Finance Administration
215 N. Mason
2nd Floor
PO Box 580
Fort Collins, CO 80522

970.221.6788
970.221.6782 - fax
fcgov.com

Council Finance Committee Hybrid Meeting
CIC Room / Zoom
February 23, 2024
1:00 - 3:00 pm

Council Attendees:	Mayor Arndt, Emily Francis, Kelly Ohlson
Staff:	Kelly DiMartino, Tyler Marr, Travis Storin, Denzel Maxwell, Claudia Menendez, Lance Smith, Jason Graham, Phil Ladd, Ryan Malarky, Andrea Smith, Gunnar Hale, Monica Martinez, Drew Brooks, Brad Buckman, Dana Hornkohl, Dave Lenz, Trevor Nash, Terri Runyan, Ginny Sawyer, Renee Reeves, Lawrence Pollack, Jo Cech, Nina Bodenhamer, Victoria Shaw, Zack Mozer, Carolyn Koontz
Others:	Keivn Jones, Chamber

Meeting called to order at 1:00 pm

Approval of minutes from December 14, 2023, Council Finance Committee Meeting.
Emily Francis moved for approval of the minutes as presented. Mayor Arndt seconded the motion.
The minutes were approved unanimously via roll call by; Mayor Arndt, Emly Francis, Kelly Ohlson.

A. Scheduling & Chair for 2024 – 2025 Council Term – Travis Storin

Mayor Arndt was nominated to be Chairperson of the Council Finance Committee by Emily Francis. Mayor Arndt was elected as Chairperson unanimously approved by roll call; Kelly Ohlson, Mayor Arndt and Emily Francis. Upon confirmation from MPT Emily Francis, 2024 Council Finance Committee Meetings will take place as hybrid meetings on the first Thursday of the month starting in April – 4-6 pm. The next meeting will be held Wednesday, March 20th 4:30- 7 pm.

B. Utility Rate / Debt Forecast

Lance Smith, Sr. Director, Utilities Strategic Finance

SUBJECT FOR DISCUSSION – Utilities 2023 Capital Improvement Plans and Strategic Financial Plan Updates for the Water, Wastewater and Stormwater Utilities

EXECUTIVE SUMMARY

The purpose of this agenda item is to provide the Council Finance Committee with an overview of the planning processes underway within Fort Collins Utilities. This agenda item will focus on the Water, Wastewater and

Stormwater Enterprise Funds. The Light & Power Enterprise Fund was presented for discussion last December. The 2023 Capital Improvement Plans (CIPs) and the 2024 Strategic Financial Plans for each utility are outlined and attached. The resulting investment projections set the basis for beginning the 2025-26 Budgeting For Outcomes (BFO) cycle. The overall 10-year rate projections for each utility is also presented here along with the forecasted debt issuance needs.

Recognizing that these utilities share customers, a more comprehensive view is also taken here of how the combined plans will impact what our community pays for utility services over the coming decade and the levels of service to be expected for such. The capital improvement plans are intended to maintain the current levels of service for each utility through sustainable asset renewal plans and targeted new infrastructure. This can be achieved through the higher than previously anticipated rate increases being planned, and timely debt issuances shown here.

For the 2025-26 Budgeting For Outcomes process the table below summarizes the impact of the proposed rate increases for the average residential customer.

	2023	2024		2025		2026	
Residential Utility Cost	Baseline	% Change	Bill	% Change	Bill	% Change	Bill
Electric	$84.20	5.0%	$88.41	6.0%	$93.71	5.0%	$98.40
Water	$51.00	4.0%	$53.04	7.0%	$56.75	9.0%	$61.86
Wastewater	$35.61	4.0%	$37.03	6.0%	$39.26	8.0%	$42.40
Stormwater	$22.42	3.0%	$23.09	6.0%	$24.48	6.0%	$25.95
Total	$193.23	4.3%	$201.58	6.3%	$214.20	6.7%	$228.60

GENERAL DIRECTION SOUGHT AND SPECIFIC QUESTIONS TO BE ANSWERED

1. Does the Council Finance Committee support the Utilities Strategic Financial Plan assumptions ahead of the 2025-26 BFO cycle? In particular, the projected rate increases necessary to meet anticipated revenue requirements.

BACKGROUND/DISCUSSION

This is a continuation of the discussion that began in December with the presentation of the Electric utility financial plan and associated rate and debt forecasts. With this presentation of the Water, Wastewater and Stormwater utility's financial picture, any feedback will be utilized in developing the initial 2025-26 budget offers. After discussing each of these utility services, the comprehensive picture is presented and the forecasted impacts on customer utility costs can be seen. The feasibility of the financial paths presented is then discussed.

Strategic Financial Planning Process

The strategic financial planning process is intended to provide a long-term plan for the efficient and effective financial management of each utility in a manner that is consistent with the City's values and mission and aligned with the City's biennial Budget Process and Strategic Planning Process. Much of the long-term strategic direction for each utility requires significant capital investment spanning more than one budget cycle making a long-term capital improvement plan necessary to support the strategic plan.

Whereas strategic planning sets the operational direction of where the utilities are going in the future, strategic financial planning provides a financial context for this movement. The strategic financial plans ensure the long-term operational and fiscal objectives and level of service targets for each of the utilities are met in a financially sustainable and resilient manner. The three main financial metrics from a long-term financial planning perspective are:

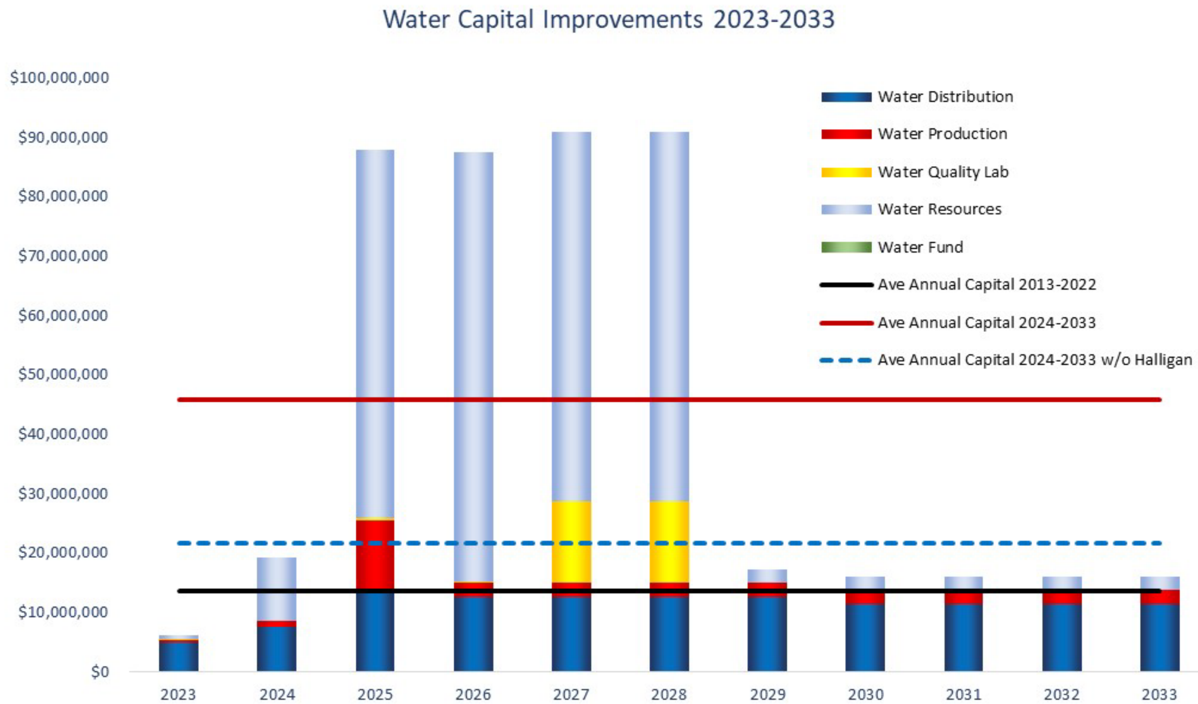
1. Operating Margin > 3.0%
2. Debt Coverage Ratio > 2.0
3. Annual Rate Adjustments < 5.0%

The confidence in the long-term financial modeling that is the basis of these forecasts depends on the assumptions used in the modeling. Some of those assumptions are macro-economic assumptions around long-term inflation, how inflation affects the cost of debt service through the associated interest rates and how well the economy is doing in general. The recent pandemic has stressed the economy with supply chain constraints, yet it has also highlighted the necessity for utility services as is reflected in the relatively stable revenues for such. Other assumptions are more micro-economic and, as such, depend on internal efforts to effectively manage operating costs along with capital and resource planning. The financial resiliency of each of these utility enterprise funds relies on active management of ongoing operating and maintenance expenses, as well as planning for large capital expenditures and strong leadership over the coming decade.

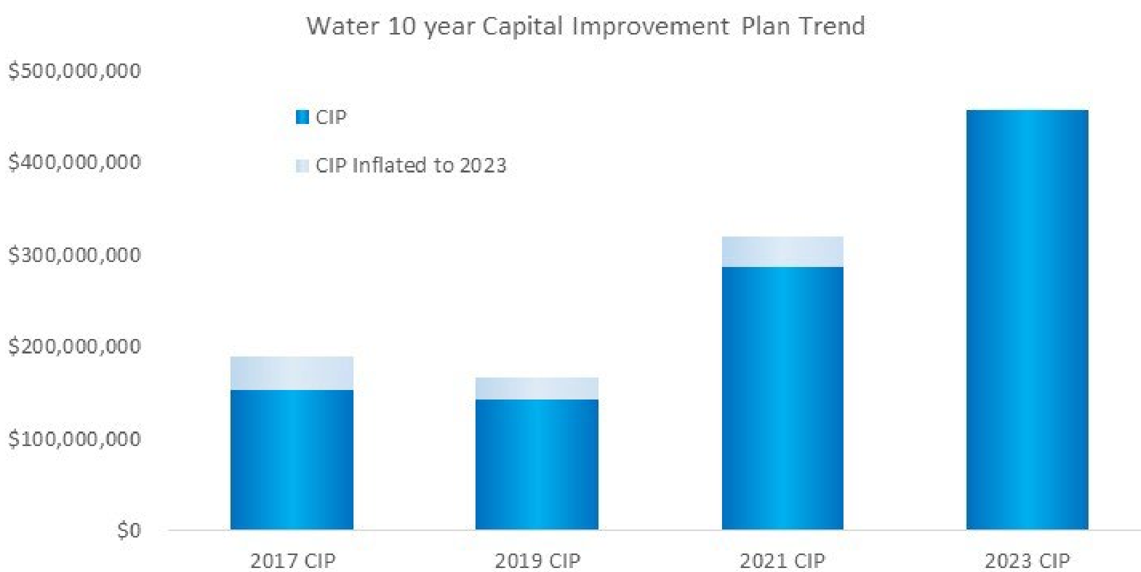
The capital investment required to maintain the current levels of service provided by each of the four utility services to the community requires a long planning horizon and consistent reevaluation and prioritization. Ahead of the biennial budget process beginning both the 10-year Strategic Financial Plan and the associated 10-year Capital Improvement Plan are updated and presented to the Council Finance Committee for discussion to ensure that adequate operating revenues are expected to support the City Manager's Recommended Budget.

Water Enterprise Fund

The 10-year Capital Improvement Plan (CIP) for the Water Fund consists of projects needed to provide an adequate water supply such as Halligan Reservoir, a modern water quality laboratory, some improvements needed at the water treatment plant and asset renewal both at the plant and the water distribution infrastructure. It is anticipated in the CIP that it will take a few years to reach the targeted asset renewal rate of 1.0% per year.



The 2023 CIP for Water has $458M of capital investments through 2033. This is a 60% increase over the 2021 plan. The 2023 CIP includes significant additional funding needed for the Halligan Reservoir - $308M compared to $120M in 2021.



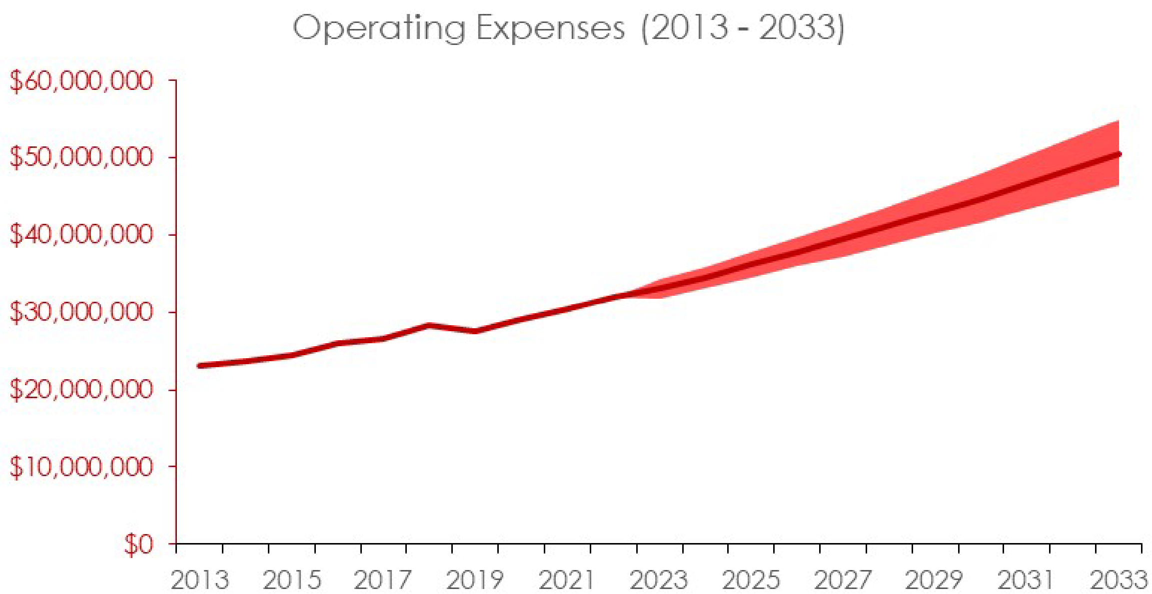
Water Operations

The financial modeling involved in updating the strategic financial plan analyzes operating revenues and expenses to determine the amount of operating income that can fund capital investment before issuing any new debt.

Operating revenues have grown modestly over the past decade through rate increases while total water sales have remained almost flat. Based on the projected revenue requirements for O&M and capital investment revenues are projected to grow at a rate significantly higher than the past decade at 7.9% compared to 1.9% since 2013.

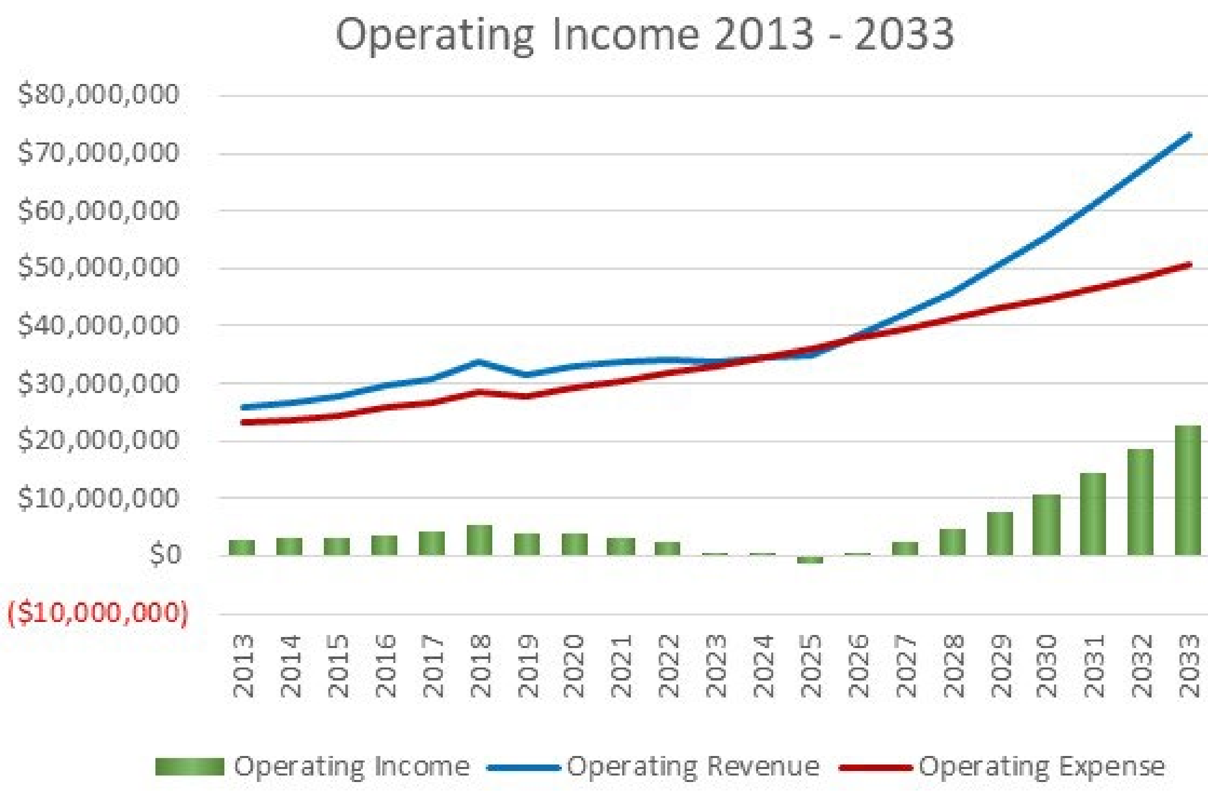
The colored area represents the 80% confidence band around the expected operating revenue.

Water O&M expenses have increased at an inflationary rate over the past decade. This has been achieved through active management. The rate and debt issuance forecasts in the plan assume that O&M will increase at a rate close to the rate of inflation of 3.5% annually through 2033.



The colored area represents the 80% confidence band around the expected operating expense.

By limiting O&M to a more modest rate of growth than in the past 2 years it is expected that the Water Fund will generate sufficient operating income consistently to fund asset renewal investments at a level of 50-75% of the targeted levels. This will limit the amount of debt issuance that is necessary over the coming decade.



Water Rate and Debt Forecasts
Rate increases are anticipated to be significantly over inflationary pressures in the coming decade due to significant changes in the necessary capital investments which require higher adjustments to ensure adequate operating revenue is generated to support the system renewal investments. Some debt is anticipated to be needed for capital investments over the next decade, as well.

Year	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
Rate Increase	4.0%	4.0%	7.0%	9.0%	7-10%	7-10%	7-10%	7-10%	7-10%	7-10%	7-10%
Debt Issued ($M)			$154.0					$43.0			

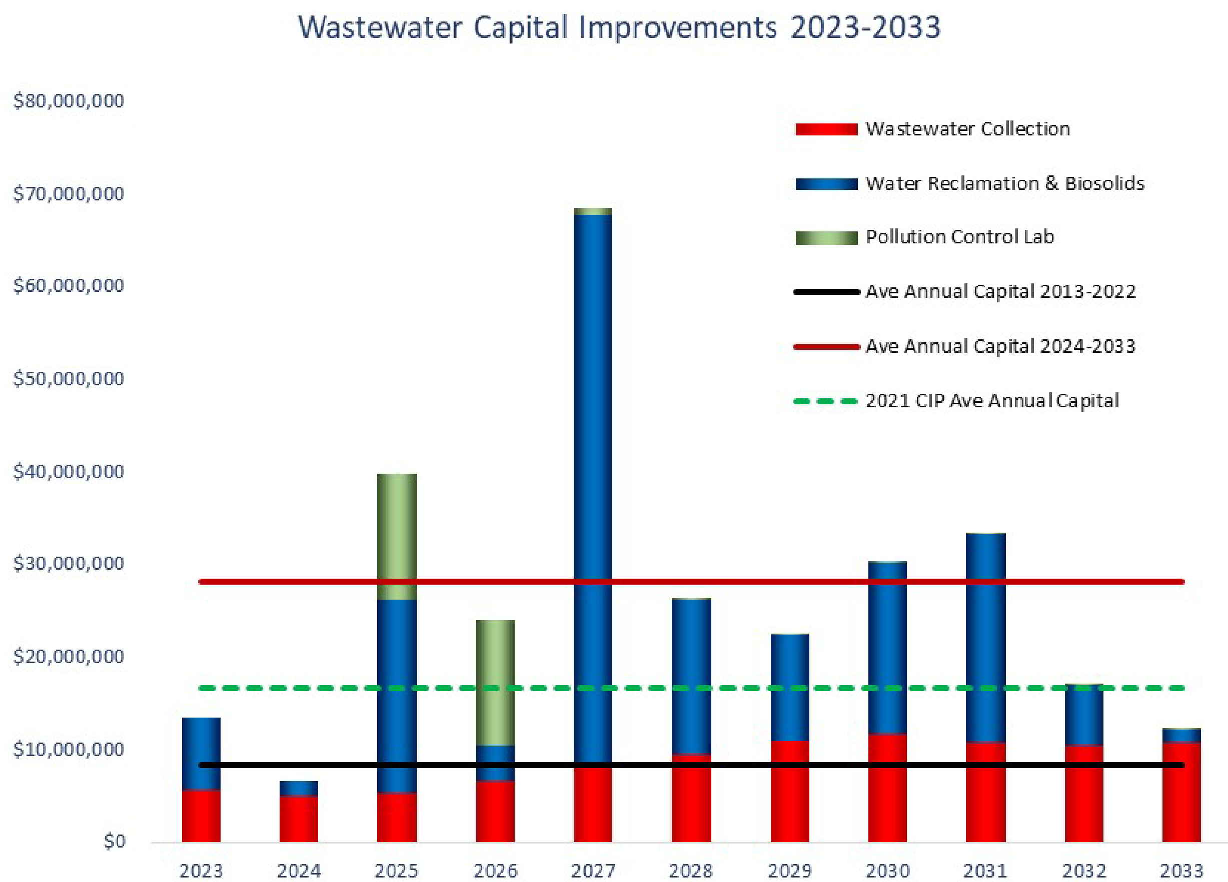
It should be recognized that actual revenues realized from a rate increase are not typically the full amount of the rate increase. There is some elasticity to rate adjustments. Additionally, most utility services are weather dependent, so it is possible to occasionally realize more or less revenue than anticipated in rate design for a given year although this weather variability is expected to balance out over an extended period.

		2023	2022	2021	2020	2019
Water	Adopted Rate Increase	4.0%	0.0%	2.0%	0.0%	0.0%
	Realized Revenue Increase	-8.8%	1.7%	1.7%	4.2%	-6.1%

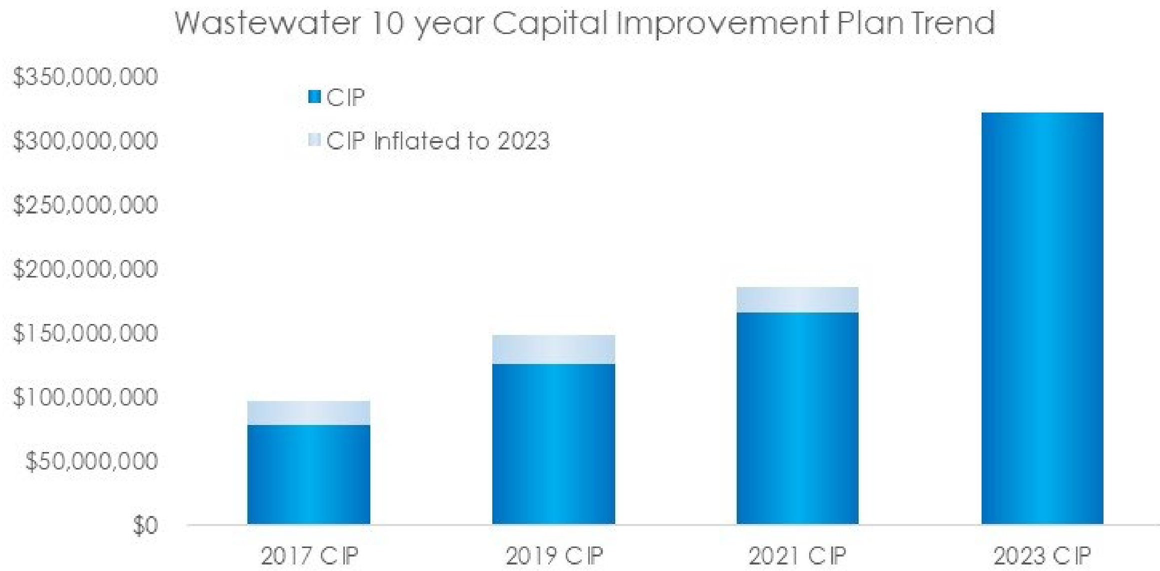
Wastewater Enterprise Fund

Wastewater CIP

The Capital Improvement Plan for the Wastewater Fund includes improvements necessary at both water reclamation facilities, a modern pollution control laboratory and a ramping up of investment in asset renewal programs for the collection system. Prioritization of the capital projects will need to be considered before the 2025-26 budget process to ensure investments are made where needed the most.



The amount of anticipated capital investment is greater than what has been made over the previous decade by a factor of over three, consistent with what has been seen in the other wet utilities in 2023. This will require significant operational planning and project management to ensure that the bond revenue is utilized efficiently.

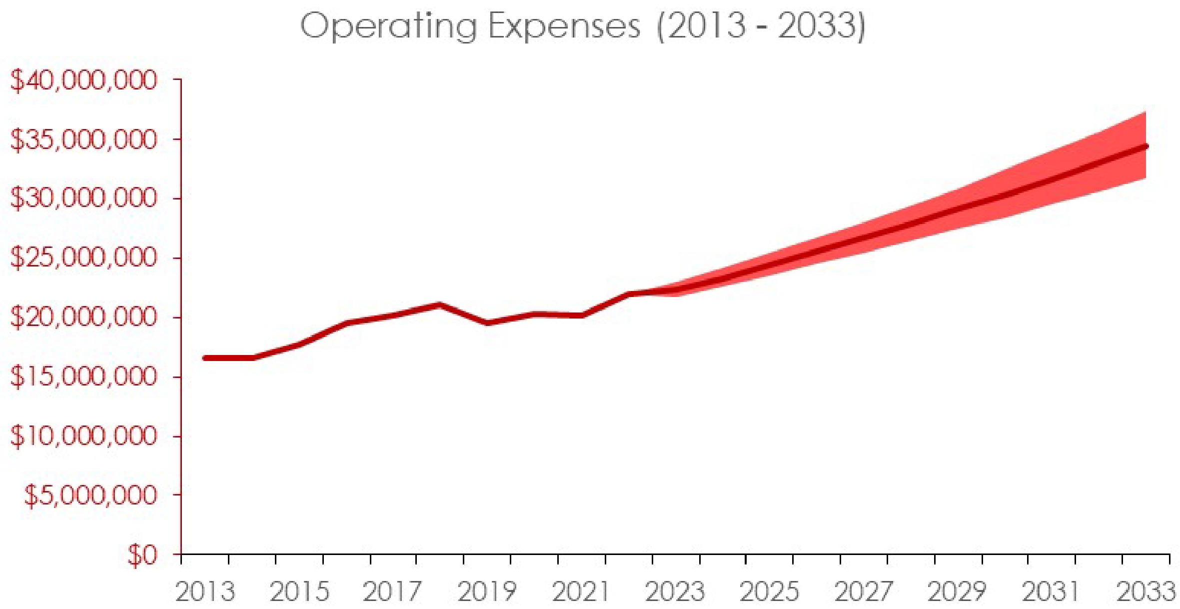


Wastewater Operations

Operating revenues have grown very modestly over the past decade at 1.9% annually after going through some larger rate adjustments through 2012. Moderate rate adjustments will be necessary going forward to increase revenues in this fund as wastewater services are not metered but rather depend on the amount of water being consumed by a customer. Conservation efforts on water usage can negatively impact revenues for the wastewater utility. Almost no revenue growth in residential services over the past decade combined with reduced commercial wastewater demands has put rate pressure on the wastewater utility.

The colored area represents the 80% confidence band around the expected operating revenue.

Wastewater O&M has increased modestly over the past decade as well and is expected to continue to grow modestly at around the historical inflationary level of 3-5%.



The colored area represents the 80% confidence band around the expected operating expense.

By limiting O&M to a more modest rate of growth in all departments it is expected that the Wastewater Fund will generate sufficient operating income consistently to fund asset renewal investments at 50-75% of the targeted levels. This will limit the amount of debt issuance that is necessary over the coming decade.

The growing difference between the operating revenue and operating expense allows for more asset renewal to be funded with less debt issuances than would be necessary without such operating income. Moderate rate adjustments will allow for pledged revenues to be sufficient for any anticipated debt issuances over the next few decades.

Wastewater Rate and Debt Forecasts

As the table below shows, there will be the need to issue debt for several capital investments over the next decade. The first such issuance should be done in 2025 as part of the 2025-26 BFO cycle. Moderate rate adjustments will be necessary to increase the net pledged revenues available for debt service as the debt is issued.

Year	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
Rate Increase	4.0%	4.0%	6.0%	8.0%	6-8%	6-8%	6-8%	6-8%	6-8%	6-8%	6-8%
Debt Issued ($M)			$59.0			$52.0			$59.0		

Again, actual revenues realized from a rate increase are not typically the full amount of the rate increase. It is typical to realize more or less revenue than anticipated in rate design for a given year due to customer response to rate signals.

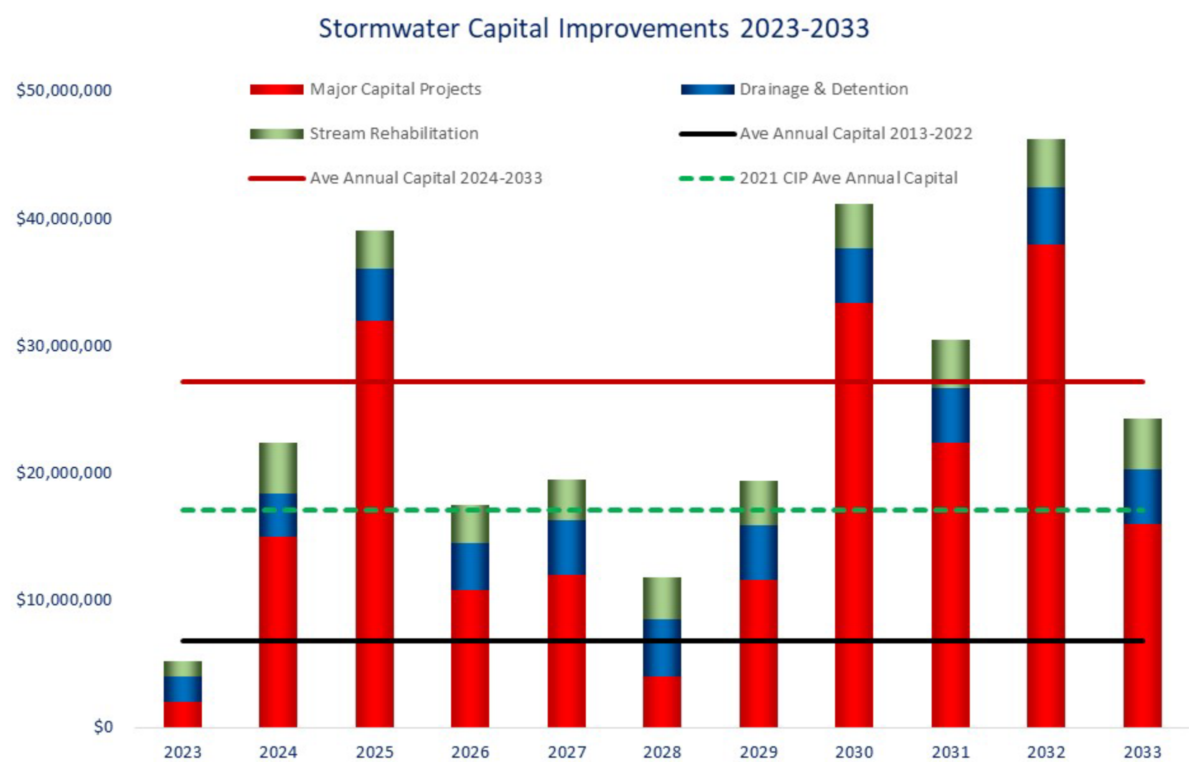
		2023	2022	2021	2020	2019
Wastewater	Adopted Rate Increase	4.0%	0.0%	0.0%	0.0%	0.0%
	Realized Revenue Increase	2.7%	1.1%	7.3%	-1.9%	-2.0%

Stormwater Enterprise Fund

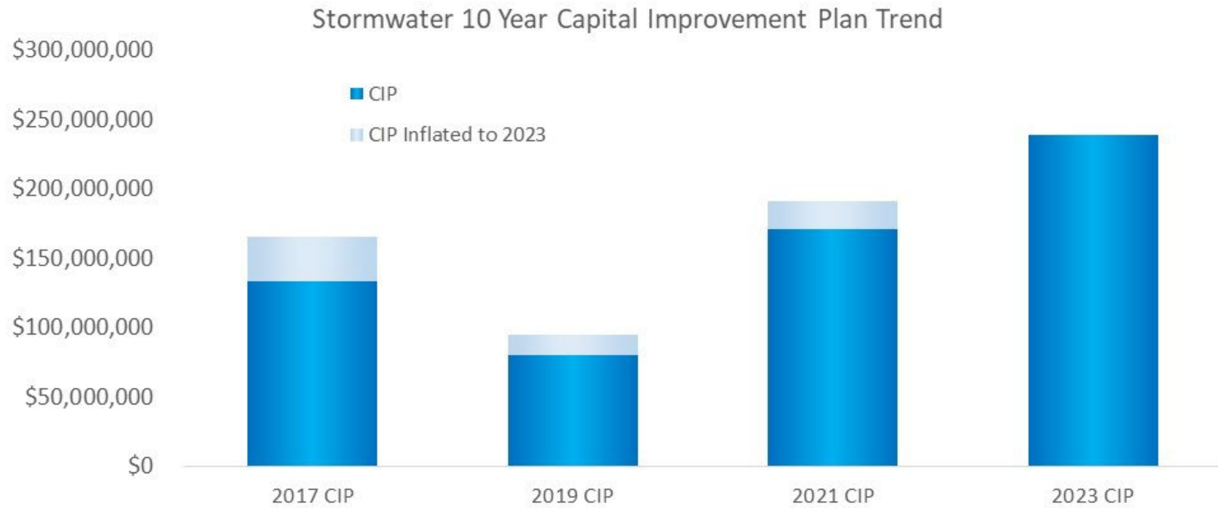
Stormwater CIP

The Capital Improvement Plan for the Stormwater Fund includes new cost estimates for all anticipated initial buildout projects. Updating the cost estimates, along with some preliminary design refinements to some of the project requirements, increased the anticipated 10-year capital investment needed to build out the stormwater infrastructure from $171M in the 2021 CIP to $239M in the 2023 CIP. Cost adjustments for stream restoration projects are also included in the plan which now shows $35M in stream restoration projects in addition to the water quality and flood protection projects. The CIP will require investing almost 4 times as much each year in capital infrastructure than the previous decade's level of investment. This will require significant operational planning and project management to ensure that the bond revenue is utilized efficiently.

The CIP with the current projection of flood protection and stream rehabilitation work is shown below.



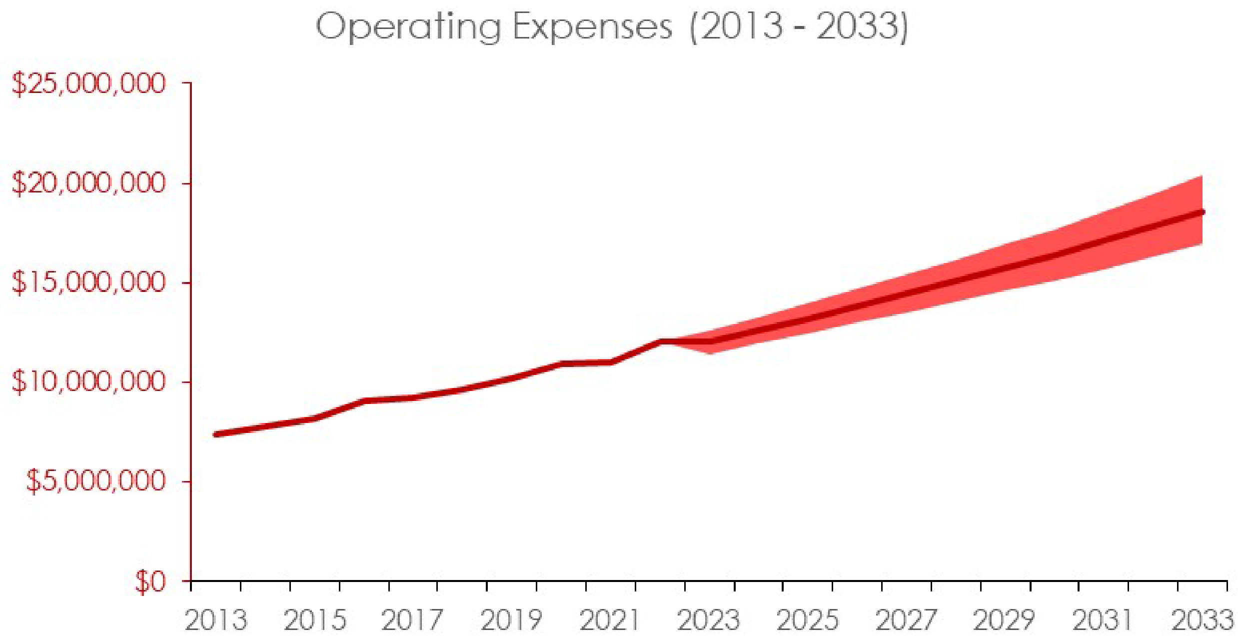
The trend in the anticipated capital investments seen in all 4 utility's CIPs is cautionary. With each review and update of the capital improvement plans there is an escalation of the estimated total investment required. This is being driven primarily by higher cost estimates for known capital projects but also from new projects being identified.



Stormwater Operations
Operating revenues have grown modestly over the past decade at an annual rate of 2.7% primarily through annexations and infill development along with some modest rate adjustments.

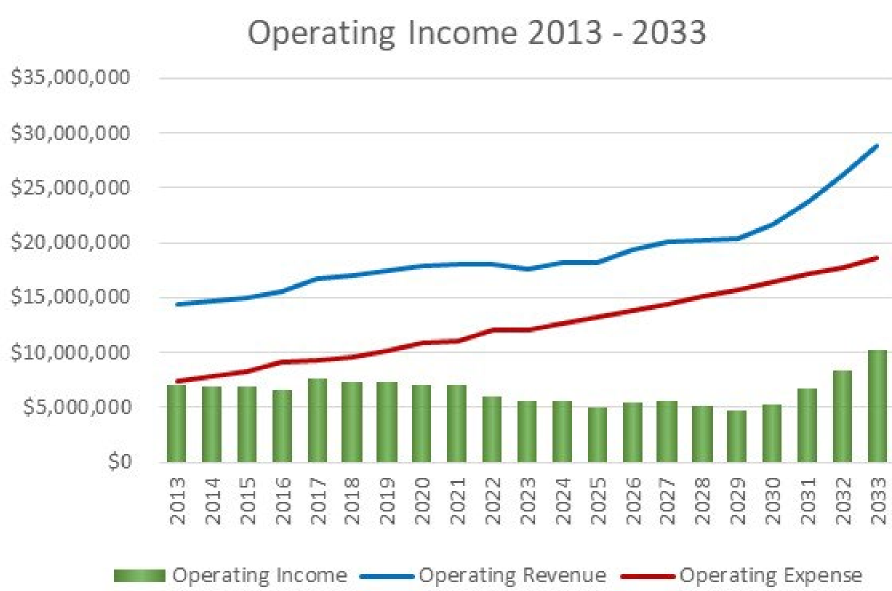
The colored area represents the 95% confidence band around the expected operating revenue.

Stormwater O&M has increased at a higher rate of 6.0% annually over the past decade as more infrastructure is built requiring more O&M. The financial forecast recognizes this but assumes that the growth can be managed to increase at the rate of inflation.



The colored area represents the 95% confidence band around the expected operating expense.

By managing O&M growth to a more modest rate of growth than in the past 2 years while increasing charges for stormwater services it is expected that the Stormwater Fund will generate sufficient operating income consistently to fund asset renewal investments at a level of 75-90% of the targeted levels. This will limit the amount of debt issuance that is necessary over the coming decade.



The growing divergence between the operating revenue and operating expense is necessary to increase the net pledged revenues necessary to cover the increased outstanding debt over the next few decades.

Stormwater Rate and Debt Forecasts

With the strong operating income being generated every year in this utility only providing a fourth of the anticipated capital investment required to fully build out the infrastructure for the community, it will be necessary to issue significant debt to complete the remaining flood mitigation infrastructure. The table below shows the amount of debt that is anticipated to be issued over the next decade. There will be the need to issue debt for several capital investments over the next decade. The first such issuance was done in 2023 as part of the 2023-24 BFO cycle. The next issuance is expected in 2026 as part of the 2025-26 BFO cycle. Moderate rate adjustments will be necessary to increase the net pledged revenues available for debt service as the debt is issued.

Year	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
Rate Increase	3.0%	3.0%	6.0%	6.0%	5-7%	3-5%	4-6%	4-6%	6-8%	6-8%	6-8%
Debt Issued ($M)				$45.0			$58.0			$76.0	

As with the other utilities, actual revenues realized from a rate increase are not typically the full amount of the rate increase. Because customer growth has driven revenue increases in the recent past, this utility has seen a consistently higher growth in revenues than the associated rate increases.

		2023	2022	2021	2020	2019
Stormwater	Adopted Rate Increase	3.0%	0.0%	0.0%	2.0%	2.0%
	Realized Revenue Increase	4.6%	0.0%	0.7%	2.7%	2.6%

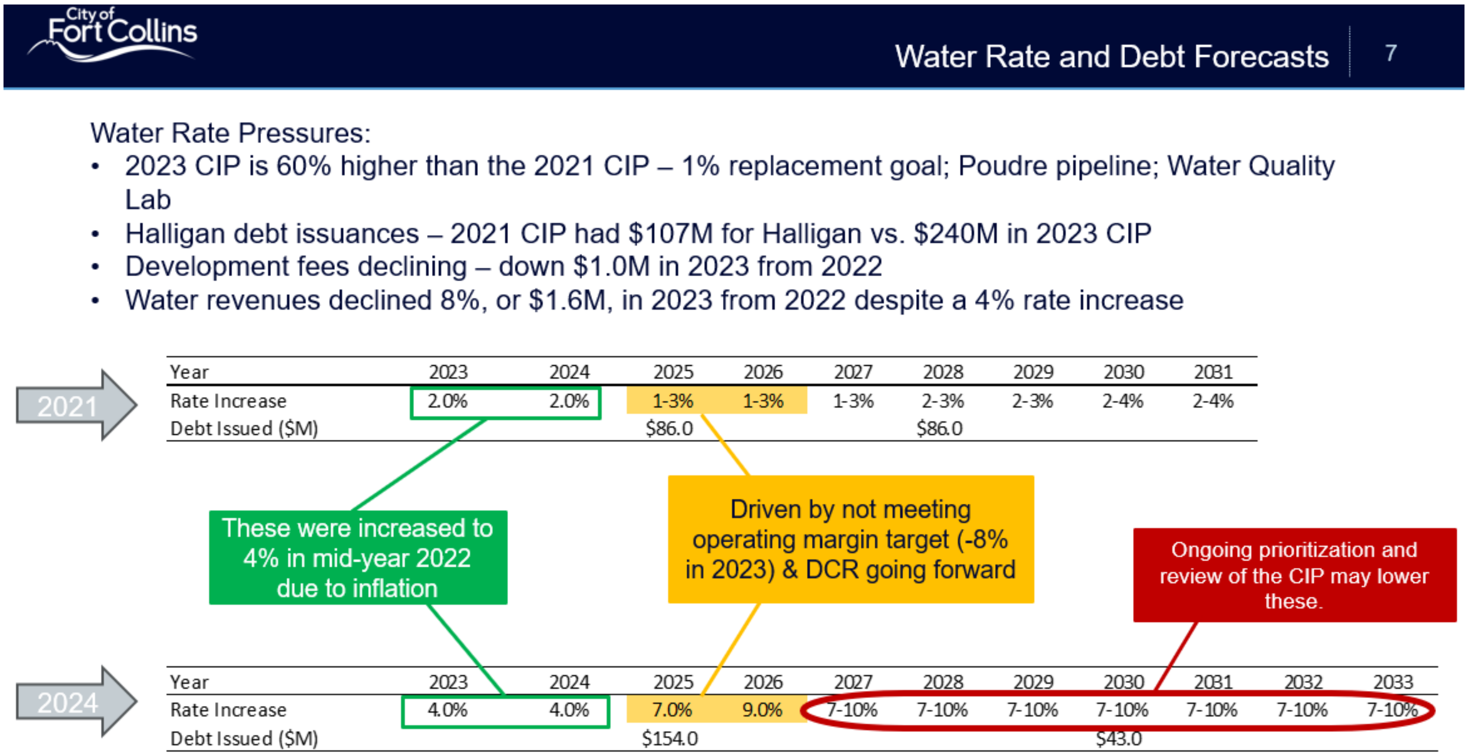
Conclusions and Next Steps

Over the past two meetings ten-year rate and debt forecasts have been discussed which indicate that the significant capital investments expected over the coming decade can be achieved for each utility independently. However, it is also necessary to look more holistically at the impact of these plans on our community. Because of significant increases on the CIPs, larger rate increases will be needed in the next budget cycle to fund capital investments. The longer-term rate projections shown above are subject to change as active measures are developed and taken to manage O&M expenses to more modest rates of growth than in the most recent few years. The table here shows a combined rate impact to our ratepayers that is larger than we have seen since 2012.

	2023	2024		2025		2026	
Residential Utility Cost	Baseline	% Change	Bill	% Change	Bill	% Change	Bill
Electric	$84.20	5.0%	$88.41	6.0%	$93.71	5.0%	$98.40
Water	$51.00	4.0%	$53.04	7.0%	$56.75	9.0%	$61.86
Wastewater	$35.61	4.0%	$37.03	6.0%	$39.26	8.0%	$42.40
Stormwater	$22.42	3.0%	$23.09	6.0%	$24.48	6.0%	$25.95
Total	$193.23	4.3%	$201.58	6.3%	$214.20	6.7%	$228.60

Discussion / Next Steps;

<u>Water</u>



Kelly Ohlson; (regarding slide #7 - see above) in 2021, we had $107M for Halligan and then in 2023 we had $240M. What is the difference in the numbers?

Lance Smith; we have been going through the permitting process for quite some time. As we got near to the end of the federal permitting process, we really started sharpening our pencils and got a new cost estimate, which we know is significantly higher, but we feel it is much more realistic than what we had.

Kelly 0hlson; it is a big change in 2-3 years.

Lance Smith; it is – we hired some consultants and did some design work around that.

Emily Francis; in the packet it says $308M.

Jason Graham; $308M is the total cost, $240M is the construction.

Mayor Arndt; does this include estimated litigation?

Jason Graham; I am not sure.

Mayor Arndt; I think we need to add that to this estimate.

Travis Storin; one other area in that same vein, but on the other side of the ledger – I don't think this presumes any grant funding at this point, but we have taken steps to allow this contract to be federalized, should we identify a grant opportunity. We do think that with the federal legislation in the last 2 ½ years, this could be a really good candidate. Legal reserve notwithstanding, at this point, fairly conservative on the funding side.

Kelly Ohlson; Halligan history – a historical perspective would be helpful just so Council and others can learn in the future, I would like to see a slide of the history of Halligan estimates going back 20-25 years for the next time we discuss this. You can break it out into permitting, construction or however you want.

Mayor Arndt; let's include what we have already paid out as part of the decision set.

Jason Graham; we can do that –

ACTION ITEM; create a historical slide going back to 2002 showing estimate revisions / cost changes / what we have already paid out.

Travis Storin; Lance is signaling the biggest mover of our rate increase here is the capital plan and the biggest mover to the capital plan is Halligan.

Wastewater

2021 - 2024 – significant changes – declining operating margin – costs increasing – debt coverage ratio – to meet debt service

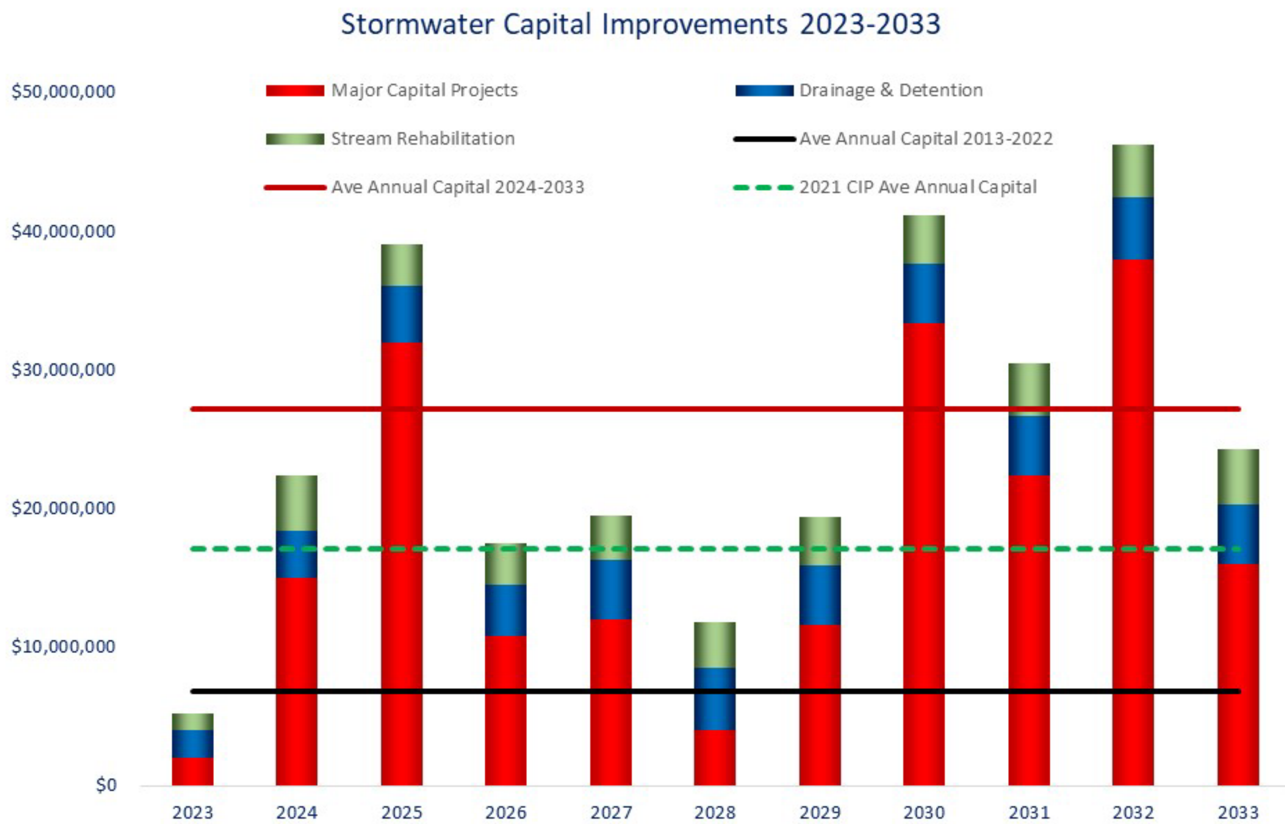
Emily Francis; can you speak more about the development fees declining?

Lance Smith; even though development is happening on the east side of town that is not impacting wastewater.

Tyler Marr; it tracks overall that we saw a decline in development activity last year as interest rates went up.

Mayor Arndt; Less and less of a revenue source.

Stormwater



Fund has $19M in operating revenue

Mayor Arndt; what is the spike in 2025? Downtown?

Lance Smith; in 2025 we have the Oak Street Project as part of the Downtown Stormwater Improvement Program and in 2030 we have the next phase of that. Also, the Magnolia / Maple Outfall – higher cost estimates. We have seen O&M growth at 6% annually over the last decade – when we look at what we had forecasted 2021 versus 2024. We issued $40M instead of $80M in debt in 2024 to pay for the Oak Street portion. Going forward we will need to issue more debt but will also need to manage O&M costs.

Stormwater Rate and Debt Forecasts 13

Stormwater Rate Pressures:

- 2023 CIP is 40% higher than the 2021 CIP – Magnolia Outfall / Maple Outfall; higher cost estimates
- O&M growth is highest among the Utilities at 6% annually the past decade and 10% in 2023
- Development fees declining

2021

Year	2023	2024	2025	2026	2027	2028	2029	2030	2031
Rate Increase	2.0%	2.0%	3-5%	3-5%	3-5%	2-3%	2-3%	2-4%	2-5%
Debt Issued ($M)		$80.0				$43.0			

These were increased to 3% in mid-year 2022 due to inflation

$40M in debt was issued

Driven by declining operating margin target due to recent O&M growth, increased debt service costs & DCR going forward

Ongoing prioritization and review of the CIP may lower these.

2024

Year	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
Rate Increase	3.0%	3.0%	6.0%	6.0%	5-7%	3-5%	4-6%	4-6%	6-8%	6-8%	6-8%
Debt Issued ($M)				$45.0			$58.0			$76.0	

Mayor Arndt; O&M is higher because of the intensity of the storms we are seeing –is there any impact on that from climate change issues? Why is O&M going up higher than others?

Jason Graham; we don't know exactly why it is going up other than we do have increased monitoring, some aging infrastructure, staff. We can't say it is due to storms or the magnitude.

Lance Smith; mowing is a bit part of it.

Debt and Reserves 2014-2034 | 15

Enterprise	Outstanding Debt Principal			Debt Issued	Available Reserves			Annual Capital Investment ($M/yr)	
Fund	2013	2023	2033	2024-2033	2013	2023	2033	2014-2023	2024-2033
L&P *	$13	$41	$78	$120-150M	$16	$77	$5-15M	$14	$37
Water	$10	$1	$191	$225-300M	$9	$50	$10-20M	$13	$43
Wastewater	$38	$11	$150	$175-225M	$12	$18	$10-20M	$9	$28
Stormwater	$26	$40	$174	$150-225M	$3	$18	$5-15M	$7	$29

* Does not include Connexion debt (which will be at $93M at the end of 2033)

Lance Smith; (see slide 15 above) rate increases have been less than 3% but going forward, I would not say they are gradual or modest. Part of what is driving that is O&M is starting to increase as inflation becomes an issue. We are going to need to Issue more debt to fund the CIP and will have significantly more outstanding debt than we currently have. Primary drivers behind rate pressures.

What does this mean to a residential customer? This is not in range of gradual and modest. – recommending that we go with this level of rate increase;

6.3% in 2025
6.7% in 2026
We are going to work on limiting O&M growth to the extent that we can.
Some of the capital projects may get delayed.
Litigation and permitting – internally we will look to see if we can push things out.

Mayor Arndt; it is hard to know the ins and outs – I trust you.
Residential drinking water is a right and we should keep that base level with the least amount of rate increase – instead of saying the base rate goes up by 4% - folks getting hit hard with cost-of-living increases; food, shelter, etc. I prefer to graduate this up gradually.

Emily Francis; I would agree with shifting more. I am curious in reading and looking at this, at what point do we say this isn't a great plan for our future. We need to look at alternatives to leveling out rate increases, and if that means changing or altering. I am not comfortable with where we are at. We need to adjust our plans, so we have a more even approach and what are those trade- offs?

Tyler Marr; we have begun to have those conversations already, as we tend to agree. As Lance said, we are not here today to say these are modest and gradual increases. I think and Jason can speak to this in more detail, but depending on the fund some of those tradeoffs are clearer than others. For example, the cost of not issuing the debt in Stormwater is that we stay at status quo. We don't advance some of the downtown plan – we could just delay an outfall by however many years. That might not be palpable to some folks, and it is a very clear lever you can pull. In Wastewater, the headworks replacement – some of those are key operational items. If we don't find a way to get to some of these asset maintenance goals, we risk system failures in the long term that could actually be more expensive. There are tradeoffs and we will continue to go through the CCIPs with a fine-tooth comb and depending on the fund, the cost of doing business is substantially increasing.

Emily Francis; one of the things that is challenging for council members is keeping track of all of the approvals you make and how that might lead to rate increases like this. What will happen to the update the plan or prioritization or coming back? Understanding the multiple impacts on top of each can get lost when they are spread out over 10 years.

Travis Storin; the immediate parliamentary action that is in front of you is proposed rate increases for next year that would be brought to Council this fall. As a committee member, you could say to staff, I want to see this again a year from now. I don't want to wait the normal 2 years for the next budget cycle. A lot of us on staff leadership across the city including utilities had similar sticker shock. There are some O&M questions but primarily we are talking about the capital plan. We have our own questions around; ok we have big movers like Halligan but even the others like Stormwater and Wastewater – this is just a higher level of capital than we have actually been able to construct. We have our own questions too, like these are the plans that make those asset management needs whole on paper but what are we actually able to deliver on in the physical world? There is no real action in front of you until this fall when rates come up. I think the near-term rates are pretty solid and we can juggle where that impact is felt in our community. It is the longer-term rate increases that have us most concerned.

Emily Francis; I am in favor of having this comes back in one year – What the tradeoffs are and to look at a potentially lower level of service.

Kelly Ohlson; one slide was almost $1B of capital – the four columns added up to 900M+. Certain elements have been in love with Halligan for a long time - others have not. I don't know what else to eliminate.

Unless there is something with the big projects that are really driving this -

The main thing driving this is the capital – don't know what we can slow or eliminate?

The other complicating factor is that all of these need to be in the mix. If we don't get federal dollars. someone else will. Having them in the mix right now is probably a good thing.

I have wondered about this for years; I think we have errored on the side of keeping the rates low when we could have gradually built-up reserves over the last decade. The chickens may have come home to roost.

Jason Graham; you are correct in that large capital projects are what is driving the rate increases.

We continually look at our CIPs – how can we put those in the right years so we can properly resource and pay for them so there is no big hit on rates. Items like headworks are needed for employee safety, wastewater treatment for pollution, for hauled waste (porta potty) that infrastructure is old and dated. It is a corrosive environment. We have had that on the CIPs in the past. We have tried different strategies, but it is getting to the point where we need to act. Same thing with the laboratories (water quality and pollution control laboratories). Luckily the federal government has given us an influx of money that we can hopefully leverage and use to help stabilize these rates.

Mayor Arndt; could we partner – outside Fort Collins – synergistic partners– why are we all building multiple pipes. I want to encourage people to think regionally, very open minded. – synergistically – it makes we crazy – it feels like we could come together. The labs – can we share? Are we duplicating where we could be collaborating? There is a balance between paying it forward and pushing it forward to our kids and grandkids –

maybe we don't have top of the top – don't saddle our kids and grandkids with crumbling infrastructure. Get as many grants as we can.

Jason Graham; we do provide services to many of our neighboring communities because they don't have service.

Tyler Marr; we do have a contracted firm looking at utility infrastructure – just in utilities – hoping that will yield.

Kelly Ohlson; timing of these things – maybe stretch it out a little bit but if it is irresponsible – which council members like raising rates – if you guys prove it is what it is - Capital and inflation, construction costs are the primary driver we are getting a new pollution lab – not free – wastewater – it is a good thing. Do we need Halligan - it is what it is – the other part of the story – historically the city undercharged for water for where we live, we undercharge for electrical – a lot has changed in the last decade –it would be good to tell the whole story – historically our rates have been low in comparison to other communities – don't' think we will be the highest of all –

Lance Smith; in 2024 – we estimate we are among the lowest utility rates. Less than Loveland, Boulder, Longmont etc. Starting at a point when our rates are relatively low – there are folks in our community who are struggling to pay their bills.

Kelly Ohlson; it is important to tell the story – nobody wants to raise the rates –tough choices and decisions have to be made - it helps if you can tell the story that we are competitive – and help those who struggle.

Travis Storin; Summary
The reason this is coming forward now is because of the budget process that kicks off over the summer. The rate increase assumption is a big input in determining how much money will be on the table for Utilities to get their work done over the next 2 years. We would build a budget based on the rate increases we have presented today. The next place this will come up will be a September Work Session

I am sensing that there is interest in pausing at the September Work Session and talking a little bit more about the near rate increases and any work we have done on the capital plan between now and then.

Review this plan annually with this committee, not every 2 years.

C. Laporte Multimodal Grant Match

Gunnar Hale, P.E. Engineering, Civil Engineer I
Monica Martinez, Manager, FP&A, PDT Finance

SUBJECT FOR DISCUSSION
Laporte Multi-Modal Grant Match – Transportation Alternative Program Grant Appropriation

EXECUTIVE SUMMARY
Laporte Avenue between Fishback Avenue and Sunset Street is a two-lane arterial roadway and most of the roadway within the Project limits lacks adequate bicycle and pedestrian facilities including sidewalk, bike lanes, curb, and gutter. The City was awarded a $2,500,000 Transportation Alternative Program grant from the North Front Range Metropolitan Planning Organization (NFRMPO) to fund construction of the Laporte Avenue Multi-

Modal Improvement Project. The grant award requires a 20% local match of $2,500,000. It is suggested that CCIP Bike, CCIP Pedestrian, TCEF program funds, Transportation Services Fund Reserves and General Fund, be used for the local match portion, as well as an additional $50,000 in overmatch funds. The City will be required to contribute 20% of the local match funds as well as the local overmatch funds. The City's financial commitment to fund construction will be $625,750 in local funds and $50,000 in local overmatch funds for a total of $675,750 to complete the $3.175M construction.

GENERAL DIRECTION SOUGHT AND SPECIFIC QUESTIONS TO BE ANSWERED

- Is Council Finance supportive of an out of cycle supplemental appropriation for the Transportation Alternative Program (TAP) and required local match to fund construction for the Laporte Avenue Multi-Modal Improvement Project.

BACKGROUND/DISCUSSION

TAP Background

In June 2023, the NFRMPO awarded the City with a TAP grant for the construction of the Laporte Avenue Multi-Modal Improvement Project

The approved funding breakdown is as follows:

TAP grant	$2,500,000
Local Match (City)	$625,750
Local Overmatch (City)	$50,000
Total	$3,175,750

The total local match request from the City is $675,750. Suggested local match breakdown is as follows: Transportation Capital Expansion Fee (TCEF) ($225,000), CCIP Bike ($122,727), CCIP Pedestrian ($102,273), Transportation Services Fund Reserves ($750) and General Fund ($225,000) be used to support this supplemental appropriation request.

Laporte Corridor Background

The Laporte Corridor within the project limits of Fishback Avenue and Sunset Street currently lacks adequate bicycle and pedestrian facilities including sidewalk, bike lanes and curb and gutter.

The roadway experiences heavy bicycle and pedestrian traffic especially with Poudre High School, many residential neighborhoods, and businesses located adjacent to the project limits.

- Several near misses and at least one serious vehicle-pedestrian accident have occurred.
- The corridor currently experiences a higher-than-expected volume of traffic accidents due to the lack of adequate infrastructure

Laporte Avenue is master planned to be on the City's low-stress bicycle network. The Project will address the safety concerns and lack of multi-modal infrastructure.

Laporte Corridor Project Status

TAP Grant submitted – 2020

$750,000 awarded.

MMOF Grant submitted – 2020

$250,000 awarded.

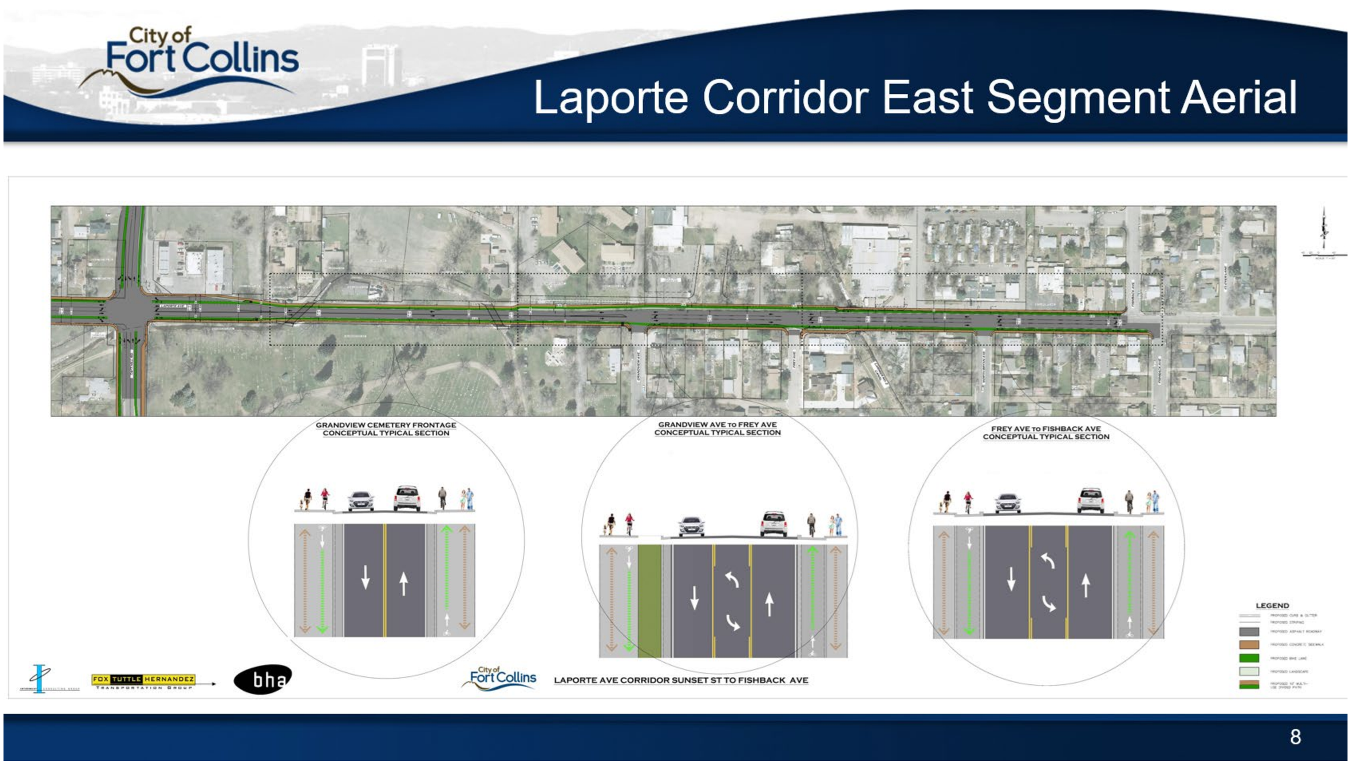
Revitalizing Main Street Grant awarded – 2021
$1,437,500 awarded.
TAP Grant Submitted – 2023
$2,500,000 awarded.
East Segment 100% Design – Completed Fall 2023
West Segment 90% FOR Design – January 2024
East Segment Construction – March 2024
West Segment Construction – June 2024

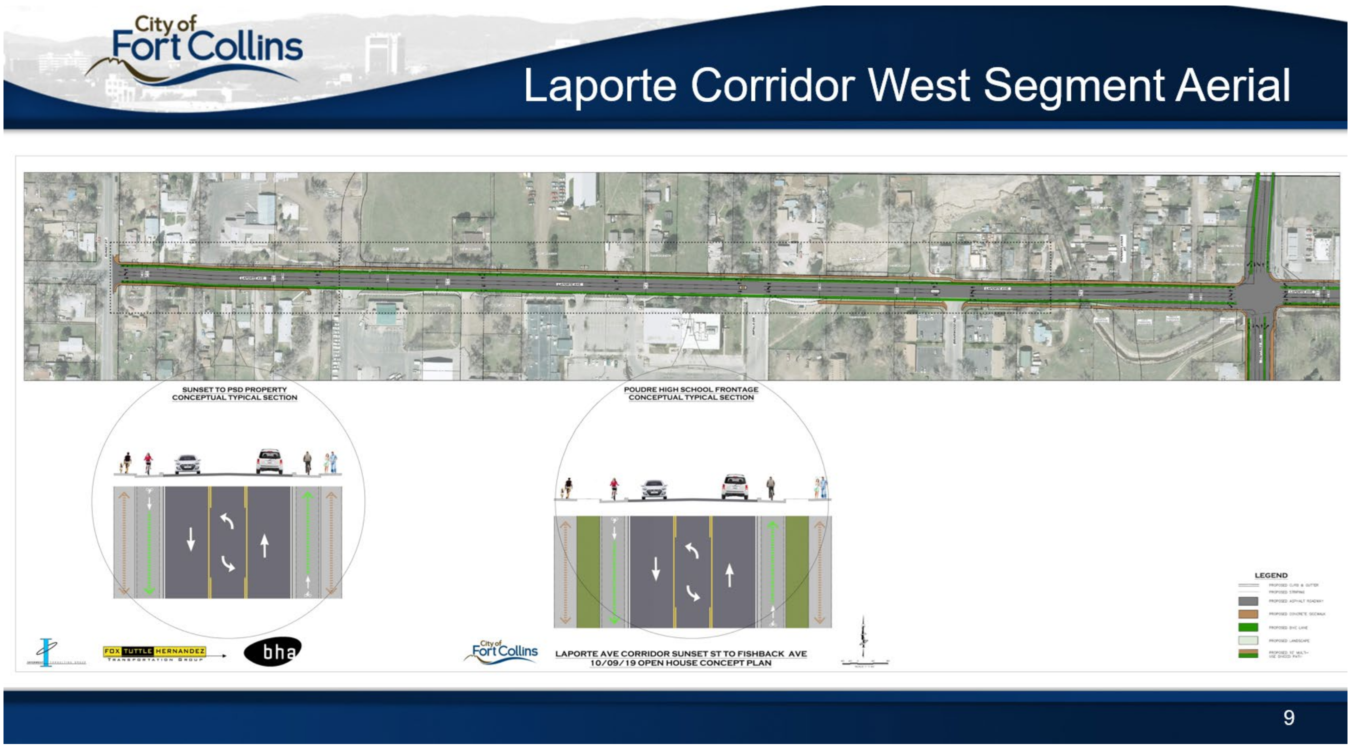
Staff is recommending appropriation of the City's construction local match and overmatch for several reasons.

- In line with guiding themes and principles of the City Strategic Plan:
  - Multimodal Transportation

Discussion / Next Steps;

GENERAL DIRECTION SOUGHT AND SPECIFIC QUESTIONS TO BE ANSWERED
Is Council Finance supportive of an out of cycle supplemental appropriation for the Transportation Alternative Program (TAP) and required local match to fund construction for the Laporte Avenue Multi-Modal Improvement Project.





Gunnar Hale; we are using the full extent of the right of way we own for this project east bound from Taft Hill. (see slide #8 above). There are a few houses on the west bound segment (see slide #9 above)– Sunset where we will need to buy right of way.

Kelly Ohlson; this has been approved in numerous ways before now. You are bringing this to us now (1 month before construction starts) because of the General Fund amount in the mix.
What do you mean when you say that you are negotiating the construction costs? Did we bid the project out?

Gunar Hale; for CMGC (Construction Manager, General Contractor) projects, we will negotiate the costs of the projects. Because of the size of this project and the blessing from CDOT, we chose CMGC so we can have a quicker timeline. We have to compare the costs from the CMGC contractor with an independent estimate as well to prove the costs are true and accurate.

CMGC is kind of a bridge in between a bid and an RFP in a lot of ways. It is not the straight math problem of low bid when we use that as a tool for procurement. We brought on the contractor midway through the design. The benefit of bringing them on early is the collaboration and to anticipate and plan for problems that might arise as opposed to things happening in the field and causing delays.

Kelly Ohlson; who decides who we negotiate with?

Gunnar Hale; in the beginning when we chose SEMA as the CMGC we put this out to bid and multiple contractors bid on the contract, then we choose who we think will do the best job.

Kelly Ohlson; this is a good project. Where did the other $3M that was previously allocated go? It can’t all be in design.

Gunnar Hale; the east segment is covered with that beginning $3M that we have in the project. The west segment is where we need the funding. The additional $3M we are asking for from the General Fun is the local match for the west segment of the project.

Monica Martinez; we would usually go to our Transportation Services Fund as that is where we always go first for any sort of local match for capital projects, but we do not have the needed amount in that fund this year, so we have to come forward to request General Fund dollars.

Emily Francis; I am supportive of this. I would like to meet with Brad to discuss the design. We have been out there a few times before. I just want to make sure I understand the on again off again street, paths, and sidewalks so I can answer questions.

Mayor Arndt; I am thrilled and an absolute yes.   This is one of my priorities - safe route to schools (to Poudre High School). It has been a challenge for the students -this will be a huge improvement- happy to support this – long time coming. Mulberry improvements as well have made a huge difference. Lots of safety concerns - our kids deserve better.

Travis Storin; will move this on to the full Council on the consent agenda as soon as possible.

Meeting adjourned at 2:50 pm