

DATE: June 25, 2013

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*Pre-taped staff presentation: available
at fcgov.com/clerk/agendas.php*

WORK SESSION ITEM FORT COLLINS CITY COUNCIL

SUBJECT FOR DISCUSSION

Consideration of a Regional Water Treatment Solutions Study with the Tri-Districts.

EXECUTIVE SUMMARY

Staff proposes to enter into a joint study to examine options for regional water treatment solutions between the Tri-Districts and the City of Fort Collins. The scope of any cooperative solution is strictly limited to creating a business model of receiving raw water, treating it, and returning a finished potable water product to the member entities at a wholesale rate. Options range from remaining independent, additional intergovernmental agreements, combining facilities, or other options to be determined during the investigation phase of the study. Acquisition and control of water rights or raw water storage is not part of this discussion. The Fort Collins Utilities and the Districts would maintain separate control over their raw water and distribution systems.

GENERAL DIRECTION SOUGHT AND SPECIFIC QUESTIONS TO BE ANSWERED

1. Is Council interested in pursuing a joint study of regional water treatment solutions between Fort Collins Utilities and the Tri-District Water agencies?
2. Are there additional issues Council feels should be resourced as part of the study?

BACKGROUND / DISCUSSION

The City and the Tri-Districts (comprised of East Larimer County Water District, Fort Collins-Loveland Water District, and North Weld County Water District) each operate a water treatment plant, located next to each other on LaPorte Avenue. Both plants treat the same raw water sources, although there are different blends available, depending on the water rights and time of the year, and distribute potable water to their customers. In addition, the City has the ability to share potable water with North Weld and Fort Collins-Loveland through interconnections in its distribution system, using long-standing agreements.

While regionalization has been discussed many times in the previous 30 years, there is a renewed interest in determining the cost benefit for regional opportunities available to the utilities. Growth of the Districts' service area, excess capacity in the City's facility, and costs of providing water are the driving forces for this work. Capital costs associated with new expansion, aging infrastructure, and efficiencies of operations and maintenance has led to the desire to look at the financial issues associated with collaboration.

To that end, the Regional Water Cooperation Committee (RWCC), a committee composed of managers from each utility, developed a scope of work to request a consultant to assist with the decision making process. While the four entities agree in principle that collaborations between the utilities can only mean increased efficiencies, there has not been a thorough analysis of the financial implications of regionalization.

CONSULTANT PROPOSALS

The RWCC developed institutional options of regionalization, including:

1. Stay the same (status quo)
2. Enhanced collaboration through Sales Agreements, but remain separate entities
3. Merger of treatment facilities, similar to an Authority model
4. Other option as determined by the consultant

The committee conducted a rigorous request for qualifications from nine firms, and short-listed three, who then provided more detailed proposals. The apparent preferred consultant, Arcadis/Red Oak Consulting, provided a strong proposal that identified its approach through stakeholder engagement, integration of a work plan and analysis of options. In the financial analysis it would provide:

1. Assessment of value and accounting of assets from the utilities
2. Development of fair and equitable wholesale and retail cost allocation
3. Present worth and future cost projects for alternatives

It was unanimously agreed by the RWCC that a third-party analysis was critical to determining the financial piece of enhanced collaboration, particularly when evaluating regionalization through an authority model. In such a structure, the Authority would own, operate and maintain the two water treatment facilities, and sell the drinking water to the four members (City and three Districts) through wholesale rate sale agreements. The envisioned Authority would be a separate entity governed by a board with representation of the four utilities (similar to the Platte River Power Authority and/or the Poudre Fire Authority models). The utilities would maintain separate control over their raw water and their distribution systems. The governance would require equal representation among the entities.

COST

The initial fee for the consultant providing these services is \$220,185. This fee would be split evenly between the four entities (\$55,000 each). The Boards of the Tri-District entities have approved the expenditure of their shares of the cost. Upon approve of this expenditure by the City Council for the Fort Collins portion, the RWCC will negotiate with Red Oak to finalize the details of the scope of work.

FUTURE ACTION REQUIRED

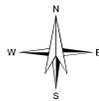
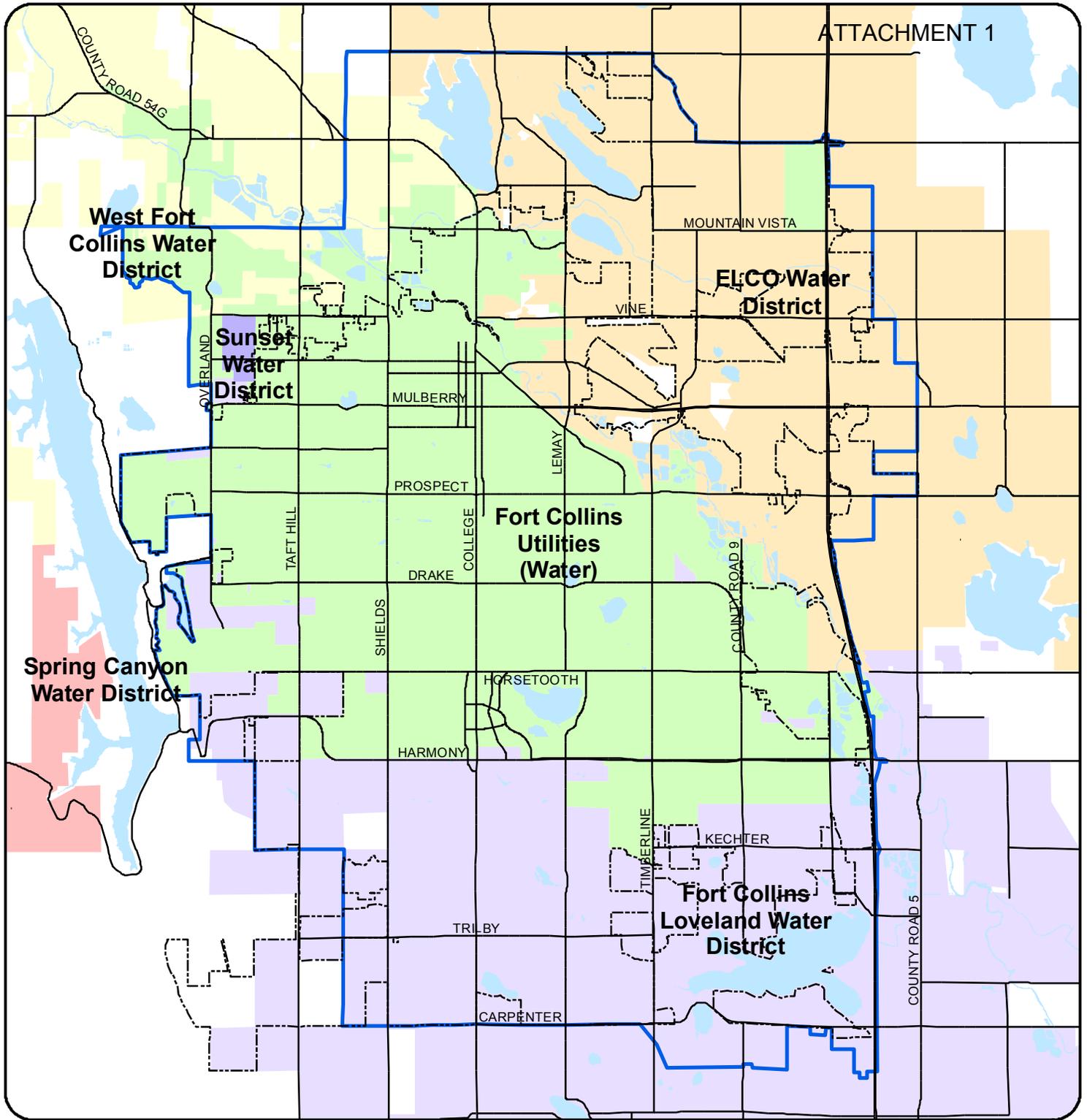
The investigation and analysis phases of the project are scheduled to be complete in the fall of 2013. Staff proposes to hold a joint meeting of the City Council and District Boards to review the findings and determine the next course of action.

ATTACHMENTS

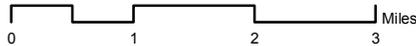
1. Service Area Map
2. Powerpoint presentation

Water District Service Areas

ATTACHMENT 1



Scale 1:100,000



**CITY OF FORT COLLINS
GEOGRAPHIC INFORMATION SYSTEM MAP PRODUCTS**

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Water District Service Areas

- Fort Collins Utilities (Water)
- Fort Collins Loveland Water District
- West Fort Collins Water District
- ELCO Water District
- Spring Canyon Water District
- Sunset Water District

- City Limits - Outline
- Growth Management Area
- Water Features
- Streets - Major



Printed: March 21, 2013

Regional Water Treatment Solutions Cooperative Feasibility Study

City of Fort Collins Utilities Water Treatment

Tri-Districts Soldier Canyon Water Treatment

1



Regional Water Treatment Solutions Cooperative Feasibility Study



2



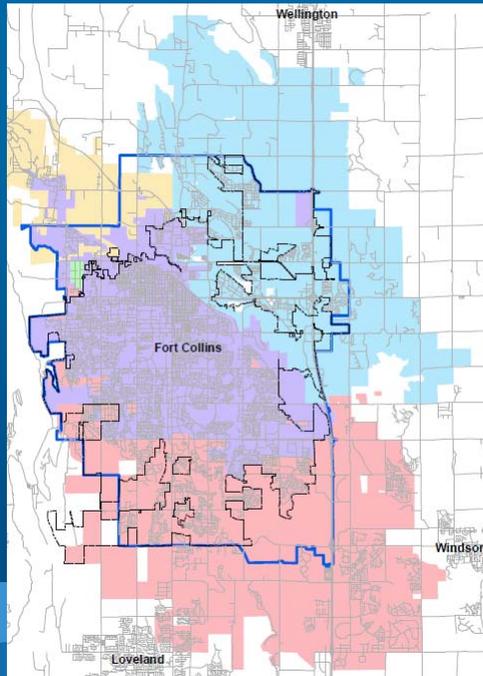
Water Providers for the City of Fort Collins

Fort Collins Utilities Water Treatment Facility

Tri-Districts Soldier Canyon Treatment Plant

- East Larimer County Water District (ELCO)
- Fort Collins-Loveland Water District
- North Weld County Water District

3



Service Areas

- East Larimer County Water District (ELCO)
- Fort Collins Utilities
- Fort Collins-Loveland Water District
- North Weld County Water District

4





Regional Water Cooperative Committee

Established by our Intergovernmental Agreement for Water Sharing

Operations Managers for each Treatment Facility

Coordinate Existing Intergovernmental Agreements

- Operation of Interconnections, and
- Water Sharing / Water Sales between the entities.

City of Fort Collins

6

Reasoning:

Both Plants serve the citizens of Fort Collins

Parties agree in principle that collaboration is a more sustainable approach and can increase efficiencies.

A third party analysis is critical to determining the financial evaluations around costs and operations.

Solution: Request for Proposal

7



Request for Proposal

Scope of Work

- Assessment of value and accounting of Assets
- Development of equitable cost allocations
- Present worth and future cost of projects

Consultants will meet with Stakeholders to discuss individual concerns or constraints.

8



Request for Proposal

Focused around:

- Developing a cooperative business model to receive “raw water” from the participants,
- Providing treatment of that water,
- Returning a finished potable water product back,
- Charging the members based on a Cost of Service model.

9



Limits of the Feasibility Study

Member parties shall maintain control and responsibility for:

- Water Rights
- Raw Water Storage
- Distribution Systems

10



Request for Proposal

Evaluate several alternatives:

- Status Quo
- Enhanced Collaboration through IGAs
- Merger of Treatment Facility Operations
- Other Options determined by Consultant and Study Team

Consultant to present results (pros/cons) to City and the Districts late 2013 or early 2014.

11



Why should Fort Collins be involved?

- Fort Collins Treatment Plant has capacity that will remain unused at projected service area build-out.
- Provide a single consistent 'water product' to all residents of the City of Fort Collins.
- Help maintain affordability of service to Fort Collins residents.
- Generate economies of scale by maximizing plant assets and reducing unit cost of production.

12



Regional Water Treatment Solutions Cooperative Feasibility Study

Costs:

- Initial fee is \$220,185 split four ways.
- Fort Collins share would be approximately \$55,050.
- The three Water Districts have approved their contributions.

13



Regional Water Treatment Solutions Cooperative Feasibility Study

Questions for the City Council:

- Should we join in the study to evaluate options for regional water treatment solutions?
- Are there additional considerations to evaluate as part of the feasibility study?

14



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