



STAFF REPORT

To: Honorable Mayor and Members of Town Council

Through: David L. Corliss, Town Manager

From: Mark Marlowe, P.E., Director of Castle Rock Water
Mark Henderson, Assistant Director

Title: **Resolution Approving an IGA with Plum Creek Water Reclamation Authority, Castle Pines Metropolitan District, Castle Pines North Metropolitan District, and the Town of Castle Rock for Bond Repayment – PCWRA Reuse Reservoir**

Executive Summary

Castle Rock Water (CRW) is seeking Town Council approval of a resolution (**Attachment A**) approving an intergovernmental agreement (IGA) (**Exhibit 1**) with Plum Creek Water Reclamation Authority (PCWRA), Castle Pines Metropolitan District and Castle Pines North Metropolitan District on how to finance and split costs for a reuse reservoir and pump station rehabilitation and replacement project. PCWRA owns and operates a reuse reservoir, which supplies reclaimed effluent from the wastewater treatment facility that is used as irrigation water at local golf courses including Red Hawk Ridge Golf Course in the Town of Castle Rock. The reservoir requires major rehabilitation including new liner, aeration system, pump station, and other improvements. In order to finance the project, PCWRA and its members are pursuing a loan of up to \$8.5 million from the Colorado Water Resources and Power Development Authority (CWRPDA).

Repayment of the loan (referred to as bond repayment in the IGA based on governmental agency bonds sold by CWRPDA) and funding of the project in general will be based on the cost allocation of the members of PCWRA according to each entity's proportional share of use of the non-potable reuse reservoir. There are four golf courses that utilize the non-potable reuse water from PCWRA for irrigation. Responsibility for the cost of the rehabilitation is split evenly amongst the four golf courses. CRW, as the water provider for Red Hawk Ridge Golf Course, will be responsible for 25% of the cost of the reuse reservoir project. CRW will determine if utilizing funding from the loan or cash funding the project is most beneficial to CRW and Red Hawk Ridge Golf Course once the interest rate for the loan has been determined. The planned schedule for the project is to obtain approval from the CWRPDA for the loan in the fall and start construction soon thereafter. Information on the loan including the

interest rate should be available XXX. This resolution is to approve the IGA among the PCWRA members regarding the terms and obligations of the members participation in the project and for the cost-share and repayment of the loan.

Notification and Outreach Efforts

The Town has been working collaboratively with the other PCWRA members through the IGA process, and with Town staff on the impact to Red Hawk Ridge Golf Course based on the required improvements to the PCWRA reuse reservoir and irrigation system. The potential budget impact to the golf course from project implementation has been provided to the Parks and Recreation Department (see ***Attachment B***).

History of Past Town Council, Boards & Commissions, or Other Discussions

At the April 2025 Castle Rock Water Commission staff discussed the need for the project and the option to finance the project through applying for a loan from CWRPDA.

Castle Rock Water staff presented this item to the Castle Rock Water Commission at their meeting held on August, 27 2025, and the Castle Rock Water Commission voted XX to XX to recommend Town Council approval of the Resolution as presented.

Discussion

The PCWRA Reuse Reservoir is over 30 years old and is in disrepair. The existing liner, pumps, piping, and aeration system require replacement to remain in compliance with Colorado Department of Public Health and Environment (CDPHE) impoundment requirements and state water quality regulations for reclaimed water use in Regulation 84. PCWRA will construct a new dedicated reuse pump station at the reservoir to replace the use of existing pump stations, replace the liner, and upgrade the aeration system. The IGA outlines the terms of the agreement among the members to participate in the project. The members of PCWRA include Castle Pines Metropolitan District, Castle Pines North Metropolitan District, and the Town of Castle Rock. The IGA outlines the cost-share for repayment of the loan among the members relative to each member's golf course customers and resulting ownership in the reuse reservoir and irrigation system. The cost share is 50% for Castle Pines, 25% for Castle Pines North, and 25% for the Town of Castle Rock. The key provisions of the IGA include loan repayment obligations through reuse charges billed to each member. Members are obligated to pay their share of reuse charges regardless of the payments collected from the golf courses within each member's service area; and each member's responsibility in repayment of the loan is limited to their proportional needed share.

PCWRA bid construction of the project at the beginning of August and received bids from five contractors. Bids for the full project ranged from \$7.6M to \$12.9M. The bids also included compliance with the Federal funding requirements that will be necessary in the construction based on receiving a loan from CWRPDA. The planned schedule for the project is to obtain approval from the CWRPDA for the loan in the fall and start construction soon thereafter.

Budget Impact

The cost share outlined in the IGA for the Town is 25% with a maximum principal loan amount of \$8.5M which would commit the Town to up to \$2.1M in loan principal. However, CRW is anticipating a lower amount based on the bids received. As a result of the bid data, the Town's proportional share of the low bid would be \$1.9M. CRW has modeled multiple scenarios to fund the Town's proportional share including cash funding the Town's share from the 2026 Wastewater capital implementation plan (CIP) budget and financing through the CWRPDA loan based on the Town's share of the debt repayments. Ultimately, CRW will add a capital recovery fee to the water service charges assessed to Red Hawk Ridge Golf course to recover the costs of the capital investment in PCWRA's reuse system improvements. A summary of financing options that were modeled based on a CRW share of \$1.9M in the project are as follows:

- Financing through a 30-yr CWRPDA loan at a conservative rate of 5.5%.
Total cost of the loan = \$3.9M.
Red Hawk capital recovery fee: Average \$1.51 per 1,000 gallons over 30-yr
- Self-financing a 30-yr loan based on CRW's current aggregate borrowing costs of approximately 2.5%
Total cost = \$2.7M.
Red Hawk capital recovery fee: Average \$ 1.05 per 1,000 gallons over 30-yr.

A final decision on the selected option to fund the Town's proportional share will be made based on the timing, terms and interest rate received from CWRPDA in addition to balancing the budget needs of wastewater CIP projects planned in the 2026 budget. However, CRW has included \$2M in the 2026 Wastewater CIP budget to be able to cash fund the Town's share of the project if needed and will assess the best option moving forward dependent on the timing and execution of the CWRPDA loan. The IGA allows for either option that CRW determines to be best for CRW and Red Hawk Ridge Golf Course.

Staff Recommendation

Staff recommends Town Council approval of the IGA with Plum Creek Water Reclamation Authority, Castle Pines Metropolitan District, Castle Pines North Metropolitan District, and the Town of Castle Rock for Bond Repayment – PCWRA Reuse Reservoir.

Proposed Motion

"I move to approve the Resolution as introduced by title."

Alternative Motions

"I move to approve the resolution as introduced by title, with the following conditions: (list conditions)."

"I move to continue this item to the Town Council meeting on _____ date to allow additional time to (list information needed)."

Attachments

Attachment A: Resolution
Exhibit 1: Intergovernmental Agreement
Attachment B: Repayment Schedules for Red Hawk Golf Course