



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 29-30, 2024 Board Meeting (Updated January 30, 2024)

AGENDA ITEM: 9a. Water Project Loans
Grand View Canal Irrigation Company
Grandview Canal Improvements

Staff Recommendation (Board approved Staff Recommendation January 29, 2024)

Staff recommends the Board approve a loan not to exceed \$505,000 (\$500,000 for project costs and \$5,000 for the 1% service fee) to the Grand View Canal Irrigation Company for costs related to the Grandview Canal Improvements, from the Severance Tax Perpetual Base Fund. The loan term will be 30 years at an interest rate of 2.00% per annum. Security for the loan shall be in compliance with CWCB Financial Policy #5.

Introduction

The Grand View Canal Irrigation Company (Company) applied for a loan in October 2023 for an agricultural interest rate of 2.00% for the Grandview Canal Improvements (Project) to cover approximately 5.3% of the estimated costs; the remainder will be covered by grants from the NRCS Water Management Entity program, Colorado River Water Conservation District (CRWCD) Community Funding Partnership, the Gunnison Basin Roundtable, and the BOR Salinity Reduction program. Staff chose to delay the recommendation until now due to lack of information in the Application and Loan Feasibility Study. The Grand View Canal Irrigation Company canal (Canal) is a relatively large mainline irrigation channel with several lateral ditches that carry water to individual users from Smith Fork Creek, a tributary of the Gunnison River. The Project includes piping 3.9 mi of the Canal to reduce salt accumulation in the Lower Gunnison, reduce seepage losses, and encourage shareholders to invest in more efficient forms of irrigation. In addition to the piping component of the work, the Company will also construct a sedimentation basin to improve water quality and replace their diversion structure on the Smith Fork Creek. The total Project cost is estimated to be \$9,467,000. See attached Project Data Sheet for a location map and Project summary.



Borrower - Grand View Canal Irrigation Company

The Grand View Canal Irrigation Company is a mutually funded irrigation company that was established in 1922. The Company operates and maintains the Canal in Delta County for the benefit of its 27 agricultural shareholders. The Canal diverts water from Smith Fork Creek, a tributary of the Gunnison River, south of Crawford and runs water west of the town where it delivers to the shareholders. The Company supplies an average of 16,067 AF of water per year to 4,480 acres in the North Fork Gunnison Valley for primarily hay land and pastureland for crop production and cattle. The Company is directed by a five-member board elected annually - on a staggered basis - by a simple majority vote of shareholders for four-year terms. In the event that a shareholder fails to pay their annual assessment, the board has the power to shut off the shareholder's water and auction off water rights to pay assessments owed to the Company. Increases in assessments are ratified by a vote of the shareholders. The Company is formed as a non-profit and is in good standing with the Colorado Secretary of State's Office.

Background

When the Company was established in 1922, the Company's irrigation network consisted exclusively of open ditches. In the century since, the ditches have been piped for more efficient delivery. In 2008 the Company applied to the Bureau of Reclamation (BOR) for a Salinity Control Program grant to convert the Canal's existing earthen ditch laterals to underground pipelines to deliver pressurized water to a majority of its shareholders. The Company was successful in the BOR awarding process and received a grant to pipe the lower portion of the Canal. The BOR at the time determined the salt loads in the upper reaches of the Canal were not great enough to warrant funding for piping. The Company completed piping the sections of canals that were covered in this grant in 2010. After completion of the 2008 piping project, the upper 6 miles of the Canal were still open.

The Company applied again to the BOR 2017 Salinity Control Program and was successful in receiving another grant to pipe a portion of the remaining 6 miles. The BOR later (2019) revised their findings and awarded the Company grant funding to pipe nearly the entire 6 miles - except for the stretch immediately downstream of the diversion.

As part of the improvements, the Company will also install a sedimentation basin to allow for the particulates transported in the water to settle out before being delivered to the shareholders. Initially, the farms were all flood irrigated, but most have converted over to sprinkler irrigation since the 2010 piping project provided pressurized water to shareholders. The water moving through the sedimentation basin would reduce maintenance on the sprinklers and improve their longevity.

Additionally, the diversion for the Canal has for many years allowed rocks to fill the entrance of the canal creating a need for the Company to continuously clear the canal entrance during spring high water flows. The Company has had their engineer redesign the river diversion structure to prevent the spring flows from pulling in the debris and intends to construct the new diversion as part of this Project.

The Company has already secured \$331,000 from the NRCS Water Management Entity program, \$135,000 from the Colorado River Water Conservation District (CRWCD) Community Funding Partnership, \$40,000 from the Gunnison Basin Roundtable, and \$8,461,000 from the BOR Salinity Reduction program for a total of \$8,967,000

Loan Feasibility Study

Shana Harness, with Grand Mesa Natural Resource Consulting, LLC with support from Calvin Harward, with Harward Consulting & Engineering, LLC prepared the Loan Feasibility Study titled, "Feasibility of the Smith Fork Diversion and Water Optimization Project," dated December 2023. The feasibility study is in accordance with CWCB guidelines and includes an analysis of alternatives, estimated costs, and financial statements prepared by the Company.

Water Rights

The Company reports to operate under water rights as shown in Table 1. The average diversion flow during the irrigation season is 38.83 cfs and 5.104 cfs during non-irrigation season for stock water.

TABLE 1: PROJECT WATER RIGHTS

Name	Amount (cfs)	Appropriation Date	Adjudication Date	Case No.
Smith Fork	40.5 cfs	03/28/1895	06/23/1914	CA0617
	42.5 cfs	07/01/1914	02/10/1930	CA2030
	7.5 cfs	03/28/1895	03/20/1954	CA3505

Project Description

The Purpose of this Project is to reduce seepage of the Canal, as well as improve the delivery efficiency and reduce long-term maintenance costs.

Alternative 1 - No Action: Taking no action is the least expensive option. However, this does not address the issues of salinity and loss through seepage. Nor does it address the accumulation of particulate matter and the annual buildup of debris at the diversion structure. For these reasons, this alternative was not considered acceptable.

Alternative 2 - Concrete Lining of the Canal: While this alternative does directly address the issues of salt loading and loss of irrigation water through seepage, the Company had concerns with the longevity of the concrete given the contraction and expansion caused by a region that sees harsh winter freezing and hot summer conditions. Additionally, the Company wants to take the opportunity of this loan to address the additional concerns of the annual accumulation of rock debris at the canal entrance and reducing particulate loading with a sedimentation basin.

Selected Alternative 3 - Piping of Canal, Reconstruction of Diversion Structure, and Construction Sedimentation Basin: This alternative involves the piping of approximately 20,645 ft of the Canal to reduce salt loading and loss of irrigation water, reconstruction of a diversion structure to prevent debris accumulation, and construction of a sedimentation basin to reduce particulate loading within the irrigation water. The total estimated cost of this alternative is \$9,467,000 as shown in Table 2.

TABLE 2: ESTIMATED PROJECT COST

Tasks	Cost
Design Engineering	\$453,000
Diversion Structure	\$260,000
Sedimentation Basin	\$606,000
Piping Construction	\$7,204,000
Permitting	\$461,000
Construction Management	\$339,000
Contingency (2%)	\$144,000
TOTAL	\$9,467,000

Permitting: All easements and rights of way have been acquired. The NRCS has cleared the project through the Environmental Evaluation Worksheet (CPA-52). The Company is expecting the signed Finding of No Significant Impact from the BOR in May 2024 and expects to be exempt from 404 permitting by Statutory exemption, 33 CFR Section 323.4(a) 3. The 404 exemption will be confirmed with the Army Corps of Engineers.

Schedule: The final design is complete. Construction is anticipated to start in late 2024 and to be completed by the end of 2025.

Financial Analysis

Table 3 provides a summary of the Project's financial aspects. The entirety of Company stock ownership is agricultural; therefore, this Project qualifies for the current agricultural interest rate of 2.00% for a 30-year loan. All interest rate evaluations are per CWCB Financial Policy #7 (Lending Rate Determination). The Company raised assessments from \$6.00/share to \$10.00/share at the 2023 annual meeting in anticipation of this Project and is prepared to raise assessments again if necessary.

TABLE 3: FINANCIAL SUMMARY

Project Cost	\$9,467,000
NRCS Water Management Entity	\$331,000
CRWCD Community Funding Partnership	\$135,000
Gunnison Basin Roundtable	\$40,000
BOR Salinity Control Program	\$8,461,000
CWCB Loan Amount	\$500,000
CWCB Loan Amount (Including 1% Service Fee)	\$505,000
CWCB Annual Loan Payment	\$22,548
CWCB Annual Loan Obligation (1 st Ten Years)	\$24,803
Number of Shares	4,247
Current Assessment per Share	\$10.00
Annual Loan Obligation per Share	\$5.84
Future Assessment per Share Needed	\$10.00 ¹

¹The Company recently increased their assessment from \$6.00 to \$10.00 in preparation for this loan.

Creditworthiness: The Company has no existing debt.

TABLE 4: FINANCIAL RATIOS

Financial Ratio	Past Years	Future w/ Project
Operating Ratio (revenues/expenses) weak: <100% typical: 100% - 120% strong: >120%	99% (weak ¹) \$34.2K/\$34.7K	100% (typical) \$59.5K/\$59.5K
Debt Service Coverage Ratio (revenues-expenses)/debt service weak: <100% typical: 100% - 125% strong: >125%	N/A	100% (typical) (\$59.5K-\$34.7K) \$24.8K
Cash Reserves to Current Expenses weak: <50% typical: 50% - 100% strong: >100%	76% (typical) \$26.2K/\$34.7K	44% (weak) \$26.2K/\$59.5K
Annual Operating Cost per Acre-Foot (16,067 AF) weak: >\$24 typical: \$3 - \$24 strong: <\$3	\$2.16 (strong) \$34.7K/16K	\$3.70 (typical) \$59.5K/16K

1. This ratio is calculated based on 2020, 2021, and 2022 finances and does not reflect the 2023 increase in rates.

Collateral: Security for this loan will be a pledge of assessment revenues backed by an assessment covenant and the Project's diversion structure and sedimentation basin. This security is in compliance with the CWCB financial Policy #5 (Collateral).

cc: Mark LeValley, President, Grand View Canal Irrigation Company
 Jennifer Mele, Colorado Attorney General's Office

Attachments: Water Project Loan Program - Project Data Sheet

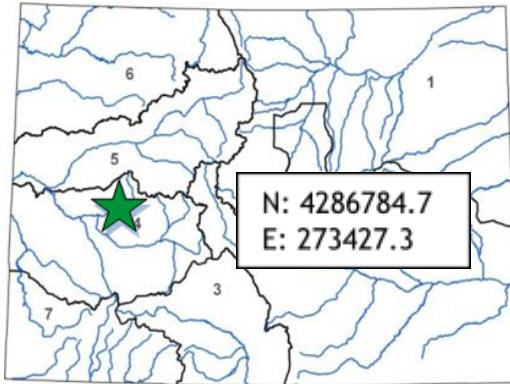


Grandview Ditch Improvements

Grand View Canal Irrigation Company

January 2024 Board Meeting

LOAN DETAILS		
<i>Project Cost:</i>	\$9,467,000	
<i>CWCB Loan (with 1% Service Fee):</i>	\$505,000	
<i>Loan Term and Interest Rate:</i>	30 Yrs @ 2.00%	
<i>Funding Source:</i> Severance Tax Perpetual Base Fund		
BORROWER TYPE		
<i>Agriculture</i>	<i>Municipal</i>	<i>Commercial</i>
100%	0% Low - 0% Mid - 0% High	0%
PROJECT DETAILS		
<i>Project Type:</i>	Ditch Rehabilitation	
<i>Average Annual Diversions:</i>	16,067 AF	



The Grand View Canal Irrigation Company (Company) is a nonprofit corporation formed in 1922. The Company provides irrigation water to 27 shareholders and irrigates 4,480 acres of land.

LOCATION	
<i>County:</i>	Delta
<i>Water Source:</i>	Smith Fork
<i>Drainage Basin:</i>	Gunnison
<i>Division:</i> 4	<i>District:</i> 40

The Project includes constructing a new diversion structure, settling basin and piping approximately 20,000 feet of open canal. Overall, the project will increase efficiency of the canal by reducing seepage, and reducing maintenance and water quality issues related to erosion. This Project will be jointly funded with the Bureau of Reclamation, the National Resources Conservation Service, the Colorado River Water Conservation District, and the Gunnison Roundtable. Construction is expected to begin in the winter of 2024 and be completed in 2025.

