



To: Honorable Mayor and Members of Town Council

Through: David L. Corliss, Town Manager

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

Title Resolution for Extraterritorial Service Agreement with Castle Rock Cold and Storage LLC for Fire Flow Service

Executive Summary

The purpose of this memorandum is to request Council approval of a resolution (see **Attachment A**) approving an Extraterritorial Water Service Agreement with Castle Rock Cold and Storage LLC. (CRCS) to provide a fire service connection only from property located at 3197 Commerce Court to the Town's existing municipal water system located adjacent to the property on Castleton Road. This property is located outside the Castle Rock town limits and lies in unincorporated Douglas County within the Castleton Center Water and Sanitation District (CCWSD) service area (see **Attachment B**). Castle Rock Municipal Code (13.12) authorizes the extension of water and/or wastewater service to properties outside the municipal boundaries through an extraterritorial service contract approved by Town Council. Code allows Council to add up to a 25% surcharge to the standard rates and fees for any extraterritorial service contract. Water and sanitation services provided by the Town in another water and sanitation district requires district approval.

CCWSD approved the extension of Town water service to 3197 Commerce Court for the purpose of fire suppression through a resolution adopted by the CCWSD board on March __, 2021 (see **Attachment C**). The property owner will install the infrastructure required to make the connection (see **Attachment D**), and will pay applicable system development fees and monthly service charges, as well as their proportionate share for operation and maintenance charges associated with Town-owned water infrastructure within the CCWSD service area. A 25% extraterritorial service surcharge is recommended to apply to all fees and charges. Staff recommends approval of this agreement.

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

On February 24, 2021, the Castle Rock Water Commission recommended Council approve this extraterritorial agreement.

Discussion

CCWSD is a Title 32 Special District that provides water and wastewater services to 21 customers within its service area (see **Attachment B**). CCWSD has limited water service capacity due to its small size and limited water supply. The District's water supply is limited to one Denver Basin well and the District has a relatively small water storage tank that is sized to provide for domestic water service only to its customers. Businesses within the District have either a closed loop fire suppression system or a connection to the Town's water system for fire service only in order to comply with fire code requirements. In approximately 1997, the Town installed a water main to provide fire protection to portions of CCWSD. Six businesses within CCWSD connected to the water main for a sprinkler service line. At the time of installation, an extraterritorial service agreement was not put in place for reasons that are unknown today, and these six businesses have not paid any service charges or fees for the service they receive from Castle Rock Water to date. In addition to continued normal maintenance, in the future, Castle Rock Water will need to replace this water main when it reaches the end of its useful life. Castle Rock Water is not and has not collected any revenues for either normal maintenance or future replacement, and this issue needs to be corrected.

The owner of CRCS approached the Town in January 2020 for fire service in order to develop the property at 3197 Commerce Court. Castle Rock Water attempted to resolve this through the CCWSD directly by trying to negotiate an intergovernmental agreement between the Town and CCWSD for fire protection service for the entire CCWSD service area. After several attempts, it became clear that CCWSD was not interested in pursuing this. In addition to fire hydrants for general fire protection in the area, the Town currently provides fire protection services to six properties located within the CCWSD as noted above. These service connections were made several decades ago, and there is no record of any cost recovery or fees/charges paid by these property owners for fire protection services. Castle Rock Water will pursue cost recovery from the property owners directly who benefit from this service.

Establishing an extraterritorial agreement with the property owner of 3197 Commerce Court will help establish precedence for cost recovery from the six customers already connected to the water main and will be used as the model for any future fire service connections made through an extraterritorial agreement in CCWSD or other areas. There are several other similar extraterritorial fire protection service connections with the Douglas County School District for properties located outside of Town limits and adjacent to Town water infrastructure. The Town does not charge fees or monthly service charges for these connections as a courtesy to the school district.

Budget Impact

The revenues associated with this service agreement will include water and water resources system development fees, monthly service charges and annual operation and maintenance costs for associated water infrastructure. These costs will be assessed assuming a $\frac{3}{4}$ " domestic water service connection, fees and charges are estimated as follows and will be updated annually in accordance with changes to rates and fees approved by Council based on our annual rates and fees study:

1. System Development Fees
 - a. Water = \$4,030
 - b. Renewable Water = \$18,504

- | | |
|-----------------------------|-----------------|
| c. 25% Surcharge on above = | <u>\$5,633</u> |
| d. Total SDFs = | <u>\$28,167</u> |
2. Monthly Charges (subject to annual updates by Council)
- | | |
|-------------------------------------|----------------|
| a. Water service charge = | \$9.54 |
| b. Renewable water service charge = | \$26.15 |
| c. 25% Surcharge on above = | <u>\$8.92</u> |
| d. Total monthly charges = | <u>\$44.61</u> |
3. Annual Operation and Maintenance charge for assets within the CCWSD will be assessed for a pro rata share based on the existing assets (7,870 feet of water lines, 33 valves and 9 fire hydrants) plus new assets (1 hydrant, 2 valves and approximately 230 feet of water main extension). This annual cost is estimated at \$1,750/year and pro rata share would be 1/7 of the cost or \$250/year. These costs are subject to change annually based on actual operation and maintenance costs and resulting rate adjustments as approved by Council in our annual rates and fees study. If Owner becomes a customer of Castle Rock Water for domestic water service, then this cost will be recovered through water usage rates and this annual charge no longer will apply.

Staff Recommendation

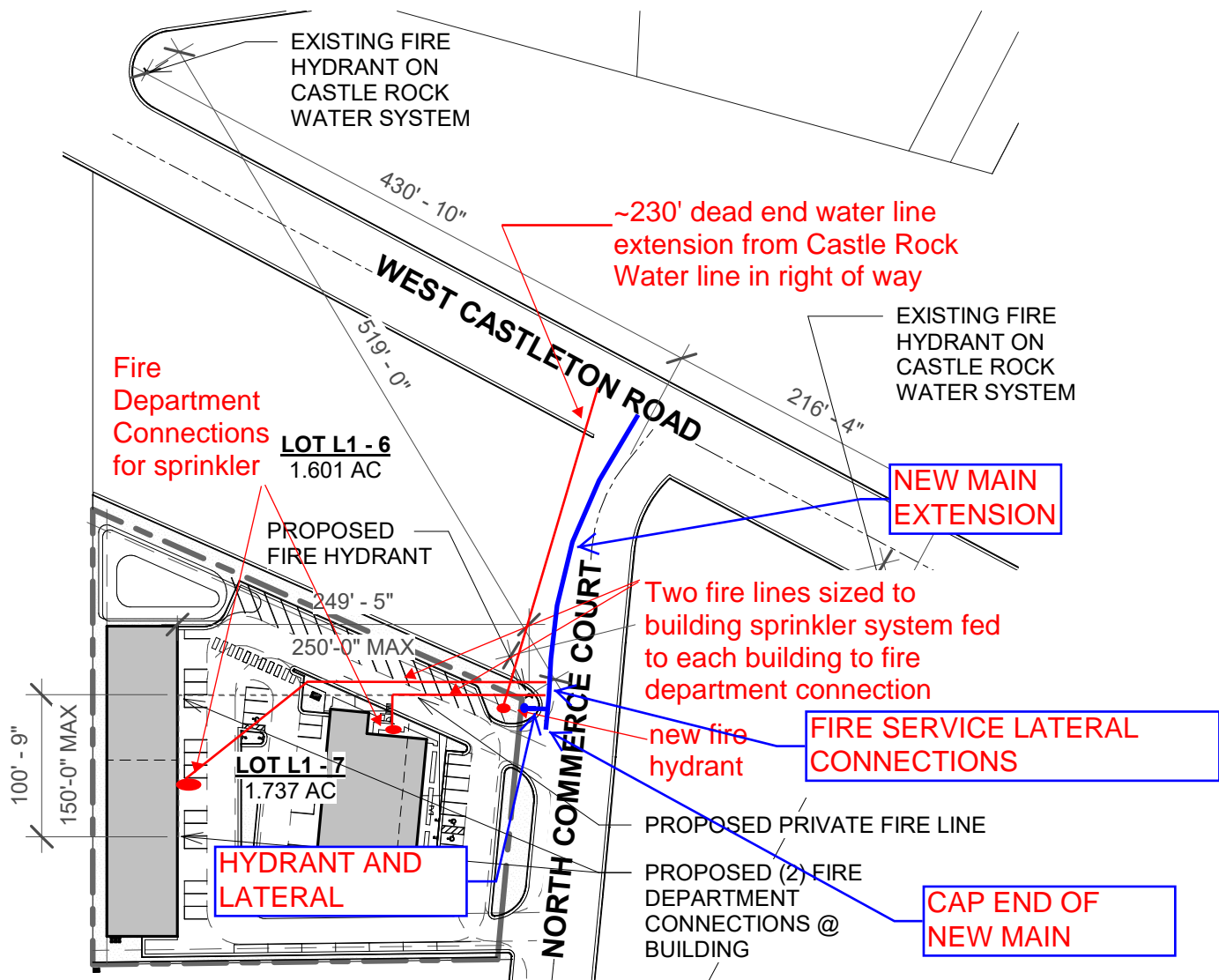
Staff recommends approval of the Extraterritorial Service Agreement with Castle Rock Cold and Storage LLC for fire flow service for the property located at 3197 Commerce Court. This agreement will at least start to provide some cost recovery for the water main, fire hydrants, and sprinkler connections in CCWSD.

Proposed Motion

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

Attachments

- | | |
|---------------|---|
| Attachment A: | Resolution for Extraterritorial Water Service for Fire Protection |
| Attachment B: | Map of Castleton Center Water and Sanitation District |
| Attachment C: | Resolution from Castleton Center Water and Sanitation District |
| Attachment D: | 3197 Commerce Court Proposed Fire Flow Diagram |



VICINITY MAP - FIRE HYDRANT LOCATIONS

2

1 : 1440

Proposed Fire Flow Diagram Castle Rock Office Warehouse Development

September 10, 2020

Revised January 13, 2021 TFF



Architects &
Planners, Inc.

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TERMS FOR AGREEMENT WITH (*Legal Name of Owner*) EXTRATERRITORIAL WATER SERVICE – FIRE PROTECTION

~~1/13/2021~~ 2/5/2021

1. The Town of Castle Rock (Town) has authority to extend municipal water services to properties outside the Town's corporate boundaries pursuant to Town Municipal Code, [Chapter 13.12](#).
2. Water service for fire protection only shall be exclusive to 3197 Commerce Court, Castleton Center (Property); no other connections will be allowed without written consent of the Town.
3. Owner shall extend a water main into Commerce Court from the Town's existing municipal water transmission line located nearby the Property in Castleton Road, in accordance with [13.08](#) of the Castle Rock Municipal Code (CRMC) and Public Works Regulations. From this main extension, the Town shall permit a fire service connection(s) to the property.
4. The fire service connection(s) shall be of sufficient size to meet the needs of the Owner, as reasonably determined by Owner's engineer, but shall not exceed 6 inches in diameter.
5. Owner also shall install a hydrant lateral and fire hydrant. See Proposed Fire Flow Diagram Castle Rock Office Warehouse Development, revised January 13, 2021.
6. All costs associated with installation of the water main, the hydrant lateral and fire hydrant, and the fire service connection(s) shall be borne by Owner. Owner shall design infrastructure to comply with Town's [Water System Design Criteria](#), shall submit plans to Town for review and pay associated review fees, shall obtain required [permits](#) for connecting to Town's water system, and shall construct improvements to comply with Town construction requirements. Owner shall be responsible for all maintenance of the service line as defined in Town Municipal Code, Chapter [13.12.050 – Ownership of system](#). Owner shall convey water main extension, hydrant lateral and fire hydrant to the Town upon satisfactory completion of construction.
7. Cost of service shall include applicable system development fees for connecting to the Town's system based on the size of the domestic water service connection to Castleton Center Water and Sanitation District (CSW&SD) plus monthly service charges plus annual costs for maintaining associated water system assets owned by the Town and within the CCW&SD. All fees and charges will be subject to an extraterritorial surcharge up to 125%.
8. Assuming a ¾" domestic water service connection, fees and charges are estimated as follows and will be updated annually in accordance with changes to rates and fees approved by Council based on our annual rates and fees study:
 - a. System Development Fees
 - i. Water = \$4,030
 - ii. Renewable Water = \$18,504
 - iii. 25% Surcharge on above = \$5,633
 - iv. Total SDFs = \$28,167
 - b. Monthly Charges (subject to annual updates by Council)
 - i. Water service charge = \$9.54
 - ii. Renewable water service charge = \$26.15
 - iii. 25% Surcharge on above = \$8.92

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TERMS FOR AGREEMENT WITH (*Legal Name of Owner*) EXTRATERRITORIAL WATER SERVICE – FIRE PROTECTION

~~1/13/2021~~ 2/5/2021

- iv. Total monthly charges = \$44.61
- c. Annual Operation and Maintenance charge for assets within the CCW&SD will be assessed for a pro rata share at ~\$1700 based on the existing assets (7,870 feet of water lines, 33 valves and 9 fire hydrants) plus new assets (1 hydrant, 2 valves and approximately 230 feet of water main extension). This annual cost is estimated at \$1,750/year and pro rata share would be 1/6 of the cost or \$292/year. These costs are subject to change annually based on actual operation and maintenance costs and resulting rate adjustments as approved by Council in our annual rates and fees study. If Owner becomes a customer of Castle Rock Water for domestic water service, then this cost will be recovered through water usage rates and this annual charge no longer will apply.
9. Service contract is contingent upon approval by Town Council.
- 9.10. Service extension by Castle Rock Water into the Castleton Center Water & Sanitation District service area requires District approval.