



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
Matt Benak, P.E., Water Resources Manager

Title: **Resolution Approving an Amendment to the Amended and Restated Intergovernmental Agreement with Douglas County for the Highway 85 Wastewater Collection and Treatment System** *[Located along the Highway 85 Corridor North of E. Happy Canyon Rd to W. Titan Rd in northern Douglas County]*

Executive Summary

Castle Rock Water (CRW) staff recommends Town Council approval of a Resolution approving an amendment to the previously approved Amended and Restated Intergovernmental Agreement (IGA) with Douglas County. The latest engineering cost estimate for the Highway 85 Wastewater Collection and Treatment System project prepared by the team at 30% design indicates the project may cost as much as \$18.8M. ARPA funding will only provide \$14M resulting in a funding gap relative to the original Amended and Restated IGA.

The primary purpose of this amendment is to define how a funding gap for the project will be covered before the project moves into final design and construction. CRW is proposing to cover the funding gap. This amendment refines the financial structure and cost recovery terms associated with CRW's proposal to cover the funding gap. It is critical that the terms for covering this funding gap are in place prior to development of the final guaranteed maximum price contract. Key terms of the amendment include:

- Castle Rock Water will fund any funding shortfall for construction of the project up to a maximum of \$4.8 million.
- System development fees (SDFs) collected for connectors to the project will pay off the Castle Rock Water contribution to the project first before any of that funding goes back to Douglas County or for improvements or expansions of the sewer system.
- A 25% surcharge will be added to the portion of the system development fee reimbursing any funding gap covered by Castle Rock Water, and this surcharge will be for use by Castle Rock Water to benefit its existing customers and system.
- Interest will accrue to the balance of the funding provided by Castle Rock Water at a

rate of 5% per year until the funds provided by Castle Rock Water have been fully reimbursed.

- System development fees will be handled consistent with the original agreement once Castle Rock Water has been reimbursed, except for the 25% surcharge which will continue to be collected and used for improvements or expansions to the system.

Benefits to CRW of the Amendment to the IGA include:

- Ensures the benefits from the original Amended and Restated IGA still apply.
- Gives CRW more financial resources from the additional 25% surcharge over and above the additional financial resources provided by the current extraterritorial surcharge to accomplish our core mission and vision.
- Ensures that the \$14M in ARPA funding will still be used for a lift station and force main that will allow CRW to bring reusable supplies directly back to the Plum Creek Water Reclamation Authority Wastewater Treatment Plant where those supplies can easily be accessed using CRW's existing infrastructure.

Notification and Outreach Efforts

CRW has worked closely with potential customers in the corridor including Sedalia, CORE, the Douglas County School District and new proposed developments in northern Douglas County.

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

Castle Rock Water staff presented this item to the Castle Rock Water Commission at their meeting held on April 26, 2023, and the Castle Rock Water Commission voted unanimously 6 to 0 to recommend Town Council approval of the Resolution as presented.

Council approved the original agreement with Douglas County at their meeting on May 2, 2023.

Castle Rock Water staff presented the Amended and Restated IGA with Douglas County at their meeting on May 22, 2024. Castle Rock Water Commission voted to unanimously (6 to 0) recommend Council approval of the Resolution.

Castle Rock Water staff presented the Amendment to the Amended and Restated IGA with Douglas County at their meeting on June 27, 2025. Castle Rock Water Commission voted unanimously (7-0) to recommend Council approval of the Resolution.

Discussion

The project is at 30% design. A Contract Manager at Risk (CMAR) has been brought on board as part of the design process. The team includes SJ Louis and Garver Engineering. At 30% design, the engineer provided an updated cost estimate which was approximately \$18.8M. The team has since been working on options to lower the total cost. The CMAR will be providing a Final Guaranteed Maximum Price (FGMP) at approximately 60% design which is expected in September. Once the FGMP contract has been developed, CRW and Douglas County will need to make a decision as to whether to proceed with construction of the project. CRW wants to ensure that adequate funding is in place ahead of this decision point. CRW is proposing to fill

any funding gap over \$14M up to a maximum of \$18.8M or essentially up to a \$4.8M gap.

Budget Impact

CRW modeled the impact of this approach on rates and fees and CRW's capital plan. There is no impact on rates and fees based on the 2024 rates and fees model. With respect to the capital plan, CRW believes that it will not be impacted as long as CRW is able to be reimbursed in a 5 to 10-year timeframe. In order to be fully reimbursed, assuming a \$4.8M gap, the project will have to connect approximately 660 single family equivalents (SFEs). Possible connectors have been identified as follows including estimated SFEs:

- CORE – 11 SFEs
- Plum Creek Trust Property – 600 SFEs (CRW already contracted to serve this development for water and sewer)
- Planned multi-family development – 227 SFEs
- Douglas County Public Works Building – 26 SFEs
- Douglas County School District Sedalia Elementary School – 22 SFEs

CRW has developed a model, see **Attachment B**, which estimates the reimbursement. The model also identifies additional funding which will come to CRW under the Amendment to the IGA. This additional funding could be up to \$389,753.

Staff Recommendation

Staff recommends Town Council approval of this Amendment to the Amended and Restated IGA with Douglas County for the Highway 85 Wastewater Collection and Treatment System.

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:	Agreement
Attachment B:	Financial Model
Attachment C:	Preliminary Map of Infrastructure
Attachment D:	Preliminary Cost Estimates