



COLORADO

Colorado Water Conservation Board

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

July 20, 2023

Cottonwood Water and Sanitation District
Mr. Luis Tovar, General Manager
188 Inverness Drive West, Suite 150
Englewood, CO 80112
luis@mulhernmre.com

Re: Water Infrastructure and Supply Efficiency (WISE) Phase 2 Infrastructure Project -
Loan Increase
Contract Number (CT2015-0105) (C150408)

Dear Mr. Tovar:

I am pleased to inform you that on July 19, 2023 the Colorado Water Conservation Board approved a loan increase for the Water Infrastructure and Supply Efficiency (WISE) Phase 2 Infrastructure Project increase of (\$563,580 (\$558,000 for Project costs and \$5,580 for the 1% service fee) for a total loan not to exceed \$1,690,740 (\$1,674,000 for Project costs and \$16,740 for the 1% service fee). The loan terms shall remain 30 years at an interest rate of 3.00% per annum. Security for the loan shall remain in compliance with CWCB Financial Policy #5.

I have attached a copy of the updated Board memo dated July 20, 2023 that includes the Board's approval.

As you are aware, an amended contract must be in place before the additional funds can be disbursed. Kaylee Salazar, Loan Contracts Manager, will initiate the loan amendment process. You can contact Kaylee at (303) 866-3441 x3227 regarding the status of the amendment.

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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1313 Sherman Street, Room 718
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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 (Updated July 20, 2023)

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

Staff Recommendation (Board approved Staff Recommendation July 19, 2023)

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 ¹	\$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 st Ten Years)	\$63,258	\$94,886

¹In 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 ¹	\$195,945	\$18,551 ²	Open	Enterprise Revenues
		\$804,778	\$55,782		

¹Including 1% Service Fee

²Assumes 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 ¹ (strong) \$2.5M/3.4K
Average Monthly Water Bill weak: >\$60 average: \$30 - \$60 strong: <\$30	\$54 (average)	\$62 (weak)	\$59 (average)

¹ 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

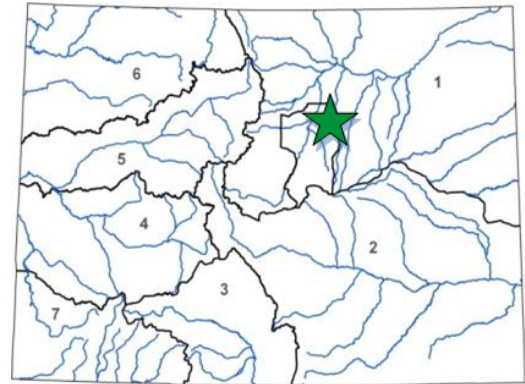
Attachments: Original Board Memo (May 2014)
 Water Project Loan Program - Project Data Sheet

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.

