COLORADO
Colorado Water Conservation Board
Department of Natural Resources

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TO: Colorado Water Conservation Board Members

FROM: Zachary Salin, P.E., Project Manager
Kirk Russell, P.E., Finance Section Chief

DATE: July 16-17, 2025 Board Meeting

AGENDA ITEM: 7c. Water Project Loans
San Luis Valley Irrigation District
Farmers Union Diversion Infrastructure Improvement

Staff Recommendation

Staff recommends the Board approve a loan not to exceed $249,470 ($247,000 for project costs and $2,470 for the 1% service fee) to the San Luis Valley Irrigation District, for costs related to the Farmers Union Diversion Infrastructure Improvement, from the Construction Fund. The loan term will be 30 years at an interest rate of 2.35% per annum. Security for the loan shall be in compliance with CWCB Financial Policy #5.

Introduction

The San Luis Valley Irrigation District (District) applied for a CWCB loan for the Farmers Union Diversion Infrastructure Improvement (Project). The District serves both agricultural and municipal users and qualifies for a blended interest rate. The District is seeking to fund the construction of a new diversion structure to replace the existing North Branch Splitter structure which divides the flows of the Rio Grande and feeds various irrigation ditches within the District's service area. The Project includes: removal of existing infrastructure in the Project area; a new diversion dam across the Rio Grande River; automated headgates for the Farmers Union Canal and Rio Grande #1 Ditch; improvements to aquatic habitat; stabilization of streambanks; and restoration of riparian habitat within the Project area.

The total Project cost is estimated to be $2,282,000 and will be funded through a $1,274,625 Bureau of Reclamation WaterSMART Grant, a $600,000 CWCB Water Plan Grant, and a $150,000 Grant from the Gates Family Foundation. All Grant funding has been secured by the Colorado Rio Grande Restoration Foundation (CRGRF), who is partnering with the District and the Rio Grande #1 Ditch for this Project. The remaining Project costs will be covered by the District, via this loan, as well as the Rio Grande #1 Ditch. See attached Project Data Sheet for a location map and Project summary.

Borrower – San Luis Valley Irrigation District
The District is an irrigation district formed and operating pursuant to the Irrigation District Law of 1905 and §37-41-101 (the Irrigation District Act) and §37-41-113 of the Colorado Revised Statutes. The District's offices are located in Center, Colorado. The District owns and operates 135 miles of irrigation ditches, including its primary ditch, the Farmers Union Canal, which diverts water from the Rio Grande and delivers this water to nearly 62,000 acres of land located in the San Luis Valley in Alamosa, Rio Grande and Saguache Counties within Water Division 3. The District also owns the Rio Grande Reservoir on the headwaters of the Rio Grande. There are currently 200 District members.

The District has a five-member Board which is empowered to set annual assessments, and to curtail water deliveries to District members that fail to pay their assessments. The District's Board is empowered to incur indebtedness and sign contracts on behalf of the District up to $250,000.

Background
The District owns and operates the "North Branch Splitter" diversion structure on the Rio Grande which regulates and bifurcates flows into two river channels near Del Norte, CO. The Farmers Union Canal and several other irrigation ditches which are located on the North Branch of the Rio Grande and rely on the diversion structure to ensure that irrigation water can be delivered. The Rio Grande #1 Ditch diverts water just upstream of the North Branch Splitter and relies on the North Branch Splitter to provide an adequate hydraulic head for diversion of its water rights. Currently, the 130-year old diversion structure is inefficient and creates a barrier for fish and boat passage. This Project will replace the existing infrastructure, improving the ability for irrigation ditches to divert water when river flows are lower and will include a boat passage, and a rock ramp fishway. Additionally, as part of the structure rehabilitation project, stream and riparian habitat enhancements will be completed in the areas upstream and downstream of the new diversion structure.

Loan Feasibility Study
Chris Newton, P.E., of DiNatale Water Consultants prepared the Loan Feasibility Study titled, "Farmers Union Multi-Benefit Diversion Infrastructure Improvement Project Loan Feasibility Report" dated May 2025. Engineering designs for the Project were prepared by Robert DeMuele, P.E., of Huitt-Zollars, Inc. The feasibility study was prepared in accordance with CWCB guidelines and includes preliminary engineering, an analysis of alternatives and costs. The Company provided unaudited financial statements for calendar years 2022 through 2024.

Water Rights
The District reports that the direct flow and storage water rights associated with this Project are the rights shown in Table 1.

TABLE 1: WATER RIGHTS ASSOCIATED WITH THE PROJECT

Name (WDID)	Amount	Appropriation Date	Adjudication Date	Case No.
Farmers Union Canal (2000631)	0.25 cfs	4/1/1887	5/1/1896	W3596, W3980
Farmers Union Canal (2000631)	138.80 cfs	11/9/1887	5/1/1896	W3980
Farmers Union Canal (2000631)	0.25 cfs	4/1/1898	5/1/1896	W3980
Farmers Union Canal (2000631)	0.95 cfs	4/1/1889	5/1/1896	CA0562, W3980
Farmers Union Canal (2000631)	5.45 cfs	6/30/1889	4/9/1903	W3980
Farmers Union Canal (2000631)	105.41 cfs	6/30/1890	4/9/1903	W3980
Farmers Union Canal (2000631)	280.47 cfs	6/30/1891	4/9/1903	W3980
Farmers Union Canal (2000631)	159.69 cfs	6/30/1892	4/9/1903	W3980
Farmers Union Canal (2000631)	110.18 cfs	6/30/1893	4/9/1903	CA2376, W3980
Rio Grande Reservoir (2003554)	45,833 AF	6/3/1903	9/13/1916	09/13/1916, 20CW3011
Rio Grande Reservoir (2003554)	5,280 AF	6/1/1903	10/15/1934	20CW3011

Based on an average of deliveries between 2020-2024, the District provides approximately 24,500 AF of delivery to the Farmers Union Canal, made up of approximately 16,900 AF (69% of deliveries) of direct flow as well as 7,600 AF (31% of deliveries) of released storage from Rio Grande Reservoir. The Project will assist the District's efforts to continue delivering irrigation water to its members through the Farmers Union Canal.

Project Description
The purpose of this Project is to replace the existing North Branch Splitter infrastructure and install a new diversion structure to facilitate continued operation with improved operational efficiency, habitat restoration and fish passage, and safety for boaters.

Alternative 1 – No Action: Taking no action would result in the District continuing to perform regular maintenance on the existing North Branch Splitter diversion structure, which would remain in place and continue to deteriorate and operate inefficiently. This alternative continues to cause fish passage and boater safety issues. Due to the age of the current diversion infrastructure, annual maintenance costs are expected to increase. Accordingly, this option was not selected.

Alternative 2 – Improve/Repair Existing Headgate: Repairing the headgates installed in the late 1890's would address the leaks and deteriorating concrete that have contributed to the current inefficient operating conditions as well as the installation of new Fresno slip gates and headgate automation equipment, however it would not resolve the issues created by the existing diversion on the south channel, resulting in continued operational difficulty during low flows. This alternative is estimated to cost $782,000 and would not provide any habitat restoration or improvements for boaters. Accordingly, this option was not selected.

Selected Alternative 3 – Farmers Union Diversion Infrastructure Improvement: This alternative includes the removal of the Rio Grande #1 Ditch push-up diversion, a new diversion for the Farmers Union Canal, improved headgate structures for both the Farmers Union Canal and the Rio Grande #1 Ditch, habitat restoration, and stream bank protection. A total of four additional headgates on the Farmers Union Canal and the Rio Grande #1 Ditch would be replaced with new slide gates and automation equipment, and a total of seven headgates on those same ditches would receive new

footing scour plates and repairs to eroding concrete. The total estimated cost to construct the Project is $2,282,000.

TABLE 2: ESTIMATED PROJECT COST

Description	Cost
Bidding Services and Construction Management	$50,000
Project Construction	$1,964,000
Environmental and Regulatory Compliance	$30,000
Project Management (CRGRF)	$34,000
Contingency (9% of Project cost)	$204,000
TOTAL	**$2,282,000**

Permitting: The Project is expected to require a Clean Water Act Section 404 Nationwide Permit from the U.S. Army Corps of Engineers. The Project will also need to complete environmental and cultural resources assessments and comply with NEPA, ESA, and NHPA requirements.

Schedule: The Project is moving forward with environmental compliance and preparation of the bid package. The Project construction work is expected to begin around Fall of 2025 and planned to complete by approximately Spring of 2027.

Financial Analysis

Table 3 provides a summary of the Project's financial aspects. The District qualifies for a blended (approximately 98.5% agricultural and 1.5% low-income municipal) interest rate of 2.35% for a 30-year term. All interest rate evaluations are per CWCB Financial Policy #7 (Lending Rate Determination). In addition to annual per-acre assessments levied on the District's members by the District, members also pay annual fees to the Rio Grande Water Conservation District Subdistrict No. 1 for augmentation purposes.

TABLE 3: FINANCIAL SUMMARY

Item	Cost
Project Cost	$2,282,000
BOR WaterSMART Grant (CRGRF)	$1,274,625
CWCB Water Plan Grant (CRGRF)	$600,000
Gates Family Foundation Grant (CRGRF)	$150,000
Rio Grande #1 Ditch	$10,000
CWCB Loan Amount	$247,000
CWCB Loan Amount (Including 1% Service Fee)	$249,470
CWCB Annual Loan Payment	$11,682
CWCB Annual Loan Obligation (1st Ten Years)	$12,850
Number of Member Acres	69,920
Current Annual Assessment per Acre	$12
Est. Future Annual Loan Obligation per Acre	$0.21

Creditworthiness: The District currently has three active loans with CWCB and no other debt. Details are provided in Table 4. The District is in good standing with the CWCB. The District has missed a total of five payments on two loans, the most recent of which occurred in 2000. All loans are currently up to date on their repayment. CWCB understands that the District will be solely responsible for any cost overruns on this Project and also that the District intends to increase their annual assessments to cover

the repayment cost of this and other CWCB Loans to the District as necessary. Financial ratios for the District are shown in Table 5.

TABLE 4: EXISTING DEBT

Lender	Original Balance	Current Balance	Annual Payment	Maturity Date	Collateral
CWCB (CT2018-3303)	$15,000,000	$13,809,218	$637,949	10/1/2051	Pledge of assessment revenues.
CWCB (C153478)	$525,640	$150,302	$34,716	12/1/2029	An undivided 100% interest in 478 AF of Priority No. 1916-63A in the Rio Grande Reservoir
CWCB (C153386)	$451,894	$30,536	$32,062	12/1/2025*	An undivided 10% interest in the Rio Grande Reservoir, along with all inlet and outlet ditches.
TOTAL		**$13,990,057**	**$704,728**		

* Due to completion of repayment in 2025, this loan is not included in the future debt service coverage ratio calculation.

TABLE 5: FINANCIAL RATIOS

Financial Ratio	Past Years	Future w/ Project
Operating Ratio (revenues/expenses) weak: <100% | typical: 100% - 120% | strong: >120%	96% (weak) $1.50M/$1.56M	100% (typical) $1.54M/$1.54M
Debt Service Coverage Ratio (revenues-expenses)/debt service weak: <100% | typical: 100% - 125% | strong: >125%	91% (weak) ($1.50M-$859K) $705K	100% (typical) ($1.54M-$859K) $685K
Cash Reserves to Current Expenses weak: <50% | typical: 50% - 100% | strong: >100%	136% (strong) $2.12M/$1.56M	138% (strong) $2.12M/$1.54M
Annual Cost per Acre-Foot (24,500 AF) weak: >$24 | typical: $3 - $24 | strong: <$3	$63.82 (weak)	$63.03 (weak)

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

cc: Rob Phillips, Superintendent, San Luis Valley Irrigation District
Jennifer Mele, Colorado Attorney General's Office

Attachments: Water Project Loan Program – Project Data Sheet

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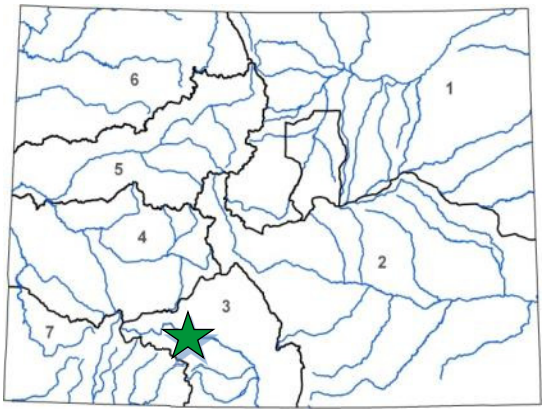
San Luis Valley Irrigation District

July 2025 Board Meeting

LOAN DETAILS	
Project Cost:	$2,282,000
CWCB Loan (with 1% Service Fee):	$249,470
Loan Term and Interest Rate:	30 Yrs @ 2.35%
Funding Source:	Construction Fund

BORROWER TYPE		
Agriculture	*Municipal*	*Commercial*
98.5%	1.5% Low - 0% Mid - 0% High	0%

PROJECT DETAILS	
Project Type:	Diversion Structure Replacement
Average Annual Delivery:	24,500 AF



LOCATION			
County:	Alamosa, Rio Grande, Saguache		
Water Source:			Rio Grande
Drainage Basin:			Rio Grande
Division:	3	*District:*	20

The San Luis Valley Irrigation District (District) is an irrigation district formed in 1908 for the purpose of enabling cultivation of the San Luis Valley by providing irrigation water. The District is an irrigation district formed and operating pursuant to the Irrigation District Law of 1905 and §37-41-101 (the Irrigation District Act) and §37-41-113 of the Colorado Revised Statutes and serves portions of Alamosa, Rio Grande, and Saguache Counties. Overall, the District owns and operates 135 miles of irrigation ditches, including the primary Farmers Union Canal, which delivers water to nearly 62,000 acres of land in the San Luis Valley. The District also owns and operates the Rio Grande Reservoir, which has a storage capacity of approximately 54,000 AF.

The Project is a rehabilitation effort to replace the aging North Fork Splitter diversion structure on the Rio Grande River. This project aims to improve water diversion efficiency for the Farmers Union Canal and other irrigation ditches, enhance fish and boat passage, and restore stream and riparian habitats. The project includes the removal of the existing diversion dam, the installation of automated headgates, and the creation of a rock ramp fishway and a dedicated boat passage. The Project will be funded in part with a Bureau of Reclamation WaterSMART grant and a CWCB Water Plan Grant, both of which have been awarded. Construction will commence in the fall of 2025 and be completed before the 2027 irrigation season.

Existing Structures in Project Area