



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: July 20-21, 2022 Board Meeting

AGENDA ITEM: 18b. Water Project Loans
Sunnyside Park Ditch Company - Sunnyside Park Ditch Piping Project

Staff Recommendation

Staff recommends the Board approve a loan not to exceed \$654,480 (\$648,000 for project costs and \$6,480 for the 1% service fee) to the Sunnyside Park Ditch Company for costs related to the Sunnyside Park Ditch Piping Project, from the Severance Tax Perpetual Base Fund. The loan term will be 10 years at an interest rate of 1.00% per annum. Security for the loan shall be in compliance with CWCB Financial Policy #5.

Introduction

The Sunnyside Park Ditch Company (Company) is applying for a loan for the Sunnyside Park Ditch Piping (Project). The Company operates the Sunnyside Park Ditch, which diverts water from the Arkansas River northwest of Salida. The ditch serves 10,000 acres of agricultural land. A half-mile stretch of the ditch is situated on a steep slope between the Arkansas River and a residential development. The slope is prone to sliding, which, depending on the location, can block the ditch's flow or allow the ditch's water to discharge into the river below. As a result, the Company contracted with the NRCS to design a pipeline alternative to the open ditch that will be less impacted by slope stability. A portion of the project cost will be covered by a WSRF and other grants. The total Project cost with contingency is estimated to be \$934,639. See attached Project Data Sheet for a location map and Project summary.



Borrower - Sunnyside Park Ditch Company

The Sunnyside Park Ditch Company was incorporated in 1884 and serves 17 shareholders. Several of these are large ranches irrigating up to 1,000 acres of land. The Company as a whole serves 10,000 irrigated acres. The primary source of revenue for the Company is shareholder assessments collected annually. Per the Company's Articles of Incorporation and Bylaws, the Board of Directors has authority to incur debt. The Company is currently in good standing with the Colorado Secretary of State.

Background

In recent years, the Sunnyside Park Ditch has experienced multiple failures adjacent to and above the Arkansas River and faces a high likelihood of a large slope failure in the future. The NRCS conducted a feasibility study of options to reduce the impact to the ditch with the support of a local engineer. The study recommended an efficient, cost effective preferred alternative. Preliminary design and planning work is complete. Funding has been secured through local, state and federal sources including Chaffee Common Ground, NRCS-EQIP, CWCB WSRF Grant, and Colorado State Conservation Board. The NRCS funding is not available until the project is complete and the Company does not have adequate cash reserves to pay for the construction costs up front. The CWCB loan will provide bridge financing to cover construction costs. The final difference between the construction cost and the grant funding will remain on the loan and be repaid over the 10 year term.

Loan Feasibility Study

Nancy Roberts, President, Sunnyside Park Ditch Company, supported by Rob Fontaine, P.E., with the NRCS, prepared the Loan Feasibility Study titled, "Sunnyside Park Ditch Loan Application," dated May 31, 2022. The feasibility study was prepared in accordance with CWCB guidelines and includes an analysis of alternatives, estimated costs, and financial statements.

Water Rights

The Company utilizes three different water rights for its operations whose total absolute water right is 39.17 cfs. Annual diversions in recent years are about 5,000 acre-feet. The Company's rights are detailed in Table 1.

TABLE 1: WATER RIGHTS

| Name | Amount (cfs) | Appropriation Date | Adjudication Date | Case No. |
|----------------------|--------------|--------------------|-------------------|----------|
| Sunnyside Park Ditch | 4.17 | 1/3/1884 | 3/16/1900 | CA1661 |
| | 25.0 | 10/1/1891 | 3/16/1900 | CA1661 |
| | 10.0 | 1/3/1884 | 1/18/1932 | CA3053 |

Project Description

The purpose of this Project is to ensure the Sunnyside Park Ditch's continued ability to deliver water reliably and efficiently.

Alternative 1 - No Action: Taking no action would maintain the risk of slope failure that currently exists. It is likely that a failure would eventually reduce or eliminate the ditch's ability to function. Costly repairs or an abandonment of the ditch would result.

Alternative 2 - Line Open Ditch: This alternative involves lining the ditch with concrete. It has high relative maintenance costs and the estimated service life is 10-years. Assuming the use of 650 cubic yards of concrete, this alternative is estimated to cost \$288,680. While the capital cost of this alternative is low, much of the slope failure risk would remain. This alternative was not selected.

Selected Alternative 3 - Replace Open Ditch with Pipeline: This alternative involves replacing the existing open ditch with an underground, 48-inch, HDPE pipeline. This option eliminates the maintenance requirements associated with Alternative 2. It will also have a significantly longer service life. Cleanouts along the pipeline alignment will be installed to provide access points. Concrete inlet and exit structures will be installed along with a screen to remove debris at the inlet. The estimated cost for the Sunnyside Park Ditch Project is \$849,672. A 10% contingency brings the total cost estimate to \$934,639 as shown in Table 2.

TABLE 2: ESTIMATED PROJECT COST

| Tasks | Cost |
|----------------------------------|------------------|
| Pipe (material and installation) | \$361,466 |
| Fittings | \$50,361 |
| Excavation | \$286,910 |
| Fill | \$47,875 |
| Inlet/Outlet Structures | \$103,060 |
| SUBTOTAL | \$849,672 |
| Change Order Contingency (10%) | \$84,967 |
| TOTAL | \$934,639 |

Permitting: A General Permit for Off Farm Irrigation Improvements has been submitted to the Division of Water Resources. NRCS work is covered by a blanket permit from the Corps of Engineers.

Schedule: The project has already been bid and awarded to the low bidder. Work will begin in September 2022 and be completed before the irrigation season in 2023.

Financial Analysis

Table 3 provides a summary of the Project’s financial aspects. The Company qualifies for an agricultural interest rate of 1.55% for a 30-year loan. The Company is requesting a 10-year term, so the interest rate is reduced by 0.55% to 1.00%. All interest rate evaluations are per CWCB Financial Policy #7 (Lending Rate Determination).

The Company has secured grants from four separate entities. The largest of these grants is provided by the NRCS, which will be paid out when the project is substantially completed. These funds will be passed along to CWCB to pay down a large portion of the loan principal before the long-term repayment period begins.

Tables 3 and 4 consider two possible post-Project conditions. The first assumes an unlikely worst case scenario in which the NRCS funding is not secured and the second assumes that the NRCS funding is released at the end of the project as expected.

TABLE 3: FINANCIAL SUMMARY

| | Estimated w/o NRCS Funds | Estimated w/ NRCS Funds |
|---|--------------------------|-------------------------|
| Project Cost (with Contingency) | \$934,639 | \$934,639 |
| CWCB Loan Amount | \$648,000 | \$648,000 |
| CWCB Loan Amount (Including 1% Service Fee) | \$654,480 | \$654,480 |
| Grants | | |
| NRCS - EQIP | - | \$491,564 |
| WSRF (POGG1 2022-3435) | \$127,300 | \$127,300 |
| Colorado State Conservation Board | \$47,000 | \$47,000 |
| Chaffee County Common Ground | \$108,000 | \$108,000 |
| Post-Project | | |
| CWCB Loan Amount (Long-Term) | \$654,480 | \$160,775 |
| CWCB Annual Loan Payment | \$69,101 | \$16,975 |
| Number of Shares | 146 | 146 |
| Current Assessment per Share | \$80 | \$80 |
| Annual Loan Obligation per Share | \$473 | \$116 |
| Future Assessment per Share | \$553 | \$196 |

Creditworthiness: The Company currently carries no debt.

TABLE 4: FINANCIAL RATIOS

| Financial Ratio | Past Years | Future w/o NRCS Funds | Future w/ NRCS Funds |
|---|--------------------------------------|---|---|
| Operating Ratio (revenues/expenses) weak: <100% average: 100% - 120% strong: >120% | 100% (average) \$11.5K/\$11.5K | 100% (average) \$80.6K/\$80.6K | 100% (average) \$28.5K/\$28.5K |
| Debt Service Coverage Ratio (revenues-expenses)/debt service weak: <100% average: 100% - 120% strong: >120% | N/A | 100% (average) (\$80.6K-\$11.5K) \$69.1K | 100% (average) (\$28.5K-\$11.5K) \$17K |
| Cash Reserves to Current Expenses weak: <50% average: 50% - 100% strong: >100% | 22% (weak) \$2.5K/\$11.5K | 3% (weak) \$2.5K/\$80.6K | 9% (weak) \$2.5K/\$28.5K |
| Annual Operating Cost per Acre-Foot (5,000 AF) weak: >\$20 average: \$10 - \$20 strong: <\$10 | \$2.30 (strong) \$11.5K/5K AF | \$16.12 (average) \$80.6K/5K AF | \$5.70 (strong) \$28.5K/5K AF |

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

cc: Nancy Roberts, President, Sunnyside Park Ditch Company
 Jennifer Mele, Colorado Attorney General's Office

Attachments: Water Project Loan Program - Project Data Sheet

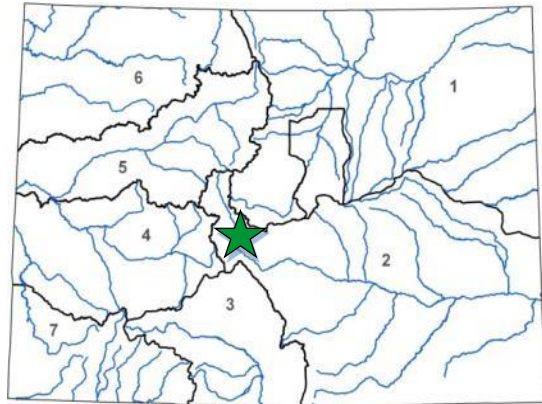


Sunnyside Park Ditch Piping

Sunnyside Park Ditch Company

July 2022 Board Meeting

| L O A N D E T A I L S | | |
|----------------------------------|-----------------------------------|------------|
| Project Cost: | \$850,000 | |
| CWCB Loan (with 1% Service Fee): | \$654,480 | |
| Loan Term and Interest Rate: | 10 Yrs @ 1.00% | |
| Funding Source: | Severance Tax Perpetual Base Fund | |
| B O R R O W E R T Y P E | | |
| Agriculture | Municipal | Commercial |
| 100% | 0% Low - 0% Mid - 0% High | 0% |
| P R O J E C T D E T A I L S | | |
| Project Type: | Ditch Piping | |
| Average Annual Diversions: | 5,000 AF | |



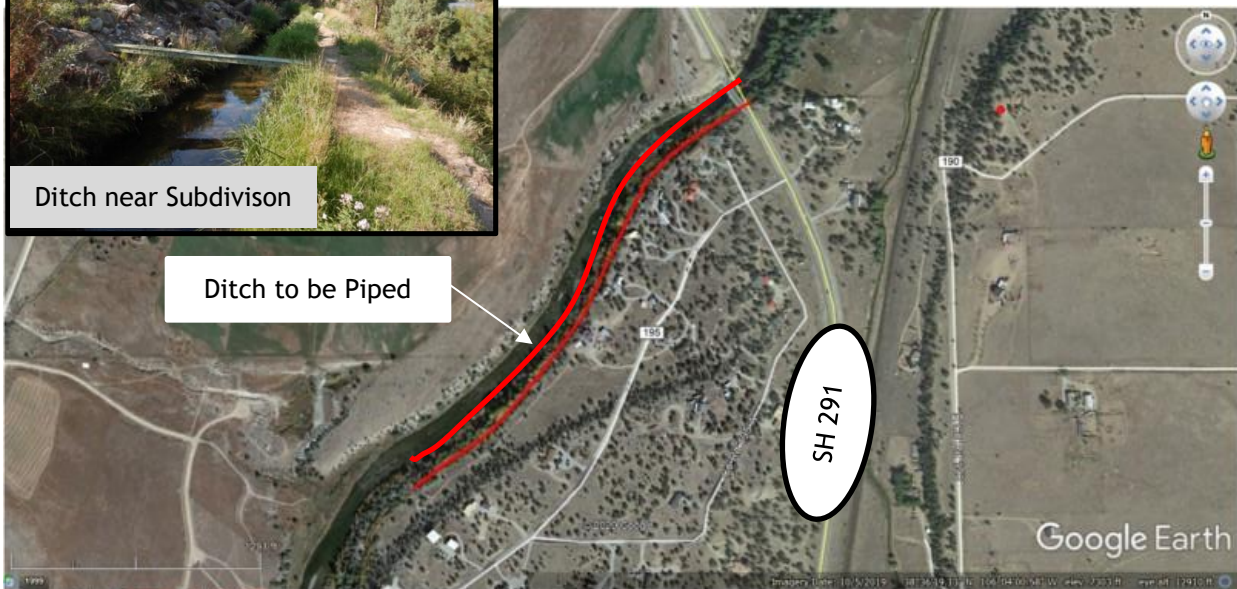
The Sunnyside Park Ditch Company was incorporated in 1884 and provides direct flow irrigation water to 17 shareholders 5 miles northwest of Salida. The water is used year round for stock water, and from April through October for irrigation of about 1,000 acres. The upper portion of the ditch runs along the Arkansas River for approximately 2 miles, and passes by two growing subdivisions south of SH 291.

| L O C A T I O N | | | |
|-----------------|----------------|-----------|----|
| County: | Chaffee | | |
| Water Source: | Arkansas River | | |
| Drainage Basin: | Arkansas | | |
| Division: | 2 | District: | 11 |

The project will pipe approximately 3,000 feet of the ditch where it passes near the two subdivisions. The ditch has failed multiple times in this area due to issues stemming from the subdivisions located above it, and Natural Resource Conservation Service (NRCS) has identified it as needing treatment. Piping the ditch in this area will eliminate ditch failures and seepage losses, and reduce overall maintenance requirements. The project will primarily be funded with NRCS grant funds, a Chaffee County Common Ground grant, Colorado State Conservation Board grant funds, and a WSRF grant approved at the March 2022 CWCB Board Meeting in the amount of \$127,300. The loan will cover interim project costs. Construction is expected to begin in September of 2022 and be completed in the spring of 2023.



Ditch near Subdivision



Ditch to be Piped

SH 291