



AGENDA MEMORANDUM

To: Honorable Mayor and Members of Town Council

Thru: David L. Corliss, Town Manager

From: Mark Marlowe, P.E., Director of Castle Rock Water
Roy Gallea, P.E., Engineering Manager
Erin Evans, P.E., Project Manager

Title: **Resolution Approving an Extraterritorial Wastewater Service Agreement with Bryan Degarmo and Carolyn S. Degarmo** *[Property Located at 2864 Fifth Street]*

Executive Summary

Staff seeks Town Council approval of a resolution (***Attachment A***) authorizing an Extraterritorial Wastewater Service Agreement ("the Agreement", ***Exhibit 1 to Attachment A***) with Bryan and Carolyn Degarmo ("the Degarmos"). The Degarmos own property at 2864 Fifth Street, which lies outside the Castle Rock town limits. Castle Rock Municipal Code (13.12) permits the extension of water and/or wastewater services to properties outside municipal boundaries through such agreements.

Approval of the Agreement is recommended for the following reasons:

1. Continuation of Service: The property's septic system is impacted by the Fifth Street Improvements Project ("Roadway Project"), necessitating an alternative wastewater solution.
2. Broader Infrastructure Needs: The service extension aligns with the Town's efforts to enable current and future connections for properties in the vicinity.

Under the Agreement, the Degarmos will pay monthly standard sewer rates plus a 25% surcharge, while the Town will cover the one-time system development fee of \$5,562 and reimburse the Degarmos \$12,600 to offset monthly sewer bills. Additionally, Castle Rock Water will be reimbursed \$97,195 from the Roadway Project funding to construct the sanitary sewer infrastructure needed to provide adequate wastewater service to the Degarmos.

Notification and Outreach Efforts

Staff has actively engaged with the Degarmos since March 2024, when the Town identified the need to acquire portions of their property for the Roadway Project. During this process, staff determined that the existing septic system required relocation.

Initially, staff collaborated with the Degarmos on a new septic system design that met modern standards and avoided conflicts with the Roadway Project.

As part of a broader evaluation of sanitary sewer needs along Fifth Street—including properties owned by St. Francis and Cornerstone Presbyterian—staff informed the Degarmos of the option to connect to the Town’s sewer system rather than reconstructing their septic system. The Degarmos agreed to pursue this option under the proposed Agreement.

A Purchase and Sale Agreement was finalized with the Degarmos in January 2025 to acquire property for the Fifth Street Improvements Project. Included in this agreement was consideration for replacement of the onsite septic system that would be impacted by the project. A Wastewater Treatment Agreement was then signed by the Degarmos on January 27, 2025 approving the abandonment of their septic system in favor of the Town constructing a sanitary service line. This resolution provides approval of an Extraterritorial Service Agreement necessary to connect the Degarmos to the new sanitary sewer line being constructed along Fifth Street.

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

- November 6, 2024: The Town Manager approved a \$222,791 service agreement with Stanley Consultants, including a \$22,209 staff-managed contingency, for designing the Fifth Street Utilities Project, which encompasses the Degarmos’ sewer connection.
- December 11, 2024: Castle Rock Water (CRW) staff presented the project to the Castle Rock Water Commission (CRW Commission), which expressed general support.
- January 7, 2025: Town Council reviewed and discussed the proposed Agreement and the Fifth Street Utilities Project. Council directed staff to proceed with Agreement development and project planning.
- In January 2025, Town Manager approved the preconstruction services construction contract with Global Underground for up to a maximum of \$200,000 to assist with constructability review, cost estimating services, and ordering of materials and mobilization for the Fifth Street Utilities Project. The Purchase and Sale Agreement between the Degarmos and the Town, which included an agreement for the Town to construct sewer infrastructure and for the Degarmos to connect was also executed.
- In February 2025, Town Council approved the construction contract with Global Underground for Work Package #1 construction services for the Fifth Street Utilities Project in the amount of \$1,749,820.25. A Final Guaranteed Maximum Price will establish the final contract amount in an amendment. A Wastewater Treatment Agreement was also approved between the Town and the Degarmos, which outlined requirements for extraterritorial agreement and the details regarding the Town waiving the sewer tap fees and taking ownership of all sewer effluent from the property.

Discussion

The Fifth Street Improvements Project requires the acquisition of Right-of-Way and a temporary construction easement from the Degarmos, whose property is located at 2864 Fifth Street. The planned construction will render their existing OWTS inoperable due to its proximity to the new property boundary and retaining wall, which are necessary for the sidewalk and roadway widening, including an additional eastbound lane and an on-street bike lane.

Staff have determined that constructing a sanitary sewer system in the upper reaches of Fifth Street is necessary to:

1. Facilitate current and future service connections for properties in the area.
2. Protect the quality and resiliency of the \$12 million roadway infrastructure investment associated with the Roadway Project.

The new sanitary sewer infrastructure will allow connections not only for the Degarmos but also for St. Francis and Cornerstone Presbyterian Churches. Additional properties, such as those near Castle Crest Drive and east of St. Francis, currently rely on wells and septic systems and may choose to connect to Castle Rock Water services in the future.

The Degarmos' property is currently in unincorporated Douglas County and they have elected to enter into an extraterritorial sewer service agreement. The terms of this agreement, which also includes provisions outlined in the Purchase and Sale agreement and the Wastewater Treatment agreement executed between the Town and the Degarmos provide for construction and of a new sewer service and wastewater treatment by the Town. The agreement also stipulates that the Town will abandon the existing onsite wastewater treatment system (OWTS), install a water service line for the property, pay Degarmos \$12,600 to offset the cost of monthly sewer bills and acquire all necessary permits and permissions required for connection to the Town sewer system. The Town will also not charge the Degarmos the sewer tap fee, estimated at \$5,562. Ownership of the sewer effluent will pass to the Town once it enters the newly constructed sewer system, which will contribute reusable water to the Town.

As the Fifth Street Improvements Project directly contributes to the need for this sewer service, funds initially allocated for OWTS relocation will be transferred from the Roadway Project account to the CRW CIP/Fifth Street Construction (Wastewater) account in the amount of \$97,195.

Budget Impact

Monthly Sewer Fees: The Degarmos will pay an estimated \$35 per month for sewer services. A 25% surcharge will be applied in accordance with the Municipal Code.

One-Time Connection Fee: The standard \$5,562 connection fee will be covered by the Town's General Fund.

Lump Sum Fee Reimbursement: \$12,600 will be paid to the Degarmos from the CIP/Fifth Street Construction (213-4575-445.79-34) account.

Fund Transfer: A fund transfer of \$97,195 from the Fifth Street Improvements account (135-3175-431.78-85) to the Other Revenue – Reimbursements (213-4575-395.10-00).

Staff Recommendation

Staff recommends approval of the Extraterritorial Wastewater Service Agreement with the Degarmos for the property located at 2864 Fifth Street.

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