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**COLORADO WATER RESOURCES &
POWER DEVELOPMENT AUTHORITY**

BOARD PROGRAM WORK SESSION (BPWS) AGENDA

Thursday, December 2, 2021

Work Session time 4:00 p.m.

Via Zoom Conference Call

Board Members: Chris Treese (Chair), Webb Jones, Roy Heald, Bob Wolff, George Corkle, Mike Fabbre, Steve Vandiver, Eric Wilkinson, Patti Wells

Authority Staff: Keith McLaughlin, Jim Griffiths, Sabrina Speed, Justin Noll, Wesley Williams and Ian Loffert.

Others present: Michael Beck (WQCD), Mark Henderson (WQCD), Aimee Konowal (WQCD), Desi Santerre (DOLA)

AGENDA

1. Selenium Project Update and WQCD Budget follow up – discussion only (Mike Beck, Aimee Konowal - WQCD)
2. Interest Rates for 2022 for All Programs – discussion and possible action (Wes)
3. Water Revenue Bond Program Improvement Ideas – discussion and possible action (Ian, Jim)
4. Infrastructure Investment & Jobs Act (IIJA) update – discussion only (Jim, Keith)
5. Authority Forest Health Loans & Grants – discussion only (Keith, Wes, Jim)

Note: A Zoom conference call has been scheduled for Thursday, 4:00 p.m. December 2, 2021. The link to join via online is <https://us06web.zoom.us/j/82259437510?pwd=OXVKQ2dibythcGZxdGh5WjNFbW5FQT09>. If you prefer to dial-in, the call-in number is: 1-669-900-6833, and the Meeting ID is **822 5943 7510**. The passcode is: **207066**.



MEMORANDUM

DATE: July 20, 2021

TO: Keith McLaughlin, Executive Director, CWRPDA

FROM: Aimee Konowal, Watershed Section Manager, WQCD
Tammy Allen, Restoration and Protection Unit Manager, WQCD

RE: Power Authority Funding Request for Nonpoint Source Projects that Minimize Water Quality Impacts from Wildfires

Introduction

The Water Quality Control Division (Division), Nonpoint Source Program (NPS Program) utilizes funding from the Colorado Water Resources and Power Development Authority (Power Authority) to assist local communities in the construction of NPS best management practices (BMPs) to reduce water quality impacts caused by wildfires, including post-wildfire flooding. These post-wildfire BMP projects have been an important part of addressing both immediate, community needs as well as longer-term, watershed-scale restoration needs. In order to continue the successful partnership with wildfire-impacted communities and address the impacts caused by the unprecedented wildfires Colorado experienced in 2020, the NPS Program is requesting an additional \$400,000 as part of the 2022 budget to help fund the projects identified below. Additional requests may be necessary in subsequent budgets as needs associated with reducing NPS pollution impacts caused by wildfires continue to be identified.

Background

Prior to 2002, Colorado’s recorded wildfires never exceeded 100,000 acres. Since the Hayman fire in 2002 (137,760 acres), Colorado has had five wildfires exceeding 100,000 acres (*i.e.* West Fork Complex in 2013, Spring Creek fire in 2018, and the Pine Gulch, Cameron Peak and East Troublesome fires in 2020). Colorado’s unprecedented wildfire season in 2020 burned over 625,000 acres across two basins.

The post-wildfire NPS pollution impacts associated with these wildfires is anticipated to be significant. Reducing water quality impacts from burn scar sources is a high priority need that is identified in the NPS Management Plan and given the extent of the recent fires, the NPS Program recognized that the local community response needs would be great as well. Instead of relying on the first come, first served approach previously used to distribute disaster support funds, the NPS Program requested proposals for post-wildfire NPS BMPs. The total funding assistance requested in the proposals received was \$1,093,456, which exceeded the available funding by 547%. After scoring and ranking the proposals, two of the seven project proposals submitted were chosen for funding through the 2021 Power Authority budget. These two projects are “*Cameron Peak Fire Recovery*” and “*Demonstrating Four Post-Fire Flooding and Erosion Treatments in Grand County*” with budgets totaling \$262,646. A third project associated with the 2018 Spring Creek fire requested \$200,000 and was supported through NPS Section 319 funding. As a result, there are four projects for a total of \$630,810 that still have a funding need (please see table below and attachment).

The response to the NPS Program request for proposals clearly indicates there are significant local community needs associated with post-wildfire response activities. For example, the Hayman Fire burned 137,760 acres in 2002 (about 22% of the total acreage burned in 2020) and seven years later it was estimated that the total direct costs associated with post-wildfire rehabilitation were approaching \$40,000,000, demonstrating the need to commit significant resources over a long period of time in order to restore watersheds impacted by wildfires. The estimated 27,000 tons of sediment that were delivered downstream after the Hayman Fire not only impacted water quality but also water supply and transportation infrastructure. Nonpoint source funding assistance supported projects that reduced erosion and sediment and debris transport which, through the effective leveraging of resources from a number of funding sources, resulted in benefits beyond water quality protection.

Comprehensive estimates for rehabilitation and watershed restoration costs associated with the 2020 wildfires are not readily available. In response to the East Troublesome and Cameron Peak fires alone, Northern Water estimates that it will cost more than \$100 million over the next three to five years to rehabilitate some 400,000 acres of its transmountain water diversion system. The Colorado Water Conservation Board indicated it is projecting unmet needs based on the response from local communities when post-wildfire project proposals were requested. In addition, even though this request is for post-wildfire work, the lessons learned from the significant costs associated with post-wildfire response continue to highlight the importance of investing in nonpoint source projects that will help build forest and watershed resiliency in order to prevent or mitigate the extent and severity of wildfire.

Funding Request for NPS Projects to Minimize Wildfire Impacts

2022 Funding Request

Given the extent of needs associated with post-wildfire response, the NPS Program requests that \$400,000 be identified in the 2022 Power Authority budget to support NPS projects that will reduce water quality impacts associated with 2020 wildfires. These funds can be used to support the projects that were not chosen for funding through the 2021 request for proposal process including:

Project Sponsor	ProjectTitle	Basin	Funding Request
Northern Water	<i>Ecosystem Assessment and Restoration Planning in the Kawuneeche Valley Impacted by the East Troublesome Fire</i>	Colorado/South Platte	\$20,000
Upper Colorado River Watershed Group	<i>East Troublesome Fire Restoration in the North Fork of the Colorado River</i>	Colorado/South Platte	\$75,810
Middle Colorado Watershed Council	<i>Post Fire Water Quality/Water Risk Assessment</i>	Colorado	\$200,000
Grand Valley Irrigation Company	<i>Kiefer Extension (KX) Canal Traveling Screen Cleaner</i>	Colorado	\$335,000

Project descriptions are provided in the attachment.

2023 - 2026 Potential Funding Request

It is anticipated that post-wildfire needs will continue to be significant and consistent with potential funding requests in 2023 - 2026. The NPS Program also expects an increased focus on forest and watershed health collaboration to promote the prevention of large wildfires which is a much more cost effective approach for protecting water quality. In particular, the NPS Program anticipates increased coordination with the Colorado State Forest Service, including through its Forest Restoration and Wildfire Risk Mitigation Grant Program. These efforts to prioritize water quality protection through prevention could also provide opportunities to promote the Colorado Water Resources and Power Development Authority’s ability to finance watershed protection and forest health projects.

cc: Nicole Rowan, Manager, Clean Water Program, WQCD
Mike Beck, Manager, Community Development and Partnership Section, WQCD

Attachment

Attachment

- 1. Project Title: Ecosystem Assessment and Restoration Planning in the Kawuneeche Valley Impacted by the East Troublesome Fire
Project Sponsor: Northern Water
Wildfire(s): East Troublesome Fire (2020) - 193,812 acres
Burn Area: Arapaho and Roosevelt National Forests, Rocky Mountain National Park (RMNP), Kremmling BLM Field Office, state and private lands
Basin: Upper Colorado River Basin and South Platte Basin
NPS Funds Requested: \$20,000
Project Location: North Fork Colorado River COUCCUC01 and COUCCUC02
Project Description: This project will complete post-wildfire assessment and restoration planning to scope implementation projects and restoration areas affected by fire. This request is part of a larger CWCB proposal submitted to CWCB's Restoration Program. This proposal includes (1) assessments of environmental conditions and stakeholder/community perspectives, (2) analysis of post-wildfire risks in the burned area of the watershed, (3) data-driven feasibility analyses to evaluate the suitability of restoration approaches throughout the watershed, and (4) a process to objectively identify and prioritize restoration sites. The water quality study will include nutrient and sediment inputs to the Colorado River and Shadow Mountain Reservoir. Assessment results will help determine project needs and priorities to inform restoration planning efforts in 2022 under the CWCB grant. The Kawuneeche Valley Ecosystem Restoration Collaborative will interview and survey stakeholder groups and residents of the watershed to help prioritize and evaluate restoration options and develop a phased implementation plan. Coordination efforts include RMNP, the Nature Conservancy, Colorado River Water Conservancy District, Bureau of Reclamation, USFS and CSU. Proposed load reductions based on treatments applied will be calculated as well as post-implementation evaluation to be incorporated in the RMNP Inventory and Monitoring Program.
- 2. Project Title: East Troublesome Fire Restoration in the North Fork of the Colorado River
Project Sponsor: Upper Colorado River Watershed Group
Wildfire(s): East Troublesome Fire (2020) - 193,812 acres
Burn Area: Arapaho and Roosevelt National Forests, Rocky Mountain National Park, Kremmling BLM Field Office, state and private lands
Basin: Upper Colorado River Basin and South Platte Basin
NPS Funds Requested: \$75,810
Project Location: North Fork of the Colorado River (14010001)
Project Description: This project will address erosion and sedimentation as well as re-establish riparian zones as part of a larger phased project in coordination with Natural Resources Conservation Service's (NRCS) Emergency Watershed Protection (EWP) Program and Colorado Water Conservation Board's watershed restoration grant program. Planning and field sampling (*i.e.* water quality, benthic macroinvertebrates, flow data, fish and vegetation sampling) will help inform a larger restoration effort that will begin in Spring of 2022. Infrared imaging will help address potential inconsistencies in soil burn severity maps and detect change over time to evaluate success from implementation. Stakeholder coordination and community engagement includes participation in the Emergency Response Task Force and outreach to private landowners to communicate restoration efforts and understand post-wildfire impacts.
- 3. Project Title: Post Fire Water Quality/Water Risk Assessment
Project Sponsor: Middle Colorado Watershed Council (MCWC)
Wildfire(s): Pine Gulch Fire and Grizzly Creek Fire (2020) - 139,007 and 32,631 acres
Burn Area: Grand Junction BLM Field Office and private lands; White River National Forest, Colorado River Valley BLM Field Office, and private lands
Basin: Colorado River Basin
NPS Funds Requested: \$200,000
Project Location: TBD within Pine Gulch and Grizzly Creek burn areas
Project Description: This project will collect suspended sediment at two sites, fluorescent dissolved organic matter (fDOM) at one site, and collect water quality (*e.g.* nutrients and per- and polyfluoroalkyl substances (PFAS)) at four sites to assess correlation between constituents, streamflow, rain intensity, and burn severity. Information gained will help land managers and stakeholders understand potential temporal and spatial impacts of wildfire on

water quality and will be compared to available erosion and salinity loads based on historical water-quality conditions. Data on post-wildland fire effects on water quality will aid in management decisions for mitigation strategies. Public engagement and local support will be through the MCWC, the Colorado River District (CRD) and the USGS.

- 4. Project Title: Kiefer Extension (KX) Canal Traveling Screen Cleaner
Project Sponsor: Grand Valley Irrigation Company (GVIC)
Wildfire(s): Pine Gulch Fire and Grizzly Creek Fire (2020) - 139,007 and 32,631 acres
Burn Area: Grand Junction BLM Field Office and private lands; White River National Forest, Colorado River Valley BLM Field Office, and private lands
Basin: Colorado River Basin
NPS Funds Requested: \$335,000
Project Location: KX segment of the GVIC's 100 mile canal system NW of Fruita, CO
Project Description: This project will install an in-canal Traveling Screen Cleaner to remove suspended sediment/debris from a primarily agricultural supply facility that serves about 10,000 acres of farmland in the Grand Valley. The installation is within the KX segment of the canal that runs 120 cfs and utilizes 9,436 irrigation water shares from the KX canal. Infrastructure placement could be as early as winter 2021-2022 and moving parts installation by winter 2022-2023. Design is 60% complete. Funding would allow for final design, right-of-way land acquisition, infrastructure placement and moving parts/screen conveyer placement. Local support is through the current 423 shareholder/stakeholders of the GVIC system. The Applegate Group staff will complete evaluation, including load reductions measured by debris removal.



COLORADO WATER RESOURCES & POWER DEVELOPMENT AUTHORITY

Logan Tower Bldg - Suite 620, 1580 Logan Street, Denver, Colorado 80203-1942

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MEMORANDUM

December 3, 2021

TO: Board of Directors and Karl Ohlsen

FROM: Jim Griffiths, Finance Director
Wesley Williams, Assistant Finance Director

RE: 2022 Interest Rates
Water Pollution Control Revolving Fund ("WPCRF"), Drinking Water Revolving Fund ("DWRF")
Authority Interim Loan Program ("Interim"), Authority Small Hydro Loan Program ("SHLP")

The Authority Board of Directors establishes and adopts loan rates each year.

The WPCRF and DWRF Intended Use Plans ("IUPs") require annual adoption of rates. In addition, the Authority Board adopts the Interim and SHLP loan rates each year. The Interim and SHLP loan programs are Authority programs and not governed by the IUPs.

Authority's recent leveraged market and State Revolving Funds ("SRF") subsidized rates for comparison purposes:

issue	close date	20-yr all-in (market)	20-yr, 70% (subsidized)	30-yr all-in (market)	30-yr, 70% (subsidized)
2019A	5/22/2019	2.42%	1.69%	2.73%	1.91%
2020A	5/28/2020	1.83%	1.28%	2.29%	1.60%
2020B	11/18/2020	1.90%	1.33%	2.21%	1.55%

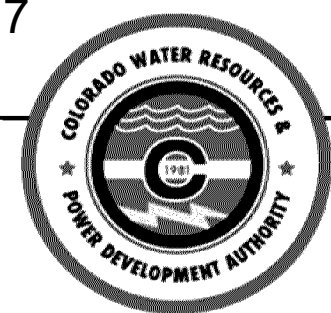
USDA Rural Development and Colorado Water Conservation Board rates for comparison purposes:

CWCB Rates* 2020		CWCB Rates* 2021		USDA Rates* 2020		USDA Rates* 2021	
Low income	1.60%	Low income	1.55%	Poverty rate	1.25%	Poverty rate	1.25%
Middle income	1.80%	Middle income	1.80%	Intermediate rate	1.75%	Intermediate rate	1.75%
High income	2.05%	High income	2.00%	Market rate	2.125%	Market rate	2.125%
Hydroelectric	2.00%	Hydroelectric	2.00%				

*Neither CWCB nor USDA uses interest income (admin fee) to cover the costs of operating their programs.

Recommendation: Staff recommends the following rates, including one change, for 2022:

Program	Current rate	Recommendation	% Change	Effect on Admin Fee
WPCRF and DWRF Direct Loan rate	2.25%	2.25%	No suggested change	N/A
WPCRF and DWRF DAC Category 1 rate	1.50%	1.50%	No suggested change	N/A
WPCRF and DWRF DAC Category 2 rate	0.50%	0.50%	No suggested change	N/A
WPCRF Green Project Reserve Loan rates	0.50% & 1.50%	0.50% & 1.50%	No suggested change	N/A
WPCRF and DWRF Leveraged Loan rate	70%-80% Subsidy	70%-80% Subsidy	No suggested change	N/A
Authority Interim Loan Program rate	3.00%	3.00%	No suggested change	N/A
Authority SHLP rate	2.50%	2.00%	Decrease Interest Rate 0.5%	No effect on SRF Admin Fee but would help Small Hydro projects be more feasible and make the interest rate compatible with similar programs.



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MEMORANDUM

December 3, 2021

TO: Board of Directors and Karl Ohlsen

FROM: Jim Griffiths, Finance Director
Wes Williams, Assistant Finance Director
Ian Loffert, Senior Financial Analyst

RE: Water Revenue Bond Program ("WRBP") Improvements – Staff Recommended Changes

On December 4, 2020, Authority Staff presented an historic overview of the WRBP and its parameters (overview memo is attached at the end of this document).

As a refresher, the WRBP functions as a pass-through loan program for projects that are generally outside of the SRF's. The Authority accesses the capital markets by issuing bonds. The proceeds of the bond issuance are then loaned (passed through) to borrowers. The interest rate is determined by the borrower's credit quality and desired amortization. Borrower credit quality is often enhanced by purchasing bond insurance. The Authority does not charge administrative fees or retain any interest income for operation of this program, and all investment interest on project funds is credited to the borrowers.

To further assist borrowers, the Authority Board authorized a subsidy to cover certain financing costs. Financing costs are generally known as "Costs of Issuance" ("COI") and include, but are not limited to, Authority bond counsel and municipal advisor fees, rating agencies fees, underwriter's discount (a per bond cost), and bond insurance/surety bond costs. For a period, there was not a cap or maximum on costs of issuance that the Authority would reimburse. As a result of some very large loans and the associated large COI subsidies in 2004 and 2005, the Board capped the Authority's cost of issuance contribution at \$250,000 per loan, effective in 2006.

The WRBP has since been a lightly used, but effective, program, averaging less than one issue per year since its inception. Since the establishment of the COI cap of \$250,00 in 2006, the WRBP has been utilized more than once per year on only one occasion (3 different issues in 2011). The majority of WRBP borrowers also had projects that were not State Revolving Fund ("SRF") eligible (only 8 of the 24 WRBP projects were eligible through the SRF), so the WRBP was often the next best and most affordable financing avenue.

At the December 4, 2020, and August 25, 2021 Board meetings, the Board provided input to guide staff's development of recommended changes. The Board guided staff to focus on changes that would differentiate the amount of COI subsidy based on community economic factors and the level of community contribution.



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Staff recommends the following changes:

Current Parameters	Staff Recommended Changes
All Board approved borrowers are eligible for up to a \$250,000 subsidy to cover the COI. Costs above \$250,000 can be financed as part of the loan/bond.	All Board approved borrowers must cover a minimum of 15% of the COI and are eligible for up to a \$300,000 subsidy to cover the remaining COI; however, approved applicants with a Median Household Income ("MHI") at or below 90%* of the prevailing average state MHI will only have to cover 15% of the COI and will be eligible for up to a \$500,000** subsidy to cover the remaining COI.
No limit on number of WRBP borrowers per year.	Limit WRBP issues to two borrowers per year, subject to available funds.
All Board approved borrowers are eligible for up to a \$250,000 subsidy to cover the COI. Costs above \$250,000 can be financed as part of the loan/bond.	No recommended changes; leave the current program as is.

*Two borrowers (four total WRBP issues) of the twenty-four total issues would have qualified for the \$500,000 COI subsidy based on this new 90% MHI parameter (City of Fountain and North Weld County Water District). If 80% of state MHI was the parameter used, no borrowers would have qualified for the additional \$500,000 subsidy.

**Historic WRBP COI has generally been well below \$500,000. Only 3 of the 24 previous issues had COI above \$500,000.

In addition to the recommended changes above, staff reviewed changes including:

- Requiring WRBP applicants that have an SRF eligible project to proceed through the SRF program – Not recommended because some borrowers may seek to avoid federal SRF requirements and have timing issues with the SRF bond issue cycle.
- Limiting the subsidy amount based on population or other qualifying factors – Not recommended because the WRBP is lightly used by investment grade borrowers, and adding parameters such as population would be somewhat arbitrary and complicate entry into the program even further.
- Eliminating the WRBP program – Not recommended as it removes a lightly used, but important, and successful financing tool for Colorado water projects.

Staff would like to get the Board's thoughts as well as possible approval on the recommended changes to this important program. The Board will consider this request on December 3, 2021.



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MEMORANDUM

December 4, 2020

TO: Board of Directors and Karl Ohlsen

FROM: Keith McLaughlin, Executive Director
Jim Griffiths, Finance Director

RE: Water Revenue Bond Program ("WRBP")
Review of the WRBP Program

The Colorado Water Resources and Power Development Authority Act (Section 37 Article 95) created the Authority to preserve, protect, upgrade, conserve, develop, utilize, manage and finance water resource projects in Colorado. The Water Revenue Bond Program, established by the Authority Board in the 1980s, provides a financing mechanism for Colorado governments to use for water projects.

The WRBP began in 1986 when the Authority issued bonds to fund two loans to Upper Yampa Water Conservancy District for the Stagecoach Reservoir Project. Since that time the Authority has provided 23 additional loans totaling more than \$500 million for projects in the state. A list of loans is included on page 2 of this memo.

Many of the projects listed on page 2 are projects that are not eligible for Water Pollution Control Revolving Fund or Drinking Water Revolving Fund loan programs. The WRBP often fills a gap for these projects.

The WRBP functions as a pass-through loan program. The Authority accesses the capital markets by issuing bonds. The proceeds of the bond issuance are then loaned (passed through) to borrowers. The interest rate is determined by the borrower's credit quality and desired amortization. Borrower credit quality is often enhanced by purchasing bond insurance.

The Authority does not charge administrative fees or retain any interest income to be used to operate the program. And investment interest on project funds is provided to the borrowers.

To further assist borrowers, the Authority Board authorized payment of certain financing costs. Financing costs are generally known as "costs of issuance" and include (but are not limited to) Authority bond counsel and municipal advisor fees, rating agencies fees, underwriter's discount (a per bond cost), and bond insurance/surety bond costs.

Initially the Authority Board limited contribution for costs of issuance to the underwriter's discount and the cost of credit enhancing insurance. Later the Board expanded coverage to include most costs of issuance (excluding the borrower's bond and general counsel fees). For a period, there was not a cap or maximum on costs of issuance that the Authority would reimburse. As a result of some very large loans and the related high COI subsidy in 2004 the Board capped the Authority's cost of issuance contribution at \$250,000 per loan.

Earlier this year, following the approval of a WRBP loan to Telluride, the Authority Board requested to review the WRBP. Today's discussion will focus on the WRBP history, program parameters, and Authority Board input regarding desired future parameters of this program.

Bond Issue	Borrower	Project	Original Loan Amount	Authority role / subsidy
1986 A	Upper Yampa WCD	Stagecoach Reservoir - acquisition of land and water rights. Planning and construction of Stagecoach Reservoir on the main stem of the Yampa River.	\$7,900,000	Expertise and debt management
1986 B	Upper Yampa WCD	Stagecoach Reservoir - acquisition of land and water rights. Planning and construction of Stagecoach Reservoir on the main stem of the Yampa River.	\$6,800,000	Expertise and debt management
1998 A	Rio Blanco WCD	Taylor Draw Hydroelectric Project - refinance	\$3,140,000	Expertise, debt management and \$300,000 COI
2003 A	City of Louisville	water rights purchase, distribution line replacement	\$13,800,000	Expertise, debt management and \$181,000 COI to cover underwriter and bond insurance
2003 B	City of Longmont	water treatment plant and distribution line upgrades	\$3,960,000	Expertise, debt management and \$39,860 COI to cover underwriter and bond insurance
2004 A	Town of Erie	water treatment plant improvements	\$14,500,000	Expertise, debt management and \$220,241.05 COI to cover underwriter and bond insurance
2004 B	City of Englewood	upgrades/increase capacity (from 36 mgd to 50 mgd) of Littleton/Englewood joint wastewater treatment plan	\$19,715,000	Expertise, debt management and \$449,674.58 COI to cover underwriter, bond insurance and surety bond.
2004 C	City of Littleton	upgrades/increase capacity (from 36 mgd to 50 mgd) of Littleton/Englewood joint wastewater treatment plan	\$19,695,000	Expertise, debt management and \$332,073.31 COI to cover underwriter, bond insurance and surety bond.
2004 D	Parker WSD	reservoir construction (Reuter Hess Reservoir), water rights, pipelines and associated items	\$105,420,000	Expertise, debt management and \$1,557,000 COI to cover underwriter, bond insurance and surety bond.
2004 E	Copper Mtn MD	wastewater treatment system improvements	\$3,540,000	Expertise, debt management and \$53,865.23 COI to cover underwriter, bond insurance and surety bond.
2005 A	East Cherry Creek Valley WSD	water treatment plant, pipeline, pump stations, treated water storage	\$53,970,000	Expertise, debt management and \$930,128.62 COI to cover underwriter, bond insurance and surety bond.

2005 B	City of Fort Lupton	purchase of 300 a/f of Windy Gap water from City of Greeley	\$2,300,000	Expertise, debt management and \$58,623.57 COI to cover underwriter and bond insurance.
2005 C	City of Fountain	land acquisition for future water storage, water rights purchase, new well, payment for City's portion of southern delivery system and related items	\$8,170,000	Expertise, debt management and \$257,903.01 COI to cover underwriter and bond insurance.
2005 D	City of Aurora	land and water acquisition and water storage and treatment facilities	\$100,000,000	Expertise, debt management and \$257,903.01 COI to cover underwriter and bond insurance.
2005 E	Arapahoe County Water and Wastewater Public Improvement District	wastewater treatment system improvements and expansion. Drinking water production wells, transmission lines and non-potable well improvements for irrigation	\$26,270,000	Expertise, debt management and \$615,869.40 COI to cover underwriter and bond insurance.
2005 F	Copper Mtn MD	wastewater treatment system upgrades	\$3,690,000	Expertise, debt management and \$72,421.31 COI to cover underwriter and bond insurance.
2008 A	City of Fountain	land purchase for water storage reservoir site and purchasing a utilities building	\$8,795,000	Expertise, debt management and \$250,000 to cover COI.
2009 A	North Weld County WD	42-inch transmission line to convey treated water	\$6,940,000	Expertise, debt management and \$229,803.29 to cover COI.
2010 A	Parker WSD	new membrane water treatment plant (10 mgd) to treat water from the new reservoir	\$51,485,000	Expertise, debt management and \$250,000 COI.
2011 A	City of Fountain	borrowers share of the cost of the southern delivery system pipeline from Pueblo Reservoir	\$9,350,000	Expertise, debt management and \$250,000 COI.
2011 B	City of Steamboat Springs	combination of water and wastewater projects	\$12,350,000	Expertise, debt management and \$233,725 COI.
2011 C	Donala WSD	connect to CO Spring Utilities water distribution system	\$5,965,000	Expertise, debt management and \$158,175.02 COI.
2013 A	City of Fountain	south delivery system connection, water rights, and utilities building	\$11,615,000	Expertise, debt management and \$246,992.75 COI.
2014 A	City of Fountain	south delivery system connection, water rights, and utilities building. Also partially refunded the 2005C loan.	\$16,900,000	Expertise, debt management and \$188,042.08 COI.
2020 A	City of Telluride	wastewater treatment system improvements	\$7,400,000	Expertise, debt management and \$250,000 COI.
Total Principal:			\$523,670,000	

¹²Colorado Water Resources and Power Development Authority



December 2, 2021
BPWS

¹³Infrastructure Investment & Jobs Act (IIJA)

- Signed by President Biden on November 16, 2021.
- Includes funds targeted at drinking water utilities for lead line replacement (loan and grant).
- Includes funds targeted at drinking water and wastewater utilities for emerging contaminants - PFAS primarily (grant).
- Contains additional base program funds for both DWRF & WPCRF (loan and grant)

Approximate Funding Level for Colorado (not yet confirmed by U.S. EPA)

Colorado's Portion - Estimate \$		Authority's State Match - Estimate \$	
Supplemental Clean Water SRF*	Supplemental Drinking Water SRF**	Clean Water SRF State Match	Drinking Water SRF State Match
\$15,216,000	\$36,708,600	1,521,600	3,670,860
\$17,616,000	\$42,498,600	1,761,600	4,249,860
\$19,224,000	\$46,377,900	3,844,800	9,275,580
\$20,824,000	\$50,237,900	4,164,800	10,047,580
\$20,824,000	\$50,237,900	4,164,800	10,047,580
\$93,704,000	\$226,060,900	15,457,600	37,291,460
Clean Water Emerging Contaminants*	Drinking Water Emerging Contaminants**	NA	NA
\$800,000	\$15,440,000		
\$1,800,000	\$15,440,000		
\$1,800,000	\$15,440,000		
\$1,800,000	\$15,440,000		
\$1,800,000	\$15,440,000		
\$8,000,000	\$77,200,000		
NA	Drinking Water Lead**	NA	NA
	\$57,900,000		
	\$57,900,000		
	\$57,900,000		
	\$57,900,000		
	\$57,900,000		
	\$289,500,000		
14 \$101,704,000	\$592,760,900	15,457,600	37,291,460

49% of this money must be provided as PF

100% of this money must be provide as PF

49% of this money must be provided as PF

New Program Requirements

- Build America, Buy American Act (BABAA)
(Replaces American Iron and Steel)
 - Domestic preference for all manufactured products used on a project. Made in the U.S.A.
 - 55% of the total cost of a manufactured product needs to be made in the U.S.A.
- Exemptions for a few items – cement, asphalt, aggregates were noted in a recent EPA discussion.

A Few Challenges

- Significant state match will be required over the next five years, particularly in years 3-5.
- Existing supply chain issues may be exacerbated by Buy American requirement.
- SRF staff work load/retention given the tight job market and significant increase in work.
- Accomplishing the goals of the IJA. One example: at the end of the IJA funding period (5-years+), did Colorado utilities remove most of the utility owned lines with lead or lead components?
- In the coming months – developing Colorado's unique funding approach (within EPA's guidance) for emerging contaminants, lead and supplemental funding programs. And, being flexible enough to adjust our approach as needed.
- Learning about an implementing Justice 40.

Next Steps and Timeframes

- U.S. EPA to provide a guidance document to States (January estimate).
- States will develop state specific programs and procedures for use of the IIJA funds (in the works but will need the guidance – April completion estimate).
- States will apply for the funds (Colorado will apply as soon as EPA allows – March estimate).
- States may need to update IUPs (WQCC Hearing March/April estimate).
- States will provide state match, enter into a capitalization grant agreement and begin using the funds (June estimate).



COLORADO WATER RESOURCES & POWER DEVELOPMENT AUTHORITY

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MEMORANDUM

December 3, 2021

TO: Board of Directors and Karl Ohlsen

FROM: Jim Griffiths, Finance Director
Wes Williams, Assistant Finance Director
Ian Loffert, Senior Financial Analyst

RE: Watershed, Forest Health, and Fire Mitigation Program Ideas ("Forest Health Program")

The Infrastructure Investment and Jobs Act of 2021 ("IIJA") provides significant grant and loan funding for Colorado's DWRF and WPCRF in each of the next five years. In the coming months, the U.S. EPA will provide guidance on how the IIJA funds can be used, and Colorado will develop program rules/parameters within this guidance.

The portion of IIJA funds that supports the base DWRF and WPCRF programs is split 51%/49% loan to grant. The IIJA grant funds can be made available to all eligible borrowers and project types and does not have to be provided solely to disadvantaged communities.

Watershed protection projects, including streambank restoration, forest thinning, fire prevention, and post-fire mitigation activities, continue to be eligible for funding through both the DWRF and WPCRF. To date, few borrowers have been willing to borrow for these types of projects. The significant IIJA grant funds may change a prospective borrower's willingness to borrow for watershed projects.

Staff recently spoke with several communities in northern Colorado that are completing post-fire mitigation projects that include mulching and streambank stabilization to reduce the potential for ash and sediment to contaminate the stream and their drinking water intake. In addition, staff has been in many conversations over the past year with the Southwest Wildfire Impact Fund (SWIF), a watershed group near the City of Durango, that intends to complete forest thinning projects to protect their watershed ahead of the next major fire.

As we await the U.S. EPA's guidance document and begin to think about program parameter development, staff would like to have a conversation with the Board. The advent of IIJA funds redirects staff's thinking from an Authority funded loan/grant program to using the existing DWRF and WPCRF programs including the IIJA funds.

Initial conversation topics include:

- As a result of the historic 2020 fires, communities seem more willing to borrow funds to take preventative measures.
- The loan term may need to be different for forest health projects.
- The borrower's pledge of repayment will need to be reliable, similar to a water or wastewater revenue pledge.
- Direct loans (large or small) may be a better option than leveraged (bond funded) loans.
- Should upfront grants for planning and assessment be made available in certain instances?



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MEMORANDUM

January 29, 2021

TO: Board of Directors and Karl Ohlsen

FROM: Keith McLaughlin, Executive Director
Jim Griffiths, Finance Director

RE: Watershed Protection & Forest Health
Loan and Grant Program Ideas for Discussion

Section 37-95-112.5* of the Authority's statute provides for the ability to finance watershed protection and forest health projects**. Recent interest from Colorado local entities in obtaining financing for watershed protection & forest health projects prompted staff to put together ideas to share with the Authority Board for the creation of a potential loan and grant program.

Primary goals of an Authority loan program include creating an affordable source of financing and enhancing access to the bond market for Colorado local government borrowers. Goals of a grant program include assisting with planning costs to help move the project to construction.

The following seven ideas are presented for discussion purposes:

Loan & Grant Program Ideas	Rank	Funding Source and Additional Thoughts
#1 – reserve fund to improve bond rating & lower interest rate	high	Reserve could be established using funds from the closed Small Water Resources Program reserve. A reserve fund can be sized to enhance the bond rating and lower the interest cost. Expands lending capacity while maintaining perpetuity.
#2 – grant funds for planning from reserve fund interest earnings	medium	Grants funds could come from interest earnings on reserve created for #1. Grants could come from #6 as well. Planning includes establishing agreements with property owners, entity creation and other activities.
#3 – cost-of-issuance-subsidy	low	Provide COI subsidy similar to WRBP in its current form (up to \$250,000 currently). Provided from interest earnings on Authority funds.
#4 – moral obligation pledge from State to improve bond rating & lower interest rate	low	The State made an effort some years ago to revoke its various moral obligation pledges. An enhanced rating provides a lower interest rate. Low chance of obtaining the pledge.
#5 - new direct loan program for watershed/forest health	low	Capacity is limited to the funds available (i.e., no leveraging). Demand is likely greater than funds available.
#6 - add watershed/forest health eligibility to existing SHLP	medium	Provides immediate lending capacity within the existing Small Hydropower Loan Program. Grants funds also available. Capacity is limited (currently \$7 million available).
#7 – SRF eligibility	high	Recently, the SRF in AZ funded a watershed management project. Some significant forest thinning was completed in order to prevent a damaging sediment runoff event following a wildfire. Watershed / Forest Health projects would need to be added to the eligibility list before they can receive funding.

#1 - Use Authority resources to provide a reserve fund to enhance bond rating. Authority would then issue bonds for eligible projects and provide a loan to the entity/borrower.

- A \$10 million reserve provides approximately \$50 million in loan capacity based on certain assumptions.
- A reserve fund sized at three times maximum annual debt service generally improves the underlying borrower (and pool of borrowers) rating from AA+ to AAA-. The higher the rating, the lower the interest rate.
- Reserve fund model assumptions include but are not limited to: investment grade borrowers; the full reserve will be established at the beginning of the program; reserves will be held by our Trustee; the group of borrowers to use this program will be a ‘small pool of borrowers’ (20 or less) and rating analysis will focus on the ‘weakest link’.
- 37-95-112.5 limits the Authority’s bond issuance for watershed/forest health purposes to \$50 million currently.

#2 - Provide grant funds for forest health planning efforts.

- Grant funds could support the borrower’s upfront work, including agreements and environmental planning, for these projects.
- Grants funds could be limited to entities that intend to borrow from the program.
- Grant funds could be generated from interest earnings off of the \$10 million reserve detailed in #1 above.
- A maximum per project could be established.

#3 - Provide a cost-of-issuance subsidy.

- Subsidy could be used to pay for bond insurance, ratings, certain attorney fees, municipal advisor fee, underwriters discount and other issuance costs (similar to the current WRBP).
- A maximum per project will need to be established (up to \$250,000 for WRBP, currently).
- One size fits all cost-of-issuance subsidy tends not to be needs based.
- #1 above enhances the underlying rating of entire pool, so a lower rated borrower essentially receives more benefit.

#4 - Work through legislative channels to obtain a “moral obligation pledge’ from the State of Colorado for bonds issued by the Authority for Watershed/Forest Health projects.

- Obtaining a moral obligation pledge would show a high level of commitment from the state for forest health projects.
- A moral obligation pledge means that the state commits to step in and make payment, when possible, in an event of payment default.
- Will likely require the Authority to hire a lobbyist and provide compelling case (data showing costs savings to communities as compared to wildfires).
- Will result in a rating equal to the State’s for our bonds without the need for an oversized reserve described in #1.
- Lengthy process with some expense that may not be successful.

#5 - Create a direct loan revolving fund of approximately \$10 million (instead of the reserve fund idea in #1).

- This idea would likely need to be exclusive of #1 above due to limited Authority funds.
- A direct loan program would have a lower lending capacity than a leveraged loan program.
- Rates, terms, and maximum loan per project would need to be established.
- More flexibility for the borrowers (prepayment, loan structure, no COI, no ongoing disclosure etc.).

#6 – Combine existing Small Hydropower Loan Program with Watershed and Forest Health.

- This would allow access to an existing program (the SHLP) for watershed/forest health projects.
- One advantage is that the SHLP is already setup. Projects on the near-term horizon could use this.
- Grants are also available (currently, \$15,000 matching grant).
- SHLP is a revolving fund and lending capacity regenerates as payments are made.
- Lower lending capacity. Currently approximately \$7 million available. Authority Board could allocate more funds to increase capacity in the future.

#7 – Use the Water Pollution Control Revolving Fund (WPCRF) for certain watershed projects that can include forest thinning.

- Scope of projects may be more limited within the SRFs. More information is needed from EPA HQ.
- Projects would need to be on the eligibility list.
- The Flagstaff, Arizona project (the first watershed project to involve forest thinning) was completed to help prevent a major sediment runoff event following a wildfire.
- Colorado WPCRF has both direct loan and leveraged loan capabilities at below market interest rates.

Notes:

*In 2008, Senate Bill 08-221 authorized the Authority to issue bonds, for up to \$50 million, for the purpose of funding governmental agency watershed protection and forest health projects. The initial watershed protection and forest health authorization was reauthorized in 2013 and is scheduled to sunset July 1, 2023. Although some interest has been expressed in the program, the Authority has not issued any loans under the watershed protection and forest health program, to date. As mentioned at the December 2020 Board meeting, a group in the Southwest part of the State is working to extend the sunset provision.

** **Forest Health** is defined in the Authority’s statute definitions (37-95-103) as an undertaking that improves the health of a forest including, but not limited to: reducing the threat of uncharacteristically large or intense insect diseases and epidemics; reducing the impact of uncharacteristically large or high-intensity wildfires; reducing the impact of undesirable nonnative species; replanting trees in deforested areas; improving the use of, or adding value to, small diameter trees; a project to harvest woody vegetation for the production of energy, fuels, forest products or other applications. **Watershed Protection** Project means an undertaking to improve or protect a domestic or agricultural supply watershed including but not limited to activities to achieve fire prevention or wildfire hazard reduction or post-fire remediation, soil stabilization, water supply continuance, or water quality maintenance or improvement within a watershed (does not include undertakings for the purpose of materially increasing water quantity).