

# Council Agenda Summary

March 2, 2021

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## Title:

Consideration of a resolution of the City Council of Greeley, Colorado authorizing the closing of the transaction contemplated by the Amended and Restated Master Purchase, Sale and Raw Water Credit Administration Agreement (Terry Ranch) and taking related actions

## Summary:

In June 2020, the City, acting by and through its Water Enterprise, and pursuant to Greeley Water & Sewer Board approval, entered into a Master Purchase, Sale and Raw Water Credit Administration Agreement with Wingfoot Water Resources, LLC ("Wingfoot") for acquisition of groundwater rights, underground water storage, and appurtenance underlying the Terry Grazing Association Ranch in northwest Weld County (the "Terry Ranch Project"). On February 17, 2021, the Greeley Water & Sewer Board authorized the City, acting by and through its Water Enterprise, to enter into that Amended and Restated Master Purchase, Sale and Raw Water Credit Administration Agreement, effective as of June 23, 2020 ("Master Agreement").

Over the past eight months, staff and professional consultants have undertaken extensive scientific, engineering and geochemical inspection activities. This robust diligence investigation was designed to collect and analyze appropriate data to confirm the water resources offered in this purchase are safe and reliable. The work was also intended to identify any fatal flaws that might exist with the technical aspects of the project. A description of those studies and their results are available on the Terry Ranch website: [greeleygov.com/terryranch](http://greeleygov.com/terryranch). In summary, the City's diligence efforts found the Terry Ranch Project can provide a safe and reliable water supply that will meet Greeley's future water supply needs to support a growing population. No fatal flaws were identified during diligence activities. The investigative study findings and staff recommendations have been reviewed and confirmed by independent, third-party experts.

On February 17, 2021, the Greeley Water & Sewer Board considered inspection findings and approved a resolution authorizing closing on the Terry Ranch Project and recommending the same to the City of Greeley City Council. A video of the February 17, 2021 Water & Sewer Board meeting in which Board deliberated the Terry Ranch Project may be found at:

<https://www.youtube.com/watch?v=NrSnDGbdwMk&t=8m57s>.

Pursuant to the Master Agreement, at closing, the City must create and issue raw water dedication "Credits" to Wingfoot redeemable to meet Greeley's raw water dedication requirements. Rather than paying cash up front for the Terry Ranch Project, Greeley

will issue Credits that are redeemable with Greeley. Wingfoot may sell the Credits to home-builders or developers who will then deliver the Credits to Greeley to meet the City's existing raw water requirements for growth and development. The Credits will only be redeemable within Greeley's water service area, and Greeley will continue to accept all other current forms of raw water dedication and its cash-in-lieu of raw water program. In effect, Greeley will forego a portion of future cash-in-lieu payments, but in return will receive immediate access to the Terry Ranch water and storage. In addition, Wingfoot is required to fund up to \$125,000,000 for construction of the infrastructure necessary to develop and deliver the groundwater to Greeley.

Key to the Master Agreement are provisions to ensure Greeley does not devalue Credits that are Greeley's payment for the assets. The Master Agreement contains specific language that precludes Greeley from devaluing Credits through certain changes to its Raw Water Dedication Policy (Chapter 14.06 of the Greeley Municipal Code). Under the agreement, Wingfoot is entitled to certain remedies if the City changes its Raw Water Dedication Policy in such a way that disallows, limits, or disadvantages Credit redemption, or that allows acceptance of new sources of water for dedication within 10-years of closing. Greeley will continue to be able to change its policies to adjust water dedication requirements in response to changing water consumption habits, so long as policy changes are based on usage data, economics, and best practices.

**Fiscal Impact:**

Does this item create a fiscal impact on the City of Greeley?	Yes
If yes, what is the initial, or, onetime impact?	N/A
What is the annual impact?	Development dependent
What fund of the City will provide Funding?	N/A
What is the source of revenue within the fund?	N/A
Is there grant funding for this item?	No
If yes, does this grant require a match?	N/A
Is this grant onetime or ongoing?	N/A
Additional Comments:	Acceptance of Raw Water Dedication Credits will reduce collection of revenue via cash-in-lieu fees paid for Raw Water Dedication for new City water service. Future cash-in-lieu revenue depends on the pace of development, future cash-in-lieu rates, and rate of sale and use of Raw Water Credits.

**Legal Issues:**

As a pre-closing condition of the Master Agreement, City Council must authorize closing on the Terry Ranch Project. The City Attorney's Office has reviewed the proposed resolution.

**Other Issues and Considerations:**

The following are the principle findings of due diligence investigations of the Terry Ranch Project: 1) The quality of Terry Ranch groundwater is high. It contains low-levels of naturally occurring uranium, but the uranium can be removed below detection with ion exchange treatment. Proven and common treatment systems exist to remove uranium from drinking water. 2) No adverse water quality reactions are expected by

blending Terry Ranch water with Greeley's existing treated water sources. Introduction of Terry Ranch water into Greeley's existing water supply system is not anticipated to cause corrosion to or release of metals from distribution system piping. 3) The risk of contamination to Terry Ranch groundwater is at present very low. The Terry Ranch aquifer is well-isolated and well protected from surface contamination. 4) The Terry Ranch Project requires pumping and treatment, the operational costs of which will be higher than Greeley's existing water treatment and conveyance systems. However, the higher operational costs are vastly outweighed by lower capital costs. The expected cost to Greeley of building the Terry Ranch Project infrastructure for the 2065 planning horizon is \$256 million in escalated, 2020 dollars. 5) Compared to the hundreds of alternatives evaluated to date, Terry Ranch is the least costly and most certain.

City staff has sought to proactively engage the Greeley community and seek public input on the Terry Ranch Project over the last eight months. The project has been presented at three City Council meetings, monthly Water & Sewer Board meetings, two Community Open Houses (December 2, 2020 and February 10, 2021), and to over 20 community organizations, service clubs, and Boards and Commissions of the City of Greeley, Colorado. Staff have built a robust project web page with comprehensive library of information including technical reports from the diligence activities. The city has shared information on the project, the open houses and its web page through a variety of social media channels; all in a concerted effort to make sure the public had an opportunity to learn about the project, have their questions asked, and make their opinions known.

**Applicable Council Priority and Goal:**

*Infrastructure & Growth:* Establish the capital and human infrastructure to support and maintain a safe, competitive, appealing and successful community.

**Decision Options:**

- 1) Adopt the resolution as presented; or
- 2) Amend the resolution and adopt as amended; or
- 3) Deny the resolution; or
- 4) Continue consideration of the resolution to a date certain.

**Council's Recommended Action:**

A motion to adopt the resolution as presented.

**Attachments:**

Resolution

Amended and Restated Master Purchase, Sale and Raw Water Credit Administration Agreement

Water & Sewer Board Resolution of Feb. 17, 2021

Presentation

Written Citizen Comments received