

Finance Administration

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# AGENDA Council Finance & Audit Committee May 20, 2019 10:00 am - noon CIC Room - City Hall

Approval of Minutes from the April 15, 2019 Council Finance Committee meeting.

1. GERP Review	30 minutes	T. Storin
2. EPIC Program Review (energy efficiency loans)	30 minutes	J. Phelan S. Carpenter
3. Fee Updates – Utility & Capital Expansion	30 minutes	L. Smith J. Poznanovic
4. Sidestream Treatment Project	20 minutes	C. Webb J. Graham

#### **Council Finance Committee**

# Agenda Planning Calendar 2019 RVSD 05/13/19 mnb

May 20th			
	GERP Review	30 min	T. Storin
	EPIC Program Review (energy efficiency loans)	30 min	J. Phelan S. Carpenter
	Fee Updates – Utility & Capital Expansion	30 min	L. Smith J. Poznanovic
	Sidestream Treatment Project	20 min	C. Webb J. Graham

June 17 <sup>th</sup>			
	Development Fee Update & Total Fee Discussion	30 min	N. Curell J. Poznanovic
	Mason Place Affordable Housing Fee Waivers	30 min	N. Currell S. Beck-Ferkiss
	2020 Utility Rate Adjustments	30 min	L. Smith
	Northfield Metro District Application	30 min	J. Birks

July 15 <sup>th</sup>			
	2018 Audit Results	20 min	T. Storin
	2018 Fund Balance Review	15 min	T. Storin
	Sports Complex Evaluation	30 min	W. Williams
	EPIC External Borrowing Terms/Details	30 min	J. Phelan S. Carpenter

Aug 19 <sup>th</sup>			
	Comprehensive 2019 Fee Updates	30 min	J. Poznanovic
	2020 Budget Revision Review	30 min	L. Pollack

Future Council Finance Committee Topics:

- New Potential Fees Discussion TBD
- 2019 Annual Adjustment Ordinance Sep
   Utility LTFP & CIP Nov



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Finance Committee Meeting Minutes 04/15/19 10 am - noon

CIC Room - City Hall

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

Staff: Darin Atteberry, Kelly DiMartino, Jeff Mihelich, Mike Beckstead, Kevin Gertig, Lance

Smith, Theresa Connor, Shane Boyle, Wendy Williams, Mike Calhoon, Kurt Friesen, Laurie Kadrich, Noelle Currell, Chad Crager, Kyle Lambrecht, Tim Kemp, Dean Klingner, Travis Storin, John Duval, Blaine Dunn, Ginny Sawyer, Tom Leeson, John Voss, Katie

Ricketts, Carolyn Koontz

Others: Kevin Jones, Chamber of Commerce

Meeting called to order at 10:04 am

Approval of Minutes from the March 18<sup>th, 2019</sup> Council Finance Committee Meeting. Ross Cunniff moved for approval of the minutes. Ken Summers seconded the motion. Minutes were approved unanimously.

#### A. Stormwater - Northeast College Corridor Outfall Cost Sharing (NECCO)

Theresa Connor, Deputy Director, Utilities Lance Smith, Utilities FP&A Director

#### **EXECUTIVE SUMMARY**

The Stormwater Utility proactively constructed an outfall to serve both existing developed and undeveloped land near Vine and Lemay. The Northeast College Corridor Outfall (NECCO) stormwater system (or NECCO system) was designed to provide an adequate outfall for the area north of Vine Drive and east of College Avenue in order to alleviate existing drainage problems and to facilitate development and redevelopment in the area. The NECCO system is intended to provide a less expensive means of satisfying storm drainage for this area through economies of scale than individual landowners could provide separately. The purpose of this item is for City Council to consider adopting the cost share concept whereby development and redevelopment draining into the NECCO system be allowed to pay their proportional cost share of the NECCO improvements if they choose to use the NECCO system in lieu of constructing separate stormwater facilities.

#### **GENERAL DIRECTION SOUGHT AND SPECIFIC QUESTIONS TO BE ANSWERED**

Is the Council Finance Committee supportive of staff bringing forth an Ordinance formalizing the cost sharing opportunity associated with the NECCO system?



#### **BACKGROUND/DISCUSSION**

#### **Project History**

The Northeast College Corridor Outfall (NECCO) Project was initiated in response to large development potential north of Vine Drive and east of College Avenue. In 2010 the North College Infrastructure Funding Plan (Resolution 2010-023) was adopted by the City Council. At that time, there was no adequate stormwater outfall for this area of the City, which created a significant hinderance to development and redevelopment. There were also drainage problems in this area from existing development, mainly due to a lack of stormwater regulations when this area of the City originally developed.

In response to the development interest in the area, design was initiated on a stormwater system that would help mitigate existing drainage issues in the area, as well as provide an adequate stormwater outfall. The NECCO design was managed by the City's Stormwater Engineering group and was completed in 2009. Appropriations were made through the 2015-16 Budgeting For Outcomes (BFO) process and further appropriations were made in the 2017-2018 BFO cycle. Construction of the "backbone" storm sewer system occurred in 2016-2017 and the regional pond was constructed in 2018. Other portions of the NECCO system have been completed by development, which were funded partially through the Developer Repay program and partially through the NECCO buy-in paid by the development. Another section of the system is under design and will be constructed as part of Planning, Development and Transportation's Suniga Road capital project.

#### **Cost Share Concept**

At the time of development, a Developer can choose whether to tie into the NECCO system in order to receive the benefits of the system. If the Developer chooses to connect to NECCO, they pay a proportionate share of the NECCO system cost, as described below. If a Developer chooses not to connect to the NECCO system, then they are required to meet typical stormwater requirements without the benefit of NECCO. Since the NECCO proportionate cost for a development only covers their share of the NECCO stormwater system which serves as a gateway to the City's stormwater infrastructure, all properties still pay the standard Stormwater plant investment fees (PIFs) in addition to their share of the NECCO cost.

In allocating the costs for the NECCO improvements, the impacted area was analyzed to determine which portion of the area was developed and which portion of the area was undeveloped. To define proportionate cost shares, the NECCO system was broken down into individual project components and the cost of each component was divided among the area benefitting from that component (e.g. only those areas receiving a benefit from the regional pond pay for the regional pond). Based on the analyses, it was determined that the City's share of the NECCO system would be approximately 49% and the appropriate developer share of the Project would be approximately 51%.

To date, the City has been constructing improvements and is being re-paid for a pro-rata share of costs for the "developer share" of the Project as development occurs through development and/or repay agreements. The City will stop collecting allocated costs once development's appropriate share of NECCO improvements has been satisfied. Current costs are based on a combination of estimated future and actual construction costs. The cost for a developer to buy into the NECCO system will be updated to reflect actual construction costs as improvements are constructed.

Although the NECCO project has a long history and is partially constructed, the purpose of the proposed ordinance is to formalize the allocation of costs between the City and benefitted development, and the



allocation of the developer share of improvement costs among benefitted properties as they develop or redevelop.

#### **Project Costs**

Attachment 1 - NECCO Cost Breakdown Analysis shows the total estimated cost of the NECCO system to be \$13.9M of which development's share is 51.5% or \$7.2M and the City's share is 48.5% or \$6.8M. To date, \$7.6M of improvements have been completed and \$875K has been received by development buying into the NECCO system. As development and redevelopment continues in this area it is expected that the full \$7.2M of the developer share of these improvements will be received into the Stormwater Enterprise.

#### **Public Outreach**

Significant public outreach has been completed over the course of the NECCO planning and various capital projects, beginning in 2008 through February of 2019. Outreach has been focused on property owners in the vicinity of the NECCO infrastructure that can be served by the improvements, the North College Citizen's Advisory Group, and the Urban Renewal Authority.

#### **DISCUSSION / NEXT STEPS**

Fort	Collins	_ Fil.					Infras	st	ructure	e (	Cost an	d <i>i</i>	Alloca	tic	ons
					Cost All	oca	tions								
		Pipe Netw	ork					(	Outfall From						
		Into Regio	nal		Regional	Re	dwood Pond	R	egional Pond						
		Pond		Det	tention Pond		and Outfall		to Vine Dr						
Map	Area	Cost			Cost		Cost		Cost		Developer		City		Cost
Color	(acres)	Share			Share		Share		Share		Share		Share		per acre
PINK GROUP	75.7	\$ 1,823	,175	\$	71,817	\$		\$	680,620	\$	2,575,612			\$	34,024
BLUE GROUP	68.4	\$ 1,040	,438	\$	879,443	\$	-	\$	614,986	\$	2,534,867			\$	37,059
YELLOW GROUP	228.6	\$	-	\$	-	\$	-	\$	2,055,346	\$	2,055,346			\$	8,991
ORANGE GROUP	118.6	\$ 2,856	,387	\$	809,791	\$	-	\$	1,066,335			\$	4,732,513	\$	39,903
GREEN GROUP	118.2	\$	-	\$	-	\$	620,000	\$	1,062,738			\$	1,682,738	\$	14,236
GOLD GROUP	37.8	\$	-	\$	-	\$	-	\$	339,860			\$	339,860	\$	8,991
Totals	·	\$ 5,720	,000	\$	1,761,051	\$	620,000	\$	5,819,885	\$	7,165,825	\$	6,755,111		
											51.5%		48.5%		

Note: Developer share based on undeveloped parcels sharing in cost of the stormwater system

City share based on existing development where City is contributing to solve existing infrastructure and flooding problems

- Cost share based on proportional costs for areas draining to each section of NECCO system.
- Development / redevelopment pay proportionate share of costs when utilizing the NECCO system.
- City will stop allocating costs once Development Share of system has been collected.

Mayor Troxell; Please talk about what you have proposed in the context of URA as there was no mention of URA.



Theresa Connor; this was developed before the URA - they did contribute to some land cost for the pond as part of this project. In context with other projects, this wraps up the cost share portion of NECCO and formalizes with Council approval how we cost share with the private sector. For all of the undeveloped properties - it provides at least a portion of the stormwater system – regional pond will provide detention and water quality treatment. Before NECCO all of the properties had to build their own stormwater outfall systems.

Darin Atteberry; do property owners need to notify us of an opt in now or can they do that at any time?

Theresa Connor; they can do that at any time

Darin Atteberry; so, this is just away for us to recapture some of our expense Is the opt in price equal to the marginal increase in additional capacity?

Lance Smith; the costs are allocated depending on which portions of the system improvements you are benefitting from and how much of that capacity you are using.

Darin Atteberry; so, we are building the whole system - regardless of opt in

Theresa Connor; if they don't opt in, they will have to build their own outfall - so it is voluntary but would be cost prohibitive -we have worked together collaborative to date - it is an attractive offer and we think they will opt in.

Ken Summers; I am in support but have a few questions.

Do we want to give them an option? Is that really in our best interest?

Does it even make sense to offer an option? Based on that, we are looking at a recommendation to

codify existing practices. I assume those who have participated feel this is fair, cost effective and adequate. Do we really want parallel systems?

Theresa Connor; NECCO System Schematic; the area in red already constructed - blue laterals - thought development agreements - we may work with PDT when they do Vine/ Lemay - this area will develop as developers or other opportunity come to us.

Darin Atteberry; where does the pond drain out?

Shane Boyle; It does drain - off of Redwood - drains due east into Lemay and is pumped into the A4 lateral - working to fix the A4 lateral and that is gravity

Ross Cunniff; with the cost sharing - the public benefits regardless of benefit to developers to pay less money. Can you go over public benefits?

Darin Atteberry; is the stormwater rate payer paying for the oversizing?



#### **ACTION ITEM:**

Theresa Connor; Majority of benefit are to existing owners - 49% and 51% between existing rate payers and future development

Ross Cunniff; add that to the Council presentation - front and center

Lance Smith; we do have some exposure if the development decided to do this themselves, the rate payers would be impacted - to date we have recovered about \$1M of the \$7M

Theresa Connor; they would have to construct their own outfall – the cost of that directs them toward NECCO project - for our citizens this is very cost effective per acre. Partnership is good.

Mayor Troxell, Ross Cunniff and Ken Summers support going forward with this topic to the full Council.

#### B. Vine/Lemay TCEF Funding

Chad Crager, City Engineer

#### SUBJECT FOR DISCUSSION

Financing alternatives for the Lemay Avenue realignment project from Lincoln Avenue to Conifer Street. The project also includes a new intersection of Lemay Avenue and Suniga Road, the extension of Buckingham Street, and a grade separated crossing of the Burlington Northern Santa Fe (BNSF) Railway.

#### **EXECUTIVE SUMMARY**

The purpose of this item is to present and discuss potential financing alternatives for this high priority transportation capital improvement project. Staff has recently completed the plans for the 50% design, a majority of the right-of-way (ROW) acquisitions, and construction of the Phase One roadway embankment in collaboration with the Utilities Department. The total current project (design, right-of-way, and construction) cost is estimated at \$23.5M.

Current project funding includes: The Budgeting for Outcomes (BFO) process, the City's Transportation Capital Expansion Fee (TCEF) Reserves, and Developer contributions for Local Street obligations. To date, \$3.7 M has been appropriated to Phase One of the project and all funds have been expended. Phase Two would be a \$9.1 M appropriation from TCEF reserves. The Phase Three funding needed for the project is \$10.5 M (in 2019 dollars).

#### GENERAL DIRECTION SOUGHT AND SPECIFIC QUESTIONS TO BE ANSWERED

Staff is seeking direction regarding an appropriation of the TCEF reserves. Completion of Phase II will allow staff to further refine the proposed construction schedule and stay on track for a project opening date in the next budget cycle.

#### **Questions for the Council Finance Committee:**

Does the Council Finance Committee support a Summer 2019 appropriation of the TCEF reserves in the amount of \$9.1M for Phase Two funding?



#### **BACKGROUND/DISCUSSION**

Realigned Lemay Avenue has been on the City's Master Street Plan since the 1980's. This project, along with the grade separation at the BNSF Railway, have been included in numerous Planning efforts over the past few decades.

Train switching operations continue to increase in the Vine and Lemay area. The total time that the intersection is blocked to the travelling public has increased 50% from June 2016 to February 2019 (22 hours of blockage per month v. 33 hours of blockage per month).

The construction of this project will alleviate existing deficiencies and provide a "key" infrastructure asset for northeast Fort Collins. More specifically, this project will:

- Improve quality of life, access, and neighborhood livability for Andersonville, Buckingham, and Alta Vista
- Reduce accidents and congestion, and improve emergency services coverage by separating travel modes from BNSF Railway switching operations
- Improve air quality by reducing the emissions from idling vehicles, whereby aligning with the goals of the Climate Action Plan
- Provide multi-modal connectivity to the new Beet Street Park at the southwest corner of Vine and Lemay
- Reduce traffic volumes on Ninth Street (Lindenmeier Road)

Over the past few years, staff has given many formal presentations and provided project information at City sponsored events; designed to encourage public participation and collect feedback. Staff is actively addressing community questions and working with nearby residents, business owners, landowners, and proposed development projects.

#### Summary of Public Engagement to Date:

- February 2016 Public Open House (Streets Facility) 122 people signed in for the event
- February 2016 Presentation to the Transportation Board
- May 2016 Presentation to the Futures Committee
- May 2016 Presentation to the Council Finance Committee
- August 2016 Lincoln Neighborhood Ice Cream Social
- August 2016 Council Work Session
- November 2016 Presentation to Alta Vista residents
- September 2017 Open House event for Alta Vista, Andersonville, and Buckingham residents at the Legacy Church (Ninth Street and San Cristo Street)
- October 2017 Presentation at Council Work Session
- December 2017 and March 2018 Fort Collins Area Chamber of Commerce
- January 2018 and February 2019 Transportation Board
- February 2018 Fort Collins Sertoma Club
- March 2018 and February 2019 North Fort Collins Business Association
- Project website is available at: <a href="http://www.fcgov.com/engineering/vine-lemay.php">http://www.fcgov.com/engineering/vine-lemay.php</a>

Staff will continue public outreach and engagement efforts with stakeholders in 2019.



#### **DISCUSSION / NEXT STEPS**

TCEF - Transportation Capital Expansion Fees
Phase Two - \$9.1M is the ask for now. We would like to allocate TCEF now



## **Phasing Outcomes**

## Phase One – Funding of \$3.7M (current phase - complete)

 Started embankments, Dry Creek box culvert, ROW acquisition, 50% design plans, stakeholder outreach

#### Phase Two – Funding of \$9.1M (with TCEF funds)

 Finalize design, complete ROW acquisition, finish embankment, rock walls and bridge abutments, restore side slopes, Public Utility Commission application, Railroad crossing agreements

#### Phase Three – \$10.5M Remaining funding (2019 dollars)

Bridge, intersection work (Lincoln, Buckingham, Suniga, Conifer),
 Final paving and concrete work, completion of landscaping



## Why appropriate TCEF money now?

- 1. Completes project one year sooner at lower cost
- 2. Stakeholders/public continue to see progress
- Allows for continued coordination with on-going work in the area (A4
   Lateral Stormwater Project, Adjacent Landowner's, Private
   Developments, etc.)
- 4. Having full TCEF amount allows efficient delivery vs. multiple small appropriations
- 5. Allows for restoration and planting of side slopes on embankments
- 6. Predicted lack of dirt resources



Darin Atteberry; the dirt used to this point is city dirt- we are now out of city dirt so we will need to get it elsewhere

Chad Crager; a lot of the dirt on site came from NECCO

Mike Beckstead; external financing - we saved \$350K versus budget on Prospect I25 and the Police Training Facility. We had talked during BFO that the next project we might want to fund would be Vine Lemay - if we added another \$400K to the \$350K that would give us the additional \$750K needed to finance the debt. The other alternative is we are looking at refinancing a URA loan from the city used for the Summit Project – once we completed that the URA would reimburse the \$5M from their loan to the General Fund. Those funds could be available if Council chooses. BOB 1 still has \$3-3.5M of funding available but we can't use that until the last project is finished which is the City Park refresh. This project would have to completed in order to use this funding for other capital projects. We anticipate that being started in 2020 and finished in late 2021. \$1.8M in BOB 1 is allocated for the City Park update / upgrade. This timing pushes us out farther to 2022 which means inflation would kick in for another 2-3 years. If we wanted to wait for the reserves this will happen later rather than sooner.

Ross Cunniff; CEF - we are applying these funds in that region and not city wide.

Chad Crager; With the Capital Expansion Fees, there are a lot coming in from this area that are not constrained to this area. This does not deplete the funds for the whole city funds. The current balance is approximately \$22M - this will not deplete our reserves of the TCEF.

Ross Cunniff; in our Master Plans - What other CEF eligible projects are there? opportunity costs

Chad Crager; for our transportation projects - we can apply a certain percentage - anything that is not a local portion. For example if Montava were to develop - anything they construct that is not a local piece that we would consider regional - we keep track to make sure we are hitting that regional piece with the funding.

Darin Atteberry; what are the TCEF priorities and how does this stack up relative to other projects?

Chad Crager; this is our #1 project - we are looking ahead to make sure we have adequate funding to do other projects and are not depleting the reserves.

#### **ACTION ITEM:**

Ken Summer; what is the inflow of TCEF revenue from development fees etc.?

Chad Crager; we can give you the information the last 3 years - we also forecast and project what is coming in based on activity in the building permit review process.

Darin Atteberry; before we agreed to have this come to Council Finance Committee - Chad and Laurie had to answer a lot of these same questions - this is a big off line appropriation - we need to have some really good reason to move forward - I think Chad has outlined those well in terms of the staging of the construction, the availability of the dirt, etc. Vine Lemay is a priority for Council as well - where likely growth will continue to occur - felt like a good time to bring it forward.



Ross Cunniff; I think it makes sense to bring it forward - full transparency to Council

Darin Atteberry; I do think that the other priority projects conversation should be front and center for Council and the public.

Mayor Troxell; what about train horn noise? that is also a Council priority – we need to build this into our overall train horn noise strategy and reduction - It would be foolish not to leverage it in a bigger way

Chad Crager; it will still be a crossing, but we will work with them to establish a quiet zone at this location. The neighborhood streets will still be an at grade crossing for pedestrians and bicyclists - this should remove one of the crossings from blowing the horns.

Mayor Troxell; Windsor has quiet zones all the way through 9 intersections. We have 22 and it blows the whole way - how do we leverage maybe other intersections too as part of this?

Chad Crager; we are working through a prioritization right now - what quiet zones do we address first? It is not only the infrastructure we put it - it is the wiring that the trains have to add. Also, adding the Advance Warning Detection System at the same time.

Mayor Troxell; This plays into our Public Policy agenda as well - in order for our legislatures to go forward we need to show that we are doing our part - spending millions of dollars and we can't get it done alone

Darin Atteberry; this is a great example as well as all of the improvements we have been talking about with the Max Corridor - spending millions to try to minimize that -

Even to notify as we go forward – here is yet another improvement that we are making, and we are serious about this.

Mayor Troxell; Windsor submitted a TIGER grant - we are investing big time to improve the safety, so we need to leverage that.

Gerry Horak; this project was first brought forward in late 80's - over 30 years ago. Include some equity lens because it has a huge benefit to surrounding neighborhoods. This is important for Council.

BOB 1 - I don't think City Park is going to be an issue - I don't think the \$3.5M would be available for this - I think we should understand that this is not limited to \$1.8 M - that is a serious option to look at – there is a nexus to something the Council will be considering soon.

Darin Atteberry; there are other options that are going to be on the table soon such as I25 to help further.

Ken Summers; current ask relative to \$9.1M – the case is very compelling and the priority is high. We trust your analysis regarding available funds - time frame. We do need to take a serious look at a strategy for Phase 3 - whether it will be financing / retiring some debt early if funds are available I think we should fund Phase 2 and begin looking at how and when we would make Phase 3 happen ASAP.

Ross Cunniff; consider putting some of that money away toward this - could reduce the financing costs



Mike Beckstead; that is something we have talked about – is it appropriate to bring something like this forward in a mid cycle BFO - historically we would not bring something like this forward mid BFO cycle because it is not competing with all of the other needs across the city. If Council wanted us to do it, we certainly could.

Ross Cunniff; suggesting that we have that conversation / discussion with the next Council -not suggesting we appropriate - we think you should keep some of this in reserve for consideration and compare it to all other priorities - it gives the future Council the option

Mike Beckstead; we could do the same with \$350K of operating revenue - set it aside and don't spend it on other ongoing efforts - \$350 and \$5 as a combination strategy could cover the gap – borrow 5 and use 5 – that could get us there as well

#### **ACTION ITEM:**

Gerry Horak; when this comes to Council, can you include a graph showing how much money is coming in from the Capital Fund and from the different sources - showing money coming in and going out - reserves - and include project priorities

Mayor Troxell; I like the equity lens point that Gerry brought up - right now those neighborhoods are impacted by this and it is getting worse and by building big infrastructure like an overpass / the grade separated – we need to show that is actually improving - show how we are reconnecting through the neighborhood street and the park -should be part and parcel to the whole story

Darin Atteberry; abutments also need great attention and resource - a barrier can be really bad if not built properly - it will have negative impact and statement about equity

Mayor Troxell; 392 interchange - natural appearance - less structural in terms of how it is integrated into a neighborhood - neighborhood equity

#### **ACTION ITEM:**

Gerry Horak; would suggest we work with our CPIO folks to get at what is happening on the project as it moves forward

Mike Beckstead; we will bring that forward

## C. Parks / Median / Parks Refresh Design / Maintenance Plan Framework

Chad Crager, City Engineer
Mike Calhoon, Director of Parks
Kurt Friesen, Director of Park Planning and Development

### SUBJECT FOR DISCUSSION: Streetscapes Standard Review

#### **EXECUTIVE SUMMARY**

It has been over five years since the Streetscapes Standards were updated in 2013. Several projects have been designed and built to these updated standards. While the streetscapes in these projects have been appreciated aesthetically, they do cost more to construct and maintain. These additional costs for capital construction and maintenance do not seem to be sustainable with current funding. Over the last 5 years, it has come to the



attention of staff This effort will focus on ways to reduce costs without sacrificing the quality of the streetscapes. This presentation is provided to set the stage for a more robust review in the 4<sup>th</sup> quarter of this year.

#### **GENERAL DIRECTION SOUGHT AND SPECIFIC QUESTIONS TO BE ANSWERED**

Does the Committee have any additional questions regarding the need to revisit the Streetscapes Standards?

Does the Committee have additional category recommendations the team should consider during its evaluation of the Streetscapes Standards?

#### **BACKGROUND/DISCUSSION**

The Streetscape Standard was last updated in 2013 to enhance the visual appearance of the intersections, medians and parkways on the arterial streets throughout town. When roads and/or intersections are improved by Engineering these new standards are utilized to guide the design. In addition, when monies are available through the Budgeting for Outcomes process, the streetscape renovation projects managed by the Parks Department are also upgraded to these standards.

While these streetscape standards have been appreciated aesthetically, they have increased landscaping capital costs by as much as 300% and maintenance costs by as much as 500%. As a result of these increase costs staff is focusing on cost drivers and ways to reduce costs while still providing aesthetically pleasing streetscapes. The results of this staff review are anticipated to be complete by the 4<sup>th</sup> quarter of this year.

#### **DISCUSSION / NEXT STEPS:**

Ross Cunniff; when these were put in place - did we have maintenance included

Mike Calhoon in 2013 we provided an estimate for maintenance -we said it would be 3 -5x the estimate – we are at the high end. We have to have specified staff – in the middle of the median to take care of plants Hostile work environment for plants



#### Implementation Schedule

- Approval of Revisions End of 2019
- Design updates start in 2020
- Capital Projects Implementation
  - '21/'22 BFO
- Maintenance Savings Realized
  - '23/'24 BFO

Capital projects 2-year warranty then release it to Parks Dept

Gerry Horak; since we had the issues on North College with initial planting that blocked / obstructed views). Assume you are making changes so that doesn't happen again



Chad Crager; we are working with them to ensure sight distance is addressed

Mike Beckstead; that will also be include in the proposed design standards that will be coming forward

Mayor Troxell; West Drake - basically it is kind of whatever it is

Mike Calhoon; west Drake was a revision offer that we asked for in the last cycle – was built using the previous standard with no irrigation - we were hoping that mother nature would help us with the water but that didn't happen so we put in sub surface irrigation in and re sodded

Mayor Troxell; why wouldn't we do more of a xeriscape which would require less irrigation? 3x - 5x -when it is supposed to be more natural – would need to be tidied every so often but not to the degree -some of the annual / biannual event. Are we at best practice for what gives us the highest value?

I really liked what Bruce Hendee did - bringing some design and beautification efforts to the medians - Growth issues – maintenance cost issues - I really like trying to enhance it - What is the sweet spot for best practices and for our climate? To lift the level of what that means – and then apply that – couple standards ago – lift that up over time

Mike Calhoon; we use all perennials in the medians - no annuals with the exception of the Mulberry Street bridge. Medians on East Prospect were intentionally designed to enhance the environment on both sides of the street. The context of each location is important; sweet spot - color / texture / balance of rocks and plants / using water as efficiently as possible but keeping to a clean and kept look too

Mayor Troxell; like the big rocks

There was some- artwork done at the Harmon and College intersection – the finish didn't stay - was that covered by warranty is that being redone?

Chad Crager: the warranty is over, but we are going to get it repaired – there are a few cracked panes – we are working with Helen in APP as the panes are applicable to the art

#### **ACTION ITEM:**

Mayor Troxell; metal work - didn't adhere and was peeling off within a year

Mike Calhoon; we will follow up

Ross Cunniff; previously filed a SAR

Ken Summers; we need a change in standards and a streetscape plan

I like the big rocks – create the esthetics we want but drastically reduce the maintenance costs 
Plantings in a very hostile environment - we need to rethink that - in a median with people driving by

Not sure people would notice if it was nicer in a lower maintenance cost mode. I support a thorough rethink of our median standards moving towards accomplishing goals with aesthetics with far less costs

Ross Cunniff; grass is counter intuitive in our climate - adjusting it more toward attractive but durable makes sense - make it more cost effect with maintenance but look just as good - more it resource effective for water particularly



Gerry Horak; it is important to come back to Council Finance Committee with the different levels Looking at the life cycle process -what are some options to achieving the goal?

We can always start with a lower – reducing operations and maintenance costs. Ken's impression is good To consider doing some kind of scientific – 2 user groups; folks driving and folks shopping / living / businesses by it - two different views - walking / biking – what seems to fit and what folks are ok with.

Not an online survey - design a pretty interesting study

Darin Atteberry; this is an intentional conversation - water conservation was a big and important part of that discussion - how do we go from overgrown Junipers, etc. to really important urban space - I like the evolution of the conversation - we now have 5 years of data - I am hearing a very intentional about costs but don't give up the aesthetics - we could overreact and do away with aesthetics

As we have this conversation – we need to include urban landscape architects – why not leverage the talent in the community and get feedback from professionals

Mayor Troxell; Urban Lab in the last year has the pocket park competition / exhibit – they added these around town - great concept - bring those folks into play as well

Ken Summers; intersection of Horsetooth and Timberline - rock contours- rocks in a frame - that is pleasing but not maintenance intensive

Darin Atteberry; that intersection is a great example – it was in need of additional capacity and turn lanes landscaping standards / Arts in Public Places

#### SUBJECT FOR DISCUSSION have

#### **EXECUTIVE SUMMARY**

The design and level of service expectations for parks is evolving. The community expects a higher level of service for typical features (i.e. playgrounds, ballfields, water features) along with new design features that help to tell the story of the site. These expectations come with additional financial impacts associated with construction and maintenance of these sites. The intent of this review is to assure high quality designs for parks while minimizing the long-term maintenance costs of these sites.

#### GENERAL DIRECTION SOUGHT AND SPECIFIC QUESTIONS TO BE ANSWERED

Does the Committee have any additional questions regarding the need to revisit park design and maintenance?

Does the Committee have additional category recommendations the team should consider during its evaluation of park design and maintenance?

#### **BACKGROUND/DISCUSSION**

Maintenance costs have been increasing about 4% per year over the last several years. The days of minimal maintenance (i.e. mowing, trash collection, weed whipping) and then heading home no longer exist. The technical aspects of maintaining a variety of sites throughout the community require a specialty skill set that ranges from turf management to public health and safety. Design elements have been introduced that have shifted the requirements of the maintenance operations to assure safe and accessible sites for the community. The best example of this has been the addition of interactive water features that require water testing 3X per



day. The employees now must be trained and licensed to perform tests, recognize non-compliance of standards and perform corrective actions so the system can be returned to service.

The additional design features and level of service evolution are not unexpected. The requirements have changed over the years for park design (i.e. American with Disabilities Act, Playground Safety Standards). In addition, tying the history of a site through the design requires creativity and imagination that at times adds additional elements in a park setting that creates interesting maintenance challenges.

The goal of this review is to identify cost drivers to the ongoing maintenance costs and attempt to limit these for the long-term financial health of the organization. This should be done without sacrificing the creative design aspects that separate the City of Fort Collins' park system from the region.

#### **DISCUSSION / NEXT STEPS;**

Fort Collins park system includes 50 parks; seven Community Parks and 43 Neighborhood Parks



## Maintenance Cost Tracking

Resource
Allocation
Measurement
System

			4 YEAI	ESTIMATE					
			CITY		FOSSIL				TWIN
COMMUNITY PARK FEATURES		PARK		CREEK		VERAGE		SILO	
SPORTS FIELDS/STRUCTURES			\$ 90,260	\$	50,900	\$	70,580	\$	53,500
RESTROOMS			30,000		47,000		38,500		35,000
PLAYGROUNDS			11,500		16,000		13,750		40,000
SHELTERS			7,500		7,000		7,250		7,000
WATER FEATURES			-		15,000		15,000		-
DOG PARK			-		10,000		10,000		10,000
TURF/IRRIGATION			164,000		206,000		185,000		145,000
BOTANICAL			62,000		29,000		45,500		65,000
TRASH/RECYLCING			75,000		46,000		60,500		60,000
EQUIPMENT REPAI	R/LEASE		20,000		25,000		22,500		21,000
INFRASTRUCTURE I	REP/VANDA	ALISM	50,100		68,000		59,050		70,000
EVENTS/SITE MGMT,TRAINING			31,700		43,500		37,600		33,500
SNOW REMOVAL/ICE RINK			22,000		16,500		19,250		20,000
Total			\$ 564,060	\$	579,900	\$	584,480	\$	560,000

Maintenance Tracking System; RAMS - Resource Allocation Measurement System

Issues with life cycle in our system – Lee Martinez Park example – we had a unique opportunity to bundle money from 3 different sources; our ADA offer for surface improvement, part of the BOB 1 money \$550K total – people are very happy with the design

Now we have life cycle compared to new design - one issue or concern is equity across town We keep our eyes on the higher level – new design / older parks but we have a gap in life cycle for our older parks



Mike Beckstead; for clarity \$550K is our annual life cycle budget for all parks - it has been that way for 10-12 years

#### Cost Drivers to be Reviewed

- Design Costs
- · Installation Costs
- Maintenance Costs
  - Specialized Staff
  - · Specialized Equipment
  - Frequency
- Sustainability
  - Types of Plants
  - Irrigation
- Economic Impacts



BMX – Bike Race CG-Community Garden G-Group Shelter P-Picnic Shelter

Ross Cunniff; unique elements - Shouldn't Lee Martinez list the farm?

Mike Calhoon; Maintenance savings realized will be in 21-22 savings realized - We take over maint as soon as parks are built –



Mayor Troxell; why isn't donative giving a strategy for capital? And -related to that is through partnerships – like the Whitewater – with a \$550K limit on maintenance this could be a giving opportunity – Urban Lab – Hearth Fire Park – they wanted a tree – we can't take water up there yet - more rifle shot opportunities instead of cannon balls. Big park build out - how can we provide recreational opportunities and neighborhood amenities sooner? Do partnerships - the design elements, etc. - might be an Interim step on some of these things

Mike Calhoon; Spring Canyon - we had some of that with the playground

Gerry Horak; City Give - sort of a discrete build - Your example of Martinez - such a positive thing — and ADA compliant - It would be a good exercise to use the health equity index in your map - because the question is beside asserting it - how does it match up? That would help with prioritization for Council and the community - How we incorporate this in our decision making and analysis?

Mayor Troxell; I know there is a group of citizens looking at doing a citizen initiative – what is some sizzle? You could make a compelling opportunity on that front

Ken Summers; Operational maintenance - this is a scary proposition for the city moving forward 1 community park every 4 square miles - 1 neighborhood park every square mile

Do any other cities have this many parks? When you start looking at community needs - not just costs

But construction - developers - provide fees to build these parks - this is huge - very much in favor

Our City Plan – we are projecting 10-20 years in the future – talking about a changing world – renewable energy replacing fossil fuels – driverless vehicles - changes in terms of cities and how we live and work and our priorities - Has anyone ever done a study? This seems like this is a park system based on the 1950's - not the future - What are those cultural / projections moving forward as far as community parks, neighborhood parks, Nature in the City of Fort Collins - Pocket parks - Are we really being underserved?

Gerry Horak; that would be a major change in direction - Neighborhood and Community Parks are the future - They are accessible -you can walk or ride your bike to them. Within 10 minutes of your home - Nature in the City - the thinking needs to be more a combination of recreation / nature in the park We are looking to the future - most folks can walk to a park in their neighborhood - that is part of the DNA of Fort Collins.

Darin Atteberry; that is in our DNA as a City of Fort Collins

Ken Summers; I may live in one of those spots - surrounded by parks

Gerry Horak; I agree with taking a look at how we have less life cycle costs for parks but having parks provided is who we are

Ken Summers; I don't think our current sales tax revenue is enough to support maintenance costs for 65 neighborhood parks

Gerry Horak; that depends on what level of service – more about what we have in those parks - softball fields - and more multi-use fields – the Skate park is always used - Looking at levels of service - What we provide and what would maximize the benefit for a minimum cost



Ken Summers; what are those parks going to look like? what is the level of service? If that's our commitment, then how can we structure those in a way that allows for ongoing improvements and developments - Can we do something less?

Gerry Horak; we let the public process drive what went in at Twin Silo Parks instead of having guidelines and standards - Not as much about operational maintenance – costs - that is what Council staff time and Park staff time should be spent is to start to figure those things out - focus

Ross Cunniff; I strongly support our strategy as far as the number of parks and distance – there may be areas that may be underserved - My intuition is that the maintenance costs for Lee Martinez is less than Twin Silos ....we have some fantastic / award winning parks or do we just need more places for children to run around

Darin Atteberry; 2 good news items; the Nature in the City conversation over the last few years has made the integration much clearer and starting this summer we will be working on the Parks Master Plan – the course we are on is that adoptive plan. Fees being collected from developers are tied to that Master Plan that was developed and adopted a long time ago. If Council is to make a conscious decision

Think where you do that is over the next 1-2 years as we do the Parks Master Plan. The Nature in the City conversation has led to how the pieces integrate together and has us thinking very differently about this dynamic. The Open Space network and the trail network. Bear with us as we get through City Plan and the Master Transportation Plan and move into the Parks & Recreation Master Plan. This will happen in the next Council term.

Mayor Troxell; the convergence of Nature in the City of Fort Collins - I think we are still kind of segmented in

Darin Atteberry; true test will be the Innovation Center - funded through capital tax – I remember being in a Work Session and Council said we don't' want to build a traditional recreation center – we want to look at an Innovation Center – If Council desires we can change these things - we can't do it at a staff level.

Ken Summers; Twin Silos -community involvement - gold and platinum standard We need equity - we want all of our parks to be.... We don't want to get ourselves backed in a corner On some of these issues where we are not serving the needs and the function

Mike Beckstead; good discussion - we will be back later in the fall with additional details and discussion

Adjourned at 11:41 am

# COUNCIL FINANCE COMMITTEE AGENDA ITEM SUMMARY

Staff: Travis Storin, Accounting Director and Blaine Dunn, Sr. Treasury Analyst

Date: May 20, 2019

#### SUBJECT FOR DISCUSSION

General Employee Retirement Plan Review

#### **EXECUTIVE SUMMARY**

The General Employee Retirement Plan "the Plan" was established in 1971 and was closed to new members in 1999. There are currently 392 total members left in the Plan including active employees, terminated vested employees, and employees receiving a benefit. In 2018 the total pension liability was \$66.2M and the fiduciary net position (FNP) for the Plan was \$43.1, leaving a net pension liability (NPL) of \$23.2M. This was an increase of \$12M from the 2017 valuation. Staff evaluated increasing the supplemental contribution to help lower the NPL. Through April 30, 2019, with strong investment returns driving a \$9.1M recovery, the NPL is down to \$14.1M. Currently staff recommends making no changes to the supplemental contribution.

#### GENERAL DIRECTION SOUGHT AND SPECIFIC QUESTIONS TO BE ANSWERED

Does Finance support staff recommendation to hold 2019/2020 supplemental contribution at current level of \$1.12M?

Does Council Finance desire any additional information?

#### **BACKGROUND/DISCUSSION**

The Plan is overseen by the General Employees Retirement Committee (GERC). The GERC is comprised of 6 members, 1 from financial services, 4 current or former employees covered by the Plan, and 1 at large member. The GERC administers the Plan including setting the investment policy and making any changes to assumptions used in the actuarial valuations.

In 2018 the NPL increased by \$12M from 2017, there were three major factors driving this increase:

- In 2018 the GERC adopted a new mortality table to better reflect how long people are currently living. With the new mortality table there was an increase of \$2.9M to the NPL.
- In 2018 the Plan had losses of -4.97% which reduced the FNP and increased NPL by \$5.4M.
- With the above two changes the plan was projected to run out of money, creating a Depletion Date. When a Depletion Date occurs, the Plan must use a different discount rate than adopted by the GERC. The new discount rate is determined by Government Accounting Standards Board (GASB) standards and must be used for all years after the

Depletion Date occurs creating a new hybrid discount rate for the Plan valuation. The use of this new discount rate increased the NPL by an additional \$4.0M.

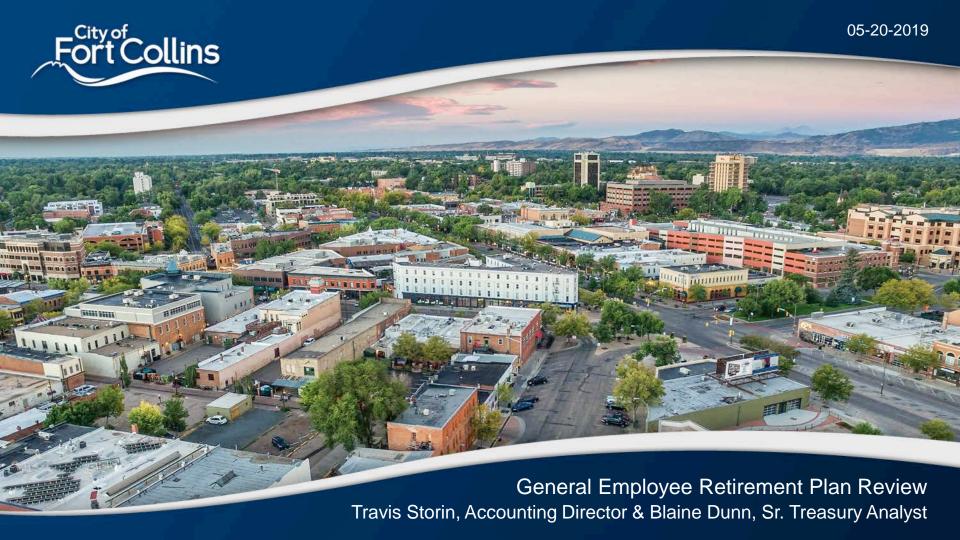
Two factors will have the greatest impact on the Plan NPL moving forward: Supplemental contribution and investment returns. With so few employees left in the Plan, participant contributions make up a fraction of future obligations. In 2013 Council approved increasing the supplemental contribution to \$1.12M annually. This was to help reach full funding of the plan sooner than previously projected.

Based on the valuation ending December 31, 2018 the supplemental contribution would be needed into perpetuity because of the depletion of assets in the plan. However, through April 30, 2019 the Plan has experienced gains of 12.67%. The strong recovery leaves the NPL at an estimated \$14.1M, a decrease of \$9.1M vs. the valuation date. With this decrease in NPL it is estimated the last supplemental contribution will be made in 2041.

With strong investment returns to start the year staff recommends leaving the supplemental contribution at the current level. Staff will continue to monitor the plan and make a recommendation on future contributions following the next actuarial valuation.

#### **ATTACHMENTS**

Attachment 1 - PowerPoint



## **Retirement Plan**



- Established January 1, 1971
- Closed to new members January 1, 1999
- Defined Benefit
  - Years of service
  - 1.5% per year
  - Average of highest 5 consecutive years
  - Example: 20 years x 1.5% x \$55,000 = \$16,500 benefit per year
- No COLA in retirement
- General Employees Retirement Committee (GERC)
  - Administers the Plan
  - Composed of 6 members (1 from Financial Services, 4 current or former employees in GERP, 1 tax paying elector of the city)

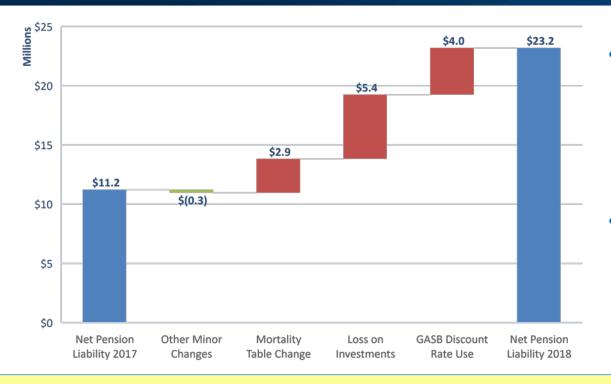


## **Market Value of Plan Assets**





## 2018 Results



- Drivers of increase to NPL include:
  - 1) Mortality table update
  - 2) Decrease in investment value
  - 3)1) and 2) requires use of a GASB discount rate vs. City discount rate
- Investment losses specific to December 2018. As of April 30th, fund returns have rebounded and GASB discount would not be used

Combination of factors drove large increase in unfunded liability; much of this increase has been recovered



## 2018 Results



\*2019 is staff pro forma calculation; 2011 - 2018 are actuarial results



# **Data Summary**

		<b>2018</b> <sup>1</sup>	<b>2019</b> <sup>1</sup>
	<ul> <li>Number of Participants</li> </ul>	70	57
Actives	<ul> <li>Average Age</li> </ul>	59.7	59.1
Actives	<ul> <li>Average Compensation</li> </ul>	\$67,700	\$68,838
	<ul> <li>Average Years of Service</li> </ul>	27.2	28.2
Vested Inactive	<ul> <li>Number of Participants</li> </ul>	89	78
vested mactive	<ul> <li>Average Monthly Benefits</li> </ul>	\$859	\$854
Retirees	<ul> <li>Number of Participants</li> </ul>	242	257
Reurees	<ul> <li>Average Monthly Benefits</li> </ul>	\$1,213	\$1,249
	<ul> <li>Total Participants</li> </ul>	401	392
	Iotal Participants	401	3

<sup>1 - 2018</sup> refers to Year Ending 12/31/2017; 2019 refers to Year Ending 12/31/2018

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# **Review of Key Assumptions**

Long-term Investment Return Assumption of 6.25%	<ul> <li>20-year geometric mean return using Milliman capital market assumptions and 2.5% inflation is 6.2%</li> <li>6.2% also 10-year outlook from Horizon study</li> <li>6.25% long-term remains reasonable</li> </ul>
Longevity: Pub-2010 / MP2018 (Generational)	<ul> <li>Adopted this year; increased life expectancy 2-3 years (M/F)</li> <li>Reflects longer life expectancy for younger members</li> <li>I.e., a 65 year old today has a different life expectancy than someone turning 65 20 years from now</li> </ul>
Assumed retirement age	• Graded based on age (55-69)
Lump sum election	<ul> <li>15% for retirement from active status; 30% for retirement from terminated status</li> <li>Adopted this year for terminated status</li> </ul>

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## Overview of Results – GASB 67/68 Disclosure

	12/31/2017	12/31/2018
1. Discount Rate for Liabilities	6.25%	5.56%
2. Total Pension Liability (TPL)	\$ 60,025,297	\$ 66,247,577
3. Fiduciary Net Position (FNP)	\$ 48,807,729	\$ 43,059,069
4. Net Pension Liability (NPL)	\$ 11,217,568	\$ 23,188,508
5. FNP as a % of TPL	81.31%	65.00%

- The plan's FNP was not projected to be available to make all projected future benefit payments of current active and inactive employees.
- Therefore, the TPL is calculated by discounting the benefit payments using the plan's long-term expected rate of return assumption to the extent that the plan's FNP is projected to be sufficient to make projected benefit payments, and the municipal bond rate (4.10% at 12/31/2018) for the period that the plan's FNP is not projected to be sufficient. At 12/31/2018, this single rate is 5.56%.







## Staff Recommendation

- Hold the supplemental contribution at \$1.12M for 2019-2020
- Wait for next BFO cycle and revaluate for 2021-2022 budget based on 2019
   Plan results





- Does Finance Committee support staff recommendation to hold 2019/2020 supplemental contribution at current level of \$1.12M?
- Does Finance Committee desire any additional information?



# Appendix



# **Recent Major Assumption Changes**

## Investment Return

- 7.5% through 2010
- 6.8% 2011-2012 (\$3.7 M increase to Net Pension Liability(NPL))
- 6.5% beginning 2013 (\$1.6M increase to NPL)
- 6.25% beginning 2018 (\$1.3M increase to NPL)

## Mortality Tables

- In 2010 updated to most recent actuarial industry standard (\$1.3M increase to NPL)
- In 2014 applied generational scaling (\$830k increase in NPL)
- In 2018 updated to most recent actuarial industry standard (\$2.9M increase to NPL)
- Increased Supplemental Contribution from City to \$1.12M annually in 2013



## **Return on Investments**



25yr Average Annual Rate of Return – 6.0%



## **Total Pension Liability**





# **Fiduciary Net Position**



<sup>\* 2011-2013</sup> restated based on new GASB disclosures



# Investment Policy Category Allocation

	Minimum	Target	Maximum
Equities/Stocks			
Domestic	35%	45%	55%
International	5%	15%	25%
Fixed Income/Bonds	30%	40%	50%
TOTAL		100%	

Current portfolio distribution in red (approximate)

## COUNCIL FINANCE COMMITTEE AGENDA ITEM SUMMARY

Staff: John Phelan, Sean Carpenter, and Travis Storin

**Date:** May 20, 2019

SUBJECT FOR DISCUSSION: Epic Program Capital Strategy - Update and Next Steps

#### **EXECUTIVE SUMMARY**

This item will provide an update since the November 2018 presentation to Council Finance regarding the Epic Program and its capital strategy, including:

- Brief history of on-bill financing in Fort Collins;
- Program vision and objectives;
- Current status of the capital stack and;
  - o Ongoing conversations with potential external lenders;
  - Next steps regarding securing and appropriation of third-party capital into a revolving loan fund.

## GENERAL DIRECTION SOUGHT AND SPECIFIC QUESTIONS TO BE ANSWERED

• Does the Council Finance Committee desire additional information prior to proceeding with consideration of financial agreements?

### **BACKGROUND/DISCUSSION**

Fort Collins' innovative On-Bill Finance program supports a number of community and City Council priorities, including ambitious goals around energy efficiency and renewables, reduced greenhouse gas emissions and increased equity and wellbeing of all residents (see <a href="Energy Policy">Energy</a> and <a href="Climate Action Plan">Climate Action Plan</a>). Meeting these objectives will require, among other activities, that greater numbers of property owners undertake comprehensive efficiency improvements in the coming years, particularly for older, less-efficient rental properties which make up a large percentage of the City's housing stock. An ongoing and attractive financing structure to support energy efficiency retrofits will be a critical element for success moving forward.

#### **On-Bill Financing 1.0**

The Home Efficiency Loan Program (HELP, aka OBF 1.0) operated from January 2013 through early 2017 when the maximum outstanding loan balance of \$1.6M was reached. During this period 160 loans were made with a median term of ten years, an average loan amount of \$8,900 and a zero default rate. Program processes and interest rates varied over this time period, with a significant ramp up in 2016 with the Council directed interest rate of 2.5% over all loan terms (Figure 1).

\$200,000 16 \$180,000 14 \$160,000 12 \$140,000 10 \$120,000 \$100,000 \$80,000 \$60,000 \$40,000 \$20,000 Apr Jul Sep Jan Jun Aug Oct Dec Mar Jul Sep Nov Jan Mar May Jul 2013 2014 2015 2016 Count of ProjectIdentifier Sum of LoanAmount

Figure 1. OBF 1.0 Loan Count and Loan Amount

#### **Elevations Credit Union**

Elevations Credit Union was selected through an RFP process for energy loan financing in 2017. Elevations offers energy efficiency loans for credit union members with a range of interest rates, terms and qualifications, but their product offerings are not "on-bill financing". The Elevations loan continues to have Utilities staff qualify the efficiency project based on the rebate measures in the Efficiency Works Home program. However, the loan origination and servicing are independent of Utilities programs. Uptake of the program has been minimal, with an average of three to five loans issued per month. With the implementation of Epic Loans, Elevations loans will continue to be an option for interested customers.

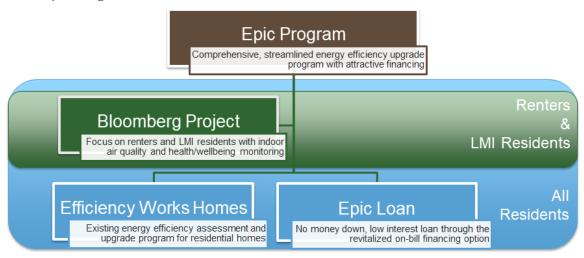
#### Mayors Challenge / Epic Program

The *Mayors Challenge* was a yearlong competition that challenged leaders across the United States to uncover and test bold, innovative ideas to confront the toughest problems faced by cities today (<a href="www.mayorschallenge.bloomberg.org">www.mayorschallenge.bloomberg.org</a>). Three-hundred and twenty-four cities joined the competition, and nine were selected as winners of the 2018 *Mayors Challenge*. In January 2018 Fort Collins was selected as one of thirty-five "Champion Cities" in the first phase of the competition, winning \$100,000. In October 2018 Fort Collins won the final phase of the competition and the associated \$1M prize to implement the Epic Program.

The Epic Program was developed to improve energy efficiency of housing stock <u>and</u> the health, wellbeing and equity of all residents, including Low and Moderate Income (LMI) families who rent. In addition to energy efficiency upgrading, the Epic team is collaborating with Colorado State University to track and measure improvements in indoor air quality and qualitative health data from residents living in upgraded properties. In short, the Epic Program is trying to change how people think about the benefits of energy efficiency improvements. *It's not about the houses*, *it's about the people living in the houses*.

Fort Collins has an unusually large proportion of rental properties; approximately 50% of the City's total housing stock are rentals, including approximately 25% of single-family homes. Much of our housing stock, particularly rentals, are older and could benefit from energy efficiency upgrades. The Epic Program leverages the existing Efficiency Works Homes program (administered in collaboration with Platte River Power Authority) and the revitalized on-bill financing, with the Bloomberg project focus on low-to-moderate income renters and indoor air quality and health / wellbeing improvements (Figure 2). The Epic Program team was inspired by new research and studies around "social determinants of health" and the impacts of housing on health and wellbeing. This project will address the "Climate Economy" via energy efficiency, and in so doing also address other important "human centered" issues in our Community. The program seeks to simultaneously develop solutions for indoor air quality and health / wellbeing, energy efficiency, the rental split incentive, on-bill financing, leveraging third party capital, developing important partnerships, and spreading innovation.

Figure 2. Epic Program Structure



The *Mayors Challenge* award has a three-year performance period for implementing the winning idea. The 2021 goals for the Epic Program are:

- 1. Epic will upgrade 360 rental properties and 2,000 total homes
  - a. 16% of projects will be financed with an Epic Loan
- 2. Epic will demonstrate improved health and wellbeing, related to indoor air quality and living environment
- 3. Savings from reduced energy use and lower utility bills will be available for other family priorities
- 4. Rental property owners will report financing is not a barrier to energy efficiency upgrades

On-bill financing, a critical piece of the Epic Program, was revitalized in August 2018 using the \$100,000 award from the champions phase of the *Mayors Challenge* to further develop the Epic Program idea. The Colorado Energy Office also provided a \$200,000 grant at that time to kick off the loan program. The grant agreement with Bloomberg Philanthropies was completed in February 2019 and the initial \$100,00 tranche of the \$1M was awarded. Another key milestone for setting up the Epic Loans are the revised financial officer's rules and regulations to allow

simplified underwriting. Interest rates will be reassessed regularly and approved by the City CFO, including adjustments based on external capital rates and adding a modest administrative premium in the future. The loan interest rates, effective January 2019, are as follows:

Loan Term	Interest Rate
3 or 5 years	3.49%
7 or 10 years	3.99%
15 or 20 years	4.49%

Financial services for the Epic Loan are delivered by Impact Development Fund, which was selected through a competitive selection process in 2018. At a high level, the process relating to the efficiency and loan programs is:

- An efficiency assessment is conducted on the home by the EW-Home advisor/auditor.
- Opportunities for improved health, safety, comfort, and energy efficiency are identified and prioritized. Standardized pricing with estimated energy savings can be provided for recommended insulation/ air sealing improvements.
- If desired, the property owner can choose to pursue an Epic Loan, as follows:
  - o Customer completes application for a loan to financial services provider
  - o Epic Loan program manager reviews the project & provides initial loan approval
  - Upon approval, the homeowner and contractor(s) coordinate the timing and completion of the project
  - o After final loan approval by the Epic loan program manager, and receipt of the project completion certificate, final inspections, and waiting the 72 hour right of rescission, loan funds are disbursed to contractor(s) by financial services provider
  - o A UCC lien filing is recorded with Larimer County for the loan (by financial services provider)
  - o Closing documents are provided from financial services provider to the Utilities Billing Department staff to set up the loan in the billing software
  - o Loan payments are added to the customer's monthly utility services bill

#### **Third Party Capital**

Leveraging external capital is critical to achieving the long-term vision of the Epic Loans. The program team seeks to design an "evergreen" revolving loan fund which:

- Supports residential energy efficiency upgrades for years to come;
- Scales to meet long-term efficiency objectives;
- Removes financial barriers to efficiency upgrades with attractive rates and terms;
- Aligns capital commitments with customer loan terms; and
- Minimizes the City and Utilities risk and administrative effort.

The Epic Loan is designed to balance the programmatic objectives and financial requirements of the City of Fort Collins, while also meeting the needs and expectations of capital providers and Utilities customers.

The City of Fort Collins completed an RFP for qualified firms to provide capital in support of the Epic Loan. The program team is currently in conversations with potential firms and hopes to finalize contracts in the near future. Third party capital offers a continuing source of funds to meet increasing customer demand for energy efficiency financing. Fort Collins Utilities will be

the borrower and guarantor of the funds from capital providers, and Fort Collins Utilities will in turn service the repayments to its capital lenders using repayment obligations from customers to Utilities. In this on-bill financing model, capital providers will not be originating loans to, or otherwise engaging directly with, Utilities customers. Instead, capital providers will lend or grant funds to the City, and the City will undertake and / or oversee loan underwriting, origination and collections. Capital providers will therefore have recourse to the Epic fund and repayments for funds borrowed, but not to individual Utilities customers (Figure 3).

Figure 3. Capital and Repayment Structure



Capital sources for the Epic Loan need to align with the following high-level objectives:

- Attractive: The loan program must be able to provide attractive loan terms to customers, specifically attractive interest rates.
- Scalable: The program must be scalable in support of Fort Collins ambitious energy goals. It is anticipated that Fort Collins will upgrade thousands of homes in the coming years.
- Simple: The implementation and administration of the program must be as simple as possible for all parties, including customers, Utilities, and the capital partners.

#### Potential Size of Loan Portfolio

During OBF 1.0 from July 2015 to February 2017, the rate of loan activity was equivalent to approximately 120 loans and \$1M annually. To provide sufficient financing for the expected number of projects, the short-term (3-4 year) capital goal is \$7M to \$8M. This assumes \$1.5M to \$2M annually in energy efficiency project financing. The longer-term capital goal is up to \$16M in order to establish a self-sustaining revolving loan.

With a range of loan terms from 3 to 15 years, the expectation for a breakdown of necessary third-party capital amounts and terms would be:

Loan Term	Percentage of Portfolio
3 & 5 years	30%
7 & 10 years	40%
15 years	30%

#### Potential Financial Solution

Utilities intends to create a sustainable cycle of loans and repayments similar in concept to a revolving loan fund. Currently, the Epic Program team is engaged with the following capital sources and amounts, which will be blended to create attractive interest rates that are below market rates for customers:

<b>Capital Type</b>	Provider	Term	Rate	Amount	Status
Low or No					
Cost	Bloomberg Philanthropies  - Champions Phase  Award	N/A	0%	\$100,000	In hand or recently deployed
	Bloomberg Philanthropies - Award	N/A	0%	\$600,000	Committed
	Colorado Energy Office – Initial Grant	N/A	0%	\$200,000	In hand or recently deployed
	Colorado Energy Office – Grant or Loan	TBD	TBD	TBD	Under discussion
External Market					
	National Commercial Bank	5 & 10 year	3.95% - 4.25%	\$2,500,000	Under discussion
	National Commercial Bank	5 & 10 year	TBD	TBD	Under discussion
	National Green Bank	10 & 15 year	5.75%	\$2,500,000	Under discussion
	National impact investor	7 year	5-7%	\$2,500,000	Under discussion
Internal					
	Repayments of previously paid loans	N/A	0%	\$400,000	Committed

The City will blend capital sources and interest rates into loan offerings that recover the cost of capital, and include a modest administrative premium to cover administrative costs in the future. The example in Figure 4 shows how capital sources and interest rates can be calculated to understand total funds and average interest rate, as well as broken down into short, medium and long-term rates and amounts. Figure 4 is an example of how capital sources will determine the rate offered to customers based on loan term.

Figure 4. Example Capital Stack and Loan Terms

Capital Sources	Capital Sources Principal			
<u>Equity</u>				
Bloomberg (grant)	10%	\$ 700,000	0.00%	
Colorado Energy Office Grant	3%	\$ 200,000	0.00%	
L&P available cap	6%	\$ 400,000	0.00%	
Mission-driven Capital	0%	\$ -	0.00%	
<u>Debt</u>				
State of CO Loan	15%	\$ 1,000,000	1.75%	
Nat'l Commercial Bank - 5 yr (Loan)	18%	\$ 1,250,000	3.95%	
Nat'l Commercial Bank - 10 yr (Loan)	18%	\$ 1,250,000	4.25%	
Nat'l Green Bank - 15 yr (Loan)	29%	\$ 2,000,000	5.75%	
Total	100%	\$6,800,00	0 3.46%	

<b>Loans Offered</b>	Tranche 1	Tranche 2	Tranche 3	Total
Cost of Capital	2.71%	2.85%	4.60%	3.46%
Amount available	\$1,820,000	\$2,480,000	\$2,500,000	\$6,800,000
Term offered	3-5 yr term	7-10 yr term	15 yr term	-
Rate offered	3.75%	4.25%	4.75%	4.30%

Flexible structures which minimize the need for the City to carry non-deployed debt capital, such as lines of credit versus term loans, are being proposed. Other key considerations include the Light & Power plans for a 2023 debt offering and the need to protect the AA- electric credit rating and Broadband's coverage covenants.

In all cases, Fort Collins Utilities would be the borrower, with the third-party funds being loaned to customers by Utilities. Fort Collins Utilities would be responsible for the repayment to the capital provider. In turn, Utilities customers carry the obligation for repayment of loans to the City via their utility bill. Utilities has various code-specified tools for recourse of delinquent utility bills that makes the risk profile for the Epic Loan portfolio extremely low. Third-party capital providers will have a senior pledge on customer loan repayments and second position on Electric Utility revenues, after the more senior pledge held by revenue bondholders.

Fort Collins Utilities recognizes that this proposed financing model is unique for a municipalowned utility, and as such we are committed to working with capital providers to "co-create" a viable and scalable financing model that is workable and beneficial for all parties. We also intend to continually search for new capital sources to add to the capital stack that provide the most desirable terms and conditions for customers and the City.

## **Next Steps**

The Epic Program team is currently in discussions with third-party capital providers to develop lending agreements. The Epic Program team proposes the following review and approval process for lending agreements:

- Staff will continue to move forward with developing finalized scopes and terms.
- Leadership stakeholders, such as City CFO and Utilities FP&A Director, will review agreements.
- CAO, particularly internal legal counsel, will review agreements. Bond counsel is not engaged.
- City Purchasing will review agreements.
- The Finance Committee has an additional review of lending agreements.
- Staff proceeds with City Council consideration via ordinance with a target approval of August 2019. There will be a separate ordinance prepared for each lender.

The Epic Program team seeks guidance on the Finance Committee's desire for additional information before proceeding with City Council consideration of financial agreements.

### **ATTACHMENTS**

Attachment 1: Epic Program Capital Strategy Presentation, May 20, 2019





- Review November 2018 Council Finance discussion
- Brief history of on-bill financing efforts
- 3 to 5 year capital objectives and long-term vision
- Core tenets and guardrails for capital strategy
- Current "capital stack" and status with potential lending sources
- Next steps for Epic Team and Council Finance





Does the Council Finance Committee desire additional information prior to proceeding with consideration of financial agreements?



## **OBF** Background

## November 2018 meeting

- Epic Program & Bloomberg Mayors Challenge
- Code update to remove interest rate specificity (Dec 2018)
  - Effective January 2019 rates\*
    3 or 5 years 3.49%
    7 or 10 years 3.99%
    15 or 20 years 4.49%
- Third party capital RFP (Dec 2018)
- Update financial officer's rules and regulations (Feb 2019)

## **OBF** history

- Began in 2013 with \$1.6M revolving loan fund from Light & Power reserves
- Low interest rate and long loan terms led to rapid uptake
- ~25% of \$1.6M repaid to date with 0% default rate
- Revitalized August 2018 as part of Bloomberg Mayors Challenge



# Mayors Challenge & Epic Program

## **Epic Program**

Comprehensive, streamlined energy efficiency upgrade program with attractive financing

## Bloomberg Mayors Challenge

Focus on renters and LMI residents with indoor air quality and health/wellbeing monitoring

Renters

LMI Residents

## Efficiency Works Homes

Existing energy efficiency assessment and upgrade program for residential homes

## Epic Loan

No money down, low interest loan through the revitalized on-bill financing option

All Residents



## Three Year Project Goals



Epic will upgrade 360 rental properties and 2,000 total homes 16% of projects will be financed with an Epic Loan



Epic will demonstrate improved health and wellbeing, related to indoor air quality and living environment



Savings from reduced energy use and lower utility bills will be available for other family priorities



Rental property owners will report financing is not a barrier to energy efficiency upgrades



## Core Tenets and Guardrails

## Loan portfolio management

- Total principal available across all sources for next 3-4 years target: \$7M \$8M
- Interest rate target: blended cost of capital, plus modest admin premium
- Annual loans issued / originated: \$1.5M \$2.0M
- Parity in length of term borrowed vs. length of term loaned

## Other critical considerations

- No negative impact on Light & Power planned 2023 debt offering
- Protect Utilities credit rating & broadband's coverage covenants



## Long Term Vision: Capital

- Design an "Evergreen" revolving loan fund which:
  - Supports residential energy efficiency upgrades for years to come
  - Scales to meet long-term efficiency objectives
  - Removes financial barriers to efficiency upgrades with attractive rates and terms
  - Aligns capital commitments with retail loan terms (e.g. term & rate parity)
  - Minimizes the City and Utilities risk and administrative effort
- Short-term (3-4 years): \$7M \$8M across all capital sources combined
- If successful short-term, longer-term: potentially up to \$16M



# Example: Capital Stack and Loan Terms

Capital Sources	Sources Principal		
<u>Equity</u>			
Bloomberg (grant)	10%	\$ 700,000	0.00%
Colorado Energy Office Grant	3%	\$ 200,000	0.00%
L&P available cap	6%	\$ 400,000	0.00%
Mission-driven Capital	0%	\$ -	0.00%
<u>Debt</u>			
State of CO Loan	15%	\$ 1,000,000	1.75%
Nat'l Commercial Bank - 5 yr (Loan)	18%	\$ 1,250,000	3.95%
Nat'l Commercial Bank - 10 yr (Loan)	18%	\$ 1,250,000	4.25%
Nat'l Green Bank - 15 yr (Loan)	29%	\$ 2,000,000	5.75%
Total	100%	\$6,800,00	0 3.46%

- City will blend its various capital sources and interest rates into loan offerings that recover cost of capital plus administrative costs
- Reviewed no less than semi-annually

<b>Loans Offered</b>	Tranche 1	Tranche 2	Tranche 3	Total
Cost of Capital	2.71%	2.85%	4.60%	3.46%
Amount available	\$1,820,000	\$2,480,000	\$2,500,000	\$6,800,000
Term offered	3-5 yr term	7-10 yr term	15 yr term	-
Rate offered	3.75%	4.25%	4.75%	4.30%



# Proposed Review & Approval Process

- Agreements with capital providers
  - Scope and terms: Travis, Sean, John
  - Leadership stakeholders: CFO and Utilities FP&A Director
  - Legal: City Attorney (CAO) engaged (CAO opinion bond counsel not required at this time)
  - Purchasing review
- Finance Committee additional review
- Approval by City Council via ordinance, separate Ordinances for each lender
  - Target August 2019





Does the Council Finance Committee desire additional information prior to proceeding with consideration of financial agreements?



# Backup



# Capital Sources

Capital Type	Provider	Term	Rate	Amount	Status
	Bloomberg Philanthropies – Champions Phase Award	N/A	0%	\$100,000	In hand or recently deployed
	Bloomberg Philanthropies - Award	N/A	0%	\$600,000	Committed
Low or no cost	Colorado Energy Office – Initial Grant	N/A	0%	\$200,000	In hand or recently deployed
	Colorado Energy Office – Grant or Loan	TBD	TBD	TBD	Under discussion
	National Commercial Bank	5 & 10 year	3.95% - 4.25%	\$2,500,000	Under discussion
Edward Mades	National Commercial Bank	5 & 10 year	TBD	TBD	Under discussion
External Market	National Green Bank	10 & 15 year	5.75%	\$2,500,000	Under discussion
	National impact investor	7 year	5-7%	\$2,500,000	Under discussion
Internal	Available lending from previously repaid loans	N/A	0%	\$400,000	Committed
			Total	\$8,800,000	

## COUNCIL FINANCE COMMITTEE AGENDA ITEM SUMMARY

Staff:

Jennifer Poznanovic Lance Smith

**Date:** May 20, 2019

#### SUBJECT FOR DISCUSSION

CEF & Utility Fee Update

#### **EXECUTIVE SUMMARY**

Coordination of Council approved fees began in 2016 to provide a more holistic view of the total cost impact. Previously, fee updates were presented to Council on an individual basis. After the 2019 fee update, fee phasing will be complete with regular two and four-year cadence updates beginning in 2021.

2019 fee updates include: Development Review fees, Electric Capacity fees, Water Supply Requirement fees, Wet Utility Plan Investment Fees and Step III of the 2017 Capital Expansion Fees.

Staff proposes the following fee changes:

- Wet Utility PIFs as proposed
- Electric Capacity Fees as proposed
- Water Supply Requirement Fee as proposed
- 100% of proposed 2017 Capital Expansion Fees (Step III)
- Transportation Capital Expansion Fees (inflation only)

Development Review Fees will be reviewed at the June Council Finance Committee meeting.

### GENERAL DIRECTION SOUGHT AND SPECIFIC QUESTIONS TO BE ANSWERED

1. Does Council Finance Committee support the proposed fee updates and outreach plan?

#### BACKGROUND/DISCUSSION

Since the fall of October 2016, staff has worked to coordinate the process for updating all new development related fees that require Council approval. Development related fees that are approved by Council are six Capital Expansion Fees, five Utility Fees and Building Development Fees.

Type of Fee	Fee Name
Capital Expansion	Neighborhood Park
Capital Expansion	Community Park
Capital Expansion	Fire
Capital Expansion	Police
Capital Expansion	General Government
Capital Expansion	Transportation
Utility	Water Supply Requirement
Utility	Electric Capacity
Utility	Sewer Plant Investment
Utility	Stormwater Plant Investment
Utility	Water Plant Investment
Building	Development Review & Building Permit Fees
Development	Permit rees

Previously, fee updates were presented to Council on an individual basis. However, it was determined that updates should occur on a regular two and four-year cadence and fees updates should occur together each year to provide a more holistic view of the impact of any fee increases.

Impact fee coordination includes a detailed fee study analysis for Capital Expansion Fees (CEFs), Transportation Capital Expansion Fees (TCEFs) and Development Review Fees every four years. This requires an outside consultant through a request for proposal (RFP) process where data is provided by City staff. Findings by the consultant are also verified by City staff. For Utility Fees, a detailed fee study is planned every two years. These are internal updates by City staff with periodic consultant verification. In the future, impact fee study analysis will be targeted in the odd year before Budgeting for Outcomes (BFO). In years without an update, an inflation adjustment occurs.

Below is the current fee timeline:

	Phas	Phase 1 Phase 2 Phase 3				
	2016	2017	2018	2019	2020	2021
Capital Expansion Fees		Update	Step II	Step III		Update
Transportation CEFs		Update	Step II			Update
Electric Capacity Fees		Update		Update		Update
Water Supply Requirement		Update		Update		Update
Wet Utility Fees			Update	Update		Update
Development Review Fees				Update		Update
Fee Working Group		Active	Acti ve			

Phase I of the fee updates included CEFs, TCEFs, Electric Capacity Fees, and Raw Water/CIL and were adopted in 2017. Phase II included Wet Utility PIFs and step II of CEFs and TCEFs,

which were approved in 2018. Development review and building permit fees were originally included in Phase II but were de-coupled from the 2018 update.

Due to the concern in the development and building community around fee changes, Council asked for a fee working group to be created to foster a better understanding of fees prior to discussing further fee updates. In August of 2017, the Fee Working Group commenced comprised of a balanced group of stakeholders – citizens, business-oriented individuals, City staff and a Council liaison. The Fee Working Group met 14 times and was overall supportive of the fee coordination process and proposed fee updates.

The 2019 phase III update includes Development Review fees, Electric Capacity fees, Water Supply Requirement fees, Wet Utility Plan Investment Fees and Step III of the 2017 Capital Expansion Fees. After the 2019 fee update, fee phasing will be complete with regular two and four-year cadence updates beginning in 2021.

## **2019 Utility Fee Updates**

The proposed changes to Utility Fees for a single-family, residential home include a 1.7% increase to the Electric Capacity Fee (ECF) and increases to the three Wet Utility Fees ranging between 1.5% and 6.7%. The Water Plant Investment Fee (PIF) is proposed to increase 6.7%, the Wastewater PIF is proposed to increase 1.5% and the Stormwater PIF is proposed to increase 3.3% from current fee levels.

The two main drivers for the increases include:

- New capital project spending, which increases the overall value of the system
- Annual increases in construction costs, which also increases the replacement value of existing system

The proposed change to the Water Supply Requirement increases the cost of 1 acre-foot of required raw water from \$17,300 to \$21,500, or 24%.

The primary drivers for this increase are:

- Updated construction cost estimates associated with the Halligan Water Supply Project
- Increasing costs of future water rights that will need to be acquired to optimize the water rights portfolio

The chart below summarizes the proposed Utility Fees for a single-family home, assuming an 8,600 square feet lot and 4 bedrooms:

Utility Fee	Current Charge	2020 Charge	\$ Change	% Change
Electric Capacity Fee	\$1,537	\$1,563	\$ 26	1.7%
Water PIF	\$ 3,826	\$ 4,084	\$ 258	6.7%
Wastewater PIF	\$ 3,537	\$ 3,590	\$ 53	1.5%
Stormwater PIF	\$ 1,548	\$ 1,600	\$ 52	3.3%
Water Supply Requirement	\$11,160	\$13,838	\$ 2,678	24.0%

## **2019 Capital Expansion Fee Updates**

The chart below shows the current and proposed fee updates for CEFs:

Step III - Full fees proposed in 2017

Land Use Type	Unit	N'hood Park	Comm. Park	Fire	Police	Gen. Gov't	Current Total	Step III Total w Inflation	% Increase w Inflation
<b>71</b>									
Residential, up to 700 sq. ft.	Dwelling	\$1,721	\$2,430	\$421	\$236	\$574	\$5,152	\$5,724	11%
Residential, 701-1,200 sq. ft.	Dwelling	\$2,304	\$3,253	\$570	\$319	\$774	\$6,911	\$7,679	11%
Residential, 1,201-1,700 sq. ft.	Dwelling	\$2,516	\$3,552	\$620	\$347	\$845	\$7,543	\$8,381	11%
Residential, 1,701-2,200 sq. ft.	Dwelling	\$2,542	\$3,589	\$630	\$352	\$858	\$7,630	\$8,478	11%
Residential, over 2,200 sq. ft.	Dwelling	\$2,833	\$4,001	\$701	\$392	\$955	\$8,502	\$9,447	11%
Commercial	1,000 sq. ft.	0	0	\$531	\$297	\$1,451	\$2,182	\$2,424	11%
Office and Other Services		0	0	\$531	\$297	\$1,451	\$2,182	\$2,424	11%
Industrial/Warehouse	1,000 sq. ft.	0	0	\$124	\$69	\$342	\$512	\$569	11%

Step III fees are an 11% increase from current fee levels (Step II). CEF fee increases are 100% of full fee levels recommended in 2017. The CPI-U index for Denver-Aurora-Lakewood is used for CEF inflation. An inflation estimate of 3.2% has been used, but an update will be available in August 2019.

## **Outreach Plan**

In an effort towards better communication, outreach and notification of impact fee changes, staff plans to meet with 15 organizations across the City in the summer of 2019.

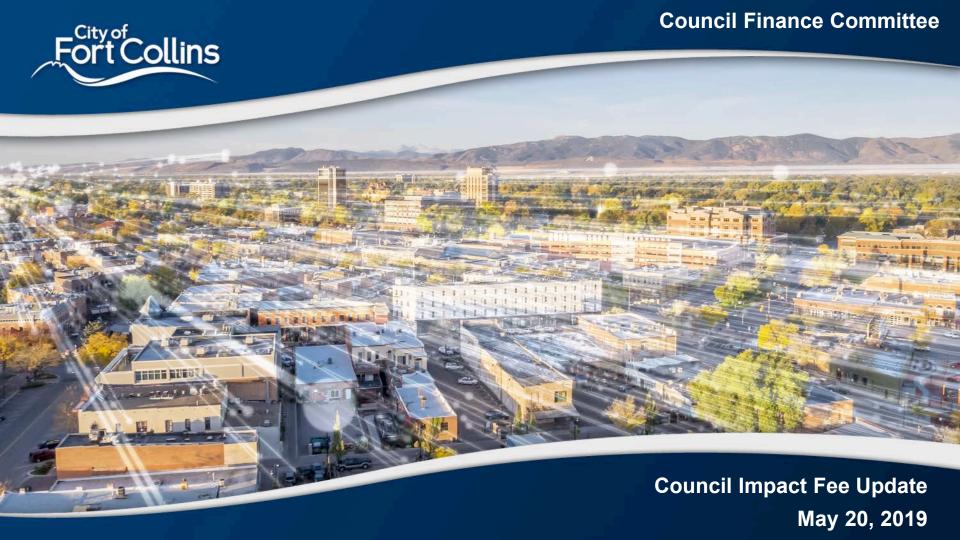
Organization	Staff
Affordable Housing Board	All
Building Review Board	All
Economic Advisory Commission	All
Fort Collins Board of Relators	All
Local Legislative Affairs Committee	All
Northern Colorado Homebuilder's Association	All
Super Issues Forum	All
Development Review Advisory Board	Dev. Review
Downtown Development Authority	Dev. Review
Housing Catalyst	Dev. Review
North Fort Collins Business Association	Dev. Review
Planning & Zoning Board	Dev. Review
South Fort Collins Business Association	Dev. Review
Energy Board	Utilities
Water Board	Utilities

## Below is the 2019 fee roadmap:

	March	May	June	June/July	August	October	1/1/2020
Capital Expansion Fees		CFC		Outreach	CFC	Council	Effective
Transportation CEFs							
Electric Capacity Fees		CFC		Outreach	CFC	Council	Effe ctive
Water Supply Requirement		CFC		Outreach	CFC	Council	Effective
Wet Utility Fees		CFC		Outreach	CFC	Council	Effective
Development Review Fees	CFC	CFC	CFC	Outreach	CFC	Council	Effe ctive

**ATTACHMENTS** (numbered Attachment 1, 2, 3,...)

1. PowerPoint Presentation – CEF & Utility Fee Update





- Impact Fee Scope & Timeline
- 2019 Fee Updates
  - Development Review Fees (June CFC)
  - Utility Fees
  - Capital Expansion Fees Step III
- Next Steps



## **Fee Coordination**

## **Objective:**

- Review fee updates together to provide a holistic view of the total cost impact
- Bring impact fees forward per a defined cadence..... 2 - 4 years

Type of Fee	Fee Name
Capital Expansion	Neighborhood Park
Capital Expansion	Community Park
Capital Expansion	Fire
Capital Expansion	Police
Capital Expansion	General Government
Capital Expansion	Transportation
Utility	Water Supply Requirement
Utility	Electric Capacity
Utility	Sewer Plant Investment
Utility	Stormwater Plant Investment
Utility	Water Plant Investment
Building	Development Review & Building
Development	Permit Fees



## **Fee Timeline**

	Phas	se 1	Phase 2	Phase 3			
	2016	2017	2018	2019	2020	2021	
Capital Expansion Fees		Update	Step II	Step III	\	Update	
Transportation CEFs		Update	Step II			Update	
Electric Capacity Fees		Update		Update		Update	
Water Supply Requirement		Update		Update		Update	
Wet Utility Fees			Update	Update		Update	
Development Review Fees			\	Update		Update	
Fee Working Group		Active	Active	Active			

- Detailed fee study analysis every 4 years for CEF, TCEFs & Development fees
- Detailed fee study analysis every 2 years for Utility fees
- Conduct fee study analysis in the odd year before BFO
- In years without updates, an annual inflation adjustment occurs
- 2019 Fee Group Development Review fees only





• Assumes residential, single-family home with an 8,600 square feet lot and 4 bedrooms

Utility Fee	Current Charge	2020 Charge	\$ Change	% Change
Electric Capacity Fee	\$1,537	\$1,563	\$ 26	1.7%
Water PIF	\$ 3,826	\$ 4,084	\$ 258	6.7%
Wastewater PIF	\$ 3,537	\$ 3,590	\$ 53	1.5%
Stormwater PIF	\$ 1,548	\$ 1,600	\$ 52	3.3%
Water Supply Requirement	\$11,160	\$13,838	\$ 2,678	24.0%





WATER Plant Investment Fees									
Customer Class	Criteria	Current Charge	2020 Charge	\$ Change	% Change				
Single Family	8,600 sq ft	3,826	4,084	\$ 258	6.7%				
Duplex & Multi-family	3,435 sq ft	1,423	1,546	\$ 123	8.6%				
Commercial									
Meter Size									
3/4"	by tap size	7,930	8,790	\$ 860	10.8%				
1"	by tap size	20,960	23,060	\$ 2,100	10.0%				
1 1/2"	by tap size	43,510	45,610	\$ 2,100	4.8%				
2"	by tap size	72,450	78,820	\$ 6,370	8.8%				





Wastewat	Wastewater Plant Investment Fees										
Customer Class	2018 2020 Volume Volume GPD GPD		Change in Volume GPD	Proposed PIF \$	% Change						
Single family residential	230	229	-0.4%	3,590	1.5%						
Duplex and Multi-family	170	165	-2.9%	2,590	0.1%						
Commercial											
Meter Size - inches											
3/4	490	492	0.4%	7,710	2.6%						
1	1,080	1,096	1.5%	17,190	3.8%						
1.5	2,070	2,063	-0.3%	32,350	2.0%						
2	4,300	4,281	-0.4%	67,120	2.0%						





Stormwater Plant Investment Fee								
Rate Class		2019	2020	\$ Change	% Change			
	Gross Area Developed (sq ft)	8,600	8,600					
	Common Area Allocation (sq ft)	6,156	6,156					
Residential	Base Rate (per acre*)	\$9,142	\$9,447					
	Runoff Coefficient	0.5	0.5					
	Total Fee	\$1,548	\$1,600	\$52	3.3%			
	Gross Area Developed (sq ft)	43,560	43,560					
Commercial	Base Rate (per acre*)	\$9,142	\$9,447					
Commerciai	Runoff Coefficient	0.8	0.8					
	Total Fee	\$7,314	\$7,558	\$244	3.3%			



# Capital Expansion Fees Step III

Step III - Full fees proposed in 2017

									%
								Step III	Increase
Lond Hoo Time	I India	N'hood	Comm.	Eiva	Deline	Com Coult	Current	Total w	W
Land Use Type	Unit	Park	Park	Fire	Police	Gen. Gov't	Total	Inflation	Inflation
Residential, up to 700 sq. ft.	Dwelling	\$1,721	\$2,430	\$421	\$236	\$574	\$5,152	\$5,724	11%
Residential, 701-1,200 sq. ft.	Dwelling	\$2,304	\$3,253	\$570	\$319	\$774	\$6,911	\$7,679	11%
Residential, 1,201-1,700 sq. ft.	Dwelling	\$2,516	\$3,552	\$620	\$347	\$845	\$7,543	\$8,381	11%
Residential, 1,701-2,200 sq. ft.	Dwelling	\$2,542	\$3,589	\$630	\$352	\$858	\$7,630	\$8,478	11%
Residential, over 2,200 sq. ft.	Dwelling	\$2,833	\$4,001	\$701	\$392	\$955	\$8,502	\$9,447	11%
Commercial	1,000 sq. ft.	0	0	\$531	\$297	\$1,451	\$2,182	\$2,424	11%
Office and Other Services		0	0	\$531	\$297	\$1,451	\$2,182	\$2,424	11%
Industrial/Warehouse	1,000 sq. ft.	0	0	\$124	\$69	\$342	\$512	\$569	11%

- Step III fees are an 11% increase from current fee levels (Step II)
- CEF fee increases are 100% of full fee levels recommended in 2017
- 3.2% Inflation Estimate: CPI-U index for Denver-Aurora-Lakewood update available in August 2019





Comparison charts available for June CFC Meeting



### **Summer 2019 Outreach Plan**

Organization	Staff		
Affordable Housing Board	All		
Building Review Board	All		
Economic Advisory Commission	All		
Fort Collins Board of Relators	All		
Local Legislative Affairs Committee	All		
Northern Colorado Homebuilder's Association	All		
Super Issues Forum	All		
Development Review Advisory Board	Dev. Review		
Downtown Development Authority	Dev. Review		
Housing Catalyst	Dev. Review		
North Fort Collins Business Association	Dev. Review		
Planning & Zoning Board	Dev. Review		
South Fort Collins Business Association	Dev. Review		
Energy Board	Utilities		
Water Board	Utilities		



### 2019 Roadmap

	March	May	June	June/July	August	October	1/1/2020
Capital Expansion Fees	,	CFC		Outreach	CFC	Council	Effe ctive
Transportation CEFs							
Electric Capacity Fees		CFC		Outreach	CFC	Council	Effe ctive
Water Supply Requirement		CFC		Outreach	CFC	Council	Effe ctive
Wet Utility Fees		CFC		Outreach	CFC	Council	Effe ctive
Development Review Fees	CFC	CFC	CFC	Outreach	CFC	Council	Effe ctive

- All fee categories update in 2019 except for Transportation CEFs
- Phasing complete after 2019 with regular two and four-year cadence beginning in 2021



Does Council Finance Committee support the proposed 2019 fee updates and outreach plan?

### COUNCIL FINANCE COMMITTEE AGENDA ITEM SUMMARY

**Staff:** Jason Graham and Carol Webb

Date: May 20, 2019

**SUBJECT FOR DISCUSSION** (a short title)

Additional appropriation for the Sidestream Treatment Project

**EXECUTIVE SUMMARY** (a brief paragraph or two that succinctly summarizes important points that are covered in more detail in the body of the AIS.)

The purpose of this agenda item is to request an appropriation for additional funding for the Drake Water Reclamation Facility (DWRF) Sidestream Treatment Project. This request is necessary to complete the permit-required project within the required timeframe to meet DWRF's National Pollution Discharge Elimination System (NPDES) Phosphorus (P) Compliance Schedule deadline of December 31, 2020. Successful operation of this infrastructure also will earn regulatory credits to delay future capital project expenses by upwards of 10 years. This request is an off-cycle request vs. a mid-cycle request due to the regulatory nature and schedule deadlines required by CDPHE.

**GENERAL DIRECTION SOUGHT AND SPECIFIC QUESTIONS TO BE ANSWERED** (Work session questions should be designed to gather direction from Council without requiring Councilmembers to make a decision.)

1. Should staff move forward with this off-cycle appropriation request for the Sidestream Project?

**BACKGROUND/DISCUSSION** (details of item – History, current policy, previous Council actions, alternatives or options, costs or benefits, considerations leading to staff conclusions, data and statistics, next steps, etc.)

The cost estimate at 60% project design, completed in January 2019, for the Sidestream Treatment project is greater than the approved budget. The purpose of this agenda item is to request Council's approval increase the project budget from \$4.3 million to \$5.4 million for an additional appropriation of \$1.1 million.

**Key Project Drivers** 

The Sidestream Treatment project is necessary for DWRF to meet future nutrient water quality regulations by Colorado Department of Public Health and Environment (CDPHE). The DWRF National Pollutant Discharge Elimination System (NPDES) permit includes a phosphorus Compliance Schedule to ensure the City is successful in meeting the required phosphorus limits by January 01, 2021. The Sidestream Treatment project is a necessary addition required for DWRF to meet these proposed phosphorus standards.

Nutrient Removal Projects have been identified as part of the Utility's Capital Improvement Planning (CIP) and Master Planning efforts for the last ten years. The current CIP identified Nutrient Removal projects required to meet future nutrient limits by the Environmental Protection Agency (EPA) and CDPHE and have future potential costs of approximately \$70 million by 2028. The Wastewater Utility has been actively planning to minimize this cost as much as possible through participation in the CDPHE Nutrient Incentive Program and the AWWA Clean Water Partnership. Participation in these programs could provide the City both schedule and financial relief of up to 10 years.

A conceptual class 5 cost estimate of \$4.3 million was developed for the 2017-2018 BFO cycle based upon capacity, modeling, analogous projects and the available Sidestream Treatment technologies. As stated in the BFO offer, the design was based on a conceptual design and a complete design could result in an increase or decrease of the cost to meet the design deliverables. As designed progressed, additional detail, including equipment selection, and other specifications resulted in increased project costs. A contingency in the additional budget request has been included, appropriate for the current level of design. The following three major factors impacted the budget requiring this appropriation request:

- 1. A new sludge feed pump station was required in addition to other improvements increasing construction costs approximately \$625,000. It had been anticipated, but not feasible, that the existing sludge pumps could be used
- 2. Completion of the 60% design cost estimate (class 2) revealed an error in the original BFO class 5 estimate allowing the original BFO request to be approximately \$325,000 under-funded. In the future BFO offer estimates, including backup documentation will be provide to management staff for review
- 3. The retirement of the Utilities' lead programming engineer impacted the ability to self-perform all the process programming, integration, and operator interface requirements of the plants. Additional support from the equipment manufacturers and consulting engineers is required for process programming and integration costing approximately \$150,000

For the 2019-2020 BFO budget cycle, steps were taken to address the budgeting issues that occurred for this project. Larger projects will start with a "design only" phase so that better construction estimates can be obtained prior to appropriation.

The current DWRF discharge permit requires the City to be in compliance with nutrient regulations by January 1, 2021. The permit's compliance schedule also indicates the construction must be started by December 31, 2019. It is critical to begin construction as soon as possible in 2019 in order to give facility staff adequate time to optimize the system to comply with required nutrient limits by the January 1, 2021 deadline.

#### **ENVIRONMENTAL IMPACTS**

In March 2013, the State of Colorado passed Regulation #85, requiring Publicly Owned Treatment Works (POTWs) with greater than 2 million gallons per day capacity to meet more stringent effluent water quality. The regulation mandates that existing POTWs limit their effluent discharge on a monthly median value of Total Phosphorus to 1.0 mg/L and Total Inorganic Nitrogen (TIN) of 15 mg/L. DWRF currently meets the TIN limit but the improvements installed with the Side Stream project are necessary to help meet the Total Phosphorus limit.

While phosphorus and nitrogen are building blocks of organic life, high concentrations in lakes, reservoirs and receiving waters can lead to lower dissolved oxygen levels, poison aquatic life, and eutrophication. POTWs are only one of three major sources of nutrient contamination of receiving waters (urban and agricultural non-point source run-off being the other two) but are the easiest to regulate being a point source contributor.

#### **ALTERNATIVE ANALYSIS**

As project design evolved and the need for additional funding became apparent, the project team evaluate the following project alternatives:

- 1. <u>Value Engineering</u> The project team, including City staff, general contractor, and design engineer evaluated construction and design variables that could be eliminated and / or reduced and still deliver an effective project. While numerous items were removed or revised, this evaluation was not successful in bringing the overall project costs down to within the available budget.
- 2. <u>Not complete the project</u> This alternative would jeopardize not only immediate regulatory compliance performance but future nutrient compliance issues as well.
- 3. Request \$1.1 M as a mid cycle appropriation request This alternative would jeopardize the City's ability to comply with NPDES P Standard Compliance Schedule deadlines.
- 4. Request \$1.1 M as an off cycle appropriation request This is the preferred and recommended alternative by City Staff. This alternative is also recommended by the City's Water Board.

### **CITY FINANCIAL IMPACTS**

This O appropriate \$1,111,000 of Wastewater Fund Reserves for the DWRF Sidestream Treatment Project. Adequate funds exist in the Wastewater Fund reserves to cover this request for additional appropriations. In the latest 10-year Wastewater Capital Improvement Program (CIP), \$89M of capital improvements were identified and this is a relatively small increase. A rate increase beyond what is already planned will not be needed as a result of this request.

#### **ATTACHMENTS**

- Original BFO offer
   Water Board Meeting Excerpt
   Power Point Presentation

### **Packages and Offers**

### **ENVIRONMENTAL HEALTH**

#### 6.56 ENHANCEMENT CAPITAL - Utilities: Wastewater - Sidestream Treatment - Funded

2017 - \$0

**Budget Years: 2017 - 2018** 

2018 - \$4,300,000

This offer funds the design and installation of a wastewater side stream treatment system to meet future nutrient (nitrogen and phosphorus) regulations. The recycle stream from biosolids dewatering carries high nutrient concentrations back to the main stream treatment system. Side stream treatment will remove nutrients from the recycle stream, which can potentially be turned into fertilizer and reused.

The offer funds the design and installation of the side stream treatment system, a building to house the equipment; and ancillary piping, structural, and electrical improvements. Depending on equipment chosen, the equipment manufacturers also assist with handling and selling of the fertilizer to the marketplace.

As part of its Asset Management Program, Utilities determines its capital project priorities through established levels of service for sustainability, product quality and availability, reliability, compliance, customer satisfaction and safety. Performance and targets for established levels of service and organizational objectives drive the priorities of the Utilities Capital Improvement Plan (CIP).

The proposed dewatering improvements were evaluated in the Utilities CIP and Prioritization process and ranked No. 4 out of 46 projects within the Wastewater Fund. The project ranked high for compliance and sustainability due to the importance of side stream treatment in meeting regulatory requirements and the opportunity to beneficially reuse the solids produced for fertilizer.

The cost estimate for this project is based on a conceptual design. A complete design may result in an increase or decrease in the cost to meet the project deliverables.

This Offer supports the following Strategic Objectives:

- ENV 4.9 Meet all regulatory requirements while supporting programs that go beyond compliance
- ENV 4.6 Work towards long-term zero waste goals within the community and the City organization
- HPG 7.8 Optimize the use of City assets through capital improvement planning, preventative maintenance and asset management





### Excerpt from Unapproved DRAFT MINUTES - WATER BOARD

#### **REGULAR MEETING**

April 18, 2019, 5:30 p.m. 222 Laporte Avenue, Colorado River Community Room

> Budgeting for Outcomes (BFO) Offer 6.56 Drake Water Reclamation Facility (DWRF) Sidestream Treatment Additional Appropriation Request

Link Mueller, Special Projects Manager Jason Graham, Plant Operations Director (Attachments available upon request) Presentation Summary

Special Projects Manager, Link Mueller explained the need for an additional appropriation of \$1.1 million dollars for the DWRF Sidestream Project. The Sidestream Treatment Project will remove soluble phosphorus with an Airprex System that chemically precipitates phosphorus out of the liquid stream. DWRF doesn't currently meet Regulation 85 phosphorus limit (< 1mg/L). The Airprex System will remove 90% of soluble phosphorus from the sludge. The sludge centrate loading accounts for 25% of total plant phosphorus load. By treating the sludge, prior to dewatering, it removes the phosphorus and some of the ammonia while also improving the dewatering capabilities. The newly proposed construction start date is July 19, 2019. The System must be on-line and operational by December 31, 2020. The reason for an off-cycle appropriation is because with a mid-cycle appropriation, DWRF could obtain funding but it couldn't be spent until January 1, 2020.</p>

### Discussion Summary

Board members commented on and inquired about various related topics including if the struvite is harmful to the system (although some facilities have struvite issues, DWRF doesn't; The struvite will be formed in the reactor and initially sequestered in the biosolids. A future project could modify the process to allow struvite harvesting from the reactor); why Airprex was chosen for the phosphorus removal process (Airprex has already gone through Colorado state process and it fit best with DWRF's system); whether there is an "Option B" (DWRF needs to meet compliance. There is not necessarily an "Option B" at this point, but there is another project that involves carbon addition and will help ensure DWRF meets the phosphorus limit); if there is a way to avoid appropriation requests in the future (Budgeting for Outcomes process provides more transparency and accountability, so appropriations will at





#### **WATER BOARD**

#### **REGULAR MEETING**

times need to occur); and a suggestion to include information about the Colorado incentive fund to Council (If DWRF meets compliance of Reg. 85 in 2020 and then meets Reg. 31 by 2028, incentive credits could be earned. Funding to meet these future requirements has been set aside in the Wastewater Fund reserves).

Board Member Bovee moved that the Water Board recommends to City Council the approval of the additional appropriation request of \$1.1 million dollars from Wastewater Fund reserves for the DWRF Sidestream Project as recommended by City staff.

Board Member Ortman seconded the motion.

Vote on the motion: It passed unanimously, 7-0.





## **Direction Sought**

 Should staff move forward with this off-cycle appropriation request for the Sidestream Project?



## **Strategic Alignment**



### **Environmental Health**

- •4.7 Continually improve Environmental regulatory performance
- •4.9 Sustain and improve the health of the Cache la Poudre River and its watershed



## High Performing Government

- •7.1 world class services
- •7.8 maintain/renew assets, collaborate with regional partners



### **Economic Health**

•3.5 Maintain utility systems, services, infrastructure and predicable rates



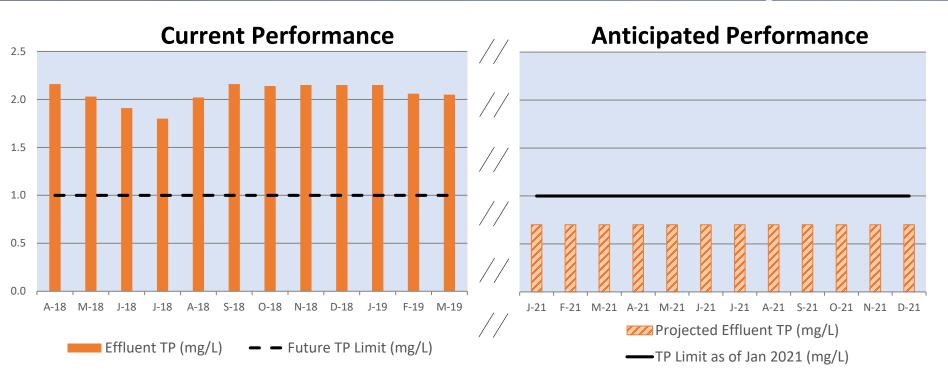
## Background

- Project Summary
  - Upcoming nutrient regulations for Nitrogen (N) and Phosphorus (P) removal
  - Sidestream project brings complex technology to remove P in order to meet EPA and State regulatory requirements
- Project Drivers
  - Required compliance schedule in current facility permit to implement phosphorus removal system by Jan 1, 2021.
- Project funding
  - Project initially funded in 2017/2018 budget at \$4.3M
  - Cost estimate and funding request was based on conceptual design





## **Total Phosphorus**





## **Basis for Additional Request**

- Cost estimate was based on a conceptual design.
- Estimate determined to be deficient as the design evolved.
  - Technological solution is both complex and innovative
- Current estimate based 60% design
  - Requesting additional \$1.1 million
  - High level of confidence based on level of design and contingency



## **Corrective Action**

- Corrective Actions to minimize future cost estimating errors:
  - Determine when separate BFO Offers for design and construction are practical.
  - Explore Quality Control process for review of budget detail.



## **Financial Overview**

- Capital Improvement Plan (CIP) includes Sidestream Treatment Project as part of identified 80M to 100M in future improvement costs between 2017 and 2027 for Nutrient Regulations.
- Current Fund balance and prior appropriations allow for funding of this project including this additional appropriation request.
  - Wastewater Fund has approximately \$24M of available reserves.



## Rate Impacts

- Project already included in the current CIP
- The rate impact of this additional appropriation is relatively small (1% of anticipated 10 year capital investment) and will not change the rate forecasts.

•		2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
•	Rate Increase	0.0%	0.0%	0-2%	0-2%	0-2%	0-2%	0-2%	0-2%	0-2%	0-2%

Debt Issuance \$M

\$80-100M of capital work is expected to be needed between 2017 and 2026 in addition to the current capital appropriations



## Water Board Recommendation

At its April 18, 2019 meeting, the Water Board voted unanimously to recommend approval of the appropriation.





## **Questions or Comments?**



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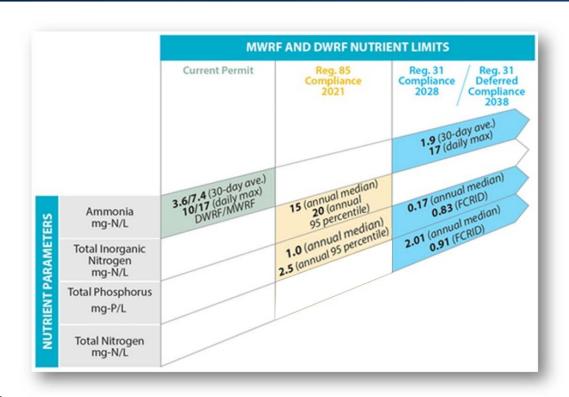


## Regulatory – Permit Compliance Tiers



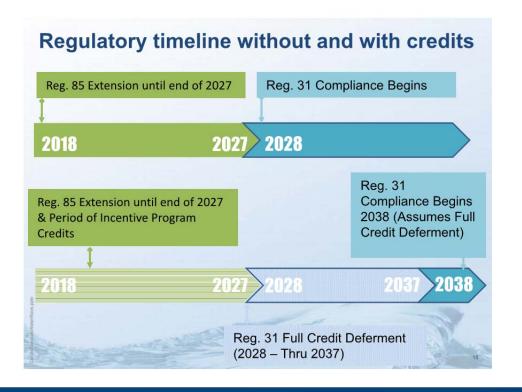


## Treatment Limits Summary



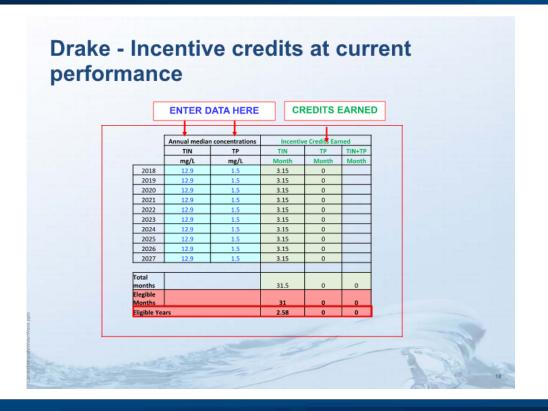


## New Regulation Strategy



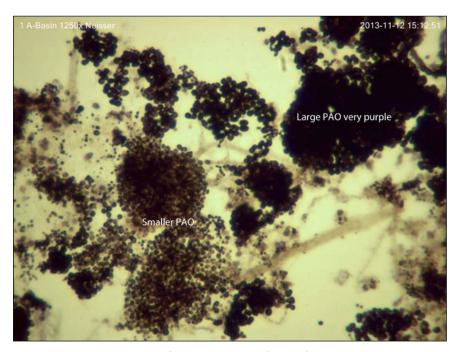


## **New Regulation Strategy**





## Biological Phosphorus Removal

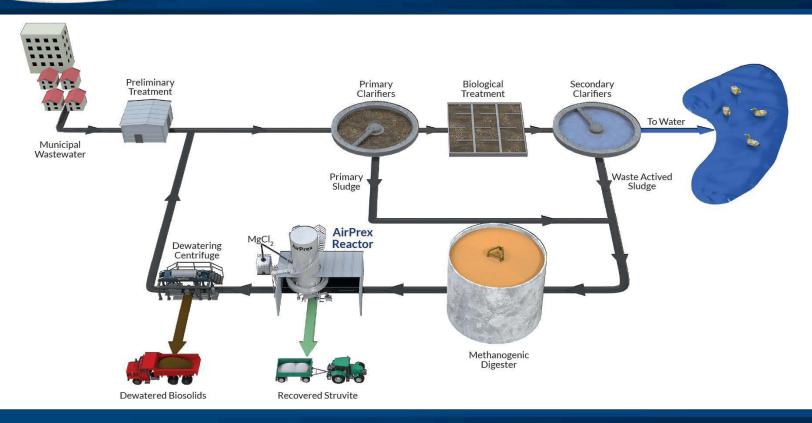


Phosphorus Accumulating Organisms (Photo Credit: Cindy Wright-Jones)

	LEVEL OF			EXPECTED	PREPARATION
ESTIMATE CLASS	PROJECT DEFINITION Expressed as % of complete definition	END USAGE Typical purpose of estimate	METHODOLOGY Typical estimating method	ACCURACY RANGE Typical variation in low and high ranges [a]	EFFORT Typical degree of effort relative to least cost index of 1 [b]
Class 5	0% to 2%	Concept Screening	Capacity Factored, Parametric Models, Judgment, or Analogy	L: -20% to -50% H: +30% to +100%	1
Class 4	1% to 15%	Study or Feasibility	Equipment Factored or Parametric Models	L: -15% to -30% H: +20% to +50%	2 to 4
Class 3	10% to 40%	Budget, Authorization, or Control	Semi-Detailed Unit Costs with Assembly Level Line Items	L: -10% to -20% H: +10% to +30%	3 to 10
Class 2	30% to 70%	Control or Bid/ Tender	Detailed Unit Cost with Forced Detailed Take-Off	L: -5% to -15% H: +5% to +20%	4 to 20
Class 1	50% to 100%	Check Estimate or Bid/Tender	Detailed Unit Cost with Detailed Take- Off	L: -3% to -10% H: +3% to +15%	5 to 100



## Airprex Process





### **Additional Costs**

•	3 months increased GC's due to increased scope -	\$97,000
•	Increased building size and re-routing of sludge lines -	\$44,000
•	Additional stairs and hand rail on reactor -	\$37,000
•	5 doors and overhead garage door -	\$20,000
•	Increased HVAC due to air exchange requirements -	\$125,000
•	Additional valves, process pipe and insulation -	\$150,000
•	Additional scope to digester building and pump station -	\$176,000



## Value Engineering Effort

- Decreased building size and sludge pipe rerouting
- Deleted tank enclosure and re-designed insulation
- Utilizing existing wireways for Sludge Feed Pump Station
- Postponed Access Control
- Eliminated future instrumentation



## **Budget Comparison**

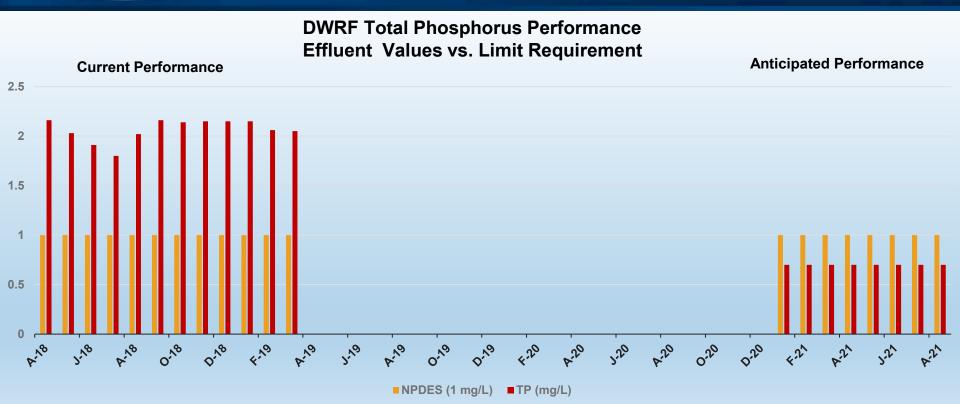
Item	Original BFO	60% Estimate	Revised Budget
Engineering	\$750,000	\$817,000	\$707,000
Construction	\$2,553,000	\$3,954,000	\$3,907,000
Contingency	\$985,000	\$810,000	\$787,000
Total	\$4,288,000	\$5,581,000	\$5,400,000
Diff from BFO		+ \$1,281,000	+ \$1,100,000

### Note:

**Engineering** includes Contractor Design Services, City Design PM, and ICE **Construction** includes Engineering Construction Services, City Const PM

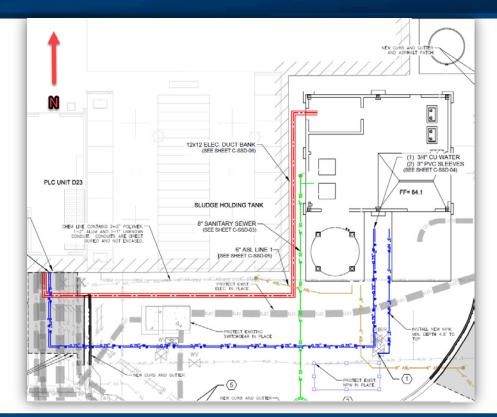


## **Total Phosphorus**











### **Project Summary**

What

- Sidestream Treatment Project to remove soluble phosphorus
- Airprex System chemically precipitates phosphorus out of solids stream

Where

Drake Water Reclamation Facility (DWRF)

Why

- DWRF currently can not meet Reg. 85 phosphorus limit (< 1 mg/L)</li>
- Airprex system will remove 90% of soluble phosphorus from sludge
- Sludge centrate loading accounts for 25% of total plant phosphorus load

When

- Construction scheduled to start in May '19. Currently proposing July '19
- System must be on-line and operational by December 31, 2020