

Finance Administration

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

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AGENDA

Council Finance & Audit Committee
November 18, 2019
10:00 am - noon
CIC Room - City Hall

Approval of Minutes from the October 21, 2019 Council Finance Committee meeting.

1. City Long Term Financial Plan Review 30 mins. D. Lenz

2. Water - Horsetooth Shutdown 30 mins. C. Webb

M. Kempton

Council Finance Committee

Agenda Planning Calendar 2019

RVSD 11/13/19 mb

Nov. 18th			
	City Long Term Financial Plan Review	30 min	D. Lenz
	Water – Horsetooth Shutdown	30 min	C. Webb M. Kempton
Dec. 16 th			
	Utility LTFP & CIP – Electric & Stormwater	45 min	L. Smith
	Purchasing Policy Update	30 min	G. Paul
	Sales Tax on Mobile Homes	20 min	J. Poznanovic
	Utility Off Cycle Budget Items	25 min	L. Smith
Jan 27 th			
	Utility LTFP & CIP – Water and Waste Water	45 min	L. Smith
	Affordable Housing Support Process (Fees)	20 min	S. Beck-Ferkiss V. Shaw
Feb 24 th			
	GASB 87 Implementation Update	20 min	T. Storin
Mar 16 th			
	B-Dam Alternatives and Recommendation	30 min	T. Connor

Future Council Finance Committee Topics:

- Park/Median Design Standards & Maintenance Costs TBD
 Metro District Policy Update TBD early 2020



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Finance Committee Meeting Minutes 10/21/19 10 am - noon CIC Room - City Hall

Council Attendees: Mayor Wade Troxell, Ross Cunniff, Ken Summers

Staff: Mike Beckstead, Travis Storin, Carol Webb, Theresa Connor, Lance Smith, Shane Boyle,

Dean Klingner, Tom Leeson, Noelle Currell, Jennifer Poznanovic, Kelley Vodden, Jennifer Selenske, Kerri Ishmeal, Renee Callas, John Duval, Tyler Marr, Dave Lenz, Jo Cech, Katie Ricketts, Zach Mozer, Josh Birks, Victoria Shaw, Shannon Hein, Clay Frickey, Carolyn

Koontz

Others: Kevin Jones, Chamber of Commerce

Dale Adamy, R1st.org

Meeting called to order at 10:05 am

Approval of Minutes from the August 19, 2019 Council Finance Committee Meeting. Ken Summers moved for approval of the minutes as presented. Ross Cunniff seconded the motion. Minutes were approved unanimously.

A. Development Review Fee Update

Tom Leeson, Director, Community Development & Neighborhood Services Noelle Currell, Manager, Financial Planning and Analysis Jennifer Poznanovic, Sr. Manager, Sales Tax / Revenue

SUBJECT FOR DISCUSSION

Development Review and Building Permit Fees Study

EXECUTIVE SUMMARY

As part of the City's coordinated fee update process, City Staff along with MGT Consulting Group (MGT) conducted an in-depth analysis of the City's development review and building permit fees. This study evaluated whether these fees are set at appropriate levels, inclusive of all costs, consistent with the City's goals for cost recovery, and how fees compare to other communities regionally.

Due to the complexities, processes and number of departments involved in development review and the permitting, the Council Finance Committee requested an advisory committee be created to better understand potential impacts of fee and methodology changes and collect feedback and advisement regarding proposed changes.

Staff has extensively evaluated the methodology for calculating fees and is requesting feedback on the change in methodology for calculating building permit and plan check fees from using the valuation of a project to using the square footage of a project (not all project types apply), a flat fee for over-the-counter permits, addition of a new erosion control and storm water inspection fees, as well as updates to current development review fees based on a simplified fee schedule. No methodology changes are being requested for development review fees; however, timing of collection of Utilities development review is being shifted to when services are provided.

GENERAL DIRECTION SOUGHT AND SPECIFIC QUESTIONS TO BE ANSWERED

Is Council Finance supportive of updated fees and methodology?

Is Council Finance supportive of new Erosion Control & Stormwater Inspection fees?

BACKGROUND/DISCUSSION

Development Review Fee Advisory Committee

A Development Review Fee Advisory Committee was formed based on Council Finance Committee's directive to better understand how to simplify the current fee schedule. This included calculation of fees, timing of collection, validation and acceptance of a new methodology and other recommendations. This balanced group was comprised of industry professionals, Fort Collins Citizens, and City staff.

Advisory Committee List: A Blend of Citizens, Industry and Staff

Industry: Jennifer Bray: Affordable Housing Board

Adam Eggleston: Ft. Collins Board of Realtors Doug Braden: Home Builders Association

Citizen: Matt Robenalt: Downtown Development Authority

Cathy Mathis: Local Legislative Affairs Committee, Development Consultant

Braulio Rojas: South Ft. Collins Business Association Linda Stanley: Economic Advisory Commission

City Staff: Mike Beckstead: Project Sponsor

Russ Hovland: Fee Owner Building Permit Fees

Tim Kemp: Fee Owner Engineering Fees

Noelle Currell: Project Manager

Tom Leeson: Fee Owner Development Review Fees

Overview of Meetings and Topics Covered

The group convened for five (5) two-hour sessions starting in May 2019 with the final meeting September 2019.

Fee History

Currently, there are numerous fees across CDNS (Community Development and Neighborhood Services), Utilities, and Engineering, spread over three (3) types of fees; development review, infrastructure inspection (engineering), and building permit. Examples include building permit fee, plan review fee, transportation development review, over-the-counter permits, and engineering inspection fees. The current percentage for cost recovery is set at 100%.

The City Manager is authorized to set fees based on the costs of providing development and building permit review services, pursuant to City Code Sec. 7.5-2. The Land Use Code (Sec. 2.2.3.D) establishes the cost recovery model for development and building permit fees:

- 1. Recovery of Costs. Development review fees are hereby established for the purpose of recovering the costs incurred by the City in processing, reviewing and recording applications pertaining to development applications or activity within the municipal boundaries of the City, and issuing permits related thereto. The development review fees imposed pursuant to this Section shall be paid at the time of submittal of any development application, or at the time of issuance of the permit, as determined by the City Manager and established in the development review fee schedule.
- 2. Development Review Fee Schedule. The amount of the City's various development review fees shall be established by the City Manager and shall be based on the actual expenses incurred by or on behalf of the City. The schedule of fees shall be reviewed annually and shall be adjusted, if necessary, by the City Manager on the basis of actual expenses incurred by the City to reflect the effects of inflation and other changes in costs. At the discretion of the City Manager, the schedule may be referred to the City Council for adoption by resolution or ordinance.

Fee Calculation Review

To accurately calculate where fee levels should be set, an inclusive listing of fees was thoroughly reviewed, every staff member involved in a fee activity was identified, and staff members that complete fee related activities were interviewed to determine the amount of time spent per fee item. Calculations were carried out to determine the fully burdened cost of employees. Overhead calculations were also reviewed and included things like buildings, managers, and IT support. Fees were set based on the time and the overhead allocated. Validation steps were taken to ensure proper cost recovery, which included:

- ensuring no individual groups were over-allocated (available work hours versus total time of fee activities)
- estimating revenue forecasts based on 2018 volumes (ensuring revenue does not end higher than cost)
- confirmation with management teams to ensure accurate allocation of each person's time to the fees (e.g. only allocating 25% of some positions).

Methodology Changes and Impacts

Development Review Fees

No methodology change for the development review fees (pre-building permit activity, such as Project Development Plan, Minor Amendment, Final Development Plan) is proposed. However, one goal in this area was to reduce the number of fees, through fee consolidation or deletion (e.g. Affected Property Owner mailing costs removed).

Additional changes within the development review fees include adding staff members that are fully engaged in development review activities that have not historically been included within the fee calculations. This includes City Attorney's Office staff, Forestry staff, and Parks Planning staff. Additionally, Utilities development review fees have historically been collected at time of Building Permit, and those will now be collected at time of development review application to more accurately reflect the time of service.

The impacts of these changes are an increase in development review fees for all application types Infrastructure Inspection Fees

No methodology change is proposed for the infrastructure inspection fees. These fees were last updated in 1997, so the impact of these changes is an increase in the infrastructure inspection fees.

Building Permit Fees

Staff is proposing a methodology shift for new construction building permit fees from being based on valuation to square footage/building type. The square footage of a project is not subject to disagreements as it is a definite quantity provided within the application; it is known in the early phases of a project, so it provides a stronger basis for calculating accurate fee estimate. Additionally, square footage has a strong correlation to the amount of time it takes to review/process an application and the time it takes to complete inspections.

To help with efficiency and overall fee consistency, over-the-counter permits will go to a flat fee versus valuation based (examples: residential roof, water heater, furnace). Staff time in this area is driven by type of work, not the value.

Tenant finishes and remodels will remain valuation based. Valuation cost breakouts were updated based upon interviews with building inspectors with the result being a decrease in fees for these application types.

It should be noted that sales and use tax is still based on valuation, so applicants will still need to provide the project valuation for tax purposes.

The impacts of these changes, including shifting the timing of collection of the Utility development review fees, are a decrease in building permit fees.

New Fees: Erosion Control & Storm Water Construction Inspection

These are proposed new fees that will cover field inspection personnel. Currently, no fees are collected, and this activity is subsidized by the rate payers and not by established fees. Staff is requesting implementation of an erosion control fee & storm water infrastructure inspection fee to cover the costs of inspections that are currently being executed.

The process completed by Utilities is as follows; Field verification by a City Stormwater Inspector is now required as stated in the project Development Agreement, City Land Use Code Section 3.3.2(E)(1)(e), and Fort Collins Stormwater Criteria Manual Ch 3, Sec 3.1). Project managers should request inspections prior to installation of stormwater features, or at a minimum, keep the City inspector up to date on scheduling.

Inspections target the milestones listed in the feature's corresponding <u>construction checklist</u>, which is submitted as part of the Site Grading and Drainage Certification (checklists may change as the program evolves).

As part of the certification process, certification checklist documentation **is** submitted to Utilities' Water Engineering Department and requires acknowledgment that verification occurred at the intervals specified therein.

Utilities Light and Power are not included in this study.

Developer/Builder Cost Impacts

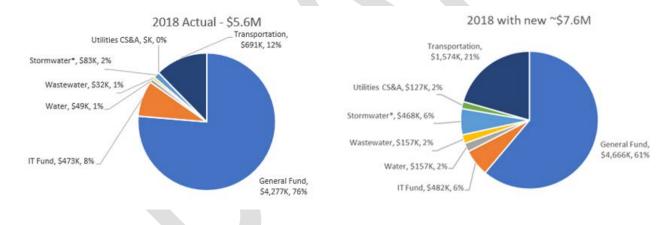
In order to understand/quantify the impact on development, staff did a comparative study on existing developments. Samples were chosen based upon common application types including: Infill development, Single Family Homes, Multi-family, Affordable Housing, Commercial Buildings and Industrial Uses. Fees within this study generally increased ~30%, however as part of the overall fee stack, the updates resulted in minor changes (from less than 1% to 10% of total City Fees). Additional details are included in attachment 1.

City Cost/Revenue Impacts

Since the fees charged are intended to cover the costs to provide the service, an analysis was done to evaluate the costs to the City of development review, infrastructure inspection, and building permits based on the 2018 volume of permit applications. In 2018, the City collected \$5.6 million in development related fees, which were intended to cover the costs of those services. The actual total cost in 2018 was closer to \$7.6M.

Fee Type	Current Collections*	Future*
1. Development Review	\$583K	\$3,654K
2. Infrastructure Inspection	\$322K	\$898K
New Stormwater Fees	\$0	\$75k-\$100K
3. Building Permit	\$4,751K	\$3,008K
<u>Total</u>	\$5.6M	\$7.6M

The greatest impact on collections is seen in the Utilities Funds and the Transportation fund. In Utilities the changes are driven by the timing of collection, updated cost inputs and addition of Erosion Control and Stormwater Infrastructure Inspections. Within the Transportation fund changes are driven primarily by the infrastructure inspections (which as noted had not had fee updates since 1997) and update to number of Transportation funded Development Staff (e.g. Traffic Engineers and Civil Engineers).

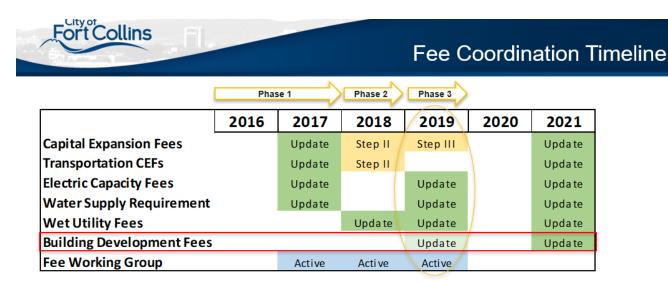


Next Steps and Public Outreach

Advisory Group Summary of Findings

The group acknowledges and agrees with the overall methodology changes, fee structure, calculations and inputs. The group agrees that though there are increases in some areas, overall the changes make sense and fees will be less complicated. The group agrees with 100% cost recovery. Fees must reflect the cost it takes to provide the service and nothing more. The group notes that any fee increases, particularly to housing, are a concern.

Discussion / Next Steps;



Detailed fee studies:

- · 4 years for CEF, TCEFs & Development fees
- 2 years for Utility fees

In years without updates, an annual inflation adjustment occurs

2019 Fee Group - Development Review/Building Fees only

Decoupled from 2019 fee update

Separate fee for each permit application type
Consolidated and reduced total number of fees from 150 to 106

Mike Beckstead; they have also created a fee calculator which makes it easier early on in the process to understand how much and when fees will be payable. This is a benefit and a simplification.

Ken Summers; what are the overhead costs?

Tom Leeson; direct cost, hourly rate plus overhead costs such as vehicles and uniforms and admin costs. More detail to follow later in the presentation.

Mike Beckstead; we approached this with 100% cost recovery, and we looked at it not just direct costs but including health benefits, retirement contributions, materials used in process and support costs that go with it.

Ken Summers; Is there double accounting? Are we going to reduce the allocation we need for legal?

Mike Beckstead; for the Development Plan Review and Legal -both come out of the General Fund so the revenue we collect doesn't go into a specific fund - all flows into the General Fund. We don't segregate the funding or the expenditures that way because they are co-mingled in the General Fund.

Ross Cunniff; what are the pros and cons of creating a dedicated mini fund for obvious transparency? I like the 100% cost recovery but the responsibility that comes with that is for us to ensure that we are not double counting as well as that we are working to try to constrain those costs to exactly what they need to be.

Mike Beckstead; we are having those conversations - we had provided Council some information before trying to estimate costs - this has always been very challenging as it is diffused across the organization. There is clear benefit to going to a dedicated fund - I am not ready to recommend one way or the other yet The more specific the revenue is the more restrictive we are. We currently have 41 reportable funds - our closest neighbor /peer has 21-25 range. Within Finance, we are discussing – what is the right mix of dedicated / restricted fund revenue? There is complexity and overhead that goes with each fund - but good to discuss this during BFO.



Fee Type	Methodology Changes	Cost Recovery	Impact to Fees
Development Review Fees	 All Cost Inputs Updated Some Costs Previously in Permits now in Development Review Fees Fees Consolidated Utility Fees Based on Full Cost Recovery Utility Fees Collected at Time of Service 	100%	↑
Infrastructure Inspections	All Cost Inputs updatedNew Fees Proposed	100%	↑
Building Permit	 All Cost Inputs updated New construction → square footage based vs. value based Over the counter → Flat Fees 	100%	↓

We have 1 City Attorney who spends 100% of his time on Development Review Applications. 2.5 FTEs from Forestry as well

Building Permit Fees - we changed the way we calculate - now based on square footage not valuation -

Have a fair amount of over the counter fees – simple flat rate fees.

Valuation is not going away because we charge sales and use tax.

Ross Cunniff; future number - \$2M subsidy towards development review - \$1.6M from other entities Stormwater rates were higher because we weren't capturing these fees

Mike Beckstead; a bigger portion of it is actually transportation and utilities - General Fund subsidy

The Committee reviewed slides illustrating several different kinds of development and the associated fees and impact of the recent changes;

Infill/ Mixed Use - Uncommon,
Residential Single Family - Timbervine
Residential Multi-Family -The Wyatt
Affordable Housing - Village on Redwood,
Commercial - Harmony Commons
Industrial - South College Storage=

Tom Leeson; we reviewed this information with Darin Atteberry last week and he administratively approved the process changes. The intent is to do an Adoption in Q1 2020 to be effective at the beginning of Q2 2020.

Mike Beckstead; we have this scheduled to come back to Council Finance in December if we get controversy out of outreach, but if the future outreach is similar to what we have had in the past, I am not sure we would need to come back to Council Finance - I wanted to see if there was Committee concurrence on this approach.

Ross Cunniff; a memo would be sufficient.

Mayor Troxell; I have a question about the fee stack, conversations going around to try to get some alignment - continue that in support of our residents - meaningful adjustments in the right direction. I appreciate the amount of work that has gone into this

Mike Beckstead; in 2016 there was a request to take this on because of the sporadic nature of the updates which would come to you at different times - This was great guidance and I applaud Jennifer and her predecessors for the work that has gone into the organization of this - it has taken us 3 years to get through the first round. Starting in 2021, we will be on a 4-year cadence for development fees and 2-year review cadence for utility fees. We had big increases in impact fees in 2017 - \$ value increases here but now that we are on a prescribed cadence with routine reviews, we will minimize any big pops.

Ross Cunniff; community measured approach - In answer to questions for Council Finance, I am a yes and a yes This presentation answered a lot of questions I had and makes it very clear what we are doing and looking for is to specifically support the operations and funding of the development review process. We will want to ratchet up to look at how we could reduce costs – this is not intended to be punitive – it is making sure that we are diligently working to make those costs as low as practical.

Mayor Troxell; I appreciated the specific examples of different types of development - very helpful



Fees recover the costs to process, review, inspect and record applications pertaining to development applications/activity and issuance permits related thereto.

Ken Summers; I have a question regarding slide 4 (see above) under Development Construction Permit you have Erosion Control and Stormwater – is the proposal to pull these out and put them somewhere else?

Tom Leeson; we are not currently charging for the Erosion Control or stormwater efforts we do as part of the Development Construction Permit. Erosion Control - we have 2 full time dedicated employees who go out to inspect multiple times during the construction phase. The Stormwater -more of the final stormwater measures that put in that also require inspection prior to occupancy - we are proposing to add those into the Infrastructure Inspection Fees.

Mike Beckstead; the costs have always been there, but they were being paid for by the rate payers of those utilities - we didn't have a unique fee to charge the developer for those activities -

Tom Leeson; the development review center will be reimbursing utilities for that time - that will go into the waste / storm water fund - in essence that fund has been subsidizing the Development Review effort -this has been happening for many years.

Mike Beckstead; the next time Lance does his cost of service / rate analysis he will take all of those into consideration – we have a new revenue source for those kinds of costs which will have an impact on future rate requests - to the degree that it is incremental and isolated I am not sure - I would have to go back and talk with Lance. That is where the other side of this transaction will occur.

Ken Summer; thinking about erosion control measures - seems that these are already tightly regulated at the state level -so, with all the current state regulations in place in terms of keeping dirt on the site and fencing, etc. - Have there been problems with erosion in the past?

Theresa Connor; The city has an S4 Permit that allows our storm water to drain directly into the river and does not need to go through our sanitary sewer system. Because of having that permit we have to do erosion control inspection; we need to have this in place in order to stay in compliance this is a requirement to do construction inspection. Driven by development taking place in the community.

Ken Summers; I see a couple things happening – for example the \$5M we lent to the URA, etc. – feels a bit like we are shaking the couch cushions looking for more money - wondering what are the best ways for us to increase our revenue instead of nickel and diming, fees etc. I think we need to be looking at some efficiencies in this area as well - I want to be comfortable that we have some safeguards in place and are looking at efficiencies - be conscientious in terms of how many visits, how much time it takes. If there is an inspector who is consistently finding lots of problems - the problem may be with the inspector. These are legitimate concerns from the city standpoint.

Theresa Connor; we do have stormwater and the municipal separate stormwater permit through the state and the EPA. We are finding the better part of prescriptive requirements from the state recently on erosion control, visiting every few weeks based on the conditions on the site - so there are some very prescriptive requirements for us from federal and status regulators that we are doing and have been doing for some time. We are constantly looking for efficiency measures out of that and are open to new ideas but we have had these 2 positions on erosion control compliance for some time and tt protects our water ways - an ounce of prevention is worth a pound of cure – especially in erosion control keeping that dirt on site will protect our streams - we do comply with prescriptive requirements.

Ross Cunniff; can you speak to what efforts you take to oversee and audit.

Tom Leeson; this question has come up a couple of times in our outreach and is a fair question because we are charging based on time – one of the complaints was if you were more efficient you could charge us less – we took that very seriously and in parallel to this effort, we have spent last 2 years implementing the Lean Methodology on every development application type - trying to get as efficient as we can in terms of development review and our permit processing. We have seen an appropriation recently for our Accela program (the software program that administers all of the permits) was not functioning at a level that could make us as efficient as we want to be – so we are spending a lot of time going through the bidding process to identify the business process and get that fully integrated into Accela - and we are developing a set of metrics around development review so we can understand how long each step should take – how long the review of each stage takes.

Ken Summers; thank you - I appreciate the reassurance that we have systems in place to monitor and that you are on top of it and it shows efficiencies. Sometimes that motivation isn't as great for a government entity.

Mayor Troxell; Baldrige looks at constant improvements - looking at best practices - by mentioning the Lean Methodology - government can run with efficiency and high performance and be very intentional — we have processed - recognize and make them better and that is built into the entire organization - talk about high performing government and set those expectations - this is one reason we get to a high level of trust with the community because you see activities happen for the purpose they are intended and frankly, I am proud

Tom Leeson; getting into this new regular cadence for reviews will be a good cross check and will ensure that those fees are aligned with the processes we have.

Mike Beckstead; to me the drivers of this fee increase are;

- 1) we have not updated some of these fees in a long time some of the methodologies and the cost drivers are different now
- 2) some of the allocations of cost only assumed a 50% absorption which has now gone to 100%
- 3) there are the 2 new utility fees that used to be paid by utility rate payers and are now paid by the development fees.

There is a series of methodology and process drivers that are really behind this - we saw the same thing in our Capital Expansion Fees in 2016-17 when we did a deep dive on those because they had not been updated in a while – I truly anticipate a much smoother trajectory going forward with the routine updates and we will avoid these price spikes from infrequent updates.

Mayor Troxell; I appreciate Ken's concern and this discussion - show me - what is your process and that is the evidence - we are obligated to do things that other governments have been mandated and that adds costs.

Mayor Troxell; we are good

Mike Beckstead; we will come back in December if need be or we will provide a memo at the minimum.

B. Revolving Loan Program Review

Josh Birks, Director Economic Health Office Shannon Hein, Sr. Specialist, Economic Sustainability

SUBJECT FOR DISCUSSION

Economic Health Revolving Loan Fund – Good News

EXECUTIVE SUMMARY

The purpose of this item is to share the good news that the City of Fort Collins Revolving Loan Fund has officially launched and provide an overview of the program. The Revolving Loan Fund is intended to support small businesses and startup companies operating in Fort Collins. The City has pledged funds to support access to capital for small businesses in Fort Collins, which have historically not had access to traditional financial capital markets ("under banked" or "non-bankable") The demographic focus of this program will be low-income, minority, veteran, and women-owned small businesses.

GENERAL DIRECTION SOUGHT AND SPECIFIC QUESTIONS TO BE ANSWERED

1. Does the Committee have any questions about the program?

BACKGROUND/DISCUSSION

A revolving loan fund (RLF) is a gap financing tool used for the development and expansion of small businesses and startup companies. This Ordinance will support the first step in the development of the City's RLF that over time will become an "evergreen" source of capital for underserved and disadvantaged borrowers in the community. "Evergreen" is the term used to refer to a self-replenishing pool of money through interest and principal payments from previous loans to be used for new loans as budgeted and appropriated in future years.

Businesses with 1-100 employees make up 98% of all firms in Fort Collins. These businesses employ 47% of the workforce and provide 40% of the total wages in our community.

Demonstrated need:

- Data from the small business needs assessment deployed in 2018 demonstrated the need and interest for capital resources from women-owned businesses, specifically women-owned businesses in the revenue band of \$100,000 - \$499,000.
- A report by Minority Business Development Agency http://www.mbda.gov/sites/default/files/DisparitiesinCapitalAccessReport.pdf, found that, "Among firms with gross receipts under \$500,000, loan denial rates for minority firms were about three times higher, at 42 percent, compared to those of non-minority-owned firms, 16 percent."
- The City's Economic Health Office (EHO) has identified access to capital as a barrier to the small business community within the Economic Health Strategic Goal, B.4, Increase Capital to Support Startup Companies and Entrepreneurs. As such, EHO believes a revolving loan fund can support in meeting Strategic Objective B.4.

Goals - The goals of the RLF include:

A. Encouraging business starts, strengthening and/or expansion of businesses through self-employment. This in turn facilitates job creation as a means of economic self-sufficiency for low-and moderate-income individuals.

- B. Helping bridge the financial gap for small businesses which might eventually qualify for bank financing and preparing the small business owner for traditional bank relationships.
- C. Foster diversity in the business community by encouraging business ownership among traditionally underserved minorities, women, and the disabled.
- D. Promote entrepreneurship and business innovation as a means of harnessing the creative potential of small businesses and investing in the economic success of the community.

Contributions to this RLF comes from two sources:

- Platte River Power Authority (PRPA) support of economic development efforts (2017, 2018, 2019 and beyond)
- 2019 City of Fort Collins Cluster Funding (one-time contribution)

Since 1982, Platte River has granted funds annually to support economic development efforts. Prior to 2017, these contributions received by the City of Fort Collins were directed toward Rocky Mountain Innosphere (Innosphere). In August 2017, the City requested PRPA to remit the funds directly to our organization in order to support the development of a small business lending program. These funds were received in 2017 and 2018 and are in the City's General Fund reserve available for appropriation.

Funds to be appropriated are as follows:

Source	Fund	Amount
2017 PRPA Contribution	General Fund	\$21,878
2018 PRPA Contribution	General Fund	21,916
2019 PRPA Contribution	General Fund	36,436
City of Fort Collins Cluster Contribution	KFCG (transfer to General Fund)	98,500
Total RLF Appropriation and Transfer		\$178,730

Summer 2019, the City issued Request for Proposal (RFP) #8963 seeking a qualified, licensed and accredited capital vendor to manage and administer the revolving loan fund on the City's behalf. The City selected Colorado Lending Source ("CLS") as the vendor. CLS will lend its own funds and use the City's contribution only in the case of default on a loan. The total loan pool will be \$1.0 million.

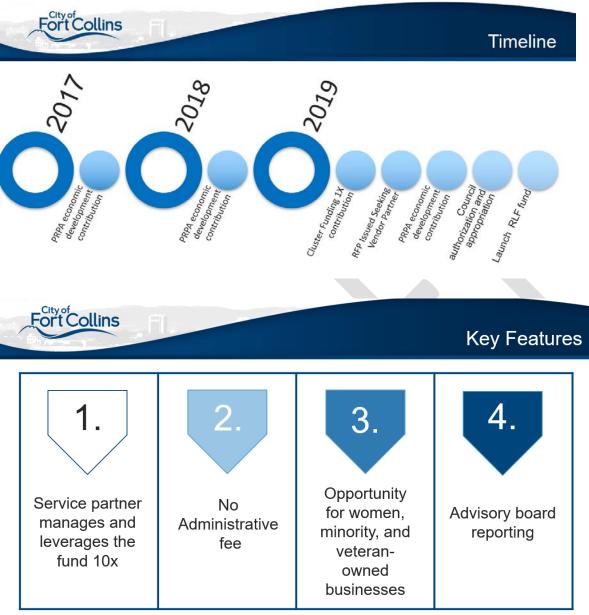
Term loans would be available to eligible small businesses for up to \$50,000 for the following purposes:

- Working capital
- Equipment
- Inventory
- Business purchase

Oversight

A representative from the selected vendor will meet with City of Fort Collins staff at least semi-annually to review the program, lending data, and to provide updates. Staff will provide updates to City Council annually.

Discussion / Next Steps:



Current default rate is less than 4% - they are comfortable with a certain default rate as they are trying to reach those lenders who might have constraints with traditional commercial banks

Shannon Hein and Josh Birks; character based loans - have a committee they work with - mentor or circle surrounding them - we get referrals from banks - they work with banks on the front side of the opportunity and on the back side - after 2 years of credit history they encourage the borrowers to change to a conventional bank - They know the criteria the banks are looking for - they run a number of different programs as well - so if a candidate is better for a different program they will slot them there – these are \$50K max loans- typical term of 8 years – give it some length to manage cash flow and then move them through the program and get them into the private sector – that way you get the money back and can start over with another borrower.

Ross Cunniff; great

Mayor Troxell; this is great, thank you

Ken Summers; great

C. Stormwater - Land Acquisition

Theresa Connor, Deputy Director, Utilities Shane Boyle, P.E. Stormwater Lance Smith, Director, FP&A Utilities

SUBJECT FOR DISCUSSION Off-Cycle Budget Amendment for Strategic Land Acquisition in the West Vine Stormwater Basin

EXECUTIVE SUMMARY

The West Vine Stormwater Master Plan envisions an open channel connection between the City-owned Forney Property and City-owned land located adjacent to this parcel to the east. The parcel at 1337 West Vine came in for conceptual development review. Staff has negotiated a price for purchasing the rear portion of the property while the West Vine road frontage portion is being subdivided into residential lots. The purpose of this item to appropriate prior year reserves in the Storm Drainage Fund to purchase the parcel.

GENERAL DIRECTION SOUGHT AND SPECIFIC QUESTIONS TO BE ANSWERED

Does Council Finance Committee have any questions or suggestions regarding the off-cycle budget amendment to fund strategic land acquisition in support of the West Vine Stormwater Master Plan?

BACKGROUND/DISCUSSION

Much of the West Vine Basin, located in western Fort Collins generally along Vine Drive and Laporte Avenue, was developed in the County prior to stormwater and floodplain regulations being adopted. For this reason, there is significant potential for flooding in the basin during a large rainstorm event. The City's Stormwater Master Drainage Plan for the West Vine Basin identifies improvements that would help to mitigate and convey flood flows through the basin to the Poudre River.

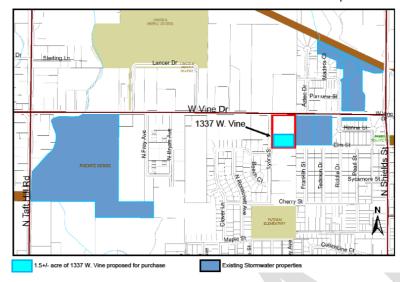
A portion of the property at 1337 West Vine lies within the proposed alignment for the West Vine Outfall Stormwater Project and is currently for sale (see attached presentation). The purpose of this appropriation is to authorize the purchase of the portion of the property that is needed in order to construct the West Vine Outfall project. If the City does not purchase the property, it may be sold to a third party and developed, which would hinder the City's ability to construct this important Stormwater project.

Recent projects and property acquisition in the area that are part of the West Vine Outfall include construction of a portion of the West Vine Outfall from Vine Drive to the Poudre River in 2013-2014 and acquisition of the Forney Property for a future regional detention pond in 2012.



West Vine Master Plan

1337 W. Vine Drive—West Vine Basin—Stormwater Acquisition



- West Vine Outfall is constructed.
- Currently own two properties of regional stormwater facilities.
- Opportunity to create a channel and trail system between properties.

Discussion / Next Steps:

1337 W. Vine Drive - sub dividing into 3 lots — we are interested in southern parcel Budget of \$255K in case there are some unknowns

Reason this land is strategic for us - if you look at the West Vine Master Plan

West Vine outfall constructed a few years ago – Stormwater currently owns two parcels of land here - one next door – been renamed to Pucntc Verde – do an open channel – with potential for trails, etc - future plan – Because this parcel was in for review and available now we thought it would be prudent to bring forward an off cycle offer to purchase the – gives us flexibility if we were to do an open channel in this area and construct large diameter culverts - we don't get multi use

Mayor Troxell; what is the time frame

Theresa Connor; the parcel is in for development - West Vine Master Plan will take a decade or so to do – our attention would shift to West Vine after the Downtown plan is completed.

Ross Cunniff; I am supportive - Intent is through acquisition of undeveloped parcels, easements - overflow channel

Theresa Connor; it would be an open channel which gives us more flexibility - it has multi-function

Ross Cunniff; - I think we should move forward – benefits the community as it protects several neighborhoods - real estate happens when it happens

Theresa Connor; improvements needed especially as area developments - manage the stormwater flow and bring it through to the Poudre River

Mayor Troxell; this is necessary – Ross, any concerns about the mid cycle?

Ross Cunniff; If this was General Fund I would say yes, but since this is restricted funding focused on a specific utility purpose, benefits stormwater rate payers and is protecting several neighborhoods, I am good with it.

Ken Summers; you do what you need to do when the opportunity arises, and the money is there

D. URA Bond Refinancing

Travis Storin, Director, Accounting Josh Birks, Director, Economic Health Office

SUBJECT FOR DISCUSSION

Prospect South Loan Refinance Moral Obligation

EXECUTIVE SUMMARY

In 2013, the City loaned the Fort Collins Urban Renewal Authority ("Authority") \$5 million from the General Fund to reimburse a developer for eligible expenses as part of the Summit development in the Prospect South Tax Increment Financing District. The City has requested the Authority consider refinancing this loan to free up the \$5 million for investing in other community priorities. The Authority may also benefit from refinancing by being able to issue bonds with lower interest rates than the existing loan. As part of this refinance, the Authority is seeking a moral obligation from the City. The moral obligation would result in improved bond ratings and reduced debt service costs to the Authority.

GENERAL DIRECTION SOUGHT AND SPECIFIC QUESTIONS TO BE ANSWERED

Does the Council Finance Committee agree with moving forward with the proposed loan refinance and the associated moral obligation?

What additional information would be useful prior to presenting this item to City Council?

BACKGROUND

The City and Authority have entered into two loan agreements for development projects in the Prospect South TIF District. What follows is a summary of each loan agreement.

The Summit

On September 6, 2011, City Council established the Prospect South Tax Increment Financing (TIF) District within the Midtown Urban Renewal Plan Area. After the establishment of Prospect South as a TIF district, Capstone Development Corporation sought TIF assistance for The Summit, a 220-unit student housing development. On September 13, 2011, the Authority Board approved a financial agreement where the Authority would reimburse \$5 million of eligible expenses to Capstone. Per the agreement, the \$5 million reimbursement was due upon completion of the project. At the time, staff estimated The Summit would generate \$8 million of tax increment over the life of the project.

When Capstone completed The Summit in 2013 and received a Certificate of Occupancy, Capstone requested reimbursement. The Authority was unable to reimburse Capstone for two reasons:

- 1. The original estimate of tax increment generation for the Summit was inaccurate. Staff's updated tax increment generation estimate in 2013 showed the Summit should generate \$7 million, not \$8 million as predicted in 2011.
- 2. Interest rates rose from 4% to 4.96%.

As such, the City and Authority negotiated a loan agreement at that time to reimburse Capstone. The City agreed to loan the Authority \$5 million with a 2.68% interest rate. This interest rate was based on the known revenue stream of the Prospect South TIF District at the time. This left a \$1.78 million interest rate gap. To fill that gap, the Authority agreed to pledge 50% of future unencumbered revenue from the Prospect South TIF District to the City. Both City Council and the Authority Board approved this loan agreement on November 5, 2013. Prospect Station

In October 2013, the Authority executed a Redevelopment Agreement with Prospect Station LLC. The Redevelopment Agreement obligated the Authority to reimburse the developer up to \$494,000 for eligible expenses. The Agreement required 50% of the reimbursement obligation (\$274,000) to be paid in a single payment upon completion of the project with the remaining 50% paid by the Authority over a 21-year period. Knowing the Authority would not have sufficient funds to make a single payment upon completion of Prospect Station, the City approved Resolution 2013-079 declaring City Council's intent to provide a loan to the Authority for half of the Authority's reimbursement obligation.

Prospect Station received a Certificate of Occupancy in September 2014 and subsequently requested reimbursement. In response, the City and Authority entered into a loan agreement for \$247,000 to fulfill the Authority's Redevelopment Agreement with Prospect Station. The loan has a 23-year term and 4.5% interest rate. The Authority Board approved the loan agreement on November 18, 2014 with City Council approval following on December 16, 2014.

DISCUSSION

Finance staff approached Authority staff in the summer of 2019 with the idea of refinancing the Prospect South loan. Refinancing the loan could allow the City to allocate the \$5 million to other priorities. A refinance could also allow the Authority to get a lower interest rate than the effective interest rate of 4.96% on the Prospect South loan.

To assess the viability of a refinance, the City and Authority contracted with their own bond and finance counsel. The Authority has contracted with Ehlers for their finance counsel and GreenbergTraurig for their bond counsel. Based on the current tax increment projections, the Authority anticipates receiving between a BBB+ and AArating for their bond issuance. The attached proforma outlines the differences between BBB+, A, and AA- rated bonds. The URA expects the following terms for this bond issuance:

Amount Borrowed	Outstanding balance and cost of issuance
	(Approx. \$5 million)
Term	18 years
Interest Rate	2.587% - 2.929%
Coverage Ratio	1.94 - 2.01
Total Cost	\$6,150,782 - \$6,343,395

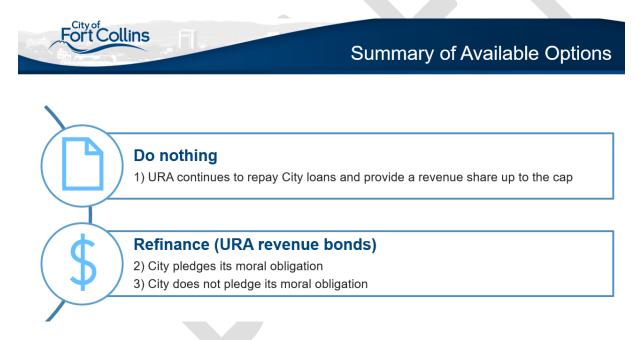
The Authority is seeking a moral obligation from the City to receive a more favorable bond rating and interest rate. A moral obligation allows the City to meet any debt service costs from the bond issuance in the case of a default. Council is not obligated to meet these debt service costs in the event of a default by the URA. Council may elect to appropriate funds to service this debt or Council can elect to not service this debt. A moral obligation would likely result in a rating increase from BBB+ to A or higher. The savings between these two ratings is \$165,192 over the life of the loan. The moral obligation will also make it easier for investors to trade the bonds in the secondary market, reducing the interest cost upon issuance by the Authority.

In summary, this refinance will allow the City to allocate \$5 million to other community priorities during the upcoming Budgeting for Outcomes process while potentially saving the URA \$794,000 - \$986,000 over the life of the loan. This loan refinance would also honor the strong partnership between the City and the URA.

NEXT STEPS

The Authority Board will consider the proposed loan refinance at their regular meetings on October 24 and November 7. City Council will consider the moral obligation on November 19. Staff aim to complete the refinance by the end of 2019.

Discussion / Next Steps:



Staff Recommendation is Option #2 - refinance with the city's moral obligation pledge. You do pay a higher rate without the moral obligation component.

Mike Beckstead; I just received notification that Moody's reaffirmed us as stable at AAA rating If we go back to the Mall discussion, we spent a good amount of time around evaluating our moral obligation around the \$53M - we talked with the rating agencies in pretty good detail at that time – no adverse effect to our credit rating as it is not considered or counted as debt. If we were called upon to exercise that moral obligation and we elected not to honor that moral obligation pledge - our credit rating could drop several levels

Josh Birks; 2 times debt coverage ratio is really solid - borrowing capacity being left on the table at this time intentionally because how URA wants to use those future funds is unknown.

Ross Cunniff; from the city's perspective, we are getting \$5M that we are obligated - we can then choose to help the property taxpayers or the URA (depending on how you want to look at it) by reducing their interest rate with the moral obligation- that is the choice - first choice is do we want that \$5M back or not

Mike Beckstead; we could get the \$5M back either way - there is still savings to the URA

Ross Cunniff; do we want that \$5M back or not? If we do want it back, we go with the moral obligation You can look at it two ways; more dollars available for projects or more dollars being refunded to tax entities or both. Cosign or walk away and suffer a lower credit rating as a result.

Mike Beckstead; that was a great summary - I like the moral obligation - refinancing is a good thing for the URA either way - there are benefits to both - we have access to the \$5M for city's future needs - Lower expense over the next 18 years - the moral obligation just increases the amount due by about \$200K due to the lower interest rates.

Ken Summers; support the moral obligation or keep the \$5M and make 4.5% interest on our investment - I am comfortable with either of them – because if we are letting the URA finance, let's help them and do the whole thing. I think they are pretty solid businesses.

Mike Beckstead; with the 2 times deb coverage ratio this is not even in the gray zone for me in terms of future risk - property tax is pretty stable right now - we don't see a downside

Ross Cunniff; let's go with the moral obligation - I don't see much downside - seems unlikely that a future Council would be called upon to act on it.

Mayor Troxell; I support the moral obligation consistent with our discussion in Council. This is really following through on what was discussed then.

Meeting Adjourned at 11:35 am

COUNCIL FINANCE COMMITTEE AGENDA ITEM SUMMARY

Staff: David Lenz, Director, Financial Planning & Analysis Zack Moser, Analyst, Financial Planning & Analysis

Date: November 18, 2019

SUBJECT FOR DISCUSSION

2020 Long Term Financial Plan Outlook (excluding Utilities)

EXECUTIVE SUMMARY

The City updates the Long-Term Financial Plan (LTFP) outlook every two years as part of the Strategic Planning Process. The objective is to highlight potential challenges and aid in philosophical decision-making on strategies that span the longer term (5-10 plus years). The City has enjoyed a strong economic base and has done an excellent job in managing its expenditures and maintains a Aaa Moody's credit rating.

However, due to a general slowdown in actual and projected revenue growth, escalating cost pressures in serving a growing population base and a prior modeling error, the projected financial position (city reserves) come under more pressure in the mid-term than highlighted in the 2018 LTFP. This updated outlook fully accounts for the addition of approximately 100 FTE positions added over the last two BFO cycles and the requirement to continue to add more FTE positions to serve the increasing population base.

The baseline scenario assumes current operating conditions and service level delivery, as well as no outlier impacts (severe recession, natural disaster, etc.). Given our requirement to balance our expenses against revenues, the Strategic Plan will need to address a combination of options to contain costs, improve productivities and look for revenue enhancement opportunities.

GENERAL DIRECTION SOUGHT AND SPECIFIC QUESTIONS TO BE ANSWERED

Does Council Finance have any questions related to the 2020 Long-Term Financial Plan Outlook?

BACKGROUND/DISCUSSION

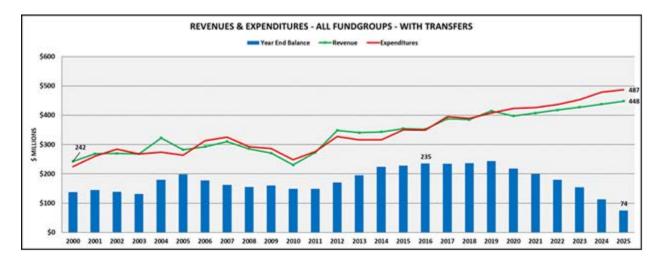
During the last two Strategic Plan updates, a key component of uncertainty was the potential for the KFCG tax to sunset in 2020. The potential loss of that revenue source would have put severe pressure on the City's finances. However, even with an extension of the tax (which ultimately was approved by voters), the projections were for City expenditures to exceed revenues over the long term (reaching approximately \$10 million per year in the 2016 Plan and \$15 million per year in the adjusted 2018 Plan by the year 2025).

These pressures on longer term fund reserves continue in the 2020 Plan - the actual and expected increases to costs continue to accelerate and the estimates of revenue growth from existing sources have softened somewhat. Our projected deficit by year 2025 could reach \$35 to \$40 million per year.

Below are the major drivers of changes to the 2020 LTFP outlook compared to the prior 2018 LTFP:

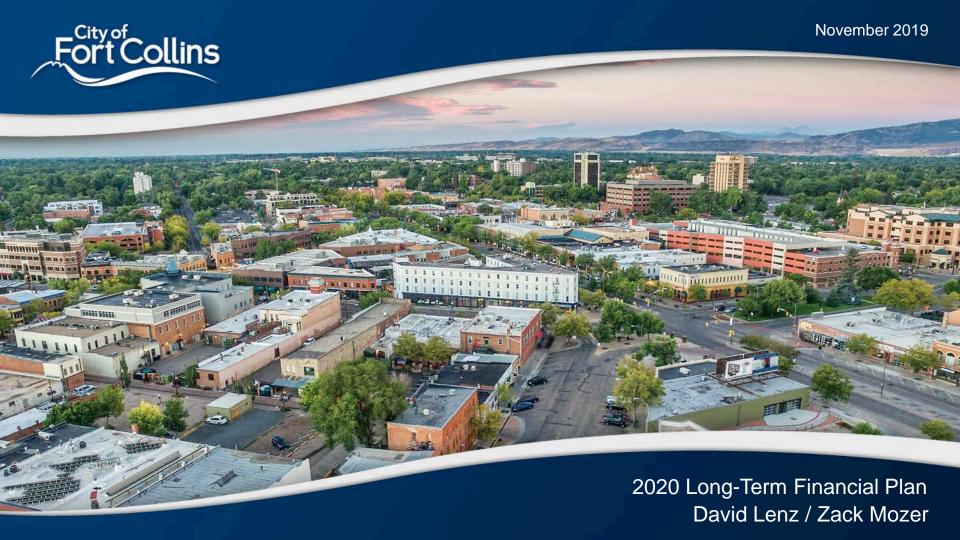
- Lower Tax Revenues:
 - Slowing Sales Tax revenue growth projected at 2.5% annual increase vs 2.8% prior.
 - Lower Use tax revenue still increasing but driven off a lower base due to declines in 2015 – 2018 timeframe.
 - o Offset by slightly higher property taxes from higher valuations.
- Higher Personnel costs:
 - Increased salary and benefits costs reflecting higher current actual FTE levels and increased future FTE levels to support services for the growing population base.
- Modeling issues corrected from the 2018 plan:
 - o Adjustments to fully account for all fund groups and correct for erroneous data inputs in year 2016 that carried thru the projections.

The graph below highlights our estimated revenue and expense profile, as well as the year ending fund balances. As noted above, the City has some work to do during the upcoming Strategic Planning and BFO process to address the tail-off and increasing funding gap, especially as it relates to specific fund balances.



ATTACHMENTS

Attachment 1: PowerPoint Presentation: 2020 LTFP





What is the Long-Term Financial Plan?

Objective:

➤ Highlight potential challenges and aid in philosophical decision-making on strategies that span the longer term (5 to 10+ years)

What it is:

- Methodology to identify macro issues to be addressed in the strategic plan
- Process of aligning financial capacity with long-term service level objectives
- > Framework to stimulate discussion around a long-range thought perspective
- Attempt to provide a balanced, base case scenario with 50/50 probability of occurring under current operating conditions

What it's not:

- Detailed 10 year budget
- Project Specific Initiatives Analysis
- Operational Next Steps





Total City View = All Fund Groups

- Includes: Primary Funds, Secondary Funds and Internal Service Funds
- Excludes: Utilities

Model Data:

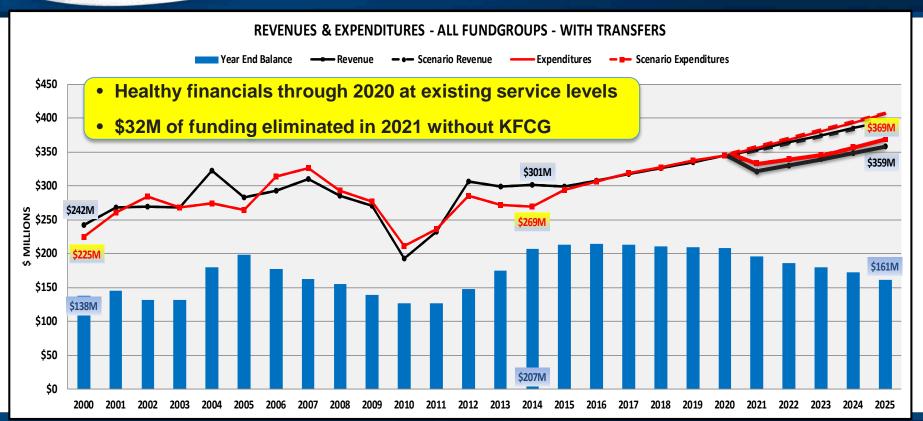
- ➤ 18 years of history at the individual account level
- > 30+ years of Sales and Use tax revenue
- Service Area Capital Estimates / Debt Service Projections

Revenue / Expense Forecast Inputs:

- > 290 revenue accounts summarized into 36 revenue line items
- > 593 expense accounts summarized into 39 expense line items
- Correlation analysis
- Historical Trend Perspective
- Unique drivers at the organizational line item level
- Service area and analyst knowledge/input regarding future projects

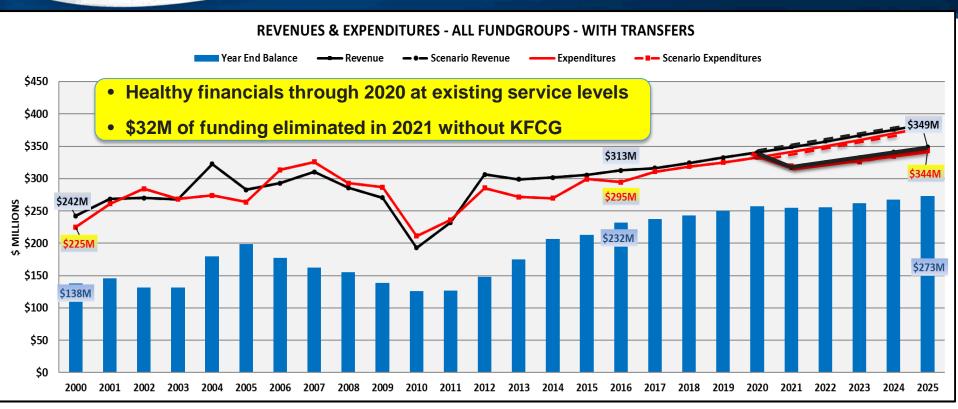


2016 LTFP – All Governmental Funds





2018 LTFP – All Governmental Funds





What Happened – 2018 vs. 2016 LTFP

2016 LTFP - by 2025

- Expenses exceeding Revenues by approximately \$10M/yr
- Ending Fund Balance <u>declines</u> to \$161 million

2018 LTFP - by 2025

- Revenues exceeding Expenses by approximately \$5M/yr
- Ending Fund Balance increases to \$273 million

Errors and Omissions in 2018 LTFP:

- Historical data from 2016 for a number of inputs entered incorrectly (reversed signage) and escalated throughout the plan period
- > CCIP Fund and Internal Service Funds not explicitly included in model

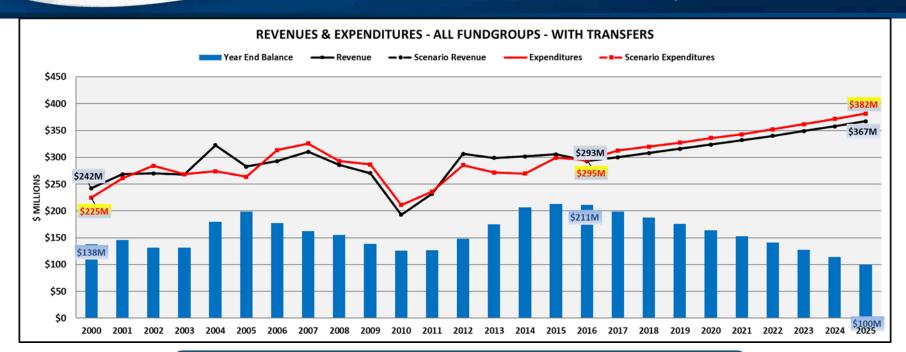
This difference accounts for the vast majority of the ending balance variance between the plans.

Adjusted 2018 LTFP - by 2025

- Expenses exceeding Revenues by approximately \$15M/yr
- ➤ Ending Fund Balance <u>decreases</u> to \$100 million



Adjusted 2018 LTFP



Ending Fund Balance in 2025 drops to \$100 million (vs. \$161 million from the 2016 LTFP)





Primary Assumptions and Impacts vs. prior plan

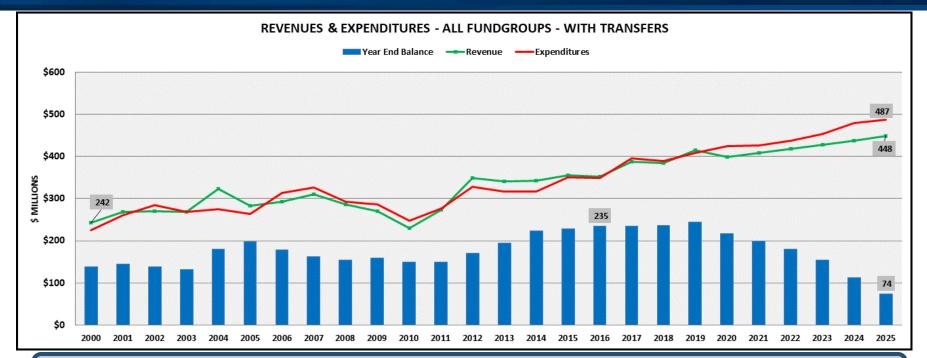
Item	Growth Rate	Impact	Rationale
Population	+ 1.9% > + 1.3%		Per Economic Development figures – slowing rate of growth over forecast period.
Sales Tax	+ 2.5%	•	Slowing growth over historical prior estimate of 2.8%
Use Tax	+ 3.6%	•	Similar % increase expected from prior estimates but from lower base due to actual results in 2015 – 2018.
Property Tax	+ 5.0%	•	Increased projection on 5 year rolling average. Accounts for run up in 2016-2018 property valuations.
Salaries	+ 3.7%	•	In line with recent historical cost increases. Forecast at CPI plus FTE increases due to service level needs from population increase. Police increases are slightly higher.
Benefits	+ 4.7%	•	Increase at 1.0% over CPI plus FTE increases due to service level needs from population increase. Police increases are slightly higher.

Net negative impact from prior LTFP driven by:

- Lower Sales and Use tax offset by higher Property taxes
- Higher salary and benefits costs driven by higher actual FTE levels and increased projections of future FTE levels needed.



Where are we now? 2020 LTFP - Baseline



The Baseline 2020 LTFP shows the same general profile as the adjusted 2018 LTFP, resulting in a lower Ending Fund Balance in 2025 of \$74 million vs. \$100 million.



2020 LTFP - Implications

Expenses and Capital

- Expense acceleration in excess of revenue growth
- Containment of salary and benefit costs
- > FTE levels in conjunction with service level objectives
- Productivity improvements
- Capital refresh timing / capability

Revenue

- Increased monitoring and understanding of macro-economic drivers and trends
- Renewed focus on evaluating alternative sources / structures

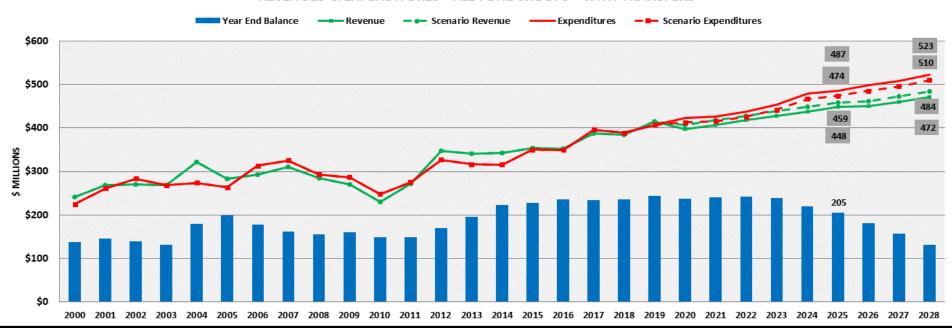
Timing

- Strategic Plan considerations
- > 2021/22 BFO cycle impacts



2020 LTFP – Scenario 2.5 % Increase in Rev & Reduction in Expense

REVENUES & EXPENDITURES - ALL FUNDGROUPS - WITH TRANSFERS



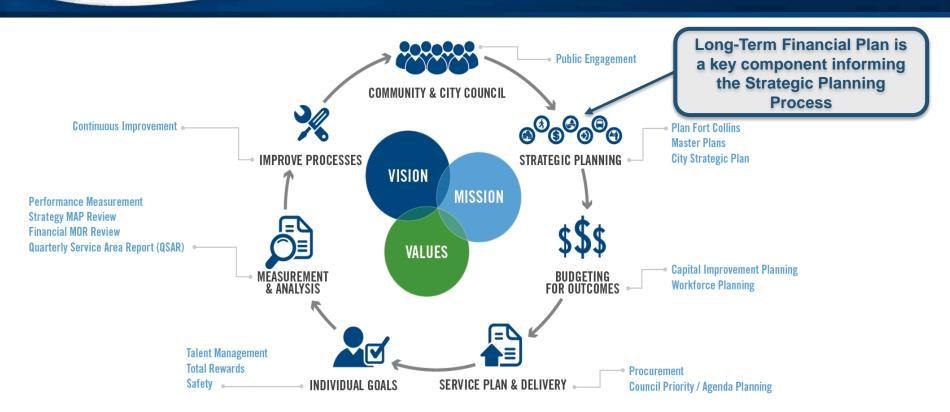
A combination of revenue enhancements and/or expense controls will be required to stabilize long term fund balances



Back-Up

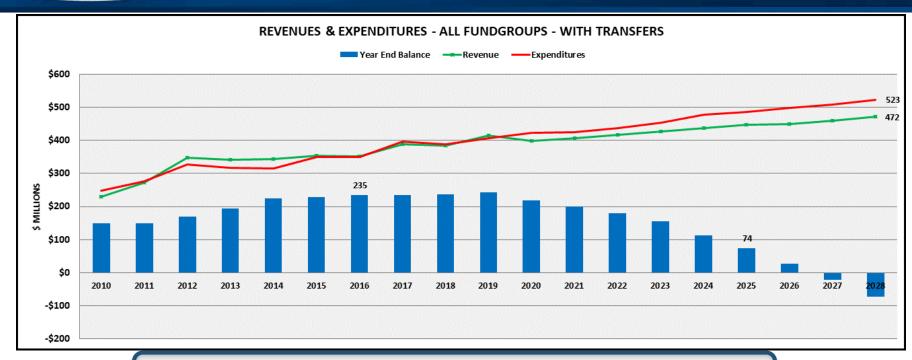


Fort Collins Enhanced Leadership Model





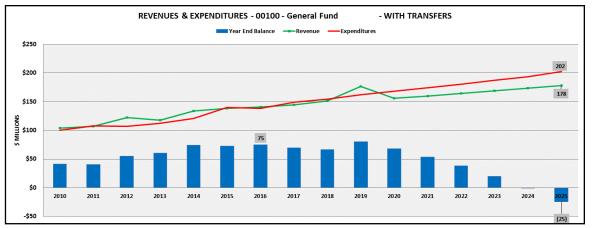


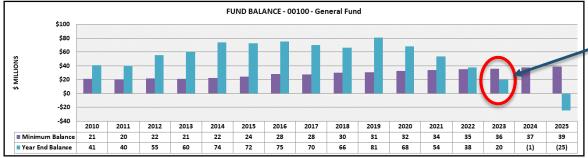


The continuation of spending above projected revenue inflows would put the city in a deficit position by the year 2028, and ...



2020 LTFP - General Fund

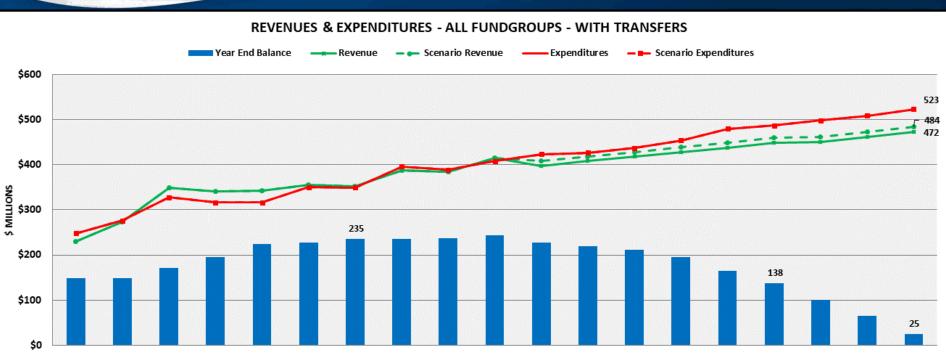




Specific funds come under pressure much earlier. The General Fund could drop below minimum Fund Requirements by 2023

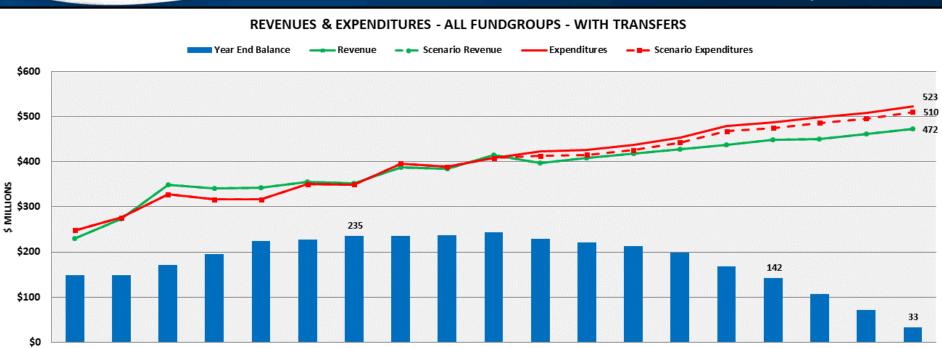


2020 LTFP – Scenarios 2.5 % Annual Increase in Revenues





2020 LTFP – Scenarios 2.5 % Annual Reduction in Expenses



COUNCIL FINANCE COMMITTEE AGENDA ITEM SUMMARY

Staff: Mark Kempton, Director of Plant Operations Lance Smith, Director Utilities Finance Liesel Hans, Water Conservation Manager

Date: November 19, 2019

SUBJECT FOR DISCUSSION

Appropriation of \$3.2 million of reserve funds from the Water Fund for the construction of a temporary emergency backup drinking water supply system associated with the Horsetooth Outlet Project.

EXECUTIVE SUMMARY

The purpose of this item is to request an appropriation of \$3.2 million from Water Fund Reserves to design and construct a project to provide a temporary backup drinking water supply pumping system during a planned October-November 2020 closure of the Soldier Canyon Dam Outlet pipeline from Horsetooth Reservoir. The pipeline provides drinking water to the two drinking water treatment plants serving the City of Fort Collins and surrounding areas, serving about 250,000 people. The pumping system is intended as an emergency backup supply system to the primary Cache la Poudre River water supply during the 60-day long planned outage of the Horsetooth Reservoir water supply line. The City will be reimbursed approximately 40 to 50% of the project costs by our project partners at the conclusion of construction.

GENERAL DIRECTION SOUGHT AND SPECIFIC QUESTIONS TO BE ANSWERED

Does the Committee support the appropriation of Water Fund reserves to construct an emergency backup water supply system for the City and our partners, the Tri-Districts and Platte River Power Authority (PRPA)?

Does the Committee support implementation of water use reduction measures to lower water demands to typical winter levels of 15 million gallons per day for the duration of the project?

BACKGROUND

Northern Water, which operates the 54-inch Soldier Canyon Dam Outlet pipeline from Horsetooth Reservoir to the City's Fort Collins Water Treatment Facility and the Tri-District's (Fort-Collins Loveland, East Larimer County, and North Weld County water districts) Soldier Canyon Water Treatment Plant, is planning to perform necessary maintenance on the water line in October and November of 2020. This maintenance will require a full closure of the line for up to 60 days, which will result in both treatment plants relying on the Cache la Poudre River ("Poudre River") as the sole water source for the City's and the Tri-District's respective water

service areas. Platte River Power Authority's (PRPA) Rawhide Plant also receives process water from the Horstetooth line and could be affected by a long-term loss of water.

Historically, the Poudre River has been a reliable source of high-quality water; however, it can be susceptible to water quality impairing incidents such as forest fires, vehicle crashes, chemical spills, and other incidents that may cause the treatment plants to shut off the water intakes from the River. If one or more of these such incidents were to occur and cause a prolonged shutdown of the Poudre River intakes during the planned outlet project, the City and the Tri-Districts could be at risk of a drinking water shortage. PRPA's Rawhide Plant could also be affected by a longer-term water outage shortage and is a working partner in this project. The City has sufficient treated water storage to withstand short term outages (up to 8 hours); however, the Tri-Districts do not have similar storage and may be susceptible to water shortages during a short loss of the Poudre supply.

To mitigate the potential water supply risk, the City, the Tri-Districts, and PRPA are proposing to construct a temporary emergency water supply project. Low cost, operational mitigation measures will also be implemented to help mitigate risks associated with the Poudre supply. Examples include stockpiling additional water treatment chemicals, installing containment booms in the river etc.

The Hansen Supply Canal project includes a temporary backup emergency pump station on the Hansen Canal that both the City and the Tri-Districts have agreed to design and construct as an alternative supply of Horsetooth Reservoir water to both treatment plants in the case of a loss of water supply from the Poudre River. The anticipated total cost of the project of \$3.2 million is to be shared between the City, the Tri-Districts, and PRPA as outlined in separate Inter Governmental Agreements (IGAs).

In the case of a sustained loss of the Poudre River supply (in excess of 8 hours), water will be pumped from the Hansen Supply Canal (the canal that flow out the north end of Horsetooth Reservoir) via a new temporary pump station to be constructed by summer 2020. Water will then be pumped into the existing Pleasant Valley Pipeline (PVP) or to the City's two existing Poudre River pipelines through a newly constructed pipeline connection that will transport water to both treatment plants to serve the City's and the Tri-District's customers, as well as PRPA.

COST SHARING & PARTNERING STATUS

The anticipated cost share percentages, based on million gallons per day (MGD) of flow to each partner for the project are approximately as follows;

- NWCWD 12 MGD (34%) \$1.1 million
- ELCO 3 MGD (8.5%) \$0.25 million
- FCLWD 5 MGD (14.2%) \$0.45 million
- Fort Collins 15 MGD (winter use; 42.4%) \$1.4 million
- PRPA 0.3 MGD (0.9%) \$0.03 million
- Total needed = 35.3 MGD (100%)

Based on the percentages above, the net cost to the City upon completion of the project is estimated to be \$1.4 million to \$1.6 million. There are some items in the project cost that do not pertain to all parties e.g. water conservation measures within the City will not apply to NWCWD.

To date both ELCO, NWCWD, and PRPA have verbally committed to paying for their portions of the project. FCLWD has also indicated interest in the project but has not formally approved their participation in the project. An Intergovernmental Agreement (IGA) has been developed between the City and the Tri-Districts which outlines the general ownership, operation, and payment terms for the project. The final details of percentages will be added to the IGA closer to selection of a final design alternative for the project.

DEMAND MANAGEMENT

The Horsetooth Outlet Project is an opportunity to share information about:

- the importance of proactive maintenance to sustain high quality, reliable water supplies;
- the source of our water supply;
- the collective responsibility to use our water resources wisely;
- and, the value of a community-owned water utility.

The proposed back-up supply project will provide 15 to 20 million gallons per day (MGD) of water to Fort Collins. Typical demands in early October are approximately 20 to 22 MGD and typically drop to 15 MGD toward the middle-to-end of October as irrigation and other seasonal uses end. Staff suggests the following water demand management approach to mitigate risk:

- Goal: Reduce water demand to typical winter levels (15 MGD) by October 1st and sustain this winter level throughout the Horsetooth Outlet Project.
 - 1. Perform extensive public outreach and education in the months leading up to and throughout the project.
 - Tactics may include, but is not limited to, utility bill inserts, direct mailers, local articles/ads, emails, newsletters, staff presence/activities at a variety of events throughout the year, community presentations (targeted and upon request), posters, promotion of programs/services and rebates, collaboration with City, commercial, and key accounts, etc.
 - 2. Mandatory or voluntary requirement for all customers to end all irrigation by October 1st, with limited exceptions.

With proactive outreach, communication and engagement, we believe the community will do their part to minimize some of the necessary risk of the project. Many communities across the nation only have one water supply and we are fortunate to have two reliable, high-quality sources. It is our responsibility to protect our community by protecting and proactively managing our water resources. Water is an essential ingredient to the many activities and businesses that make Fort Collins special. Investments we make today in our water resources, infrastructure, and community education help maintain clean, reliable water resources and protect the very thing our community was built upon – and continues to thrive upon.

While the goal is to achieve temporary water reductions, this effort stands to drive lasting

efficiency and conservation impacts, benefiting our utility and residents alike. Additionally, the Water Supply Shortage Response Plan (WSSRP) update project identified the need to develop an approach for water shortages outside of the typical summer irrigation season. The Horsetooth Outlet Project provides an opportunity to collect information that will inform that approach for the next WSSRP update, currently slated for after the recently kicked-off Water Supply and Demand Management Policy update. Outreach will be performed in cooperation with the Tri-Districts where feasible, and these conversations have already started. Additional risk reduction measures such as restricting truck traffic in the Poudre Canyon during the shutdown are being discussed with the Colorado Department of Transportation (CDOT).

A location map for the Hansen Canal pumping system is shown in Attachment 1.

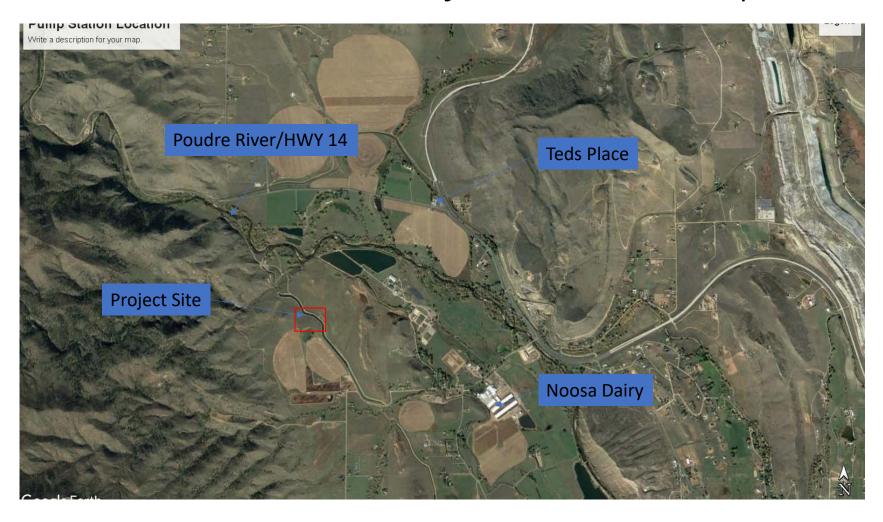
A preliminary schematic of the Hansen Canal Pump System is shown in Attachment 2.

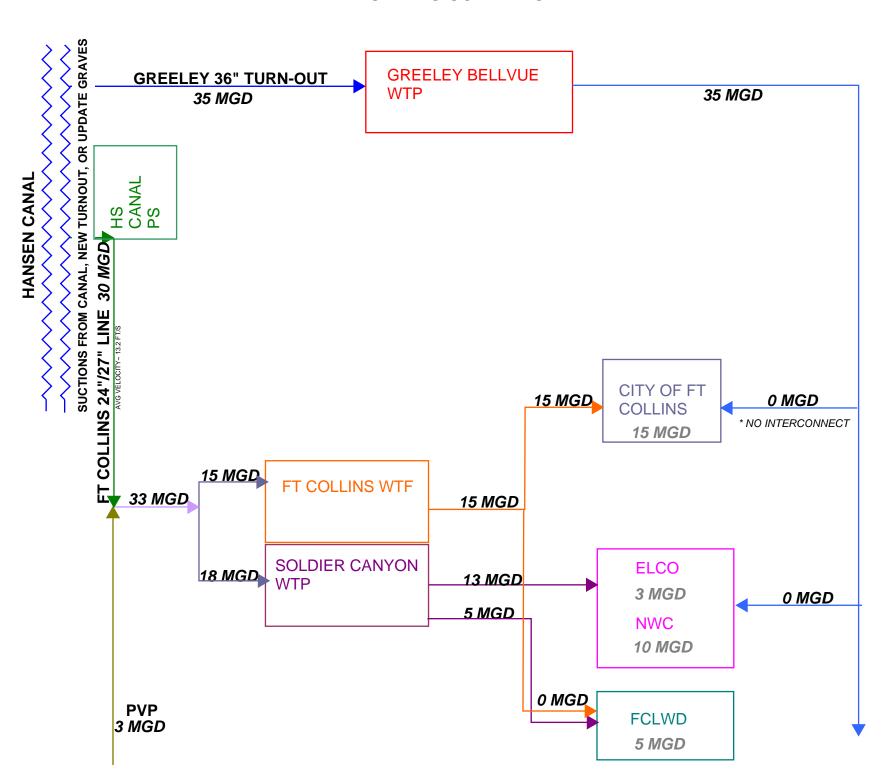
The City will initially fund and manage the construction of the project. The Tri-Districts and PRPA will reimburse the City at appropriate milestones for their portion of the project costs. The pipelines and appurtenances will be permanent connections, though, at this time, the pumps associated with the pump station will be temporary and will be removed from the site at the completion of the Horsetooth Outlet Repair Project.

ATTACHMENTS

Attachment 1 – Location map for the Hansen Supply Canal Temporary Pump Station Attachment 2 – Preliminary schematic of the Hansen Canal Temporary Pumping System

Hansen Canal- Project Location Map







Agenda



Problem overview



Risks to our water supply



Proposed Solutions



Recommendations



Request to Council Finance Committee

Direction sought from the Council Finance Committee

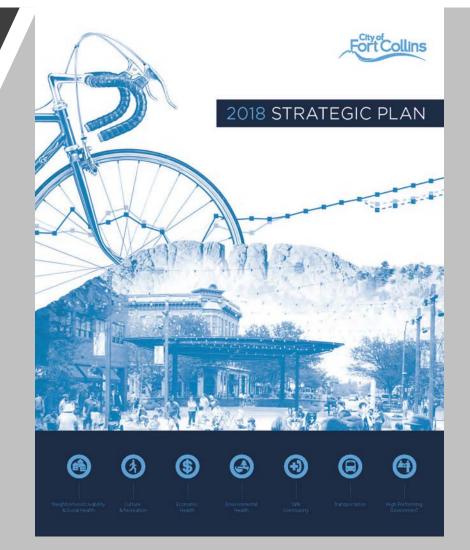
- Does the Committee support an appropriation of Water Fund reserves to construct an emergency backup water supply system for the City and our partners, the Tri-Districts and Platte River Power Authority?
- Does the Committee support implementation of water use reduction measures to lower water demands to typical winter levels of 15 million gallons per day by October 1, 2020?



Strategic Alignment



4.6 Provide a reliable, high-quality water supply.





Horsetooth Outlet Project

- Project Owner: Northern Water and U.S. Bureau of Reclamation
- Activity: Close the Horsetooth (HT) Reservoir outlet at the Soldier Canyon Dam to conduct maintenance and repairs
- Duration: Work starts approx. October 15, 2020 and lasts up to 60 days
- No flow via outlet from HT Reservoir to two water treatment plants



The City's Interest

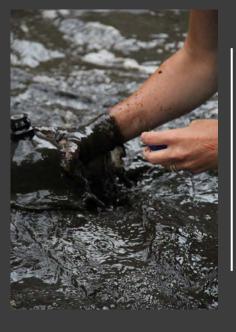
 The HT Reservoir outlet: Typically provides 50% of the annual water supply to the City and 80% for surrounding areas

 During the outlet project: the City and Tri-Districts Water Treatment Plants (WTPs)
 will rely solely on the Poudre River supply

 Fort Collins WTP has approx. 30 to 40 hours of water in storage (based on 15 MGD demand; 8-hour decision window)

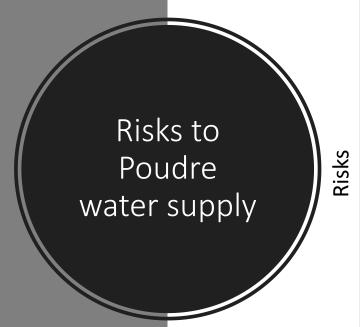


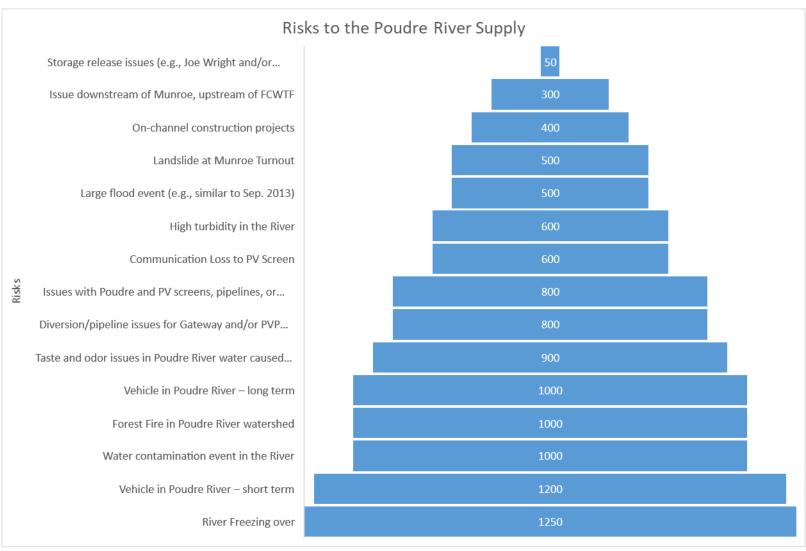






Threats to the Poudre River





Magnitude of Risk (larger bar = greater risk)

Risk Mitigations

Low Cost - \$50k to \$150k

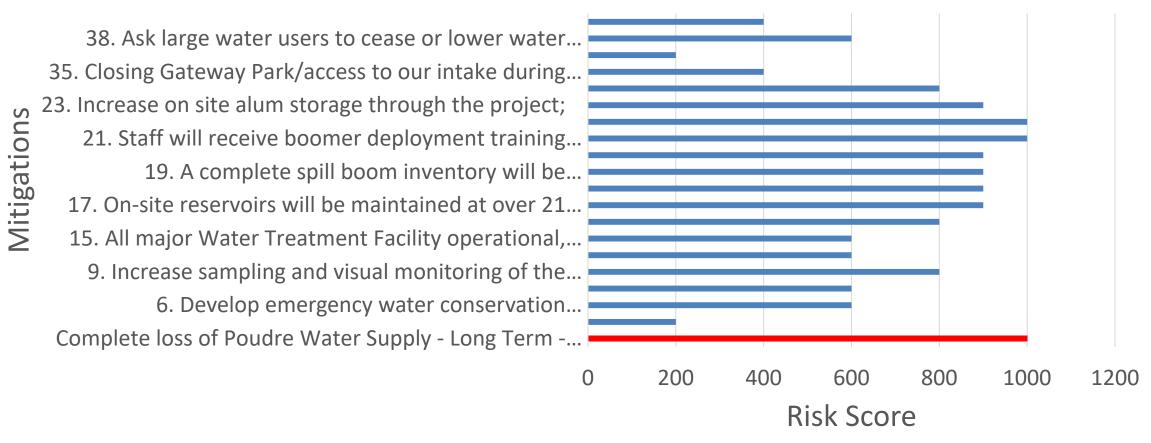
- Partner with Northern on project risks/mitigations
 - E.g. Reduce time to water the pipeline
- Through IGA, set max outage length and require Northern suspend operations in event of fire or catastrophic event
- Increase Poudre River monitoring
- No major maintenance or construction activities at WTF
- Treated water reservoirs at max capacity
- Restrict large truck traffic in Poudre Canyon
- Training and readiness for spill response
- Readiness for water quality changes

High Cost - \$3.2 Million (Approx. 50% City costs)

- Construct temporary pumping station at the Hansen Canal to the PVP
- Implement water conservation measures

Risk mitigation for worst case scenario* – Low Cost

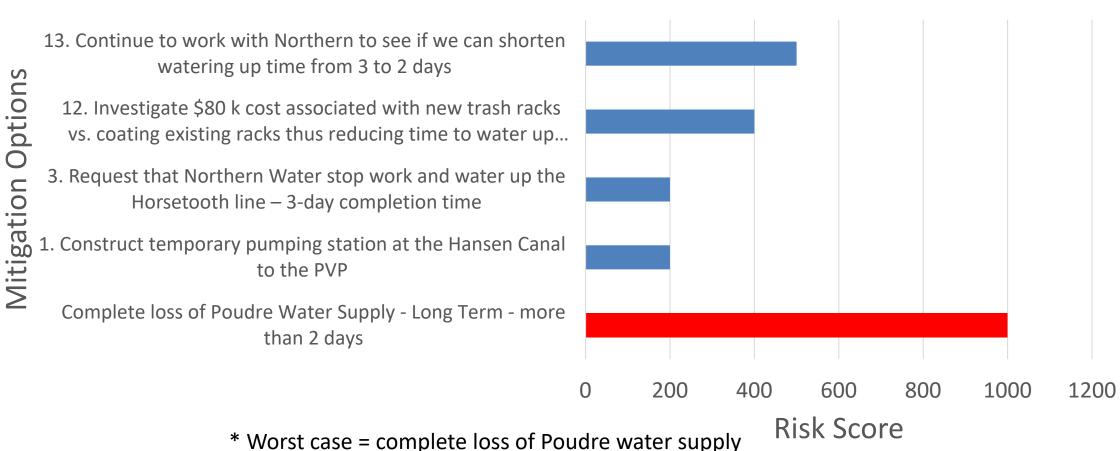
Low Cost Options - Long Term



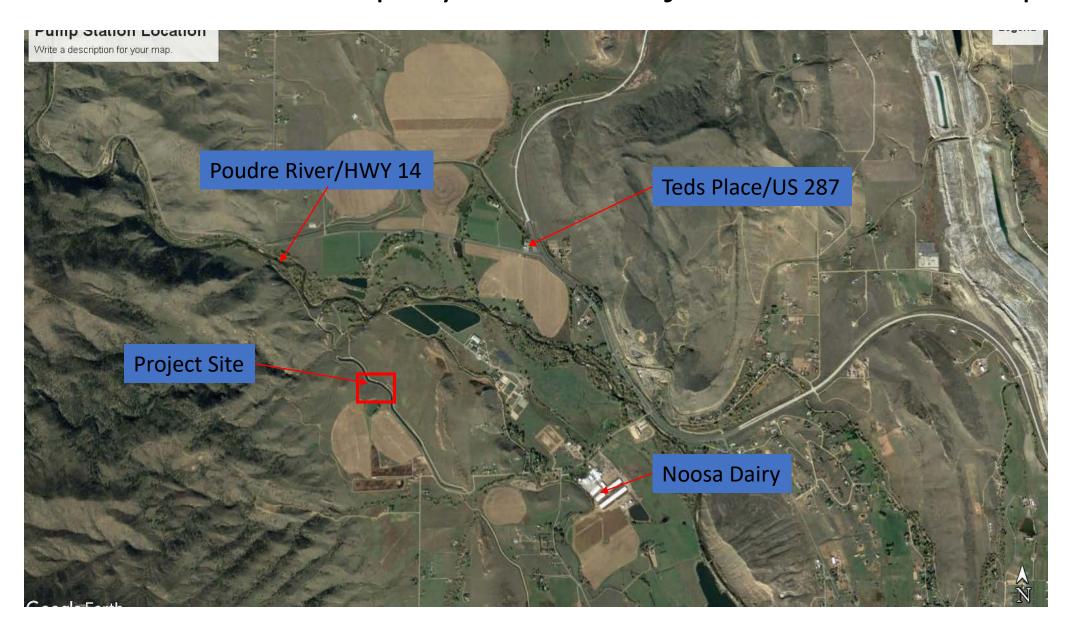
^{*} Worst case = complete loss of Poudre water supply

Risk Mitigation for worst case scenario* – High Cost

High Cost Options - Long Term



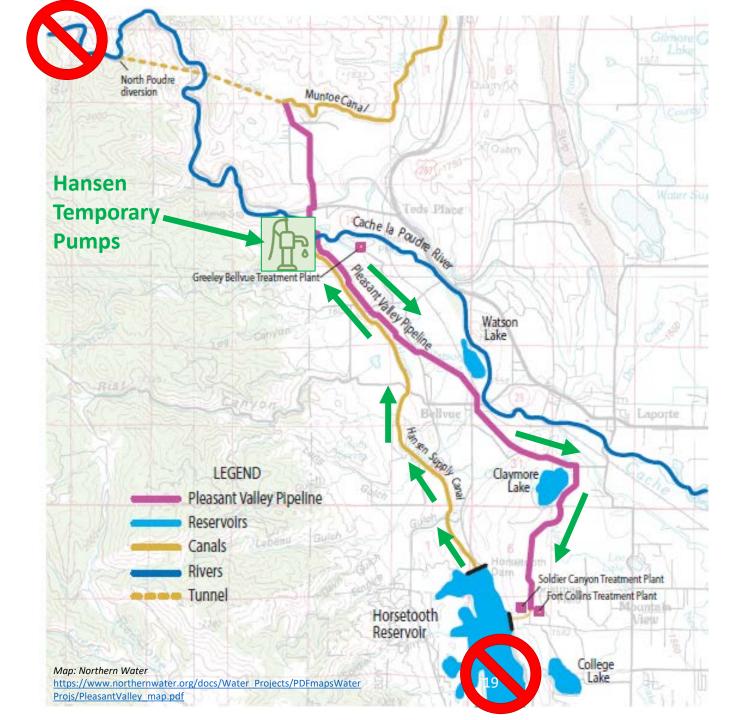
Hansen Canal Pump System- Project Location Map



Hansen Canal Temporary Pumps

- Temporary backup emergency pumping station
- Pump Horsetooth water from Hansen Supply Canal to City pipelines to treatment facilities
- City/Tri-Districts/PRPA partnership
- Cost estimate: \$3.2 M total
 - Shared based on flow allocations (approx. 50% City)
- Estimated flow capacity: 30 to 40 MGD to City, Tri-Districts, and PRPA

Horsetooth Outlet Project – Emergency Supply (Temporary Pumps)

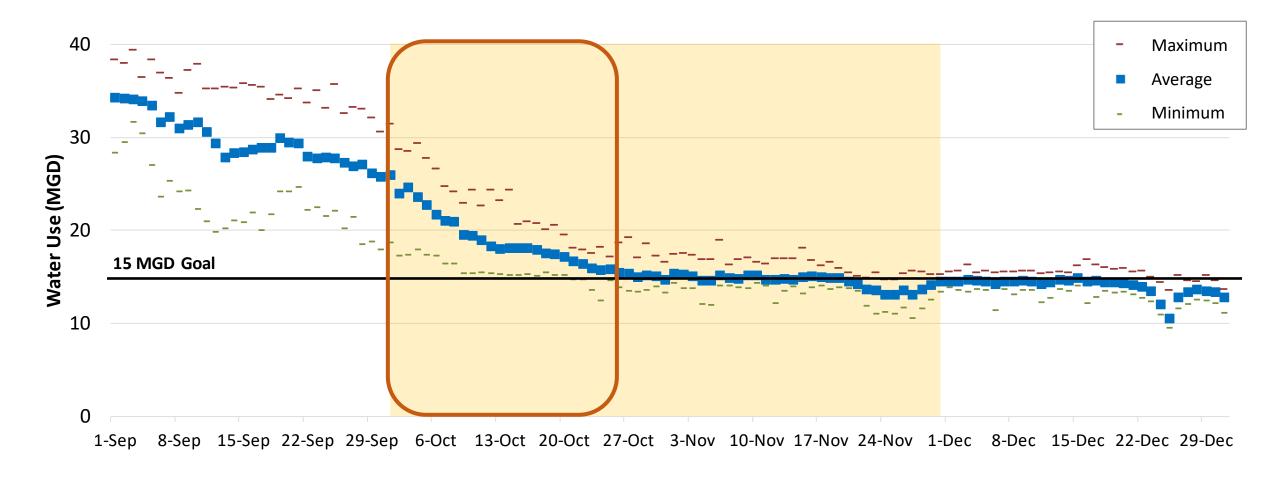


Demand Management

- Water required by each entity;
 - NWCWD 12 MGD (34% of total flow)
 - ELCO 3 MGD (8.5%)
 - FCLWD 5 MGD (14.2%)
 - City 15 MGD (42.4%)
 - PRPA 0.3 MGD (0.9%)
 - Total needed = 35.3 MGD (100%)
- Hansen pump station will supply approx. 40 MGD

Total Daily Water Use

Goal: reduce water demand to typical winter levels (15 MGD) by October 1, 2020



Demand Management Strategy

Goal: reduce water demand to typical winter levels (15 MGD) by October 1, 2020

- 1. Extensive outreach & education before and during project
- 2. Irrigation restrictions starting October 1, with limited exceptions
 - Est. over 4x greater impact with mandatory

Opportunity: Lasting education and impacts.



City would initially fund and manage the construction of the project

Other Key Points

 Tri-Districts and PRPA would reimburse City at appropriate milestones for their portion of the project costs

- Permanent components of Hansen project would be owned and operated by City and Tri-Districts
 - Enables a future permanent pump station

- PRPA: \$0.03 million (0.9%)
- ELCO: \$0.25 million (8.5%)
- FCLWD: \$0.45 million (14.2%)
- NWCWD: \$1.1 million (34%)
- Fort Collins: \$1.4 million (42.2%)

Financials

- End of 2018: Water Fund Reserve = \$70.2M
 - \$41.7M needed for minimum reserves and prior appropriations
 - \$28.6M available for new appropriations

Schedule/Next Steps



Oct.-Dec. 2019

City Council approve IGAs: Oct. 1

Council Finance Committee: Nov. 19

Water Board: Nov. 21

City Council: Dec. 3 and 17

Construction Contracting



Mar.-Oct. 2020

Construct and test new pump station

Train staff on operations and maintenance

Water demand management



Oct.-Nov. 2020

Pump system in standby

Continuous monitoring of the River

Water demand management

Complete design work

Start procurement – long lead times

Acquire easements

Electrical power

Nov. 2019 – Mar. 2020

Estimated start of outlet construction

Oct. 15, 2020

Under Review

- Very tight construction schedule
- Risk tolerance/management
- Demand management strategies
- Easements and access
- FCLWD participation

Preliminary Recommendations

- Implement all Low-Cost Options, examples:
 - Spill response readiness
 - Increased Poudre River monitoring
 - Restrict large truck traffic
- Implement demand management measures:
 - Extensive outreach & education
 - Mandatory irrigation restrictions starting October 1
- Fund and build the Hansen Canal Temporary Pumps
 - \$3.2 M total; City's portion approx. 40% to 50%

Direction sought from the Council Finance Committee

- Does the Committee support an appropriation of Water Fund reserves to construct an emergency backup water supply system for the City and our partners, the Tri-Districts and Platte River Power Authority?
- Does the Committee support implementation of water use reduction measures to lower water demands to typical winter levels of 15 million gallons per day by October 1, 2020?

