



COLORADO

Colorado Water Conservation Board

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

May 25, 2023

Mark LeValley, President
Crawford Clipper Ditch Company
PO Box 263
Crawford, CO 81415
admin@cmwa.us

Re: Crawford Clipper Ditch Improvements - Loan Approval

Dear Mr. LeValley:

I am pleased to inform you that on May 17, 2023 the Colorado Water Conservation Board approved your loan request for the Crawford Clipper Ditch Improvements Project described in the application and approved Loan Feasibility Study titled *Feasibility of the Upper West Lateral Piping and Water Optimization Project*, dated January 2023. 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 1.85% per annum for 30 years.

I have attached a copy of the updated Board memo dated May 18, 2023 that includes the Board's approval. After the Board approves a loan there are a few steps that remain in the loan process including:

Contracting: An executed loan contract must be in place before funds can be disbursed for eligible project expenses. Kaylee Salazar, Loan Contracts Manager, will contact you to initiate the loan 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. Joshua Godwin, 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 x3254.

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





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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: Joshua Godwin, P.E., Project Manager
Kirk Russell, P.E., Finance Section Chief

DATE: May 17-18, 2023 Board Meeting (**Updated May 18, 2023**)

AGENDA ITEM: 18a. Water Project Loans
Crawford Clipper Ditch Company
Crawford Clipper Ditch Improvements

Staff Recommendation (Board approved Staff Recommendation May 17, 2023)

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 Crawford Clipper Ditch Company for costs related to Crawford Clipper Ditch improvements, from the Severance Tax Perpetual Base Fund. The loan term will be 30 years at an interest rate of 1.85% per annum. Security for the loan shall be in compliance with CWCB Financial Policy #5.

Additionally, staff recommends the following condition to be included in the loan contract:

1. Funds from this loan shall not be disbursed until after all easements necessary for the Project have been secured.

Introduction

The Crawford Clipper Ditch Company (Company) is applying for a loan at the agricultural interest rate for the Crawford Clipper Ditch Improvements to cover approximately 43% of the estimated costs; the remainder will be covered by grants. The Crawford Clipper Ditch (Ditch) is a relatively large mainline irrigation channel with several lateral ditches that carry water to individual users from the Smith Fork Creek, a tributary of the Gunnison River. To date, the Company has piped all laterals except for its Upper Western Lateral. The Crawford Clipper Ditch Improvements (Project) includes piping of the Upper Western Lateral to reduce salt accumulation in the Lower Gunnison, reduce seepage losses, and encourage shareholders to invest in more efficient forms of irrigation. In addition to the piping component of the work, the Company will also construct a sedimentation basin and regulating reservoir for additional control and efficiency. The total Project cost is estimated to be \$1,762,000. See attached Project Data Sheet for a location map and Project summary.



Borrower - Crawford Clipper Ditch Company

The Crawford Clipper Ditch Company is a privately owned, mutually funded irrigation company that was established in 1885. The Company operates and maintains the Ditch in Delta County for the benefit of its 114 agricultural shareholders. The Ditch diverts water from the Smith Fork Creek, a tributary of the Gunnison River, and runs water through downtown Crawford where the ditch then forks at the Company's three-way divider structure—at which point the Upper Western Lateral begins. The Company supplies 3,480 acres of primarily hay land and pastureland with irrigation water. These farms are largely irrigated with flood systems taken directly from the Ditch's laterals and gated pipe systems, although a limited number of sprinklers have been installed. The Company is directed by a five-member board elected annually by a simple majority vote of shareholders for three-year terms. In the event that a shareholder fails to pay their annual assessment, their water delivery is terminated and the Company stock shall be sold to the highest bidder after having been duly advertised. The Company received approval to incur debt from the shareholders at the 2023 annual meeting. The Company is formed as a non-profit and is in good standing with the Colorado Secretary of State's Office.

Background

When the Company was established in 1885, the Company's irrigation network consisted exclusively of open ditches. In the century since, the ditches have been piped for more efficient delivery. To date, all laterals for the Ditch—except for the Upper West Lateral—have been piped. The Upper Western Lateral is a 5,700 ft stretch of open ditch that begins in Crawford at the Company's office where the ditch trifurcates. The Bureau of Reclamation (BOR) funded the previous piping projects under their Salinity Control Program.

The Upper Western Lateral is the Company's only remaining open lateral section. Piping this section would reduce salt loading on the Lower Gunnison and Colorado River Watersheds by an estimated 256 tons annually and therefore qualifies for Salinity Control Program funding; however, the rest of the Project that does not impact salinity does not qualify for Salinity Control funding. In addition to piping the Upper Western Lateral, the Company intends to construct a sedimentation basin and regulating reservoir. The sedimentation basin will reduce particulate loading in the irrigation water and the regulating reservoir will provide more consistent flows to shareholders.

Because all of the Project could not qualify for Salinity Control Program Funding, the Company elected to apply for a CWCB loan. They have also secured financial support from the Gunnison Basin Roundtable and Statewide Water Supply Reserve Fund (WSRF), the Natural Resources Conservation Service (NRCS) through the Water Management Entity Program, and the Colorado River Water Conservation District Partnership Program.

Loan Feasibility Study

Shana Harness, with Grand Mesa Natural Resource Consulting, LLC with support from Calvin Harward P.E., with Harward Consulting & Engineering, LLC prepared the Loan Feasibility Study titled, "Feasibility of the Upper West Lateral Piping and Water Optimization Project," dated January 2023. The feasibility study is in accordance with CWCB guidelines and includes an analysis of alternatives, estimated costs, and financial statements prepared by the Crawford Clipper Ditch Company.

Water Rights

The Company operates under water rights as shown in Table 1.

TABLE 1: PROJECT WATER RIGHTS

Name	Amount (cfs)	Appropriation Date	Adjudication Date	Case No.
Crawford Clipper Ditch	12.5	10/19/1885	06/17/1889	CA0038
	12.243	04/10/1884	02/27/1903	CA0340
	1.034	04/01/1891		
	2.531	04/01/1892		
	1.275	04/01/1893		
	3.187	04/01/1894		
	3.393	04/01/1895		
	4.088	04/01/1896		
	1.894	04/01/1897		
	1.987	04/01/1898		
	3.806	04/01/1899		
	3.638	04/01/1900		
	41.77	04/01/1905	02/10/1930	CA2030
	60.97	02/11/1930	05/28/1937	CA2563
	10	04/10/1883	03/20/1954	CA3503

Project Description

The Purpose of this Project is to reduce seepage of the ditch, as well as improve the delivery efficiency and maintenance costs.

Alternative 1 - No Action: Taking no action is the least expensive option. However, this does not address the issues of salinity and loss through seepage. Nor does it address the flow issues and accumulation of particulate matter through ditch erosion. For these reasons, this alternative was not considered acceptable.

Alternative 2 - Piping of Ditch: While this alternative does directly address the issues of salt loading and loss of irrigation water through seepage, the Company wants to take the opportunity of this loan to address the additional concerns of inconsistent daily flows by constructing a regulating reservoir and reducing particulate loading with a sedimentation basin.

Selected Alternative 3 - Piping of Ditch and Construction of Regulating Reservoir and Sedimentation Basin: This alternative involves the piping of approximately 5,700 ft of the Ditch to reduce salt loading and loss of irrigation water, construction of a regulating reservoir to provide more consistent flows for shareholders, and construction of a sedimentation basin to reduce particulate loading within the irrigation water. The total estimated cost of this alternative is \$1,762,000 as shown in Table 2.

TABLE 2: ESTIMATED PROJECT COST

Tasks	Cost
Construction	\$631,000
Materials	\$661,000
Permitting	\$10,000
Engineering and Surveying	\$120,000
Contingency (20%)	\$340,000
TOTAL	\$1,762,000

Permitting: The Project has been granted NEPA approval and the Company expects to be exempt from 404 permitting by agricultural exemption; this is being addressed with the Army Corps of Engineers. Negotiations for easements and right-of-way for the Project will be complete prior to disbursement of loan funds

Schedule: The Company expects to complete the final design and bid the construction by the end of 2023. Construction is anticipated to start in early 2024 and to be completed by 2025.

Financial Analysis

Table 3 provides a summary of the Project's financial aspects. The entirety of Company stock ownership is agricultural; therefore, this Project qualifies for the current agricultural interest rate of 1.85% for a 30-year loan. All interest rate evaluations are per CWCB Financial Policy #7 (Lending Rate Determination). The Company raised assessments at the 2022 and 2023 annual meetings in anticipation of this Project and are prepared to do so again if necessary.

TABLE 3: FINANCIAL SUMMARY

Project Cost	\$1,762,000
NRCS Water Management Entity	\$407,000
Colorado River Water Conservation District Community Funding Partnership	\$150,000
Gunnison Basin Roundtable and Statewide WSRF	\$225,000
Bureau of Reclamation Salinity Control Program	\$230,000
CWCB Loan Amount	\$750,000
CWCB Loan Amount (Including 1% Service Fee)	\$757,500
CWCB Annual Loan Payment	\$33,129
CWCB Annual Loan Obligation (1 st Ten Years)	\$36,442
Number of Shares	3,200
Current Assessment per Share	\$11.00
Annual Loan Obligation per Share	\$11.39
Future Assessment per Share	\$17.74 ¹

¹The Company reports this to be their future assessment.

Creditworthiness: The Company has no existing debt.

TABLE 4: FINANCIAL RATIOS

Financial Ratio	Past Years	Future w/ Project
Operating Ratio (revenues/expenses) weak: <100% average: 100% - 120% strong: >120%	120% (average) \$94.4K/\$78.7K	100% (average) \$115.1K/\$115.1K
Debt Service Coverage Ratio (revenues-expenses)/debt service weak: <100% average: 100% - 120% strong: >120%	N/A	100% (average) <u>(\$115.1K-\$78.7K)</u> \$36.4K
Cash Reserves to Current Expenses weak: <50% average: 50% - 100% strong: >100%	12.7% (weak) \$10K/\$78.7K	8.7% (weak) \$10K/\$115.1K
Annual Operating Cost per Acre-Foot (16,006 AF) weak: >\$20 average: \$10 - \$20 strong: <\$10	\$4.92 (strong) \$78.7K/16K	\$7.19 (strong) \$115.1K/16K

Collateral: Security for this loan will be a pledge of assessment revenues backed by an assessment covenant, the Project itself, and the parcel of land - including improvements - owned by the Company in Crawford. This security is in compliance with the CWCB financial Policy #5 (Collateral).

cc: Mark LeValley, President, Crawford Clipper Ditch Company
Jennifer Mele, Colorado Attorney General's Office

Attachments: Water Project Loan Program - Project Data Sheet

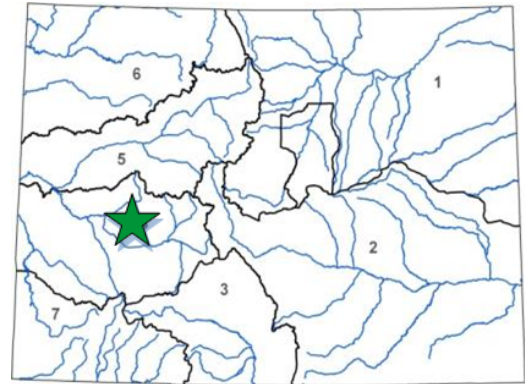


Crawford Clipper Ditch Improvements

Crawford Clipper Ditch Company

May 2023 Board Meeting

LOAN DETAILS	
<i>Project Cost:</i>	\$1,762,000
<i>CWCB Loan (with 1% Service Fee):</i>	\$757,500
<i>Loan Term and Interest Rate:</i>	30 Yrs @ 1.85%
<i>Funding Source:</i>	STPBF
BORROWER TYPE	
<i>Agriculture</i>	<i>Municipal</i>
100%	0% Low - 0% Mid - 0% High
	<i>Commercial</i>
	0%
PROJECT DETAILS	
<i>Project Type:</i>	Ditch Rehabilitation
<i>Average Annual Diversions:</i>	16,006 AF



The Crawford Clipper Ditch Company (Company) is a mutual irrigation company that has been operating since 1885. The Company provides irrigation water to 114 shareholders on approximately 3,480 acres.

LOCATION	
<i>County:</i>	Delta
<i>Water Source:</i>	Smith Fork
<i>Drainage Basin:</i>	Gunnison
<i>UTM:</i>	E: 272800.1 N: 4287166.2
<i>Division:</i>	4
<i>District:</i>	40

The Project is part of a larger master plan to pipe all Company ditches and will be the fourth to be completed. It will consist of constructing a new regulating reservoir, piping 5,700 feet of an open ditch, and developing a sedimentation basin. Overall, the project will increase efficiency of the ditch by reducing seepage and delivering a steadier supply of water to stockholders, as well as reducing maintenance and water quality issues related to erosion. This Project will be jointly funded with the Bureau of Reclamation, the National Resources Conservation Service, and the Colorado River Water Conservation District. It also was approved for a WSRF grant at the March 2023 board meeting. Construction is expected to begin in early 2024 and will last about a year.

