



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, P.E., Assistant Director Castle
Rock Water

Title: **Resolution Approving a Second 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 a second amendment to the previously approved Amended and Restated Intergovernmental Agreement (IGA) with Douglas County. The project completed 60% design and a Guaranteed Maximum Price (GMP) was negotiated with the design-builder, S.J. Louis Construction, Inc. Town Council approved the negotiated GMP as the second amendment to the design-builder construction contract in the amount of \$16,766,642.73. The total estimated project budget including easement acquisition and other costs is now \$19,784,296. This will require an increase in CRW's contribution to the project from \$4,800,000 to \$5,784,296; an increase of \$984,296. This additional cost will be recovered under the same terms as the \$4,800,000 under a second amendment to the agreement with Douglas County that is presented herein.

The First Amendment to the IGA defined how a funding gap for the project would be covered before the project moved into final design and construction. CRW proposed to cover the funding gap and the amendment refined the financial structure and cost recovery terms associated with CRW's proposal to cover the funding gap. The key terms for the First Amendment included:

- 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 consistently 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.

The Second Amendment maintains all the same terms as the First Amendment but revises the amount that CRW will fund based on the funding shortfall for the project as result of the increased GMP that was negotiated with the design-builder. CRW's contribution as stated in the IGA will increase by \$984,296 to a total of \$5,784,296 for the project.

Benefits to CRW of the Second Amendment to the IGA include:

- Ensures the benefits and terms from Amended and Restated IGA and First Amendment still apply.
- Maintains the additional financial resources to CRW with the increased funding amount by 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.

Douglas County has conducted outreach including posting a news article on their web page about the Highway 85 Southern Corridor Wastewater Project. Castle Rock Water has posted information on its web page about the project as well.

CRW publicly noticed the project for Location & Extents application that was submitted to the Douglas County Planning Commission, and the application was approved on January 5, 2026.

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 the Castle Rock Water Commission meeting on June 27, 2025. Castle Rock Water Commission voted unanimously (7-0) to recommend Council approval of the Resolution.

On July 15, 2025 Town Council approved an amendment to the IGA adjusting the project funding amount to \$18.8 million, with CRW funding a projected shortfall of approximately up to a maximum of \$4.8 million.

On September 16, 2025 Town Council approved the First Amendment to the agreement with S.J. Louis for Phase 2 Design services to complete design to 100%.

Castle Rock Water staff presented the second contract price amendment to the progressive design-build agreement with S. J. Louis Construction, Inc. for the Phase 2 Construction Services for the Sedalia Lift Station and Force Main to the Castle Rock Water Commission at their meeting held on December 10, 2025, and the Castle Rock Water Commission voted unanimously 7 to 0 to recommend Town Council approval of the Resolution as presented.

On December 16, 2025 Town Council approved the second contract price amendment to the progressive design-build agreement with S. J. Louis Construction, Inc. for Phase 2 Construction Services for the Sedalia Lift Station and Force Main which included the discussion of the need of the increased project budget and need to amend the IGA with Douglas County.

Discussion

The project completed 60% design and a Guaranteed Maximum Price (GMP) was negotiated with the design-builder, S.J. Louis Construction, Inc. Town Council approved the negotiated GMP as the second amendment to the design-builder construction contract in the amount of \$16,766,642.73. The total estimated project budget including easement acquisition and other costs is now \$19,784,296. This will require an increase in CRW's contribution to the project from \$4,800,000 to \$5,784,296; an increase of \$984,296. This additional cost will be recovered under the same terms as the First Amendment with the increased amount included in the Second Amendment to the agreement with Douglas County. CRW wants to ensure that adequate funding is in place for the project. CRW is proposing to fill any funding gap over \$14M up to a maximum of \$19,784,296 or essentially up to a \$5,784,296 gap.

Budget Impact

CRW modeled the impact of this approach on rates and fees and CRW's capital plan. The model was updated to account for the additional \$984,296 to be funded by CRW as reflected in the Second Amendment to the IGA. There is no anticipated 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 within five years, assuming a \$5.78M gap, the project will have to connect approximately 805 single family equivalents (SFEs). Possible connectors totaling more than 805 have been identified below 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 updated the 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 based on the 25% surcharge and could be up to \$426,859.

Staff Recommendation

Staff recommends Town Council approval of this Second 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: Updated Financial Model