



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 23-24, 2023 Board Meeting (**Updated January 25, 2023**)

AGENDA ITEM: 14b. Water Project Loans
Ogilvy Augmentation Company
Loloff Reservoir Acquisition.

Staff Recommendation (Board approved Staff Recommendation January, 24, 2023)

Staff recommends the Board approve a loan not to exceed \$1,140,290 (\$1,129,000 for project costs and \$11,290 for the 1% service fee) to the Ogilvy Augmentation Company for costs related to the Loloff Reservoir Acquisition, from the Severance Tax Perpetual Base Fund. The loan term will be 30 years at an interest rate of 1.80% per annum. Security for the loan shall be in compliance with CWCB Financial Policy #5.

Introduction

The Ogilvy Augmentation Company (OAC) is applying for a loan for the Loloff Reservoir Acquisition (Project) to cover approximately 20% of the costs. OAC - in partnership with Ogilvy Irrigation and Land Company (OILC) - purchased Loloff Reservoir in 2022. OAC received a bridge loan for a period of one year for a 20% stake in the 1,998 AF reservoir. The reservoir is uniquely positioned near the headgate of the Ogilvy Ditch. A component of this Project is the installation of a bi-directional pipeline to connect the ditch and recently acquired reservoir. The total Project cost is estimated to be \$5,645,000 of which OAC is responsible for 20% (\$1,129,000). See attached Project Data Sheet for a location map and Project summary.



Borrower - Ogilvy Augmentation Company

The Ogilvy Augmentation Company was established in 2005 in response to an early 2000's well curtailment order. OAC developed and administers an augmentation plan that allows for the operation of 15 irrigation wells within the Ogilvy Ditch System; these wells provide supplemental irrigation water supplies on approximately 1,400 acres from the eastern edge of Greeley, CO to farms east of Kersey, Colorado. The Ogilvy Ditch is the last diversion off the Cache la Poudre River before its confluence with the South Platte River. OAC works in conjunction with OILC to the benefit of irrigators that rely on the Ogilvy Ditch; shareholders of OAC make up 68% ownership of the OILC. In addition to Ogilvy Ditch, OAC and OILC jointly operate Seeley Reservoir - a reservoir north of Greeley, CO with an original capacity of 1,543 AF. There are nine shareholders that make up the OAC's membership and - on an annual average - the wells have a combined pumping of 245 AF. However, members benefit significantly during drought years; in 2012, members pumped in excess of 745 AF. OAC is directed by a five member board elected annually by a majority vote of shareholders. The Board is authorized to make necessary contracts including authorizing indebtedness. OAC is in good standing with the Colorado Secretary of State's Office.

Background

OAC and OILC recently acquired Loloff Reservoir (1,998 AF) in 2022, because reservoir storage space is critical to the Ogilvy Ditch irrigation operations, particularly during drought years when direct flow water supplies available to the Ogilvy Ditch are insufficient to meet demands. This reservoir purchase along with the construction of a bi-directional pipeline will allow for OILC and OAC to store water near the Ogilvy Ditch headgate for use when demands are not being met. Additionally, both OAC and OILC will need Loloff Reservoir for temporary storage of their senior water rights during the dredging of Seeley Reservoir in 2023.

Loloff Reservoir is a reclaimed gravel pit which has been lined with a slurry wall and can now be used as a lined reservoir with no future augmentation requirements. The reservoir is ideally located near the Ogilvy Ditch river headgate; this location facilitates diversions into the reservoir and releases from the reservoir directly into the Ogilvy Ditch. The acquisition cost was \$4,800,228; OILC paid for 80% and OAC financed 20% with a \$960,045 bridge loan from the seller (Loloff Construction, Inc.) with a commitment from OAC to pay back within one year. The allocation of the reservoir and ancillary facilities ownership is 80 percent to OILC and 20 percent to OAC. The development of ancillary facilities includes a 42-inch bi-directional pipeline connecting the Loloff Reservoir to the Ogilvy Ditch, a pipe discharge structure in the reservoir, and installation of instrumentation. Costs of operation and maintenance of the reservoir and ancillary facilities will also be split 80:20 by OILC and OAC, respectively.

Water availability analyses were performed, from 1998 to 2018, to determine the amount of unappropriated water that would be available to Loloff Reservoir; they indicated that there are an average of 129 days of free river per year and that there is 2,880 AF of available water in this stretch of the Cache la Poudre River on an annual basis. OAC also leases 5 shares of Greeley Irrigation Company (GIC) Water that provides an average annual yield of 51.6 AF of consumptive use per year. OAC's interest in the firm annual yield provided in Loloff Reservoir exceeds the average annual yield of the leased GIC shares and provides OAC the opportunity to discontinue leasing water from GIC.

Loan Feasibility Study

Doug Seely, P.E., with NOCO Engineering prepared the Loan Feasibility Study titled, "Feasibility Study of the Loloff Reservoir Acquisition" dated November 2022. The feasibility study is prepared in

accordance with CWCB guidelines and includes an analysis of alternatives, estimated costs, and financial statements also prepared by Doug Seely.

Water Rights

OAC operates under water rights as shown in Table 1. Over the last 11 years, OAC has diverted an average of 245 AF per year. During the dredging of Seeley Reservoir in 2023, OAC and OILC intend to seek approval from the Colorado Division of Water Resources to temporarily store the water right described below in Loloff Reservoir. Furthermore, OAC and OILC filed a storage water right application in December of 2022 - case number 22CW3223 - to store river water in Loloff Reservoir.

TABLE 1: WATER RIGHTS

Name	Amount	Appropriation Date	Adjudication Date	Case No.
Ogilvy Augmentation Company	100 cfs 1187.3 AF	12/31/2007	11/02/2016	07CW331 (as amended by 18CW3009)
Greeley Irrigation Company	52 cfs 41 cfs 63.13 cfs 16.67 cfs	04/01/1870 10/01/1871 07/15/1872 05/15/1873	01/12/2016	08CW292

Project Description

The purpose of this Project is to provide storage for supplemental augmentation water, particularly for drought years.

Alternative 1 - No Action: Taking no action is the least expensive. However, since the reservoir has already been purchased and there currently no conveyance between Ogilvy Ditch and Loloff Reservoir, filling the reservoir will be dependent on a temporary pipeline with lower capacity resulting in significantly lower yields from the reservoir. Had the reservoir not been purchased, then both OILC and OAC would be significantly less prepared for drought years and OAC would still need to lease the additional 5 shares of GIC to operate. For this reason, it was not selected.

Alternative 2 - Expansion of Seeley Reservoir: This alternative would be the most expensive and presents several challenges. Creating additional storage space by excavation is limited by shallow bedrock and the property boundary. Raising of the dam is not feasible because of the existence of residential development along the shoreline of the reservoir. Furthermore, the unit cost of storage gained by expanding Seeley Reservoir is estimated at \$10,332 per AF versus \$2,824 per AF for the acquisition of Loloff Reservoir and pipeline construction. For these reasons, this option was not selected.

Selected Alternative 3 - Acquisition of Loloff Reservoir: This alternative involves the acquisition of the 1,998 AF Reservoir and construction of a 1,415 foot-long, 42-inch diameter pipeline to allow for bi-directional flow between the Ogilvy Ditch and the Reservoir. The unit cost of this alternative is \$2,824 per AF with a total project cost of \$5,645,000, of which OAC is responsible for 20% (\$1,129,000)

TABLE 2: ESTIMATED PROJECT COST

Tasks	Cost
Loloff Reservoir Acquisition	\$4,845,830
Pipeline Construction	\$724,170
Engineering and Legal Fees	\$75,000
<u>Estimated Total Costs</u>	<u>\$5,645,000</u>
Ogilvy Augmentation Company's 20% of TOTAL	\$1,129,000

Permitting: All appropriate Federal, State, County and local permitting will be obtained for the construction of the pipeline project. The City of Greeley has approved the design drawings but still require stormwater management plan, right of way permit, and grading permit. A floodplain development permit application has been submitted to Weld County and is awaiting approval. The U.S. Army Corps of Engineers has issued a jurisdictional determination and stated that no permit will be needed for their agency.

Schedule: OAC intends to undertake the project during the winter of 2023. The Project will likely be completed in spring 2023.

Financial Analysis

Table 3 provides a summary of the Project's financial aspects. OAC qualifies for an interest rate of 1.80% for a 30-year loan (Ownership: 100% Agricultural). All interest rate evaluations are per CWCB Financial Policy #7 (Lending Rate Determination).

TABLE 3: FINANCIAL SUMMARY

Project Cost	\$5,645,000
CWCB Loan Amount	\$1,129,000
CWCB Loan Amount (Including 1% Service Fee)	\$1,140,290
CWCB Annual Loan Payment	\$49,524
CWCB Annual Loan Obligation (1 st Ten Years)	\$54,476
Number of Shares	15
Current Assessment per Share	\$4,000
Annual Loan Obligation per Share	\$3,632
Future Assessment per Share (Estimate)	\$4,000*

*Assessments already set to cover the costs of the annual loan payments.

Creditworthiness: OAC received a \$523,584 CWCB loan in September of 2008 for the purchase of six shares of Greeley Irrigation Company (GIC) stock. OAC has \$389,972 in long-term debt remaining, is up-to-date on their payments, and is in good standing.

TABLE 4: EXISTING DEBT

Lender	Original Balance	Current Balance	Annual Payment	Maturity Date	Collateral
CWCB (C150273)	\$523,584	\$389,972	\$25,016	2043	Pledge of Revenues & GIC Stock

TABLE 4: FINANCIAL RATIOS

Financial Ratio	Past Years	Future w/ Project
Operating Ratio (revenues/expenses) weak: <100% average: 100% - 120% strong: >120%	188% (strong) \$160K/\$85K	115% (average) \$160K/\$139K
Debt Service Coverage Ratio (revenues-expenses)/debt service weak: <100% average: 100% - 120% strong: >120%	400% (strong) <u>(\$160K - \$60K)</u> \$25K	127% (strong) <u>(\$160K-\$60K)</u> \$79K
Cash Reserves to Current Expenses weak: <50% average: 50% - 100% strong: >100%	460% (strong) \$391K/\$85K	281% (strong) \$391K/\$139K
Annual Operating Cost per Acre-Foot (245 AF)	\$346.94 \$85K/245 AF	\$567.35 \$139K/245 AF

Collateral: Security for this loan will be a pledge of assessment revenues backed by an assessment covenant and a 20% interest in the Project itself (ownership and storage in Loloff Reservoir, pipeline connecting the Loloff Reservoir to the Ogilvy Ditch, a pipe discharge structure in the reservoir), as well as the six shares of Greeley Irrigation Company stock that OAC purchased in 2008. This security is in compliance with the CWCB financial Policy #5 (Collateral).

cc: Scott Cockroft, President, Ogilvy Augmentation Company
 Jennifer Mele, Colorado Attorney General's Office

Attachments: Water Project Loan Program - Project Data Sheet

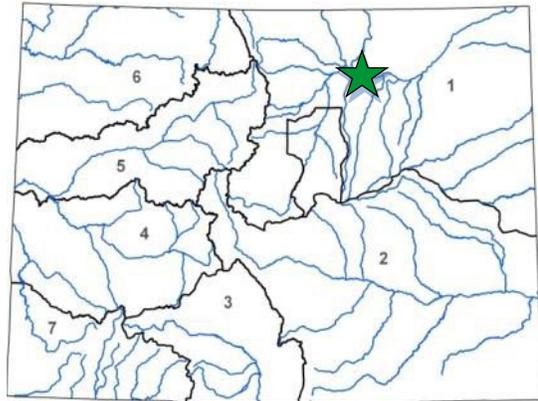


Loloff Reservoir Acquisition

Ogilvy Augmentation Company

January 2023 Board Meeting

L O A N D E T A I L S		
Project Cost:	\$5,645,000	
CWCB Loan (with 1% Service Fee):	\$1,140,290	
Loan Term and Interest Rate:	30 Yrs @ 1.80%	
Funding Source:	Severance Tax PBF	
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:	New Reservoir	
Storage Created:	1,998 AF	
Average Annual Diversions:	245 AF	



L O C A T I O N			
County:	Weld		
Water Source:	Cache la Poudre		
Drainage Basin:	South Platte		
Division:	1	District:	1

The Ogilvy Augmentation Company (OAC) was established in 2005 to augment wells that operate under the Ogilvy Irrigating and Land Company service area. It currently serves nine members with an augmentation plan that covers 15 irrigation wells providing supplemental irrigation water supplies on approximately 1,400 acres of land.

Loloff Reservoir is a reclaimed gravel pit that has been lined with a slurry wall to disconnect it from groundwater. It is located near the Ogilvy Ditch headgate, which supports convenient diversions into the reservoir and releases into the ditch. The project is a joint effort between the two companies, with the reservoir, facilities, and costs being split respectively. The project includes the purchase of Loloff Reservoir and the design and construction of infrastructure necessary to put it to beneficial use, including a new discharge structure in the reservoir, a new pipeline to connect it to the ditch, instrumentation, and easements. The loan will provide funding for the Company's 20% share of the project. Construction is expected to begin in early 2023 and finish in the spring of 2023.

