



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 Third 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 (**Attachment A**) approving a third amendment (**Exhibit 1**) to the previously approved Amended and Restated Intergovernmental Agreement (IGA) with Douglas County. The proposed third amendment will include a contribution from Douglas County to provide up to \$375,232 for design services for sanitary sewer main infrastructure in Sedalia. The proposed third amendment also amends Section 6.C. of the IGA to clarify the deadlines for expenditure of the American Rescue Plan Act (ARPA) funding to align with the current requirements. The County and the Town have partnered in the project to construct a sanitary sewer lift station and force main to Plum Creek Water Reclamation Authority. The County is investing over \$14 million in ARPA funding and the Town of Castle Rock is providing over \$5 million in upfront funding to be recovered in system development fees. The IGA outlines that the Town will manage the project, and own and operate the sewer infrastructure once completed.

The sewer lift station and force main are the basis for centralized wastewater service in the area. However, funding is currently unavailable to construct the gravity sewer mains needed to transition existing residents, businesses, and facilities from septic systems to centralized wastewater service. These improvements are also essential to support future economic growth and development that will require centralized wastewater infrastructure. An initial phase for sewer main infrastructure has been identified that would run from the north side of Highway 85 through the Town of Sedalia to the lift station that will serve as the backbone for full buildout of sewer mains in Sedalia. CRW and Douglas County will partner on this first phase of sewer main infrastructure that can be later built out to connect more services in future phases. The initial

phase would provide opportunity to connect a future planned Douglas County public works facility as well as CORE electric. The proposed amendment will allow CRW and Douglas County to partner on starting the design of the sewer main 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 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 Amended and Restated IGA with Douglas County to Town Council on July 2, 2024. Town Council voted to unanimously (7 to 0) to approve 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 December 10, 2025 Town Council approved a second amendment to the IGA that revised the amount that CRW will fund based on the funding shortfall for the project as a result of the increased guaranteed maximum price (GMP) that was negotiated with the design-builder. CRW's contribution was increased by \$984,296 to a total of \$5,784,296 for the project.

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.

Castle Rock Water staff presented this item to the Castle Rock Water Commission at their meeting held on July 22, 2026, and the Castle Rock Water Commission voted unanimously 6 to 0 to recommend Town Council approval of the Resolution as presented.

Discussion

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 maintained all the same terms as the First Amendment but revised 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.

The proposed third amendment will include a contribution from Douglas County to provide up to \$375,232 for design services for gravity sanitary sewer main infrastructure in Sedalia. The contribution will cover a design fee bid including contingency for the project. Castle Rock Water issued an RFP for design services, and the proposed contribution will cover the anticipated design fees. Castle Rock Water plans to bring the design services contract for Town Council approval in September. An initial phase for sewer main infrastructure has been identified that would run from north side of Highway 85 through the Town of Sedalia to the lift station that will serve as the backbone for full buildout of gravity sewer mains in Sedalia. The initial alignment shown in the project map (**Attachment B**) is approximately 3,000 linear feet (LF) with a

preliminary construction cost estimate of \$2.9 million. The funding provided by Douglas County will provide for design services for the alignment, and engineer's opinion of construction cost that will be needed to issue construction bids and identify a schedule for construction. CRW and Douglas County will partner on this first phase of sewer main infrastructure that can be later built out to connect more services in future phases. The initial phase would provide opportunity to connect a future planned Douglas County public works facility as well as CORE electric. Future connectors and the anticipated SFEs have also been identified for future phases of the sewer main infrastructure including:

- Plum Creek Trust Property – 600 SFEs (CRW already contracted to serve this development for water and sewer)
- Douglas County School District Sedalia Elementary School – 22 SFEs
- Existing Sedalia residential and commercial properties – 94 SFEs

Also, the proposed third amendment includes updates to Section 6.C. of the IGA concerning ARPA deadlines. The updates clarify ARPA funding expenditure deadlines for which Castle Rock is a subrecipient which must be expended by the Town by December 31, 2026; ARPA fund for which Castle Rock is a beneficiary which must be expended by Douglas County to Castle Rock by December 31, 2026; and remaining funds characterized as interest earned on ARPA funds which can be expended after December 31, 2026. Castle Rock Water staff have been working closely with Douglas County regarding the deadlines for expenditure and the anticipated spend-down of ARPA funds during construction. Staff fully expect to meet these deadlines to ensure full spend-down of the ARPA funding.

Budget Impact

The funding provided by Douglas County will be added to CRW's current budget for the Highway 85 Wastewater Collection and Treatment System to cover the cost of the design services.

Staff Recommendation

Staff recommends Town Council approval of this Third 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 1:	Agreement
Attachment B:	Project Map