

Hazen

South Platte Renew Governance Analysis

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History and Goals

History of South Platte Renew (SPR): 1970's

- 1972 - Clean Water Act Passed
- Englewood & Littleton had two plants
- Required to establish single regional plant
- 1977 – Began joint operations
- Regional provider for other districts



History of SPR: 1980's and Where We Are Today

- “The 1982 Agreement”
- 19 Connector Districts with contracts through the two Cities
- COE chosen to administer plant
 - COL pays 3% to COE General Fund
 - COE Sewer Enterprise Fund pays 3% to COE General Fund



South Platte Renew Service Area

Littleton & Englewood

- 50/50 Ownership

Regional Service Provider

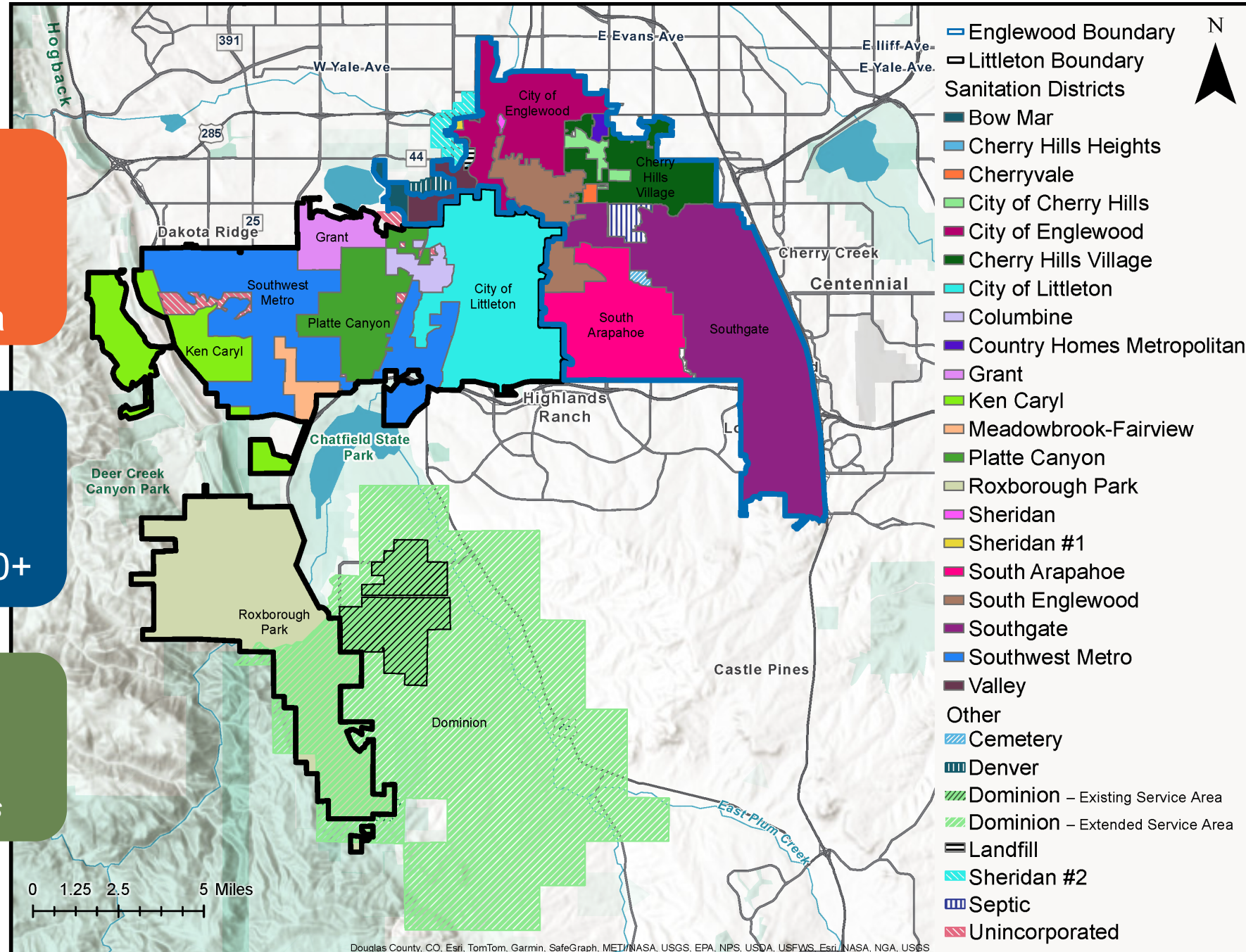
- 113 Square mile service area

300,000+ Customers

- Englewood: 35,000+
- Littleton: 45,000+
- Connector Districts: 220,000+

19 Sanitation Districts

- Englewood: 13 districts
- Littleton: 8 districts
- **2 districts connect through both cities*



SPR Current Governance Model



**City
Council**



Littleton

**City
Council**

**Supervisory
Committee**

City Manager

Public Works Director

City Manager

Public Works Director

Englewood Connector Districts

- | | |
|--|---|
| <ul style="list-style-type: none">• Bow Mar*• Cherry Hills Heights• Cherry Hills Village• Cherryvale• City of Cherry Hills• City of Sheridan• Columbine* | <ul style="list-style-type: none">• Country Homes Metro.• Sheridan Sanitation #1• South Arapahoe• South Englewood• Southgate• Valley |
|--|---|

Littleton Connector Districts

- | | |
|--|--|
| <ul style="list-style-type: none">• Bow Mar*• Columbine*• Grant• Ken Caryl Ranch• Meadowbrook-Fairview | <ul style="list-style-type: none">• Platte Canyon• Roxborough Park• Southwest Metropolitan• <i>Dominion (temporary)</i> |
|--|--|

**Both cities*

Aspects of the Contract Have Worked Well for 50 Years



- Supervisory Committee
- Core responsibilities
- Direct ownership by Cities
- Councils maintain direct control
- Promotes shared responsibility

Challenges Exist in Current Structure

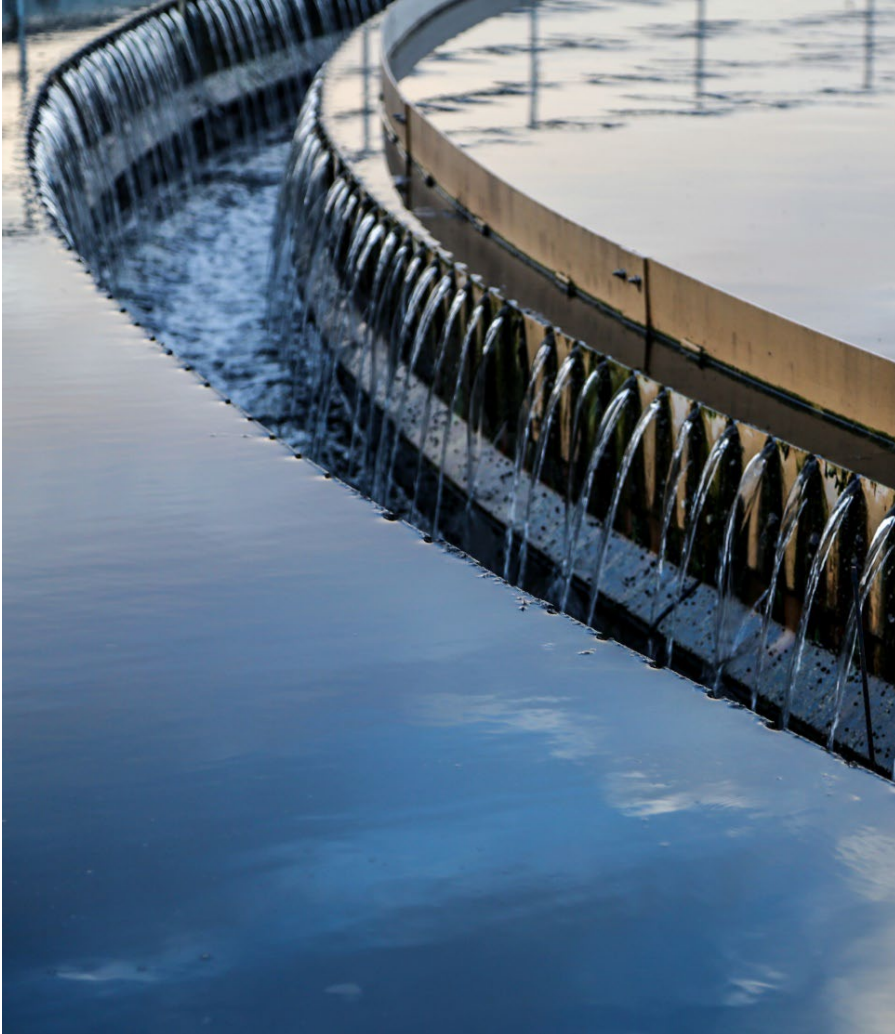
- Reduced economies of scale
- Significant capital funding needs & coordination
- Administrative burden for COE
- Past and present liabilities
- Limited planning horizon



Would a different Governance model for SPR provide benefits to Littleton and Englewood?



Purpose: Analyze Potential Impacts



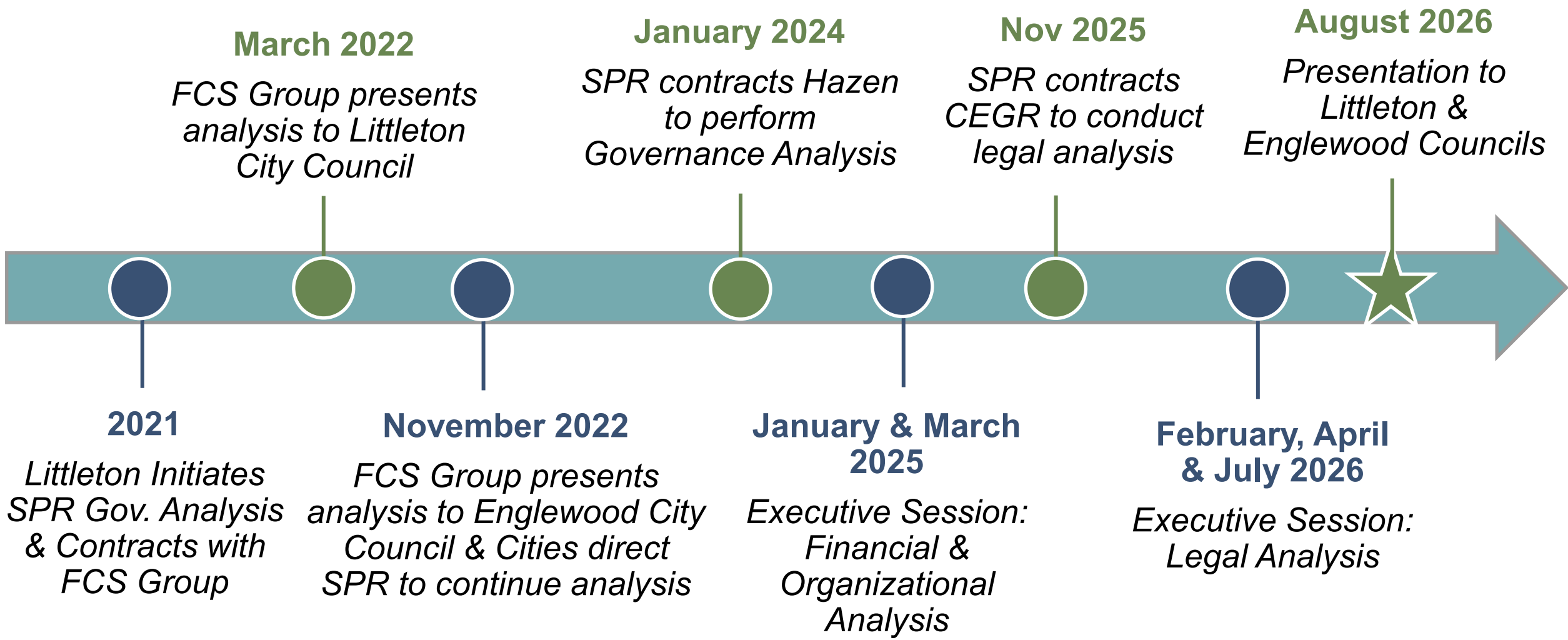
- Efficiency
- Customer Service
- Community Value
- Risk Management
- Long Term Planning

Topics for Analysis by Hazen and CEGR Team

- Governance Model
- Operations & Efficiency
- Financials
- Liability



SPR Governance Analysis Timeline



2021 FCS Group Evaluation of SPR Governance Structure



- Special Districts:
 - Littleton Only
 - Littleton and Connector Districts
 - Littleton and Englewood
 - All In (Across 4 Counties)
- Merger with Metro Water Recovery
- Sale to Private Party

Governance Types Other Than Existing Contract

Special District

- Title 32 separate legal entity
- Publicly elected Board

Merger

- Metro Water Recovery
- 23 represented entities on Board, serves 65+ entities

Authority

- Formation of independent legal entity
- Contract between COE & COL

Privatization

- Sale of assets to private entity
- Uncertainty in identifying capable private entity

Authority Governance Model Option

Legal Analysis: New Authority Model

- Efficiency in formation
- Legal independence from Cities
- Liability separation
- Financial separation
- Cities maintain oversight through board appointment



Authority Independence Established in State Law

- Separate legal entity
- Becomes a public corporation of the State
- Provides liability protection



Assumptions for Creating an Authority – SPR Impact

SPR

- Financials, operations, & capital
- 88 existing employees
- New employee additions
- SPR wholesale bills to Cities
- Funding / billing structure



Assumptions for Creating an Authority – Cities Impact



Littleton & Englewood

- Existing SPR assets transfer
- New board make up
- Collection systems remain
- Connector contracts remain
- Customer billing remain

Potential Challenges & Risks to COL and COE

- Public Scrutiny
- Connector Districts Concerns
- Remaining Legacy Liability
- Less Direct Control



SPR Authority Board Makeup & Appointment

- Cities appoint board members
 - *Recommend consistency*
- Maintain 50/50 split
- Tie-breaker vote
- Flow considerations



Examples of Successful Authorities in Colorado

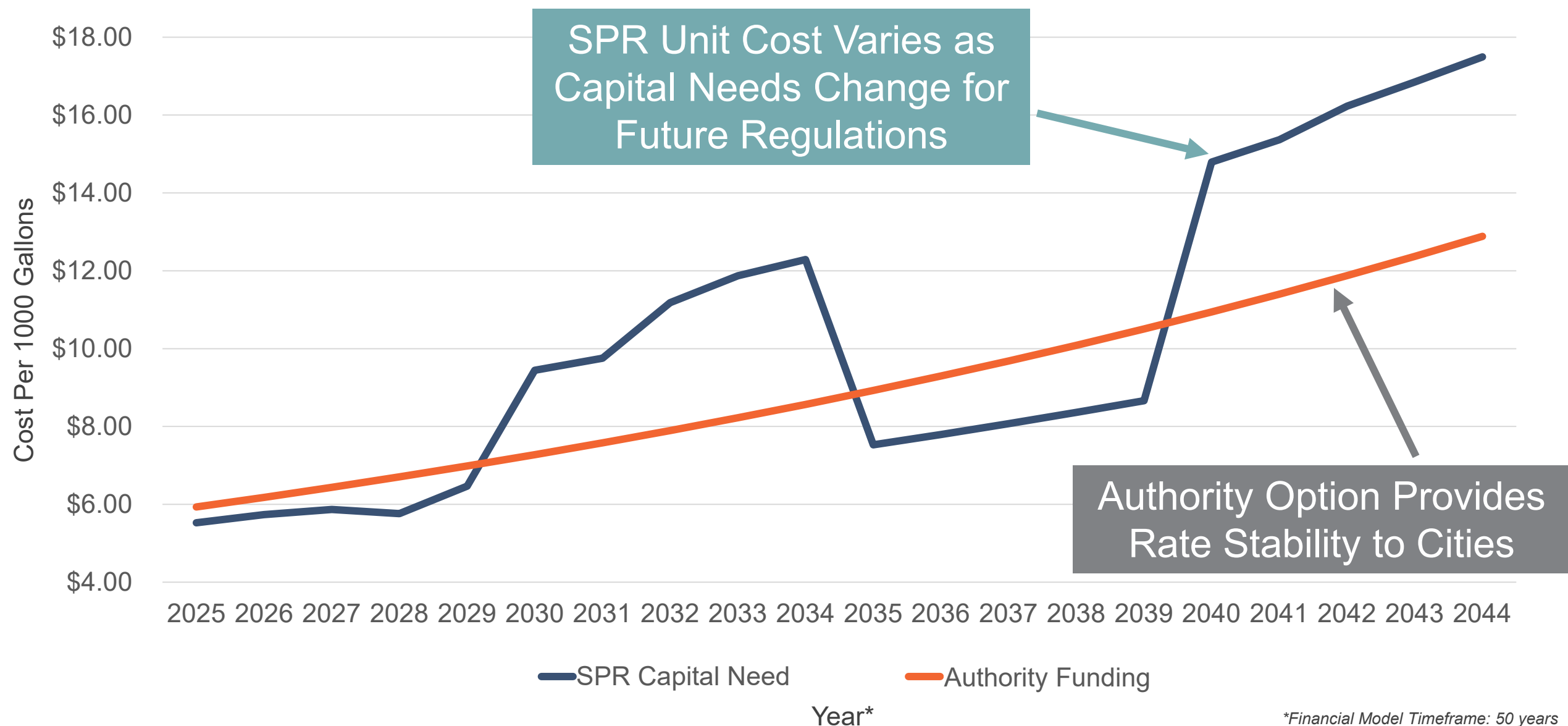
Soldier Canyon Water Treatment Authority

- Three member entities:
 - East Larimer County Water District
 - Fort Collins-Loveland Water District
 - North Weld County Water District
- Authority owns/operates shared regional treatment plant
- Member-entities own/operate distribution systems & bill customers



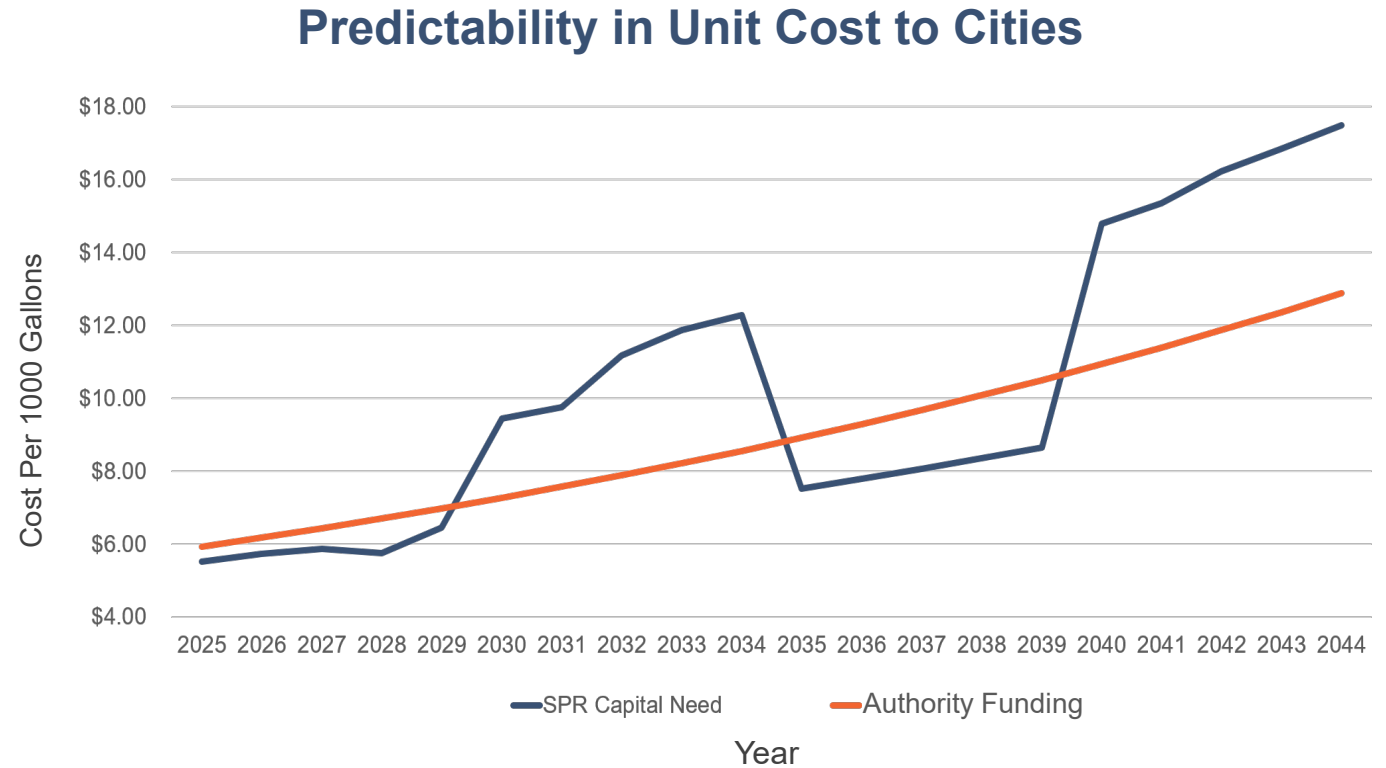
Financial & Operational

Predictability in Unit Cost to Cities



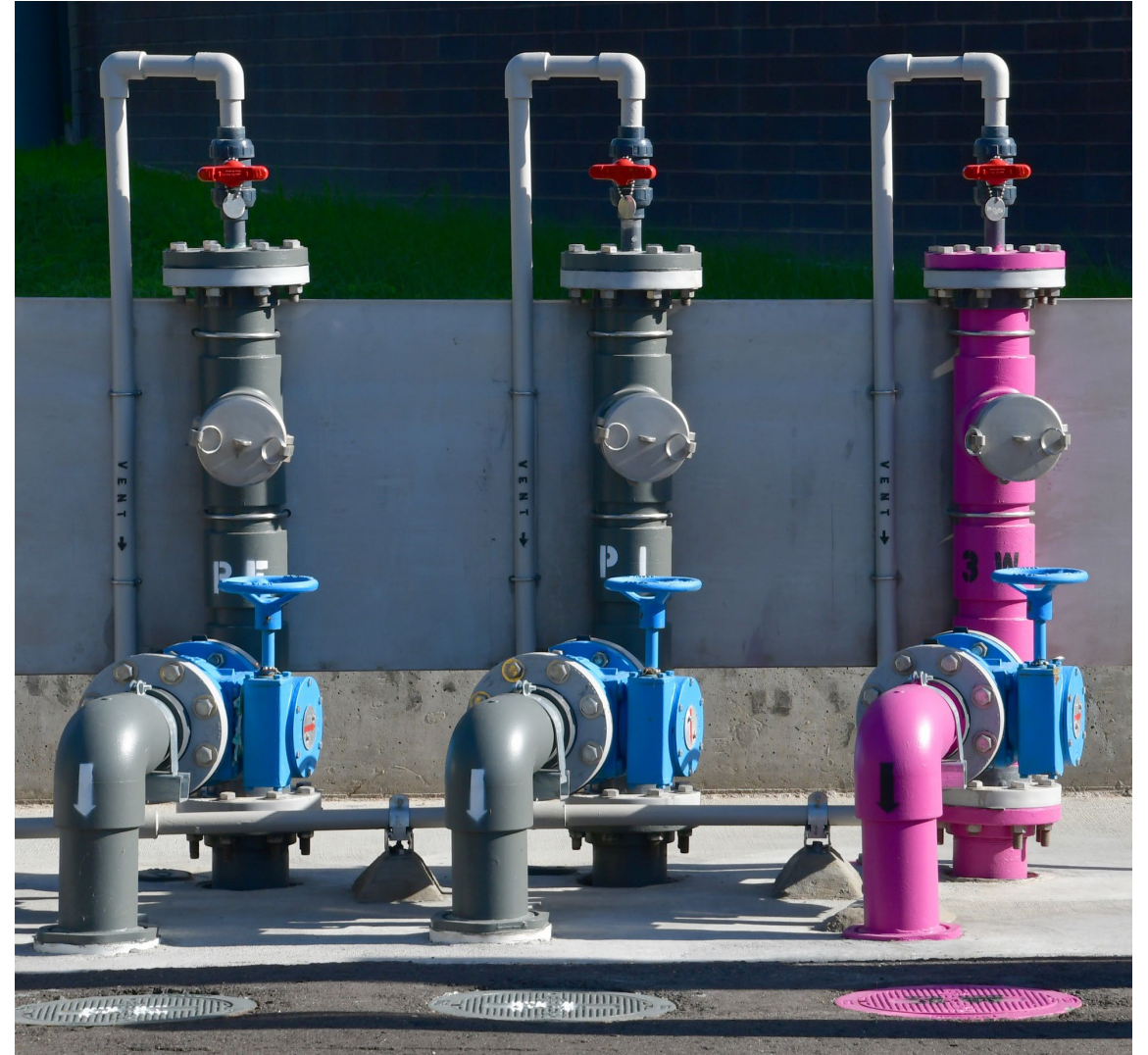
Bonding & Debt Sculpting Impacts

- Debt and rate smoothing
- Potential rate savings (0.5%)
- Decreased transaction costs
- Possible improved interest rate
- SPR debt separation
- Utility-specific financing focus
- Rate predictability for Cities



Predictability, Financial Resiliency, & Efficiency

- Future-proofing
- Service delivery focus
- Managing regulatory risk
- Reduced financial risk
- Cost certainty
- Central administration



Impact to Debt and Loans

Considerations

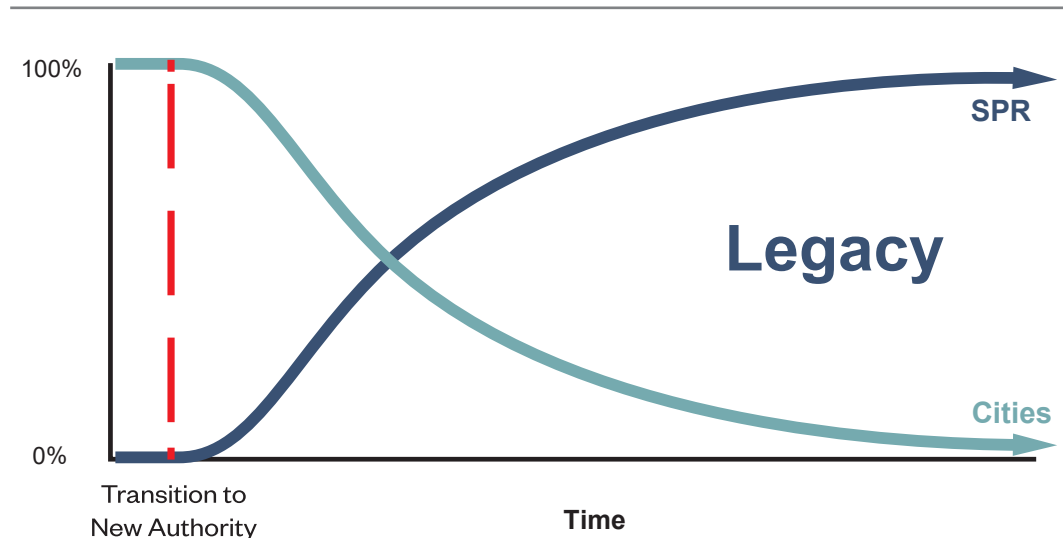
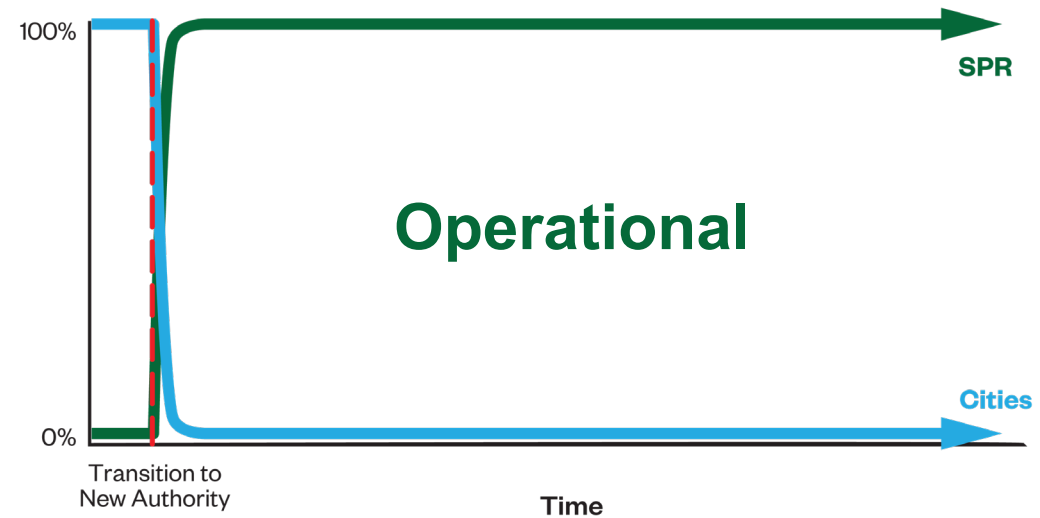
- Debt capacity consolidation
- No reduction in debt capacity
- Credit rating
- Clear boundaries for future debt issuance
- Single issuing entity
- City charter limits
- Existing debt (WIFIA Loan - COE)
- Further enterprise fund analysis



Liability

Distribution of Liability for Cities & SPR

- Segregates past & future liability
- Operational liability transfers immediately
- Cities' legacy liability diminishes over time
- Some legacy liability remains



Summary

Future Considerations



- Connector District Agreements
- Customer Billing
- Interceptors

An Authority Model Provides Key Benefits to Community

- Improves financial & operational efficiency
- More effectively serves customers
- Builds on past success
- Proactive approach
- Brings better value to customers



Items for Discussion



- Seeking input on results
- Requesting Council direction on next steps
- Identifying potential additional analysis needs

Questions & Open Discussion