

RJC04WAT

TYPE OF RECORD:	PERMANENT
CATEGORY OF RECORD:	CONTRACT
NAME OF CONTRACTOR:	RED JUNCTION LLC
SUBJECT/PROJECT:	UNTREATED WATER TO REDLANDS MESA GOLF COURSE COMMUNITY DEVELOPMENT #FP-1999-142
CITY DEPARTMENT:	UTILITIES AND STREETS
YEAR:	2004
EXPIRATION DATE:	NONE
DESTRUCTION DATE:	NONE

Agreement

This Agreement is between the City of Grand Junction and Red Junction, L.L.C. ("Redlands Golf") this 19th day of April, 2004.

Recitals.

As part of its due diligence prior to purchase and development of its property described in the City Community Development File FP-1999-142 Redlands Golf approached the City regarding whether the City had, or would make, available untreated water that could be used to develop a new world class golf course to be constructed south and west of the existing Ridges subdivision. After initial discussions and inquiries, the City concluded that Grand Junction would be well served if water was made available for a golf course. On that basis the developer purchased the land and began the extensive process of developing a golf course and related residential development.

The City acknowledges and agrees that the City benefits from the golf course and that there are numerous other direct and indirect economic benefits from the golf course including the improvements to and extension of Mariposa Road, the looping of the Ute water line in the area and other development improvements.

The original discussions between Redlands Golf and the City centered around the sale or transfer of 3 c.f.s. of the City's Gunnison River water right. Because of the expense involved, Redlands Golf chose not to build the infrastructure needed to deliver the 3 c.f.s.; however, the parties agree that Redlands Golf may still choose to do so in the future at its election and upon written notice to and agreement with the City. The current arrangement is that Redlands Golf is simply one more, albeit the largest customer of the City's irrigation water supply system that the City owns and maintains pursuant to the Ridges annexation agreement and 1992 voter approval ("Ridges System.")

The water that supplies the Ridges System, including the Redlands Mesa Golf Course and Redlands residential development, is conveyed to the pumps and pipes of the Ridges System by way of a City pump station on the Redland's Water and Power tailrace at the Redlands Water and Power hydroelectric facility. Water to the Ridges System is dependent on operation of the Redlands Water and Power hydroelectric facility.

The City Council duly endorsed by resolution the arrangement described above. The golf course developer purchased the property and has since developed the Redlands Golf Course as one of the premier public golf courses in the United States. The residential development that is associated with the golf course has

proven to be an economic boon to the community as well as a very attractive addition to the City.

Redlands Golf has made monthly payments to the City as a customer of the Ridges System. The City has provided its analysis of the components of the monthly bill. This agreement incorporates such analysis and makes the City's customary rate setting process for the Ridges system a part of this agreement.

Because water delivery to the Ridges System is dependent on Redlands Water and Power, Redlands Golf desires to make provision for circumstances when the supply to the Ridges System is interrupted for whatever reason; this Agreement makes provision for such short-term interruptions. As noted herein before, Redlands Golf may develop its own independent water delivery system.

Based on the Recitals, the parties acknowledge and agree that there is adequate consideration for this agreement. The parties agree as follows:

1. The City shall continue to supply untreated water to Redlands Golf on a basis that is consistent with the City's operation of the Ridges System and the City's delivery of untreated water to the residents and owners within the Ridges development. Estimated water usage, rates and charges for 2004 are attached hereto as Exhibit A Redlands Mesa Water Rates. Charges for irrigation supplied to Redlands will increase over that shown in the Exhibit when other Ridges system users rates are increased.
2. (a) The City agrees to charge Redlands in accordance with the City Council's adopted resolutions applicable to the Ridges System. The City will make changes to the water rates for the Ridges System as determined from time-to-time by the City Council.

(b) By no later than October 1 of each year the City agrees to give Redlands Golf notice of any such changes; however the failure to give such notice shall not limit the City's ability to change the rates nor limit in any way Redlands Golf's duty to pay such increased rates.
3. (a) In the event that, for whatever reason, water is not available to the Ridges System because of interrupted water supply from the Redlands Water and Power facilities and to the extent of capacity in Shadow Lake, Redlands Golf may give a written notice to the City requesting transfer of water already delivered to Redlands Golf. Promptly upon receipt of such notice, the City will allow Redlands Golf to release

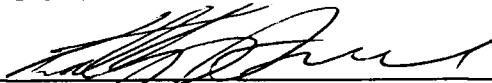
water into the City's Shadow Lake from existing and future ponds and water impoundments controlled or owned by Redlands Golf.

(b) Subject to paragraph 3(a) all users of the Ridges System are entitled to equal treatment, except to the extent that Redlands Golf is entitled to receive from Shadow Lake water previously delivered to Redlands Golf impoundments.

(c) It is not the intent of the parties to unnecessarily sacrifice the landscaping and existing turf in the residential areas of the Ridges, but rather to acknowledge that reductions in that water supply, as supplemented by Redland Golf's stored water, may provide enough excess water to keep the golf course grass greens and fairways alive, and will shut off the residential irrigation system so long as Redlands is putting its already delivered water back into Shadow Lake to provide limited irrigation for the golf course until the Redlands Golf water is used up or water is again supplied by Redlands Water and Power.

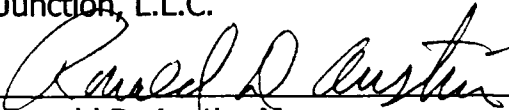
4. In addition to the terms of paragraph 3 above, the parties agree to cooperate in efforts to provide additional water in the event of interruptions that last longer than the water made available pursuant to paragraph 3. By way of example, the parties agree to consult with Redlands Water and Power to the end of constructing inexpensive coffer dams or paying for improvements to a by-pass system or similar arrangements so that Redlands Golf, via the City facilities, might divert water at or immediately above Redlands Water and Power's existing hydropower generating facilities. It is acknowledged that if such improvements occur, the entire Ridges System may benefit as well, thus a reasonable cost sharing will be considered.
5. Redlands Golf shall develop and adopt before the first anniversary of this Agreement, a water conservation plan using best management practices for water used to irrigate the Redlands Golf Course, that plan shall be consistent with industry standards for a golf course in a desert environment and of the size of the Redlands Golf Course. Redlands Golf shall deliver its plan to the City's Utility Manager for his review and comment within six months of the execution hereof.
6. The terms of this Agreement are not mere recitals but are contractual in nature.

City of Grand Junction

By: 
City Manager

4/2/04
Date

Red Junction, L.L.C.

By: 
Ronald D. Austin, Manager

4/19/04
Date

REDLANDS MESA WATER RATES

Redlands Mesa Estimated Water Usage	2003 Total Water usage	Shadow Lake Usage	Percentage of Total Water
Estimated Redlands Mesa Usage	116,612,000	116,612,000	47.21%
Shadow Lake Usage	130,402,000	130,402,000	52.79%
Total Water Through Shadow Lake		247,014,000	Million Gallons

	2003 Budget	Residential Percent of Water 52.79%	Redlands Mesa Percent of Water 47.21%
Total Operating Expenditures (less Electricity, Gas, Interfund Service Charge) <small>(labor time estimated by Slade Connell - 2 years full operation of golf)</small>			
Labor Costs			
O & M Primary Pump Station	5.0% \$4,304.36	\$2,272.33	\$2,032.03
O & M Shadow Lake Pump Station	37.2% \$32,006.14	\$16,896.47	\$15,109.67
O & M Residential System	57.8% \$49,758.40	\$49,758.40	N/A
	100.0% \$86,087.19	\$68,927.20	\$17,141.70
Operating Expenditures (less Electricity & Gas)			
O & M Primary Pump Station	5.0% \$490.12	\$258.74	\$231.38
O & M Shadow Lake Pump Station	37.2% \$3,644.44	\$1,923.95	\$1,720.49
O & M Residential System	57.8% \$5,665.84	\$5,665.84	N/A
	100.0% \$9,802.49	\$7,848.53	\$1,951.87
Interfund Charges (less Interfund Service Charge)			
O & M Primary Pump Station	5.0% \$381.76	\$201.54	\$180.22
O & M Shadow Lake Pump Station	37.2% \$2,838.69	\$1,498.58	\$1,340.11
O & M Residential System	57.8% \$4,413.17	\$4,413.17	N/A
	100.0% \$7,635.25	\$6,113.29	\$1,520.33
SubTotal			\$20,613.91
Other Charges Associated with Redlands Mesa Development			
	Ridges Only	Combined Costs	Difference
Electricity			
Shadow Lake Pump Station		(Recalced for new elec rate) \$17,707.32	\$49,036.58
Redlands Mesa Golf share of Shadow Lake Base KW Demand charges	47.2%	\$11,897.40	\$31,329.26
Redlands Canal Pump Station		\$10,086.59	\$16,478.20
Redlands Mesa Golf share of Canal Base KW Demand charges	47.2%	\$7,228.80	\$6,391.61
Gas		\$698.00	\$785.00
Interfund Service Charge (Utility Billing and 5% General Fund) <small>Increase in 5% General Fund charge only based on revenue from Redlands Mesa</small>		\$12,751.00	\$15,300.00
SubTotal			\$2,549.00
Redlands Mesa Annual Charge		Current Charge	\$
			\$70,000.00
			66,984.00
			\$3,016.00

CHARGE CALCULATIONS FOR REDLANDS MESA WATER USAGE BASED ON 2003 FIGURES

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Redlands Canal Pump Station	\$10,086.59	\$16,478.20	\$6,391.61
Redlands Mesa Golf share of Canal Base KW Demand charges	47.2% \$7,228.80		\$3,412.62
Gas	\$698.00	\$785.00	\$87.00
Interfund Service Charge (Utility Billing and 5% General Fund)	\$12,751.00	\$15,300.00	\$2,549.00
<small>Increase in 5% General Fund charge only based on revenue from Redlands Mesa</small>			
SubTotal			\$49,386.10
Redlands Mesa Annual Charge			\$70,000.00
		Current Charge	\$ 66,984.00
			\$3,016.00