

**COLORADO WATER RESOURCES  
&  
POWER DEVELOPMENT AUTHORITY**

**PROJECT FINANCE COMMITTEE  
MEETING AGENDA**

**August 20, 2021**

**Committee meeting at 9:00 a.m.**

**Via Zoom Conference Call**

Project Finance Committee Members: Steve Vandiver (Chair), Webb Jones (ex-officio), George Corkle, Bob Wolff, and Eric Wilkinson

Authority Staff: Keith McLaughlin, Jim Griffiths, Wes Williams, Ian Loffert, Austin Reichel, Kevin Carpenter

Others present: Mark Henderson, Joe McConnell, Desi Santerre, Victor Chen

**AGENDA**

**1. DWRF Loan Applications**

- Mt. Werner Water & Sanitation District, Direct Loan Request – Austin (**Board Action – Staff recommends Consent Agenda**)
- Town of Minturn, Direct Loan Request – Austin (**Board Action**)
- Town of Starkville, Direct Loan Request – Ian (**Board Action**)

**2. WPCRF Loan Application**

- Town of Manassa, Direct Loan Request – Kevin (**Board Action – Staff recommends Consent Agenda**)

**Note:** A Zoom conference call has been scheduled for Friday, 9:00 a.m. August 20, 2021. The link to join via online is: <https://zoom.us/j/91059753172?pwd=VTJGYTlrL2FldXJEdlJRDFBaGpWQT09>. If you prefer to dial-in, the call-in number is: **1-669-900-6833**, and the Meeting ID is **910 5975 3172**. The passcode is: **293670**.



## COLORADO WATER RESOURCES & POWER DEVELOPMENT AUTHORITY

Logan Tower Bldg - Suite 620, 1580 Logan Street, Denver, Colorado 80203-1942  
303/830-1550 · Fax 303/832-8205 · [info@cwrpda.com](mailto:info@cwrpda.com)

### MEMORANDUM

August 20, 2021

**TO:** Project Finance Committee and Karl Ohlsen

**FROM:** Jim Griffiths, Finance Director  
Austin Reichel, Financial Analyst  
Ian Loffert, Senior Financial Analyst

**RE:** Review of the Mount Werner Water & Sanitation District, Town of Minturn, and Town of Starkville  
Drinking Water Revolving Fund ("DWRF")

The Division of Local Government has forwarded to the DWRF Committee its analysis of the above listed projects. The DWRF Committee, composed of representatives from the Division of Local Government, the Water Quality Control Division, and the Authority, has reviewed the technical and financial aspects of the proposed projects and agreed to forward the requests to the Authority's Project Finance Committee with the following recommendations:

#### **Mount Werner Water & Sanitation District**

The Mount Werner Water & Sanitation District ("District"), located in Routt County, is seeking a direct loan through the DWRF loan program in the amount of \$2,500,000. The project consists of construction of a new infiltration gallery well and pump station. The District's project was authorized by HJR 13-1007.

#### **Recommendation**

Based on the attached credit report, staff recommends that the Project Finance Committee forward to the Board a recommendation authorizing staff to begin negotiating a DWRF direct loan with the District in the amount of \$2,500,000. The loan will be for a term of 20 years, at an interest rate of 2.25%. The Board will consider this request on August 25, 2021.

#### **Town of Minturn**

The Town of Minturn ("Town"), located in Eagle County, is seeking a direct loan through the DWRF loan program in the amount of \$3,000,000. The project consists of replacing one of the Town's water storage tanks that is in disrepair with two new storage tanks. The Town's project was authorized by HJR 13-1007.

#### **Recommendation**

Based on the attached credit report, staff recommends that the Project Finance Committee forward to the Board a recommendation authorizing staff to begin negotiating a DWRF direct loan with the Town in the amount of \$3,000,000. The loan will be for a term of 20 years, at an interest rate of 2.25%, subject to increasing user rates sufficiently to meet the Authority's rate covenant prior to loan execution. The Board will consider this request on August 25, 2021.

#### **Town of Starkville**

The Town of Starkville ("Town"), located in Las Animas County, is seeking a Disadvantaged Communities direct loan through the DWRF loan program in the amount of \$137,880. The project consists of a new water storage tank including instrumentation and controls system, distribution system improvements, and replacement of water meters. The Town's project was authorized by HJR 17-1003.

#### **Recommendation**

Based on the attached credit report, staff recommends that the Project Finance Committee forward to the Board a recommendation authorizing staff to begin negotiating a Disadvantaged Communities DWRF direct loan with the Town in the amount of \$137,880. The loan will be for a term of up to 30 years, at an interest rate of 0.5%, subject to increasing user rates sufficiently to meet the Authority's rate covenant prior to loan execution. The Board will consider this request on August 25, 2021.

**Note:** A Zoom conference call has been scheduled for Friday, 9:00 a.m. August 20, 2021. The link to join via online is: <https://zoom.us/j/91059753172?pwd=VTJGYTlrL2FldXJEdlJRDFBaGpWQT09>. If you prefer to dial-in, the call-in number is: **1-669-900-6833**, and the Meeting ID is **910 5975 3172**. The passcode is: **293670**.

Attachments: Mount Werner Water & Sanitation District 2021 DWRF Credit Report  
Town of Minturn 2021 DWRF Credit Report  
Town of Starkville 2021 DWRF Credit Report

## DWRF DIRECT LOAN CREDIT REPORT

Mount Werner Water and Sanitation District ("The District"), Routt County

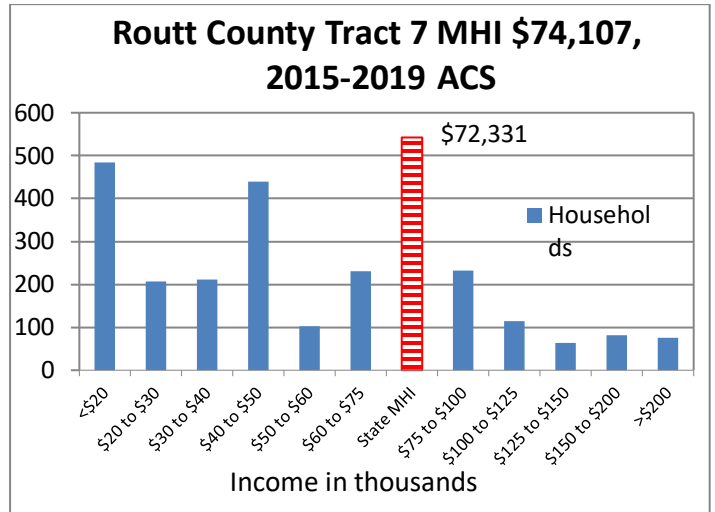
<b>Recommendation:</b>	<b>APPROVAL</b>	<b><u>Project Budget</u></b>	
<b>Loan Request:</b>	\$2,500,000	<b><u>DWRF Loan:</u></b>	<u>\$2,500,000</u>
<b>Interest Rate &amp; Term:</b>	2.25%, 20 years	<b>Total:</b>	\$2,500,000
<b>Annual Debt Service:</b>	\$155,917		
<b>Pledge:</b>	Water & sewer revenues		
<b>Current Rate:</b>	\$28.39 (W) & \$21.50 (S)		
<b>Estimated Rate Increase:</b>	\$0.00		

**PROJECT DESCRIPTION:** The project consists of construction of a new infiltration gallery well and pump station.

### COMMUNITY PROFILE:

Mt. Werner Water and Sanitation District	2017	2018	2019	2020	2021	Avg. Annual Change
District Population (est.)	6,247	6,300	6,364	6,414	6,432	0.73%
Routt County Population	25,187	25,506	25,652			0.46%
Routt County Jobs	20,063	20,540	20,835			0.76%
Number of Water Taps	2,509	2,530	2,556	2,576	2,583	0.49%
Number of Sewer Taps	2,509	2,530	2,556	2,576	2,583	0.49%
Assessed Value (\$000)	376,908	392,783	388,684	436,616	436,332	2.97%
Actual Value (\$000)	3,535,675	3,895,085	3,933,619	4,520,211	4,563,272	5.24%

**BORROWER BRIEF:** The District is located on the southeast side of the City of Steamboat Springs on Route 40. The District serves an area of the City of Steamboat Springs that is south of Fish Creek and encompasses the resort or mountain area of the City.



**RECOMMENDATION:** The District serves a resort community, including a portion of the City of Steamboat Springs, in Routt County. This proposed loan is necessary to construct a new infiltration gallery well and pump station. The District requires source water redundancy and increased resilience to address potential impacts to water supply such as wildfire or drought conditions. While the Fish Creek watershed is the primary water source for the District and the City of Steamboat Springs; this project provides additional water supply capacity from the Yampa River and would allow the Yampa Wells Treatment Plant to provide additional potable water capacity to the District. The District's water and sewer fund is in robust financial condition. We therefore recommend the DWRF Committee approve a \$2,500,000 direct loan to the Mt. Werner Water and Sanitation District.

**PROJECT SUMMARY:**

**System summary:** The District serves a resident population of approximately 6,432 people including a portion of the City of Steamboat Springs. Most of the community's treated water is served from the Fish Creek Filtration Plant and is supplemented during the summer months with the Yampa Wells Treatment Plant. The treatment capacity of the Yampa Wells Treatment Plant is 3.8 million gallons per day.

**Reason/need:** The District requires source water redundancy and increased resilience to address potential impacts to water supply such as wildfire or drought conditions. While the Fish Creek watershed is the primary water source for the District and the City of Steamboat Springs; this project provides additional water supply capacity from the Yampa River and would allow the Yampa Wells Treatment Plant to provide additional potable water capacity to the District.

**System Compliance:** The District is in compliance with the Colorado Primary Drinking Water Regulations and the project is primarily intended to maintain compliance.

**Project Delivery Method:** Design/Bid/Build.

**Contingency:** 11%

<b>CURRENT INDICATORS:</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>Weak</b>	<b>Average</b>	<b>Strong</b>
Total Debt per Capita (\$):	0	0	0	>\$2,000	\$1,000 - 2,000	X <\$1,000
Total + New Debt/Capita (\$):			390	>\$2,000	\$1,000 - 2,000	X <\$1,000
Total Debt/Tap (\$):	0	0	0	>\$5,000	\$2,500-5,000	X <\$2,500
Total Debt + New Debt/Tap (\$):			970	>\$5,000	\$2,500-5,000	X <\$2,500
Current W+S Debt/Tap (\$):	0	0	0	>\$2,000	\$1,000 - 2,000	X <\$1,000
Current W&S + New W&S Debt/Tap (\$):			970	>2,000	\$1,000 - 2,000	X <\$1,000
Total Debt/Assessed Value:	0.00%	0.00%	0.00%	>50%	25-50%	X <25%
Total Debt + New W&S Debt/Assessed Value:			0.57%	>50%	25-50%	X <25%
Total Debt/Actual Value:	0.00%	0.00%	0.00%	>10%	5-10%	X <5%
Total Debt + New W&S Debt/Actual Value:			0.06%	>10%	5-10%	X <5%
Curr. W&S Debt + New Debt/Tap/MHI:			1.31%	>20%	10-20%	X <10%
W&S Fund Current Ratio (CA/CL):	906%	393%	401%	<100%	100-200%	X >200%
W&S Fund Reserves/Current Expense:	156%	134%	110%	<50%	50-100%	X >100%
W&S Operating Ratio (OR/OE):	117%	112%	125%	<100%	100-120%	X >120%
Coverage Ratio (TR-OE)/DS:	N/A	N/A	N/A	<110%	110-125%	X >125%
Coverage Ratio (TR-OE)/DS Excluding Tap Fees:	N/A	N/A	N/A	<110%	110-125%	X >125%
Coverage Ratio with New Loan:			632%	<110%	110-125%	X >125%
Coverage Ratio with New Loan Excluding Tap Fees:			368%	<110%	110-125%	X >125%
Current Annual W&S Rates/MHI:			0.42%	>3.0%	1.5-3.0%	X <1.5%
Current W&S Rates + New W&S Debt Service/MHI:			0.51%	>3.0%	1.5-3.0%	X <1.5%
Operation and Maintenance Reserve:			110%	<25%	25-50%	X >50%
<b>TOTAL: 0 0 21</b>						

**FINANCIAL ANALYSIS:** Of the twenty-one current indicators calculated, all 21 are rated strong, none are average, and none are considered weak. Overall, the indicators illustrate that the District is in robust financial condition. The strong indicators show a good operating ratio, a strong projected coverage ratio, and a solid current ratio. When considering the \$3,000,000 WPCRF loan that was approved in January 2021, only two indicators move away from the strong category. These two indicators measure water and sewer debt per tap and show some community debt burden, however, other community debt burden measures remain strong.

- Operating revenues consistently cover operating expenses, the operating ratio averaged 116% from 2016 to 2020.
- Based on 2020 financial information, coverage with the proposed loan is 632% with tap fee revenue and 368% without tap fee revenue. When adding the debt service on the 2021 WPCRF loan, coverage is projected at 284% with tap fee revenue and 165% without tap fee revenue. No additional revenue is projected be necessary to meet the 110% coverage ratio requirement.
- For the proposed project, operating expenses are expected to be an additional \$25,000 per year. When this additional operating expense is added on top of the 2021 WPCRF loan debt service, coverage is projected at a still healthy 276% with tap fee revenue and 158% without tap fee revenue.

**DESCRIPTION OF THE LOAN:** A \$2,500,000 direct loan with a twenty-year term, two payments annually at an interest rate of 2.25% will cost the District approximately \$155,917 in debt service annually.

**ECONOMIC ANALYSIS:** Based on the State Demographer’s estimate of 2.49 persons per tap, the District has a 2021 population estimated at 6,432 and has grown at an average annual rate of 0.73% since 2017. Routt County has experienced an increase of 0.46% in population since 2017. The state population increased at an average annual rate estimated at 1%.

The region’s economy is dominated by retirees, tourism, education and health services, and government. The County’s economy is particularly dominated by tourism and this is reflected in the District’s largest employers and customers listed below. The County’s top job sectors are government, accommodation and food services, arts, entertainment and recreation, food services, and retail trade. The Steamboat area also serves as a regional center as one of the larger municipalities in northwestern Colorado.

The District’s largest employers consist of Steamboat Ski Corporation with 2,200 employees, UC Health with 570 Employees, Resort Group Inc. (commercial) with 150 employees, Vacasa (commercial) with 150 employees, and The Sheraton Hotel with 85 employees.

The District has three commercial customers with revenue that represents more than 3% of system revenues. These customers are as follows: Resort Group with 21% of total revenue, Vacasa with 9% of total revenue, and The Grand Hotel with 3% of total revenue. These three customers comprise about 33% of the District’s total revenues.

## **ORGANIZATIONAL ANALYSIS:**

### **Bond Rating**

The District’s debt has not been rated by Fitch, Moody’s, or Standard & Poor’s in the last five years.

### **Section 37-60-126(2) C.R.S. (Water Conservation Planning)**

The District does not sell more than 2,000 acre-feet of water per year.

### **Organizational Structure**

The District is a Title 32 Article 1 special district governed by a five-member board of directors and was organized in 1965. The District provides water and wastewater service. Approximately 11 full-time employees staff the water and sewer utility. The sewer utility is overseen by the Operations Manager, who reports to the General Manager.

- The District has generally been in compliance with Colorado statutory budgeting and auditing requirements for the past five years.
- The District maintains general liability insurance coverage through the Colorado Special Districts Property and Liability Pool.
- There are currently no pending lawsuits against the District.
- There have been no recall elections in the last ten years.

### **Technical/Managerial/Financial (TMF)**

The WQCD and DLG conducted a review of the District’s technical, managerial and financial capacity to operate the water system. The review resulted in no mandatory recommendations.

### **Capital Improvement Plan**

As part of the application process, the District submitted a 20-year capital improvement schedule for various water and wastewater projects including: water main extensions and repairs, fire flow availability improvements, and water supply, storage, and distribution, as well as the remaining two phases of a wastewater project to be funded by the WPCRF loan approved in January 2021. Over the next 10 years, the District anticipates capital outlay of \$24,026,796, including the current project, to be funded from system revenue, debt, and grants. In addition to anticipated District capital outlay, the City anticipates capital outlay of \$16,964,395 over the next 10 years to pay for the City’s share of capital improvements in the schedule.

### **Intergovernmental**

The District has numerous intergovernmental agreements in place.

A 1981 Agreement with Upper Yampa Water Conservancy District. This agreement allows the District to purchase 300 acre-feet annually in the Yamcolo Reservoir owned by the Upper Yampa Water Conservancy District. The duration of the agreement was 30 years. This agreement was extended for another 30 years in 2011. The original purchase price for water storage under the extended agreement is \$68.38 per acre-foot and the annual price per acre will be adjusted according to the Consumer Price Index (CPI).

A 1983 Agreement with the City. Through this agreement, the City paid for an expansion of the District’s Fish Creek Filtration Plant. The District continues to own, operate, and maintain the facility, but the agreement also laid out the terms for “the ownership of separate real property estates” in the expanded plant. The City pays the District for shared operating expenses.

A 1988 Agreement with Upper Yampa Water Conservancy District. This agreement allowed the District to purchase 200 acre-feet annually in the Stagecoach Reservoir. After the initial 30-year term, the District will have the right for the duration of the life of the reservoir to continue to purchase storage water annually. In 2018, the District and the Upper Yampa Water Conservancy District signed an interim pricing agreement through the end of 2021. The District will continue to pay \$35 per acre foot of water according to this interim agreement.

A 1994 Agreement with the City to Expand Fish Creek Reservoir. This agreement between the City and the District allowed the District to obtain a source of storage water in the City-owned Fish Creek Dam and Reservoir by expanding the storage capacity. The District was responsible for the costs of this project and obtained financing through CWRPDA. According to a summary of this agreement in the 2019 audit: "In 2002, the agreement was amended allowing the City, at its option annually, to reserve a percentage of the water filling under the enlargement, by paying \$175,000 to the District. The City's allotment percentage of the annual amount of water filling in the enlargement is fixed in perpetuity to be 2.518% multiplied by the number of years the City made the option payment to the District. The City made the option payment each year from 2000 through 2011 resulting in a perpetual reserved allotment of 27.698% of the annual fill in the enlargement pool."

A 2005 Wastewater Treatment Plant Agreement with the City. Under this agreement, the District conveys wastewater to the City's wastewater treatment plant for treatment and disposal. The City is responsible for the operations and maintenance of the WWTP. Likewise, the District is responsible for its collection system. The District bills its wastewater customers and pays the City in accordance with the fees set by the City. The agreement would have terminated in 2010, but the agreement is now current and specifies that the current Terms and Conditions shall remain in full force and effect until new Terms and Conditions have been completed. Because the Terms and Conditions have not changed, the 2005 agreement remains in full force and effect.

A 2018 Second Filtration Bay Stand-by Lease of Capacity (Water Treatment Plant). This lease agreement with the City allows the District to lease 50% of the actual production capacity of two filter bays owned by the City. The lease is a 20-year term ending in 2037, but it may also be cancelled early by either party that gives written notice. If written notice is given, then the lease terminates in 30 months. In 2020, the lease expense was \$42,753.

## REVENUE ANALYSIS:

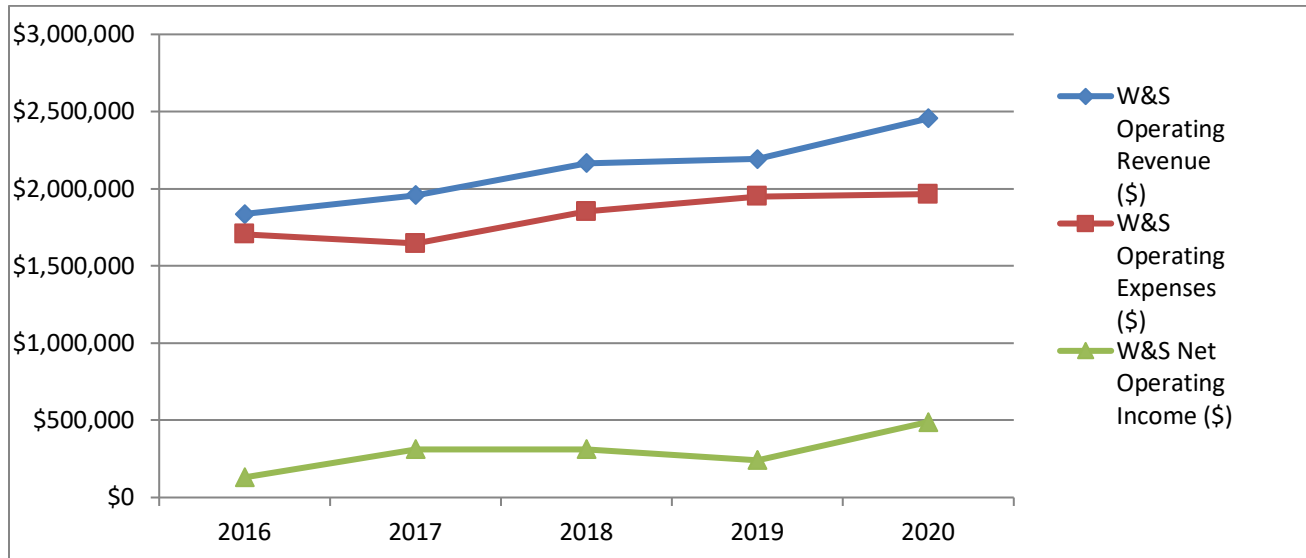
Net operating income for the water and sewer fund has been a positive trend from 2016-2020. The District worked with Carollo Financial Services, Inc. to develop a Financial Strategy that was presented to the Board in May 2021. The Financial Strategy indicates that rate increases for both water and wastewater collection services will be considered for 2022 and future years.

The District has been using reserves to fund some major capital improvement projects, which accounts for the decreasing reserves from 2016-2020. These projects include Phase 1 of the sewer interceptor project, improvements to the Yampa Well Plant, new water main extension, sewer system collection lines upgrades, and the purchase of two parcels of land.

The District reports that development in the area has been difficult to predict. In recent years, real estate values have increased significantly and new construction has increased. The District reports being approximately 75% built out and anticipates annual growth of about 2-3%. The District is budgeting a steady decline in plant investment fees starting in 2021 due to an anticipated construction slowdown. Tap fees provided below are estimated tap fees for the typical cost of connection, the tap fees are determined by fixture unit point.

<b>TRENDS</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>
Monthly Water Rate (\$)		21.55	22.63	24.14	26.23	28.39
Monthly Sewer Rate (\$)		15.57	17.08	18.67	20.06	21.50
Estimated Residential Water Tap Fee (\$)		6,471	6,008	6,211	6,810	6,960
Estimated Residential Sewer Tap Fee (\$)		8,581	8,174	8,682	9,981	9,660
Total W&S Revenue (\$)	2,143,288	2,790,948	2,483,949	3,269,557	2,950,502	
Tap/Development Fees (\$)	281,891	767,637	271,282	989,251	411,014	
S.O. Tax Revenue (\$)	0	0	0	0	0	
W&S Operating Revenue (\$)	1,836,948	1,958,029	2,165,957	2,191,494	2,454,835	
W&S Operating Expenses (\$)	1,706,382	1,645,991	1,853,547	1,949,774	1,965,308	
W&S Net Operating Income (\$)	130,566	312,038	312,410	241,720	489,527	
Total Debt (\$)	0	0	0	0	0	
W&S Fund Reserves (\$)	3,540,301	3,697,134	2,893,554	2,482,540	2,166,259	

Ratios	2016	2017	2018	2019	2020	Average
Operating Revenue as % of Total Revenue	86%	70%	87%	67%	83.20%	79%
Operating Revenue as % of Expenses	108%	119%	117%	112%	124.91%	116%
Tap Fee Revenue as % of Total Revenue	13%	28%	11%	30%	14%	19%



### Recent Rate Increases

The District's most recent water rate increase of \$2.13 was implemented on December 11, 2020. The District has raised rates annually since 2017.

### User Charges

The District's current monthly water rate is estimated at \$28.07 compared to the 2019 estimated state median of \$50.81. The District's average monthly water rate is based on typical residential consumption of 11,822 gallons (~44.8 cubic meters) per month. Residential users pay a \$31.80 base rate in addition to a volume charge of \$0.39 per cubic meter for consumption from zero to 75 cubic meters, \$0.62 per cubic meter from 76 to 420 cubic meters and \$1.23 per cubic meter over 420 cubic meters. Commercial users and irrigators pay a volume charge of \$0.77 per cubic meter. Multi-family irrigators pay a volume charge of \$0.62 per cubic meter.

The District's current monthly sewer rate is a flat rate of \$21.50 compared to the 2019 estimated state median of \$34.37. The District's average residential monthly sewer rate is based on a quarterly collection charge of \$15.47 and quarterly wastewater treatment charge of \$49.02. Commercial users pay only by volume: \$2.27 per cubic meter of actual water use in the first and fourth quarters and \$2.27 per cubic meter of average winter consumption for the second and third quarters. Of the commercial volume charge, \$2.03 is the wastewater treatment fee and \$0.24 is the District's collection charge. The wastewater treatment fees are set by and passed directly through to the City of Steamboat Springs and are not reflected in the operating revenue in the District's audits or budget.

### Contributed Capital

Revenue from plant investment fees has ranged from \$271,282 to \$989,251 and has averaged 20% of total sewer revenue during the last five years. The District's most recent sewer tap fee increase occurred on December 13, 2019. This resolution included rate increases for 2020, 2021, and 2022. The 2021 fees are as follows.

- Sewer tap fees are \$17.99 per fixture unit point.
- Water tap fees are \$43.78 per fixture unit point.
- Fixture unit points (FUP) are based on a value assigned to each fixture. For example, a sink in a bathroom is 2.5 FUP and a bathtub is 14.3 FUP. The District counts the FUPs when development plans for new residences or commercial businesses are submitted and calculates tap fees accordingly.



Current System Utilization		
	Usage	Revenue
<b>Residential</b>	77%	80%
<b>Non-residential (per EQR)</b>	23%	20%

Current Fee Summary		
Tap size	Water user/tap fees	Sewer user/tap fees
¾"	\$21.50/\$17.99	\$28.39/\$43.78
¾"	\$98.19/\$17.99	\$45.72/\$43.78

#### DEBT as of December 31, 2019

The District has no debt as of December 31, 2019. However, the Authority Board approved a WPCRF loan for \$3,000,000 at 2.5% over 20 years to the District at the January 2021 Board Meeting. The approved WPCRF loan was executed on May 11, 2021.

**LOAN COVENANTS:** The District will have to meet the Authority's 110% rate covenant, 3-month operations and maintenance reserve fund covenant and the 110% additional bonds test (if applicable) on an annual basis.

Prepared by: Victor Chen  
Date: August 10, 2021

Project # 141831D-A  
Cost Categories:  
152 - Construction of New Water Treatment Plant/Facilities – 70%  
154 - Improvement/Rehabilitation of Existing Well(s) – 30%

August 13, 2021

**DWRF Credit Report**  
**Mt. Werner WSD, Routt County, CO**  
**Using most recent data available**  
**(Census, audits, local records)**

<b>2020 Population (Estimated)</b>	<b>6,414</b>
<b>Number of Water Taps (or customers) - 2020</b>	<b>2,576</b>
<b>Total 2020 Assessed Valuation</b>	<b>\$436,616,000</b>
<b>Actual Value of all Real Property (2020)</b>	<b>\$4,520,211,000</b>
<b>Median Household Income (MHI)</b>	<b>\$74,107</b>
<b>Monthly Water Rate (2020)</b>	<b>\$26.23</b>
<b>Water Operating Revenue (2020)</b>	<b>\$2,454,835</b>
<b>Water Total Revenue (2020) [May include non-operating revenue, such as contributed capital, tap &amp; system development fees, interest income, S.O. tax and property tax. Excludes one-time capital grants.]</b>	<b>\$2,950,502</b>
<b>Water Tap and System Development Fee Revenue (2020)</b>	<b>\$411,014</b>
<b>Water Operating Expense (2020)</b>	<b>\$1,965,308</b>
<b>Water Current Expense (2020)</b>	<b>\$1,965,308</b>
<b>Water Debt (2020)</b>	<b>\$0</b>
<b>Total Debt (2020)</b>	<b>\$0</b>
<b>Water Reserves [2020 current assets minus current liabilities]</b>	<b>\$2,166,259</b>
<b>All Fund Reserves [2020 current assets minus current liabilities]</b>	
<b>Water Debt Service (2020)</b>	<b>\$0</b>
<b>New Water Debt (requested DWRF loan amount)</b>	<b>\$2,500,000</b>
<b>Requested DWRF Loan Term</b>	<b>20</b>
<b>Requested DWRF Loan Interest Rate</b>	<b>2.25%</b>
<b>New Loan's Annual Water Debt Service [two payments annually]</b>	<b>\$155,917</b>

<u>Current Indicators (2020)</u>				
<u>Mt Werner WSD</u>				
<u>( Water Only)</u>				
<b>1 Total Debt</b>	<b>\$0</b>	<b>÷ Population</b>	<b>6,414</b>	<b>= \$0</b>
<b>New Debt</b>	<b>\$2,500,000</b>	<b>÷ Population</b>	<b>6,414</b>	<b>= \$390</b>
<b>Total Debt + New Debt</b>	<b>\$2,500,000</b>	<b>÷ Population</b>	<b>6,414</b>	<b>= \$390</b>
<b>2 Total Debt</b>	<b>\$0</b>	<b>÷ Number of Taps</b>	<b>2,576</b>	<b>= \$0</b>
<b>New Debt</b>	<b>\$2,500,000</b>	<b>÷ Number of Taps</b>	<b>2,576</b>	<b>= \$970</b>
<b>Total Debt + New Debt</b>	<b>\$2,500,000</b>	<b>÷ Number of Taps</b>	<b>2,576</b>	<b>= \$970</b>
<b>3 Total Debt</b>	<b>\$0</b>	<b>÷ Assessed Value</b>	<b>\$436,616,000</b>	<b>= 0.00%</b>
<b>New Debt</b>	<b>\$2,500,000</b>	<b>÷ Assessed Value</b>	<b>\$436,616,000</b>	<b>= 0.57%</b>
<b>Total Debt + New Debt</b>	<b>\$2,500,000</b>	<b>÷ Assessed Value</b>	<b>\$436,616,000</b>	<b>= 0.57%</b>
<b>4 Total Debt</b>	<b>\$0</b>	<b>÷ Actual Value</b>	<b>\$4,520,211,000</b>	<b>= 0.00%</b>
<b>New Debt</b>	<b>\$2,500,000</b>	<b>÷ Actual Value</b>	<b>\$4,520,211,000</b>	<b>= 0.06%</b>
<b>Total Debt + New Debt</b>	<b>\$2,500,000</b>	<b>÷ Actual Value</b>	<b>\$4,520,211,000</b>	<b>= 0.06%</b>
<b>5 Current Water Debt</b>	<b>\$0</b>	<b>÷ Number of Taps</b>	<b>2,576</b>	<b>= \$0</b>
<b>(Current Water Debt + NewWater Debt)/Number of Taps</b>	<b>\$970</b>	<b>÷ MHI</b>	<b>\$74,107</b>	<b>= 1.31%</b>
<b>6 Current Ratio [CA/CL]</b>				
<b>Current Assets</b>	<b>\$2,887,069</b>	<b>÷ Current Liabilities</b>	<b>\$720,810</b>	<b>= 401%</b>
<b>7 Reserve/Expense Ratio</b>				
<b>Reserves</b>	<b>\$2,166,259</b>	<b>÷ Current Expenses</b>	<b>\$1,965,308</b>	<b>= 110%</b>
<b>8 Operating Ratio [OR÷OE]</b>				
<b>Operating Revenues</b>	<b>\$2,454,835</b>	<b>÷ Operating Expenses</b>	<b>\$1,965,308</b>	<b>= 125%</b>

<b>9 Coverage Ratio [(TR - OE)/DS]</b>					
Total Revenues	\$2,950,502	-			
minus Operating Expenses	<u>\$1,965,308</u>				
	=	\$985,194	÷ Current Debt Service	\$0	= #DIV/0!
<b>10 Coverage Ratio Excluding Tap &amp; Development Fee Revenue</b>					
Coverage Ratio Excluding Tap & Development Fee Revenue	\$985,194				
minus Tap and Dev. Fee Revenue	<u>\$411,014</u>				
	=	\$574,180	÷ Current Debt Service	\$0	= #DIV/0!
<b>11 Projected Coverage Ratio</b>					
Total Revenues	\$2,950,502				
minus Operating Expenses	<u>\$1,965,308</u>				
	=	\$985,194	Total Debt Service (with new loan)	\$155,917	= 632%
<b>12 Projected Coverage Excluding Tap &amp; Dev. Fee Revenue</b>					
Projected Coverage Excluding Tap & Dev. Fee Revenue	\$985,194				
minus Tap & Dev. Fee Rev.	<u>\$411,014</u>				
	=	\$574,180	Total Debt Service (with new loan)	\$155,917	= 368%
<b>13 Current Debt Service</b>					
Current Debt Service	\$0	÷ Number of Taps	2576	=	\$0.00
Annual New Water Debt Service	\$155,917	÷ Number of Taps	2576	=	\$60.53
<b>14 2020 Annual Water Rate (monthly rate x 12)</b>					
2020 Annual Water Rate (monthly rate x 12)	\$314.80	÷ MHI	\$74,107	=	0.42%
2020 Annual Water Rate + New Annual Debt Service per Tap	\$375.32	÷ MHI	\$74,107	=	0.51%
<b>15 Current 2020 Monthly User Charge</b>					
Current 2020 Monthly User Charge					\$26.23
Debt Service on DWRF/2020 Taps/month					<u>\$5.04</u>
Total					\$31.28
<b>16 Operation and Maintenance Reserve</b>					
Reserves	\$2,166,259	÷ Operating Expenses	\$1,965,308	=	110%

## DWRF DIRECT LOAN CREDIT REPORT

Town of Minturn ("The Town"), Eagle County

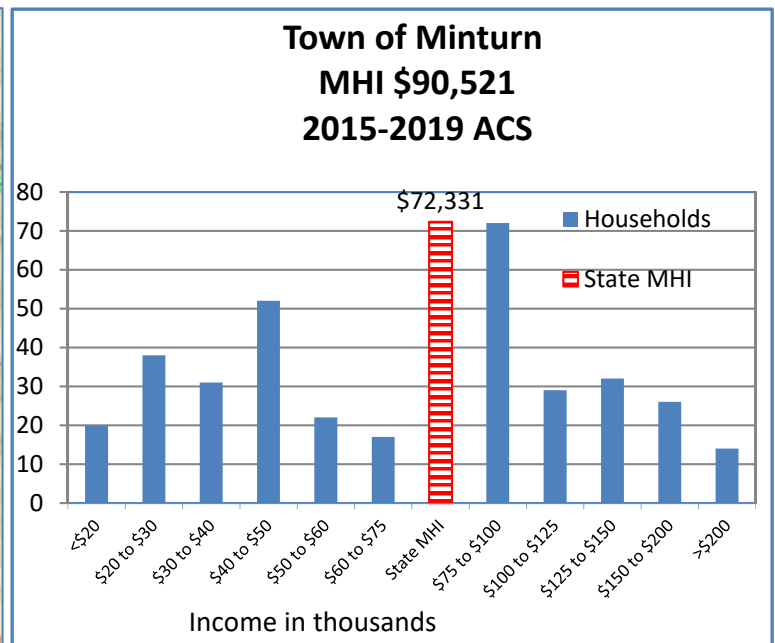
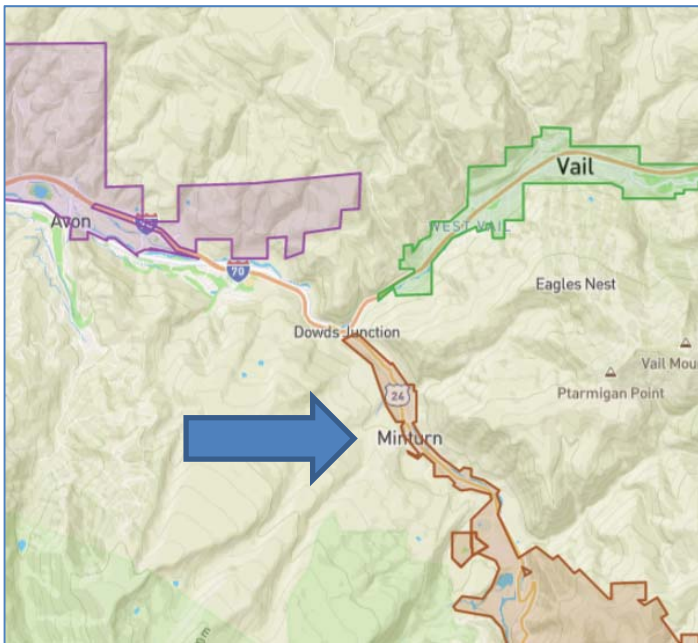
<b>Recommendation:</b>	<b>CONDITIONAL APPROVAL</b>
<b>Loan Request:</b>	\$3,000,000
<b>Interest Rate &amp; Term:</b>	2.25%, 20 years
<b>Annual Debt Service:</b>	\$187,101
<b>Pledge:</b>	Water revenue
<b>Current Rate:</b>	\$117.73
<b>Estimated Rate Increase:</b>	\$6.63

<u>Project Budget</u>	
<b>DWRF Loan:</b>	\$3,000,000
<b>Water Reserves</b>	\$200,000
<b>Total:</b>	\$3,200,000

**PROJECT DESCRIPTION:** The project consists of replacing one of the Town's water storage tanks that is in disrepair, and replacing it with two new storage tanks.

<b>COMMUNITY PROFILE:</b>							<b>Avg. Annual Change</b>
<b>Town of Minturn</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	
Town Population	1,075	1,072	1,076	1,081			0.14%
Eagle County Population	54,529	54,905	54,891	55,070			0.25%
Eagle County Jobs	40,654	41,418	42,413	43,411			1.65%
Number of Water Taps	730	735	744	748	751	751	0.47%
Assessed Value (\$000)	27,230	26,593	27,732	28,510	30,313	30,529	1.92%
Actual Value (\$000)	229,212	229,010	259,160	263,491	282,972	286,894	3.83%

**BORROWER BRIEF:** The Town lies south of I-70, straddling US Highway 24, roughly halfway between the Towns of Vail and Avon, which are each about 7 miles east and west.



**RECOMMENDATION:** The Town serves a mountain community in Eagle County. This proposed loan is necessary to replace failing storage tanks. User fees are projected to increase as a result of the project, but the Town appears to have a strong commitment to its capital improvement plan, which will eventually provide a long term solution to its water needs. We therefore recommend the DWRF Committee approve a \$3,000,000 direct loan to the Town of Minturn on the condition that user fees are increased to meet coverage ratio requirements.

**PROJECT SUMMARY:**

**System summary:** The Town maintains two water storage tanks including the Maloit Park Tank and the Minturn Tank, and approximately 7 miles of distribution piping.

**Reason/need:** The Minturn Tank is experiencing leakage issues and nearing the end of its useful life. A capital improvement plan conducted in 2019 identified a need to replace this tank and replace it with two storage tanks in order to reduce operation and maintenance costs and provide for redundancy. The Town's two pressure zones will be combined through this project and this will address deficient fire flow and water service from the Maloit Park tank.

**System Compliance:** The Town is in compliance with the Colorado Primary Drinking Water Regulations, and the project is primarily intended to maintain compliance.

**Project Delivery Method:** Design/Bid/Build.

**Contingency:** 15% of total project cost included as contingency

<b>CURRENT INDICATORS:</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>Weak</b>	<b>Average</b>	<b>Strong</b>
Total Debt per Capita (\$):	588	371	152	— >\$2,000	— \$1,000 - 2,000	X <\$1,000
Total + New Debt/Capita (\$):			2,927	X >\$2,000	— \$1,000 - 2,000	— <\$1,000
Total Debt/Tap (\$):	850	536	219	— >\$5,000	— \$2,500-5,000	X <\$2,500
Total Debt + New Debt/Tap (\$):			4,214	— >\$5,000	X \$2,500-5,000	— <\$2,500
Current Water Debt/Tap (\$):	239	229	219	— >\$2,000	— \$1,000 - 2,000	X <\$1,000
Current Water + New Water Debt/Tap (\$):			4,214	X >2,000	— \$1,000 - 2,000	— <\$1,000
Total Debt/Assessed Value:	2.28%	1.41%	0.54%	— >50%	— 25-50%	X <25%
Total Debt + New Water Debt/Assessed Value:			11%	— >50%	— 25-50%	X <25%
Total Debt/Actual Value:	0.24%	0.15%	0.06%	— >10%	— 5-10%	X <5%
Total Debt + New Water Debt/Actual Value:			1.12%	— >10%	— 5-10%	X <5%
Curr. Water Debt + New Debt/Tap/MHI:			4.66%	— >20%	— 10-20%	X <10%
Water Fund Current Ratio (CA/CL):	3,538%	3,805%	5,580%	— <100%	— 100-200%	X >200%
Water Fund Reserves/Current Expense:	185%	190%	138%	— <50%	— 50-100%	X >100%
Water Operating Ratio (OR/OE):	117%	96%	108%	— <100%	X 100-120%	— >120%
Coverage Ratio (TR-OE)/DS:	616%	439%	515%	— <110%	— 110-125%	X >125%
Coverage Ratio (TR-OE)/DS Excluding Tap Fees:	616%	-201%	482%	— <110%	— 110-125%	X >125%
Coverage Ratio with New Loan:			38%	X <110%	— 110-125%	— >125%
Coverage Ratio with New Loan Excluding Tap Fees:			35%	X <110%	— 110-125%	— >125%
Current Annual W&S Rates/MHI:			1.43%	— >3.0%	— 1.5-3.0%	X <1.5%
Current Water Rates + New Water Debt Service/MHI:			1.71%	— >3.0%	X 1.5-3.0%	— <1.5%
Operation and Maintenance Reserve:			141%	— <25%	— 25-50%	X >50%
<b>TOTAL:</b>			<b>4</b>	<b>3</b>	<b>14</b>	

**FINANCIAL ANALYSIS:** Of the twenty-one current indicators calculated, fourteen are rated strong, three are average and four are considered weak. Overall, the indicators illustrate a growing debt load for a small municipality while the strong indicators show financial capacity and substantial reserves.

- The Project Needs Assessment (PNA) mentioned the possibility of O&M expenses decreasing due to greater accessibility and fewer repairs, but adjustments were not made for this analysis.
- Based on 2020 financial information, the coverage ratio for a loan with a 20 year term and 2.25% interest rate is 38%. Additional annual revenue of about \$145,732, or \$16.17 per tap per month, would increase the coverage ratio to 110%.
- Effective January 1, 2021, the Town increased user fees to an estimated average of \$117.73, which is about \$9.54 higher than 2020, but \$6.63 less than projected to be necessary to increase coverage ratio to 110%.
- Including this proposed loan with 2020 financial statements, reserves are sufficient to cover an entire year of operating expenditures and debt service.

**DESCRIPTION OF THE LOAN:** A \$3,000,000 direct loan with a twenty year term, two payments annually at an interest rate of 2.25% will carry an annual debt service of approximately \$187,101.

**ECONOMIC ANALYSIS:** The Town has a 2019 population estimated at 1,081 and has grown at an average annual rate of 0.1% since 2015. Eagle County has experienced an average annual increase of 0.3% in population since 2016. The state population increased at an average annual rate estimated at 1.0%.

The region's economy is dominated by tourism, with world-renowned ,year-round mountain recreation opportunities including resorts at Vail and Beaver Creek, plus several others in neighboring counties. Tourism-related industries such as accommodation & food service, recreation, and retail are the main job sources. There is a strong in-migration of 20-30 year olds with net out-migration of all other age groups, though retirees are an important component of the Eagle County economy.

The Town reports the area's largest employers consist of Vail Health with 999 employees, Colorado Mountain College with 499 employees, Eagle County with 499 employees, Grand Hyatt-Vail with 499 employees, and Park Hyatt Beaver Creek with 499 employees.

No customer accounts for more than 3% utilization.

## **ORGANIZATIONAL ANALYSIS:**

### **Bond Rating**

The Town's debt has not been rated by Fitch, Moody's, or Standard & Poor's in the last five years.

### **Section 37-60-126(2) C.R.S. (Water Conservation Planning)**

The Town does not sell more than 2,000 acre-feet of water per year, but all taps are metered.

### **Organizational Structure**

The Town is a home rule municipality governed by six council members and a mayor who collectively appoint the Town Manager. The Town was incorporated in 1904. The Town provides police and fire protection, water services, public works services, and parks and recreation services. Approximately 2 full-time employees staff the water utility with some additional work contracted. The water utility is overseen by the Public Works Director who reports to the Town Manager.

- The Town has generally been in compliance with Colorado statutory budgeting and auditing requirements for the past five years.
- The Town maintains general liability insurance coverage through Colorado Intergovernmental Risk Sharing Agency (CIRSA).
- There are currently no pending lawsuits against the Town.
- There have been no recall elections in the last ten years.

### **Technical/Managerial/Financial (TMF)**

The WQCD and DLG conducted a review of the Town's technical, managerial and financial capacity to operate the water system. The review resulted in the following mandatory recommendations:

- Revenue must increase, or expenditures decrease, to meet coverage ratio requirements.

### **Capital Improvement Plan**

As part of the application process, the Town submitted a capital improvement schedule, which aside from these two storage tanks anticipates capital outlay of \$13,483,500 for multiple water system improvements over the next ten years, including improvements to its wells, water treatment plant, and distribution system. The Town reports these projects will be funded through a combination of user fees, loans, grants, and possibly bonds. The Town plans to continue increasing rates throughout the decade to meet the debt service requirements of future projects and associated loans.

### **Intergovernmental**

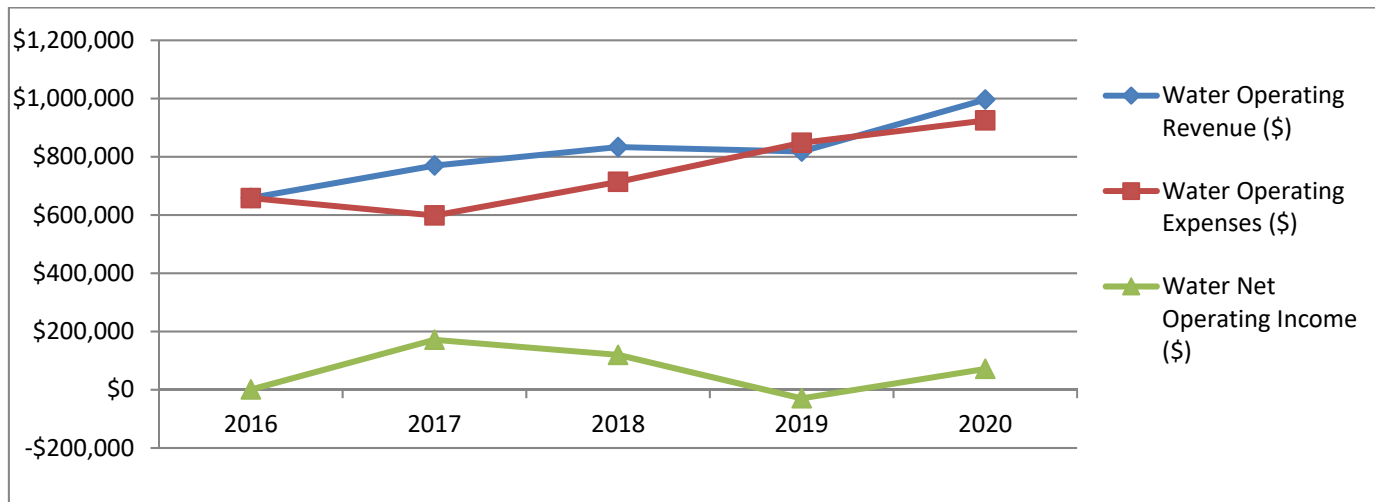
The Town reports that there are numerous agreements with the developer of Battle Mountain (a long-stalled residential and commercial development), but reports that neither the Town nor its water enterprise is responsible for any infrastructure costs to that development. Any amendments to said development and its agreements with the Town will continue to require the developer to pay their own way.

**REVENUE ANALYSIS:**

Increases in operating expenses have been met with increased user fee increases and higher revenues during the period examined. The operating expenses have increased in part due to repair, planning, and maintenance cost. The Town expects operating expenses to continue their trajectory as the system continues to age. Once the projects in the capital improvement plan are complete, expenses should plateau.

<b>TRENDS</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>
Monthly Water Rate (\$)	73.32	79.00	82.38	86.50	108.19	117.73
Residential Water Tap Fee (\$)	9,500	10,600	11,520	13,055	15,922	16,721
Total Water Revenue (\$)	706,698	769,737	805,170	912,970	1,001,094	
Tap/Development Fees (\$)	48,000	0	0	94,975	4,855	
Water Operating Revenue (\$)	658,698	769,737	833,275	817,995	996,239	
Water Operating Expenses (\$)	658,077	598,271	713,779	847,753	924,691	
Water Net Operating Income (\$)	621	171,466	119,496	-29,758	71,548	
Water Debt (\$)	189,276	183,433	177,462	171,197	164,622	
Total Debt (\$)	1,064,276	853,433	632,462	401,197	164,622	
Water Debt Service (\$)	15,091	14,842	14,841	14,840	14,840	
Water Debt Service/Tap/Month (\$)	1.72	1.68	1.66	1.65	1.65	
Water Fund Reserves (\$)	1,166,180	1,291,544	1,348,735	1,382,956	1,300,873	

<b>Ratios</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>Average</b>
Operating Revenue as % of Total Revenue	93%	100%	103%	90%	99.52%	97%
Operating Revenue as % of Expenses	100%	129%	117%	96%	108%	110%
Tap Fee Revenue as % of Total Revenue	7%	0%	0%	10%	0.48%	4%

**Recent Rate Increases**

The Town's most recent rate increase of \$9.54 was implemented on January 1, 2021.

**User Charges**

The Town's current monthly water rate is estimated at \$117.93 compared to the 2019 estimated state median of \$50.81. The Town's average monthly water rate is based on typical residential consumption of 4,000 gallons per month. Residential users pay a \$90.41 base rate, and a volume charge of \$6.83 per 1,000 gallons. Commercial users pay the same user fee per SFE and volume.

**Contributed Capital**

Revenue from tap fees has ranged from \$0 to \$94,975 and has averaged 4% of total water revenue during the last five years. The Town's most recent water tap fee rate increase occurred in 2021.



- Residential water tap fees are \$16,721, based on a 2,000SF home. Commercial tap fees are set by tap size, starting at \$17,320 for ¾" up to \$1,063,340 for a 6" tap.

Current System Utilization		
	Usage	Revenue
<b>Residential</b>	70%	80%
<b>Non-residential (per EQR)</b>	30%	20%

Current Fee Summary	
Tap size	Water user/tap fees
¾"	\$117.73/\$16,721
¾"	\$117.73/\$17,320

#### DEBT as of December 31, 2019

Executed	Lender	Term End	Pledge	Outstanding	Interest Rate	Annual payment
1997	USDA	2037	Water system revenue	164,622	4.875%	\$14,840

**LOAN COVENANTS:** The Town will have to meet the Authority's 110% rate covenant, 3-month operations and maintenance reserve fund covenant and the 110% additional bonds test (if applicable) on an annual basis.

Prepared by: Joe McConnell  
Date: August 10, 2021

Project # 141781D-T Cost Categories: 155- New Storage Tank – 100%
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August 10, 2021

**DWRF Credit Report**  
**Minturn, Eagle County, CO**  
**Using most recent data available**  
**(Census, audits, local records)**

<b>2019 Population (Estimated)</b>	<b>1,081</b>
<b>Number of Water Taps (or customers) - 2020</b>	<b>751</b>
<b>Total 2020 Assessed Valuation</b>	<b>\$30,313,000</b>
<b>Actual Value of all Real Property (2020)</b>	<b>\$282,972,000</b>
<b>Median Household Income (MHI)</b>	<b>\$90,512</b>
<b>Monthly Water Rate (2020)</b>	<b>\$108.19</b>
<b>Water Operating Revenue (2020)</b>	<b>\$996,239</b>
<b>Water Total Revenue (2020) [May include non-operating revenue, such as contributed capital, tap &amp; system development fees, interest income, S.O. tax and property tax. Excludes one-time capital grants.]</b>	<b>\$1,001,094</b>
<b>Water Tap and System Development Fee Revenue (2020)</b>	<b>\$4,855</b>
<b>Water Operating Expense (2020)</b>	<b>\$924,691</b>
<b>Water Current Expense (2020)</b>	<b>\$939,531</b>
<b>Water Debt (2020)</b>	<b>\$164,622</b>
<b>Total Debt (2020)</b>	<b>\$164,622</b>
<b>Water Reserves [2020 current assets minus current liabilities]</b>	<b>\$1,300,873</b>
<b>All Fund Reserves [2020 current assets minus current liabilities]</b>	<b>\$3,424,914</b>
<b>Water Debt Service (2020)</b>	<b>\$14,840</b>
<b>New Water Debt (requested DWRF loan amount)</b>	<b>\$3,000,000</b>
<b>Requested DWRF Loan Term</b>	<b>20</b>
<b>Requested DWRF Loan Interest Rate</b>	<b>2.25%</b>
<b>New Loan's Annual Water Debt Service [two payments annually]</b>	<b>\$187,101</b>

<b><u>Current Indicators (2020)</u></b>				
<b><u>Town of Minturn</u></b>				
<b><u>( Water Only)</u></b>				
<b>1 Total Debt</b>	<b>\$164,622</b>	<b>÷ Population</b>	<b>1,081</b>	<b>= \$152</b>
<b>New Debt</b>	<b>\$3,000,000</b>	<b>÷ Population</b>	<b>1,081</b>	<b>= \$2,775</b>
<b>Total Debt + New Debt</b>	<b>\$3,164,622</b>	<b>÷ Population</b>	<b>1,081</b>	<b>= \$2,927</b>
<b>2 Total Debt</b>	<b>\$164,622</b>	<b>÷ Number of Taps</b>	<b>751</b>	<b>= \$219</b>
<b>New Debt</b>	<b>\$3,000,000</b>	<b>÷ Number of Taps</b>	<b>751</b>	<b>= \$3,995</b>
<b>Total Debt + New Debt</b>	<b>\$3,164,622</b>	<b>÷ Number of Taps</b>	<b>751</b>	<b>= \$4,214</b>
<b>3 Total Debt</b>	<b>\$164,622</b>	<b>÷ Assessed Value</b>	<b>\$30,313,000</b>	<b>= 0.54%</b>
<b>New Debt</b>	<b>\$3,000,000</b>	<b>÷ Assessed Value</b>	<b>\$30,313,000</b>	<b>= 9.90%</b>
<b>Total Debt + New Debt</b>	<b>\$3,164,622</b>	<b>÷ Assessed Value</b>	<b>\$30,313,000</b>	<b>= 10.44%</b>
<b>4 Total Debt</b>	<b>\$164,622</b>	<b>÷ Actual Value</b>	<b>\$282,972,000</b>	<b>= 0.06%</b>
<b>New Debt</b>	<b>\$3,000,000</b>	<b>÷ Actual Value</b>	<b>\$282,972,000</b>	<b>= 1.06%</b>
<b>Total Debt + New Debt</b>	<b>\$3,164,622</b>	<b>÷ Actual Value</b>	<b>\$282,972,000</b>	<b>= 1.12%</b>
<b>5 Current Water Debt</b>	<b>\$164,622</b>	<b>÷ Number of Taps</b>	<b>751</b>	<b>= \$219</b>
<b>(Current Water Debt + NewWater Debt)/Number of Taps</b>	<b>\$4,214</b>	<b>÷ MHI</b>	<b>\$90,512</b>	<b>= 4.66%</b>
<b>6 Current Ratio [CA/CL]</b>				
<b>Current Assets</b>	<b>\$1,324,612</b>	<b>÷ Current Liabilities</b>	<b>\$23,739</b>	<b>= 5580%</b>
<b>7 Reserve/Expense Ratio</b>				
<b>Reserves</b>	<b>\$1,300,873</b>	<b>÷ Current Expenses</b>	<b>\$939,531</b>	<b>= 138%</b>
<b>8 Operating Ratio [OR÷OE]</b>				
<b>Operating Revenues</b>	<b>\$996,239</b>	<b>÷ Operating Expenses</b>	<b>\$924,691</b>	<b>= 108%</b>

<b>9 Coverage Ratio [(TR - OE)/DS]</b>					
Total Revenues	\$1,001,094	-			
minus Operating Expenses	<u>\$924,691</u>				
	=	\$76,403	÷ Current Debt Service	\$14,840	= 515%
<b>Coverage Ratio Excluding Tap &amp; Development Fee Revenue</b>					
<b>10</b>	\$76,403				
minus Tap and Dev. Fee Revenue	<u>\$4,855</u>				
	=	\$71,548	÷ Current Debt Service	\$14,840	= 482%
<b>11 Projected Coverage Ratio</b>					
Total Revenues	\$1,001,094				
minus Operating Expenses	<u>\$924,691</u>				
	=	\$76,403	Total Debt Service (with new loan)	\$201,941	= 38%
<b>Projected Coverage Excluding Tap &amp; Dev. Fee Revenue</b>					
<b>12</b>	\$76,403				
minus Tap & Dev. Fee Rev.	<u>\$4,855</u>				
	=	\$71,548	÷ Total Debt Service (with new loan)	\$201,941	= 35%
<b>13 Current Debt Service</b>					
	\$14,840	÷ Number of Taps	751	=	\$19.76
<b>Annual New Water Debt Service</b>					
	\$187,101	÷ Number of Taps	751	=	\$249.14
<b>2020 Annual Water Rate (monthly rate 14 x 12)</b>					
	\$1,298.28	÷ MHI	\$90,512	=	1.43%
<b>2020 Annual Water Rate + New Annual Debt Service per Tap</b>					
	\$1,547.42	÷ MHI	\$90,512	=	1.71%
<b>15 Current 2020 Monthly User Charge</b>					
					\$108.19
Debt Service on DWRF/2020 Taps/month					<u>\$20.76</u>
Total					\$128.95
<b>16 Operation and Maintenance Reserve</b>					
Reserves	\$1,279,285	÷ Operating Expenses	\$924,691	=	138%

## DWRF DIRECT LOAN CREDIT REPORT

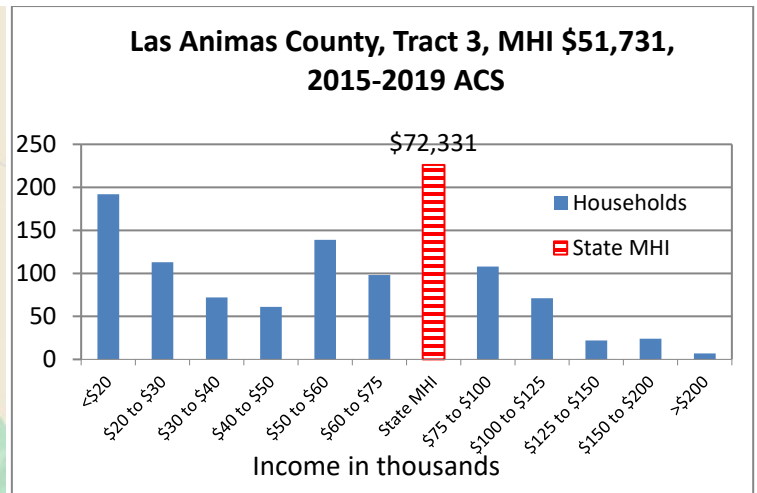
Town of Starkville ("The Town"), Las Animas County

<b>Recommendation:</b>	<b>CONDITIONAL APPROVAL</b>	<b><u>Project Budget</u></b>	
<b>Loan Request:</b>	\$137,880	<b>DWRF Loan:</b>	\$137,880
<b>Interest Rate &amp; Term:</b>	0.5%, 30 years	<b>DWRF Loan Principal Forgiveness:</b>	\$206,820
<b>Annual Debt Service:</b>	\$4,955	<b>2021 Design &amp; Engineering Grant:</b>	\$192,300
<b>Pledge:</b>	Water revenue	<b>2018 CDBG:</b>	\$600,000
<b>Current Rate:</b>	\$45.46	<b>Total:</b>	\$1,137,000
<b>Estimated Rate Increase:</b>	\$10.93		

**PROJECT DESCRIPTION:** The project includes construction of a new water storage tank including instrumentation and controls system, distribution system improvements, and replacement of water meters.

<b>COMMUNITY PROFILE:</b>							<b>Avg. Annual Change</b>
<b>Town of Starkville</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	
Town Population	51	52	53	53			0.97%
Las Animas County Population	14,073	14,209	14,493	14,493			0.74%
Las Animas County Jobs	6,668	6,771	6,868	6,938			1.00%
Number of Water Taps	53	53	53	53	54	54	0.31%
Assessed Value (\$000)		1,405	1,191	1,121	1,250	1,401	-0.06%
Actual Value (\$000)		7,030	3,486	3,584	3,768	3,626	-12.40%

**BORROWER BRIEF:** The Town is located 4 miles south of Trinidad and about 12 miles north of the Colorado/New Mexico state line along the I-25 corridor in Las Animas County.



**RECOMMENDATION:** The Town serves a small community in Las Animas County just south of the City of Trinidad. This proposed loan is necessary to replace failed storage tanks, solve pressure issues, address leaking by replacing the aging distribution system, construct a new storage tank, instrumentation and control system, and install new meters. The Town is small with a limited capacity for additional debt and will need to raise rates to meet loan requirements. However, the Town has already secured grant funding for 70% of the project costs and, at the time of this application, qualifies for principal forgiveness, which brings the requested loan amount down to just 6% of the total project costs. We therefore recommend the DWRF Committee approve a \$137,880 Disadvantaged Communities direct loan and \$206,820 in principal forgiveness to the Town of Starkville on the conditions rates are increased to meet coverage ratio requirements and the Town's water enterprise fund shall be fully accounted for in the Town's Financial Statements so the three-month O&M reserve requirement can be monitored annually.

**PROJECT SUMMARY:**

**System summary:** The Town purchases treated water from the City of Trinidad and is classified as a consecutive water system. The distribution system, constructed in 1982, consists of approximately 3.75 miles of piping ranging in size from 2-inches to 6-inches in diameter. Pipe materials consist of Polyvinylchloride (PVC) and Acrylonitrile-Butadiene-Styrene (ABS) piping. Water service within the Town is provided by a single pressure zone. The 1982 construction project included three water storage tanks; however, the tanks were taken offline and treated storage is not currently provided. The system includes various combinations of old water pressure regulators and water meters.

**Reason/need:** The distribution system experiences chronic leaking exasperated by aged lines and extensive tree growth in some areas. The distribution system experiences low-pressure conditions on the south of the system during times of high water usage such as when the fire department is exercising hydrants. The existing water storage tanks were taken offline at some time after the 1982 construction project due to altitude valves not properly working and causing system pressure irregularities. One tank that remained in operation for several years has since completely failed. Overall, the tanks are in poor condition and are beyond their useful life. Older water pressure regulators do not work properly and need replacement. New meters will improve customer billing accuracy and simplify meter reading efforts. The proposed system improvements will increase public safety and enhance available fire flows within the Town. Water storage will increase available fire flow, provide system redundancy and emergency reserve, enable the system maintain required pressures, and provide equalization storage.

**System Compliance:** The Town is in compliance with the Colorado Primary Drinking Water Regulations and the project is primarily intended to maintain compliance.

**Project Delivery Method:** Design/Bid/Build.

**Contingency:** 5% of total project cost included as contingency.

<b>CURRENT INDICATORS:</b>	<b>2019</b>	<b>2020</b>	<b>Weak</b>	<b>Average</b>	<b>Strong</b>
Total Debt per Capita (\$):	2,024	1,935	>\$2,000	X	<\$1,000
Total + New Debt/Capita (\$):		4,537	X >\$2,000		<\$1,000
Total Debt/Tap (\$):	2,024	1,899	>\$5,000		X <\$2,500
Total Debt + New Debt/Tap (\$):		4,453	>\$5,000	X	<\$2,500
Current Water Debt/Tap (\$):	2,024	1,899	>\$2,000	X	<\$1,000
Current Water + New Water Debt/Tap (\$):		4,453	X >2,000		<\$1,000
Total Debt/Assessed Value:	9.57%	8.20%	>50%		X <25%
Total Debt + New Water Debt/Assessed Value:		19%	>50%		X <25%
Total Debt/Actual Value:	2.99%	2.72%	>10%		X <5%
Total Debt + New Water Debt/Actual Value:		6.38%	>10%	X	<5%
Curr. Water Debt + New Debt/Tap/MHI:		8.61%	>20%		X <10%
*Water Fund Current Ratio (CA/CL):	N/A	N/A	<100%		>200%
*Water Fund Reserves/Current Expense:	N/A	N/A	<50%		>100%
Water Operating Ratio (OR/OE):	115%	111%	<100%	X	>120%
Coverage Ratio (TR-OE)/DS:	94%	75%	X <110%		>125%
Coverage Ratio (TR-OE)/DS Excluding Tap Fees:	94%	75%	X <110%		>125%
Coverage Ratio with New Loan:		37%	X <110%		>125%
Coverage Ratio with New Loan Excluding Tap Fees:		37%	X <110%		>125%
Current Annual W&S Rates/MHI:		1.05%	>3.0%		X <1.5%
Current Water Rates + New Water Debt Service/MHI:		1.23%	>3.0%		X <1.5%
*Operation and Maintenance Reserve:		N/A	<25%		>50%
<b>TOTAL:</b>		<b>6</b>		<b>5</b>	<b>7</b>

\* Current assets and current liabilities are not collected in a short form audit exemption.

**FINANCIAL ANALYSIS:** Of the eighteen current indicators calculated, seven are rated strong, five are average and six are considered weak. Three indicators could not be calculated due to the limited information collected in a short form audit exemption. Overall, the indicators illustrate a very small community that is taking on a relatively affordable degree of debt, but will need to increase rates to meet loan requirements. The strong indicators show affordable current and projected debt and rates relative to MHI. The weak indicators reflect the need for a rate increase to meet coverage ratio requirements.

- The 2020 operating ratio was average at 111%. Likewise, the 2019 operating ratio was in the average category at 115%. In the years examined, the water fund generated sufficient operating revenue to cover operating expenses.
- Based on 2020 financial information, coverage with the proposed loan is 37%. Additional annual revenue of about \$7,084, or \$10.93 per tap per month, would increase the coverage ratio to 110%.
- The Town's board reviews water rates annually, but has not increased rates since 2015. The Town is prepared to raise rates as needed to comply with the requirements of a DWRF loan.
- Because the short form audit exemption does not collect current assets or current liabilities, nor does the form allow for reporting of enterprise funds, we are unable to calculate the following indicators: Water Fund Current Ratio, ratio of Water Fund Reserves to Current Expense, or the Operation and Maintenance Reserve. Our ability to fully assess the water fund's ability to meet short or long-term obligations is limited.
- Water expenses may decrease after this project is complete. The new water meters can be read remotely instead of manually, which will eliminate staff time spent on this task. Water revenue may also increase thanks to more accurate meter readings and reduced loss of treated water.

### Additional Project Financing

The Town was awarded a \$600,000 CDBG award in 2018. The Town also received a \$192,300 Design & Engineering Grant in 2021.

Based on priority point scoring, the Town is eligible for \$206,820 in DWRF loan principal forgiveness.

**DESCRIPTION OF THE LOAN:** A \$137,880 direct loan with a thirty-year term, two payments annually at an interest rate of 0.5% will cost the Town approximately \$4,955 in debt service annually.

### Disadvantaged Community

	Benchmark		Borrower	Met?		Benchmark		Borrower	Met?
P1: MHI	\$57,865	>	\$51,731	Yes	S1: County MHI	\$57,865	>	\$41,817	Yes
P2: MHV	\$343,300	>	\$103,800	Yes	S2: Population Loss	0.00%	>	-10.17%	Yes
P3: Unemployment	5.68%	<	5.56%	No	S3: Assessed Value per Housing unit	\$20,104	>	\$30,285	No
Job Loss	0	>	-4.4%	Yes	S4b: Curr. and Proj. System Debt	0.37%	<	8.13%	Yes
					S4b: 80th Percentile	1.57%	<	8.13%	Yes
					S5b: System Cost Per Tap to MHI	1.12%	<	2.27%	Yes
					S5b: 80th Percentile	1.76%	<	2.27%	Yes

Based on 2015-2019 American Community Survey data, the Town met the requirements of a disadvantaged community, and due to its projected rates to MHI and MHV, qualifies for the lowest interest rate available (Category 2 DAC, 0.5%). The Town met the benchmarks for MHI, MHV, job loss over ten years, and four of the five secondary factors.

The Town's projected rates to both MHI and MHV exceed the 80<sup>th</sup> percentile benchmark, so the Town qualifies for principal forgiveness.

**ECONOMIC ANALYSIS:** The Town has a 2019 population estimated at 53 and has grown at an average annual rate of 0.93% since 2016. Las Animas County has experienced an increase of 0.74% in population since 2016. The state population increased at an average annual rate estimated 1%.

The region's economy is dominated by retirees, education and health services, agribusiness, government, and tourism. The region's largest job sectors reflect the region's economy and are government, health services, retail, agriculture, and accommodation and food services. While the Town and County have experienced slow growth in population and jobs, there are a couple of new economic developments. The region is the site of Colorado's newest state park; Fisher's Peak State Park opened in late 2020. The 30 square mile park is still under development and is currently open for hiking and hunting, but is expected to be a regional draw for tourism as the development progresses. The New Elk Mine, under new ownership, has also recently resumed extraction after being inactive since 1994. In response to these developments and the housing shortage the area faces, the City of Trinidad is assembling a Request for Proposal for developers to finish the abandoned 1,700 home Cougar Canyon neighborhood, according to a [Colorado Sun article](#).

The area's largest employers consist of the Burlington Northern Santa Fe Railroad with 200 employees, Trinidad State Junior College with 150 employees, Mt. San Rafael Hospital with 150 employees, City of Trinidad with 150 employees, and Las Animas School District #1 with 100 employees.

There are no customers that account for more than 3% utilization.

## **ORGANIZATIONAL ANALYSIS:**

### **Bond Rating**

The Town's debt has not been rated by Fitch, Moody's, or Standard & Poor's in the last five years.

### **Section 37-60-126(2) C.R.S. (Water Conservation Planning)**

The Town does not sell more than 2,000 acre-feet of water per year.

### **Organizational Structure**

The Town is a statutory town governed by a council/mayor form of government and was incorporated in 1955. The Town provides services including road maintenance, weed control, and water services. One employee operates the water utility and the Town hires contract services for maintenance. The clerk provides administrative services for the water utility. Both Town employees are part-time. The water utility is overseen by the Operator of Responsible Charge, who reports to the Town Board.

- The Town has generally been in compliance with Colorado statutory budgeting and auditing requirements for the past five years.
- The Town maintains general liability insurance coverage through the Colorado Intergovernmental Risk Sharing Agency (CIRSA).
- There are currently no pending lawsuits against the Town.
- There have been no recall elections in the last ten years.

### **Technical/Managerial/Financial (TMF)**

The WQCD and DLG conducted a review of the Town's technical, managerial and financial capacity to operate the water system. There are no outstanding requirements.

### **Capital Improvement Plan**

As part of the application process, the Town submitted a capital improvement schedule, which anticipates capital outlay in 2031 of \$30,000 for removal of a storage tank to be funded from Town reserves.

### **Intergovernmental**

The Town has a 1980 water purchase contract with the City of Trinidad (the "City"). Under this agreement, the Town purchases treated water from the City and taps served by the Town are limited to 80. Upon connection, the Town paid a plant investment fee of \$36,000 and the Town is responsible for the maintenance of its own system. The 1980 agreement had an initial term of 10 years, with the option to renew the agreement for a total term of 40 years. The Town pays rates set by City ordinances. The Town states this agreement continues past the recent 2020 expiration, but a new contract does not exist.

## **REVENUE ANALYSIS:**

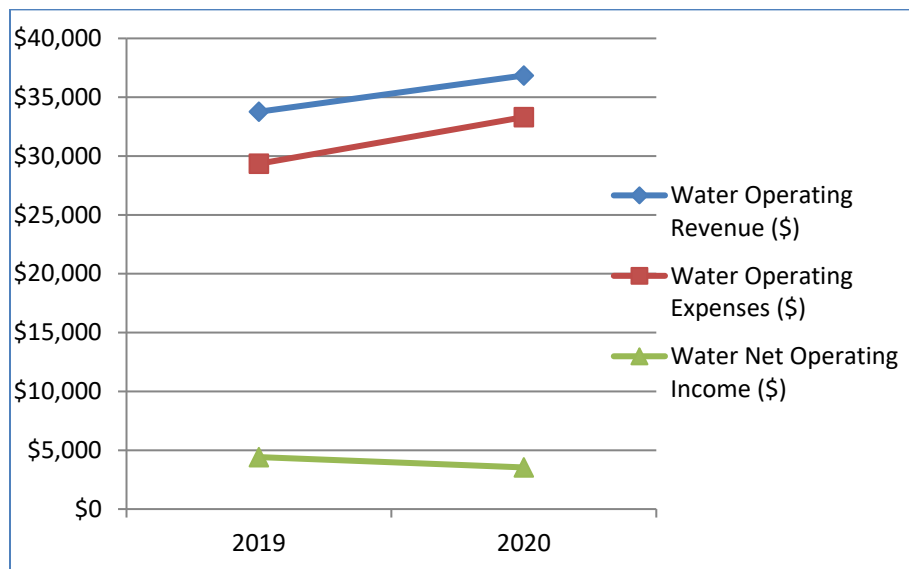
Until 2019, the Town included water activities in the general fund and did not present a separate water enterprise in the annual budget or audit exemptions. The Town started separating out water activities mid-2019 and started presenting a water enterprise in the 2020 and 2021 budgets. The Town uses a short form audit exemption, which does not allow the presentation of enterprise funds. Revenues and expenditures in the table below are estimated using the Town's audit exemptions and budgets. The short form audit exemption also does not ask for current assets or current liabilities, which are used to calculate reserves. The Town's 2020 audit exemption shows a cash balance of \$85,608, but it is unclear what portion is water fund versus general fund.



<b>TRENDS</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>
Monthly Water Rate (\$)	45.46	45.46	45.46
Residential Water Tap Fee (\$)	1,375	1,375	1,375
Total Water Revenue (\$)	33,768	36,850	
Tap/Development Fees (\$)	0	0	
Water Operating Revenue (\$)	33,768	36,850	
Water Operating Expenses (\$)	29,350	33,311	
Water Net Operating Income (\$)	4,418	3,539	
Water Debt (\$)	107,257	102,555	
Total Debt (\$)	107,257	102,555	
Water Debt Service (\$)	4,702	4,702	
Water Debt Service/Tap/Month (\$)	7.39	7.26	
Water Fund Reserves (\$)	0	0	

<b>Ratios</b>	<b>2019</b>	<b>2020</b>	<b>Average</b>
Operating Revenue as % of Total Revenue	100%	100%	100%
Operating Revenue as % of Expenses	115%	111%	113%
Tap Fee Revenue as % of Total Revenue	0%	0%	0%



### Recent Rate Increases

The Town's most recent water rate increase of \$2.50 occurred in 2015.

### User Charges

The Town's current monthly water rate is estimated at \$45.46 compared to the 2019 estimated state median of \$50.81. The Town's average monthly water rate is based on typical residential consumption of 5,220 gallons per month. Residential users pay a \$27.50 base rate up to 3,400 gallons and a volume charge of \$3.00 per 1,000 gallons for consumption greater than 3,400 gallons. Residential users also pay a \$10/month facility fee and a \$2.50/month maintenance fee. The rate for months with no water usage is \$20. Out-of-town base rate for use up to 3,400 gallons is \$32.50 and all of the other charges are the same for out-of-town and in-town users.

### Contributed Capital

The Town has not collected tap fee revenue during the years examined and the tap fee has remained the same during the years examined.

- Residential water tap fees are \$1,250 plus a 10% administration fee for a total of \$1,375 for ¾" tap.

Current System Utilization		
	Usage	Revenue
Residential	100%	100%

Current Fee Summary	
Tap size	Water user/tap fees
¾"	\$45.46/\$6,470

**DEBT as of December 31, 2020**

Executed	Lender	Term End	Pledge	Outstanding	Interest Rate	Annual payment
2013	CWCB	2042	Water Revenue	\$102,555	0%	\$4,702

**LOAN COVENANTS:** The Town will have to meet the Authority's 110% rate covenant, 3-month operations and maintenance reserve fund covenant, and the 110% additional bonds test (if applicable) on an annual basis.

The Town has no existing debt with the Authority including the SRF programs.

Prepared by: Desi Santerre  
Date: August 10, 2021

Project #170341D-Q  
Cost Categories:  
Distribution & Transmission: 39.3%  
Water Storage: 60.7%

<b>Date</b> <b>10-Aug-21</b> <b>DWRF Credit Report</b> <b>Town of Starkville, Las Animas County, CO</b> <b>Using most recent data available</b> <b>(Census, audits, local records)</b>	
<b>2019 Population (Estimated)</b>	<b>53</b>
<b>Number of Water Taps (or customers) - 2020</b>	<b>54</b>
<b>Total 2020 Assessed Valuation</b>	<b>\$1,250,000</b>
<b>Actual Value of all Real Property (2020)</b>	<b>\$3,768,000</b>
<b>Median Household Income (MHI)</b>	<b>\$51,731</b>
<b>Monthly Water Rate (2020)</b>	<b>\$45.46</b>
<b>Water Operating Revenue (2020)</b>	<b>\$36,850</b>
<b>Water Total Revenue (2020) [May include non-operating revenue, such as contributed capital, tap &amp; system development fees, interest income, S.O. tax and property tax. Excludes one-time capital grants.]</b>	<b>\$36,850</b>
<b>Water Tap and System Development Fee Revenue (2020)</b>	<b>\$0</b>
<b>Water Operating Expense (2020)</b>	<b>\$33,311</b>
<b>Water Current Expense (2020)</b>	<b>\$38,013</b>
<b>Water Debt (2020)</b>	<b>\$102,555</b>
<b>Total Debt (2020)</b>	<b>\$102,555</b>
<b>Water Reserves [2020 current assets minus current liabilities]</b>	<b>\$0</b>
<b>All Fund Reserves [2020 current assets minus current liabilities]</b>	
<b>Water Debt Service (2020)</b>	<b>\$4,702</b>
<b>New Water Debt (requested DWRF loan amount)</b>	<b>\$137,880</b>
<b>Requested DWRF Loan Term</b>	<b>30</b>
<b>Requested DWRF Loan Interest Rate</b>	<b>0.50%</b>
<b>New Loan's Annual Water Debt Service [two payments annually]</b>	<b>\$4,955</b>

<u>Current Indicators (2020)</u>				
<u>Town of Starkville</u>				
<u>( Water Only)</u>				
1 Total Debt	\$102,555	÷ Population	53 =	\$1,935
New Debt	\$137,880	÷ Population	53 =	\$2,602
Total Debt + New Debt	\$240,435	÷ Population	53 =	\$4,537
2 Total Debt	\$102,555	÷ Number of Taps	54 =	\$1,899
New Debt	\$137,880	÷ Number of Taps	54 =	\$2,553
Total Debt + New Debt	\$240,435	÷ Number of Taps	54 =	\$4,453
3 Total Debt	\$102,555	÷ Assessed Value	\$1,250,000 =	8.20%
New Debt	\$137,880	÷ Assessed Value	\$1,250,000 =	11.03%
Total Debt + New Debt	\$240,435	÷ Assessed Value	\$1,250,000 =	19.23%
4 Total Debt	\$102,555	÷ Actual Value	\$3,768,000 =	2.72%
New Debt	\$137,880	÷ Actual Value	\$3,768,000 =	3.66%
Total Debt + New Debt	\$240,435	÷ Actual Value	\$3,768,000 =	6.38%
5 Current Water Debt	\$102,555	÷ Number of Taps	54 =	\$1,899
(Current Water Debt + NewWater Debt)/Number of Taps	\$4,453	÷ MHI	\$51,731 =	8.61%
6 Current Ratio [CA/CL]				
Current Assets	\$0	÷ Current Liabilities	\$0 =	#DIV/0!
7 Reserve/Expense Ratio				
Reserves	\$0	÷ Current Expenses	\$38,013 =	0%
8 Operating Ratio [OR÷OE]				
Operating Revenues	\$36,850	÷ Operating Expenses	\$33,311 =	111%

9 Coverage Ratio [(TR - OE)/DS]					
Total Revenues	\$36,850	-			
minus Operating Expenses	<u>\$33,311</u>				
	=	\$3,539	÷ Current Debt Service	\$4,702	= 75%
10 Coverage Ratio Excluding Tap & Development Fee Revenue					
Coverage Ratio Excluding Tap & Development Fee Revenue	\$3,539				
minus Tap and Dev. Fee Revenue	<u>\$0</u>				
	=	\$3,539	÷ Current Debt Service	\$4,702	= 75%
11 Projected Coverage Ratio					
Total Revenues	\$36,850				
minus Operating Expenses	<u>\$33,311</u>				
	=	\$3,539	Total Debt Service (with new loan)	\$9,657	= 37%
12 Projected Coverage Excluding Tap & Dev. Fee Revenue					
Projected Coverage Excluding Tap & Dev. Fee Revenue	\$3,539				
minus Tap & Dev. Fee Rev.	<u>\$0</u>				
	=	\$3,539	Total Debt Service (with new loan)	\$9,657	= 37%
13 Current Debt Service					
Current Debt Service	\$4,702	÷ Number of Taps	54	=	\$87.07
Annual New Water Debt Service	\$4,955	÷ Number of Taps	54	=	\$91.76
14 2020 Annual Water Rate (monthly rate x 12)					
2020 Annual Water Rate (monthly rate x 12)	\$545.52	÷ MHI	\$51,731	=	1.05%
2020 Annual Water Rate + New Annual Debt Service per Tap	\$637.28	÷ MHI	\$51,731	=	1.23%
15 Current 2020 Monthly User Charge					
Current 2020 Monthly User Charge					\$45.46
Debt Service on DWRF/2020 Taps/month					<u>\$7.65</u>
Total					\$53.11
16 Operation and Maintenance Reserve					
Reserves	\$0	÷ Operating Expenses	\$33,311	=	0%

**2021 SRF Disadvantaged Community Criteria**    **Applicant:**    Town of Starkville
**Loan Terms**

Amount of Loan:	\$ 344,700
Interest Rate:	2.25%
Term (years):	20
Annual Payment:	\$ 21,498

**Test Result**

Y

**Conditions met to be DAC**

Test 1: P1 & P2 or P3  
 Test 2: P1, Not P2 or P3, & 2+ S1-S5  
 Test 3: P1 ??, P2 & P3, & 2+ S1-S5

		<b>Benchmark</b>	<b>Applicant</b>	<b>Result</b>
Current Population	<=	10,000	53	Y
Population 10 years ago			59	

**Primary Factors**

P1	MHI (Place)	<=	\$ 57,865	51,731	Y	Range / Geography Policy or Survey if unreliable or geographic mismatch
	Margin of Error (MOE)	±		6,786	Sub	
	Reliability (CV)	<=	12.0%	8.0%	Y	
P2	MHV (Place)	<=	\$ 343,300	103,800	Y	Assessor Residential Parcel Data if unreliable or geographic mismatch
	Margin of Error (MOE)	±		25,664		
	Reliability (CV)	<=	12.0%	15.0%	N	
P3	24 Month Unemployment (County)	>=	5.7%	5.56%	N	Unreliable MHI- tract used
	or 10 Year % Chng. Jobs (County)	<=	0.0%	-4.4%	Y	
	Jobs (2019)			6,890		
	Jobs (2010)			7,205		

**Priority Factor Count**

3

**Secondary Factors**

						<b>Possible Substitute</b>
S1	MHI (County)	<=	\$ 57,865	41,817	Y	Range / Geography Policy if unreliable or geographic mismatch
	Margin of Error (MOE)	±		3,068		
	Reliability (CV)	<=	12.0%	4.5%	Y	
S2	10 Year % Chng. Population	<=	0.00%	-10.17%	Y	
S3	Assessed Value / Housing Unit	<=	\$ 20,104	30,285	N	
	Assessed Value			1,120,550		
	Total Housing Units			37		
S4	Current Debt / Tap / MHV	>	0.37%	1.86%	Y	Range / Geography Policy or Survey
W	Current + Projected Debt/Tap/MHV	>	0.37%	8.13%	Y	
	S4b 80th percentile		1.57%	8.13%	Y	
S5	System Full Cost / Tap / MHI	>	1.21%	1.21%	Y	Range / Geography Policy or Survey
	Projected Rate @ 110% Coverage	>	1.12%	2.27%	Y	
	S5b 80th percentile		1.76%	2.27%	Y	

**Secondary Factor Count**

4

**System Data for S4 and S5: To be completed by DLG**

Taps or EQR's	53
Total Debt	102,555
Principal	4,702
Interest	
Operating Expenses	33,311
Operating Transfers Out	
Depreciation	



**Principal Forgiveness Priority Scoring**

Applicant name: Town of Starkville

Water Quality/Public Health Score	10
Affordability Score	155
Total Score	165

Maximum Percent of Loan Principal as Principal Forgiveness: 60%

D&E award (additional subsidy fund): \$192,300

Amount of Principal Forgiveness Awarded: \$206,820



## COLORADO WATER RESOURCES & POWER DEVELOPMENT AUTHORITY

Logan Tower Bldg - Suite 620, 1580 Logan Street, Denver, Colorado 80203-1942  
303/830-1550 • Fax 303/832-8205 • [info@cwrpda.com](mailto:info@cwrpda.com)

### MEMORANDUM

August 20, 2021

**TO:** Project Finance Committee and Karl Ohlsen

**FROM:** Jim Griffiths, Finance Director  
Kevin Carpenter, Financial Analyst

**RE:** Review of the Town of Manassa  
Water Pollution Control Revolving Fund ("WPCRF")

The Division of Local Government has forwarded to the WPCRF Committee its analysis of the above listed project. The WPCRF Committee, composed of representatives from the Division of Local Government, the Water Quality Control Division, and the Authority, has reviewed the technical and financial aspects of the proposed project and agreed to forward the request to the Authority's Project Finance Committee with the following recommendation:

#### Town of Manassa

The Town of Manassa (the "Town"), located in Conejos County, is seeking a Disadvantaged Communities direct loan through the WPCRF loan program in the amount of \$351,834. The project consists of sewer collection system rehabilitation and improvements including manhole rehabilitation and replacement to address system disrepair, and resolve significant inflow and infiltration (I&I) issues. The Town's project was authorized by SJR 18-003.

#### Recommendation

Based on the attached credit report, staff recommends that the Project Finance Committee forward to the Board a recommendation authorizing staff to begin negotiating a WPCRF Disadvantaged Communities direct loan with the Town in the amount of \$351,834. The loan will be for a term of up to 30 years, at an interest rate of 1.5%. The Board will consider this request on August 25, 2021.

**Note:** A Zoom conference call has been scheduled for Friday, 9:00 a.m. August 20, 2021. The link to join via online is: <https://zoom.us/j/91059753172?pwd=VTJGYTlrL2FldXJEdlJRDFBaGpWQT09>. If you prefer to dial-in, the call-in number is: **1-669-900-6833**, and the Meeting ID is **910 5975 3172**. The passcode is: **293670**.

Attachment: Town of Manassa 2021 WPCRF Credit Report



## WPCRF DIRECT LOAN CREDIT REPORT

Town of Manassa ("The Town"), Conejos County

**Recommendation: APPROVAL**

**Loan Request:** \$351,834  
**Interest Rate & Term:** 1.5% & 30 years  
**Annual Debt Service:** \$14,607  
**Pledge:** Sewer System Revenue  
**Current Rate:** \$28.00  
**Estimated Rate Increase:** \$0.00

**Project Budget**

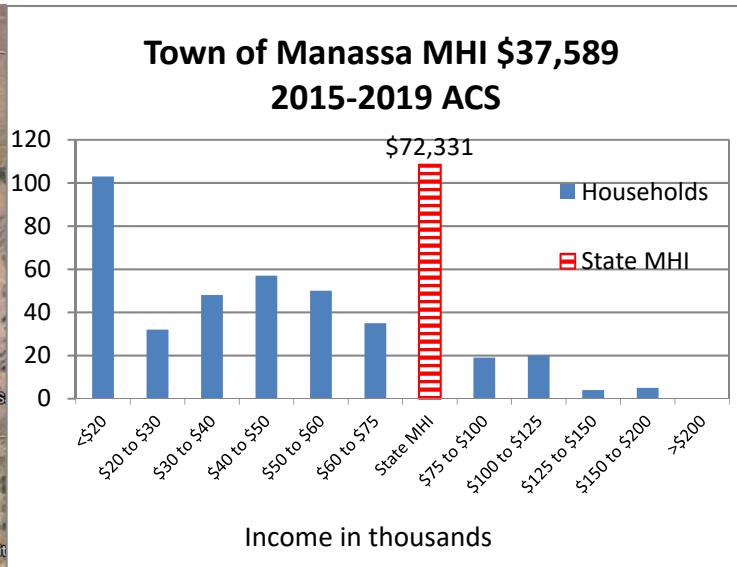
<b>WPCRF Loan:</b>	\$351,834
<b>Planning, Design &amp; Engineering:</b>	\$211,254
<b>CDBG 2021:</b>	\$600,000
<b>Total:</b>	<b>\$1,163,088</b>

**PROJECT DESCRIPTION:** This project consists of sewer collection system rehabilitation and improvements including manhole rehabilitation and replacement to address system disrepair, and resolve significant inflow and infiltration (I&I) issues.

**COMMUNITY PROFILE:**

Town of Manassa	2016	2017	2018	2019	2020	2021	Avg. Annual Change
Town Population	968	980	984	987			0.49%
Conejos County Population	8,022	8,120	8,139	8,161			0.43%
Conejos County Jobs	2,557	2,588	2,695	2,732	2,754		1.50%
Number of Sewer Taps	471	471	471	472	472		0.04%
Number of Water Taps	443	443	443	444	444		0.05%
Assessed Value (\$000)	3,014	3,022	2,862	2,870	3,373	3,346	2.06%
Actual Value (\$000)	31,947	32,244	32,851	33,264	39,231	39,075	3.92%

**BORROWER BRIEF:** The Town is about 25 miles south of Alamosa and 15 miles north of the Colorado-New Mexico border, just east of U.S. Highway 285, along State Highway 142.



**RECOMMENDATION:** The Town serves a rural community in Conejos County whose sewer collection system is in poor condition. This proposed loan is necessary to fix I&I issues, and will help determine the necessity of future wastewater treatment plant (WWTP) improvements. The Town will pay for the majority of the project with grants, with only a small portion of the total project cost financed by a loan. Sewer user fees are projected to remain below the state median and need not increase to meet the projected coverage ratio of this loan. We therefore recommend the WPCRF Committee approve a Disadvantaged Community direct loan of \$351,834 to the Town of Manassa.

**PROJECT SUMMARY:**

**System summary:** The service area includes the entire Town and approximately 64,600 linear feet of sanitary sewer pipe with diameters that range from 6" to 15". The system receives an annual average daily influent flow of 187,000 gpd (gallons per day), which is nearly double the maximum recommended value for influent flows estimated using typical design values.

**Reason/need:** A recent evaluation of the Town's system demonstrated that significant I&I is occurring in the collection system. The poor condition of existing piping, improperly installed manholes, use of some substandard pipe material, and shallow bury depths have resulted in inflow water from groundwater and precipitation that contributes to excessive flows into collection system and ultimately to the town's WWTP.

**System Compliance:** The excessive I&I flow results in violations of the permitted hydraulic capacity at the WWTP. Furthermore, I&I dilutes wastewater to very low waste strength concentrations causing issues for the WWTP to meet required treatment levels. In order to address issues with the wastewater treatment plant, the excessive I&I must be reduced. This project is the first phase in a two-phase approach to address both I&I and WWTP treatment improvements. A second phase will further evaluate additional WWTP improvements and implement them if necessary.

**Project Delivery Method:** Design/Bid/Build (Town public works will also self-perform some smaller repairs).

**Contingency:** 10% of total project cost included as contingency.

<b>CURRENT INDICATORS:</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>Weak</b>	<b>Average</b>	<b>Strong</b>
Total Debt per Capita (\$):	0	0	0	>\$2,000	\$1,000 - 2,000	X <\$1,000
Total + New Debt/Capita (\$):			356	>\$2,000	\$1,000 - 2,000	X <\$1,000
Total Debt/Tap (\$):	0	0	0	>\$5,000	\$2,500-5,000	X <\$2,500
Total Debt + New Debt/Tap (\$):			745	>\$5,000	\$2,500-5,000	X <\$2,500
Current Sewer Debt/Tap (\$):	1,045	1,010	972	>\$2,000	\$1,000 - 2,000	X <\$1,000
Current Sewer + New Sewer Debt/Tap (\$):			1,717	>\$2,000	X \$1,000 - 2,000	<\$1,000
Total Debt/Assessed Value:	0.00%	0.00%	0.00%	>50%	25-50%	X <25%
Total Debt + New Sewer Debt/Assessed Value:			12%	>50%	25-50%	X <25%
Total Debt/Actual Value:	0.00%	0.00%	0.00%	>10%	5-10%	X <5%
Total Debt + New Sewer Debt/Actual Value:			1.06%	>10%	5-10%	X <5%
Curr. Sewer Debt + New Debt/Tap/MHI:			4.57%	>20%	10-20%	X <10%
Sewer Fund Current Ratio (CA/CL):	704%	716%	692%	<100%	100-200%	X >200%
Sewer Fund Reserves/Current Expense:	181%	215%	199%	<50%	50-100%	X >100%
Sewer Operating Ratio (OR/OE):	150%	169%	149%	<100%	100-120%	X >120%
Coverage Ratio (TR-OE)/DS:	132%	163%	146%	<110%	110-125%	X >125%
Coverage Ratio (TR-OE)/DS Excluding Tap Fees:	132%	163%	146%	<110%	110-125%	X >125%
Coverage Ratio with New Loan:			105%	X <110%	110-125%	>125%
Coverage Ratio with New Loan Excluding Tap Fees:			105%	X <110%	110-125%	>125%
Current Annual Sewer Rates/MHI:			0.86%	>3.0%	1.5-3.0%	X <1.5%
Current Sewer Rates + New Sewer Debt Service/MHI:			0.94%	>3.0%	1.5-3.0%	X <1.5%
Operation and Maintenance Reserve:			268%	<25%	25-50%	X >50%
<b>TOTAL:</b>	<b>2</b>	<b>1</b>	<b>18</b>			

**FINANCIAL ANALYSIS:** Of the twenty-one current indicators calculated, eighteen are rated strong, one is average and two are considered weak. Overall, the indicators illustrate that the Town has the capacity to absorb a loan of this size.

- Operating expenses are not projected to increase as a result of this project. Future expenditures related to repairs and treatment may decrease in an indeterminate manner.
- Based on 2019 financial information, coverage ratio with the proposed loan is 105%. Additional annual revenue of about \$2,417 or \$0.43 per tap per month, would increase the coverage ratio to 110% when including tap fee revenue.
- The Town increased sewer user fees by \$1.00 per tap per month February 1, 2021, which is projected push the coverage ratio up to 116%. Therefore, the Town's sewer enterprise should meet the coverage ratio requirement.
- To build reserves and in anticipation of more improvements to its WWTP, the Town adopted an additional increase of \$5.00 to \$33.00 per tap per month on July 21, 2021, effective September 1, 2021.

**Additional Project Financing**

The Town received Planning and Design & Engineering grants totaling \$211,254, as well as two separate CDBG awards totaling \$600,000 in 2021.

**DESCRIPTION OF THE LOAN:** A \$351,834 Disadvantaged Community direct loan with a thirty year term, two payments annually at an interest rate of 1.5% will cost the Town approximately \$14,607 in debt service annually.

**Disadvantaged Community:**

	Benchmark		Borrower	Met?		Benchmark		Borrower	Met?
P1: MHI	\$57,865	>	\$37,589	Y	S1: County MHI	\$57,865	>	\$36,084	Y
P2: MHV	\$343,300	>	\$97,500	Y	S2: Population Loss	0.00%	>	-0.70%	Y
P3: Unemployment	5.68%	<	4.65%	N	S3: Assessed Value per Housing unit	\$20,104	>	\$6,464	Y
Job Loss	0	>	14.5%		S4b: Curr. and Proj. System Debt	0.24%	<	1.76%	Y
					S4b: 80th Percentile	1.08%	<	1.76%	Y
					S5b: System Cost Per Tap to MHI	0.80%	<	0.99%	Y
					S5b: 80th Percentile	1.24%	<	0.99%	N

The Town meets the requirements of a disadvantaged community and qualifies for Tier 1 status and an interest rate of 1.5%. The Town does not meet the 80th percentile benchmarks for both factors S4b (Current and Projected System Debt) and S5b (System Cost Per Tap to MHI) to be considered a Category 2 Disadvantaged Community.

**ECONOMIC ANALYSIS:** The Town has a 2019 population estimated at 987 and has grown at an average annual rate of 0.5% since 2015. Conejos County has experienced an increase of 0.4% in population since 2016. The state population increased at an average annual rate estimated at 1%.

The region's economy is dominated by agriculture and retirees, with commuters, regional services, and tourism also playing a role. Agriculture, government, and healthcare/social assistance comprise the majority of jobs. About 41% of Conejos County residents commute to Alamosa County for work.

The Town's largest employers consist of Manassa Elementary School, the U.S. Post Office, Local Gas Station, and Local Grocery Market. The Town reports that each business has 1-3 employees.

No single customer accounts for more than 3% of revenue.

**ORGANIZATIONAL ANALYSIS:**

**Bond Rating**

The Town's debt has not been rated by Fitch, Moody's, or Standard & Poor's in the last five years.

**Section 37-60-126(2) C.R.S. (Water Conservation Planning)**

The Town does not sell more than 2,000 acre-feet of water per year.

**Organizational Structure**

The Town is a statutory town governed by a trustee/mayor form of government and was organized in 1889. The Town provides police protection, water and wastewater services, public works services, pest/weed control, and parks and recreation services. Approximately 2.0 full-time employees staff the sewer utility. The sewer utility is overseen by the Public Works director, who reports to the board of trustees.

- The Town has generally been in compliance with Colorado statutory budgeting and auditing requirements for the past five years.
- The Town maintains general liability insurance coverage through Travelers.
- There are currently no pending lawsuits against the Town.
- There have been no recall elections in the last ten years.

**Capital Improvement Plan**

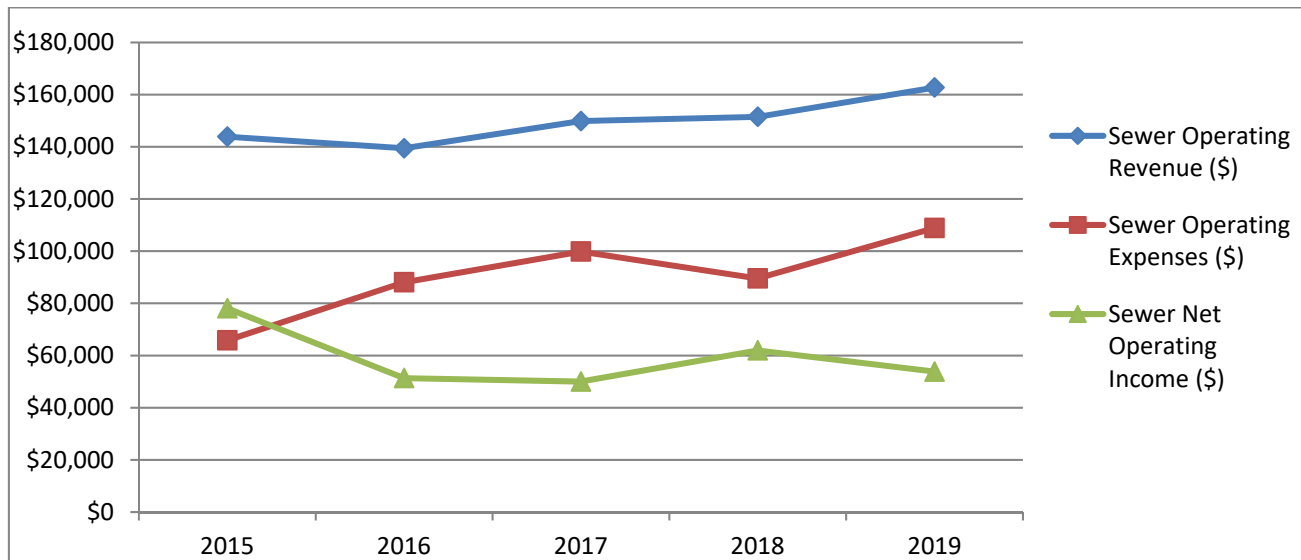
Once this proposed project is complete, the Town will further evaluate the WWTP to determine the extent of necessary improvements and address components that are reaching the end of their useful life. The Town estimates these improvements will cost approximately \$960,000 and plan to pay for the project with a combination of grants and possibly a loan.

**REVENUE ANALYSIS:**

Operating revenue has grown at a rate slightly slower than expenditures. The increase in expenditures was broad and not particularly concentrated.

<b>TRENDS</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>
Monthly Sewer Rate (\$)	25.00	25.00	27.00	27.00	27.00	27.00	28.00
Monthly Water Rate (\$)	23.00	23.00	23.00	23.00	23.00	23.00	27.00
Residential Sewer Tap Fee (\$)	500	500	500	500	500	500	500
Residential Water Tap Fee (\$)	500	500	500	500	500	500	500
Total Sewer Revenue (\$)	144,127	140,299	150,527	152,237	164,559		
Tap/Development Fees (\$)	0	0	0	0	0		
Sewer Operating Revenue (\$)	143,897	139,437	149,877	151,506	162,701		
Sewer Operating Expenses (\$)	65,823	88,091	99,859	89,550	108,864		
Sewer Net Operating Income (\$)	78,074	51,346	50,018	61,956	53,837		
Sewer Debt (\$)	522,800	507,800	492,200	475,800	458,800		
Total Debt (\$)	941,765	910,765	878,305	845,475	812,045		
Sewer Debt Service (\$)	38,310	38,360	38,360	38,367	38,222		
Sewer Debt Service/Tap/Month (\$)		6.79	6.79	6.79	6.75		
Sewer Fund Reserves (\$)	231,145	224,468	250,759	274,828	292,276		

<b>Ratios</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>Average</b>
Operating Revenue as % of Total Revenue	100%	99%	100%	100%	99%	99%
Operating Revenue as % of Expenses	219%	158%	150%	169%	149%	169%
Tap Fee Revenue as % of Total Revenue	0%	0%	0%	0%	0%	0%

**Recent Rate Increases**

The Town's most recent user fee increase of \$1.00 per tap per month to \$28.00 starting February 1, 2021. Another increase of \$5.00 per tap per month was approved July 21, 2021, effective September 1, 2021.

**User Charges & System Utilization**

The Town's current monthly sewer rate is a flat \$28.00 compared to the 2019 estimated state median of \$34.37.

The Town's current estimated average monthly residential water rate is a flat \$27.00 compared to the 2019 estimated state median of \$50.81.

Water and sewer charges are the same for commercial customers.

**Contributed Capital**

The Town did not collect tap fees during the period examined.

- Residential sewer tap fees are \$500.
- Residential water tap fees are \$500.

Commercial tap fees are identical to residential.

<b>Current System Utilization</b>		
	Usage	Revenue
<b>Residential</b>	100%	100%
<b>Non-residential (per EQR)</b>	0%	0%

<b>Current Fee Summary</b>		
Tap size	Sewer user/tap fees	Water user/tap fees
¾"	\$28.00/\$500	\$27.00/\$500
¾"	\$28.00/\$500	\$27.00/\$500

**DEBT as of December 31, 2019**

Executed	Lender	Term End	Pledge	Outstanding	Interest Rate	Annual payment
1996	FHA	2036	Sewer system revenue	\$458,800	4.5%	\$38,248
2011	CWRPDA	2041	Water system revenue	\$353,245	0%	\$16,430

**LOAN COVENANTS:** The Town will have to meet the Authority's 110% rate covenant, 3-month operations and maintenance reserve fund covenant and the 110% additional bonds test (if applicable) on an annual basis.

The Town is current on its 2011 CWRPDA loan.

Prepared by: Joe McConnell  
Date: August 10, 2021

Project # 180221W-G Cost Categories: Collection System: 100%
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August 10, 2021

**WPCRF Credit Report**  
**Town of Manassa, Conejos County, CO**  
**Using most recent data available**  
**(Census, audits, local records)**

<b>2019 Population (Estimated)</b>	<b>987</b>
<b>Number of Sewer Taps (or customers) - 2019</b>	<b>472</b>
<b>Total 2019 Assessed Valuation (\$000)</b>	<b>\$2,870</b>
<b>Actual Value of all Real Property - 2019 (\$000)</b>	<b>\$33,264</b>
<b>Median Household Income (MHI)</b>	<b>\$37,589</b>
<b>Monthly Sewer Rate (2019)</b>	<b>\$27.00</b>
<b>Sewer Operating Revenue (2019)</b>	<b>\$162,701</b>
<b>Sewer Total Revenue (2019) [May include non-operating revenue, such as contributed capital, tap &amp; system development fees, interest income, S.O. tax and property tax. Excludes one-time capital grants.]</b>	<b>\$164,559</b>
<b>Sewer Tap and System Development Fee Revenue (2019)</b>	<b>\$0</b>
<b>Sewer Operating Expense (2019)</b>	<b>\$108,864</b>
<b>Sewer Current Expense (2019)</b>	<b>\$147,086</b>
<b>Sewer Debt (2019)</b>	<b>\$458,800</b>
<b>Total Debt (2019)</b>	<b>\$812,045</b>
<b>Sewer Reserves [2019 current assets minus current liabilities]</b>	<b>\$292,276</b>
<b>All Fund Reserves [2019 current assets minus current liabilities]</b>	<b>\$718,000</b>
<b>Sewer Debt Service (2019)</b>	<b>\$38,222</b>
<b>New Sewer Debt (requested WPCRF loan amount)</b>	<b>\$351,834</b>
<b>Requested WPCRF Loan Term</b>	<b>30</b>
<b>Requested WPCRF Loan Interest Rate</b>	<b>1.50%</b>
<b>New Loan's Annual Sewer Debt Service [two payments annually]</b>	<b>\$14,607</b>

<b><u>Current Indicators (2019)</u></b>				
<b><u>Town of Manassa</u></b>				
<b><u>( Sewer Only)</u></b>				
<b>1 Total Debt</b>	<b>\$812,045</b>	<b>÷ Population</b>	<b>987 =</b>	<b>\$823</b>
<b>New Debt</b>	<b>\$351,834</b>	<b>÷ Population</b>	<b>987 =</b>	<b>\$356</b>
<b>Total Debt + New Debt</b>	<b>\$1,163,879</b>	<b>÷ Population</b>	<b>987 =</b>	<b>\$1,179</b>
<b>2 Total Debt</b>	<b>\$812,045</b>	<b>÷ Number of Taps</b>	<b>472 =</b>	<b>\$1,720</b>
<b>New Debt</b>	<b>\$351,834</b>	<b>÷ Number of Taps</b>	<b>472 =</b>	<b>\$745</b>
<b>Total Debt + New Debt</b>	<b>\$1,163,879</b>	<b>÷ Number of Taps</b>	<b>472 =</b>	<b>\$2,466</b>
<b>3 Total Debt</b>	<b>\$812,045</b>	<b>÷ Assessed Value</b>	<b>\$2,870,000 =</b>	<b>28.29%</b>
<b>New Debt</b>	<b>\$351,834</b>	<b>÷ Assessed Value</b>	<b>\$2,870,000 =</b>	<b>12.26%</b>
<b>Total Debt + New Debt</b>	<b>\$1,163,879</b>	<b>÷ Assessed Value</b>	<b>\$2,870,000 =</b>	<b>40.55%</b>
<b>4 Total Debt</b>	<b>\$812,045</b>	<b>÷ Actual Value</b>	<b>\$33,264,000 =</b>	<b>2.44%</b>
<b>New Debt</b>	<b>\$351,834</b>	<b>÷ Actual Value</b>	<b>\$33,264,000 =</b>	<b>1.06%</b>
<b>Total Debt + New Debt</b>	<b>\$1,163,879</b>	<b>÷ Actual Value</b>	<b>\$33,264,000 =</b>	<b>3.50%</b>
<b>5 Current Sewer Debt</b>	<b>\$458,800</b>	<b>÷ Number of Taps</b>	<b>472 =</b>	<b>\$972</b>
<b>(Current Sewer Debt + New Sewer Debt)/Number of Taps</b>	<b>\$1,717</b>	<b>÷ MHI</b>	<b>\$37,589 =</b>	<b>4.57%</b>
<b>6 Current Ratio [CA/CL]</b>				
<b>Current Assets</b>	<b>\$341,665</b>	<b>÷ Current Liabilities</b>	<b>\$49,389 =</b>	<b>692%</b>
<b>7 Reserve/Expense Ratio</b>				
<b>Reserves</b>	<b>\$292,276</b>	<b>÷ Current Expenses</b>	<b>\$147,086 =</b>	<b>199%</b>
<b>8 Operating Ratio [OR÷OE]</b>				
<b>Operating Revenues</b>	<b>\$162,701</b>	<b>÷ Operating Expenses</b>	<b>\$108,864 =</b>	<b>149%</b>

<b>9 Coverage Ratio [(TR - OE)/DS]</b>					
Total Revenues	\$164,559	-			
minus Operating Expenses	<u>\$108,864</u>				
	=	\$55,695	÷ Current Debt Service	\$38,222	= 146%
<b>Coverage Ratio Excluding Tap &amp; Development Fee Revenue</b>					
10 Coverage Ratio Excluding Tap & Development Fee Revenue	\$55,695				
minus Tap and Dev. Fee Revenue	<u>\$0</u>				
	=	\$55,695	÷ Current Debt Service	\$38,222	= 146%
<b>11 Projected Coverage Ratio</b>					
Total Revenues	\$164,559				
minus Operating Expenses	<u>\$108,864</u>				
	=	\$55,695	Total Debt Service (with new loan)	\$52,829	= 105%
<b>Projected Coverage Excluding Tap &amp; Dev. Fee Revenue</b>					
12 Projected Coverage Excluding Tap & Dev. Fee Revenue	\$55,695				
minus Tap & Dev. Fee Rev.	<u>\$0</u>				
	=	\$55,695	Total Debt Service (with new loan)	\$52,829	= 105%
<b>13 Current Debt Service</b>					
Current Debt Service	\$38,222	÷ Number of Taps	472	=	\$80.98
Annual New Sewer Debt Service	\$14,607	÷ Number of Taps	472	=	\$30.95
<b>2019 Annual Sewer Rate (monthly rate x 12)</b>					
2019 Annual Sewer Rate (monthly rate x 12)	\$324.00	÷ MHI	\$37,589	=	0.86%
2019 Annual Sewer Rate + New Annual Debt Service per Tap	\$354.95	÷ MHI	\$37,589	=	0.94%
<b>15 Current 2019 Monthly User Charge</b>					
Current 2019 Monthly User Charge					\$27.00
Debt Service on WPCRF/2019 Taps/month					<u>\$2.58</u>
Total					\$29.58
<b>16 Operation and Maintenance Reserve</b>					
Reserves	\$292,276	÷ Operating Expenses	\$108,864	=	268%