



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
Scott Tait, P.E., WR Project Manager

Title: **Resolution Approving an 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 (**Attachment A**) approving an Amended and Restated Intergovernmental Agreement (IGA) with Douglas County for CRW to manage the design and construction of a wastewater collection and treatment system to be located along the Highway 85 corridor. Key terms of the Amended and Restated IGA with Douglas County are as follows:

- Provides CRW with \$14 Million in Douglas County American Rescue Plan Act (ARPA) funds to design and construct the system with funds needing to be spent by December 31, 2026;
- Allows CRW to charge a 1% project management fee for these services;
- Dedicates the constructed system assets in the corridor to CRW for long term operation, maintenance, repair and replacement;
- Makes CRW the retail and wholesale wastewater provider in the Service Area (see **Attachment B**);
- Requires CRW to develop rates and fees for the Service Area;
- Allows CRW to charge a 10% extraterritorial surcharge for all aspects of this service; and
- Ensures that new development in the corridor can only occur if renewable water supplies are available.

The benefits of the IGA to Chatfield Reservoir, Douglas County, the corridor and CRW are as follows:

- Improves water quality in Chatfield Reservoir (drinking water source for CRW) by removing untreated or poorly treated wastewater sources in the corridor (e.g. failing septic systems in Sedalia);
- Allows reusable water supplies used in the corridor by customers that decide to connect to the CRW infrastructure to be captured for reuse by CRW;
- Creates wastewater solutions for existing communities in the corridor (e.g. Sedalia) and existing businesses (e.g. CORE a big employer in the region);
- Improves the economic viability and vitality of this key transportation corridor (good location for primary jobs) by ensuring that wastewater service is available;
- Provides opportunities for additional water quality and environmental projects along Plum Creek utilizing easements obtained from this project;
- Gives the opportunity for consolidation of some of the small underfunded water and sanitation districts into more sustainable systems like CRW; and
- Allows for collaboration on a trail system running from Castle Rock all the way to Chatfield Reservoir by co-locating the sewer system with trails on easements obtained in the corridor.

Additional benefits of the IGA to CRW include:

- Ensures that CRW has oversight of water and wastewater development in this critical CRW water resources corridor;
- Contributes to economies of scale for CRW's operations over the long-term helping to spread our costs amongst a larger customer base;
- Gives CRW more financial resources from the extraterritorial surcharge to accomplish our core mission and vision; and
- Provides ARPA funding 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.

The Highway 85 corridor is adjacent to East Plum Creek and Plum Creek which discharges into Chatfield Reservoir. The majority of wastewater collection and treatment systems along the corridor consist of individual onsite septic tanks with leach fields that discharge to groundwater. The exception to this is that the community of Louviers has a gravity sewer collection system that treats its wastewater in a facultative pond and discharges effluent via land application.

CRW will utilize \$14 million in ARPA funds provided through and by Douglas County to manage the project for the design and construction of infrastructure for the major wastewater components which include a force main and lift station in Sedalia. CRW will provide CRW owned capacity in PCWRA's Wastewater Treatment Plant to serve the corridor at cost plus a 10% extraterritorial surcharge.

Notification and Outreach Efforts

CRW has worked closely with potential customers in the corridor including Louviers, Sedalia, CORE and another new development 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.

Discussion

In the original agreement, CRW was required to evaluate three alternatives. Also, as part of the original agreement, CRW was working with Dominion Water and Sanitation District (DWSD) through a separate IGA. This separate IGA with DWSD will be terminated as part of the changes associated with this Amended and Restated IGA with Douglas County.

In the Amended and Restated IGA, there are no alternatives to evaluate. CRW will develop a lift station in Sedalia and a force main pipe connected back to the PCWRA Wastewater Treatment Plant, see **Attachment C**. The estimated costs for this project are provided in **Attachment D**. CRW anticipates utilizing a Construction Manager at Risk (CMAR) also known as a Guaranteed Maximum Price Construction Manager (GMPCM) contract approach to this project to ensure that the ARPA budget is achieved. The total capacity that will be provided with this initial infrastructure is approximately 600,000 gallons per day.

CRW will work with several of the potential customers including CORE and Douglas County School District in the Sedalia area to provide additional support for the project and potentially additional infrastructure to serve Sedalia and the surrounding area.

Phase 1

The project will be completed in multiple phases. The concept for Phase 1 will be to construct infrastructure consisting of a lift station in Sedalia and a force main back to the PCWRA Wastewater Treatment Plant to provide roughly 600,000 gallons per day of average daily collection and treatment capacity in the Highway 85 corridor.

Castle Rock Water will manage all aspects of the acquisition of professional engineering and construction services for the permitting, design and construction of the infrastructure associated with the Regional Wastewater Collection and Treatment Project. Castle Rock Water will evaluate the most appropriate project delivery methods for the various project components based on the rules of the ARPA funding, permitting, the schedule, technical aspects of the work, availability of qualified consultants and contractors, and availability of critical equipment (pumps, treatment process equipment, etc.).

Requests for Proposals (RFPs) for professional engineering services will be issued. Once selection is made with Douglas County's concurrence, design will begin. Castle Rock will work with Douglas County to set up the appropriate escrow accounts for each contract

awarded as part of the project. As design progresses, Castle Rock will begin easement and property acquisition. Temporary easements will be obtained that are needed for the construction of the infrastructure.

Easements will also be obtained for the multipurpose trail where the proposed location matches the wastewater collection piping routes. Also, as part of the design, permitting will be completed for each work phase. As designs for each phase are complete as appropriate depending on the delivery method used, construction bidding will be completed. Work will be awarded with Douglas County concurrence. Castle Rock Water will oversee construction for each phase using professional engineering services as appropriate to ensure we receive a good project.

Castle Rock will use our standard process for engineering and construction services including our contracts and documents for obtaining design and construction services. Each component will go through approval with our Council like we do for any project over \$250,000. Each component will also be brought to Douglas County for approval.

Provision of Wastewater Service

Once the project infrastructure is complete, Castle Rock Water will own, operate, maintain, repair and replace the collection system infrastructure in the Highway 85 corridor and the reuse water components of the system.

Castle Rock Water will provide retail and/or wholesale wastewater service in the Service Area. In addition to operating and maintaining the system, this service will include an annual cost of service evaluation and setting of rates and fees, billing and customer service. Castle Rock will also consider providing retail water service where water supply is available and the customer would like to have that service as well as part of a more holistic retail service.

As the wastewater provider Castle Rock Water will also annually evaluate and set system development fees (SDFs) to be paid by customers connecting to the system, which fees will be different for existing development versus new development and redevelopment. For all potential customers, Castle Rock Water will determine necessary improvements, available capacity and SDFs and then provide a will serve letter if service can be provided. A 10 percent extraterritorial service charge will be collected on all SDFs.

Future Phases

Castle Rock will utilize Douglas County's portion of SDFs to build future Phases of the project to allow service to be provided beyond the capacities created in Phase 1 as agreed to between Castle Rock and Douglas County in separate future agreements. If Douglas County decides to build additional components of the wastewater collection and treatment system in the corridor, revenue from Douglas County's portion of the SDFs will be put into a project fund. As funds accrue, Castle Rock will design, permit and construct additional infrastructure in the corridor as identified by Douglas County. Ultimately, the concept will be to construct a full collection system from Louviers to just north of PCWRA with approximately 1 million gallons per day of average daily flow treatment capacity. Castle Rock will also evaluate availability of renewable water supplies for new development and redevelopment. Confirmation of renewable water supplies will be an additional requirement in order to gain wastewater services for new development in the corridor.

Budget Impact

CRW will receive a 10% surcharge on all rates and fees and system development fees towards the operations and overhead cost of CRW.

Staff Recommendation

Staff recommends Town Council approval of this 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 1:	Agreement
Attachment B:	Service Area
Attachment C:	Preliminary Map of Infrastructure
Attachment D:	Preliminary Cost Estimates