



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

DATE: November 20-21, 2024 Board Meeting

AGENDA ITEM: 10c. Water Project Loans
Town of Ridgway
Beaver Creek Diversion Restoration (DIL)

Staff Recommendation

Staff recommends the Board approve a loan not to exceed \$8,080,000 (\$8,000,000 for project costs and \$80,000 for the 1% service fee) to the Town of Ridgway, acting by and through its water activity enterprise, for costs related to the Beaver Creek Diversion Restoration, from the Severance Tax Perpetual Base Fund. The loan terms shall be 3 years of no interest followed by 27 years at an interest rate of 3.25% per annum. Security for the loan shall be in compliance with CWCB Financial Policy #5.

Introduction

The Town of Ridgway (Town) is applying for a Disaster Impact Loan (DIL) to rehabilitate the Beaver Creek (Creek) diversion structure - the primary water delivery system for the Town. During the weekend of August 10th and 11th, 2024, a severe rainstorm rerouted the Creek away from the Town's Ridgway Ditch diversion, as well as deposited significant mud and debris around the diversion that prevents it from conveying water should access to the Creek be regained. On September 20th, Governor Polis issued Executive Order D 2024 014, declaring a disaster emergency due to flooding and debris flow in Ouray County. The Town seeks to rebuild their diversion structure with a design that improves its resiliency in the face of similar future storms. The total Project cost is estimated to be \$8,000,000. The Governor's disaster declaration allows for \$4,900,000 in relief funding to be made available through the Colorado Department of Public Safety for Ouray County, of which a portion is expected for Ridgway's recovery efforts. See attached Project Data Sheet for a location map and Project summary and the 2020 Wildfire Impact Loan memo that discusses use of emergency funds made available in response to disasters.



Borrower - Town of Ridgway

The Town of Ridgway is a home rule municipality established in 1891, in Ouray County. It is located along the Uncompahgre River in the foothills of the San Juan Mountains in southwest Colorado, and has a population of approximately 1,200 people. The Town is responsible for the delivery of 300 AF of water to the local businesses and residents within the municipal boundary. The Town operates its water treatment and delivery services through a water enterprise fund. The enterprise generates the majority of its operating revenue through a monthly service charge and monthly water usage fees.

Background

On the morning of August 12, Town staff discovered that a severe rain event over the previous weekend had critically impacted the Creek above the Town's diversion point. During a typical rain event, the increased flows in the Creek only wash out the Town's push-up diversion dam and the high flows remain in the Creek. But for the first time in over 40 years - the Creek was significantly altered by the weather event, which washed out the land between the two braids of the Creek, eroded the side banks, and undercut the Creek enough that the diversion structure is now well above the creek. In addition to rerouting the Creek and altering its bed elevation, the deluge filled the diversion channel, diversion trough, and several hundred feet of the Ridgway Ditch with a mud slurry.

On September 20th, Governor Polis issued Executive Order D 2024 014 (Order), declaring a disaster emergency due to flooding and debris flow in Ouray County. The Order enables and directs Colorado state "agencies to coordinate response, consequence management, mitigation, and recovery efforts" - and authorizes the use of up to \$4,900,000 placed in the Disaster Emergency Fund to support recovery efforts. The Order further states that "The Town of Ridgway experienced the most significant impacts. Debris flows rerouted the Creek, destroying the town's drinking water collection system." This declaration of disaster emergency also allows those named in the Order to apply for the CWCB's Disaster Impact Loan (DIL). The DIL is a 30-year loan that does not accrue interest in the first three years - allowing the applicant to apply for and receive relief funds from other agencies for use of paying back the loan principal without incurring interest. (see attached 2020 Board Memo)

The Town contacted and worked with the CWCB's Watershed and Flood Protection (WFP) team to develop an interim plan for the Town's water supply as well as a resilient solution to rehabilitate the diversion structure. With the WFP group's efforts, the CWCB Finance group had a strong foundation to work with the Town on providing the DIL financing option for the November board meeting.

Through the Town's own efforts and costs, the Ridgway Ditch was cleared and a connection to a spring that is captured by the ditch was re-established. However, the Creek is no longer aligned with the Ridgway Ditch, is at a lower elevation at the location of the diversion, and is much wider than it was previously. Additionally, the new stream banks are unstable, with trees at the top edge of the bank displaying exposed root systems - a sign that the next flood will likely bring more debris. Placing material to restore the Creek back as it was would take years to stabilize and would be a monumental effort. Given the increased intensity of the storms in August of this year, the rehabilitated diversion will need to account for extreme weather events, as well as handle the normal seasonal fluctuations.

Loan Feasibility Study

Preston Neill and Joanne Fagan, P.E., Ridgway's town manager and engineer, respectively, prepared the Disaster Impact Loan Feasibility Study and application dated October 1, 2024. Hayes A. Lenhart, P.E. with Wright Water Engineers, Inc. prepared a conceptual plan titled "Town of Ridgway Water Supply Intake Structure and Transmission System Rehabilitation - Conceptual Plan and Cost Estimate for Design and Construction", dated September 20, 2024 that includes design drawings and costs estimates. The feasibility study and conceptual plan are in accordance with CWCB guidelines and include an analysis of alternatives, estimated costs, and financial statements prepared by the Blair and Associates, P.C.

Water Rights

The Town reports the water rights listed in Table 1 are diverted through this point of diversion into Ridgway Ditch. The Town's water rights are located in the Dallas Creek drainage basin and the Cottonwood Creek drainage basin. The primary source of water is through the Ridgway Ditch located on the Creek. The Ridgway Ditch has three water rights listed below:

TABLE 1: PROJECT WATER RIGHTS

Name	Amount (cfs)	Appropriation Date	Adjudication Date	Case No.
Ridgway Ditch - Structure 710	2	06/01/1882	05/15/1897	CA 1286
Ridgway Ditch - Structure 710	25	06/01/1882	05/15/1897	CA 1286
Ridgway Ditch - Structure 711	5	06/01/1880	08/02/1905	CA 1286

Project Description

The Purpose of this Project is to rehabilitate the diversion on Beaver Creek to regain access to Town's primary water supply and to withstand future severe weather events.

Alternative 1 - No Action: Taking no action is not a viable option since the Town will remain without access to its primary water supply.

Alternative 2 - Infiltration Gallery: The alternative would require the installation of an infiltration gallery in the Creek in a location that would have adequate head to feed the Ridgway Ditch and be protected from the impacts of extreme weather events. This option would include piping the diversion from the river to the downstream ramp flume to keep the water from being impacted from large debris flow events. However, due to the amount of fines in the water, engineers believe this alternative would require significant maintenance costs to keep the structure from clogging. For this reason, this alternative was not selected.

Selected Alternative 3 - Reinforced Surface Diversion: This alternative would construct a new heavily reinforced diversion with the ability to divert a range of flows and bypass intense storms and to divert debris and rocks from the intake. This option would also pipe the upstream end of the Ridgway Ditch to protect from mud/debris flow events. Major components of this option could include a debris basin, check structure, intake structure, and a rock run down structure. As with the infiltration gallery, the location of these improvements would need to be where it is stable and would flow by gravity to the Ridgway Ditch location. The total Project cost is estimated to be \$8,000,000 as shown in Table 2.

TABLE 2: ESTIMATED PROJECT COST

Tasks	Cost
Permitting, Water Rights, and Easement	\$350,000
Mobilization & Site Work	\$1,070,000
Construction	
Stream Restoration	\$700,000
Debris Removal	\$400,000
Construction Access Road and Dewatering	\$400,000
Debris Capture Basin	\$350,000
Check Structure	\$900,000
Intake Structure	\$200,000
Rock Rundown Structure	\$790,000
Ditch and Spring Conveyance Repair	\$300,000
Engineering	\$1,000,000
Contingency (30% ¹)	\$1,540,000
TOTAL	\$8,000,000

1. Because of the emergency nature of this Project and the expeditiousness required to provide cost estimates, a higher contingency is acceptable.

Permitting: Coordination, and most likely permitting, will need to occur with the US Forest Service and the Army Corps of Engineers. The CWCB Instream Flow program has a degree in Beaver Creek and will be made aware if there is a need to move the point of diversion.

Schedule: The Town is actively pursuing temporary solutions to reestablish flow into the Ridgway Ditch prior to spring flows. A survey has been conducted to help define the current topography and land ownership. Town staff has also cleaned out much of the debris in the Ridgway Ditch and regained access to a small spring that is captured by the Ridgway Ditch. Construction for a permanent solution is expected to start in the summer of 2025 and conclude before the end of 2025.

Financial Analysis

Table 3 provides a summary of the Project's financials and Table 4 details the Town's current existing debt. The Town qualifies for the Disaster Impact Loan terms of 3 years with no interest followed by 27 years at the middle income municipal rate of 3.25%. The Project is currently under consideration for an NRCS Emergency Watershed Protection Grant, is expected to receive financial relief through a Colorado Department of Public Safety Disaster Emergency Grant, and the Town intends to pursue other grant funds to offset Project costs as well. However, the recommended loan amount is for the full project cost should these other grants not be secured. The following analysis conservatively assumes the full project cost will be covered by the loan. All interest rate evaluations are per CWCB Financial Policy #7 (Lending Rate Determination).

TABLE 3: FINANCIAL SUMMARY

Project Cost	\$8,000,000
CWCB Loan Amount	\$8,000,000
CWCB Loan Amount (Including 1% Service Fee)	\$8,080,000
CWCB Annual Loan Payment	\$454,063
CWCB Annual Loan Obligation (1 st Ten Years)	\$499,469
Number of Taps	690
Monthly Loan Obligation per Tap	\$60.32

Creditworthiness: The Town has three active loans that total \$1,277,733. Two are with the Colorado Water Resource and Power Development Authority (CWRPDA), one of which has not entered into repayment. One of the loans is with the CWCB (CT2015-0056) for the renovation of Lake Otonowanda - the loan is in good standing and scheduled to be paid off in 2046.

TABLE 4: EXISTING DEBT

Lender	Original Balance	Current Balance	Annual Payment	Maturity Date	Collateral
CWRPDA	\$450,000	\$135,000	\$22,500	2030	Water Enterprise Fund Reserve
CWCB (CT2015-0056)	\$606,000	\$492,733	\$30,918	2046	Water Enterprise Fund Reserve
CWRPDA ¹	\$650,000	\$650,000	\$44,706	2044	Water Enterprise Fund Reserve
	Total:	\$1,277,733	\$98,124		

1. This loan has yet to enter repayment and is not included in the “past years” ratios in the table below, but is included in the “Future w/ Project” ratios.

TABLE 5: FINANCIAL RATIOS

Financial Ratio	Past Years	Future w/ Project ¹
Operating Ratio (revenues/expenses) weak: <100% typical: 100% - 120% strong: >120%	169% (strong) \$729K/\$431K	100% (typical) \$975K/\$975K
Debt Service Coverage Ratio (revenues-expenses)/debt service weak: <100% typical: 100% - 125% strong: >125%	658% (strong) <u>\$729K-\$378K</u> \$53.4K	100% (typical) <u>\$975K-\$378K</u> \$597K
Cash Reserves to Current Expenses weak: <50% typical: 50% - 100% strong: >100%	513% (strong) \$2.21M/\$431K	227% (strong) \$2.21M/\$975K
Debt per Tap (690 taps) weak: >\$3,500 typical: \$300 - \$3,500 strong: <\$300	\$1,852 (typical) \$1.28M/690 taps	\$13,536 (weak) \$9.34M/690 taps
Monthly Resident Water Bill weak: >\$90 typical: \$30 - \$90 strong: <\$30	\$89 (typical)	\$118 (weak)

1. Ratios assume that the entire loan is disbursed and that no relief funding is made available.

Collateral: Security for this loan will be a pledge of the revenues from the Town’s Water Enterprise Fund backed by a rate covenant. This security is in compliance with the CWCB financial Policy #5 (Collateral).

cc: Preston Neill, Town Manager, Town of Ridgway
Jennifer Mele, Colorado Attorney General’s Office

Attachments: Water Project Loan Program - Project Data Sheet

Wildfire Impact Loan Memo, 2020



COLORADO

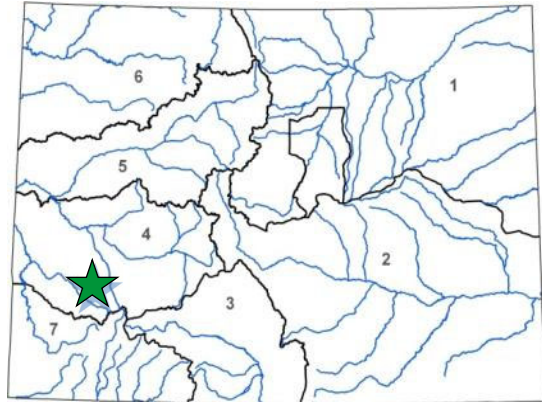
Colorado Water
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Beaver Creek Diversion Restoration

Town of Ridgway

November 2024 Board Meeting

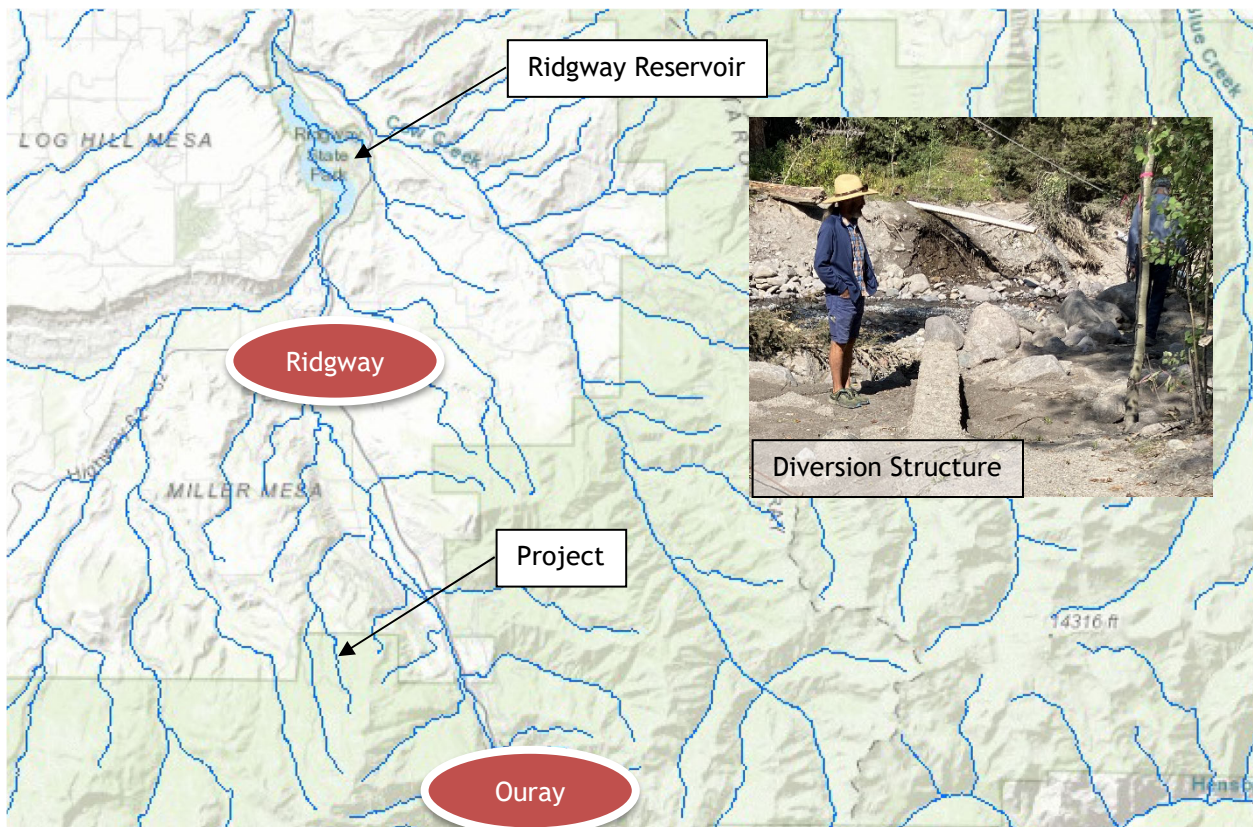
L O A N D E T A I L S	
Project Cost:	\$8,000,000
CWCB Loan (with 1% Service Fee):	\$8,080,000
Loan Term and Interest Rate:	3-yrs @ 0%, 27-yrs 3.25%
Funding Source:	Severance Tax Perpetual Base Fund
B O R R O W E R T Y P E	
Agriculture	Municipal Commercial
0%	0% Low - 100% Mid - 0% High 0%
P R O J E C T D E T A I L S	
Project Type:	Diversion Structure Replacement
Average Annual Delivery:	300 AF



The Town of Ridgway (Town), acting by and through its water activity enterprise, is a home rule municipality that provides potable water to approximately 1,200 residents. Beaver Creek is the primary source of water for the Town, and in mid-August 2024, it experienced a significant rain event that rendered the diversion useless. The flood damage, which lowered the creek bed several feet, was discovered during a routine check by Town staff in the days following the event. Since then, the Governor has declared a Disaster Emergency (Executive Order D 2024 014) for the event. The Town requires emergency funding to design and construct a solution while it relies on a limited supply of water from several natural springs to satisfy domestic water needs.

L O C A T I O N	
County:	Ouray
Water Source:	Beaver Creek
Drainage Basin:	Gunnison
Division:	4 District: 68

The loan will be structured to provide this funding, while allowing for incorporation of future grant funds from state and federal sources to reduce the final loan amount. It is anticipated that the Town will receive an Emergency Watershed Protection grant (NRCS), and a Disaster Emergency Funding grant (DHSEM). Construction is expected to begin in the summer of 2025 and take several months.





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Dan Gibbs, DNR Executive Director

Rebecca Mitchell, CWCB Director

TO: Colorado Water Conservation Board Members

FROM: Kirk Russell, P.E., Finance Section Chief

DATE: September 16-17, 2020

AGENDA ITEM: 7b. 2020 Wildfire Impact Loans

Staff Recommendation:

Staff recommends the Board make available \$10,000,000 for Wildfire and Flood Impact Loans. The 30-year term loans will be available at zero percent interest with no payments for three years followed by 27 years of repayment at the interest rate established by Financial Policy #7 for a 30 year loan. This loan funding opportunity is available to eligible applicants serving or receiving water from areas under a Governor's Emergency Declaration. Funding will be budgeted annually and remain available for applications until a modifying action by the Board is made.

Background:

It is not unusual for CWCB to receive emergency funding requests to repair/replace failed water supply infrastructure. Most of the time it is a consequence of infrastructure exceeding its life expectancy. In these situations, staff is usually able to work with the borrower to utilize CWCB's loan program to reimburse design and construction costs paid with applicant's cash reserve funds or a short-term local bank loan. Staff guides the borrower through the loan process to be sure that if CWCB financing is approved and contracted, all of CWCB's project loan program requirements are met.

Although this has and will remain an effective method, staff requests the Board consider identifying \$10M of loan funds annually to respond to water supplies impacted by natural disasters such as wildfire and flood. The financing offer will be tied directly to an Emergency Declaration by the Governor. This model was effective in response to the unprecedented flooding along the Front Range in 2013. At that time, \$40M was made available under the same arrangement and \$23M in project financing was approved by the Board. Ultimately, only \$13M was withdrawn from CWCB's funds and all of the loans are considered a success.

Borrowers will be required to comply with all CWCB Financial Policies and state standard contracting requirements. The difference is primarily in the depth of information needed for a loan application. In a declared emergency situation, repair or replacement efforts require a quick turnaround. By marking these funds available for this purpose, it provides assurance that the CWCB funds are available, efficient and effective. It is important to note that in some cases, a solution is more complicated and a more comprehensive review of possible solutions is needed. Situations such as determining an alternate water source or location of water will require staff to work with the applicant to be sure the best alternative is recommended while still allowing for a quick turnaround.

The three-year zero-percent loan offer will help borrowers manage the potential for emergency funding from outside sources such as the Federal Emergency Management Agency (FEMA) and the Natural Resource Conservation Service (NRCS). The no-payments for three years will allow borrowers time to adjust assessments/rates to meet loan repayment schedules.

General Outline of Emergency Loans - Wildfire Impact Loans (WIL) and Flood Impact Loans (FIL)

- 1) Applications will be processed at anytime with Board consideration at regular meeting schedules unless there is cause for a special meeting of the Board to consider urgent action.
- 2) An Emergency Loan Funding Application will be available for use in emergency declarations.
- 3) Applicant will submit an application and a technical summary (aka Feasibility Study) of the project scope including engineering analysis as necessary.
- 4) The loans will receive priority status throughout the review, approval and contracting process.
- 5) All loan amendment fees will be waived.
- 6) Loan contract will require borrower to apply outside source funds related to the project be paid to CWCB to lower the loan balance.

Targeted Projects:

Typical projects include repair or replacement of: river diversion structures; dams; supply canals/pipelines; and pumps that are impacted by the natural disaster.