

AGENDA ITEM SUMMARY

WATER UTILITY ENTERPRISE

ITEM NUMBER: 3

DATE: November 18, 2003

**STAFF: Alan Krcmarik/
Brian Janonis**

SUBJECT

Second Reading of Ordinance No. 5, Authorizing the Issuance of City of Fort Collins, Colorado, Water Utility Enterprise, Subordinate Water Revenue Bond, Series 2003, Dated December 1, 2003, in the Principal Amount of \$4,150,781.22.

RECOMMENDATION

Staff recommends adoption of the Ordinance on Second Reading.

EXECUTIVE SUMMARY

Ordinance No. 5, which was unanimously adopted on First Reading on November 4, 2003, authorizes the City's Water Utility Enterprise to issue a bond, a formal document requiring payment to the North Poudre Irrigation Company. The funding allows the City to acquire from the Irrigation Company all of the property and other rights it owns that will be necessary to proceed with the permitting and development of the Halligan Reservoir Enlargement Project. Halligan Reservoir is located on the North Fork of the Poudre River and has a current capacity of 6,408 acre-feet of water.

AGENDA ITEM SUMMARY

WATER UTILITY ENTERPRISE

ITEM NUMBER: 3

DATE: November 4, 2003

STAFF: Alan Krcmarik/
Brian Janonis

SUBJECT

First Reading of Ordinance No. 5, Authorizing the Issuance of City of Fort Collins, Colorado, Water Utility Enterprise, Subordinate Water Revenue Bond, Series 2003, Dated December 1, 2003, in the Principal Amount of \$4,150,781.22.

RECOMMENDATION

Staff recommends adoption of the Ordinance on First Reading.

FINANCIAL IMPACT

Through the adoption of Resolution 2003-121 at its regular meeting on November 4, 2003, the Council will consider the approval of exercising the City's Option from the North Poudre Irrigation Company to proceed with the development of the Halligan Reservoir enlargement project and authorized other related actions. The City will have to pay the Irrigation Company \$188,223.51 when the option is exercised. In addition, the City will be committed to annual payments for the next 27 years that total \$4,150,781.22. The anticipated payments are listed by years in the background section of this agenda item summary.

EXECUTIVE SUMMARY

Ordinance No. 5, authorizes the City's Water Utility Enterprise to issue a bond, a formal document requiring payment to the North Poudre Irrigation Company. The funding would allow the City to acquire from the Irrigation Company all of the property and other rights it owns that will be necessary to proceed with the permitting and development of the Halligan Reservoir Enlargement Project. Halligan Reservoir is located on the North Fork of the Poudre River and has a current capacity of 6,408 acre-feet of water. The reservoir could be enlarged to hold approximately 40,000 acre-feet of water. City staff recommends the project as the Water Utility needs additional storage capacity to effectively manage the City's water rights portfolio. Over the next 27 years, the Water Utility will pay the debt of \$4,150,781.22, primarily from development fees paid to the City.

BACKGROUND

The Water Utility Enterprise

The City's water supply system traces its origins to 1882, when the electors of the City, following a series of disastrous fires, voted to construct a water works to provide water for domestic and fire protection purposes in the City. As of December 2002, the water system had approximately 514 miles of water line and 32,273 customer accounts in a service area which includes most of the area within the City, as well as some land outside the City.

Supply System. The major sources of water supply for the City system are the Cache la Poudre River, the Colorado Big Thompson Project with storage in Horsetooth Reservoirs, and stock owned in mutual irrigation companies. The quality of water available from these sources, and the reliability of the sources themselves, is considered to be very high, however, due to natural fluctuations in water runoff and drought cycles, levels of water yield cannot be guaranteed. The City presently owns water rights entitling it to an average annual volume of approximately 71,640 acre-feet of water.

Treatment and Distribution. The Water System has one water treatment plant capable of treating 87 million gallons per day (MGD) and an average daily flow of 29 MGD per day. The plant is located at the Soldier Canyon Dam on Horsetooth Reservoir. Poudre River water is piped to the treatment plant where water from both Horsetooth Reservoir and the Cache la Poudre River is treated. The Water System distributes water to customers from the treatment plant through a system of mains.

Master Plan

In 1997, Council adopted the Water Treatment Master Plan. The Plan included over \$50 million of improvements to the City's water treatment system. The improvements consist of 25 separate projects ranging in cost from \$50,000 to \$26,000,000. The improvements are intended to replace existing outdated infrastructure while increasing the capacity of the Water Treatment Facility up to a sustained capacity of 87 MGD.

Halligan Reservoir Agreement

In 1987, the City entered into an agreement whereby the City obtained an option to acquire certain property to facilitate the enlargement of Halligan Reservoir. Through subsequent agreements, the City retained and refined its option to acquire the Reservoir and work cooperatively with other water jurisdictions to enlarge the Reservoir. While not included in the 1997 Master Plan, the need for additional storage was identified by the Water Supply and Demand Management Policy (Resolution 2003-104) adopted on September 16, 2003.

Since 1993, the City has made the following payments to maintain its option in the Halligan Reservoir.

Payment Due Date	Payment Amount
Initial Option Payment	\$40,000.00
December 31, 1993	30,000.00
December 31, 1994	40,000.00
December 31, 1995	50,000.00
December 31, 1996	60,000.00
December 31, 1997	70,000.00
December 31, 1998	80,000.00
December 31, 1999	90,000.00
December 31, 2000	188,223.51
December 31, 2001	188,223.51
December 31, 2002	188,223.51
Total	\$1,024,670.53

The next payment, \$188,223.51, would be due on December 31, 2003. If the City does not exercise its option before the end of December 2003, the option will expire and the Irrigation Company will be entitled to keep all payments previously made by the City to retain the option.

The Proposed Bond Issue

Under the Option Agreement, in connection with the exercise of its option, the City is obligated to issue a subordinate lien revenue bond that matched the previously agreed upon payment schedule. The bond will be subordinate to the City and Water Enterprise Utility bonds that have been issued to make improvements for the Water Utility. The table below displays the annual payments on the bond.

Payment Due Date	Payment Amount
December 1, 2004	\$188,223.51
December 1, 2005	188,223.51
December 1, 2006	188,223.51
December 1, 2007	188,223.51
December 1, 2008	188,223.51
December 1, 2009	188,223.51
December 1, 2010	188,223.51
December 1, 2011	188,223.51
December 1, 2012	188,223.51
December 1, 2013	188,223.51
December 1, 2014	188,223.51
December 1, 2015	188,223.51
December 1, 2016	188,223.51
December 1, 2017	188,223.51
December 1, 2018	188,223.51
December 1, 2019	188,223.51
December 1, 2020	188,223.51

December 1, 2021	188,223.51
December 1, 2022	188,223.51
December 1, 2023	187,925.67
December 1, 2024	110,611.82
December 1, 2025	110,611.82
December 1, 2026	43,420.31
December 1, 2027	43,420.31
December 1, 2028	38,851.24
December 1, 2029	19,846.68
December 1, 2030	19,846.68
Total	\$4,150,781.22

Upon issuance of the bond, the Water Utility will have total outstanding bond principal indebtedness of \$58,467,767.57.

COPY

COPY