



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

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TO: Colorado Water Conservation Board Members

FROM: Matt Stearns, P.E., Project Manager
Kirk Russell, P.E., Finance Section Chief

DATE: November 20-21, 2024 Board Meeting

AGENDA ITEM: 11a. Change to Existing Loans
Lone Cabin Ditch and Reservoir Company
Lone Cabin Dam Rehabilitation (Payment Deferral)

Staff Recommendation for Loan

Staff recommends the Board approve the Lone Cabin Ditch and Reservoir Company's request for financial relief by granting three annual principal payment deferments for Loan Contracts C153517 and C150361, totalling \$10,293 and \$11,291 respectively. The interest portion of the annual payment will continue to be due on the existing annual payment dates, which will be reflected in the revised amortization schedules. The loan terms shall remain the same.

Introduction

The Lone Cabin Ditch and Reservoir Company (Company) has requested deferment of three annual principal payments from the Company's current Construction Fund loans (per letter received on October 15, 2024). The purpose of this request is to help offset the Company's financial burden related to the costs of piping a section of their ditch for an emergency repair in 2021. At the time, the Company was progressing with a project to pipe a portion of the ditch that included the emergency repair area. That project was awarded CWCB grants as well as a Bureau of Reclamation (BOR) Basinwide Salinity Control Program (Salinity) grant. To secure a source of pipe for the repair until the Salinity piping project was constructed, the Company approached Bostwick Park Water Conservancy District (District), who provided the necessary pipe with the Company agreeing to either replace the pipe, or refund the cost of pipe to the District at an unspecified time. Since the piping project has not started construction, the Company has negotiated a payment plan with the District. The principal portion of the Company's annual loan payments to CWCB is approximately \$7,200, which they are requesting to put towards the annual payment to the District. CWCB Financial Policy #10 (Loan Payment Deferment Requests) allows for "providing project sponsors an opportunity to recover from periods of financial difficulties, drought, flood, or other hardship beyond their control." Staff reviewed the request, supporting documentation, and the Company's repayment history in preparation of the Staff Recommendation.



Borrower - Lone Cabin Ditch and Reservoir Company

The Company was established as a non-profit mutual ditch company in 1935 and is in good standing with the Colorado Secretary of State. It has 24 shareholders who own varying amounts of stock and varying sizes of agricultural land. The 8,368 shares of stock in the Company provides irrigation water for approximately 500 acres of irrigated agricultural land.

Background

The main point of diversion for the Company's system is on the Lake Fork of Minnesota Creek at approximately 7,700 feet in elevation. The Lone Cabin Ditch (Ditch) feeds into Lone Cabin Reservoir, which the Company owns and operates. The Company also has shares in the nearby Beaver Reservoir Company, which provides irrigation water stored in Beaver Reservoir.

The Company's service area is located southeast of Paonia, in Delta County. The irrigation system is tributary to the North Fork of the Gunnison River and is located on the north facing slopes of Mount Lamborn extending down to the north and west to irrigated lands along low mesas south of the North Fork of the Gunnison River. There are approximately 17 miles of mostly open and unlined ditches that irrigate alfalfa hay, grass hay, pasture, organic produce, commercial flowers and some silage corn.

In 2019, the Turner Ditch Company (Turner) on behalf of both the Company and Turner, developed a project to pipe certain ditches of each company, abandon certain ditches, decommission other ditches, and construct a shared pipeline transporting water owned by each company in Beaver Reservoir. This relationship was formalized per a Memorandum of Agreement between the two companies dated September 2019. Turner applied for, and received, grants for the project from the WSRF (approved at the March 2019 Board Meeting), and the Water Plan Grant program (approved at the May 2019 Board Meeting) in advance of applying for a BOR Salinity grant, which Turner was ultimately successful in obtaining. Work related to the project has been ongoing since.

In 2021, a portion of the Ditch owned and operated by the Company, and that was part of the planned piping project, failed. In order to repair the ditch as quickly as possible, the Company needed to install 1,400 LF of pipe in an emergency repair effort. Since the pipe for this area was to be provided by BOR once the piping project started construction, the Company approached the District, who had the needed pipe on hand. The District agreed to provide the pipe, and the Company agreed to either repay the cost of the pipe at an unspecified future time, or, preferably, replace the pipe once the piping project began construction. Since then, progress on the piping project has stalled for a variety of reasons, and the Company has negotiated with the District to repay the cost of the pipe (totalling \$34,328) over the next several years.

The repayment plan includes a down payment in December 2024 for approximately \$7,600 and three annual payments of \$8,902 on July 1 from 2025 through 2027. The Company has the option to prepay any portion of the total without penalty, however, if payment is not made by the agreed upon dates, a late fee of 1% will be charged for each month it is late.

Project

The loans for which the Company is requesting the deferral of principal payments were obtained to repair the Lone Cabin Reservoir (Reservoir) dam in 1991 and 2013. The dam is a 53 foot tall earthfill jurisdictional dam constructed in 1905 and enlarged over the years, which currently impounds 163 AF of irrigation water. The most recent loan (C150361) was approved for work to rescind a 2011 storage restriction ordered by the Dam Safety Branch of the State Engineer's Office (SEO) following the discovery of a slump on the downstream slope of the dam embankment. That order restricted the Reservoir's storage by 20 feet (representing a restricted storage capacity of 18 AF.) Work included

reconstructing the slumped area, installing a toe drain collector pipe and piezometers, and replacing the outlet pipe. The loan was substantially completed in February 2015 and the dam has been operating without a storage restriction since.

Recently, during a routine inspection, the SEO identified some seepage at the dam; however, the recommendation to date has been to monitor the seepage for several years before deciding if any mitigation is required. This monitoring can likely be self-performed.

Discussion

Following the ditch failure, the Company raised the assessment per share from \$4 to \$5 to cover the costs of the 2021 work, not including the cost of the pipe. This has put a financial burden on shareholders. If the Company is allowed to defer three annual principal payments for both loans (totaling approximately \$21,600 over three years), it can use that money to cover the majority of the annual payments to the District, with the remainder covered by an estimated annual assessment increase of \$0.20 per share.

If the deferral is not approved, the Company will need to raise the assessment by more than \$1.00 per share to make the annual payment to the District, or it would need to take on additional debt at a higher interest rate from another lender, thereby further stressing the Company financially.

Financial Analysis

If the deferral is approved, the loan will be re-amortized over the remaining years of the loans. Annual payments for the CWCB loans after the proposed interest-only period ends will increase from a total of approximately \$9,419 (currently) to \$12,917 in order to maintain the original loan terms. Loan terms will remain at 40 years at an interest rate of 3.00% per annum for loan contract C153517, and at 30 years at an interest rate of 1.75% per annum for loan contract C150361. The Company will return to making annual principal and interest payments on both loans in 2028, with the balance paid over the remaining 4 years and 18 years, respectively. Current and proposed amortizations for both loans are summarized below in Tables 1 and 2.

TABLE 1: LOAN REPAYMENT SCHEDULES (C153517)

	CURRENT *				PROPOSED *			
Payment Date	Payment Amount	Principal	Interest	Balance	Payment Amount	Principal	Interest	Balance
Dec 2024	\$4,094	\$3,233	\$862	\$25,484	\$4,094	\$3,233	\$862	\$25,484
Dec 2025	\$4,094	\$3,330	\$765	\$22,154	\$765	\$0	\$765	\$25,484
Dec 2026	\$4,094	\$3,430	\$665	\$18,724	\$765	\$0	\$765	\$25,484
Dec 2027	\$4,094	\$3,533	\$562	\$15,191	\$765	\$0	\$765	\$25,484
Dec 2028	\$4,094	\$3,639	\$456	\$11,553	\$6,856	\$6,091	\$765	\$19,393
Dec 2029	\$4,094	\$3,748	\$347	\$7,805	\$6,856	\$6,274	\$582	\$13,118
Final: Dec 2031	\$4,094	\$3,944	\$118	\$0	\$6,856	\$6,656	\$200	\$0

*Rounded to the nearest dollar.

TABLE 2: LOAN REPAYMENT SCHEDULE (C150361)

	CURRENT *				PROPOSED *			
Payment Date	Amount	Principal	Interest	Balance	Amount	Principal	Interest	Balance
Feb 2024	\$5,324	\$3,635	\$1,689	\$92,895	\$5,324	\$3,635	\$1,689	\$92,895
Feb 2025	\$5,324	\$3,699	\$1,626	\$89,197	\$1,626	\$0	\$1,626	\$92,895
Feb 2026	\$5,324	\$3,763	\$1,561	\$85,433	\$1,626	\$0	\$1,626	\$92,895
Feb 2027	\$5,324	\$3,829	\$1,495	\$81,604	\$1,626	\$0	\$1,626	\$92,895
Feb 2028	\$5,324	\$3,896	\$1,428	\$77,708	\$6,061	\$4,435	\$1,626	\$88,460
Feb 2029	\$5,324	\$3,964	\$1,360	\$73,744	\$6,061	\$4,513	\$1,548	\$83,947
Final: Feb 2045	\$5,324	\$5,233	\$92	\$0	\$6,061	\$5,957	\$104	\$0

*Rounded to the nearest dollar.

Creditworthiness: The Company has two existing loans with CWCB (C153517 and C150361). The Company has made 32 of the 40 annual payments for loan contract C153517. In 2004, the Company made a partial annual payment; however, they returned to good standing by the 2005 annual payment date. Since then, the Company has remained in good standing. The Company has also made 9 of the 30 annual payments for loan contract C150361 and has remained in good standing throughout.

Additionally, the Company is a shareholder in Beaver Reservoir Company, which has two loans with CWCB (C150190 and C153705). The Company's portion of the annual payment (19%) for this combined debt is approximately \$8,114. Existing debt is described in Table 3. Financial ratios are shown in Table 4.

TABLE 3: EXISTING DEBT

CWCB Loan	Original Balance	Current Balance	Annual Payment	Maturity Date	Collateral
C153517	\$92,700.00	\$28,716.82	\$4,094.48	2031	Pledge of Assessment Revenues and the Project
C150361	\$123,447.55	\$92,895.36	\$5,324.26	2045	Pledge of Assessment Revenues and storage rights in Lone Cabin Reservoir

TABLE 4: UPDATED FINANCIAL RATIOS

Financial Ratio	Past Years*
Operating Ratio (revenues/expenses) weak: <100% typical: 100% - 120% strong: >120%	62%** (weak) \$37.7K/\$60.9K
Debt Service Coverage Ratio (revenues-expenses)/debt service weak: <100% typical: 100% - 125% strong: >125%	0%** (weak) <u>(\$37.7K-\$43.4K)</u> \$17.5K
Cash Reserves to Current Expenses weak: <50% typical: 50% - 100% strong: >100%	35% (weak) \$21.1K/\$61.0K
Annual Operating Cost per Acre-Foot (950 AF) weak: >\$24 typical: \$3 - \$24 strong: <\$3	\$64 (weak) \$61.0K/0.95K AF

**Only past years were analyzed since the Company is not taking on any new debt.*

*** Includes expenses incurred of \$85,149 for the emergency ditch repair in 2021, however, it excludes the cost of pipe since that was provided by the District and that cost has not been realized by the Company.*

Collateral: Security for this loan will not change as a result of this approval. The security will remain a pledge of the Company's assessment revenues backed by a rate covenant, the Company's storage rights in the Lone Cabin Reservoir (C150361), and interest in the Lone Cabin Reservoir dam (C153157). This is in compliance with CWCB Financial Policy #5 (Collateral).

cc: Elizabeth Plummer, President, Lone Cabin Ditch and Reservoir Company
Jennifer Mele, Colorado Attorney General's Office