



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

1313 Sherman Street, Room 718
Denver, CO 80203
P (303) 866-3441
F (303) 866-4474

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: May 21-22, 2025 Board Meeting

AGENDA ITEM: 14c. Water Project Loans
Circle C Ranches, LLC
Little King Ranch Dam Rehabilitation Project

Staff Recommendation

Staff recommends the Board approve a loan not to exceed \$9,918,200 (\$9,820,000 for project costs and \$98,200 for the 1% service fee) to Circle C Ranches, LLC, for costs related to the Little King Ranch Dam Rehabilitation Project, from the Severance Tax Perpetual Base Fund. The loan term will be 20 years at an interest rate of 5.25% per annum. Security for the loan shall be in compliance with CWCB Financial Policies #5 and #11.

Introduction

Circle C Ranches, LLC (Company) is applying for a CWCB blended interest rate loan for the Little King Ranch Dam Rehabilitation Project (Project). The Company is seeking to rehabilitate the Little King Ranch Dam to enable use of Kings Reservoir. The dam has suffered from seepage issues since it was constructed in 1968 and is currently under a zero storage restriction between November 1 and May 31 of each year, preventing utilization of the 1,090 AF storage right at Kings Reservoir. Additionally, staff recommends the Board approve the interest rate reduction for work at a reservoir under a storage restriction. Project construction is planned to begin during the summer of 2025, with the initial fill of Kings Reservoir in the spring of 2026. The total Project cost is estimated to be \$12,566,000. See attached Project Data Sheet for a location map and Project summary.



Borrower - Circle C Ranches, LLC

The Company is a private Limited Liability Company registered in Colorado and in good standing with the Colorado Secretary of State.

The Company operates 18 properties totalling approximately 18,974 acres located in Douglas, Elbert, Grand, Jackson, Park, and Routt Counties. Twelve of the properties are ranches, which generate revenue from hay sales, outfitting for hunting and fishing, and cattle sales. Individual and geographically proximate properties are owned by separate subsidiary companies. One of the 18 properties that the Company operates is the King Mountain Ranch, an approximately 301-acre property in Grand County approximately 15 miles north of Granby, where the Little King Ranch Dam is located.

The Company is wholly owned by David Phelps, who is the Manager of the Company. The Manager is empowered to incur debt, buy, sell, or lease property, and to secure and repay the obligations of the Company.

Background

The Little King Ranch Dam was constructed in 1968 across Buffalo Creek and consists of a zoned earth embankment approximately 500 feet long and 58 feet high, as well as outlet works and a spillway. The current unrestricted reservoir storage volume is approximately 1,062 AF at the spillway crest. Seepage was observed downstream of the embankment and the south abutment of the dam during the first fill in 1969. In 1970 seepage through the north abutment bedrock caused a slope failure. In 1973, the Dam Safety Branch of the State Engineer's Office placed a storage restriction to a gage height of 41 feet on the Little King Ranch Dam due to excessive seepage. In 2010 a second restriction to gage height 25 feet was placed on the dam.

In 2014 following several incidents where the reservoir pool exceeded the restricted level, the Dam Safety Branch of the State Engineer's Office placed the Little King Ranch Dam under the current storage restriction. Storage in the reservoir is restricted to zero-storage with the outlet works gate open from November 1 to May 31 each year and is restricted to approximately 242 AF of storage, throughout the remainder of the year. David Phelps acquired the King Mountain Ranch property in 2019.

Loan Feasibility Study

Matt Brown, P.E. of Confluence Water Consulting, LLC with assistance from Donald Conty of The Conty Law Firm, PLLC prepared the Loan Feasibility Study titled, "Feasibility Study: Little King Ranch Dam Rehabilitation Project" dated February 2025. The feasibility study was prepared in accordance with CWCB guidelines and includes preliminary engineering, an analysis of alternatives and costs. The Company provided financial statements.

Prior to disbursement of loan funds, the Company will provide an appraisal for all properties offered to satisfy CWCB's collateral value requirement, excluding the King Mountain Ranch property. The Company will also provide an appraisal of King Mountain Ranch and a valuation for the storage water rights for the Project.

Water Rights

King Mountain Ranch owns surface water rights for Kings Reservoir (e.g., the storage impounded by the Little King Ranch Dam) as well as groundwater rights for three groundwater wells. Beneficial uses of the original 1947 right are irrigation, fishery, and stock, whereas the beneficial uses of the 1967 right are recreation, fishery, fire, and stock. The CWCB has a decreed instream flow right of 1.0 cfs on Buffalo Creek approximately 2.25 miles downstream of the Little King Ranch Dam. A summary of the water rights reportedly associated with the Project are shown in Table 1.

TABLE 1: WATER RIGHTS ASSOCIATED WITH THE PROJECT

Name (WDID)	Amount	Appropriation Date	Adjudication Date	Case No.
Kings Reservoir (5103752)	37.35 AF	07/31/1947	05/30/1972	14CW3066, 06CW0090, 87CW0130
Kings Reservoir (5103752)	1,090.00 AF	11/03/1967	12/31/1987	87CW0131

Project Description

The purpose of this Project is to rehabilitate the Little King Ranch Dam, which will allow the Company to store water under their 1,090 storage right for use by the Company or for sale to others.

Alternative 1 - No Action: Taking no action would result in the dam continuing to operate in its current condition with restricted reservoir storage operations. This option would limit opportunities to utilize the structure's decreed water rights, would not address seepage issues or and repair of the outlet works, and would not address regulatory compliance and dam safety issues. Accordingly, this option was not selected.

Alternative 2 - Remove and Re-construct the Little King Ranch Dam: This alternative includes complete removal and replacement of the dam allowing the dam foundation and embankment to be completely re-worked and constructed in accordance with modern construction techniques. Foundation treatment would be performed from the original ground surface rather than the top of the embankment allowing the existing alluvium to be removed and replaced using compacted fill. While the benefits would be similar to those for the Selected Alternative option, this alternative was not selected as the preferred option due to costs that were estimated to be significantly higher than the costs estimated for Selected Alternative.

Selected Alternative 3 - Rehabilitation of the Little King Ranch Dam: This alternative includes rehabilitation of the embankment dam and appurtenances. The Project would be configured to store water available under the storage water right. Primary project components would include the following: demolition of existing facilities, embankment and foundation rehabilitation, outlet works rehabilitation, and spillway rehabilitation. The total estimated cost of this alternative is \$12,566,000 as shown in Table 2.

TABLE 2: ESTIMATED PROJECT COST

Tasks	Cost
Permitting and Administration (Completed 2024)	\$329,000
Feasibility and Design Engineering (Completed 2024)	\$1,480,000
Preliminary Earthwork (Completed 2024)	\$1,646,000
Permitting and Administration During Construction	\$195,000
Engineering During Construction	\$742,000
Construction	
Site Preparation	\$434,000
Demolition and Earthwork	\$240,000
Dewatering and Diversion	\$260,000
Outlet Works	\$560,000
Controls and Instrumentation	\$352,000
Spillway	\$173,000
Emplacement of Fill and Liner Installation	\$4,972,000
Reclamation & Road Relocation	\$180,000
Other Project Work	\$260,000
Construction Contingency (~10%)	\$743,000
TOTAL	\$12,566,000

Permitting: The Dam Safety Branch of the State Engineer’s Office has approved the Project engineering design drawings and specifications. The Project is in the process of securing a National Environmental Policy Act Categorical Exclusion from the U.S. Army Corps of Engineers (USACE), which is required to begin construction, and a Special Use Authorization permit from the U.S. Forest Service, which is not required to inundate the land. The Project has consulted with the State Historic Preservation Office under the National Historic Preservation Act and with the U.S. Fish and Wildlife Service under the Endangered Species Act.

Schedule: Project construction is planned to be complete in November 2025, with the initial fill of Kings Reservoir in the spring of 2026. The start of construction may be delayed if the Project is unable to obtain the NEPA Categorical Exemption from the USACE.

Financial Analysis

Table 3 provides a summary of the Project’s financial aspects. The Company qualifies for a commercial interest rate of 5.75% for a 20-year loan. This rate is further reduced by 0.5% due to the Dam’s storage restriction. All interest rate evaluations are per CWCB Financial Policy #7 (Lending Rate Determination). Per CWCB Financial Policy #11 (Allowable Loan Amounts), the Loan amount of \$9,918,200 is less than 90% of the total Project cost of \$12,566,000.

Prior to disbursement of loan funds, the Company will provide an appraisal for the King Mountain Ranch property as well as a valuation for the storage and diversion water rights for the Project. The CWCB may obtain appraisals for any other properties offered as collateral to the loan by the Company.

TABLE 3: FINANCIAL SUMMARY

Project Cost	\$12,566,000
CWCB Loan Amount	\$9,820,000
CWCB Loan Amount (Including 1% Service Fee)	\$9,918,200
CWCB Annual Loan Payment	\$812,819
CWCB Annual Loan Obligation (1 st Ten Years)	\$894,100

Creditworthiness: The Company does not have any long-term debt, however there is an existing loan on the King Mountain Ranch property with a private lender related to the purchase of the property. That loan is held by a separate Circle C company and is expected to be fully repaid by 2029. Financial ratios for the Company are shown in Table 4.

TABLE 4: FINANCIAL RATIOS

Financial Ratio	Past Years	Future w/ Project
Operating Ratio (revenues/expenses) weak: <100% typical: 100% - 120% strong: >120%	84% (weak) \$887K/\$1.05M	100% (typical) \$1.86M/\$1.86M
Debt Service Coverage Ratio (revenues-expenses)/debt service weak: <100% typical: 100% - 125% strong: >125%	N/A	100% (typical) <u>(\$1.86M-\$1.05M)</u> \$813K
Cash Reserves to Current Expenses weak: <50% typical: 50% - 100% strong: >100%	11% (weak) \$112K/\$1.05M	6% (weak) \$112K/\$1.86M
Annual Cost per Acre-Foot (1,090 AF) weak: >\$24 typical: \$3 - \$24 strong: <\$3	N/A	\$1,799

Collateral: Security for this loan will consist of additional property sufficient to collateralize the Loan at 110% of the Loan amount plus the 1,090 acre-foot storage right for the Little King Ranch Reservoir and the King Mountain Ranch property itself, including all access, easements, rights, and appurtenances associated therewith. This security is in compliance with the CWCB Financial Policy #5 (Collateral) as well as Policy #11 (Allowable Loan Amounts).

cc: Donald Conty, Registered Agent, Circle C Ranches LLC
Jennifer Mele, Colorado Attorney General's Office

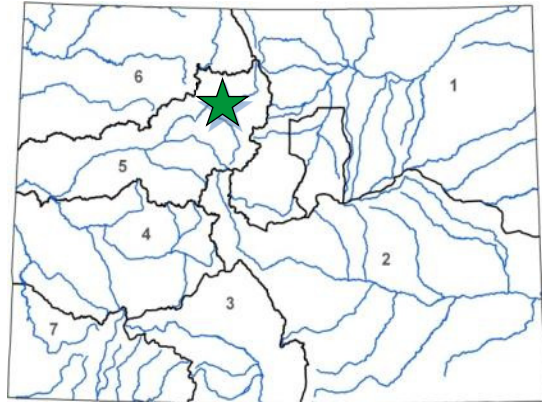
Attachments: Water Project Loan Program - Project Data Sheet



Little King Ranch Dam Rehabilitation Project

Circle C Ranches, LLC
May 2025 Board Meeting

L O A N D E T A I L S	
Project Cost:	\$12,567,000
CWCB Loan (with 1% Service Fee):	\$9,918,200
Loan Term and Interest Rate:	20 Yrs @ 5.25%
Funding Source:	Severance Tax Perpetual Base Fund
B O R R O W E R T Y P E	
Agriculture	Municipal
0%	0% Low - 0% Mid - 0% High
100%	
P R O J E C T D E T A I L S	
Project Type:	Reservoir Rehabilitation
Rehabilitated Storage:	1,090 AF



L O C A T I O N	
County:	Grand
Water Source:	Buffalo Creek
Drainage Basin:	Colorado
Division:	5
District:	51

Circle C Ranches, LLC (Company) is a private Limited Liability Company owned by David Phelps and formed in 2020. The Company owns approximately 18 properties in Colorado, including a dozen ranches. These ranches produce hay, cattle, livestock genetics and services as well as recreation through hunting and fishing. Other properties include residential and commercial uses.

The current dam provides storage for up to 1,062 AF of water with irrigation, fishery, fire, and stock beneficial uses and was originally constructed in 1968. It is currently under a zero storage restriction by the State Engineer's Office (SEO) between November and May, with a limited storage restriction (242 AF) for the remainder of the year. During construction significant seepage was observed, and in 1969 the right abutment of the dam was grouted. In 1970, the dam had a small slope failure and was again repaired, however, seepage continued, and subsequently the dam was placed under a storage restriction in 1973, with additional restrictions in 2010, and 2014. The Project will rehabilitate the dam by demolishing some of existing facilities, and will rehabilitate the embankment, foundation, outlet works, and spillway of the dam to remove the storage restrictions. Construction is expected to begin in the summer of 2025 and continue for approximately six months. The first fill of the reservoir is expected to occur in spring of 2026.

