



COLORADO

**Colorado Water
Conservation Board**

Department of Natural Resources

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TO: Colorado Water Conservation Board Members

FROM: Cole Bedford, P.E., Project Manager
Kirk Russell, P.E., Finance Section Chief

DATE: March 10-11, 2021 Board Meeting

AGENDA ITEM: Consent Agenda 6a. Change to Existing Loans
Lateral Ditch ML47, Inc. - Lateral Ditch Pipeline Project

Staff Recommendation:

Staff recommends the Board approve a an increase to the final long-term debt amount up to \$219,000 while maintaining the terms of the existing loan not to exceed \$707,000 (\$700,000 for Project costs and \$7,000 for the 1% service fee) to the Lateral Ditch ML47, Inc. for the Lateral Ditch Pipeline Project. Security for the loan shall remain in compliance with CWCB Financial Policy #5.

Introduction:

The Lateral Ditch ML47, Inc. (Company) received approval of a \$707,000 CWCB loan (Contract number CT2021-0515) for 30 years at a blended interest rate of 1.60% to finance the Lateral Ditch Pipeline (Project) at the May 2020 Board Meeting. The ML47 Lateral Ditch is a small, open ditch supplying twenty-five properties in a partially agricultural and partially rural residential area in the east Grand Junction area. It is inadequately lined and as a result experiences excessive water losses. By piping the ditch and improving its headgate, efficiency and safety will be increased. To that end, the Project is currently under construction and approximately 60% complete. The Company has secured a Federal grant of \$538,000 from the Bureau of Reclamation Basin States Program which will be disbursed upon completion of the Project. Originally, it was expected that the entirety of the Grant would be used to pay down the CWCB loan at the end of the project, however, construction and other unexpected costs have exceeded the original estimate and therefore, a portion of the Grant will be used to pay the Contractor directly and the remainder will be used to pay down the loan. This will allow the current loan contract amount of \$707,000 to remain in place. See attached Project Data Sheet for a location map and Project summary.



Project Update

Lateral Ditch ML47 Inc. has made significant progress on the Project since the May 2020 Board Meeting authorizing the loan. The Company executed a competitive bid process which resulted in a contract with Dirtworks Construction, LLC as the general contractor. Dirtworks and its several subcontractors mobilized in November 2020. Starting at the lower end of the lateral, they have moved northward toward the ditch headgate, and have installed about two-thirds of the 8,200 feet of pipe as of February 2021.

TABLE 1: UPDATED ESTIMATED PROJECT COST

Task	Original	Current
Construction	\$654,000	\$731,000
Attorney Fees	\$0	\$8,000
Headgate Improvements	\$0	\$7,000
Contingency	\$46,000	\$12,000
TOTAL	\$700,000	\$758,000

Permitting: The Company coordinated with Mesa County for road crossings and all necessary permits have been executed.

Schedule: The original project completion date was extended from March 2021 to April 2021. This extension will allow for pipe pressure testing to take place after water is released into the GVIC Canal at the head of ML47. The Bureau of Reclamation Basin State’s Program Grant end date was also extended to April to protect the grant funding.

Financial Analysis:

Table 2 provides a summary of the updated Project’s financial aspects. In 2017 the Company secured a \$538,000 grant through the Basin States Program of the Colorado River Basin Salinity Control Program for the Project. This funding traditionally pays out as a lump sum upon project completion and at least \$488,000 of it will remain at the end of the Project and be applied to the loan balance. The Company qualifies for a blended interest rate of 1.60% (Ownership: 50% agricultural, 50% low-income municipal, 0% commercial) for a 30-year term. The Company was also awarded an \$8,000 WSRF grant for the project in November 2020.

TABLE 2: UPDATED FINANCIAL SUMMARY

Project Item	Original	Current
Total Project Cost	\$700,000	\$758,000
CWCB Loan Amount	\$700,000	\$700,000
CWCB Loan Amount (Including 1% Service Fee)	\$707,000	\$707,000
WSRF Grant Funding	\$0	\$8,000
Basin States Program Grant Funding	\$538,000	\$538,000
CWCB Long-Term Debt	\$169,000	\$219,000
CWCB Annual Loan Payment	\$7,100	\$9,250
CWCB Annual Loan Obligation (1 st Ten Years)	\$7,800	\$10,175
Number of Users	25	25
Annual Loan Obligation per User	\$310	\$407
Current Assessment per User	\$100	\$100
Estimated Average Future Assessment per User ¹	\$410	\$507

1. Because the number of shares owned by each user will differ, the average assessment is not necessarily reflective of the actual assessment paid by any given user.

Creditworthiness: The Company's debt has not changed since the January 2020 Project Approval and they are still considered an average to strong borrower.

TABLE 3: UPDATED FINANCIAL RATIOS

Financial Ratio	Prior Years	Future w/ Project
Operating Ratio (revenues/expenses) weak: <100% / average: 100% to 120% / strong: >120%	139% (strong) \$2.5K/\$1.8K	100% (average) \$12.0K/\$12.0K
Debt Service Coverage Ratio (revenues-expenses)/debt service weak: <100% / average: 100% to 120% / strong: >120%	N/A	100% (average) (\$12.0K-\$1.8K) \$10.2K
Cash Reserves to Current Expenses weak: <50% / average: 50% to 100% / strong: >100%	389% (strong) \$7.0K/\$1.8K	58% (average) \$7.0K/\$12.0K
Annual Operating Cost per Acre-Foot (1,400 AF) weak: >\$20 / average: \$10 to \$20 / strong: <\$10	\$1.29 (strong) \$1.8K/1.4K AF	\$8.57 (strong) \$12.0K/1.4K AF

Collateral: Security for this loan will remain a pledge of assessment revenues and shares of the Grand Valley Irrigation Company represented by stock certificates deemed adequate by staff to secure the long-term debt amount with respect to the creditworthiness and repayment capacity of the borrower per Policy #5.

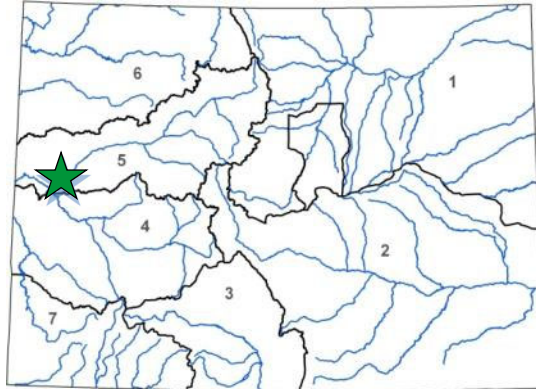
cc: Kathy Ericson, President, Lateral Ditch ML47, Inc.
 Jennifer Mele, Colorado Attorney General's Office

Attachments: Water Project Loan Program - Project Data Sheet; Original Board Memo (May 2020)



(Final Term Increase)

L O A N D E T A I L S	
Project Cost:	\$700,000
Initial CWCB Loan (with Service Fee):	\$707,000
Long Term CWCB Loan (with Service Fee):	\$219,000
Loan Term and Interest Rate:	30 years @ 1.60%
Funding Source:	Severance Tax Perpetual Base Fund
B O R R O W E R T Y P E	
Agriculture	Municipal
50%	50% Low - 0% Mid - 0% High
Commercial	0%
P R O J E C T D E T A I L S	
Project Type:	Ditch Piping
Average Annual Diversions:	1,400 AF



L O C A T I O N	
County:	Mesa
Water Source:	Colorado River
Drainage Basin:	Colorado
Division:	5
District:	72

Lateral Ditch ML47, Inc. (Company) is a nonprofit corporation that operates and maintains a lateral serving 25 irrigators along 33 ½ Road who grow hay, corn, alfalfa, hemp, as well as water lawns and pastures. These irrigators all own shares in the Grand Valley Irrigation Company (GVIC), which owns senior water rights on the Colorado River, and provides water to the lateral.

The lateral is primarily a concrete lined ditch, which occasionally experiences flooding when trash blows in and blocks the flow, and has developed significant cracks that leach water. The Company executed a competitive bid process which resulted in a contract with Dirtworks Construction, LLC as the general contractor. Dirtworks and its several subcontractors mobilized in November 2020. They are now in the process of improving the GVIC headgate and piping the ditch.

The improved irrigation system will allow the Company to regulate the amount of water members use, and determine if there is a need to adjust shares to meet current needs. The project will also leverage federal funding through a Bureau of Reclamation Basin States Program grant for \$538,000. Originally, it was expected that the entirety of the Grant would be used to pay down the CWCB loan at the end of the project, however, construction and other unexpected costs have exceeded the original estimate and therefore, a portion of the Grant will need to be used to pay the Contractor directly and the remainder will be used to pay down the loan.

