



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

1313 Sherman Street
Denver, CO 80203

P (303) 866-3441
F (303) 866-4474

Jared Polis, Governor

Dan Gibbs, DNR Executive Director

Rebecca Mitchell, CWCB Director

TO: Colorado Water Conservation Board Members

FROM: Rachel Pittinger, P.E., Project Manager
Kirk Russell, P.E., Finance Section Chief

DATE: November 20-21, 2019 Board Meeting

AGENDA ITEM: 11a. Change to Existing Loans
Pueblo Conservancy District - Arkansas River and Wildhorse Creek Levees

Introduction

The Pueblo Conservancy District (District) received approval of a \$17,170,000 CWCB loan at the September 2017 Board Meeting and subsequent approval through the 2018 Water Projects Bill (Senate Bill 18-218) to finance the Arkansas River and Wildhorse Creek Levees (Project). The purpose of the Project is to repair the levees within the City of Pueblo to bring them up to Federal Emergency Management Agency (FEMA) standards to provide flood protection to the City. The District's current CWCB loan contract for \$17,000,000 (Contract Number CT2019-366) constructed several phases of the Project. One more phase that includes replacement of additional lineal feet of the levee will increase the total Project cost to \$23,000,000. This loan increase request will allow completion of the last construction phase and allow long term financing from a single source. See attached Project Data Sheet for a location map and Project summary.

Staff Recommendation

Staff recommends the Board request the General Assembly authorize a loan for \$23,230,000 to the Pueblo Conservancy District in the 2020 CWCB Projects Bill.

The \$23,230,000 (\$23,000,000 for Project costs and \$230,000 for the 1% service fee) loan to the Pueblo Conservancy District is for costs related to the Arkansas River and Wildhorse Creek Levees Project, from the Severance Tax Perpetual Base Fund. This is an increase of \$6,060,000 (\$6,000,000 for Project costs and \$60,000 for the 1% service fee). The loan terms shall remain 30 years at low-income municipal interest rate of 2.45% per annum. Security for the loan shall remain in compliance with CWCB Financial Policy #5.

This loan is conditioned upon:

1. Pueblo Conservancy District shall payoff the existing loan to Bank of the San Juans as referenced in the original loan contract and shall provide the CWCB with a pay request letter that includes the amount needed to pay in full the existing loan, including the loan number, name, and address of the lender. After CWCB review and acceptance of the request, the CWCB will pay the Pueblo Conservancy District the amount set forth in the request. Payment of said request shall be made at the time of disbursement of loan funds.



Project Update

Construction of the 3,000 lineal feet of Wildhorse Creek levee is complete. For the last phase, completion of approximately 3,300 lineal feet of removing and replacing concrete on the Arkansas River levee face, grouting and filling voids, and construction of a portion of the levee maintenance road along that dips below bridges is planned. Overall, construction activity is limited to November to March when the river flows are the lowest. The updated Project cost estimate is \$23,000,000 as shown in Table 1. The cost estimate includes the last phase of design and construction of the Project including the final Federal Emergency Management Agency (FEMA) Certification preparation by the Engineer, NorthStar Engineering and Surveying, Inc.

TABLE 1: UPDATED PROJECT COST ESTIMATE

Task	Original	Current
Design and Engineering	\$2,500,000	\$4,210,000
Construction	\$14,500,000	\$18,700,000
Final FEMA certification	-	\$90,000
Total	\$17,000,000	\$23,000,000

Permitting: The District obtained a Section 404 Permit issued by the U.S. Army Corps of Engineers' authorizing the work in the Arkansas River.

Schedule: Construction is underway and will continue through the spring of 2020, in the non-irrigation season and low-flow river conditions.

Financial Analysis

Table 2 provides a summary of the Project's financial aspects. The term of the loan will remain at 30 years at a Low-Income Municipal interest rate of 2.45% (Ownership: 100% Low-Income Municipal). This increase will cover 100% of eligible costs.

TABLE 2: UPDATED FINANCIAL SUMMARY

	Original	Current
Total Project Cost	\$23,000,000	\$23,000,000
District's Contribution	\$6,000,000	\$0
CWCB Loan Amount	\$17,000,000	\$23,000,000
CWCB Loan Amount (Including 1% Service Fee)	\$17,170,000	\$23,230,000
CWCB Annual Loan Payment	\$814,883	\$1,102,489
CWCB Annual Loan Obligation (including 10% Reserve)	\$896,371	\$1,212,738

Creditworthiness: The Company has \$19,910,713 in existing debt, which will increase due to the last phase of construction by the spring of 2020 to \$23,000,000. In 2016, the District's maintenance fund revenue was increased by 35% per the District Court's approval in 2017 increasing the District's revenues to allow for this Project. Both the 2017 Bond and the CWCB loan are dedicated to the Wildhorse Levee and the Arkansas River Levee as part of flood protection for the City of Pueblo. The Pueblo County Assessor indicated that the District's revenues for 2020 will increase to approximately \$1,900,000 due to an increase in the valuation of properties in Pueblo County.

TABLE 3: UPDATED EXISTING DEBT

Lender	Original Balance	Current Balance	Annual Payment	Maturity Date	Collateral
2017 Bond - Bank of the San Juans	\$10,000,000	\$2,740,713 ⁽¹⁾	\$537,500	2025	Maintenance Assessment Fund Revenues
Subtotal (Existing Debt)		\$2,740,713	\$537,500		
CWCB CT2019-366	\$17,170,000 (In Disbursement)	\$17,170,000 (Max Approved)	\$814,883 (Max Approved)	TBD	Maintenance Assessment Fund Revenues
Total		\$19,910,713	\$1,352,383		

⁽¹⁾ This amount will increase to \$5,000,000 by the spring of 2020.

TABLE 4: UPDATED FINANCIAL RATIOS

Financial Ratio	Past Years	Future w/ Project
Operating Ratio (revenues/expenses) weak: <100% - average: 100% - 120% - strong: >120%	119% (average) \$1.36M/\$1.15M	104% (average) \$1.90M/\$1.82M
Debt Service Coverage Ratio (revenues-expenses)/debt service weak: <100% - average: 100% - 120% - strong: >120%	140% (strong) (\$1.36M-\$609K) \$538K	106% (average) (\$1.90M-\$609K) \$1.21M
Cash Reserves to Current Expenses weak: <50% - average: 50% - 100% - strong: >100%	128% (strong) \$1.47M/\$1.15M	185% (strong) \$3.37M/\$1.82M

Collateral: Security for this loan will remain a pledge of the maintenance assessment fund revenues. This is in compliance with CWCB Financial Policy #5 (Collateral).

cc: Ms. Corrine Koehler, President, Pueblo Water Conservancy District
Mr. Don Banner, Attorney, Pueblo Water Conservancy District
Ms. Jennifer Mele, Colorado Attorney General's Office

Attachment: Water Project Loan Program - Project Data Sheet
Original Board Memo (September 2017)



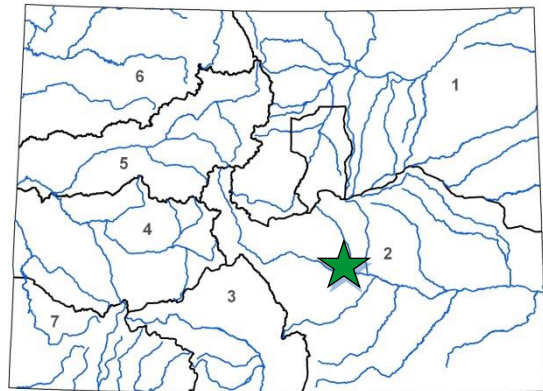
Arkansas River and Wildhorse Creek Levee Rehabilitation

Pueblo Conservancy District

November 2019 Meeting

(Loan Increase)

L O A N D E T A I L S	
Project Cost:	\$23,000,000
CWCB Loan (with Service Fee):	\$23,230,000
Loan Term and Interest Rate:	30 years at 2.45%
Funding Source:	Severance Tax Perpetual Base Fund
B O R R O W E R T Y P E	
Agriculture	Municipal Commercial
0%	100% Low - 0% Mid - 0% High 0%
P R O J E C T D E T A I L S	
Project Type:	Flood Control
Average Annual Diversions:	N/A

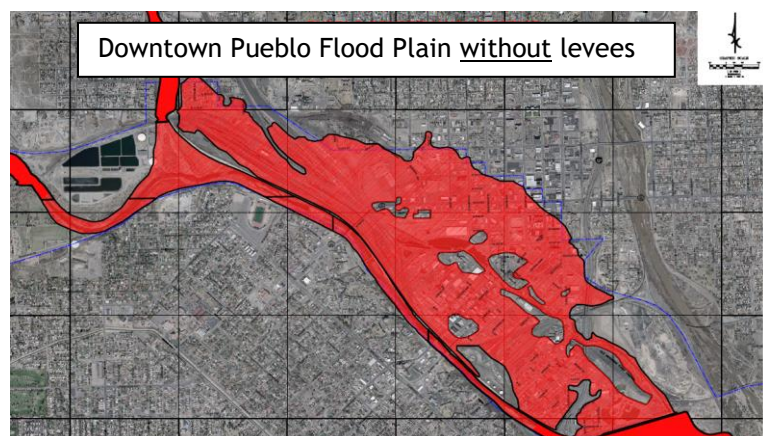


The District was formed in response to the 1921 flood in Pueblo. Its primary function is flood protection within its designated boundaries. In 2006, the District was advised that unless the Arkansas and Wildhorse Creek levees were accredited by the Federal Emergency Management Agency (FEMA), the City would lose its protected status which ensures that flood insurance can be provided at affordable rates. The District's current CWCB loan contract for \$17,000,000 constructed several phases of the Project. One more phase that includes replacement of additional lineal feet of the levee will increase the total Project cost to \$23,000,000. To date, the District has completed the reconstruction and stabilization of 9,700 feet of the Arkansas River Levee, and approximately 3,300 lineal feet will be removed and replaced in the last phase of this Project. Approximately 3,000 feet of Wildhorse Creek Levee has been constructed and complies with FEMA standards. Construction is limited to November to March when river flows are the lowest. The Project is expected to be complete by spring of 2020.

L O C A T I O N			
County:	Pueblo		
Water Source:	Arkansas River		
Drainage Basin:	Arkansas		
Division:	2	District:	14



Wildhorse Creek Levee



Downtown Pueblo Flood Plain without levees



Arkansas River Levee



Arkansas River Levee repair and reconstruction 12/2017



COLORADO

Colorado Water
Conservation Board

Department of Natural Resources

1313 Sherman Street, Room 718
Denver, CO 80203

September 20, 2018

Mr. Don Banner
Pueblo Conservancy District
115 E. Riverwalk, Suite 400
Pueblo, CO 81003

Re: Arkansas River and Wildhorse Creek Levees

Dear Mr. Banner

This letter is to inform you that the CWCB Loan No. CT2019-366 for the Arkansas River and Wildhorse Creek Levees was approved and signed on September 18, 2018. The total loan amount of \$17,170,000.00 includes a 1% service fee. The contract documents are enclosed for your records.

The loan funds are now available. In order to issue a payment an invoice must be received. Please contact Rachel Pittinger at 303-866-3441 ext. 3254 regarding disbursements and any required documentation.

Please reference CWCB Contract Number: CT2019-366 on your payment requests and invoices.

Please contact me if you have any contract questions or concerns.

Thank you,

Peg Mason
Contracts Manager
Office: 303-866-3441 ext.3227
1313 Sherman St., Room, 718, Denver, CO 80203
peg.mason@state.co.us





COLORADO

Colorado Water Conservation Board

Department of Natural Resources

1313 Sherman Street, Room 718
Denver, CO 80203

September 21, 2017

Paul J. Willumstad, President of Board
Pueblo Conservancy District
PO Box 234
Pueblo, CO 81002

Re: Arkansas River and Wildhorse Creek Levees

Mr. Willumstad:

I am pleased to inform you that on September 20, 2017 the Colorado Water Conservation Board approved your loan request for the Arkansas River and Wildhorse Creek Levees as described in the application and approved Loan Feasibility Study titled "Arkansas River and Wildhorse Creek Levee Rehabilitation and Reconstruction," dated June 2017. The Board approved a loan not to exceed \$17,170,000 (\$17,000,000 for project costs and \$170,000 for the 1% Loan Service Fee). The loan terms shall be 30 years at an interest rate of 2.45% per annum.

I have attached a copy of the updated Board memo dated September 21, 2017 that includes the Board's approval. After the Board approves a loan there are a few steps that remain in the loan process including:

Legislature/Governor Approval: The loan will be included in the 2018 Water Projects Bill. If the Bill is signed by the Governor, funds are available for disbursement pending an executed loan contract.

Contracting: An executed loan contract must be in place before funds can be disbursed for eligible project expenses. Peg Mason, Loan Contracts Manager, will contact you to initiate the loan contracting process. She can be reached at (303) 866-3441 x3227.

Design/Construction: You must adhere to the CWCB Design and Construction Administration Procedures including an invitation to the Prebid, Preconstruction and Bid Opening meetings. Anna Mauss, P.E., will be the Project Manager for this phase of the process and will work with you on the disbursements of your loan funds. She can be reached at (303) 866-3441 x3224.

On behalf of the Board, I would like to thank you for your interest in a loan from the CWCB.

Sincerely,

Kirk Russell, P.E., Chief
Finance Section

Attachment: Updated Board Memo

P 303.866.3441 F 303.866.4474 www.cwcb.state.co.us

John W. Hickenlooper, Governor | Robert Randall, DNR Executive Director | Rebecca Mitchell, CWCB Director





COLORADO

**Colorado Water
Conservation Board**

Department of Natural Resources

1313 Sherman Street
Denver, CO 80203

P (303) 866-3441
F (303) 866-4474

John Hickenlooper, Governor

Robert Randall, DNR Executive Director

Rebecca Mitchell, CWCB Director

TO: Colorado Water Conservation Board Members

FROM: Anna Mauss, P.E., Project Manager
Kirk Russell, P.E., Finance Section Chief *✓GR*

DATE: September 20-21, 2017 Board Meeting (Updated September 21, 2017)

AGENDA ITEM: 15a. Water Project Loans
Pueblo Conservancy District - Arkansas River and Wildhorse Creek Levees

Introduction

The Pueblo Conservancy District (District) is applying for a loan for the Arkansas River and Wildhorse Creek Levees (Project). The purpose of the Project is to repair the levees within the City of Pueblo to bring them up to Federal Emergency Management Agency (FEMA) standards to provide flood protection to the City. The total Project cost is estimated to be \$23 million. To date, the District has spent approximately \$11 million on the Project, funded in part by a \$10 million bond. The initial loan request was for 100% of the Project costs, including refinancing the existing bond debt. Because refinancing is not a top priority of the CWCB loan program, staff worked with the District to amend the loan request to \$17 million. See attached Project Data Sheet for a location map and Project summary.

Staff Recommendation (Board approved Staff Recommendation September 20, 2017)

Staff recommends the Board request the General Assembly authorize a loan for \$17,170,000 to the Pueblo Conservancy District in the 2018 CWCB Projects Bill.

The \$17,170,000 (\$17,000,000 for Project costs and \$170,000 for the 1% service fee) loan to the Pueblo Conservancy District is for costs related to the Arkansas River and Wildhorse Creek Levees Project, from the Severance Tax Perpetual Base Fund. The loan term shall be 30 years at the low-income municipal interest rate of 2.45% per annum. Security for the loan shall be in compliance with CWCB Financial Policy #5.



Background

The District was formed in response to the 1921 flood in Pueblo. Its primary function is flood protection within its designated boundaries. These boundaries are roughly one mile in width by 11 miles in length, generally following the Arkansas River from a point approximately 9.5 miles west of the City of Pueblo's limits as they existed in 1922, through the heart of the City, to the eastern City limits circa 1922. Construction of levees was completed in March 1926.

The Arkansas Levee extends from the 11th Street Bridge in Pueblo to Runyon Lake and is approximately 13,000 linear feet. The Wildhorse Creek Levee is located on the east side of Wildhorse Creek between 11th Street and 18th Street in Pueblo.

After Hurricane Katrina in 2005, which resulted in major flooding in the City of New Orleans, the Corps of Engineers was criticized for failure to assure that the levees designed to protect New Orleans were properly maintained. As a result the Corps of Engineers and FEMA initiated a program for reviewing levees in the United States. The Corps now conducts two types of levee inspections: Routine Inspections (annual visual inspections to verify and rate levee system operation and maintenance), and Periodic Inspections (a more comprehensive inspection conducted by a Corps multidisciplinary team that includes the levee sponsor and is led by a professional engineer conducted every five years).

In 2006, the District was advised that unless the Arkansas and Wildhorse Creek levees were accredited by FEMA, the City would lose its protected status which ensures that flood insurance can be provided at affordable rates. FEMA has prepared flood plain mapping for the City of Pueblo based on two conditions. The first assumes the improvements to the levees are completed. The second condition assumes the levees are not reconstructed nor accredited. In that case, large portions of downtown Pueblo and adjacent neighborhoods would fall in the flood plain and would be required to obtain flood insurance.

While the construction of Pueblo Dam upstream, completed in 1976, significantly reduced the flood hazard to the City of Pueblo, FEMA mapping indicates that virtually all of the downtown area, plus an area to the north west of downtown would be flooded from a 100-year storm if the levees fail. In reviewing the property within the flood plain, there are a significant number of properties and facilities owned by the City or the County of Pueblo which provide essential public health, safety and welfare functions.

Loan Feasibility Study

Rick Kidd, P.E., Kidd Engineering and Construction Management Services, Inc., prepared the Loan Feasibility Study titled, "Arkansas River and Wildhorse Creek Levee Rehabilitation and Reconstruction," dated June 2017. The feasibility study was prepared in accordance with CWCB guidelines and includes an analysis of alternatives, preliminary engineering design, and construction cost estimates. Audited Financial statements were prepared by Garren, Ross & DeNardo, Inc, Certified Public Accountants.

Borrower - Pueblo Conservancy District

The District was formed, after petition to the District Court, in 1923. The District was organized pursuant to the Conservancy District Law of Colorado, C.R.S. 37-1-101 et. seq. and is a political subdivision of the State. The Colorado Supreme Court held, in 1923, that the Conservancy District statute was constitutional and further held that the maintenance fee established by the statute is a fee and not a tax. Therefore, the Board of Directors petitioned the District Court to allow collection of a maintenance fund assessment. The petition was granted and the District has received maintenance

fund assessment income collected by the Treasurer of Pueblo County with property tax collections since 2008. Assessment revenues come from a fee and not a tax, therefore TABOR limitations do not apply.

The District is currently assessing a maintenance fund fee on all properties in Pueblo County, except for governmental and non-profit entities. The District has the statutory authority to levy an assessment on the governmental and non-profit properties but has chosen not to do so.

Project Description

The objective of the Project is to maintain FEMA accreditation and continued flood protection for the City of Pueblo.

Alternative 1 - No Action: This alternative was not selected because without accredited levees in place, significant portions of Pueblo will be in danger of flooding. Additionally flood insurance could escalate and potentially become cost prohibitive.

Alternative 2 - Replace the lower 10-feet of concrete facing: This alternative looked at only replacing the lower 10-feet of the levee because that is where the worst conditions exist. Toe and footing failures and excessive cracking can be seen at various points along the levee. However, the District's consultants were worried that only replacing the lower 10-feet would not convey the 100 year flow. Additionally, because the current panels (approximately 40-feet) have a joint in the center, replacing the lower portion only would require significant saw cutting and demolition that could potentially create additional damage to the upper portion of the concrete. Therefore, this alternative was not selected.

Alternative 3 - Replace the lower 20-feet of concrete facing: This alternative evaluated replacing the lower 20-feet of the concrete panels. This is the conveyance area for the 100 year storm including freeboard and fits within the existing concrete joint in the panels. This alternative was not selected after a construction test section proved construction access was too challenging.

Selected Alternative 4 -Lower levee and replace remaining concrete: The District evaluated removing the top 12-feet of the concrete panels, constructing an access platform, and replacing the remaining lower portion of the panels. This overcame the construction access challenge and was determined to be the most cost effective solution.

Schedule: To date, the District has completed the reconstruction and stabilization of 6,600 feet of the Arkansas River Levee, the top 12-feet of an additional 4,400 feet of the Arkansas Levee embankment has been removed, and 2,800 feet of Wildhorse Creek Levee has been constructed. The next phase of work is scheduled to begin in late 2017. Construction is limited to November to March when river flows are the lowest. The entire project is expected to be complete in 2022.

Permitting: The District obtained a 404 permit from the Army Corps of Engineers.

The total cost associated with the Project is shown in Table 1.

TABLE 1: ESTIMATED PROJECT COST

Task	Total
Construction/Eng/Admin of previously completed sections (Phase 1 - 3)	\$11,000,000
Engineering/Admin (Phase 4 - 6)	\$675,000
Construction (Phase 4 - 6)	\$11,325,000
TOTAL	\$23,000,000

Financial Analysis

Table 2 provides a summary of the Project's financial aspects. The District qualifies for the low-income municipal interest rate of 2.45% for a 30-year term. The District is applying for grant funding from the Colorado Department of Transportation, Department of Local Affairs, and the CWCB (both Water Supply Reserve Fund and Water Plan Grant program) for additional environmental and recreational enhancements to the project. The financial summary in Table 2 only addresses the levee reconstruction and not the additional enhancements.

TABLE 2: FINANCIAL SUMMARY

Total Project Cost	\$23,000,000
District Cash (Phases 1-3) paid to date	\$11,000,000
CWCB Loan Amount	\$17,000,000
CWCB Loan Amount (Including 1% Service Fee)	\$17,170,000
CWCB Annual Loan Payment	\$814,883
CWCB Annual Loan Obligation (1 st Ten Years)	\$896,371

Creditworthiness: The District executed a \$10 million bond in 2015. Funds were used for construction of phases 1 - 3 of the Project. The bond has an interest rate of 3.57% with annual payments of \$700,000, and a balloon payment of approximately \$5,000,000 due October 29, 2022. Recognizing the balloon payment could become a financial hardship for the District, staff is recommending \$5,000,000 of the CWCB loan go towards paying the balloon payment and bond debt. In order to receive the \$5,000,000, the District will provide the CWCB with invoices paid for construction during phases 1 - 3.

In 2016, the District's maintenance fund revenue was \$1.1 million. It was increased by 35% per the District Court's approval in 2017 bringing future revenues up to nearly \$1.5 million.

TABLE 3: EXISTING DEBT

Lender	Original Balance	Current Balance	Annual Payment	Maturity Date	Collateral
Bond - Canon National Bank	\$10,000,000	\$9,452,314	\$700,000	10/29/2022	Maintenance Assessment Fund Revenues

TABLE 4: FINANCIAL RATIOS

Financial Ratio	2014-2016	Future w/ Project
Operating Ratio (revenues/expenses) weak: <100% - average: 100% - 120% - strong: >120%	102% (average) \$992K/\$971K	125% (strong) \$1.5M/\$1.2M
Debt Service Coverage Ratio (revenues-expenses)/debt service weak: <100% - average: 100% - 120% - strong: >120%	103% (average) <u>(\$992K-\$271K)</u> \$700K	137% ⁽¹⁾ (strong) <u>(\$1.5M-\$271K)</u> \$896K
Cash Reserves to Current Expenses weak: <50% - average: 50% - 100% - strong: >100%	39% (weak) \$381K/\$971K	32% (weak) \$381K/\$1.2M

(1) Assumes bond debt is paid in full at the time of the CWCB loan repayment.

Collateral: Security for this loan will be a pledge of the maintenance fund assessment. CWCB will have parity status with the Districts existing debt. This security is in compliance with the CWCB Financial Policy #5 (Collateral).

cc: Paul Willumstad, President, Pueblo Conservancy District
Rick Kidd, Administrator/Engineer for Pueblo Conservancy District
Don Banner, Banner & Bower, P.C.
Jennifer Mele, Colorado Attorney General's Office

Attachment: Water Project Loan Program - Project Data Sheet