City of Fort Collins

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Proposed Wholesale Water Agreement with ELCO to Serve Montava

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Agenda

Background Information
- Strategic and City Plan Alignment
- The Role of Water
- Location and Boundaries
- Wholesale Concept

Proposed Contract Components
- Overview of Contracts
- Financial and Administrative
- Infrastructure
- Water Resources
- Non-potable Water System and Contract

Wrap-up
- Benefits and Risks
- Council Feedback

Council Feedback

Does Council support this wholesale water arrangement and associated agreements?

Does Council have any questions or concerns regarding the arrangement or agreements?

Background Information

Strategic Alignment, Location and Boundaries, Wholesale Proposal Conceptual Diagram

Strategic and City Plan Alignment: Northeast Fort Collins

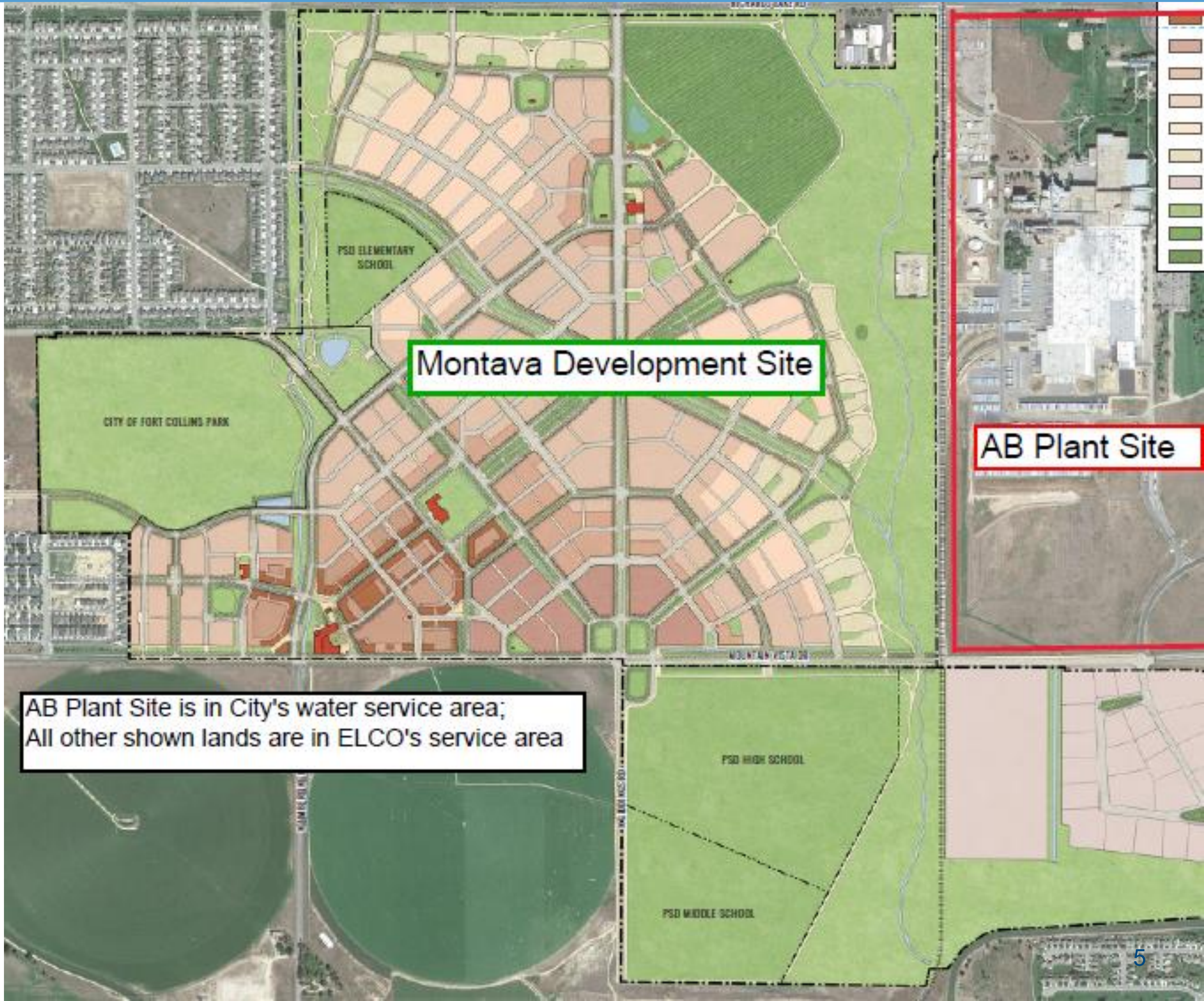
Located in NE Fort Collins within city limits, 4,000+ units, high-density development, with Town Center, Parks and Natural Areas

Strategic Priorities

- Housing Forward
- Fosters economic development
- Supports active modes of transportation
- Water conservation-built environment

City Plan alignment

- Policy LIV 3.5 - Distinctive design
- Policy LIV 5: Create more opportunities for housing choices
- Policy EH 6.1 - Balanced growth



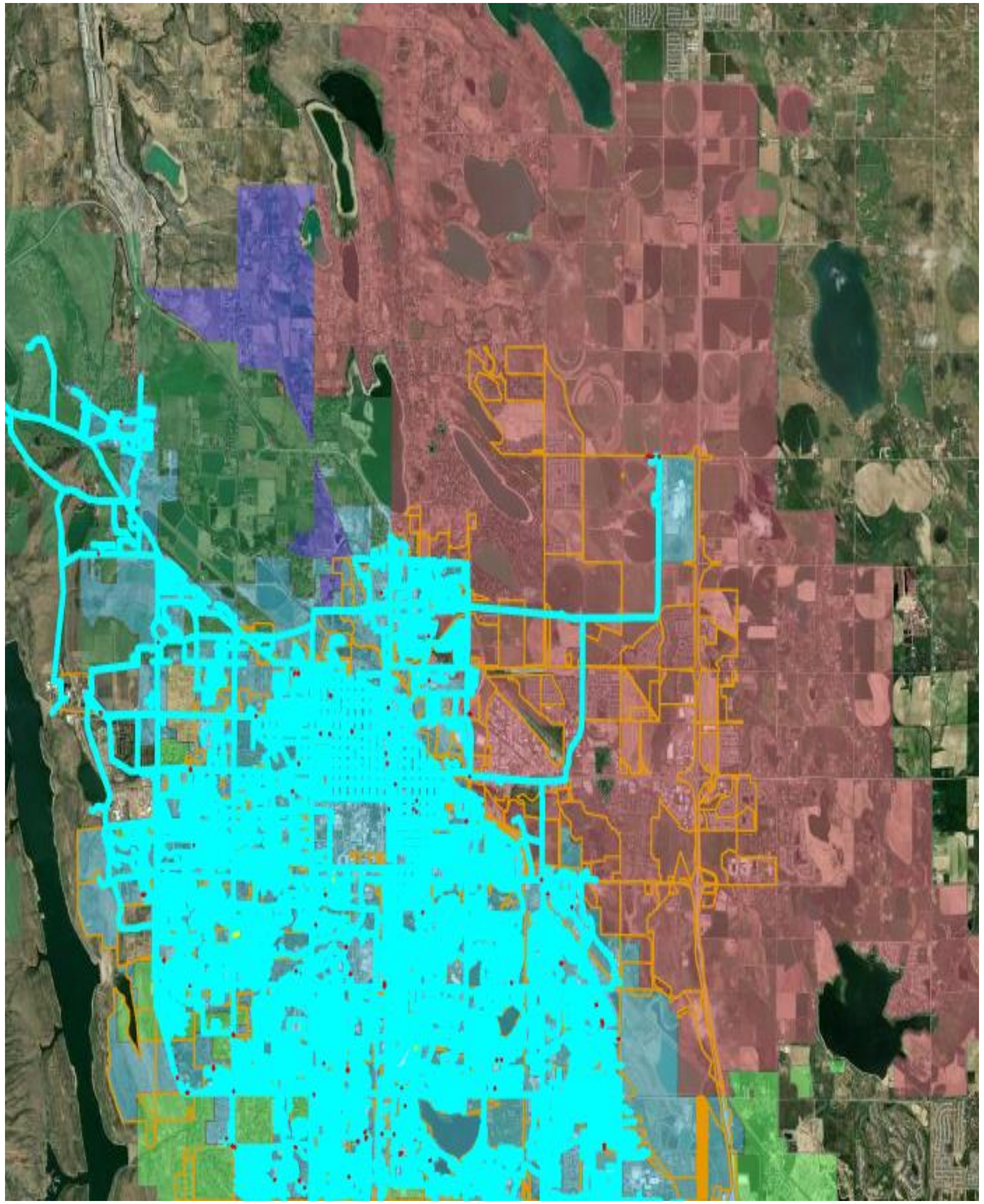
The Role of Water

20 year development, multiple phases

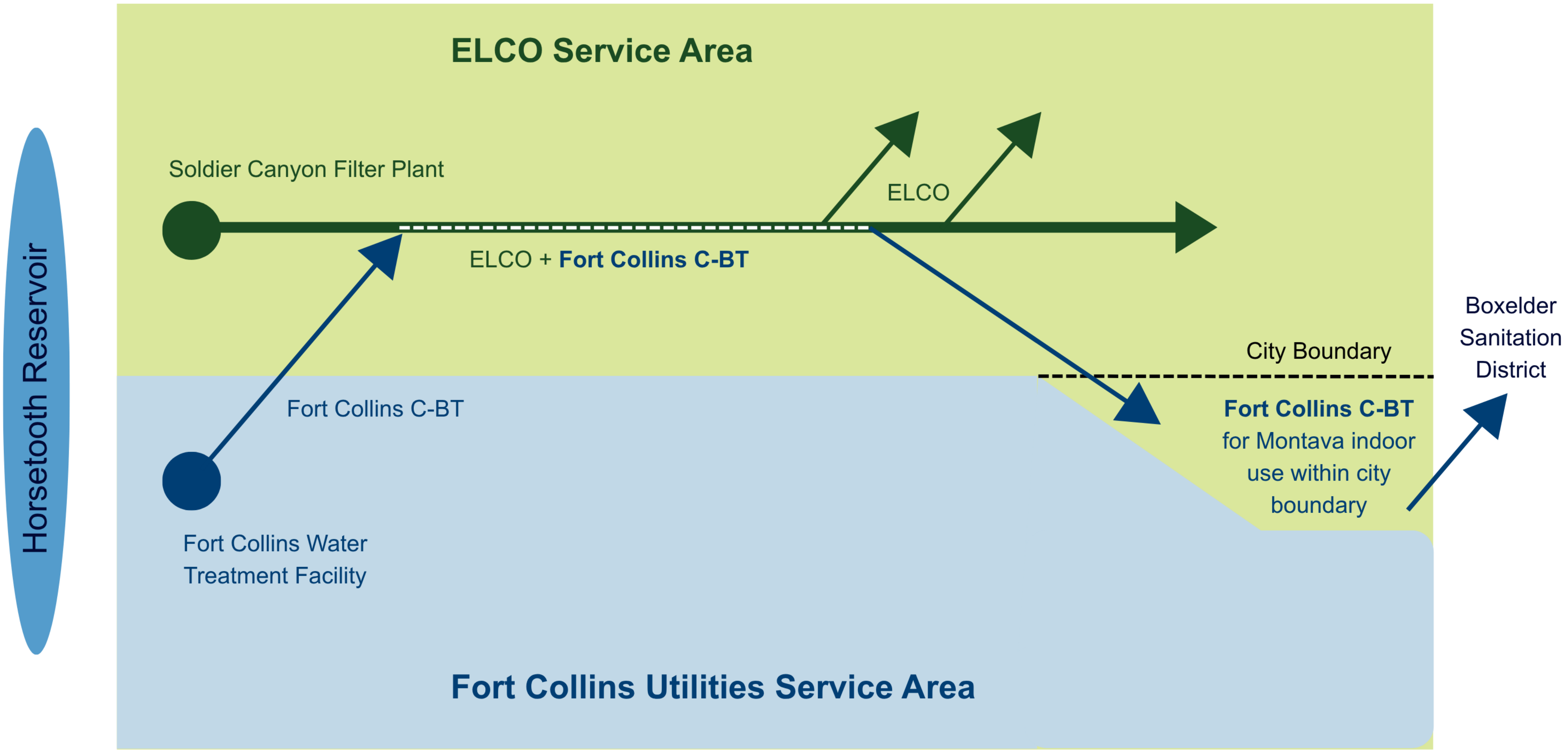
Surety of water for 4,000 housing units

Cost of water to home builders is high; no lender will support loans on a project of this size without water in hand

Options evaluated: Developer brings water, ELCO cash-in-lieu, Fort Collins serves Montava, **ELCO and Fort Collins collaborate**



Wholesale Concept



Proposed Contract Components

Overview of Contracts, Financial and Administrative, Infrastructure, and Water Resources

Overview of Contracts (Negotiations Ongoing)

Wholesale Contract

- Parties: City and ELCO
- Purpose: Establish terms for the City delivering C-BT water to ELCO for the Montava development for indoor use only
- Main Topics: Fees for taps in Montava development; City charges to ELCO; construction of interconnect; operations; water rights accounting

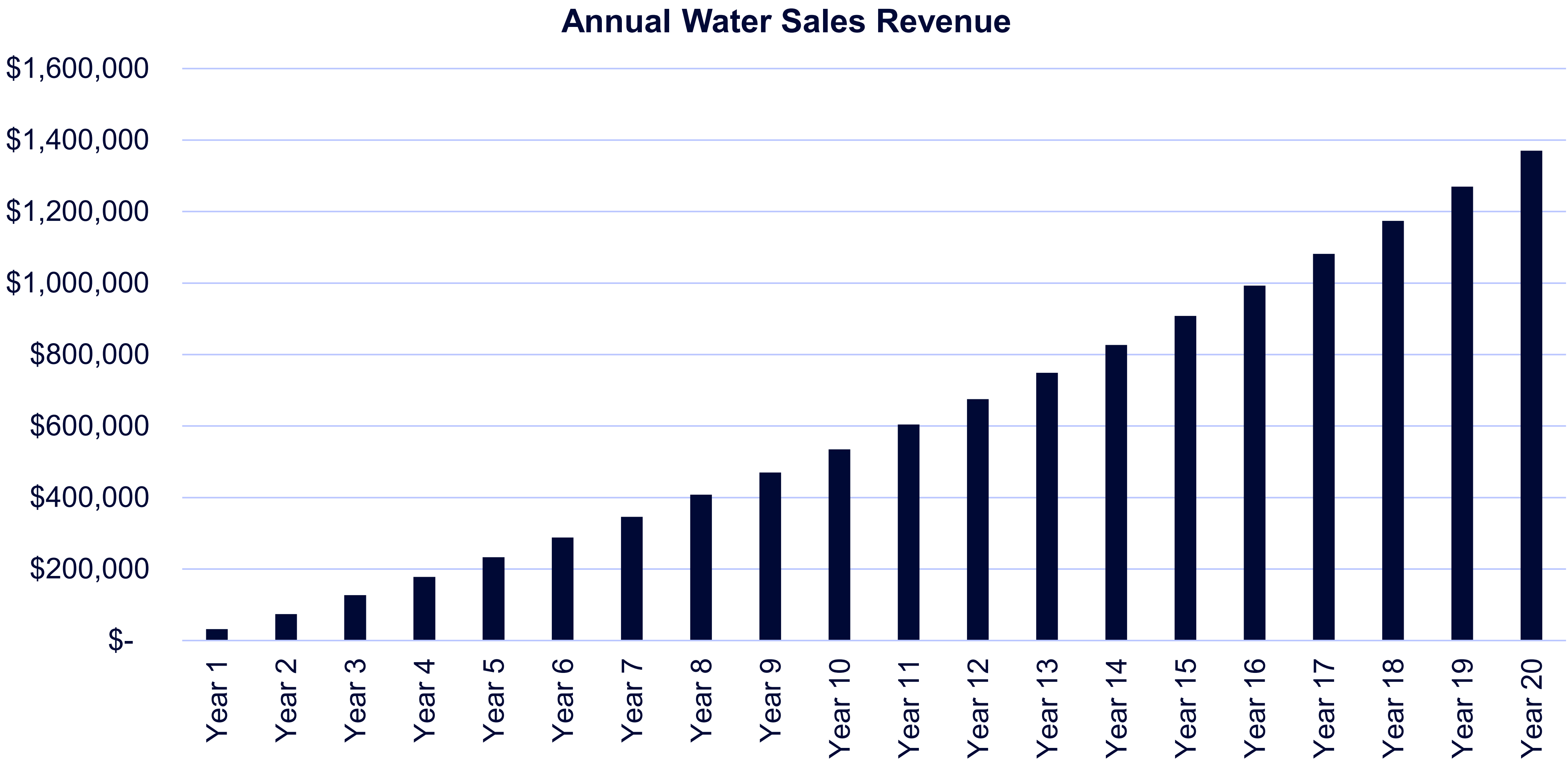
Non-potable Water Contract

- Parties: City, ELCO, developer, and metro district
- Purpose: Enforce terms on use of non-potable water at the Montava development that Northern Water required in its approval
- Main Topics: Pending Water Court case; use of non-potable system; limits on pumping of existing wells; limits on transfers of ditch company shares associated with land

Financial and Administrative

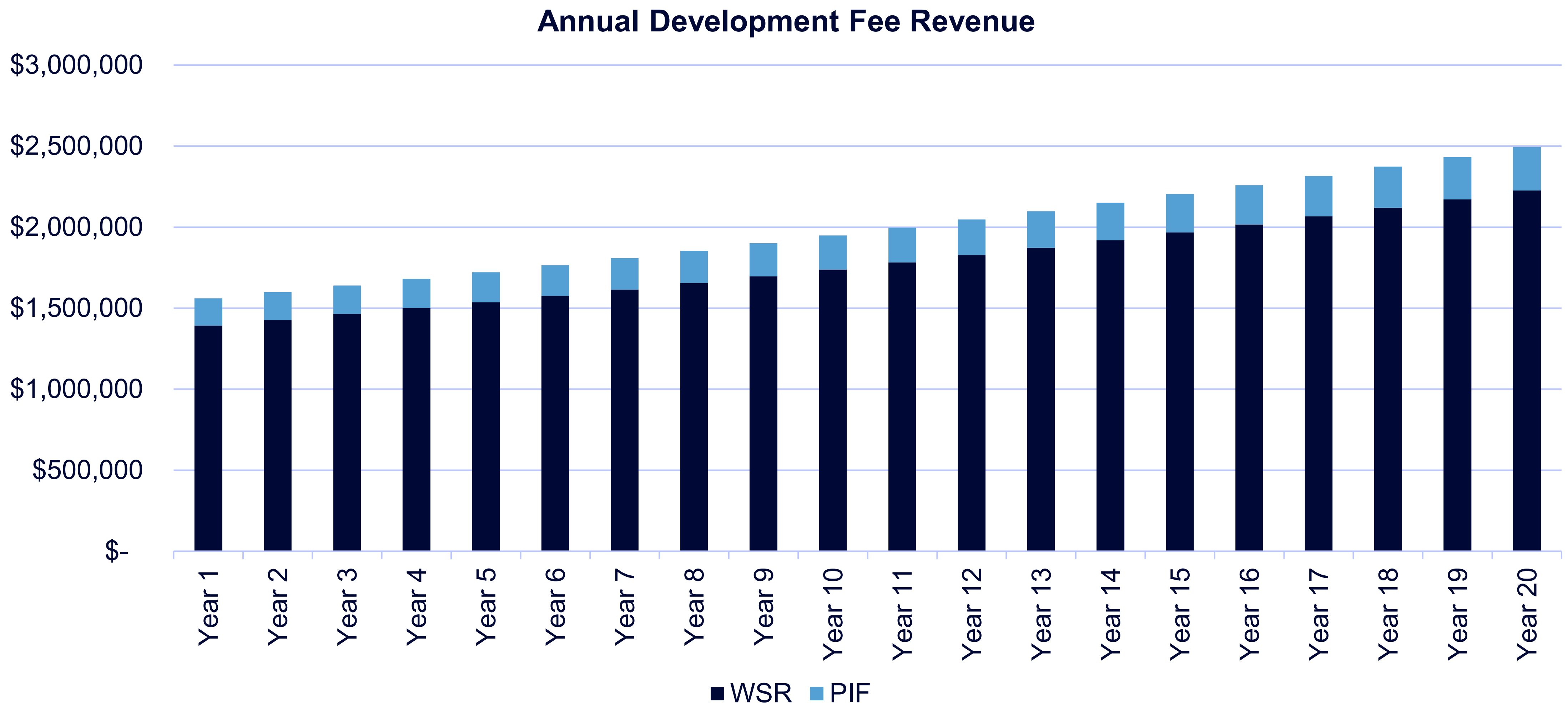
- **ELCO Customers:** Individual water meters owned by ELCO therefore individual customer bills will be sent by ELCO
- **Wholesale Cost Recovery:** Applies associated City operating cost components, excluding distribution system costs
- **Development Fee Methodology:** Based primarily on City's current fee structure
- **Administration:** City staff collaborates with ELCO on fee calculations and invoicing
- **Risk:** Limited financial risk due to leveraging existing City assets and administrative resources; fee recovery of new interconnect infrastructure

Financial and Administrative



Estimated ongoing revenue of ~$1.4 million at buildout (including forecasted rate adjustments)

Financial and Administrative



Collecting $52 million in rates and fees will help offset rates by 3.0%
Approximate amount over 20 years (including inflationary adjustments)

Infrastructure

Treatment

- Existing excess City capacity

City / ELCO Interconnect

- New City infrastructure ~ $2.5 million
- Recovered through Plant Investment Fee (PIF)

Transmission

- Existing ELCO capacity

Distribution

- New ELCO infrastructure built by Montava developer

Water Resources

Water Supply
- Limited to using C-BT for Montava

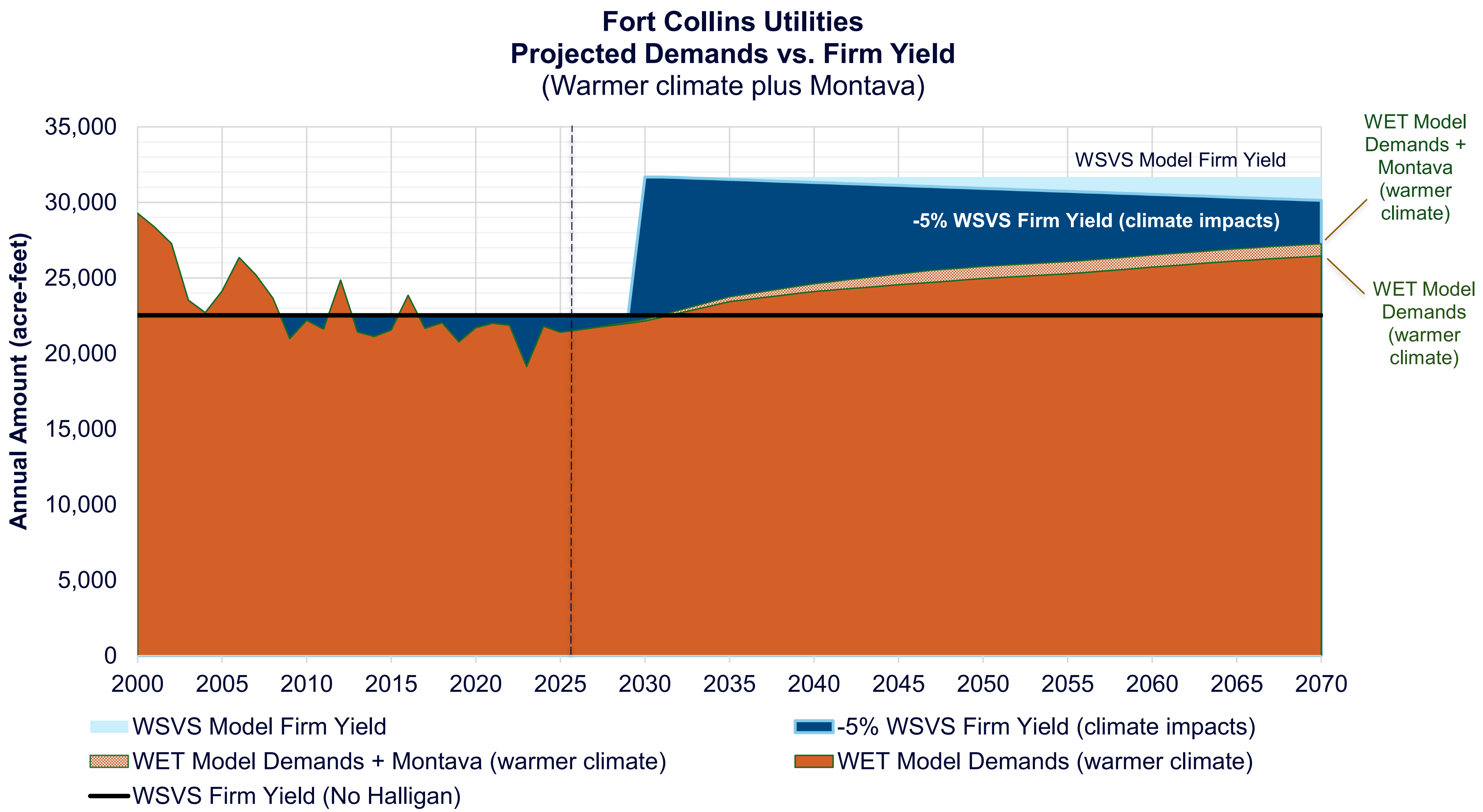
Use
- Indoor only
- Separate non-potable irrigation system requires approval from City and ELCO

Volumetric Limits
- Maximum allotment of 720 acre-feet per year

Accounting
- Must show water delivered to ELCO is used in Montava

Risk
- Increases demand
- Slightly decreases firm yield
- Less redundancy in supply options

Water Resources



WSVS = Water Supply Vulnerability Study

*The future firm yield and demands presented are modeled estimates. It is not possible to predict the actual firm yield and demand.

Non-potable Water System and Agreement

Non-potable Irrigation System

- Owned and operated by metro district
- Sourced from:
  - Existing groundwater wells
  - Surface water from ditch companies

Non-potable Water Agreement

- Terms required by Northern Water
  - Reduce claims in pending water court case
  - Limits on groundwater pumping
  - Limits on transfer of ditch company shares
- Terms required by City and ELCO
  - Both entities must determine system is adequate

Wrap-up

Summary of Benefits and Risk, Council Feedback

Benefits and Risks

Benefits

Alignment with City Goals
- 4,000 units of high-density development, adding more affordable housing and city center in NE Fort Collins (15-minute city) (Econ 3.2.1, NCV 5.1 and 5.3)
- Water conservation-built environment (Econ 3.1.5)
- Parks and Natural Areas (C&R 2.1.3)

Reduce Rate Pressure
- Utilities facing extensive rate increases for large storage project, infrastructure upgrades and new lab
- Potential to leverage underutilized assets to benefit water customers (HPG 1.2.3 and 1.4)

Risks

Water Resources
- Increases demand
- Slightly decreases firm yield
- Less redundancy in supply options

Infrastructure Financing
- City investment in interconnect recovered through fees
- Buildout rate is slower than projected impacting revenues

Council Feedback

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