

AGENDA ITEM SUMMARY

FORT COLLINS CITY COUNCIL

ITEM NUMBER: 27

DATE: May 18, 1999

STAFF: Bode/Smith

SUBJECT:

Resolution 99-57 Authorizing the Mayor to Execute an Intergovernmental Agreement with the Northern Colorado Water Conservancy District Acting by and through the Pleasant Valley Pipeline Water Activity Enterprise and the City of Fort Collins Water Utility Enterprise for Participation in the Pleasant Valley Pipeline Project.

RECOMMENDATION:

Staff and the Water Board recommend adoption of the Resolution.

FINANCIAL IMPACT:

The City's portion of this phase of the Pleasant Valley Pipeline Project is approximately \$1.5 million during 1999 and 2000. The subsequent construction phase scheduled for 2001 will cost the City an estimated \$8 million. Funds for this project are being budgeted in the Water Fund as part of the Water Treatment Facilities Master Plan.

EXECUTIVE SUMMARY:

The Pleasant Valley Pipeline (PVP) Project is included in the Water Treatment Facilities Master Plan that was approved by City Council in June 1997. When constructed, the pipeline will convey additional water from the Poudre River to the City's Water Treatment Facility on West LaPorte Avenue. Additional pipeline capacity from the Poudre River will increase the capability and reliability of delivering raw water to the Water Treatment Facility.

The PVP project has been formulated as a regional project with the City of Fort Collins, City of Greeley, and the three local Water Districts that comprise the Soldier Canyon Filter Plant, as project participants. The Northern Colorado Water Conservancy District (NCWCD) has formed the "PVP Enterprise" to design, construct, own, and operate the pipeline. This Resolution will allow the City to enter into an intergovernmental agreement with NCWCD to provide funding for this phase of the project and to address how the costs will be allocated among the participants.

The City Water Utility Enterprise is a party to the intergovernmental agreement solely for the purpose of entering into a multi-year fiscal obligation.

BACKGROUND:

About two years ago, NCWCD and the participants in the project entered into a consulting services agreement with CH2M HILL to select a pipeline route and prepare preliminary designs and construction cost estimates. This first phase of the project was completed last summer and a preliminary report was prepared. The parties are now ready to move ahead with the second phase of the project which will include environmental studies, design, permitting, right-of-way acquisition and related work. The NCWCD, as owner and operator of the project, will enter into a contract with CH2M HILL to complete these services. The participants now need to enter into separate agreements with NCWCD to provide funding for Phase 2 of the project and to address how the costs will be allocated among them.

The flow capacities in the pipeline are presently allocated as 60 million gallons per day (MGD) for Fort Collins and 40 MGD for the Soldier Canyon Filter Plant (owned by the three water districts) during the months of April through October. During the winter months of November through March, Greeley desires 30 MGD, conveying water the opposite direction from Horsetooth Reservoir to their Bellvue Water Treatment Plant. The costs will be allocated among the parties based on capacity desired and the segments of the pipeline used by each party. The second phase of the project is estimated to cost \$3.3 million, with Fort Collins' share being approximately \$1.5 million. The total cost of the project is expected to be approximately \$20 million, with Fort Collins' share being about 50% of the total.

The Water Board discussed this proposal on April 22 and unanimously approved a motion to recommend that the City enter into an agreement with the Northern Colorado Water Conservancy District to participate in Phase 2 of the Pleasant Valley Pipeline Project.

RESOLUTION 99-57
OF THE COUNCIL OF THE CITY OF FORT COLLINS
AUTHORIZING THE MAYOR TO EXECUTE AN INTERGOVERNMENTAL
AGREEMENT WITH THE NORTHERN COLORADO WATER CONSERVANCY DISTRICT
ACTING BY AND THROUGH THE PLEASANT VALLEY PIPELINE WATER ACTIVITY
ENTERPRISE AND THE CITY OF FORT COLLINS WATER UTILITY ENTERPRISE
FOR PARTICIPATION IN THE PLEASANT VALLEY PIPELINE PROJECT

WHEREAS, by Resolution 97-88 the City Council adopted the Revised Water Treatment Facilities Master Plan; and

WHEREAS, a new raw water transmission pipeline from the Poudre River to the City's water treatment facility is included as a part of the master plan; and

WHEREAS, the City of Fort Collins, the City of Greeley, and three local water districts have been exploring the feasibility of sharing the use of the new "Pleasant Valley Pipeline" (PVP) to avoid duplication of similar pipelines; and

WHEREAS, the parties are now ready to move ahead with the second phase of the project which will include environmental studies, design, permitting, right-of-way acquisition and related work; and

WHEREAS, the Northern Colorado Water Conservancy District (NCWCD) has formed the "PVP Enterprise" to design, construct, own, and operate the pipeline for the City and the other participants; and

WHEREAS, the terms and conditions upon which the City and NCWCD would pursue Phase 2 of the PVP project are set forth in the "Intergovernmental Agreement for Participation in the Pleasant Valley Pipeline Project," a copy of which is attached hereto as Exhibit "A" and incorporated herein by reference (the "Agreement").

NOW, THEREFORE, BE IT RESOLVED BY THE COUNCIL OF THE CITY OF FORT COLLINS that the Council hereby approves the Agreement and authorizes the Mayor to execute the Agreement on behalf of the City.

Passed and adopted at a regular meeting of the City Council held this 18th day of May A.D. 1999.

Mayor

ATTEST:

City Clerk

EXHIBIT A

**INTERIM AGREEMENT BETWEEN THE
NORTHERN COLORADO WATER CONSERVANCY DISTRICT,
ACTING BY AND THROUGH THE
PLEASANT VALLEY PIPELINE WATER ACTIVITY ENTERPRISE,
AND
THE CITY OF FORT COLLINS
AND
THE CITY OF FORT COLLINS WATER UTILITY ENTERPRISE
FOR PARTICIPATION IN THE
PLEASANT VALLEY PIPELINE PROJECT**

This Agreement is made and entered into as of _____, 1999, by and between the Northern Colorado Water Conservancy District (a quasi-municipal entity and political subdivision of the State of Colorado) (the "District"), acting by and through its Pleasant Valley Pipeline Water Activity Enterprise (a government-owned business within the meaning of Article X, Section 20(2)(d), of the Colorado Constitution, organized pursuant to C.R.S. §§ 37-45.1-101 et seq.), whose address is 1250 North Wilson Avenue, Loveland, Colorado 80537 (the "PVP Enterprise"), and the City of Fort Collins, Colorado, a municipal corporation, whose address is 300 LaPorte Avenue, Fort Collins, Colorado 80521 ("Participant"), and the City of Fort Collins Water Utility Enterprise (a government-owned business within the meaning of Article X, Section 20(2)(d), of the Colorado Constitution, organized pursuant to C.R.S. §§ 37-45.1-101 et seq.), whose address is 700 Wood Street, Fort Collins, Colorado 80521 ("the Participant Enterprise").

Recitals

- A. The PVP Enterprise is developing a municipal water supply conveyance system known as the Pleasant Valley Pipeline Project (the "Project") to provide raw water to entities located in the northern and western parts of the District and its Municipal Subdistrict ("Subdistrict").
- B. Overall Project costs will be divided among the entities which participate in the Project.
- C. The Participant Enterprise is made a party to this Agreement solely for the purpose of entering into any multi-year fiscal obligation required under this Agreement.
- D. The First Phase of the Project consisted of preliminary planning studies necessary to define the Project and determine its feasibility. The First Phase has been accomplished and the Project appears to be feasible and of value to the citizens and communities within the District and the Subdistrict.
- E. The District is now pursuing the Second Phase of the Project, which consists of

environmental studies, design, permitting, right-of-way acquisition and related work. It is necessary that the District pursue the Second Phase of the Project at this time in order to be able to complete the Project on the time schedule desired by the participants.

- F. Continuance and completion of the Second Phase of the Project on behalf of the participants will require funding to complete environmental studies, design, permitting, right-of-way acquisition and related work.

Agreement

1. Participant agrees to participate in completing the Second Phase of the Project to complete environmental studies, design, permitting, right-of-way acquisition and related work for the Project. Participation in the Second Phase of the Project in no way obligates Participant to subsequent phases of the Project or to continue involvement in the Project in any manner.
2. The "Summer delivery period" shall mean the period from April 1 to October 31, inclusive, of each year. Flow in the Pleasant Valley Pipeline during the Summer delivery period is north to south.
3. The "Winter delivery period" shall mean the period from November 1 of each year to March 31 of the following year, inclusive. Flow in the Pleasant Valley Pipeline during the Winter delivery period is south to north.
4. "Segment 1" shall be the segment of the pipeline from the Munroe Canal Turnout to the Greeley Bellvue Turnout, exclusive of the turnout. Participant's flow capacity in Segment 1 during both the Summer delivery period and the Winter delivery period is 60 percent of the total capacity of Segment 1.
5. "Segment 2" shall be the segment of the pipeline from the Greeley Bellvue Turnout to the pipeline terminus at the Fort Collins Water Treatment Facility and Soldier Canyon Filter Plant. Participant's flow capacity in Segment 2 during the Summer delivery period is 60 percent of the total capacity of Segment 2. Participant's flow capacity in Segment 2 during the Winter delivery period is 60 percent of the Segment 2 capacity remaining after Greeley's 30 MGD share.
6. "Segment 3" shall be the segment of the pipeline from the existing 54-inch Soldier Canyon outlet from Horsetooth Reservoir to the pipeline terminus at the Fort Collins Water Treatment Facility and Soldier Canyon Filter Plant. Participant's flow capacity in Segment 3 during both the Summer delivery period and the Winter delivery period is 0% of the total capacity of Segment 3.
7. "Segment 4" shall be the Greeley Bellvue Turnout from the junction of Segments 1 and 2 to the Greeley Bellvue Filter plant. Participant's flow capacity in Segment 4 during both

the Summer delivery period and the Winter delivery period is 0% of the total capacity of Segment 4.

8. Participant may request a change in allocated flow capacity for any pipeline segment, which will be implemented by the PVP Enterprise so long as any increased costs of design, environmental studies, permitting or other matters are paid by the Participant Enterprise. If a change in Participant's capacity is made, the formula for allocation of costs among the participants shall be changed accordingly so that all participant's bear their pro rata share of the costs of the Project after the change.

9. Participant Enterprise agrees to provide to the PVP Enterprise funds for its pro rata share of the costs necessary to complete the Second Phase of the Project. The PVP Enterprise estimates that Participant Enterprise's pro rata share of the costs of the Second Phase of the Project is \$500,000 for the 1999 calendar year, and \$1,000,000 for the 2000 calendar year. Participant Enterprise will pay the PVP Enterprise its pro rata share of the 1999 calendar year costs on or before June 15, 1999, and Participant Enterprise will pay the PVP Enterprise one-half of its pro rata share of the 2000 calendar year costs on or before January 15, 2000 and the remaining one-half on or before July 15, 2000. These estimated costs will not be increased or exceeded without the prior written approval of Participant Enterprise. However, if the Second Phase of the Project cannot be completed within these estimated costs, the PVP Enterprise is not obligated to complete the Second Phase of the Project for the benefit of Participant unless sufficient additional pro rata funds as determined by the PVP Enterprise are provided by Participant Enterprise. In the event that Participant Enterprise's share of actual costs are less than the amount of funds provided to the PVP Enterprise by Participant Enterprise, then such excess shall be refunded to Participant Enterprise, or, at Participant Enterprise's option, credited to Participant Enterprise's share of the next phase of the Project. Participant Enterprise or its agent shall have the right to inspect and audit the books and records of the PVP Enterprise relating to the Project upon reasonable notice to the PVP Enterprise. Attached hereto as Exhibit A is a table showing the pro rata share of the costs of the Project for each participant based upon current allocations of capacity in the Project.

10. In the event that Participant Enterprise fails to make any of the payments set forth above at the specified times, the PVP Enterprise shall have the right to terminate this Agreement and cease all work on the Project for the benefit of Participant. The PVP Enterprise shall give Participant and Participant Enterprise ten (10) days' advance written notice of its intention to terminate this Agreement and cease work on the Project for Participant's benefit under this paragraph. Participant Enterprise shall have until the end of said 10-day period in which to make all past due payments in full in order to cure its default hereunder. Participant Enterprise shall in any event be responsible for its pro rata share of costs of the Second Phase of the Project actually incurred by the PVP Enterprise as of the date of termination of this Agreement.

11. The PVP Enterprise agrees to diligently pursue the Second Phase of the Project in good faith to the extent that funds therefor are provided by the Participant Enterprise under this Agreement and by other participants under similar agreements. By entering into this Agreement and accepting payments from Participant Enterprise, the PVP Enterprise does not obligate itself to, nor does the PVP Enterprise warrant, that it will proceed with construction of the Project beyond the Second Phase or that it will construct or operate the Project. At the end of the Second Phase, the PVP Enterprise will determine after consultation with the participants whether to proceed with the Project. The PVP Enterprise agrees that, if the participants provide all required funding, if the PVP Enterprise has the ability, and if the Project is feasible and practical, it will pursue the construction and operation of the Project if requested to do so by all participants. In the event that the PVP Enterprise decides not to proceed with the Project, it will so notify Participant and this Agreement will immediately and automatically terminate upon the giving of such notice.
12. In the event of termination of this Agreement or of the Project, Participant Enterprise shall not be entitled to any return of funds paid to the PVP Enterprise for the Project, unless payments by participants exceed the PVP Enterprise's costs, in which case a pro rata refund will be made. In the event of such termination, Participant shall be entitled to receive copies of any work products developed by the PVP Enterprise or its consultants on behalf of Participant, and PVP Enterprise shall convey to Participant, as a tenant in common with all other participants, a pro rata interest in all real and personal property acquired by the PVP Enterprise for the Project with funds provided under this Agreement or similar agreements with other participants.
13. Participant shall have the right to assign this Agreement and Participant's rights hereunder to any person or entity that is eligible to receive water deliverable through the Project and that is financially able to perform this Agreement with the written consent of the PVP Enterprise, which consent shall not be unreasonably withheld.
14. In the event that this Agreement is terminated for any reason, Participant Enterprise shall not be entitled to any return of any funds paid to the PVP Enterprise for the Project, and the PVP Enterprise shall have no further obligations to Participant, except as provided in Paragraph 12 above.
15. This Agreement is the entire agreement between the PVP Enterprise, Participant and Participant Enterprise regarding participation in the Project and shall be modified by the parties only by a duly executed written instrument approved by Participant, Participant Enterprise and the PVP Enterprise.

IN WITNESS HERETO THE PARTIES HERETO have executed this Agreement as of the date and year first above written.

**THE CITY OF FORT COLLINS, COLORADO,
A Municipal Corporation**

ATTEST:

By: _____
Mayor

City Clerk

APPROVED AS TO FORM:

Deputy City Attorney

**CITY OF FORT COLLINS
WATER UTILITY ENTERPRISE,
An Enterprise of the City**

ATTEST:

By: _____
President

City Clerk

**NORTHERN COLORADO WATER
CONSERVANCY DISTRICT,
ACTING BY AND THROUGH THE PLEASANT
VALLEY PIPELINE WATER
ACTIVITY ENTERPRISE**

By: _____
Name: _____
Title: _____

EXHIBIT A

PLEASANT VALLEY PIPELINE
 Cost Allocation
 Medium Flow Condition: 62-inch Pipe

Flow Capacities (Used for allocating segment-specific costs)

Participant	Flow (mgd)	Duration		
		Start	End	No. Days
Fort Collins	60	1-Apr	31-Oct	214
Soldier Canyon	40	1-Apr	31-Oct	214
Greeley	30	1-Nov	31-Mar	151

Segment 1 Length (ft): 12,300
 Segment 2 Length (ft): 31,100

Item	Estimated Cost	Fort Collins		Soldier Canyon		Greeley	
		Percent Share	Amount	Percent Share	Amount	Percent Share	Amount
SEGMENT SPECIFIC COSTS							
<i>Segment 1 - Munroe Canal to Greeley Turnout</i>							
Pipeline Construction	\$ 4,499,650	60.0%	\$ 2,699,790	40.0%	\$ 1,799,860	0.0%	\$ -
Land and Right-of-Way	\$ 520,000	60.0%	\$ 312,000	40.0%	\$ 208,000	0.0%	\$ -
Segment 1 Total	\$ 5,019,650		\$ 3,011,790		\$ 2,007,860		\$ -
<i>Segment 2 - Greeley Turnout to Soldier Canyon</i>							
Pipeline Construction	\$ 9,385,500	49.5%	\$ 4,647,506	33.0%	\$ 3,098,337	17.5%	\$ 1,639,657
Land and Right-of-Way	\$ 1,240,000	49.5%	\$ 614,022	33.0%	\$ 409,348	17.5%	\$ 216,629
Segment 2 Total	\$ 10,625,500		\$ 5,261,528		\$ 3,507,685		\$ 1,856,287
Segment 3 - Greeley Connection to Soldier Canyon Outlet	\$ 110,800	0.0%	\$ -	0.0%	\$ -	100.0%	\$ 110,800
Segment 4 - Belvue Turnout	\$ 314,300	0.0%	\$ -	0.0%	\$ -	100.0%	\$ 314,300
Subtotal (Segment specific costs)	\$ 16,070,250		\$ 8,273,318		\$ 5,515,545		\$ 2,281,387
NON-SEGMENT SPECIFIC COSTS							
Design, Permitting and Project Management	\$ 1,410,000	37.7%	\$ 530,971	37.7%	\$ 530,971	24.7%	\$ 348,058
Electrical/SCADA	\$ 583,000	37.7%	\$ 219,543	37.7%	\$ 219,543	24.7%	\$ 143,913
Construction Services	\$ 487,000	37.7%	\$ 183,392	37.7%	\$ 183,392	24.7%	\$ 120,216
Subtotal (Non-segment specific costs)	\$ 2,480,000		\$ 933,907		\$ 933,907		\$ 612,187
Total Estimated Project Cost	\$ 18,550,250		\$ 9,207,225		\$ 6,449,452		\$ 2,893,574
PREVIOUS COSTS							
Pre-design/Route Selection	\$ 209,375	0.25%	\$ 52,344	0.25%	\$ 52,344	0.25%	\$ 52,344
TOTAL ESTIMATED PROJECT COST	\$ 18,759,625		\$ 9,259,569		\$ 6,501,796		\$ 2,945,917

Notes:

- Segment specific costs will be those costs which relate only to an individual specific Segment of the Pipeline, including, but not limited to costs for right-of-way, pipeline materials and installation, appurtenances, and electrical and instrumentation facilities.
- Non-segment specific costs will be those costs which relate to the Pipeline, but cannot be specifically related to an individual specific Segment of the Pipeline, including, but not limited to permitting, environmental, design, engineering, administration, and SCADA control system costs.

Examples of Cost Allocation Formulas:

Segment Specific Costs

Segment 1:
 Soldier Canyon Share = $Q_{sc} / (Q_{fc} + Q_{sc})$

Segment 2:
 Fort Collins Share = $(Q_{fc} \times l_{fc}) / ((Q_{fc} \times l_{fc}) + (Q_{sc} \times l_{sc}) + (Q_g \times l_g))$

Non-Segment Specific Costs

Greeley Share = $(\text{Segment 1 Cost}/\text{Total Cost}) \times \text{Segment 1 Share} + (\text{Segment 2 Cost}/\text{Total Cost}) \times \text{Segment 2 Share} + (\text{Segment 3 Cost}/\text{Total Cost}) \times \text{Segment 3 Share} + (\text{Segment 4 Cost}/\text{Total Cost}) \times \text{Segment 4 Share}$

Non-segment specific shares:

Participant	Segment 1	Segment 2	Segment 3	Segment 4
Fort Collins	50%	33%	0%	0%
Soldier Canyon	50%	33%	0%	0%
Greeley	0%	33%	100%	100%

EXHIBIT A, continued

PLEASANT VALLEY PIPELINE

Design and Right-of-Way Acquisition Phase Budget Estimate

	<u>Previous Estimate</u>	<u>Estimated Cost</u>	<u>1999 Allocation</u>	<u>2000 Allocation</u>	<u>2001 Allocation</u>	
Pre-design and Route Selection	\$ 230,000	\$ 209,375	\$ -	\$ -	\$ -	
Engineering Design (CH2M HILL)						
Final Design	\$ 900,000	\$ 850,000	\$ 200,000	\$ 650,000	\$ -	
Seismic Refraction Surveys (optional)	\$ -	\$ 80,000	\$ -	\$ 80,000	\$ -	
Construction Services	\$ 120,000	\$ 125,000	\$ -	\$ -	\$ 125,000	
Subtotal	\$ 1,020,000	\$ 1,035,000	\$ 200,000	\$ 710,000	\$ 125,000	
Land and Right-of-Way Acquisition						
Segment 1:						
Appraisals	\$ 80,000	\$ 80,000	\$ 40,000	\$ 40,000	\$ -	
Survey/Legal Descriptions	\$ 60,000	\$ 20,000	\$ 20,000	\$ -	\$ -	
Title Company	\$ 30,000	\$ 5,000	\$ 5,000	\$ -	\$ -	
Legal Services	\$ 100,000	\$ 100,000	\$ 15,000	\$ 85,000	\$ -	
NCWCD Staff (ROW agent)	\$ 75,000	\$ 35,000	\$ 17,500	\$ 17,500	\$ -	
Land/Easement Purchase	\$ 980,000	\$ 280,000	\$ 70,000	\$ 210,000	\$ -	
Segment 1 Subtotal	\$ 1,325,000	\$ 520,000	\$ 167,500	\$ 352,500	\$ -	
Segment 2:						
Appraisals	\$ -	\$ 160,000	\$ 80,000	\$ 80,000	\$ -	
Survey/Legal Descriptions	\$ -	\$ 100,000	\$ 100,000	\$ -	\$ -	
Title Company	\$ -	\$ 15,000	\$ 15,000	\$ -	\$ -	
Legal Services	\$ -	\$ 200,000	\$ 35,000	\$ 165,000	\$ -	
NCWCD Staff (ROW agent)	\$ -	\$ 65,000	\$ 32,500	\$ 32,500	\$ -	
Land/Easement Purchase	\$ -	\$ 700,000	\$ 180,000	\$ 520,000	\$ -	
Segment 2 Subtotal	\$ -	\$ 1,240,000	\$ 442,500	\$ 797,500	\$ -	
Total Land and Right-of-Way Acquisition	\$ 1,325,000	\$ 1,760,000	\$ 610,000	\$ 1,150,000	\$ -	
Permitting and Environmental						
Environmental Consultant	\$ 30,000	\$ 100,000	\$ 50,000	\$ 50,000	\$ -	
Legal Services	\$ -	\$ 50,000	\$ 25,000	\$ 25,000	\$ -	
Section 7/NEPA (if needed)	\$ -	\$ 150,000	\$ 75,000	\$ 75,000	\$ -	
Subtotal	\$ 30,000	\$ 300,000	\$ 150,000	\$ 150,000	\$ -	
Project Management						
Legal Services	\$ 100,000	\$ 100,000	\$ 33,000	\$ 33,000	\$ 34,000	
NCWCD Staff	\$ 125,000	\$ 100,000	\$ 50,000	\$ 50,000	\$ -	
Subtotal	\$ 225,000	\$ 200,000	\$ 83,000	\$ 83,000	\$ 34,000	
Construction Services						
Construction Manager	\$ 176,800	\$ 176,800	\$ -	\$ -	\$ 176,800	
Construction Inspection (NCWCD Labor)	\$ 83,200	\$ 83,200	\$ -	\$ -	\$ 83,200	
Testing During Construction	\$ 50,000	\$ 50,000	\$ -	\$ -	\$ 50,000	
NCWCD Labor	\$ 52,000	\$ 52,000	\$ -	\$ -	\$ 52,000	
Subtotal	\$ 362,000	\$ 362,000	\$ -	\$ -	\$ 362,000	
Construction						
Segment 1	\$ 4,306,050	\$ 4,499,650	\$ -	\$ -	\$ 4,499,650	
Segment 2	\$ 8,861,300	\$ 9,385,500	\$ -	\$ -	\$ 9,385,500	
Segment 3 (Greeley Connection)	\$ 314,300	\$ 110,800	\$ -	\$ -	\$ 110,800	
Segment 4 (Bellvue Turnout)	\$ 110,800	\$ 314,300	\$ -	\$ -	\$ 314,300	
SCADA/Control	\$ 583,000	\$ 583,000	\$ -	\$ -	\$ 583,000	
Project Construction	\$ 14,175,450	\$ 14,893,250	\$ -	\$ -	\$ 14,893,250	
Total Estimated Project Cost	\$ 17,367,450	\$ 18,759,625	\$ 1,043,000	\$ 2,093,000	\$ 15,414,250	
Project Contingency Fund (5%)	\$ -	\$ 940,000	\$ 60,000	\$ 110,000	\$ 770,000	
Total Project Budget	\$ 17,367,450	\$ 19,699,625	\$ 1,103,000	\$ 2,203,000	\$ 16,184,250	
		\$ 19,699,625				
			1999	2000	2001	Total
Fort Collins Share:			505,000	1,003,000	8,053,000	\$ 9,561,000
Soldier Canyon Share:			399,000	801,000	5,604,000	\$ 6,804,000
Greeley Share:			199,000	399,000	2,527,000	\$ 3,125,000
			\$ 1,103,000	\$ 2,203,000	\$ 16,184,000	\$ 19,490,000

EXCERPT FROM WATER BOARD MINUTES

April 22, 1999

PLEASANT VALLEY PIPELINE AGREEMENT BETWEEN CITY OF FORT COLLINS AND NORTHERN COLORADO WATER CONSERVANCY DISTRICT (NCWCD)

Background

The background information provided in the packets pointed out that the Water Treatment Master Plan was approved by Council in June 1997. The plan includes construction of the Pleasant Valley Pipeline (PVP) which will convey additional water from the Poudre River to the City's Water Treatment Facility on West Laporte Ave. The PVP project has been formulated as a regional project with the City of Fort Collins, City of Greeley and the three water districts that comprise the Soldier Canyon Filter Plant, as project participants. The NCWCD has formed the "PVP Enterprise" to design, construct, own and operate the pipeline.

About two years ago, NCWCD and the participants in the project entered into a consulting services agreement with CH2M Hill to select a pipeline route and prepare preliminary designs and construction cost estimates. Dennis Bode said this phase of the project was completed last summer and a preliminary report was prepared. The parties are now ready to move ahead with the second phase of the project which will include environmental studies, design, permitting, right-of-way acquisition and related work.

Mr. Bode went on to explain the highlights of the project. He said the flow capacities in the pipeline are presently allocated as 60 MGD for Fort Collins and 40 MGD for the Soldier Canyon Filter Plant (Tri-Districts) during the months of April through October. During the winter months of November through March, Greeley wants 30 MGD, conveying water the opposite direction from Horsetooth Reservoir to their Bellvue plant. "As Gene Schleiger mentioned, the District has formed an enterprise to handle the design and construction and also operate the pipeline. The way it is set up, NCWCD becomes contractor of the consultant for phase two of the project." He said the participants need to enter into separate agreements with NCWCD to provide funding for the project and to address how the costs will be allocated among the participants. Staff is currently working with NCWCD staff, other participants and the City Attorney's office to finalize an agreement. "It's a fairly simple agreement," he said. He explained that the costs are allocated among the parties based on capacity desired and the segments of the pipeline used by each party. The second phase of the project is estimated to cost \$3.3 million with Fort Collins' share approximately \$1.5 million. The total cost of the project is expected to be a little under \$20 million, with Fort Collins' share about 50% of the total.

He went on to say that because of the type of agreement, it will need to go to City Council for approval, and will probably include both the City and the Water Utility enterprise as parties to the agreement.

Staff Recommendation:

Staff recommends that the Water Board recommend to City Council that the City enter into an agreement with NCWCD to proceed with Phase 2 of the project which includes the environmental studies, design, permitting, right-of-way acquisition and related work.

Discussion

David Lauer asked how much the first phase cost. "The first phase was set up somewhat differently where all the parties were directly participating," Mr. Bode said. Mike Smith said in the first phase, all four parties actually contracted with the contractor themselves. "We didn't pass money through the District to the consultant. The second phase is a big enough piece that we will be required to have an intergovernmental agreement." He added that the first phase cost a little over \$200,000.

"Were we the original owner of this project and then we got cooperation from the other entities?" Dr. Sanders asked. "We weren't really the original owner, we just said we needed a pipeline, and the other entities said they could probably use one too. We tried to get others to participate so it would become a regional project instead of just a Fort Collins project," Mike Smith explained. "But then we lose control," Dr. Sanders asserted. "We're a partner," Dave Frick said. "Are we a voting partner?" Mr. Sanders asked. "If we put in 50% of the money do we have 50% of the vote?" "There is really nothing to vote on," Mr. Smith replied. "I am concerned when decisions have to be made on which way the water is going, etc.," Dr. Sanders continued. "We'll have agreements on all that before we do it," Mr. Smith stated. "We have spent considerable time thinking about the operations and the things we need to have in place to make sure things operate the way they should," Mr. Bode assured Dr. Sanders. "There was some discussion that Fort Collins would probably volunteer to operate the facility," Mr. Smith related.

Dave Frick noted that the agenda summary said the NCWCD owns and operates the project. "You mean we are paying \$10 million and we don't even own it?" he asserted. Dr. Sanders was concerned about that too. "This PVP Enterprise was developed by Northern as a separate entity," David Lauer explained, "so all four partners work through this enterprise." "It's similar to CBT water," Mr. Smith said. "We don't own that either; we only own shares in it," he added. "Yes, but we didn't build it either," Dr. Sanders pointed out.

"How does the operation of this pipeline relate to the existing pipeline?" Robert Ward asked. "We own the existing pipeline segments because we put them in; one was in the 20s and the other was in 1955," Mr. Smith replied. "We looked at various structures of how to proceed; one specified that Fort Collins would put it in and we would share it." Some of the entities weren't sure if they could trust the City to do that. Then they considered having an intergovernmental agreement among the three entities. They agreed that it was more acceptable for everyone to have the District be the entity to build the pipeline and own it. That is the structure used for the Southern Pipeline. "Is the Northern District a partner in this, and will they use any of the water?" Mr. Lauer asked. "I don't believe so," Mr. Smith answered. "Right now capacity is allocated just among the three parties," Mr. Bode added. "Will Northern have any control over the allotment?" Mr. Lauer asked. "No," Mr. Smith said. "Is there no policy issue over anything Northern has in this pipeline?" Dr. Sanders persisted. "As far as

they are concerned, it's an empty pipeline," Mr. Smith responded. "We and the other entities are the ones who control it." "The costs are all based on allocation of flow. The sharing of costs, etc. is going to be spelled out in detail," Mr. Bode assured the Board.

"Are there significant efficiencies of scale in terms of saving money over just doing the pipeline for us?" Tom Brown asked. "If we were to build it ourselves, initially the estimates were close to \$15 or 16 million, and we are paying \$10 million now," Mr. Smith responded. "I don't know what recent estimates would be." "If something happens and it breaks, are we insured?" John Morris asked. "That's right," Mr. Smith answered. "Is this just transporting raw water?" Dr. Sanders asked. "Yes," Mr. Smith said. "Is this the same line that the University wants to bring over a piece of to the campus?" Mr. Morris wondered. "That's a different line," was the answer. Mr. Smith explained that this is the raw water line that will go from the eastern portal of the Munroe Tunnel into the Munroe Canal. It will cross the River up to near Greeley's water treatment plant, and wind down toward Fort Collins' water treatment plant. In the spring and summer, water will come out of the River through the pipeline to our plant and the Tri-District's plant. In the winter months, when there is nothing much to flow through it, we can actually put water backwards from Horsetooth to Greeley.

How was the design altered to make the pipeline go to the Greeley plant? Mr. Sanders asked. "It has to go close to their plant anyway," Mr. Smith replied. "Does it follow the route of the other pipeline?" George Reed asked. "In some places, but it varies. The existing pipeline goes through Bingham Hill and this one will go over and around Claymore Lake. We looked at the costs of putting a new tunnel through it but it was cheaper to go around," Mr. Smith replied. "What about the maintenance; will the cost be shared?" Mr. Sanders asked. "Yes," Mr. Smith said.

"I can see where establishing the Northern District as essentially the unbiased executor of this serves to get the comfort level up for the three partners of this project," Paul Clopper observed. "It seems generous calling Northern unbiased," Mr. Lauer remarked. "All three parties are comfortable with it. This was a good way to get some regional cooperation going among the three entities, which might not have occurred otherwise," Mr. Smith noted. "Plus, we save \$6 million."

Mr. Lauer suggested that, even though we are saving considerable money, "do we not think our share of the cost ought to correspond to our share of the water? If we are going to pay 50% of the cost of the construction and maintenance operation of it shouldn't we receive 50% of the water?" "The cost allocation formula basically works it out that way," Mr. Smith responded. Mr. Bode pointed out that in the summertime we actually receive 60% of the capacity and the water districts have 40%, "so actually we are coming out a little ahead there. The reason it comes out differently is because of Greeley's piece in the wintertime. Because of the winter operation, both Fort Collins and the water districts get a little bit of a break compared to their percentage of summer participation." "So the 30 million gpd are the ones that are going the other direction to Greeley in the winter," Mr. Lauer clarified. "That's right," Mr. Smith said. "We get 60% in the summer when we need it and only have to pay half," he added.

"Do we have enough water rights to utilize that capacity. If we don't, how much excess capacity do we have for the future?" Dr. Sanders wondered. "There are times when all our decrees are in priority and we could use all of that capacity," Mr. Bode explained. "That's a relatively short time. It depends on the year you have and what kinds of demands there are," he added. "It provides the flexibility for us to manage the water supply better," Mr. Smith stated.

ACTION: Motion

John Morris moved that the Board recommend to the Council that the City enter into an agreement with NCWCD to proceed with Phase 2 of the project. Tom Brown seconded the motion.

"Suppose, down the line, Greeley sold out, for example, is there any way long term that this mantle of tiered up bureaucracy could go back to two partners?" George Reed asked, "or are you always going to have Northern as a participant?" "If push came to shove, I think there is a way it could be done," Mr. Smith replied. He added that once the pipeline is built and operating, "we probably won't even see the Northern District, so it won't be a big issue."

Mr. Lauer asked if staff foresees any other entities coming forward asking to be part of it after we get into the second phase; like Loveland, for example. "Probably not," Mr. Smith replied. Staff has pursued this extensively; there doesn't seem to be anyone else who wants to participate. "We are actually pleased to get Greeley involved. Initially they didn't think they needed it," he related.

"Can Greeley sell their access to Thornton?" Dr. Sanders asked. "Not really, because Greeley's use is from south to north, not north to south," Mr. Smith said.

Dave Frick continued to be concerned about the fact that the NCWCD owns the pipeline. "I have a problem when we pay \$10 million and we don't even own it, or even a part of it," he asserted. "I guess it's a matter of how you structure the agreement," he acknowledged. Mike Smith emphasized that this is the design piece and the Board will have an opportunity to revisit the issue when we get to the next stage of financing the pipeline. He acknowledged that there are some pros and cons related to the way it is structured. Chair Clopper pointed out that the minutes will reflect the Board's concerns.

Mr. Brown wondered if the 60%-40% split in the summertime can be re-negotiated sometime in the future, "or is it fixed for all time? There are many similar details that we are going to have to settle before the agreement is actually finalized." "I think it's a matter of the parties agreeing to any future changes," Mr. Bode responded. "I don't know that it's set in stone for all time, and I'm not sure that we would want it that way." "I'm not suggesting you would, but the agreement is going to have to address the issue of flexibility, etc." Mr. Brown contends. "If conditions change with the District and they have ownership of that pipe, it could be a concern," Dr. Sanders pointed out. "That's something we have to look at," Mr. Smith replied. "Do you think the federal government could get access to it?" Dr. Sanders asked. "I think it's fairly similar to the ownership of our CBT water," Mr. Bode said. "The District maintains ownership of the water rights that go with that." "We own 18,000 units," Mr. Smith said. "If they are \$3,000 a unit that's \$54 million."

"If we decided we didn't want to get into the agreement and we wanted to buy the water line ourselves, we still have to do environmental studies and Phase 2, so we haven't lost anything at this point," Mr. Morris noted. "I agree with the concerns, but those are future concerns," he added. "We want the pipeline anyway so we might as well get the process going."

"It says in the memo that the City Attorney's office has been working with them to finalize the agreement, so I assume a lot of the questions we are asking will be dealt with in the context of those negotiations," Robert Ward pointed out. Mr. Smith pointed out that, essentially, there is no difference in this project and the outlet at Horsethooth that we pay for and don't own. "Yes, but that's not good either," Dr. Sanders remarked.

Gene Schleiger clarified that this would be structured and operated just like the Windy Gap project and the southern water supply pipeline. The District was in Phase 1 because we felt there was an advantage to the District. "About two years ago we had to do some repairs on the canal. Fort Collins was very tight on water supply before we completed the repairs. This provides a redundancy for us to help that situation. Beyond that, we will not be anything more than what we are on Windy Gap or the southern pipeline" he assured the Board. "As for the water, that is for the other entities to decide on. We will just operate it," he concluded.

ACTION: Vote

Paul Clopper called the question. The Board approved the motion unanimously.