

SUBJECT

Resolution 2013-058 Approving an Intergovernmental Agreement Between the City of Fort Collins and Fort Collins-Loveland Water District For Participation in a Joint Regional Water Treatment Solutions Study.

EXECUTIVE SUMMARY

Staff proposes to enter into an intergovernmental agreement to fund a joint study to examine options for regional water treatment solutions between the Tri-Districts and the City of Fort Collins. The Fort Collins-Loveland Water District shall be the lead agency entering into the contract with the consultant. 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 utilities would maintain separate control over their raw water and their distribution systems.

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 made up of managers from each utility, developed a scope of work to request a consultant to assist with the decision making process. While all 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 and the project team.

The committee conducted a rigorous request for qualifications from several (9) 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 their approach through stakeholder engagement, integration of a work plan and analysis of options. In the financial analysis they 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. The utilities would maintain separate control over their raw water and their distribution systems. The Fort Collins-Loveland Water District shall be the lead agency entering into the contract with the consultant.

This item was presented to the City Council at its June 25, 2013 Work Session. Councilmembers expressed concerns about the final use of the treated water, as well as the governance of any joint operations. All options are being considered and would be presented in the final report later this fall. Council expressed general consent to bring the item forward for final consideration at its next regular Council meeting.

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 our next course of action.

FINANCIAL / ECONOMIC IMPACTS

The initial fee for the consultant providing these services is \$220,185. This fee would be split evenly between the four entities. Staff is recommending the IGA state that Fort Collins shall reimburse 25% of the final costs for the study, not to exceed \$75,000. Funds are available in our Water Enterprise Contingency Funds..

The individual 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.

ENVIRONMENTAL IMPACTS

As a result of this study, staff will have the information to truly understand any potential impacts to either the environment or from a social perspective.

STAFF RECOMMENDATION

Staff recommends adoption of the Resolution.

BOARD / COMMISSION RECOMMENDATION

The Water Board discussed this item at its June 20, 2013 meeting and voted unanimously to recommend City Council consider approval of an Ordinance authorizing the joint funding of a Regional Water Treatment Solutions Study for 25 percent of the final cost with the City of Fort Collins' share not to exceed \$75,000.

ATTACHMENTS

1. Water Board minutes, June 20, 2013

Excerpt from Unapproved Water Board Minutes, June 20, 2013**Approve Joint Funding of a Regionalization Feasibility Study with the Tri-Districts**

(Attachments available upon request).

Water Engineering and Field Operations Manager Jon Haukaas introduced the item and shared background information on the subject of regionalization.

The City of Fort Collins and the Tri-Districts (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. The City has the ability to share potable water with North Weld and Fort Collins-Loveland through interconnections in its distribution system.

Staff is currently investigating options for regional water solutions. Regionalization has been discussed in the past and there is renewed interest in determining the cost benefit due to growth in the service areas, excess capacity in the City's facility, and the rising costs of treating water.

A Regional Water Cooperative Committee was established by an Intergovernmental Agreement for Water Sharing and includes Operations Managers for each treatment facility.

Mr. Haukaas presented the reasoning behind the study:

- 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.

A Request for Proposal was developed:

- Scope of Work
- Consultants will meet with Stakeholders to discuss individual concerns or constraints.
- Focused around developing a cooperative business model to receive "raw water" from the participants and return finished potable water.
- Charging the members based on a Cost of Service model.

Mr. Haukaas presented some limits of the study:

- Member parties shall maintain control and responsibility for water rights, raw water storage, and distribution systems.

The consultants will present the results to the City and the Tri-Districts late 2013 or early 2014.

Mr. Haukaas presented the 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.

Highlights from the discussion:

- A board member asked if the amount of water used for hydraulic fracturing ('fracking') by North Weld will also be a part of the study. Mr. Haukaas stated this is not part of this study. This particular study looks at options for water treatment, and the demands from North Weld are not driving the study. Population growth in south Fort Collins is driving the study.

Excerpt from Unapproved Water Board Minutes, June 20, 2013

- A board member inquired as to who brought the idea forward. Mr. Haukaas stated the idea is a result of the discussions by the Regional Water Cooperative Committee.
- A board member asked about options for sewer treatment as part of the project. Mr. Haukaas stated staff has approached Boxelder Sanitation District to discuss options. Currently, there are no opportunities to increase the customer base.
- A board member asked if improvements to the plant would be necessary. Mr. Haukaas stated a financial analysis is necessary to determine these costs.

Ms. Voytko shared background information on the Regional Water Cooperation Committee. This committee includes Plant Managers and City Senior Managers. A subcommittee was formed to look at the Request for Proposal. The subcommittee made a recommendation to the full committee from a list of three possibilities. Mr. Haukaas reiterated the decision was made based on the consultants' qualifications. Costs were in a sealed envelope so the committee would not automatically choose the low bid.

Board Member Brown moved that the Water Board recommend City Council consider approval of an Ordinance authorizing the joint funding of a Regional Water Treatment Solutions Study for 25 percent of the final cost with the City of Fort Collins' share not to exceed \$75,000. Board Member Goldbach seconded the motion.

Discussion on the motion: There was no discussion on the motion.

Vote on the motion: It passed unanimously.

RESOLUTION 2013-058
OF THE COUNCIL OF THE CITY OF FORT COLLINS
APPROVING AN INTERGOVERNMENTAL AGREEMENT BETWEEN
THE CITY OF FORT COLLINS AND FORT COLLINS-LOVELAND WATER DISTRICT
FOR PARTICIPATION IN A JOINT REGIONAL WATER TREATMENT SOLUTIONS STUDY

WHEREAS, three area water districts, the Fort Collins-Loveland Water District (“FCLWD”), the East Larimer County Water District (“ELCO”) and the North Weld County Water District (“NWCWD”), together referred to as the Tri-Districts, cooperatively own and operate the Soldier Canyon Filter Plant (the “Plant”), which is located near the City’s Water Treatment Facility; and

WHEREAS, the Tri-Districts provide drinking water service to customers within portions of Fort Collins, the Fort Collins growth management area, Larimer County, Weld County and the surrounding region, including the towns of Windsor, Eaton, Ault, Timnath, Pierce and Nunn, as well as the Sunset Water District, and portions of the Northern Colorado Water Association; and

WHEREAS, the Tri-Districts will need to expand the existing Plant at its current site to continue to comply with applicable regulations and to meet future capacity needs; and

WHEREAS, as an alternative to expanding the Plant, the Tri-Districts, through FCLWD, which already has intergovernmental agreements with the City for water sharing and water selling, desire to confer with the City regarding possible arrangements under which the City might provide for the treatment of a portion of its water flows to meet the Tri-Districts’ near term and future needs; and

WHEREAS, the City has unused treatment capacity at its Water Treatment Facility, which facility was constructed prior to water conservation efforts; and

WHEREAS, if such water treatment arrangements were made, the Tri-Districts would remain independent from the City and the City will assess only those charges directly or indirectly related to the use of its treatment capacity for the Tri-Districts’ water flows; and

WHEREAS, the Tri-Districts would provide their own raw water to the City for treatment; and

WHEREAS, consolidation of water treatment services would eliminate construction at the Plant and increase efficiencies that could benefit the City, the Tri-Districts and the region; and

WHEREAS, on April 21, 2009, the City Council adopted Resolution 2009-041, authorizing the City Manager to investigate options for a cooperative arrangement that would provide water treatment services to the Tri-Districts and to negotiate a proposed agreement for future Council consideration; and

WHEREAS, in order to more fully develop and evaluate options for cooperative arrangements and then prepare a proposal for City Council consideration if a desirable alternative is identified, the Tri-Districts have worked with City staff to develop a proposal for a study by a outside experts of the technical and financial aspects of alternatives for cooperation (the “Study”); and

WHEREAS, FCLWD is willing to coordinate the Study for the benefit of the Tri-Districts and the City, provided that each of the four entities pay twenty-five percent of the overall cost; and

WHEREAS, the City’s share of the costs of the Study is expected to be approximately \$55,000, and will be limited to no more than \$75,000; and

WHEREAS, the funds required to pay the City’s share of the costs are appropriated and available in the Water Enterprise Contingency Fund; and

WHEREAS, City staff has proposed that the City enter into an intergovernmental agreement with FCLWD (the “Agreement”), in order to provide for ongoing City staff involvement in directing and reviewing the work of the outside experts preparing the Study, and to provide for payment by each of the parties of an equivalent share of the Study costs; and

WHEREAS, Article II, Section 16 of the City Charter of the City empowers the City Council, by ordinance or resolution, to enter into contracts with other governmental bodies to furnish governmental services and make charges for such services or enter into cooperative or joint activities with other governmental bodies.

NOW, THEREFORE, BE IT RESOLVED BY THE COUNCIL OF THE CITY OF FORT COLLINS that the Mayor is hereby authorized to execute an Intergovernmental Agreement for the Funding and Coordinating of a Regional Water Treatment Solutions Study between the City and FCLWD consistent with the terms of this Resolution, with such additional terms and conditions as the City Manager, in consultation with the City Attorney, determines to be necessary and appropriate to protect the interests of the City or effectuate the purpose of this Resolution.

Passed and adopted at a regular meeting of the Council of the City of Fort Collins this 2nd day of July, A.D. 2013.

Mayor

ATTEST:

City Clerk