



COLORADO

Colorado Water Conservation Board

Department of Natural Resources

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Denver, CO 80203

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Jared Polis, Governor

Dan Gibbs, DNR Executive Director

Lauren Ris, CWCB Director

TO: Colorado Water Conservation Board Members

FROM: Zachary Salin, P.E., Project Manager
Kirk Russell, P.E., Finance Section Chief

DATE: July 17-18, 2024 Board Meeting

AGENDA ITEM: 17a. Water Project Loans
North Poudre Irrigation Company
Park Creek Expansion Project - Loan Increase

Staff Recommendation

Staff recommends the Board approve a loan not to exceed \$9,999,000 (\$9,900,000 for project costs and \$99,000 for the 1% service fee) to the North Poudre Irrigation Company for costs related to the Park Creek Expansion Project, from the Severance Tax Perpetual Base Fund. The loan term will remain 30 years at an interest rate of 2.55% per annum. This is an increase of \$3,454,000 (\$3,420,000 for Project costs and \$34,200 for the 1% service fee). Security for the loan shall be in compliance with CWCB Financial Policy #5.

In addition, Staff recommends the Board approve the inclusion of this Park Creek Expansion Project Loan for up to \$12,978,500 (\$12,850,000 for project costs and \$128,500 for the 1% service fee) to the North Poudre Irrigation Company for costs related to the Park Creek Expansion Project in the 2025 CWCB Projects Bill for consideration by the bill sponsors. This is an increase of \$2,979,500 (\$2,950,000 for Project costs and \$29,500 for the 1% service fee).

Introduction/Background

The North Poudre Irrigation Company (Company) received approval of a CWCB loan (CT2023-2593) for \$6,544,800 (\$6,480,000 for Project costs and \$64,800 for the 1% service fee) in September 2022, as well as a \$100,000 CWCB Water Plan Grant (POGG1 2024-3875, approved September 2022) and a \$1,750,000 CWCB Water Plan Grant (CTGG1 2024-4181, approved March 2024) for the Park Creek Expansion (Project). Since beginning the Project, design changes during the approval process with the State Engineer's Office - Dam Safety Branch (Dam Safety), have increased the total Project costs beyond the initial estimated cost.

The Company is under a tight timeline and is in need of approximately \$10,000,000 by early 2025. Since the CWCB Projects Bill funds are not available until mid 2025, staff is requesting approval of \$9,999,000 to be contracted upon Board approval up to the Board's \$10M project loan limit authority, per C.R.S 122.60.122(b). This will allow the Project to proceed on schedule. If the additional \$2,950,000 in Project funds are approved in the 2025 Projects Bill, the loan contract will be amended again. Staff requested and the Company provided proof of alternate funding for the \$2,950,000 in the event the funds are not approved in the Projects Bill.

See the attached Data Sheet for a location map and Project summary.



Project Update

The initial construction loan approved in September 2022 for the Project was based on a Feasibility Study-level design, which has changed significantly as detailed below in response to the final review by Dam Safety.

Park Creek is a High Hazard dam, and the Company has been in conversation with Dam Safety since July 2022 regarding the Project. The Company's involvement with Dam Safety has included participation in a potential failure mode analysis workshop conducted through the Comprehensive Dam Safety Evaluation program. In October 2023 the Company provided a 90% design submittal including a design report, plans, and specifications for review and comment by Dam Safety. Comments from Dam Safety indicated that additional information from the Company was required to receive approval for the Project.

The Company has been engaged in a review and approval process with Dam Safety which has included determining the safe water storage elevation level during construction, providing additional structural calculations for the spillway weir wall, preparing design revisions for the outlet valve house and dam crest parapet wall, and new designs for rock anchors to support the spillway wall and upstream saddle dams. Construction of the Project will now utilize a phased approach over two construction seasons, requiring contractors to mobilize equipment and vehicles to and demobilize from the Project site twice instead of once as originally planned.

The Company solicited bids from qualified contractors for the construction of the Project in November 2022, and awarded the project to the selected contractor, Zak Dirt, Inc. in January 2023. Implementing the required changes into the Project design and construction plan has increased the cost required to construct the Project. The Company is requesting an overall loan increase to their existing CWCB construction loan to help cover the increase in costs. This increase is structured as an initial increase up to the Board's \$10M project loan limit authority, per C.R.S 122.60.122(b). and an additional increase if approved by the Colorado state legislature through the 2025 CWCB Projects Bill.

The original Project cost estimate was provided in the September 2022 Board memo. The updated total estimated Project cost is \$14,700,000. A breakdown of the updated Project cost estimate is provided in Table 1 below.

TABLE 1: UPDATED PROJECT COST ESTIMATE

Tasks	Cost
Pre-Construction	\$1,972,000
Contracting, Permitting, Contractor Mob/Demob	\$404,000
Material	\$5,214,000
Excavation & Backfill	\$2,664,000
Construction	\$2,660,000
Electrical and Instrumentation	\$525,000
Engineering Services During Construction	\$1,261,000
TOTAL	\$14,700,000

Permitting: Dam Safety approved the Project design plans and specifications for construction on June 5, 2024. The U.S. Army Corps of Engineers reviewed a submittal for the Project and determined that no federal 404 permit will be required. Other local permits will be secured by the contractor.

Schedule: The Company solicited bids for the Project in November 2022 and in January 2023 the Company signed a scope of services awarding construction of the Project to their selected contractor, Zak Dirt, Inc. Construction work on the Project work is expected to take place in two phases beginning summer 2024 and completing in fall 2025. The dam outlet works will be functional throughout the construction period, so construction can be ongoing through the 2024 and 2025 irrigation seasons.

Financial Analysis

Table 3 provides a summary of the Project's financial aspects. The loan term shall remain 30 years. The interest rate shall remain a blended agricultural and municipal interest rate of 2.55% per annum (Ownership: 19% Agricultural, 12% Low-Income Municipal, 60% Middle-Income Municipal, 7% High-Income Municipal, and 2% Commercial). All interest rate evaluations are per CWCB Financial Policy #7 (Lending Rate Determination). The Company has obtained a letter of support indicating the availability of financing for the Project from a private lender in the event that the Project does not get approved in the 2025 Projects Bill.

TABLE 2: UPDATED FINANCIAL SUMMARY

Tasks	Original	July 2024	2025 CWCB Projects Bill
Project Cost	\$6,580,000	\$14,700,000	\$14,700,000
Water Plan Grant - Storage & Supply (Design)	\$100,000	\$100,000	\$100,000
Water Plan Grant - Storage & Supply (Construction)	N/A	\$1,750,000	\$1,750,000
CWCB Loan Amount	\$6,480,000	\$9,900,000	\$12,850,000
CWCB Loan Amount (Including 1% Service Fee)	\$6,544,800	\$9,999,000	\$12,978,500
CWCB Annual Loan Payment	\$314,783	\$480,919	\$624,223
CWCB Annual Loan Obligation (1 st Ten Years)	\$346,262	\$529,010	\$686,645
Private Financing (est. \$3M @ 7%)	\$0	\$242,000	\$0
Number of Shares	10,000	10,000	10,000
Annual Loan Obligation per Share	\$35	\$77	\$69
Current Assessment per Share	\$180	\$182	\$182
Future Assessment per Share	\$215	\$259	\$251
Project Cost per AF of Storage Gained (3,050 AF)	\$2,157/AF	\$4,820/AF	\$4,820/AF

Creditworthiness: The Company currently has \$4,079,611 in long-term debt and a combined annual payment of \$316,544. The Company is in good standing with the CWCB and has a good repayment history for their existing loans, including fully paying off two loans on May 1, 2024. The Company has six active loans all of which are with CWCB and which are detailed in Table 4.

TABLE 3: EXISTING DEBT

Lender	Original Balance	Current Balance	Annual Payment	Maturity Date	Collateral
CWCB (CT2017-1402)	\$1,451,673	\$1,153,765	\$67,066	7/1/2047	Undivided 100% Interest in Reservoir #4
CWCB (CT2015-003)	\$2,189,758	\$1,805,972	\$102,540	5/1/2047	Undivided 100% Interest in Reservoir #4
CWCB (C153572)	\$340,551	\$114,840	\$19,847	5/1/2031	Undivided 100% Interest in Fossil Creek Dam and Reservoir
CWCB (C153449)	\$1,152,909	\$124,936	\$67,192	5/1/2026	Undivided 100% Interest in Fossil Creek Dam and Reservoir
CWCB (CT2017-3641)	\$726,214	\$619,995	\$38,363	8/1/2044	Undivided 100% Interest in Reservoir #10
CWCB (CT2015-024)	\$418,586	\$260,102	\$21,536	11/1/2038	Fossil Creek Reservoir Inlet Diversion Structure Assessment
TOTAL		\$4,079,611	\$316,544		

TABLE 4: FINANCIAL RATIOS

Financial Ratio	Past Years	Future w/ Full Project Funding
Operating Ratio (revenues/expenses) weak: <100% typical: 100% - 120% strong: >120%	118% (typical) \$4.62M/\$3.90M	115% (typical) \$5.31M/\$4.58M
Debt Service Coverage Ratio (revenues-expenses)/debt service weak: <100% typical: 100% - 125% strong: >125%	328% (strong) <u>\$4.62M-\$3.58M</u> \$317k	173% (strong) <u>(\$5.31M-\$3.58M)</u> \$1M
Cash Reserves to Current Expenses weak: <50% typical: 50% - 100% strong: >100%	125% (strong) \$4.48M/\$3.58M	105% (strong) \$4.48M/\$4.27M
Annual Operating Cost per Acre-Foot (65,000 AF) weak: >\$24 typical: \$10 - \$24 strong: <\$10	\$55.07 (weak) \$3.58M/65k AF	\$65.69 (weak) \$4.27M/65k AF

Collateral: Security for this loan will remain a pledge of assessment revenues backed by an assessment covenant and the project itself; a 100% undivided interest in Park Creek Reservoir. This security is in compliance with CWCB financial Policy #5 (Collateral).

cc: Tad Moen, General Manager, North Poudre Irrigation Company
 Jennifer Mele, Colorado Attorney General's Office

Attachments:

Water Project Loan Program - Project Data Sheet

Water Project Loan Program - September 2022 Board Memo



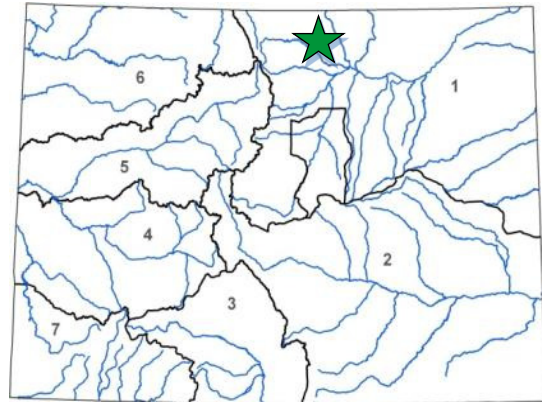
Park Creek Expansion Project

North Poudre Irrigation Company

July 2024 Board Meeting

(Increase)

LOAN DETAILS	
Project Cost:	\$14,700,000 ⁽¹⁾
Water Plan Grant (Design):	\$100,000
Water Plan Grant (Construction):	\$1,750,000
CWCB Loan (with 1% Service Fee):	\$12,978,500 ⁽²⁾
Loan Term and Interest Rate:	30 Yrs @ 2.55%
Funding Source:	Severance Tax Perpetual Base Fund
BORROWER TYPE	
Agriculture	Municipal Commercial
19%	12% Low - 60% Mid - 7% High 2%
PROJECT DETAILS	
Project Type:	Reservoir Enlargement
Storage Created:	3,050 AF
Average Annual Diversions:	65,000 AF

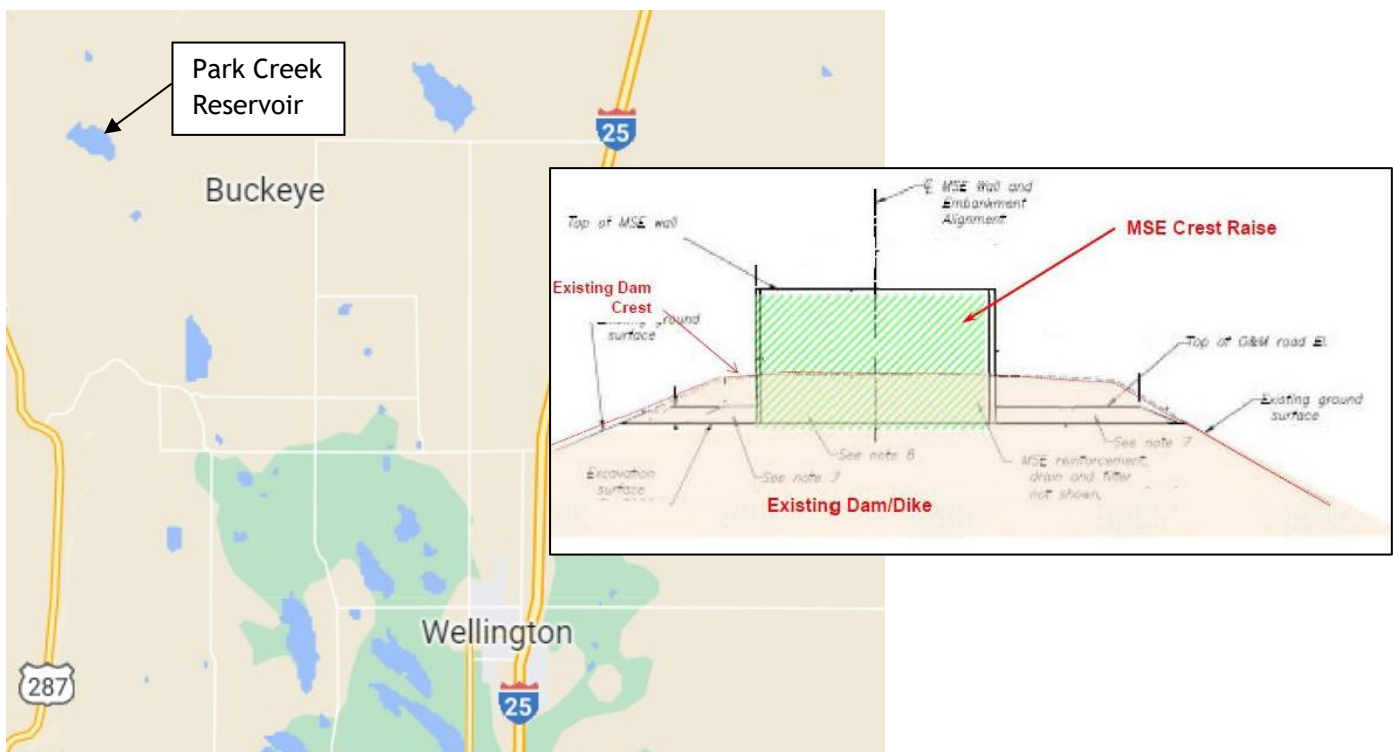


LOCATION	
County:	Larimer, Weld
Water Source:	Park Creek
Drainage Basin:	South Platte
Division:	1 District: 3

- (1) Project was increased from \$6,580,000.
(2) Loan was increased from \$6,544,800 (with 1% service fee).

The North Poudre Irrigation Company (Company) is a mutual ditch company that was incorporated in 1901. The Company provides water to 250,000 residents and 23,000 acres of agricultural land in north-central Colorado through a system of 21 reservoirs and 200 miles of canals, ditches and laterals.

The project will be funded in conjunction with Water Plan Grants (Water Storage and Supply) for design (\$100,000) and construction (\$1,750,000) and will modify, improve, and enlarge the existing dam. The enlargement will be accomplished by installing a parapet wall along the length of the existing dam crest, and a 10-foot buttressed concrete overflow weir in the spillway thereby raising the normal water storage level by 10 feet. The loan increase and existing Water Plan Grants will fund the complete project. Construction is expected to begin in the Summer of 2024 and be completed by Fall 2025





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

TO: Colorado Water Conservation Board Members

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

DATE: September 20-21, 2022 Board Meeting (**Updated September 21, 2022**)

AGENDA ITEM: 10e. Water Project Loans
North Poudre Irrigation Company - Park Creek Expansion Project

Staff Recommendation (Board approved Staff Recommendation September 20, 2022)

Staff recommends the Board approve a loan not to exceed \$6,544,800 (\$6,480,000 for project costs and \$64,800 for the 1% service fee) to the North Poudre Irrigation Company for costs related to the Park Creek Expansion Project, from the Severance Tax Perpetual Base Fund. The loan term will be 30 years at an interest rate of 2.55% per annum. Security for the loan shall be in compliance with CWCB Financial Policy #5.

Introduction

The North Poudre Irrigation Company (Company) is applying for a loan for the Park Creek Expansion (Project). The Company, located in Larimer County, owns and operates Park Creek Reservoir, which has a storage capacity of about 5,025 AF. Because the reservoir's storage decree is 8,217 AF, the Company proposes to increase its physical capacity by about 3,000 AF to make full use of the water rights decreed for storage in the reservoir. The increase will require rehabilitation of the Park Creek dam, construction of a parapet wall, and other modifications to the reservoir shoreline and spillway. In addition to this loan, the Project will be paid for by a \$100,000 CWCB Water Plan Grant, if approved at this Board meeting. The total Project cost is estimated to be \$6,580,000. See attached Project Data Sheet for a location map and Project summary.



Borrower - North Poudre Irrigation Company

The North Poudre Irrigation Company is a mutual ditch company headquartered in Wellington, Colorado. The Company operates and maintains 200 miles of ditches and 21 storage reservoirs for the benefit of approximately 570 shareholders. About three-quarters of the shares are held by municipal water entities and the remaining one-quarter are held by agricultural producers and commercial interests. The Company is directed by a five member board elected to three years terms by a majority vote of shareholders. The board has the ability to approve all bonds and execute contracts. A majority vote of the shareholders is required to increase assessments. The company is currently in good standing with the Secretary of State's office.

Background

Park Creek Dam is an earthfill dam constructed in the late 1960s and completed in 1970. It is an on-stream reservoir on Park Creek. Most of the water it stores, however, is supplied by the Livermore Canal, which diverts off the North Fork of the Cache la Poudre River. The current decreed storage right is about 3,000 AF more than the actual physical capacity of the reservoir. Increased storage at Park Creek Reservoir would improve water management for agricultural use, increase water storage capacity when water is physically available, and provide additional drought carryover water storage. It is believed that increasing the storage to the full decreed right will increase the end-of-summer water availability by about 30 days.

Loan Feasibility Study

Jack G. Byers, P.E., with The Byers Group LLC., and Tara Schutter, P.E., with Tessara Water, Inc. prepared the Loan Feasibility Study titled, "Park Creek Dam and Reservoir Feasibility Study for Water Storage Expansion" dated June 2022. The feasibility study is in accordance with CWCB guidelines and includes an analysis of alternatives, estimated costs, and financial statements.

Water Rights

The Company diverts about 65,000 AF per year into its large and interconnected supply system. The Park Creek Reservoir represents only one portion of the larger system. Water associated with Park Creek Reservoir is delivered through Livermore Ditch and runoff from the Park Creek watershed. The reservoir storage rights include the original Park Creek Reservoir right and various transfers from other reservoirs. These rights are detailed in Table 1.

TABLE 1: WATER RIGHTS

Name	Amount (AF)	Appropriation Date	Adjudication Date	Case No.
Park Creek Reservoir	7,105 ¹	11/15/1958	12/31/1970	W-202
Transfers from other Reservoirs	657.6	1884-1906		W0559
City of Fort Collins Southside Ditch (Warren Lake)	454.8	07/27/1908	04/22/1922	05CW323

¹Originally 7,320 AF, 92CW128 abandoned 215 AF

Project Description

The purpose of this Project is to expand the capacity of the Park Creek Reservoir to make full use of its decreed storage right.

Alternative 1 - No Action: Taking no action would leave the reservoir's capacity well below its decreed right. This would not meet the Project purpose and subject Company shareholders to an earlier than necessary water shutoff each summer.

Alternative 2 - Increased Fill to Raise the Dam Crest: This alternative would involve raising the crest of the Park Creek Dam by increasing the fill on both its upstream and downstream sides. While this would increase the storage capacity of the reservoir, it would also increase the footprint of the dam and require a 404 permit from the Corps of Engineers. It would also involve a significant effort to haul fill material, resulting in a Project costing over \$25 million. Because of the permitting complications and high costs associated with this alternative, it was not selected.

Selected Alternative 3 - Parapet Wall to Raise the Dam Crest: This alternative will produce 3,000 AF of new storage. It will not require a significant change to the dam footprint, so will not require permitting by the USACE Section 404. The Company started reviewing design options in March 2021. A preliminary design has already been completed which calls for construction of a parapet wall on the dam crest and other peripheral improvements to raise the normal storage elevation by 10-feet. The estimated cost is \$6,580,000 and is shown in Table 2.

TABLE 2: ESTIMATED PROJECT COST

Tasks	Cost
Engineering, Legal, and Contingency	\$1,380,000
Surveying and Earthwork	\$2,900,000
Parapet Wall Design and Construction	\$2,300,000
TOTAL	\$6,580,000

Permitting: The Dam Safety Branch of the Division of Water Resources has been involved during the preliminary design phases of the project. The design plans and specifications will need to be approved before construction can begin. Furthermore, it is believed that no federal 404 permit will be required, but the Corps of Engineers is currently reviewing. Other local permits will be secured by the contractor.

Schedule: While some work including clearing and grubbing of the reservoir shoreline may be completed in the fall the 2022, the bulk of the work is expected to take place late in 2023 through 2024. The dam outlet works will be functional throughout the construction period, so the construction can be ongoing through the 2024 irrigation season.

Financial Analysis

Table 3 provides a summary of the Project's financial aspects. The Company qualifies for a blended interest rate of 2.55% for a 30-year loan (Ownership: 19% Agricultural, 12% Low-Income Municipal, 60% Middle-Income Municipal, 7% High-Income Municipal, and 2% Commercial). All interest rate evaluations are per CWCB Financial Policy #7 (Lending Rate Determination).

TABLE 3: FINANCIAL SUMMARY

Project Cost	\$6,580,000
Water Plan Grant (Pending)	\$100,000
CWCB Loan Amount	\$6,480,000
CWCB Loan Amount (Including 1% Service Fee)	\$6,544,800
CWCB Annual Loan Payment	\$314,783
CWCB Annual Loan Obligation (1 st Ten Years)	\$346,261
Number of Shares	10,000
Current Assessment per Share	\$180.00
Annual Loan Obligation per Share	\$34.63
Future Assessment per Share (Estimated)	\$214.63

Creditworthiness: The Company has \$5,370,292 in long-term debt and a combined annual payment of \$404,496. The North Poudre Irrigation Company has eight active loans all of which are with CWCB and currently in good standing. They are detailed in Table 4.

TABLE 4: EXISTING DEBT

Lender	Original Balance	Current Balance	Annual Payment	Maturity Date	Collateral
CWCB (CT2017-1402)	\$1,451,673	\$1,271,738	\$67,066	7/1/2047	Undivided 100% Interest in Reservoir #4
CWCB (CT2015-003)	\$2,189,758	\$1,922,064	\$102,540	5/1/2047	Undivided 100% Interest in Reservoir #4
CWCB (C153496)	\$404,502	\$133,152	\$23,574	5/1/2029	Undivided 100% Interest in Fossil Creek Dam and Reservoir
CWCB (C153572)	\$340,551	\$141,067	\$19,847	5/1/2031	Undivided 100% Interest in Fossil Creek Dam and Reservoir
CWCB (C153637)	\$1,761,096	\$730,588	\$64,378	5/1/2035	Undivided 100% Interest in North Poudre Reservoirs #5 and #6
CWCB (C153449)	\$1,152,909	\$238,257	\$67,192	5/1/2026	Undivided 100% Interest in Fossil Creek Dam and Reservoir
CWCB (CT2017-3641)	\$726,214	\$642,301	\$38,363	8/1/2044	Undivided 100% Interest in Reservoir #10
CWCB (CT2015-024/C150368)	\$418,586	\$291,127	\$21,536	11/1/2038	Fossil Creek Reservoir Inlet Diversion Structure Assessment
TOTAL		\$5,370,294	\$404,496		

TABLE 5: FINANCIAL RATIOS

Financial Ratio	Past Years	Future w/ Project
Operating Ratio (revenues/expenses) weak: <100% average: 100% - 120% strong: >120%	154% (strong) \$4.3M/\$2.8M	134% (strong) \$4.3M/\$3.2M
Debt Service Coverage Ratio (revenues-expenses)/debt service weak: <100% average: 100% - 120% strong: >120%	475% (strong) <u>\$4.3M-\$2.4M</u> \$0.4M	238% (strong) <u>(\$4.3M-\$2.4M)</u> \$0.8M
Current Assets to Current Expenses weak: <50% average: 50% - 100% strong: >100%	136% (strong) \$3.8M/\$2.8M	119% (strong) \$3.8M/3.2M
Annual Operating Cost per Acre-Foot (65,000 AF) weak: >\$20 average: \$10 - \$20 strong: <\$10	\$43.07 (weak) \$2.8M/ .065M AF	\$49.23 (weak) \$3.2M/ .065M AF

Collateral: Security for this loan will be a pledge of assessment revenues backed by an assessment covenant and the project itself; 100% undivided interest in Park Creek Reservoir. This security is in compliance with the CWCB financial Policy #5 (Collateral).

cc: Tad Moen, General Manager, North Poudre Irrigation Company
Jennifer Mele, Colorado Attorney General's Office

Attachments: Water Project Loan Program - Project Data Sheet

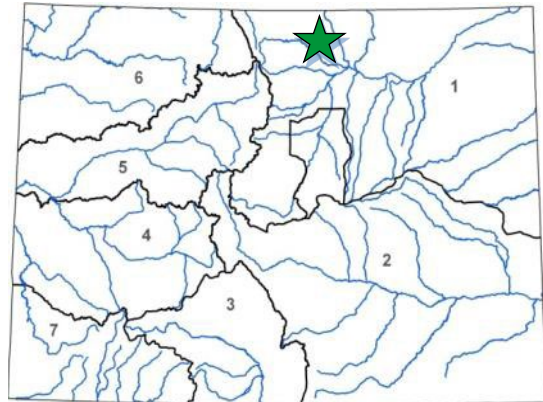


Park Creek Expansion Project

North Poudre Irrigation Company

September 2022 Board Meeting

L O A N D E T A I L S	
Project Cost:	\$6,580,000
Water Plan Grant	\$100,000
CWCB Loan (with 1% Service Fee):	\$6,544,800
Loan Term and Interest Rate:	30 Yrs @ 2.55%
Funding Source:	Severance Tax Perpetual Base Fund
B O R R O W E R T Y P E	
Agriculture	Municipal Commercial
19%	12% Low - 60% Mid - 7% High 2%
P R O J E C T D E T A I L S	
Project Type:	Reservoir Enlargement
Storage Created:	3,000 AF
Average Annual Diversions:	65,000 AF



L O C A T I O N			
County:	Larimer, Weld		
Water Source:	Park Creek		
Drainage Basin:	South Platte		
Division:	1	District:	3

The North Poudre Irrigation Company (Company) is a mutual ditch company that was incorporated in 1901. The Company provides water to 250,000 residents and 23,000 acres of agricultural land in north-central Colorado through a system of 21 reservoirs and 200 miles of canals, ditches and laterals.

The project will be funded in conjunction with a Water Plan Grant (Water Storage and Supply) and will rehabilitate and enlarge the existing dam. The enlargement will consist of installing a parapet wall along the length of the existing dam crest, and a 10 foot buttressed concrete overflow weir in the spillway thereby raising the normal water storage level by 10 feet. The loan and grant will fund the complete project. Construction is expected to begin in the fall of 2022 and be completed before the 2024 irrigation season.

