



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

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**TO:** Colorado Water Conservation Board Members

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

**DATE:** January 27-28, 2025 Board Meeting

**AGENDA ITEM:** 16a. Change to Existing Loan  
Trinchera Groundwater Management Subdistrict  
Water Rights Purchase - Increase

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#### **Staff Recommendation for Loan**

Staff recommends the Board approve a loan not to exceed \$3,080,500 (\$3,050,000 for Project costs and \$30,500 for the 1% service fee) to the Groundwater Management Subdistrict of the Trinchera Water Conservancy District, acting by and through its water activity enterprise, for costs associated with the water rights purchase, from the Construction Fund. The loan term will remain 30 years at an interest rate of 2.10% per annum. This is an increase of \$757,500 (\$750,000 for Project costs and \$7,500 for the 1% service fee). Security for the loan shall remain in compliance with CWCB Financial Policy #5.

#### **Introduction/Background**

Trinchera Groundwater Management Subdistrict (Subdistrict) received approval of a CWCB loan (CT2025-0288) for \$2,323,000 (\$2,300,000 for Project costs and \$23,000 for the 1% service fee) to fund the purchase of water rights at the March 2024 CWCB Board Meeting. The intent of the original Project was to purchase 10 wells and their associated water rights - the seller has since made 5 additional wells and associated water rights available for purchase by the Subdistrict. The Subdistrict is requesting an additional \$750,000 in loan funding to cover the purchase of the additional wells, bringing the total Project cost to \$3,250,000. See the attached original board memo dated March 2024 and Data Sheet for a location map and Project summary.



### Project Update

At the March 2024 Board Meeting, the Subdistrict requested and was approved for a loan to purchase 10 unconfined wells to be a physical source of water - for irrigation and municipal use - as well as a source of historical consumptive use to supply augmentation water for the replacement of depletions to the Rio Grande River. The Subdistrict has agreed to terms with the seller on a lease-purchase agreement for these wells at a down payment from the Subdistrict of \$200,000 with \$2,300,000 due at closing for a total purchase price of \$2,500,000. The initial plan provided five wells which will be a physical supply of water and historical consumptive use and an additional five wells that will initially be used as a source of historical consumptive use and potentially a physical source in the future should the need arise.

An additional 5 wells at the same location have become available for purchase by the same seller. Four of the 5 wells are connected to the manifold that supplies water to the pipeline for delivery of replacement water to the Rio Grande and will be used as a physical source of water as well as historical consumptive use. The fifth well will be used as a source of historical consumptive use and is not connected to the pipeline at this time. The additional funds required for purchase of these wells is \$750,000. The additional wells will provide approximately 300 AF of consumptive use. Since land is not included in this purchase, the cost per AF of consumptive use will remain the same as in the original agreement of approximately \$2,500/AF. With the purchase of these water rights, the Subdistrict will be able to replace up to 46% of their current depletions. The wells associated with the loan increase are listed in Table 1. An updated Project cost estimate is provided in Table 2.

**TABLE 1: WELLS ASSOCIATED WITH LOAN INCREASE**

Name	WDID	Decree
Permit No. 18660-F*	3505030	W3272 Well No. 34
Permit No. 46212-F*	3505584	10CW0008 Well No. 33-A
Permit No. 18659-F-R*	3505585	10CW0008 Well No. 33-R
Permit No. 45646-F*	3505586	10CW0008 Well No. 34-S
Permit No. 18646-F-R	3505748	10CW0030 Well No. 22-R

\* Wells that are currently connected to the Augmentation Pipeline and able to provide physical supplies.

**TABLE 2: UPDATED PROJECT COST ESTIMATE**

Tasks	Original	Current
Lease and Purchase Agreement*	\$200,000	\$200,000
Purchase of Water Rights (10 Wells)	\$2,300,000	--
Purchase of Water Rights (15 Wells)	--	\$3,050,000
<b>TOTAL</b>	<b>\$2,500,000</b>	<b>\$3,250,000</b>

\* Paid by the Subdistrict at the signing of the lease and purchase agreement in March of 2022.

**Permitting:** The wells listed in Table 1 are permitted through the Division of Water Resources and operating under an SWSP. The borrower expects to file a change case for all 15 wells by February 2025.

**Schedule:** The Subdistrict began replacing depletions using these wells for the 2022 Annual Replacement Plan on May 1st 2022 through the Augmentation Pipeline. The Subdistrict amended the

original contract with the owner of the wells to close on the latter of either January 1, 2026 or 30 days after the change case has concluded, instead of April 2025.

### 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 rate of 2.10% per annum (Share ownership is 98% agricultural, 1% Low-Income Municipal, 1% Commercial) as approved at the March 2024 Board Meeting.

**TABLE 3: UPDATED FINANCIAL SUMMARY**

	Original Loan	Increase Loan
Project Cost	\$2,500,000	\$3,250,000
Subdistrict Down Payment	\$200,000	\$200,000
CWCB Loan Amount	\$2,300,000	\$3,050,000
CWCB Loan Amount (Including 1% Service Fee)	\$2,323,000	\$3,080,500
CWCB Annual Loan Payment	\$105,153	\$139,443
CWCB Annual Loan Obligation (1 <sup>st</sup> Ten Years)	\$115,668	\$153,387
Administrative Assessment per Well	\$500	\$500
Current Variable Assessment per AF	\$30.36	\$36.50
Variable Assessment per AF to Cover Annual Loan Repayment*	\$8.84	\$13.43

\* Based on 2024's consumption allocation of 11,420 AF.

**Creditworthiness:** The Subdistrict has two existing CWCB loans: the first loan (CT 2022-3040) is for the construction of the Augmentation Pipeline that has yet to be substantially completed and the second loan (CT 2023-2846) is for a joint purchase - in collaboration with the Special Improvement District No. 3 of the Rio Grande Water Conservation District - of the Alpha Hay Farms water rights. Both are detailed in Table 4 below. Updated financial ratios are shown in Table 5.

**TABLE 4: EXISTING DEBT**

Lender	Original Balance	Current Balance	Annual Payment	Maturity Date	Collateral
CWCB CT2022-3040*	\$841,624	\$843,587	est. \$38,186	est. 2055	Enterprise Revenues
CWCB CT2023-2846	\$2,251,290	\$2,196,660	\$101,908	2053	Enterprise Revenues
<b>Total</b>		<b>\$3,040,247</b>	<b>\$140,094</b>		

\* This loan is not in repayment, but additional disbursements are unlikely. Values are based on current disbursements and are applied to the "Future w/ Project" column in Table 5.

**TABLE 5: UPDATED FINANCIAL RATIOS**

Financial Ratio	Past Years	Future w/ Project
Operating Ratio (revenues/expenses) weak: <100%   typical: 100% - 120%   strong: >120%	141% (strong) \$579K/\$410K	100% (typical) \$601K/\$601K
Debt Service Coverage Ratio (revenues-expenses)/debt service weak: <100%   typical: 100% - 125%   strong: >125%	266% (strong) <u>\$579K - \$308K</u> \$102K	100% (typical) <u>\$601K - \$308K</u> \$293K
Cash Reserves to Current Expenses weak: <50%   typical: 50% - 100%   strong: >100%	395% (strong) \$1.62M/\$410K	270% (strong) \$1.62M/\$601K

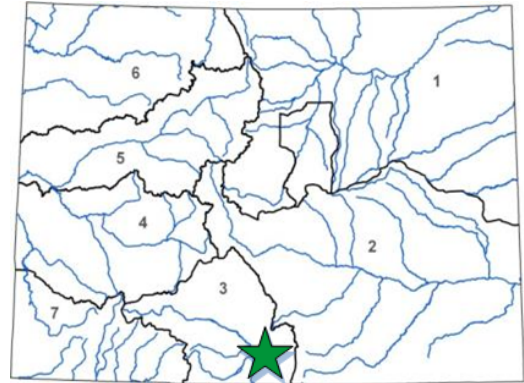
**Collateral:** Security for this loan will remain a pledge of the revenues backed by a rate covenant, as well as the Project itself (water rights associated with the 5 wells listed in Table 1 of this memo and the water rights associated with the 10 wells in the original loan approved at the March 2024 Board Meeting). This is in compliance with CWCB Financial Policy #5 (Collateral).

cc: Monty Smith, President, Trinchera Groundwater Management Subdistrict  
Judy Lopez, Project Director, Trinchera Groundwater Management Subdistrict  
Jennifer Mele, Colorado Attorney General's Office

Attachments: Original Board Memo (March 2024)



LOAN DETAILS	
Project Cost:	\$3,250,000
CWCB Loan (with 1% Service Fee):	\$3,080,500
Loan Term and Interest Rate:	30 Yrs @ 2.10%
Funding Source:	Construction Fund
BORROWER TYPE	
Agriculture	Municipal Commercial
98%	1% Low - 0% Mid - 0% High 1%
PROJECT DETAILS	
Project Type:	Water Rights Purchase
Average Annual Diversions:	24,888 AF



The Trinchera Groundwater Management Subdistrict of the Trinchera Water Conservancy District (Subdistrict), was formed in 2018 in order to pursue a Ground Water Management Plan. The Subdistrict consists of 179 wells in both confined and unconfined aquifers.

LOCATION	
County:	Costilla
Water Source:	Rio Grande
Drainage Basin:	Rio Grande
Division: 3	District: 35

This is a loan increase from a Project the Board originally approved March 2024 to purchase 10 wells and associated water rights. The Project is now to purchase the water rights associated with 15 unconfined wells near the confluence of Trinchera Creek and the Rio Grande. The wells will be used as a source of 1,285 AF of augmentation water, with 9 also being used as a physical supply of water, and 6 as a potential future physical supply of water. This Project is related to a CWCB loan approved in November 2021 to the Subdistrict that funded an augmentation pipeline from irrigation wells, including these 15 wells, to the Rio Grande. This water is used to offset stream depletions by Subdistrict members. Of these wells, 9 are already connected to the pipeline. The closing date of the lease purchase agreement has been extended from April 2025 to close on the latter of either January 1, 2026 or 30 days after the well's water rights change case has concluded.

