FACILITIES ARE SCHEDULED TO BE CONSTRUCTED BY MID-2020. MAJOR MILESTONES TO NOTE INCLUDE:

- ALL AGREEMENTS WILL BE FINALIZED BY THE MIDDLE OF 2014
- PURCHASE OF THE ECCV PIPELINE IS EXPECTED IN 2014
- DESIGN OF PHASE 1 INFRASTRUCTURE AND A DIRECT CONNECTION TO AURORA WATER'S DISTRIBUTION SYSTEM WILL BEGIN IN 2014. CONSTRUCTION OF THESE COMPONENTS WILL BEGIN IN 2015 AND IS PLANNED TO BE COMPLETED MID-2016.
- DESIGN OF PERMANENT PHASE 2 INFRASTRUCTURE TO REPLACE THE TEMPORARY CONNECTION TO THE AURORA WATER DISTRIBUTION SYSTEM WILL BEGIN IN 2018. CONSTRUCTION OF THESE COMPONENTS WILL BEGIN IN 2019 AND IS PLANNED TO BE COMPLETED MID-2020.
- DENVER WATER HAS AGREED TO DESIGN AND CONSTRUCT THE DIA CONNECTION ON OR BEFORE MAY 31, 2020.

## **Borrower - Cottonwood Water & Sanitation District**

In 1981, the Cottonwood Water & Sanitation District was formed, pursuant to Title 32 C.R.S., to provide water supply and treatment systems for customers within its service area. In 1996, the Board of Directors passed a Resolution establishing a water activity enterprise. The District meets the requirement for a state-approved conservation plan by virtue of its participation in the cooperative Douglas County Water Conservation Plan, which combines the individual conservation plans of 15 regional water providers into a single document.

The District contains approximately 1,300 acres, located along the northern border of Douglas County. Approximately 2/3 of the District is within the Town of Parker and the remainder is in unincorporated Douglas County. Currently it supplies water to a total of 2,300 single family equivalent (SFE) taps.

In 2013, the District supplied a total of 789 acre-feet of water to its customers, equating to an average 705,000 gallons per day. The highest daily usage recorded for 2013 was 1.4 million gallons. Currently, the District's water supply is provided through tributary water rights from Cherry Creek, and non-tributary water from the Denver Basin (Arapahoe aquifer). Both of these water sources are reusable by right. The District reuses much of its water supply. Including Cherry Creek alluvial supply water rights, the District has access to 2,456 acre-feet annually.

The District estimates that through the importation of additional renewable water through the WISE Project, most of its water supply in average and wet years will come through its renewable water supplies (Cherry Creek tributary water rights, WISE deliveries, and reuse). In these years, the District will store excess WISE water in its non-tributary aquifers or in Rueter-Hess Reservoir. In dry years, when WISE deliveries are curtailed or when alluvial supplies on Cherry Creek are diminished, the District will rely more heavily on non-tributary ground water pumping and deliveries of WISE water from storage.

## **Water Rights**

The District has 1,690 acre-feet of non-tributary ground water rights, and 766 acre-feet of Cherry Creek tributary water rights. The District currently only has non-tributary wells in the Arapahoe Aquifer with an entitlement of 1,003 acre-feet. The District's 766 acre-feet of tributary water varies from year to year. All water rights are reusable and the District is able to effectively reuse its water rights to replace out-of-priority depletions per its decreed augmentation plans on Cherry Creek.

## **Borrower's Participation**

Cottonwood has subscribed to 400 acre-feet of water on an average annual basis through the WISE Project.

Cottonwood's local project infrastructure components will extend from an existing tee located on the ECCV Western Pipeline, where a below-grade vault with flow control and metering equipment will be installed. From this location 500 feet of 36-inch pipe will be installed to connect to an existing Cottonwood pipeline. In addition, Cottonwood will also participate in a Rueter-Hess Reservoir fill pipeline and pump station being constructed by Parker.

The estimated total project cost for all of the WISE Project components is \$147.5M. The amount that each WISE Authority member is required to pay depends on the amount of water each WISE Authority member has committed to taking, as well as the amount of local infrastructure that must be constructed



to deliver each member's WISE water. Cottonwood's project cost components are shown in Table 3 below:

**TABLE 3: LOAN CONTRACTING SUMMARY**

Contract	Earliest Contract Date	Time of Performance	Project Cost *	CWCB Loan Contract Amount (w/o service fee)	Project Activity
1	7/1/2014	2 Years	\$ 420,000	\$ 378,000	ECCV Pipeline Purchase
2	1/1/2015	4 Years	\$ 2,900,000	\$ 2,610,000	Phase 1 Infrastructure
3	1/1/2015	8 Years	\$ 1,240,000	\$ 1,116,000	Phase 2 Infrastructure
4	7/1/2014	8 Years	\$ 400,000	\$ 360,000	DIA Connection
<b>Totals</b>			<b>\$ 4,960,000</b>	<b>\$ 4,464,000</b>	

*\* Project Cost is defined as the District's participation cost in the overall WISE Project.*

**Contracting:** In anticipation of a multi-year and multi-phased project, CWCB will enter into multiple contracts, for increments of the approved loan limit. This will put the District into repayment on completed portions of the Project and allow CWCB to best utilize its loan funds. CWCB will enter into contracts for project activities no sooner than the dates shown in the above table. Given the potentially long Time of Performance of each contract, interest during construction will be required to be paid annually unless otherwise approved by CWCB.

### Loan Feasibility Study

Black & Veatch prepared a Loan Feasibility on behalf of the WISE Authority dated October 23, 2013 and titled "*Water Infrastructure and Supply Efficiency Project Loan Feasibility Study*". This study was prepared in accordance with CWCB guidelines and includes an alternatives analysis, conceptual design descriptions, exhibits, cost estimates, and financial statements audited by Haynie & Company, CPA. Additional clarification and information was provided by Eric Hecox and Rick Marsicek, P.E. of South Metro Water Supply Authority.

### Financial Analysis

Table 4 shows a summary of the financial aspects of the Project. Based on the median household income of its members, the District qualifies for the high municipal income rate of 3.00% for a 30-year term.

**TABLE 4: PROJECT FINANCIAL SUMMARY**

Total Project Cost	\$ 4,960,000
Borrower Match	\$ 496,000
CWCB Loan	\$ 4,464,000
CWCB Loan (Including 1% Service Fee)	\$ 4,508,640
CWCB Annual Loan Payment	\$ 230,027
CWCB Annual Loan Obligation (including 10% debt reserve funding)	\$ 253,030
Monthly Cost of Loan per SFE (2300 SFEs)	\$ 9.17
Cost per Acre-Foot of Subscribed Deliveries (400 AF)	\$ 12,400

CWCB will disburse loan funds at a rate of up to 90% of Project Cost, up to the approved loan contract limit.

**Creditworthiness:** Per the District's 2012 financial statements, the District has \$21.4M in outstanding debt. None of its debt is tied to water activity enterprise revenues.

**TABLE 5: EXISTING DEBT**

Lender	Original Balance	Current Balance	Annual Payment	Maturity Date	Collateral
Series 2006A Bonds	\$ 9,825,000	\$ 7,395,000	\$ 635,000	12/1/2020	Property Tax Levy
CWRPDA	\$ 9,996,005	\$ 8,242,995	\$ 450,617	8/1/2027	Property Tax Levy
Series 2008A Bonds	\$ 6,730,000	\$ 5,800,000	\$ 275,000	2027	Property Tax Levy
<b>Totals</b>	<b>\$ 26,551,005</b>	<b>\$ 21,437,995</b>	<b>\$ 1,360,617</b>		

**TABLE 6: ENTERPRISE FINANCIAL RATIOS**

Financial Ratio	Past 3 Years	Future w/ Project
<b>Operating Ratio (revenues/expenses)</b> <b>weak: &lt;100%</b> - <b>average: 100% - 120%</b> - <b>strong: &gt;120%</b>	104% (average) \$3.2M/\$3.1M	102% (average) \$3.4M/\$3.4M
<b>Debt Service Coverage Ratio</b> (revenues-expenses)/debt service <b>weak: &lt;100%</b> - <b>average: 100% - 120%</b> - <b>strong: &gt;120%</b>	NA	100% (average) (\$3.4M-\$3.1M) / \$0.3M
<b>Cash Reserves to Current Expenses</b> <b>weak: &lt;50%</b> - <b>average: 50% - 100%</b> - <b>strong: &gt;100%</b>	42% (weak) \$1.3M/\$3.1M	33% (weak) \$1.1M/\$3.4M
<b>Debt per Tap (2300 SFEs)</b> <b>weak: &gt;\$5,000</b> - <b>average: \$2,500 - \$5,000</b> - <b>strong: &lt; \$2,500</b>	NA	\$1,960 (Strong) \$4.5M / 2300 SFEs
<b>Monthly Residential Water Bill</b> <b>weak: &gt;\$60</b> - <b>average: \$30 - \$60</b> - <b>strong: &lt;\$30</b>	\$54 (average)	\$62 (weak)

**Collateral** - Security for this loan will be a pledge of the District's water activity enterprise revenues backed by a rate covenant as evidenced by annual financial reporting. Parity status will be required with all existing revenue-secured loans. This security is in compliance with CWCB Loan Policy #5 (Collateral).

cc: Patrick Mulhern, General Manager, Cottonwood Water & Sanitation District  
Eric Hecox, Executive Director, South Metro Water Supply Authority  
Susan Schneider/Jennifer Mele, Colorado Attorney General's Office

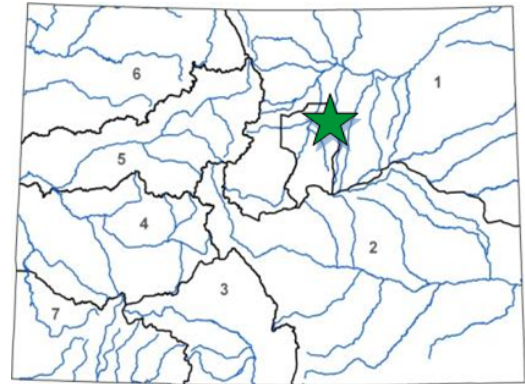
Attachment: Water Project Loan Program -- Project Data Sheet

## WISE Phase 2 Infrastructure

### Cottonwood Water and Sanitation District

July 2023 Board Meeting (Increase)

LOAN DETAILS	
Project Cost:	\$1,798,000
CWCB Loan (with 1% Service Fee):	\$1,690,740
Loan Term and Interest Rate:	30 Yrs @ 3.00%
Funding Source:	Construction Fund
BORROWER TYPE	
Agriculture	Municipal
0%	0% Low - 0% Mid - 100% High
Commercial	0%
PROJECT DETAILS	
Project Type:	New Water Supply
Average Annual Diversions:	789 AF



In 1981, the Cottonwood Water and Sanitation District was formed to provide water supply and treatment systems for customers within its service area.

LOCATION	
County:	Douglas & Arapahoe
Water Source:	South Platte
Drainage Basin:	South Platte
Division: 1	District: 8

In 2013, Cottonwood joined the Water Infrastructure and Supply (WISE) Authority and in 2014, the CWCB Board and the Colorado General Assembly authorized the Water Project Loan Program to provide a series of loans to the WISE Authority members for costs associated with their participation in the WISE Efficiency Projects. One of the projects was the Phase 2 Infrastructure. Its primary component of the second phase was the construction of the Binney Interconnect which would directly connect the Prairie Waters Project outfall at the Binney Water Purification Plant and the East Cherry Creek Valley Western Pipeline. Work on Phase 2 and the Binney Interconnect began in 2020. Construction efforts were delayed and costs increased due to COVID, but as of 2023 was nearly complete.

