

AGENDA ITEM SUMMARY

City Council



STAFF

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SUBJECT

Items Related to Water Storage for the City Water Utility.

EXECUTIVE SUMMARY

A. Resolution 2026-119 Authorizing the City Manager to Withdraw the Application to the U.S. Army Corp of Engineers for a Permit Under Section 404 of the Clean Water Act for the Halligan Water Supply Project.

B. Resolution 2026-120 Authorizing the City Manager to Execute Agreements with the Northern Integrated Supply Project Water Activity Enterprise for the City to Become a Participant in the Northern Integrated Supply Project and to Store Water Attributable to Some of the City's Own Water Rights in Glade Reservoir.

C. First Reading of Ordinance No. 148, 2026, Transferring Unexpended and Unencumbered Appropriation of the Halligan Capital Project to the Water Fund Operating (Lapsing) Budget for Participation in the NISP Twenty-Second Interim Agreement and Payment of Additional Participation Analysis Expenses Incurred by the Northern Colorado Water Conservancy District.

The purpose of this item is to authorize the City Manager to withdraw the application to the U.S. Army Corp of Engineers, execute agreements with the Northern Integrated Supply Project Water Activity Enterprise, and to transfer an appropriation. The City has been working since the late 1980s to enlarge Halligan Reservoir, previously owned by the North Poudre Irrigation Company ("NPIC"), to meet the City's needs for additional water supply and storage. The City began seeking regulatory approval with the U.S. Army Corps of Engineers ("Corps") in 2006 to enlarge Halligan Reservoir as part of the Halligan Water Supply Project ("Halligan Project"). Throughout, City staff continued to evaluate water storage alternatives on a variety of factors (cost, supply impacts, water quality impacts, environmental impacts) as regulatory landscape, costs, and opportunities evolved.

In light of developments over the last 18 months, including the availability of allotment units in the Northern Integrated Supply Project ("NISP"), updated project and operating costs, and significant permitting uncertainties for the Halligan Reservoir project, the City's participation in NISP appears more certain than the enlargement of Halligan Reservoir through the Halligan Project. Participation in NISP is projected to result in lower overall rate increases, and, depending on the level of participation, may provide additional storage to help with longer-term City goals including climate adaptation, housing, and economic development.

Staff has been working with the Northern Colorado Water Conservancy District (“Northern”) to understand the impacts of joining NISP and negotiate potential participation. Key to this evaluation, and the associated cost benefits to the City, is the ability to bring City water rights to the project. Through this effort, agreements have been drafted that allow the City to buy into NISP with the ability to store water attributable to some of the City’s own water in Glade Reservoir.

To pursue these agreements in earnest, staff believes it is also necessary to notify the Corps of the City’s intention to join NISP and subsequently withdraw the application to the Corps for a permit under Section 404 of the Clean Water Act for the Halligan Project.

STAFF RECOMMENDATION

Staff recommends adoption of the Resolutions and Ordinance on First Reading.

BACKGROUND / DISCUSSION

Need For Additional Storage

As has been discussed with Council for a number of years, the Water Utility needs at least 8,200 acre-feet (“AF”) of additional water storage to store its senior water rights to help the City mitigate the effects of severe drought and meet anticipated future demands through buildout of the Water Utility service area (currently projected for 2065).

Halligan Project

To meet water storage needs, the City has been actively pursuing Halligan Reservoir expansion over many decades through the Halligan Project. The City secured ownership of the dam back in 2004 by executing a purchase option acquired in 1993 from NPIC for the purpose of expanding the reservoir.

The essence of the Halligan Project is that the City would build a larger dam just downstream of the current dam to raise the water level and enlarge the existing reservoir on the North Fork of the Poudre River by an additional 8,200 AF. The City would own the dam and the enlarged capacity and use it to store water diverted under the City’s senior water rights. NPIC would continue to own and use the historical/existing capacity in the enlarged reservoir to irrigate agricultural lands north of Fort Collins. The City would be wholly responsible for the long-term operation, maintenance and capital projects for the enlarged reservoir for both the City and NPIC.

The City officially began the federal permitting process in 2006 along with other partners (at the time the reservoir was envisioned to be even larger). The key required approval is a permit under Section 404 of the Clean Water Act. The Corps issued the final environmental impact statement in October 2023. Over the course of this period, with the handful of changes to the Halligan Project, staff reviewed and analyzed other water storage options as part of the federal process and to verify that the Halligan Project was the right project for utility ratepayers and the City. Until recently, staff consistently viewed the Halligan Project as the best water storage option from various perspectives (e.g., economic, environmental, legal, etc.).

Halligan Permitting Outlook

The City completed all permitting requirements in 2026 and anticipated receiving the 404 permit from the Corps in August 2026. However, starting last year, the Corps hinted that the enlargement of Halligan Reservoir may not be identified as the least environmentally damaging practicable alternative (“LEDPA”), especially given participation in NISP appeared to be feasible as some NISP participants signaled they were leaving that project. Noting a few uncertainties with NISP, City staff continued with the permitting process for the Halligan Project while participating in discussions with Northern regarding the viability of the City joining NISP and storing water attributable to some of the City’s senior water rights in Glade Reservoir. In June 2026, the Corps requested the City provide evidence by July that NISP was not the

LEDPA, which the City provided. In early August the Corps extended its review of the Halligan Project permit application until February 1, 2027.

At a subsequent meeting with the Corps on August 11, 2026, the Corps indicated the enlargement of Halligan Reservoir was not viewed as the LEDPA as compared to other water storage alternatives and the City had three options with the Halligan Project permit application:

Option 1 Request a final permit decision, likely prompting an official denial from the Corps.

Option 2 Withdraw the application, pausing enlargement of the reservoir.

Option 3 Proceed with Corps' delay; complete supplemental EIS analyzing City participation in NISP, likely prompting an official denial from the Corps.

The Corps' new position makes the Halligan Project's legal/regulatory path much more difficult and uncertain due to the discretion courts generally give to federal permitting agencies. Staff recommend Option 2 (withdrawing the application) as it may make it easier to restart the permitting process in case the City is unable to secure a final allotment contract to join NISP. Hence, staff is including a resolution to withdraw the application.

Additionally, the City of Greeley ("Greeley") has appealed the Halligan Project's Clean Water Act Section 401 water quality certification to the Water Quality Control Commission ("Commission") on July 30, 2026. Greeley believes the construction and operation of an enlarged Halligan Reservoir would impact the water quality of Greeley's Seaman Reservoir and subsequently the raw water that enters Greeley's water treatment plant. All required downstream impacts were modeled and addressed in the Halligan Project's mitigation plan which demonstrated that there were no adverse water quality impacts from Halligan on Seaman Reservoir or the downstream reaches of the North Fork. In fact, there was a quantifiable net benefit to water quality and water temperature as well as improved flows. While City staff are confident that the Halligan Project's Section 401 water quality certification would prevail in front of the Commission, Greeley's request generated additional uncertainty for the Corps related to its decision on the Halligan Project 404 permit application. The appeal proceedings are ongoing with a hearing in front of the Commission scheduled for August 2027.

NISP

Over the past two years, understanding the level of fiscal and resource commitment necessary to build an enlarged Halligan Reservoir, City staff explored other water storage options, including NISP, to verify the City was investing in the best storage project for the future of the Water Utility, its ratepayers, and the City.

NISP is an off-channel water storage project comprised of two large reservoirs: Glade Reservoir near the mouth of the Poudre Canyon and Galeton Reservoir northeast of Greeley. In 2022, the Corps issued a 404 permit for NISP. The NISP Enterprise, a water activity enterprise owned by Northern, will own, operate, and maintain NISP on behalf of many municipal participants. Glade Reservoir is favorably located in the Poudre Watershed and able to store water diverted under the City's water rights with minimal upstream impacts (as is the case with the Halligan Project) and downstream impacts.

By participating in NISP with specific terms addressing the City's water rights storage, the City can utilize NISP's water rights or elect to store water using its own water rights in Glade Reservoir, offering flexibility for the City to address various conditions in the future.

The City has worked to negotiate better outcomes for the Poudre River throughout the duration of the NISP permitting process and presently participates in the NISP Adaptive Management regional stakeholder committee. As a NISP participant, the City will continue to advocate for the health of the river and financially support a proportional share of the Poudre River Improvement Fund and required NISP environmental mitigation projects. Staff will continue to work with project and community partners on future restoration

and protection priorities for the river, aligning with other planned City investments, where feasible and reasonable.

Based on several factors, staff has concluded that participation in NISP at 5.8% of the Glade component (9,860 AF of storage) is now the preferred option. While no option can provide 100% certainty, some form of NISP participation in the Glade Reservoir portion of the project currently appears more certain from a legal/regulatory perspective than the Halligan Project. The City's analysis also shows participation would result in lower rate forecasts and may provide additional yield to help with other City goals including drought mitigation and various other climate adaptations, regional water security, housing, and economic development. Due to the permitting challenges facing Halligan, the need for regulatory and infrastructure coordination, and NISP appearing to proceed toward construction, now would be the time to join NISP.

The City's participation in NISP requires annual financial participation through interim agreements in advance of a final allotment contract which includes the long-term financing terms. The twenty-second interim agreement for 2026 participation involves \$766,154 for the City's requested share of the project. The twenty-third interim agreement for 2027 participation is scheduled for distribution and signing early next year at an anticipated amount of \$1,500,000 for the City.

Both the City and City's Water Utility Enterprise will be parties to the agreements with the NISP Enterprise, and thus, a similar resolution will be presented to the City's Water Utility Enterprise seeking authorization for the Mayor to sign the agreements for the City's Water Utility Enterprise.

CITY FINANCIAL IMPACTS

Projected total project cost estimates (including construction, operating, and financing) were developed to compare the ratepayer impacts between both projects.

As seen in the tables below, the NISP 9,860 AF option is more affordable than the Halligan Project. For 2027 budget planning, staff recommend continuing with the existing rate recommendations to secure the projects' financial viability and maintain consistency with the City's overall financial planning and 2027 budget document. Should the City pivot to participate in NISP pursuant to Council direction following rate adoption, revised 2028 rate adjustments would be proposed.

40-year costs (life of NISP debt)

Expense Type	Halligan Project	NISP, 9,860 acre-feet (Extra Storage) City 5.8%;
Debt Service	\$ 413,092,337	\$ 261,414,672
Operating, Repair & Replacement	\$ 69,542,731	\$ 29,969,097
Add'l Infrastructure, Treatment, Water	\$ 67,402,554	\$ 28,708,160
Environmental	\$ 15,000,000	\$ 5,158,407
35% Halligan Dam Rehabilitation	\$ -	\$ 35,126,716
Total	\$ 565,037,621	\$ 360,377,052

The \$881,802.98 appropriation for Fort Collins' participation in the NISP twenty-second interim agreement is proposed to be transferred from the unexpended and unencumbered budget of the Halligan Project.

Within the Halligan capital project budget, \$18,433,773 remains unexpended and available for a transfer of appropriation. Repurposing the unspent capital project budget is accounted for within the Utilities financial modeling and rate forecast to support future NISP costs and other water capital projects. A total of \$115,648.98 is included in the appropriation amount for a one-time payment for participation analysis expenses incurred by Northern regarding water yield and storage modeling.

BOARD / COMMISSION / COMMITTEE RECOMMENDATION

Utilities staff presented to Water Commission in executive session on September 17, 2026. Staff will publicly present to the same commission on October 15, 2026, in addition to the Land Conservation and Stewardship Board on October 14, 2026, and the Natural Resources Advisory Board on October 21, 2026.

PUBLIC OUTREACH

Due to sensitivities around permitting completion, and negotiations with Northern, there has been very limited public outreach. The City is planning to host a public meeting in the fall for Halligan Reservoir neighbors, the Livermore, Colorado community and the general public.

ATTACHMENTS / LINKS

1. Presentation
2. Resolution 2026-119
3. Resolution 2026-120
4. Ordinance No. 148, 2026