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City of Fort Collins

Work Session Memorandum

Date: September 24, 2026
To: Mayor and City Councilmembers
Through: Kelly DiMartino, City Manager KD
Dean Klingner, Deputy City Manager DK
From: Nicole Poncelet-Johnson, One Water Executive Director NP
Joe Wimmer, Utilities Finance Director JW
Subject: August 25, 2026 Work Session Summary: Wholesale Water Agreement with ELCO to Serve the Montava Development

Bottom Line

The purpose of this memo is to document the summary of discussions during the August 25, 2026 Work Session on the Wholesale Water Agreement with ELCO. All Councilmembers were present.

Discussion Summary

- Staff reviewed the proposed wholesale water arrangements with East Larimer water District (ELCO) to provide water supply to Montava, a 4000+ unit mixed use development in northeast Fort Collins.
- Councilmembers voiced support to advance the wholesale agreement, supporting the innovative partnership solution to encourage development meeting community and Council priorities.
- There were questions and discussion regarding development fee differences between the City and ELCO water district, Fort Collins Utilities revenue projections, sufficiency of City water supply including projections involving climate change, and details of the non-potable water supply system and contract.
- Utilizing similar water wholesale arrangements was discussed as a creative solution for supporting housing development. Although it was noted by individual councilmembers and staff that the size and circumstances of this development may not be simple to replicate, noting the complexities of the Colorado-Big Thompson (C-BT) water rights arrangement with Northern Water, and limitations to use of some water rights within the Fort Collins Utilities service area boundaries, and risk to firm yield water supply.

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- Individual councilmembers asked about the City's risk of financing and constructing the wholesale interconnect infrastructure and supported the cost of the infrastructure being recovered through Plant Investment Fees (PIFs) charged to the development. The planning and design of the interconnect is work in progress with the preliminary cost of the capital project estimated at $2.5M.

Follow-up

At what point in the future do the demand and firm yield lines cross? How does that change with Montava?

Current modeling uses a planning horizon of 2065, which is the estimated time by which the Utilities Water service area is expected to be fully developed (City's Comprehensive Development Plan (City Plan, 2019)). And while extrapolating from existing trends may offer a coarse estimate of when supply will match demands (when excess supplies are exhausted), there are significant uncertainties that make this exercise unhelpful for understanding long-term water security. For example, there are assumptions about growth beyond 2065 that are currently undefined, and other climate-related factors like precipitation and temperature trends, customer behaviors related to water-use, passive conservation related to more efficient plumbing fixtures, housing density, and the type and quantity of storage available that must be considered.

Reducing these uncertainties and updating projections of water supply and demand beyond the year 2065 will be part of the work related to developing an Integrated Water Resources Plan (IWRP), which is included in the proposed 2027-2028 budget and expected to begin in 2027, if approved.

The IWRP will reflect a shift from the past approach of planning for future water supply needs based on a single set of future conditions to an adaptive approach that relies on a range of realistic potential futures beyond 2065. This approach to water supply planning will enable more flexibility, reduce surprises, improve decision making and allow for early adjustments, if needed. And importantly, it will allow City Council and City Leadership to better evaluate risks and rewards of future development opportunities and decisions.

Utilities currently has a robust portfolio of water rights that, with additional reservoir storage, is projected to meet the future needs of Utilities customers beyond 2065. Staff are confident that

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Utilities can dedicate the estimated 800 acre-feet of water to support the Montava development, while still meeting the needs of current and future Water Utilities customers. This understanding is based on current modeling of water supply and demand, and assumes adequate storage is available in the near future (e.g., Halligan Water Supply Project or other storage option).

What happens if the non-pot water rights do not yield what was projected in the water adequacy reviews?

The developer or Metro District(s) would acquire more water resources to meet the non-potable demands. The related expenses could be recouped through fees charged to businesses and residents served by the Metro Districts.

Next Steps

Staff are working to finalize terms with ELCO for 1) the potable water wholesale contract and 2) the non-potable water contract between the City, ELCO, developer, and metro district. It is anticipated that contracts will be returned for Council review and approval at the December 1, 2026, City Council regular meeting agenda.