

AGENDA ITEM SUMMARY

City Council



STAFF

Jen Dial, Water Resources Manager

SUBJECT

Resolution 2026-001 Authorizing the City Manager to Execute Two Agreements Regarding Use of the City's Shares in the Water Supply and Storage Company.

EXECUTIVE SUMMARY

The purpose of this item is to approve two agreements regarding the use of the City's shares in the Water Supply and Storage Company ("WSSC"). The City's WSSC shares are needed to provide water service to the City's Water Utility customers.

The "Agreement Between the Water Supply and Storage Company and the Municipal Entity Stockholders" describes the framework for planning, design, construction, operation, maintenance, and funding of modifications to the WSSC system needed to ensure reliable water delivery to all shareholders ("WSSC System Modifications").

The "Cost Allocation Agreement for WSSC System Modifications" describes how the water provider shareholders, including the City, will share the costs related to the WSSC System Modifications. The City's share of such costs is approximately 6%. Both of these agreements are necessary for the City Water Utility to be able to fully utilize its WSSC shares for the benefit of the rate payers of the City Water Utility and the residents of Fort Collins.

STAFF RECOMMENDATION

Staff recommends adoption of the Resolution.

BACKGROUND / DISCUSSION

In order to meet the water needs of the City's Water Utility customers, the City has acquired various water supplies, including shares in the Water Supply and Storage Company ("WSSC"). WSSC is a mutual ditch and reservoir company that operates a system of ditches and reservoirs on behalf of its shareholders ("WSSC System").

WSSC's main canal, the Larimer County Canal, diverts water off the Poudre River near the town of Bellvue and runs roughly 58 miles through Larimer and Weld Counties. Historically, WSSC's shareholders used this water for irrigation. Over time, the City and other shareholders that provide treated water service, including the City of Thornton, the City of Greeley, the East Larimer County Water District, the Fort Collins-Loveland Water District, and the North Weld County Water District ("Water Provider Shareholders") have acquired WSSC shares to meet water demands in their respective service areas.

The Water Provider Shareholders' use of their WSSC water for municipal use generally results in less water being delivered through the ditches in the WSSC System. This is because the WSSC water that was historically delivered through the WSSC System to shareholders for irrigation is instead delivered into the Water Provider Shareholders' treatment systems and pipes. This reduced amount of water being delivered through the ditches in the WSSC System has the potential to injure WSSC Shareholders still using their WSSC water for irrigation ("Irrigation Shareholders") because the WSSC System was not designed to operate with current day water volumes.

In order for the Water Provider Shareholders' to use their WSSC water for municipal use, they are generally required to both enter an agreement(s) with WSSC and obtain a decree from the District Court for Water Division 1 ("Water Court"). Both processes generally require that the new municipal use does not injure other water rights owners, including Irrigation Shareholders.

Pursuant to agreements with WSSC and Water Court decrees, each Water Provider Shareholder's use is conditioned on WSSC's ability to continue to deliver water to other shareholders. The Water Provider Shareholders, including the City, have entered into various agreements with WSSC for the Municipal Use of their WSSC Water ("Municipal Use Agreements"). The City's Municipal Use Agreements with WSSC include agreements dated June 18, 1985, April 22, 1988, July 6, 2015, and June 28, 2015. These various Municipal Use Agreements generally condition the Water Provider Shareholders' use of their WSSC water for municipal use on the Irrigation Shareholders not being injured.

Beginning in 2018, the Water Provider Shareholders began meeting to discuss modifications and upgrades to the WSSC System that are needed to protect other shareholders as Water Provider Shareholder's shares were removed from the system for municipal use. The City of Thornton led this effort, funding a hydraulic model and the design and construction of initial key structures.

Through these meetings and negotiations, the Water Provider Shareholders and WSSC have come to agreement on how to implement the Municipal Use Agreements, particularly through physical modifications to the WSSC System ("WSSC System Modifications"). These WSSC System Modifications primarily entail check structures in the ditches, which locally raise water levels in the ditch so water can be delivered from the ditch to irrigation shareholders but could include other potential solutions.

The Water Provider Shareholders and WSSC negotiated two draft agreements described below. Both of these agreements are necessary for the City Water Utility to be able to fully utilize its WSSC shares for the benefit of the rate payers of the City Water Utility and the residents of Fort Collins.

Agreement Between the Water Supply and Storage Company and the Municipal Entity Stockholders

This agreement establishes the framework for planning, design, construction, operation, maintenance, and funding of WSSC System Modifications needed to ensure reliable water delivery while accommodating the Water Provider Shareholders use of their water for water service.

It is unknown exactly how many System Modifications will be needed to ensure no injury to other shareholders. System Modifications needed will depend on field data, observational information, modeling, and the number of Water Provider Shareholders shares being removed from the WSSC System for municipal use. Thus, the agreement requires annual engineering reviews, advance scheduling of modifications, and limits construction to three structures per season unless otherwise agreed.

WSSC retains ownership and operational authority over the modifications, while the Water Provider Shareholders are responsible for reimbursing costs. Initial funding will be provided through a cash reserve and Colorado Water Conservation Board Loan repayment of \$2.59 million by January 31, 2031, with future costs covered by annual and special assessments on Water Provider Shareholders' shares beginning in 2027 to 2028. Operationally, WSSC will manage maintenance, repair, and permitting, with Water Provider Shareholders covering all related expenses.

Cost Allocation Agreement for WSSC System Modifications

This agreement is between the Water Provider Shareholders regarding how the Water Provider Shareholders will share the costs related to the WSSC System Modifications pursuant to the “Agreement Between the Water Supply and Storage Company and the Municipal Entity Stockholders.” The agreement establishes the Municipal Entities Committee, composed of one representative from each Water Provider Shareholder to oversee cost allocations, design reviews, and financial recordkeeping. Costs are distributed based on each Water Provider Shareholder’s percentage of share ownership. The City’s percent ownership is approximately 6%.

A key provision includes crediting the City of Thornton for approximately \$7,000,000 in prior expenditures, with reimbursement from the other Water Provider Shareholders beginning January 1, 2028. The agreement also accommodates new Water Provider Shareholders or changes in share ownership, requiring proportional contributions to past expenditures.

Our anticipated estimated costs under this agreement through 2033 are below. This includes the City’s obligation to repay Thornton and the estimated costs for construction of three structures per year.

2027	\$46,940
2028	\$33,170
2029	\$696,470
2030	\$193,180
2031	\$197,140
2032	\$171,640
2033	\$176,790
Total	\$1,515,330

CITY FINANCIAL IMPACTS

Fort Collins Utilities incorporates the City’s share of reimbursements and future system modifications into Utilities capital improvement plan (CIP) process and rate setting activities. Fort Collins Utilities’ share of repayments to the City of Thornton, as detailed above, will be included in the proposed 2027-2028 biennial budget from the Water Fund.

BOARD / COMMISSION / COMMITTEE RECOMMENDATION

None.

PUBLIC OUTREACH

None.

ATTACHMENTS

- 1. Resolution 2026-001