

AGENDA ITEM SUMMARY

City Council



STAFF

Matt Parker, Natural Areas Ecological Stewardship Manager
Miles Daly, Water Engineer II

SUBJECT

Second Reading of Ordinance No. 010, 2026, Authorizing the City Manager to Transfer Ownership of up to 61 Shares of the Buckhorn Highline Ditch Company.

EXECUTIVE SUMMARY

This Ordinance, unanimously adopted on First Reading on February 3, 2025, seeks approval to transfer ownership of up to 61 shares of the Natural Areas Department's shares of the Buckhorn Highline Ditch Company that the City does not need and will not use. The City's continued ownership of these 61 shares would impose significant costs on the Natural Areas Department due to required infrastructure improvements for the ditch and diversion structure, with little to no benefit to the City or natural areas. The Natural Areas Department will retain 33 shares of the Ditch Company for potential irrigation of a restoration project on the Bobcat Ridge Natural Area. The water right associated with the Buckhorn Highline Ditch, being a junior right, is not suitable for in-stream flows nor conversion to municipal use. The shares would be transferred by sale, or by returning the shares to the Ditch Company.

STAFF RECOMMENDATION

Staff recommends adoption of the Ordinance on Second Reading.

FIRST READING BACKGROUND / DISCUSSION

The Natural Areas Department ("Department") is seeking to divest up to 61 of its 94 shares of the Buckhorn Highline Ditch Company ("Ditch Company") to: 1) right-size the City's ownership relative to potential City use; 2) balance the Department's desire to support agriculture in the Buckhorn Creek Valley while responsibly managing the Department's fiscal resources; and 3) accommodate the beneficial use of irrigation water at other user sites. The Buckhorn Highline Ditch ("Ditch") is currently inoperable due to a blowout of the diversion structure in 2013 and will require reconstruction at an estimated cost of \$600,000 - \$720,000.

How the Ditch is Used:

The Ditch diverts water from Buckhorn Creek, a tributary of the Big Thompson River. The Ditch is relatively small, with an estimated capacity of less than 10 cubic feet per second. For comparison, that is much smaller than most of the irrigation ditches in Fort Collins. The Ditch is used by eight properties in Buckhorn Creek Valley to irrigate hayfields. A subset of users also possess contract rights associated with the Colorado - Big Thompson Water Project ("CBT"). The CBT water is supplemental water and cannot be

acquired or used unless an underlying water right exists. Thus, for some valley residents, the water right represented by shares in the Ditch Company secure additional access to irrigation water through the CBT project. The City does own CBT water and has used it very infrequently at Bobcat Ridge Natural Area. However, the formerly irrigated hay fields have been converted to native grass, reducing the need for and the value of these water shares to the Department.

Ditch Share Ownership and Water Right Details:

The Ditch Company consists of 180 shares owned by ten shareholders. The Department acquired 29 shares with the purchase of Bobcat Ridge Natural Area in 2002. In 2022 the Department purchased Eagle Canyon Ranch and Soaring Eagle Estates, which is adjacent to, and an expansion of the Bobcat Ridge Natural Area. In that transaction, an additional 65 shares of the Ditch Company came into City ownership. In the purchase and sale agreement, the previous owner transferred \$68,000 to the Ditch Company to assist with costs related to reconstructing the diversion, a necessary step before water could be utilized.

The Ditch has a 1916 water right, decreed for immediate use (no storage) in direct irrigation for agricultural purposes.

Suitability of Municipal Use:

After consultation with water supply staff, this Ditch's water right is not considered a good candidate for municipal use due to its junior water right status, its small and inconsistent yield, and its distant location relative to municipal treatment locations.

Feasibility for In-Stream Flows:

The Ditch typically yields water in the early irrigation season, being out of priority as a junior water right for much of the summer. Thus, this water right does not substantially sustain Buckhorn Creek or contribute to the Big Thompson River in a meaningful way during drier times. This water right would thus not provide a supply for in-stream flows when water is needed.

Estimated Value of Buckhorn Highline Shares:

A recent appraisal of the Chase Ditch water right, a similarly junior water right on the North Fork of the Cache la Poudre River ("North Fork"), placed the value per acre foot of yield of the Chase Ditch at \$1,500. Given the average yield of 1.6 acre-foot per share of the Buckhorn Highline Ditch Company, a per share value of \$2,400 appears to be the top of the range. It may be appropriate to reduce the per share value for two reasons: 1) although it's difficult to compare two water rights on different sources, the Buckhorn Highline Ditch is a more junior water right on the Big Thompson than the Chase Ditch is on the North Fork, and 2) with the reconstruction needs, there are significant per share construction costs ahead for shareholders of the Buckhorn Highline Ditch Company. Staff place a value at somewhere between \$1,500 and \$2,000 per share. As noted below, for this discussion, a value of \$1,700 per share is assumed.

Benefit to City Transfer of Ownership:

Repair of the Ditch diversion will require significant shareholder expense, currently estimated at \$3,333 - \$4,000 per share. The area of Bobcat Ridge Natural Area, formerly irrigated by the 61 shares has been restored back to native grass and irrigation water is no longer applied. Thus, if these shares are not transferred to new owners, the City (through the Department) as a shareholder will contribute an additional \$203,000 - \$244,000 for ditch repairs without material gain to the City.

Cost/Impact to City Transfer of Ownership:

Transferring ownership of these shares will reduce construction costs for the Department. However, transferring ownership of these shares will also reposition the City from a majority shareholder (94 of 180 shares) to a minority shareholder (33 of 180 shares). Most other shareholders hold 2 to 10 shares with one family currently owning 53 shares.

Net gain for City transfer of shares is equal to the minimal income value of the shares (61 shares times \$1,700 per share, or \$103,700) plus avoidance of the anticipated future diversion repair cost (61 shares times \$4,000, or \$244,000) for a total of \$347,700. Considered another way, the cost of retaining these 61 shares that the City cannot use (\$347,700) far exceeds their fair market value (\$103,700). As described in the chart below, there is also benefit to the City even if all 61 shares are returned to the Ditch Company without compensation, as the City's portion of construction costs decreases from \$376,000 to \$199,664.

The Department will retain 33 shares associated with the purchase of Eagle Canyon Ranch and Soaring Eagle Estates and subsequently incur approximately \$110,000 to \$132,000 of the total estimated repair costs of \$720,000 for the Ditch diversion.

Reason for Retaining Remaining Shares:

The Department intends to retain the remaining 33 shares of the Ditch Company for three reasons: 1) irrigation water may be used to promote the future restoration of the low-lying land within the addition to Bobcat Ridge Natural Area, i.e., the recent acquisitions of Eagle Canyon Ranch and Soaring Eagle Estates, 2) the Department wants to honor the intent of the purchase transaction wherein the previous landowner and the Department acknowledges the important role of these shares in the future construction project, and 3) the Department recognizes the important role irrigation water plays in maintaining the feasibility of agricultural lands and their associated wildlife value.

Shares Could be Returned to the Ditch Company or Sold to Another Shareholder:

If Council approves the transfer of ownership of these shares, the shares could either be returned to the Ditch Company treasury without compensation or, preferably, sold to a neighbor. If the shares are returned to the treasury, the future construction cost will be divided amongst the current shareholders based on the number of outstanding shares (those owned by shareholders and not held by the Ditch Company), and therefore, per share costs for the construction will increase.

With Council's approval of transferring ownership of up to 61 shares, staff can determine what means of transfer are most beneficial to the City. Due to the limitations on the use of the shares as discussed above, the market of potential buyers of the shares is small, generally being other shareholders in the Ditch Company and the owners of other properties along the Ditch, which staff will reach out to separately or through the Ditch Company. Staff anticipate that a neighboring shareholder purchases some number of shares, however it may not be all 61. Therefore, likely scenarios follow some variation of three paths: 1) the City sells all 61 shares, 2) the City sells less than 61 shares and returns some number of shares to the Ditch Company, and 3) the City returns all 61 shares to the Ditch Company.

The table below outlines three potential alternative scenarios that would be enabled by the Ordinance. In the current scenario, the City owns 94 shares and the City's portion of reconstruction cost is \$376,000. In the first alternative scenario, all 61 shares are sold, the number of outstanding shares remains at 180 shares, and the City's portion of reconstruction cost is \$132,000. In the second alternative scenario, 30 shares are sold, 31 shares are returned to the Ditch Company which reduces the number of outstanding shares to 149 shares, and the City's portion of reconstruction cost is \$159,463. In the third alternative scenario, 0 shares are sold, all 61 shares are returned to the Ditch Company which reduces the number of outstanding shares to 119 shares, and the City's portion of reconstruction cost is \$199,664. In all of these alternative scenarios that would be enabled by the Ordinance, the City's portion of reconstruction costs would be significantly reduced from the current scenario. Also, in all of the alternative scenarios, there

would be additional financial benefit to the City from the sale of any shares, which values are not shown in the table.

Scenario	Shares		Percent of Company Owned by City	Reconstruction Costs (high estimate)	
	Outstanding Company	Owned by City		Total Cost	City Portion
Current	180	94	52%	\$720,000	\$376,000
61 Shares are Sold	180	33	18%	\$720,000	\$132,000
30 Shares are Sold and 31 Shares are Returned to the Company	149	33	22%	\$720,000	\$159,463
0 Shares are Sold and 61 Shares are Returned to the Company	119	33	28%	\$720,000	\$199,664

CITY FINANCIAL IMPACTS

Reducing the number of shares owned by the City through the Department will reduce the associated future project costs to the City. However, the difference in savings, depending upon if the shares are sold outright, or returned to the Ditch Company, will greatly impact the extent of savings.

BOARD / COMMISSION / COMMITTEE RECOMMENDATION

At the November 12, 2025, Land Conservation and Stewardship Board (LCSB) meeting, the board voted unanimously (8-0) to recommend that Council approve the transfer of ownership (a.k.a. disposition) of up to 61 Buckhorn Highline Ditch Company shares. Please see Attachment #2 for board meeting minutes.

PUBLIC OUTREACH

None.

ATTACHMENTS / LINKS

First Reading attachments available in February 3, 2025, agenda materials at the following link:
<https://fortcollins-co.municodemeeetings.com/>

1. Ordinance No. 010, 2026