



Town of Castle Rock

Agenda Memorandum

Agenda Date: 3/3/2020

Item #: 22. File #: RES 2020-031

To: Honorable Mayor and Members of Town Council

From: Mark Marlowe, P.E., Director of Castle Rock Water

Resolution Approving an Extraterritorial Wastewater Service Intergovernmental Agreement between the Town of Castle Rock and Crowfoot Valley Ranch Metropolitan District Nos. 1 and 2 (Canyons South)

Executive Summary

The purpose of this memorandum is to request Council approval of a resolution (see **Attachment A**) approving an Extraterritorial Wastewater Service Agreement with Crowfoot Valley Ranch Metropolitan District Nos. 1 and 2 (Canyons South). The Town and Districts have determined it is mutually beneficial for the Town to provide wastewater service to the Property on the terms and conditions prescribed in this Intergovernmental Agreement (IGA). The Town has a similar IGA with the Districts to provide water service for this development for up to 968 single family equivalents (SFE), a community recreation building, golf course(s), parks, schools, landscape features, and related uses. Assuming ownership and operation of the wastewater collection system goes hand-in-hand with owning and operating the water system and will allow one utility to provide water and wastewater service to Canyons South.

The IGA contemplated here makes sense for a number of reasons: 1) the residents in Canyons South will be dealing with one entity for traditional wet utility (water and sewer) needs; 2) Castle Rock Water will be servicing the area for water service and will have trucks and staff frequenting the development; having a separate utility operating the wastewater system could create confusion within the community resulting in calls to CR Water for wastewater issues; 3) the customers served under this wastewater IGA will be charged 125% of the amount that is imposed under the wastewater regulations for wastewater service within the Town limits, which will cover the added costs for administering an extraterritorial service contract; 4) the developer will pay a \$412 equipment surcharge for every new house to give CR Water the funds for equipment to service the wastewater infrastructure; and 5) the Town will retain ownership of reuse water that will be reclaimed through the Pinery Wastewater Treatment system and can be recovered through Parker Water and Sanitation to be stored in Rueter-Hess Reservoir.

A separate IGA between Castle Rock and the Pinery for wastewater treatment (see **Attachment B**) is also being recommended parallel to this request. Canyons South already has an IGA in place with the Pinery (see **Attachment C**) financially obligating Canyons South for the wastewater treatment capacity for 968 SFEs. CR Water recommends executing this IGA to ensure continuity of water and wastewater utility service to Canyons South and the cost of wastewater service will be recovered

through service and equipment charges. All charges for wastewater service to Canyons South will be at 125% of the wastewater charges assessed to customers within Town limits.

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

On June 8, 2005, Town Council approved a resolution for the water service agreement with Canyons South obligating the Town to provide extraterritorial water service to Canyons South for up to 968 SFEs. This agreement requires that the developer construct all water infrastructure internal to the development and transfer ownership of the water infrastructure to the Town, which the Town will then own, operate and maintain. Water service charges and fees will be charged at 110% of the levels established in Water Regulations. In conjunction with this water service agreement, Town Council also approved, under separate resolution, a water purchase agreement whereby Canyons South dedicated 2,746 acre-feet (AF) Denver Basin groundwater to the Town, which included a surplus amount of 1,396 AF purchased at a price of \$415,090. In essence, the Town acquired all of the groundwater associated with Canyons South, minus 465 AF reserved by the developer for a then proposed golf course.

Castle Rock Water staff presented this agreement to the Castle Rock Water Commission at their meeting held on January 22, 2020, and the Castle Rock Water Commission voted unanimously to recommend approval of the resolution by Town Council.

Discussion

Canyons South is a 1,587-acre residential development in unincorporated Douglas County located along Crowfoot Valley Road and a portion of Founders Parkway (see **Attachment D**). This development has been in the planning stages for over 15 years and the Town approved an extraterritorial water service intergovernmental agreement in June 2005 committing Castle Rock Water to providing potable water service to 968 SFEs as well as supporting uses in the development. The property has changed ownership several times since then and now is being developed by HT Canyons South Development LP. CR Water has worked with the developer and the Pinery to establish IGAs that will enable CR Water to provide wastewater collection service to Canyons South and for the Pinery to provide wastewater treatment service to Canyons South through CR Water. The IGA presented here is for CR Water to provide wastewater collection service. A separate IGA between the Town and the Pinery will allow the Pinery to treat wastewater collected from Canyons South and discharge reclaimed water to Cherry Creek for later recovery for reuse by the Town. In addition, the developer already has executed an IGA with the Pinery (see **Attachment C**) to address wastewater treatment capacity and that capacity will be assigned to the Town, with no financial obligation on the Town for any unused treatment capacity. The developer assumes all financial responsibility for any unused treatment capacity.

Through these IGAs and the above-referenced water service IGA from 2005, residents in Canyons South will receive one bill from CR Water for water and wastewater service. CR Water will be billed directly by the Pinery for wastewater treatment, and these costs will be recovered from the residents of Canyons South. All wastewater charges to Canyons South will be charged at 125% of service charges as allowed through Municipal Code (Chapter 13.12 - Utility Services and Charges, 13.12.040 - Extension of services outside municipal boundaries) and agreed to by the developer in

this IGA.

The IGAs described above are similar to the IGAs executed for water and wastewater service to Cobblestone Ranch (f.k.a. Liberty Village) where the Town provides water supply, treatment and distribution service and wastewater collection service, and wastewater treatment service is provided by the Pinery. The only difference is that Cobblestone Ranch lies within the Town limits and there is no surcharge applied to water and wastewater charges.

Budget Impact

Monthly service charges along with an equipment surcharge of \$412/SFE, paid at time of connection to the wastewater collection system, will provide the revenue to cover cost of service charges and additional equipment costs for extending wastewater collection and treatment service to the Canyons South development.

Staff Recommendation

Staff recommends approval of this IGA between the Town and Crowfoot Valley Ranch Metropolitan District Nos. 1 and 2. Staff also recommends approval of the IGA between the Town and the Pinery.

Proposed Motion

"I move to approve the Resolution as introduced by Title."

Attachments

Attachment A:	Resolution
Exhibit 1:	Agreement
Attachment B:	IGA between Town and Pinery
Attachment C:	Assignment of and 4 th Amendment to IGA between Metro Districts and Pinery
Attachment D:	Canyons South Location Map