



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 Intergovernmental Agreement for the Operation of Shared Infrastructure by and between the Members of the Cherry Creek Project Water Authority** [*Douglas County within Cherry Creek Basin*]

Executive Summary

The purpose of this memorandum is to seek Town Council approval of a resolution (**Attachment A**) approving an "Operating Agreement" with the Cherry Creek Project Water Authority (CCPWA). The Operating Agreement provides details on the joint ownership and use of CCPWA facilities including Walker Reservoir, the Arapahoe and Cherry Creek alluvial wells that will be used to deliver water into Walker Reservoir, and the pump station that will be used to transfer water out of Walker Reservoir and into Cherry Creek to meet the individual member's needs.

Additionally, CCPWA has issued one final CIP assessment associated with the local wells portion of the overall Walker Reservoir Project in the amount of \$680,625. This amount covers the remainder of Castle Rock's portion (41.25%) of the local wells. Castle Rock has previously been invoiced and paid \$1,510,781 for the work detailed in the table below:

Work Item	Overall Cost (plus contingency)	Castle Rock's share (41.25%)
Site Civil & Pipeline (HPM)	\$2,591,511.53	\$1,068,998.51
Site Civil Design & Services During Construction (Farnsworth)	\$156,614.70	\$64,603.56
Alluvial well drilling & equipping (Layne)	\$1,003,466.20	\$413,929.81
Deep well drilling & equipping (Hydro Resources)	\$1,383,555.80	\$570,716.77
Well locating, permitting & observation (HRS)	\$200,062.50	\$82,525.78
Less Previous General CIP Transfers	(\$22,710)	(\$9,368)
Totals =	\$5,335,210.73	\$2,191,406.43*

**Previous CRW invoicing (\$1,510,781) + current capital assessment (\$680,625) = \$2,191,406*

For the Walker Reservoir construction, which was subject to the Project Participation Agreement (September 2021), Castle Rock is responsible for 23.08% of the costs which have totaled \$2,978,453 and have already been assessed and paid.

To date and with this latest CIP assessment, Castle Rock will have expended \$5,179,227.43 for the design and construction of the Walker Reservoir project.

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

On June 17, 2019, CRW staff presented the opportunity to purchase Arapahoe County Water and Wastewater Authority's (ACWWA's) interest in the CCPWA to the Castle Rock Water Commission (CRWC), who recommended that the Town move forward with the purchase.

On June, 18, 2019, CRW staff presented the opportunity to purchase ACWWA's interest in the CCPWA to the Water Resources Committee who recommended that the Town move forward with the purchase.

On October 23, 2019, CRW staff presented the revised Purchase and Sale Agreement to CRWC, and CRWC again recommended that Council approve the purchase and sale agreement.

On December 11, 2019, CRWC was updated on the final agreement approach and CRWC offered their continued support by general consensus.

On January 21, 2020, Town Council approved the Purchase and Sale Agreement with ACWWA.

On March 5, 2020 the Town and ACWWA entered into the Contract for the Purchase and Sale Agreement.

On May 5, 2020, the Town and ACWWA entered into the First Amendment to the Contract for the Purchase and Sale Agreement which put into effect a 90-day stay due to the potential impacts of the COVID-19 pandemic.

On November 3, 2020, Town Council approved the Second Amendment to the Contract for the Purchase and Sale Agreement to provide an extension of time for diligence activities and closing.

On September 21, 2021, Town Council approved a resolution approving the Project Participation Agreement with the CCPWA for the construction and capacity in Walker Reservoir.

On April 4, 2023, Town Council approved a resolution approving Castle Rock's portion of the second phase of the Walker Reservoir project, which included well drilling and equipping; site improvements; pipelines; grading and erosion control; and professional services during construction.

Staff discussed this item with Castle Rock Water Commission on January 24, 2024, and the Commission recommended Council approval of the Operations Agreement.

Discussion

The CCPWA is a group of water providers that has formed an Authority to construct and operate a water project, consisting of renewable and Denver Basin water, in the Cherry Creek Basin to provide relatively firm water yield of from 500 to 2,000-acre feet per year. CCPWA is comprised of four participants with shares in the project as follows:

- Castle Rock Water: 41.25%
- Inverness Water & Sanitation District: 31.118%
- Denver Southeast Suburban (AKA “The Pinery”): 20.489%
- Cottonwood Water & Sanitation District: 7.143%

Castle Rock Water is currently working with Inverness Water & Sanitation District and Cottonwood Water & Sanitation District on the potential purchase of their shares of the project. The current estimated cost for these shares is approximately \$12.5 million. This would give Castle Rock Water a 79.511% interest in the project and provide Castle Rock with an additional 250 AF of reliable renewable water yield annually.

The CCPWA is nearly finished with the construction of Walker Reservoir and its associated infrastructure and is expected to be storing water in February 2024 with final completion expected in May 2024. Walker Reservoir is a water storage facility located approximately ½-mile northwest of Franktown, Colorado. Walker Reservoir will serve multiple functions by being able to store tributary and non-tributary water and to release water for direct use, augmentation and release and re-diversion downstream to Rueter-Hess Reservoir. Walker Reservoir has a 650-acre foot (AF) capacity, and Castle Rock has 150 AF, or 23.08% of the storage capacity.

Water will be transferred into Walker Reservoir via three wells in the Cherry Creek alluvium which capture renewable water rights, and via an Arapahoe aquifer well to take advantage of CCPWA’s non-renewable water rights.

Water will be pumped out of the reservoir back into Cherry Creek via a new pump station with a pumping capacity of 10 cubic feet per second (cfs). Construction crews are currently completing the waterproofing on the control tower but the above grade pump station construction has not yet started. The pump station is expected to be completed in May 2024 and ready for service this summer. Costs for the pump station are included in what has already been assessed for the Walker Reservoir project.

The project facilities will be managed by Pinery Water staff under the umbrella of the CCPWA. The key terms of the Operating Agreement are that the four Authority members agree to transfer, store and discharge water into Walker Reservoir relative to the size of their capacity (unless they agree with other Authority members to lease capacity). All members will also share in operation and expenses and evaporative losses relative to their capacities. The parties also agree to develop an Operations,

Accounting, and Maintenance Procedures Manual which will reflect the day-to-day technical operations, accounting, and standards for Walker Reservoir, for which the Contract Operator (i.e., Pinery staff) will be responsible for implementing pursuant to its contract with CCPWA. The Agreement further discusses how future capital and operating costs will be shared amongst the parties.

Budget Impact

The final capital assessment for Castle Rock to complete the project expenditures is \$680,625 and will be drawn from Account Number 211-4375-443.79-17 [CC Basin Infrastructure] which has a 2024 budget of \$11,090,000. The total project cost (for all Authority members) is \$17,746,939 and is on budget, in fact, some funds are expected to be leftover. Authority Board members can decide to roll remaining capital funds over to cover future operating expenditures to lessen future assessments. Final project costs will be known following final completion in May 2024.

This Operations Agreement will not have any direct capital budget impacts to Castle Rock, however, there will be variable operation and maintenance (O&M) costs associated with electricity for pumping, labor and expendable materials. These O&M costs will be shared by the members based on the volume of water delivered and discharged into the reservoir for the benefit of the individual members. The Authority's budget includes an additional \$475,000 in 2024 for electrical costs and an additional \$5,000 for operational costs in 2024 over the 2023 budget.

Future operating expenses will be drawn from Account Number 211-4340-443.80-61 [CC Project Water Authority] which has a 2024 budget of \$150,000.

Recommendations

Castle Rock Staff along with the Castle Rock Water Commission recommend that Town Council approve the resolution approving the Operating Agreement with CCPWA. Staff also recommends that Town Council approve the final capital assessment for the Walker Reservoir Project of \$680,625 from CCPWA.

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: Operating Agreement