

Memorandum

REPORT TO: City Commission

FROM: Brian Heaston, Senior Engineer
Shawn Kohtz, Director of Utilities

SUBJECT: Authorize the City Manager to Sign a Task Order 2 with Hydrosolutions Inc to Provide a Valuation Update for the City's Cash-in-Lieu of Water Rights

MEETING DATE: May 13, 2025

AGENDA ITEM TYPE: Agreement - Vendor/Contract

RECOMMENDATION: Authorize the City Manager to Sign Task Order 2 with Hydrosolutions Inc to Provide a Valuation Update for the City's Cash-in-Lieu of Water Rights.

STRATEGIC PLAN: 6.1 Clean Water Supplies: Ensure adequate supplies of clean water for today and tomorrow.

BACKGROUND: [Resolution 4095](#), passed in 2008, establishes the City's cash-in-lieu water rights (CILWR) valuation at \$6,000/acre-foot. The valuation was set at the market rate the City was paying for municipal water rights in Hyalite Reservoir at that time. The CILWR valuation has not been updated since passage of resolution 4095. The demand for municipal water rights in the Gallatin Valley has increased since 2008 placing an upward trend on the price a water right holder can command in a transactional setting. An update to the CILWR valuation is necessary to ensure the City's CILWR revenues keep pace with increasing municipal water right values.

Payment of CILWR is an authorized means of compliance under the City's water adequacy code, [Sec. 38.410.130](#) Bozeman Municipal Code. The water adequacy policy requires new municipal water demands associated with a proposed development to be offset by the development applicant prior to development approval. The City restricts the use of revenues received through CILWR payments to acquire useable municipal water rights. Water rights purchased using CILWR augment the City's legal water supply portfolio. The CILWR tool has enabled the City to secure a legal water supply that has reliably sustained market-driven growth and development since the water adequacy policy was established in 1984.

Attached to this memorandum is Task Order 2 which provides a valuation update for the City's CILWR. This task order is being authorized under the master task order professional services agreement with Hydrosolutions Inc. Hydrosolutions is under contract to provide professional water rights consulting services on an as-needed basis. Hydrosolutions will subcontract

with WestWater Research to perform a municipal water right market analysis to evaluate municipal water right values for comparable communities in Montana and other western states. WestWater Research is an industry leader in municipal water right valuations.

UNRESOLVED ISSUES: None.

ALTERNATIVES: As suggested by the City Commission.

FISCAL EFFECTS: Task Order 2 will be funded by the CILWR account within the Water Enterprise Fund. The negotiated fee for the task order scope amounts to \$43,910. The CILWR account balance is adequate to cover this expense.

Attachments:

[Task Order 2_Hydrosolutions_Combined.pdf](#)

Report compiled on: May 1, 2025