City of Louisville
COLORADO ▪ SINCE 1878

CITY COUNCIL COMMUNICATION
AGENDA ITEM 7D

SUBJECT: **APPROVAL OF RESOLUTION NO. 32, SERIES 2024 – A RESOLUTION APPROVING A FINANCING OPTION IN CONNECTION WITH THE WINDY GAP FIRMING PROJECT**

DATE: **AUGUST 6, 2024**

PRESENTED BY: **KURT KOWAR, PUBLIC WORKS**

SUMMARY:
Staff is recommending approval of the attached Completion Costs and Expenses (C&E) selecting the financing option for the Windy Gap Firming Project also known as the Chimney Hollow Reservoir.

The Windy Gap Project (WGP) was first proposed in 1967 by the cities of Boulder, Estes Park, Fort Collins, Greeley, Longmont and Loveland. Completed in 1985, WGP consists of a diversion dam at the confluence of the Colorado and Fraser Rivers, a pump plant and a 6-mile pipeline to Lake Granby. The WGP is capable of diverting 48,000 acre feet (AF) of water each year. Once stored in Lake Granby, water is delivered to water users via the Colorado-Big Thompson Project's (C-BT) East Slope distribution system. However, during wet cycles Lake Granby is often full, leaving little or no space for WGP water. Conversely, the water rights associated with the WGP are relatively junior and are less likely to be in priority preventing diversions during dry cycles.

Additional storage, contemplated since the WGP's inception, was proposed to provide more reliable WGP water deliveries. These efforts culminated in the Windy Gap Firming Project with the major component being the construction of a 90,000 AF reservoir at Chimney Hollow in the foothills west of Carter Lake. The formal federal permitting process was entered in 2003 with the final permits issued in 2016 and 2017. Project design wrapped up in 2019. Construction began in 2020 and is scheduled for completion in 2025.

Over the last 4 years of construction the project has experienced several cost overruns depleting existing funding. The largest are related to additional source materials (embankment fill and grouting, etc.) as well as global supply chains and inflation issues. In a procedure outlined in the allotment contract, approved by Council at the initial of construction in 2020, Northern has provided the attached notice to incur Completion C&E assigned to all project participants. Louisville has 90 days from this notice to elect one of the two options of how to fund this obligation of either providing the full cash amount by August 30 or to participate in additional financing. If neither option is provided on time, then Louisville is automatically enrolled in the Financing option. All participants are contractually obligated to continue to financially support the project and ensure completion. Failure to make payment under either option would put Louisville in default. Default triggers a variety of serious ramifications including penalty fees, permanent loss of water supply storage within the project and possible litigation.

FISCAL IMPACT:
The City's pro rata share of the C&E is $2,068,194. If the recommended financing option is selected, annual cost increases are projected at approximately $104,000 for 2025 through 2035 and $95,000 for years 2036 to 2055 with a total finance cost of $2.94 million. Annual payments have been accounted for in the current City Rate Model and negligible impacts to water rate increases. A cash payment would impact water fund reserves and require an addition 2% to 3% increase over the next four years to compensate.

PROGRAM/SUB-PROGRAM IMPACT:
The program goal for Utilities is to ensure safe, reliable, great tasting water; properly treated wastewater; effective stormwater control; successfully managed solid waste; and competitive prices for all services. The Windy Gap Firming Project will increase the reliability of the water system and ensure adequate supplies for the future.

RECOMMENDATION:
Adopt Resolution No. 32, Series 2024 approving the selection of the financing of the Complete C&E obligation for participation in the Windy Gap Firming Project with authorization for the Mayor to execute the notice.

ATTACHMENT(S):
1. Resolution No. 32, Series 2024
2. Completion C&E Notice

STRATEGIC PLAN IMPACT:

☐	**Financial Stewardship & Asset Management**	☒	**Reliable Core Services**
☐	**Vibrant Economic Climate**	☐	**Quality Programs & Amenities**
☐	**Engaged Community**	☐	**Healthy Workforce**
☐	**Supportive Technology**	☐	**Collaborative Regional Partner**

RESOLUTION NO. 32
SERIES 2024

A RESOLUTION APPROVING A FINANCING OPTION IN CONNECTION WITH THE WINDY GAP PROJECT

WHEREAS, the City is party to an Allotment Contract concerning the Windy Gap Firming Project, which is also known as the Chimney Hollow Reservoir Project (the "Project"); and

WHEREAS, the City was notified by the Windy Gap Firming Project Water Activity Enterprise of a need to incur Completion C&E for the Project; and

WHEREAS, the City's share of such costs is $2,068,194, and the City has the option to make a full cash payment for its share or to participate in additional financing; and

WHEREAS, the City Council, by this resolution desires to choose the financing option to pay for City's share of the Completion C&E costs for the Project.

NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF LOUISVILLE, COLORADO:

1. The Notice to WGFP Allottees of Need to Incur Completion C&E (the "Notice") is hereby approved in essentially the same form as the copy of such Notice accompanying this Resolution, indicating the City's decision to select the financing option to fund the City's share of Completion C&E costs.

2. The Mayor is authorized to execute such Notice, and the Mayor, City Manager and City Staff are further authorized to do all things necessary on behalf of the City to perform the obligations of the City under such Notice.

PASSED AND ADOPTED this 6th day of August, 2024.

____
Christopher M. Leh, Mayor

ATTEST:

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Genny Kline, Interim City Clerk

Chimney Hollow Reservoir Project

NOTICE TO WGFP ALLOTTEES OF NEED TO INCUR COMPLETION C&E

To: City of Louisville
From: Jeff Drager, P.E.
Date: May 29, 2024

Under the Windy Gap Firming Project (WGFP) Allotment Contracts, and using the definitions therein, the WGFP Enterprise has determined that the Initial C&E will be depleted, and Completion C&E must be incurred to complete construction of the WGFP. This letter serves as the WGFP Enterprise's Notice under Section 6.2.2 of the Allotment Contract of the need to incur Capital C&E Funding Obligations for Completion C&E. **The total amount of Completion C&E to be incurred is $65,000,000**. Because interest earned on Initial C&E differed for Cash Allottee funds versus Loan Allottee funds, the WGFP Allottees' Capital C&E Funding Obligations for Completion C&E accordingly differ. The original Cash Allottees' Completion C&E portion totals $32,536,281 (~$715.08/cash unit) and the Loan Allottees' Completion C&E portion is $32,463,719 (~$729.52/loan unit). The WGFP Enterprise is offering the option for all Allottees to participate in a WGFP Financing to satisfy the Completion C&E, regardless of each Allottee's method of paying its Initial C&E.

Pursuant to 6.2.2, by August 27, 2024, Allottees shall elect in writing, by returning this form to the WGFP Enterprise through mail or email to jhernandez@northernwater.org, with cc to braley@troutlaw.com, to pay its Capital C&E Funding Obligations for such Completion C&E through a Capital C&E Funding Cash Payment, participation in a WGFP Financing, or a combination thereof. **If either no such election is made by August 27, or to the extent a cash payment is not received by August 30, 2024**, then that Allottee shall be obligated to participate in a WGFP Financing under Allotment Contract Section 6.2.2.2.

Construction of Chimney Hollow Reservoir is projected for completion late Summer 2025. According to the current budgets and the project's risk register, $65,000,000 is deemed adequate for the successful completion of the project. However, considering the inherent uncertainties associated with construction, it is important to note that additional Completion C&E may be required in the future. If so, the WGFP Enterprise will provide a separate notice pursuant to Allotment Contract Section 6.2.2.

Louisville's Completion C&E Funding Obligation for its 2,835 Units = $2,068,194

Means of Completion C&E Payment:

☐ **Capital C&E Funding Cash Payment** __________ (# of units) $__________

☒ **WGFP Financing** 2,835 (# of units) $2,068,194

Total Units = 2,835 (# of units); Total Amount = $2,068,194

____
Signature

Mayor
Title

____
Date

Chimney Hollow Reservoir Project

Completion C&E Allocation Summary					
Allottee	Units	Future Cost	Avail. Funds	Completion C&E	~ Per Unit
Cash Allottees					
Broomfield	26,464	$100,008,916	$81,084,957	$18,923,959	$715.08
Loveland	10,000	$37,790,552	$30,639,721	$7,150,831	$715.08
Longmont	7,500	$28,342,914	$22,979,791	$5,363,123	$715.08
Fort Lupton	1,190	$4,497,076	$3,646,127	$850,949	$715.08
CWCWD	346	$1,307,553	$1,060,134	$247,419	$715.08
	45,500	$171,947,010	$139,410,729	$32,536,281	
Pooled Finance					
PRPA	16,000	$60,464,883	$48,792,534	$11,672,347	$729.52
Greeley	9,189	$34,725,738	$28,022,162	$6,703,576	$729.52
Erie	6,000	$22,674,331	$18,297,200	$4,377,131	$729.52
Little Thompson WD	4,850	$18,328,418	$14,790,237	$3,538,181	$729.52
Superior	4,726	$17,859,815	$14,412,095	$3,447,720	$729.52
Louisville	2,835	$10,713,621	$8,645,427	$2,068,194	$729.52
Lafayette	900	$3,401,150	$2,744,580	$656,570	$729.52
	44,500	$168,167,955	$135,704,236	$32,463,719	
Totals	90,000	$340,114,965	$275,114,965	$65,000,000	

Completion C&E Loan Payment Sumary			
Allottee	Units	Year 1-10 Payment	Year 11-30 Payment
Cash Allottees			
Broomfield	26,464	$949,101	$862,819
Loveland	10,000	$358,638	$326,035
Longmont	7,500	$268,979	$244,526
Fort Lupton	1,190	$42,678	$38,798
CWCWD	346	$12,409	$11,281
	45,500	$1,631,805	$1,483,459
Pooled Finance			
PRPA	16,000	$585,408	$532,189
Greeley	9,189	$336,207	$305,643
Erie	6,000	$219,528	$199,571
Little Thompson WD	4,850	$177,452	$161,320
Superior	4,726	$172,915	$157,195
Louisville	2,835	$103,727	$94,297
Lafayette	900	$32,929	$29,936
	44,500	$1,628,166	$1,480,151
Totals	90,000	$3,259,971	$2,963,610