

# **AGENDA ITEM SUMMARY**

## **FORT COLLINS CITY COUNCIL**

**ITEM NUMBER: 21**

**DATE: October 16, 2007**

**STAFF: Darin Atteberry**

### **SUBJECT**

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First Reading of Ordinance No. 118, 2007, Being the Annual Appropriation Ordinance Relating to the Annual Appropriations for the Fiscal Year 2008 and Adopting the Budget for the Fiscal Years Beginning January 1, 2008 and Ending December 31, 2009, and Fixing the Mill Levy for Fiscal Year 2008.

### **RECOMMENDATION**

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Staff recommends adoption of the Ordinance on First Reading.

### **FINANCIAL IMPACT**

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This Ordinance represents the annual appropriation for fiscal year 2008, and adopts the total City budget for fiscal year 2008 at \$569.6 million and for fiscal year 2009 at \$537.3 million. This Ordinance also sets the City mill levy at 9.797 mills, unchanged since 1991, for fiscal year 2008.

### **EXECUTIVE SUMMARY**

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The Annual Appropriation Ordinance is presented for First Reading. This ordinance sets the City Budget for the two year period 2008–2009. The Ordinance is based on the City Manager's Recommended Budget, with several additions directed by City Council at its October 9, 2009 Work Session. The additional offers total \$1,038,916 in one-time General Fund expenditures and \$124,148 (2009 costs) in on-going General Fund offers. If approved on First Reading, these additions to the Recommended Budget would be funded through the use of an additional \$412,715 in General Fund Reserves and an increase in revenue from the Sales and Use Tax Vendor Fee of \$390,000 per year (on-going.)

These additions use all of the total available funds, including one-time Reserves and on-going Vendor Fee revenue.

### **BACKGROUND**

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This biennial budget represents the work of many dedicated employees who have come together for the second time to use the Budgeting for Outcomes (BFO) approach to develop this recommendation. Nearly 100 employees were involved in creating a recommended budget which builds on the ideas of transparency in the budget process, clear choices for how to allocate limited

revenues and organizational accountability. These principles are the hallmark of the BFO process.

The purpose of utilizing the BFO approach is to:

- Identify what’s important to the community and develop a sound financial and service plan to achieve those outcomes;
- Allocate dollars based on current priorities and results, not simply increase last year’s spending;
- Effectively deal with revenue limitations; and
- Emphasize accountability, efficiency, innovation and partnerships

Using this approach, City Council and staff worked in close collaboration over the past two months to build a financial plan, based on revenue available, that will achieve service outcomes which matter most to our citizens and community. This work has resulted in the development of the Final 2008-2009 Budget. The approval of the Appropriation Ordinance on First Reading represents a major milestone in this process.

The final budget is organized around seven Council approved Result Areas or Outcomes that citizens want and need:

<b>Economic Health</b>	Fort Collins has a healthy economy reflecting the values of our unique community in a changing world.
<b>Environmental Health</b>	Fort Collins creates, maintains and promotes a healthy and sustainable environment with an adequate, high quality water supply.
<b>Safe Community</b>	Fort Collins is a safe place to live, work, learn and play.
<b>Neighborhood Livability</b>	Fort Collins improves the livability, choices, and affordability of our neighborhoods.
<b>Cultural and Recreational Opportunities</b>	Fort Collins provides diverse cultural and recreational opportunities that foster physical and mental well-being for community members.
<b>Transportation</b>	Fort Collins improves the safety and ease of traveling to, from, and throughout the city.
<b>High Performing Government</b>	Fort Collins is a model for an entrepreneurial, high quality city government.

In developing the budget, City Council and staff has continued to use the BFO process because it helps the City achieve a number of goals:

- Create clarity in the budget process for the community
- Allocate revenues to highest priorities and the outcomes citizens want and need
- Understand the trade-off between services funded and unfunded
- Emphasize accountability, efficiency, innovation and partnerships.

**Budget Highlights**

The 2008-09 Final Budget is a financial and service plan linked to the seven key outcomes and results that matter most to our citizens. Some key highlights of the City Budget include:

1. The total budget for all City funds for 2008 is \$569.6 million and \$537.3 million for 2009. (The total budget is lower in 2009 because of a major one-time expense in 2008 for the Mason Corridor Project.)
2. The budget includes no tax increase.
3. The tax revenue projections for 2008-09 are based on formulas developed and reviewed with City Council in May 2006. Sales and use tax is projected to increase by 2.03% in 2008 and 2.63% in 2009.
4. Minor inflation oriented fee adjustments are included for several programs. For example, the Recreation Division will make its typical market oriented inflationary adjustments to its user fees to reflect increased costs for hourly employees and supplies.
5. Wastewater rates will increase 12% in 2008 and 11% in 2009. Electric rates are projected to increase 2.3% to 2.7% in response to increases from Platte River Power Authority.
6. The recommended budget includes no reductions in force. Several vacant positions were eliminated as departments worked to develop offers which were lean, efficient and targeted at the services citizens want and need.

**Budget Assumptions**

Net Operating Budget (In Millions)					
	2007	2008	% Change	2009	% Change
<b>Net Operating</b>	\$320.1	\$338.1	5.6%	\$351.5	4.0%
<b>Debt</b>	\$24.3	\$23.9	-1.6%	\$26.2	9.6%
<b>Capital</b>	\$33.0	\$105.7	220.3%	\$58.6	-44.6%
<b>Total Net City</b>	\$377.4	\$467.7	23.9%	\$436.3	-6.7%
<b>Internal Transfers</b>	\$95.1	\$101.9	7.2%	\$101.0	-0.9%
<b>Total City Budget</b>	\$472.5	\$569.6	20.6%	\$537.3	-5.7%

As the budget development process began in early 2007, City Council and staff met on several occasions to outline goals and assumptions for developing the recommended budget. Council also reviewed the Key Outcomes during the first Council goal setting retreat in April.

Some of the key assumptions used in developing the Final Budget include:

1. **Limited revenue growth for 2008 and 2009**

The local economy has improved throughout 2007, and staff continues to plan for a limited amount of sales tax revenue growth through 2008 and 2009.

2. **Use of reserves**

With new retail development under construction, staff expects that sales tax revenues will improve significantly in 2010. To bridge the gap between our current sales tax level and an expected improvement in 2010, the recommended budget used limited available reserves to eliminate the need to reduce services in the short-term. Approximately \$3 million in General Fund reserves was used to balance the 2008-09 Recommended Budget. In the 2010-11 Budget, the City expects that sales tax revenues will improve as new retailers are open and generating new sales tax revenue. Staff discussed the use of reserves with the City Council at its April 2007 retreat and received Council's consent to develop a recommended budget based on this assumption.

At its October 9 Work Session, Council gave staff direction to include an additional amount of resources from General Fund reserves in the appropriation ordinance being considered on First Reading. By using an additional \$400,000 in Reserves, the balance in the General Fund Reserve accounts would remain above the recommended level of 60 days Reserve (16.67% of General Fund expenditures). Council further agreed to formally review a General Fund reserve policy at an upcoming work session.

3. **Vendor Fee Policy Change**

The Appropriation Ordinance is based on the assumption that the City will modify its Vendor Fee, thus yielding additional sales tax revenue that can be applied to General Fund purposes. The Vendor Fee is paid to vendors who collect sales and use taxes on behalf of the City. Currently, approximately \$700,000 is kept each year by businesses as a vendor fee. Staff proposed that the Vendor Fee could be reduced from 3% to 1%, yielding approximately \$390,000 of additional revenue available to the City General Fund.

The proposed vendor fee would allow vendors to keep 1% (\$45) of the first \$4,500 in tax collected. Vendors would keep approximately \$310,000 annually, which would result in the City realizing a greater share of the actual sales and use tax collected. This does not change the sales tax rate that residents pay, but rather recoups a greater amount of it from the vendors who collect the taxes on the City's behalf.

Council directed staff to include this revenue increase in the Final Budget Appropriations Ordinance. To implement this change in the Vendor Fee for Collection of Sales Tax, an Ordinance will be presented for First Reading on November 6. Second Reading will be

scheduled for November 20 to coincide with the Second Reading and final adoption of the 2008-09 Budget.

4. **New facilities must be operated and maintained**

In 2007, three new facilities will open: the new Police Services building, the new Northside Aztlan Community Center, and Spring Canyon Community Park. While the capital funds for these projects were provided through debt financing and voter approved capital programs, the resources to operate and maintain them must be provided through existing General Fund sources.

5. **Public Safety needs and environmental issues are funding priorities**

As initial revenue allocations between the various Budget Outcomes were made, new resources were allocated to these priorities to enhance these services based on feedback provided to staff at the City Council retreat.

6. **Employee salary adjustments are planned for in 2008 and 2009**

A basic assumption was made that employee salary adjustments would be funded. As a basic cost of doing business, it is essential to ensure that these cost increases are funded before making any decisions about additional services or enhancements.

7. **Economic health programs are vital to future revenues**

Investing in the local economy continues to be a priority for long-term financial stability, so economic health programs are a high priority.

As staff developed the recommended budget, one of the messages sent to both our employees and residents is that 2008-09 are not expected to be “rebuilding years.” The City saw significant budget cuts in 2006-07, including a large number of layoffs due to slow revenue growth. For 2008-09, the budget is aimed at fine tuning our service level and addressing a limited number of emerging issues and high priority services with neither significant cuts nor enhancements expected. A limited number of enhancements which address the goals outlined above were included in approved offers. Though many appealing service enhancement offers were submitted by departments, Council found that they could fund only a limited number, given limited revenue growth.

**Adjustment to Recommended Budget**

During September and October, 2007, City Council and staff met in work sessions to review the City Manager’s Recommended Budget in detail. At its October 9 Work Session, Council gave staff general direction to include a number of additional offers in the appropriations ordinance to be considered on First Reading on October 16. (See Offer Descriptions, Attachment 1) These included the following items:

**City Council Possible Funding List  
October 9, 2007 Work Session**

<b>Ongoing</b>		<b>2008</b>	<b>2009</b>
167.1 HPG	Sustainable City Government	\$ 67,151	\$ 69,048
TBD Envir.	Air Quality Monitoring		\$ 20,000
211.2 Neigh	Neighborhood Services–Grant Enhancement	\$ 5,000	\$ 5,000
211.3 Neigh	Neighborhood Services-Code Enforcement	\$ 17,500	\$ 17,500
213.1 HPG	Development Review Center-Innovative Tech		\$ 12,600
<b>Ongoing Total</b>		\$ 89,651	\$ 124,148
<b>One time</b>			
30.4 HPG	Network Services-Equipment (Voice over IP)**	\$ 39,974	\$ 37,342
213.1 HPG	Development Review Center-Innovative Tech	\$ 121,600	
203.3 Neigh	Enhancement of Human Services Grant Program	\$ 100,000	\$ 100,000
TBD Envir	Air Quality Monitoring	\$ 30,000	
126.2 Transp.	Transfort Strategic Operating Plan Update	\$ 100,000	
TBD Envir.	Hazardous Waste Study	\$ 50,000	
TBD Econ	NCEDC Contribution	\$ 30,000	\$ 30,000
203.2 Neigh	Partial Restoration of Affordable Housing Fund	\$ 200,000	\$ 200,000
<b>One time total</b>		\$ 671,574	\$ 367,342

*\*\*Note: Offer 30.4 partially funded through Telecommunications Fund*

In order to fund these desired services, additional resources beyond those included in the 2008-09 City Manager's Recommended Budget will be required to balance the Appropriation Ordinance. Council provided staff with direction to bring forward a proposal that includes the use of an additional \$400,000 in General Fund Reserves and a change to the Sales and Use Tax Vendor Fee which would result in an additional \$390,000 in sales tax revenue. In order to balance the appropriation to these desired purchases, the use of General Fund Reserves was increased slightly beyond the amount directed by Council to total \$412,715. The Partial Restoration of Affordable Housing Fund was also adjusted to be \$200,000 in each year for a total of \$400,000 in funds restored.

In total, \$1,252,715 in additional offers are included in the Final Budget. Of these offers, \$1,038,916 fund one-time expenditures and \$124,148 (2009 costs) fund on-going programs.

## **Conclusion**

The 2008-2009 Final Budget is a sound financial plan to deliver the services we believe our citizens value most. The budgeting process has enabled us to focus and apply the resources available to key community outcomes. Citizens will receive excellent value for their tax dollars.

Any final amendments agreed to by Council will be included in the second (and final) reading of the budget ordinances on November 20, 2007. By Charter, the budget must be adopted and appropriations for the 2008 fiscal year must be approved by November 30.

## **ATTACHMENTS**

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1. Offer Descriptions: Additional Offers to Fund in 2008-09 Final Budget.
2. City Council Offers for Funding Consideration: October 9, 2007 Work Session (Revised)

**Offer Descriptions**

**Additional Offers to Fund in 2008-09 Final Budget  
October 9, 2007 Work Session**

**30.4 Network Equipment (Voice over IP)**

This offer requests funding for equipment to upgrade the City's fiber coax hybrid network necessary to continue the migration to Voice Over IP as well as to provide broadband capacity necessary to meet the needs of the organization

**126.2 Transfort Strategic Operating Plan Update**

The Transfort Strategic Operating Plan was last updated in 2002. It focused on identifying transit needs, opportunities and constraints and developing an operating plan to support the strategic plan. The plan also laid out a four-phased approach to transition the existing circuitous transit network to a grid system by 2010. Based on the City's financial conditions, the Transfort Strategic Operating Plan implementation schedule fell behind. At present day, the City currently should be in Phase 3 of implementation as approved by City Council, but is still fixed in Phase 1 due to lack of funding sources. This offer would update the Transfort Strategic Operating Plan to reflect its existing condition and provide a strategic operational and financial plan, which will also identify potential new funding sources to carry the plan through full implementation.

**167.1 Sustainable City Government**

This offer adds a new 0.5 FTE Environmental Planner to help green the operations of City government by working with departments on existing City sustainability goals such as paper reduction, solid waste reduction, promoting behaviors and polices that conserve energy, encouraging more sustainable employee commuting habits, promoting green purchasing and raising employee awareness of sustainable practices at the office and at home. In addition to work on sustainability goals, this new position will also provide needed help to coordinate assessments of City facilities and assist with implementation of Climate Wise program recommendations for the municipal government.

**203.2 Partial Restoration of Affordable Housing Fund**

This is an enhancement offer to increase the amount of funding in the City's Affordable Housing Fund. The requested increase would add a total of \$500,000 over the next two years, \$250,000 per year in 2008 and in 2009. The Fund currently provides \$133,000 per year that is distributed through the Competitive Process for the production of new affordable housing units for families below 80% of the Area Median Income (AMI).

**203.3 Enhancement of Human Services Program**

This is an enhancement offer to increase the amount of funding in the Human Services Program. The requested increase would add \$210,000 per year to the program that currently provides \$345,934, distributed through the Competitive Process, to non-profit human/social service agencies that provide services to families below 80% of the Area Median Income. Services provided include such things as employment training, day-care, home-ownership education, and emergency shelters. The Competitive Process involves reviews of applications by the Community Development Block Grant Commission and a final decision on funding by the City Council. This enhancement was submitted in response to a Council request.

**211.2 Neighborhood Services - Grant Enhancement**

This offer is an enhancement to the Neighborhood Quality, Maintenance and Innovative Code Compliance Offer in order to increase the service provided to neighborhoods wishing to utilize the Neighborhood Grant program. Grants are used for neighborhood projects including clean-up, Neighborhood Night Out social events and neighborhood signs.

**211.3 Neighborhood Services - Code Enforce Enhancement**

In order to enhance our current level of service, we would need to add a seasonal, hourly inspector to help enforce the Weed Ordinance from early May to September 1st. Of the 22,000 plus inspections we performed in 2006, over a quarter of the cases were for weed violations requiring approximately 6,436 inspections. Clearly, weed violations are the overwhelming daily service demand faced by code enforcement staff during the summer months, limiting available resources to enforce other codes.

**213.1 Development Review Center - Innovative Technology**

This offer is for the acquisition and implementation of technologies specifically related to development review and construction plan submittal processing. This technology would enable staff to create a project-specific online information center where applicants, owners, developers, citizens, and staff would have online access to all project information, communications and workflow processes. This would greatly increase project coordination and collaboration between the participants, and potentially decrease the amount of time required to process applications. Automated notification features can be utilized to alert participants of various items, alleviating the need to routinely check on status. The ability to check required changes on resubmitted documents is facilitated through document overlay or side by side comparison features that highlight the differences, thereby increasing efficiency for the staff reviewer. As well, this technology would give staff a better and more comprehensive way to track pertinent data related to these review processes.

**TBD Additional Air Quality Monitoring Equipment**

This offer would add additional air quality monitoring equipment for particulates. Capital costs are estimated at \$30,000 and annual operating costs range from

\$10,000 - \$20,000. Real-Time Particulate Monitoring would involve ongoing operation of an existing real-time particulate monitor and publication and distribution of hourly air quality data. It could include participating in AIRNOW, an existing cross-agency Air Quality reporting Web site that can provide up-to-date info, via pager or email, on EPA's Air Quality Index (with health advisories), PM concentration, Ozone, current air quality conditions and yesterday's summary.

**TBD      NCEDC Contribution**

Funding is provided to support NCEDC programs and services that assist the City in implementing the Economic Action Plan, including the following:

- Business retention and expansion
- Clean Energy Cluster support
- Technology Incubator support
- Regional Economist support
- Ongoing support for managing site selection inquires and State of Colorado incentives

**TBD      Hazardous Waste Disposal Study**

This offer would fund a feasibility study for a disposal site for household hazardous waste. The offer of \$50,000 would include one-time funds for the study only, with no funding for implementation.

**City Council Offers for Funding Consideration  
October 9, 2007 Work Session (Revised)**

<b>Offer #</b>	<b>Result Area</b>	<b>Offer Name</b>	<b>2008 Cost</b>	<b>2009 Cost</b>	<b>Request Ongoing or One-time</b>	
<b>One Time Only</b>						
166.1	Environmental	West Nile--fully fund	\$ 14,156		ongoing	partially funded in 2008 only; 2009 funded
127.3	Transportation	Enhanced Travel Corridor--North College	\$ 200,000		one time	
126.2	Transportation	Transfort Strategic Operating Plan Update	\$ 100,000		one time	Either year, prior to Transportation Master Plan
138.1	Transportation	eCommerce Implementation--Parking Service	\$ 44,000		one time	
221.1	Neighborhood	Eastside/Westside Neigh.Plan updates	\$ 171,000		one time	
TBD	Environmental	Hazardous Waste Disposal Facility (Estimate ONLY)	\$ 200,000		??	Staff does not have an estimate of either the one-time or ongoing cost
TBD	Econ.	NCEDC Contribution	\$ 30,000	\$ 30,000		one-time, 2 years
30.4	High Perf. Govt.	Network Services--Network Equipment(Voice overIP)	\$ 88,850	\$ 83,000	one time	2 one-time offers, partially funded thru Telecomm. Fund
			<u>\$ 848,006</u>	<u>\$ 113,000</u>		
<b>One Time Possible</b>						
203.3	Neighborhood	Enhancement of Human Services Grant Prog.	\$ 100,000	\$ 100,000	ongoing	partial, total request = \$210,000 year
186.1	Safe Community	Traffic Calming (fund pilot?)	\$ 550,000	\$ 550,000	ongoing	Fund a pilot project?
184.2	Transportation	Sign Replacement Program	\$ 38,000		ongoing	Ongoing project, first year funding included in 2009 Rec.Budget
88.16	Transportation	Street Design & Const. Stds Suppt. & Maint.	\$ 5,000	\$ 5,000	ongoing	
88.6	Transportation	Pedestrian Access--Enhancement	\$ 275,000	\$ 325,000	ongoing	
203.2	Neighborhood	Partial Restoration of Affordable Housing Fund	\$ 250,000	\$ 200,000	ongoing	Can be funded at any level desired by Council
211.2	Neighborhood	Neighborhohood Sevices--Grant Enhancement	\$ 5,000	\$ 5,000	ongoing	
			<u>\$ 1,223,000</u>	<u>\$ 1,185,000</u>		
<b>Ongoing</b>						
139.8	Safe Community	PFA South Battalion	\$ 664,616	\$ 506,424	ongoing	180k one time capital, balance ongoing, 3-6 mon lead time
TBD	Environmental	Air Quality Monitoring	\$ 30,000	\$ 20,000	one time plus ongoing	
TBD	Safe Community	Police staffing	\$ 2,000,000	\$ 2,000,000	ongoing	
167.1	High Perf. Govt.	Sustainable City Government	\$ 67,151	\$ 69,048	ongoing	
213.1	High Perf. Govt.	Development Review Center--Innovative Tech	\$ 121,600	\$ 12,600	ongoing	
211.3	Neighborhood	Neighborhood Services--Code Enforcement	\$ 17,500	\$ 17,500	ongoing	
93.1	Neighborhood	Neighborhood Parking Pilot program	\$ 28,735	\$ 21,205	ongoing	
			<u>\$ 2,929,602</u>	<u>\$ 2,646,777</u>		
		<b>Grand Total</b>	<b>\$ 5,000,608</b>	<b>\$ 3,944,777</b>		

ORDINANCE NO. 118, 2007  
OF THE COUNCIL OF THE CITY OF FORT COLLINS  
BEING THE ANNUAL APPROPRIATION ORDINANCE  
RELATING TO THE ANNUAL APPROPRIATIONS  
FOR THE FISCAL YEAR 2008; ADOPTING THE BUDGET  
FOR THE FISCAL YEARS BEGINNING JANUARY 1, 2008,  
AND ENDING DECEMBER 31, 2009; AND FIXING THE MILL  
LEVY FOR FISCAL YEAR 2008

WHEREAS, the City Manager has, prior to the first Monday in September, 2007, submitted to the Council a proposed budget for the next ensuing budget term, along with an explanatory and complete financial plan for each fund of the City, pursuant to the provisions of Article V, Section 2, of the City Charter; and

WHEREAS, within ten days after the filing of said budget estimate, the Council set September 18 and October 2, 2007, as the dates for the public hearings thereon and caused notice of such public hearings to be given by publication pursuant to Article V, Section 3, of the City Charter; and

WHEREAS, the public hearings were held on those dates and persons were given the opportunity to appear and object to any or all items and estimates in the proposed budget; and

WHEREAS, Article V, Section 4, of the City Charter requires that, before the last day of November of each fiscal year, the Council adopt the budget for the ensuing term by ordinance and appropriate such sums of money as the Council deems necessary to defray all expenditures of the City during the ensuing fiscal year; and

WHEREAS, Article V, Section 5, of the City Charter provides that the annual appropriation ordinance shall also fix the tax levy upon each dollar of the assessed valuation of all taxable property within the City, such levy representing the amount of taxes for City purposes necessary to provide for payment during the ensuing fiscal year for all properly authorized expenditures to be incurred by the City; and

WHEREAS, Article XII, Section 6, of the City Charter permits the City Council to fix, establish, maintain, and provide for the collection of such rates, fees, or charges for water and electricity, and for other utility services furnished by the City as will produce revenues sufficient to pay into the General Fund in lieu of taxes on account of the City-owned utilities such amount as may be established by Council.

NOW, THEREFORE, BE IT ORDAINED BY THE COUNCIL OF THE CITY OF FORT COLLINS as follows:

Section 1. Budget

a. That the City Council has reviewed the City Manager's 2008-2009 Recommended Budget, a copy of which is on file with the office of the City Clerk, and has approved certain amendments thereto.

b. That the City Manager's 2008-2009 Recommended Budget, as amended by the Council, is hereby adopted, in accordance with the provisions of Article V, Section 4, of the City Charter and incorporated herein by reference; provided, however, that the comparative figures contained in the adopted budget may be subsequently revised as deemed necessary by the City Manager to reflect actual revenues and expenditures for the fiscal year 2007.

c. That the adopted budget, as amended, shall be maintained in the office of the City Clerk and identified as "The Budget for the City of Fort Collins for the Fiscal Years Ending December 31, 2008, and December 31, 2009, as Adopted by the City Council on November 20, 2007."

Section 2. Appropriations. That there is hereby appropriated out of the revenues of the City of Fort Collins, for the fiscal year beginning January 1, 2008, and ending December 31, 2008, the sum of FIVE HUNDRED SIXTY-NINE MILLION FIVE HUNDRED NINETY THOUSAND ONE HUNDRED FIFTY-FIVE DOLLARS (\$569,590,155) to be raised by taxation and otherwise, which sum is deemed by the City Council to be necessary to defray all expenditures of the City during said budget year, to be divided and appropriated for the following purposes, to wit:

GENERAL FUND	\$107,690,574
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ENTERPRISE FUNDS

Golf	\$2,717,381
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Light & Power

Operating Total	90,288,372	
Capital:		
Service Center Additions	4,482,904	
Southwest Enclave Annexation	800,000	
Substation Improvements	5,222,621	
Wi Fi	<u>50,000</u>	
Capital Total	10,555,525	
Total Light & Power		100,843,897

Storm Drainage	
Operating Total .....	9,859,110
Capital:	
Basin Master Planning	90,000
Canal Importation Basin	5,000,000
Cooper Slough-Boxelder	400,000
Developer Repays	75,000
Drainage System Replacement	365,000
Dry Creek Basin	1,600,000
Service Center Improvements	<u>81,775</u>
Capital Total .....	<u>7,611,775</u>
Total Storm Drainage .....	17,470,885
Wastewater	
Operating Total .....	17,607,768
Capital:	
Collection System Replacement	1,110,000
Collection System Study	50,000
Mulberry WRF Improvements	6,150,000
Northwest Trunk Sewer Expansion	2,000,000
Service Center Improvements	69,571
Sludge Disposal Improvements	150,000
Treatment Plant Improvements	750,000
Water Reclamation Replacement Program	<u>3,794,000</u>
Capital Total .....	<u>14,073,571</u>
Total Wastewater .....	31,681,339
Water	
Operating Total .....	26,432,962
Capital:	
Cathodic Protection	50,000
Distribution System Replacement	755,000
Halligan Reservoir Expansion	190,000
Master Plan Facilities	750,000
Meter Conversion Program	920,000
Service Center Improvements	136,006
Southwest System Improvements	50,000
Treatment Facility Improvements	75,000
Water Production Replacement Program	1,160,000
Water Supply Development	<u>100,000</u>
Capital Total .....	<u>4,186,006</u>
Total Water .....	<u>30,618,968</u>
<b>TOTAL ENTERPRISE FUNDS</b>	<b><u>\$ 183,332,470</u></b>

**INTERNAL SERVICE FUNDS**

Benefits	\$20,793,276
Communications	2,384,802
Equipment	10,906,771
Self Insurance	3,352,985
Utility Customer Service & Administration	<u>14,464,156</u>

**TOTAL INTERNAL SERVICE FUNDS** \$ 51,901,990

**SPECIAL REVENUE FUNDS**

Capital Improvement Expansion Fund	\$ 459,981
Capital Leasing Corporation Fund	5,726,331
Cemeteries	629,884
Cultural Services & Facilities	5,008,662
Debt Service	1,352,038
General Employees' Retirement	2,684,342
Natural Areas Fund	9,225,217
Perpetual Care	70,438
Recreation	7,850,915
Sales and Use Tax	78,137,453
Street Oversizing	5,279,837
Transit Services	11,026,076
Transportation Services	<u>28,503,751</u>

**TOTAL SPECIAL REVENUE & DEBT SERVICE FUNDS** \$155,954,925

**CAPITAL IMPROVEMENT FUNDS**

**General City Capital**

City Bridge Program	\$ 300,000
Police Facility	674,429
Railroad Crossing Replacement	<u>100,000</u>

**TOTAL GENERAL CITY CAPITAL** \$1,074,429

**1/4 Cent - Building on Basics**

Administration	\$ 58,889
Bicycle Program Plan Implementation	125,000
Intersection Improvements and Traffic Signals	2,506,052
Library Technology	744,000
North College Avenue Improvements	1,063,490

Pedestrian Plan and ADA Improvements	<u>300,000</u>
TOTAL 1/4 CENT - BUILDING ON BASICS	\$ 4,797,431
<u>1/4 Cent BCC -Streets and Transportation</u>	
Mason Street Transportation Corridor	<u>\$ 61,508,488</u>
TOTAL 1/4 CENT STREETS AND TRANSPORTATION	\$ 61,508,488
<u>Conservation Trust Fund</u>	
Administration	\$ 242,389
Fossil Creek Trail	50,000
Open Space Acquisition	10,000
Trail Acquisition, Development & Repair	350,000
Transfer to General Fund-Parks Maintenance	687,496
Tri-City Trails	<u>30,000</u>
TOTAL CONSERVATION TRUST FUND	\$1,369,885
<u>Neighborhood Parkland Fund</u>	
Administration	\$ 419,963
Cottonwood Glen Park	150,000
Golden Meadows Park	175,000
Maple Hill Park	150,000
New Park Site Acquisition	400,000
New Park Site Development	150,000
Old Fort Collins Heritage Park	100,000
Park Site Equipment	15,000
Provincetowne Park	200,000
Registry Ridge Park	<u>200,000</u>
TOTAL NEIGHBORHOOD PARKLAND FUND	\$1,959,963
TOTAL CITY FUNDS	\$569,590,155

Section 3. Mill Levy

a. That the 2008 mill levy rate for the taxation upon each dollar of the assessed valuation of all the taxable property within the City of Fort Collins as of December 31, 2007, shall be 9.797 mills, which levy represents the amount of taxes

# AGENDA ITEM SUMMARY

## FORT COLLINS CITY COUNCIL

ITEM NUMBER: 22

DATE: October 16, 2007

STAFF: Brian Janonis  
Terri Bryant  
Bill Bray

### SUBJECT

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Items relating to Utility Rates and Charges for 2008.

### RECOMMENDATION

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Staff recommends adoption of the Ordinances on First Reading.

Electric Board recommends adoption of the monthly electric rates and electric development fees ordinances.

Water Board recommends adoption of the monthly wastewater rates and water, wastewater, and stormwater plant investment fee ordinances.

### FINANCIAL IMPACT

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The rate Ordinances are projected to increase the annual operating revenues of the Wastewater Fund by 12% and the Light and Power Fund by approximately 2.3%. No increases are proposed for water and stormwater monthly rates. The combined utility fees for a typical single family residence will increase \$3.34 per month.

Proposed water, wastewater and stormwater plant investment fees (PIFs) are updated to reflect a new customer's impact on the system and maintain existing customers' equity in the system. Proposed electric development fees and charges cover costs of new commercial and residential development. The financial impacts vary by the size and nature of the development. If the proposed fees are adopted, water, wastewater and stormwater plant investment fees, and electric development fees and charges will increase. The combined utility development fees for a typical single family residence (exclusive of raw water requirements which are not changing) will increase from \$9,213 to \$10,639 or 15.5%.

The proposed fees will be effective January 1, 2008.

### EXECUTIVE SUMMARY

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- A. First Reading of Ordinance No. 119, 2007, Amending Chapter 26 of the City Code to Revise Water Plant Investment Fees and Raw Water Requirements.
- B. First Reading of Ordinance No. 120, 2007 Amending Chapter 26 of the City Code Relating to Wastewater Rates and Charges.

- C. First Reading of Ordinance No. 121, 2007, Amending Chapter 26 of the City Code to Revise Sewer Plant Investment Fees.
- D. First Reading of Ordinance No. 122, 2007 Amending Chapter 26 of the City Code Relating to Electric Rates and Charges.
- E. First Reading of Ordinance No. 123, 2007, Amending Chapter 26 of the City Code to Revise Electric Development Fees and Charges.
- F. First Reading of Ordinance No. 124, 2007, Amending Chapter 26 of the City Code to Revise Stormwater Plant Investment Fees.
- G. First Reading of Ordinance No. 125, 2007, Amending Chapter 26 of the City Code Relating to Utility Connection Fees and Miscellaneous Charges.

Ordinance No. 120, 2007 and Ordinance No. 122, 2007 establish monthly wastewater and electric rates for 2008 as follows:

	% Increase
Wastewater	12
Electric	2.0 - 2.6

The electric rate Ordinance also includes a housekeeping change to the power adjustment clause.

Ordinance No. 125, 2007, updates utility connection fees and miscellaneous charges for returned items and turn-off notices to recover the cost of these services.

Ordinances Nos. 119, 121, 123, and 124, 2007, adopt revised water, sewer and stormwater plant investment fees and electric development fees. The fees are one-time charges paid by developers or builders for the cost of the utility infrastructure needed to serve new development. Per Council direction, plant investment fees are reviewed on an annual basis and revised during the biennial budget cycle. Plant investment fees (PIFs) for water, wastewater and stormwater were updated with the 2006-2007 budget. Electric development fees and charges are updated annually.

**BACKGROUND**

**PLANT INVESTMENT FEES**

- **WATER**

The water plant investment fees are developed to recover the current value of past investment and the current value of future growth-related investment through 2040. This method includes calculating net water system equity, capacity units, and determining the net system equity per unit. Water system assets are valued at replacement costs adjusted by the construction cost index as published by *Engineering News Record*. Net system equity is determined by subtracting outstanding debt principal from the total replacement costs plus estimated future growth related to capital projects. That result is then divided by the future total plant capacity to determine unit cost. The

unit cost is applied to an estimated representative annual usage for each customer class to determine the proposed water PIF.

The following schedule details PIFs for the various customer classes.

WATER PLANT INVESTMENT FEES BY CUSTOMER CLASS					
Customer Class/Meter Size	2006 PIFs		2008-2009 Proposed		Change
	Peak Day Usage (gpd)	Current Charge	Peak Day Usage (gpd)	Proposed Charge	
Unit Fee (\$ per gallon)		\$3.69		\$4.03	9.2%
<b>Residential:</b>					
<b>Single Family</b>					
Inside Use	191	\$ 710	181	\$ 730	3%
Outside Use - \$/Sq. Ft.	864	\$ 0.37	770	\$ 0.36	-3%
<b>Multi-Family (per unit)</b>					
Inside Use	133	\$ 490	122	\$ 490	0%
Outside Use - \$/Sq. Ft.	263	\$ 0.28	232	\$ 0.27	-4%
<b>Non-Residential (meter size)</b>					
¾ inch	1,800	\$ 6,640	1,730	\$ 6,970	5%
1 inch	5,230	\$ 19,300	5,110	\$ 20,590	7%
1 ½ inch	10,470	\$ 38,630	10,300	\$ 41,510	7%
2 inch	16,710	\$ 61,660	16,210	\$ 65,330	6%
3 inch	33,240	\$122,660	35,370	\$142,540	16%
> than 3 inches	Based on specific customer requirements				

\*differences due to rounding

The impact to a typical single family residence (8,600 sq. ft. lot) is a decrease of \$66 from \$3,892 to \$3,826. The decrease is due to a reduction in average usage by the residential class.

## Other

In addition to updating the wastewater PIF charges, the Ordinance revises Section 26-149 of the City Code which describes Raw Water requirements for non-residential service. The revision clarifies that the customer is required to provide Raw Water equal to 1.92 times the customer's estimated peak annual use. The revisions apply (1) to a customer with two or more meters and (2) to a customer who increases their annual allotment. An additional change is to correct a spelling error wherein Raw Water Requirements are currently referenced as "RVR" and that is corrected to be "RWR".

- **WASTEWATER**

The wastewater plant investment fees are developed using a method which assesses new customers based on an allocation of the costs of the existing facilities and the projected growth-related improvements. The utility foresees a significant amount of growth-related treatment plant projects on the planning horizon. The 2005 study of the wastewater plant investment fees recommended a 174% increase. Due to the magnitude of the proposed increase, Council directed a three-year phase-

in of the fees which was implemented beginning January, 2006. The final phase of the 3-phase implementation is included in the proposed 2008 wastewater PIFs.

The proposed fees are shown in the following tables:

WASTEWATER PLANT INVESTMENT FEES					
Customer Class/Meter Size	Existing 2007		Proposed 2008		Change
	Volume Gpd	Current Charge	Volume Gpd	Proposed Charge	
Single Family	340	\$ 2,223	321	\$ 3,194	43.7%
Multi-Family	236	\$ 1,583	208	\$ 2,069	30.7%
<b>Non-Residential (meter size)</b>					
¾ inch	709	\$ 4,749	624	\$ 6,206	30.7%
1 inch	1,814	\$ 12,151	1,644	\$ 16,361	34.6%
1 ½ inch	3,279	\$ 21,965	2,854	\$ 28,396	29.3%
2 inch	5,802	\$ 38,865	5,122	\$ 50,963	31.1%
3 inch	12,105	\$ 81,086	12,209	\$121,484	49.8%
4 inch and above assessed on individual basis					

Wastewater plant investment fees for a typical single-family residence in 2008 would increase from \$2,223 to \$3,194, or 43.7%.

- STORMWATER**

Plant investment fees for stormwater are adopted on a citywide basis. All new development must provide on-site detention as specified in the master plan. Regional elements are sized to handle existing flows and to work in coordination with on-site detention in new developments. Stormwater PIFs pay for a developer’s proportionate share of the system infrastructure as it exists at the time they develop.

The unit of measure used to allocate the value of the existing system between new customers and existing customers is acres of developed land, adjusted with a runoff coefficient (a measure of how water runs off various surfaces). Proposed development fees are calculated by dividing the value of the current system, less outstanding debt, by the total acres of land (existing developed and developable) in the service area. This number is then adjusted by the average runoff for the system. The result is the unit value of the existing system per acre of developed land.

2006 Fees	2008 Proposed Fees	% Change
\$3,070	\$4,420	43.97%

The significant increase in fees is due to the large investments in stormwater infrastructure over the last few years.

- ELECTRIC**

Electric development charges include the allocated and actual costs to the utility for each commercial or residential development. The two components of these charges are the Electric Capacity Fee for the off-site electric system, and the Building Site Charge for the on-site electric costs. The electric development charges are typically increased annually to adjust for inflation and cost increases. Increases range from 12% for residential and 20% for commercial development. The increases are due primarily to the significant increases experienced in the cost of transformers, metals and other construction materials.

The following tables compare current fees with proposed fees for residential and commercial development:

<b>ELECTRIC DEVELOPMENT FEES &amp; CHARGES</b>					
<b>RESIDENTIAL</b>					
<b>Category</b>	<b>Charge</b>	<b>2007</b>	<b>2008</b>	<b>% diff.</b>	
<b>Electric Capacity Fee</b>	Per square foot	\$0.04215	\$0.04731	12%	
	Per lineal front foot	\$7.90	\$9.53	21%	
	Dwelling Unit	150A Single-Fam	\$1,078	\$1,177	9%
		200A Single-Fam	\$1,806	\$1,991	10%
		150A Multi-Fam	\$719	\$785	9%
		200A Multi-Fam	\$1,267	\$1,399	10%
<b>Building Site Charges</b>	Secondary Service	1/0	\$585	\$625	7%
		4/0	\$756	\$787	4%
		350 kCM	\$732	\$873	19%
		1/0 mobile	\$458	\$490	7%
		4/0 mobile	\$593	\$623	5%

ELECTRIC DEVELOPMENT FEES & CHARGES					
COMMERCIAL					
Category	Charge	2007	2008	% diff.	
Electric Capacity Fee	Per square foot	\$0.04215	\$0.04731	12%	
	Per lineal front foot	\$29.83	\$35.52	19%	
	Service Entrance (per 100 amps)	208V 1-Ph	\$946	\$1,146	21%
		240V 1-Ph	\$1,091	\$1,323	21%
		208V 3-Ph	\$1,638	\$1,985	21%
		240V 3-Ph	\$1,890	\$2,291	21%
		480V 3-Ph	\$3,779	\$4,581	21%
Building Site Charges	Primary Circuit (1-phase)	\$7.20	\$8.78	22%	
	Primary Circuit (3-phase)	\$13.10	\$17.72	35%	
	Transformer Installation - 1 phase	\$1,119	\$1,148	3%	
	Transformer Installation - 3 phase	\$2,097	\$2,132	2%	

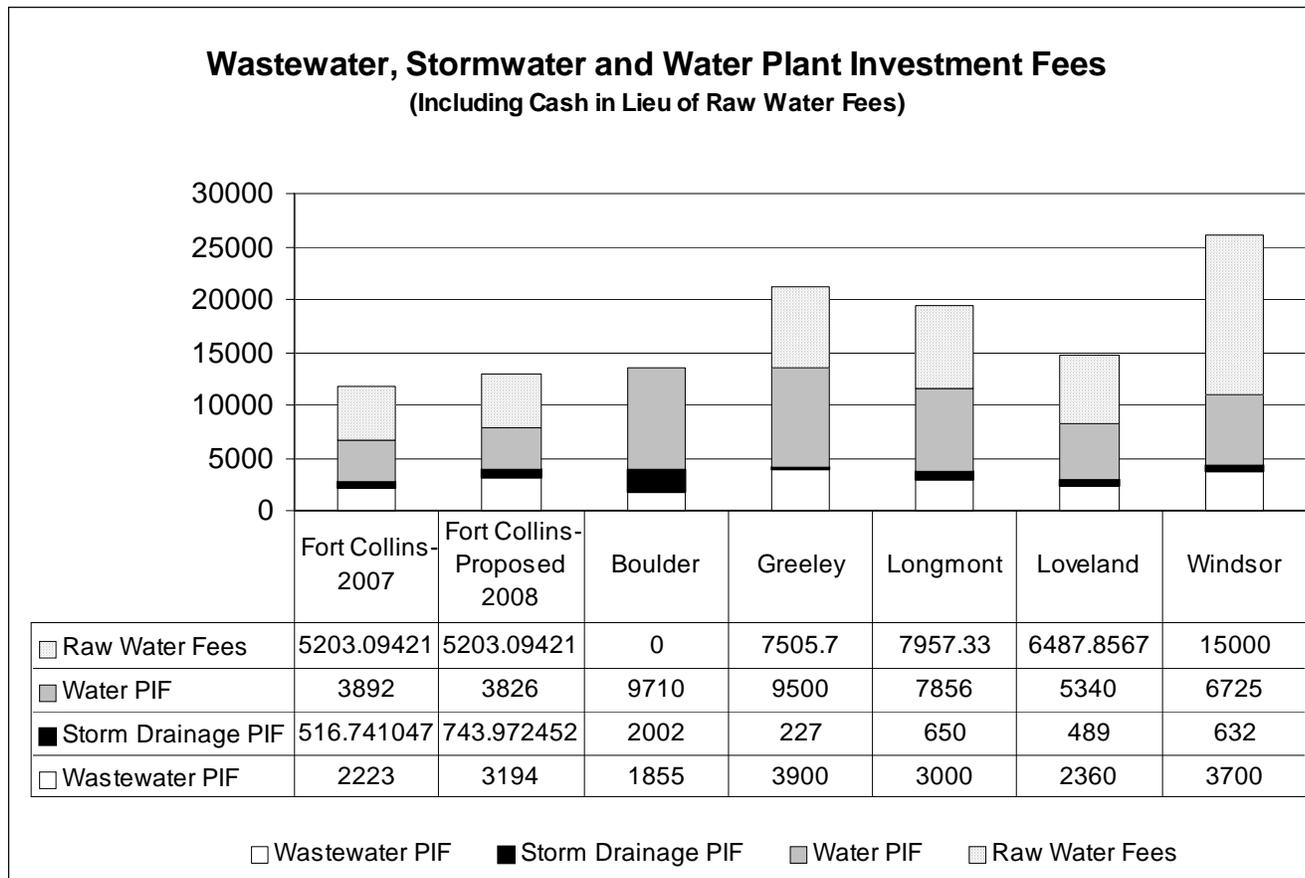
The impact to a typical single family residence (8,600 sq. ft. lot, 150 amp service) is an increase of \$298 from \$2,578 to \$2,876, or 12%.

**SUMMARY OF PIF CHANGES AND COMPARISONS**

The following table shows the overall impact of the proposed Plant Investment Fees and Electric Development Charges on a typical single family residence.

Impact on Single Family				
	Current	Proposed	Change	
Water*	\$ 3,892	\$ 3,826	-2%	(\$ 66)
Raw Water**	\$ 5,203	\$ 5,203	0%	\$ 0
Wastewater	\$ 2,223	\$ 3,194	44%	\$ 971
Stormwater*	\$ 520	\$ 743	43%	\$ 223
Electric*	\$ 2,578	\$ 2,876	12%	\$ 298
<b>Total</b>	<b>\$14,416</b>	<b>\$ 15,842</b>	<b>10%</b>	<b>\$1,426</b>
*Typical, based on lot size				
**No increase for Raw Water				

Comparison to other utilities is difficult due to differences in customer use patterns, the unique capital needs of each utility, and different policy direction from governing bodies. The question of how Fort Collins compares to other area utilities often arises. The graph below compares water, wastewater, and stormwater PIFs and raw water requirements for a single family residence for some neighboring communities.



**MONTHLY RATES**

**Wastewater**

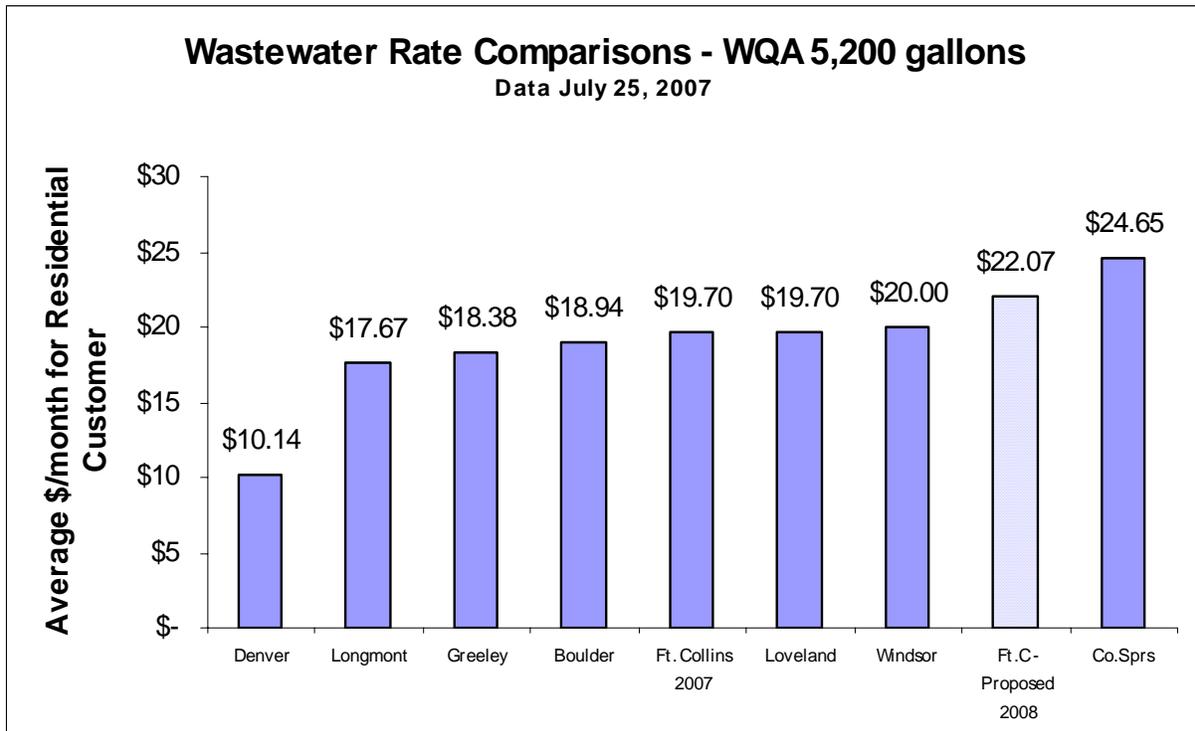
The Ordinance increases the City’s wastewater rates by 12%. The increase is applied “across the board” to all customers. With the proposed rate, a typical single family residential customer’s monthly bill will increase from \$19.70 to \$22.07 or \$2.37 per month in 2008. This is based on a system average of 5,200 gallons per month winter quarter average (WQA) water use. The wastewater rate increase is needed to generate sufficient revenue to fund the wastewater operations and meet the increase in long-term debt service obligations for a major capital project to replace the trickling filter, make odor control improvements and prepare for future regulation-based improvements at the Mulberry facility.

The Mulberry plant was built in 1946 with upgrades in 1958 and 1972. In the past two years, the treatment performance of the plant’s 60-year old trickling filter (which provides first-stage secondary treatment for the plant flow) has degraded several times requiring it to be taken off-line, cleaned and restarted. Failure of the trickling filter creates a significant increase in odors until it has been cleaned. Even after restarting, the trickling filter’s effectiveness has not recovered to its past efficiency. In late 2006, a study by MWH Consulting Engineers was commissioned to determine the best solution for the long-term use of the Mulberry plant. Upgrading the plant’s secondary treatment processes by removing the trickling filter and its associated facilities and installing a new aeration basin and associated facilities is the most cost-effective solution. Because the trickling filter is already recommended for replacement, odor control improvements will also take place.

Upgrading the facility will also allow the Utilities to prepare for future regulation-based improvements. The improvements, including design and construction, are projected to cost \$31.8 million and will be funded by debt.

An 11% increase is proposed for 2009, 10% for 2010, and 9% for 2011 to maintain reserve requirements, meet debt service, and continue operations and maintenance functions.

As shown in the graph below, the City’s wastewater rates remain comparable to those of other local utilities:



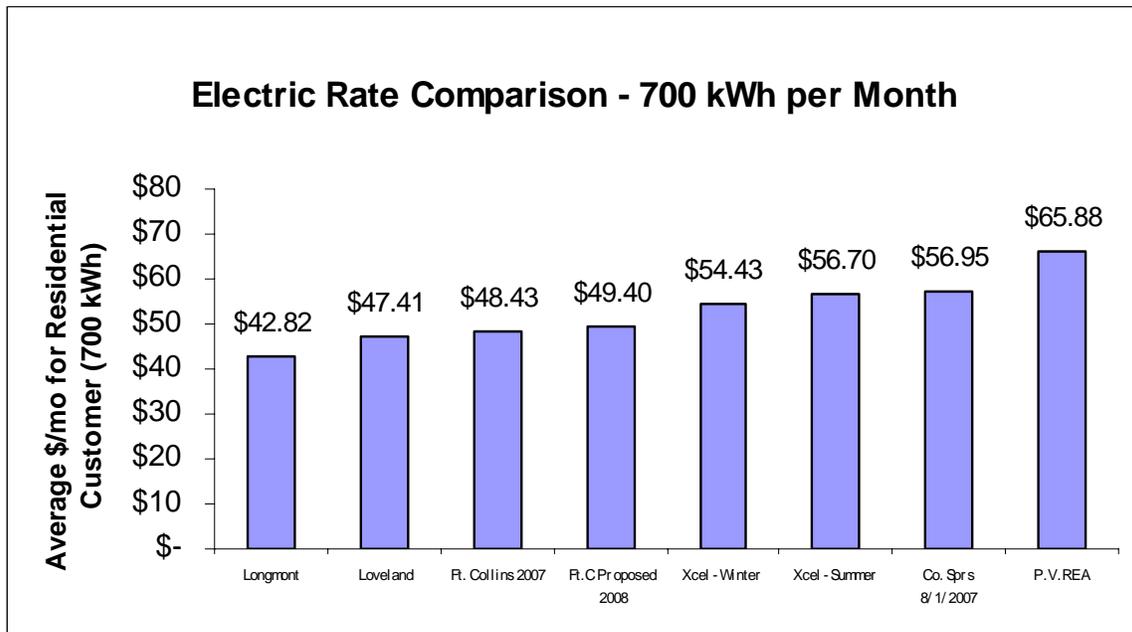
**Electric**

The Utilities are proposing an electric rate increase averaging 2.3% in 2008 and 2.7% in 2009. The rate increase is wholly due to the increases in purchase power costs from Platte River Power Authority, the City’s wholesale energy supplier. On September 27, 2007, Platte River’s Board adopted a 3% wholesale rate increase for 2008 and projects a rate increase of about 3.5% in 2009. Platte River’s increases are due to several factors:

- Increased coal and rail costs at Rawhide and Craig power plants
- Increased purchased power costs from WAPA (Western Area Power Administration)
- Mercury mitigation costs
- Expanded energy efficiency programs (1% of revenues per PR’s 2007 Integrated Resource Plan)
- Capital expenditure increases (new projects & increased material costs for existing projects)
- Reduction in surplus sales revenues

The proposed 2.3% increase in 2008 will vary slightly by rate class. Residential rates will increase 2.0%-2.2%, commercial rates will increase 2.2%-2.3%, and industrial rates will increase approximately 2.6%. For a typical residential customer using 700 kilowatt-hours per month, the monthly bill will increase 97 cents per month from \$48.43 to \$49.40.

The following chart compares average monthly residential electric rates with other front range utilities:



## Other

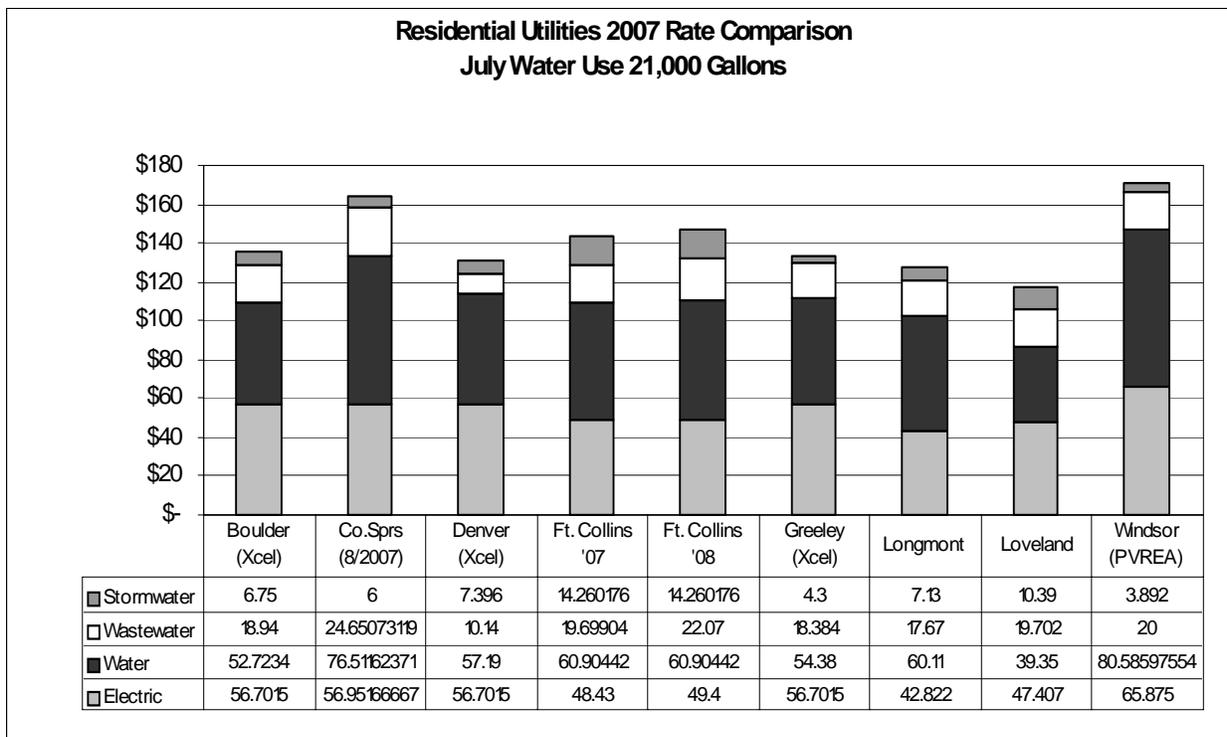
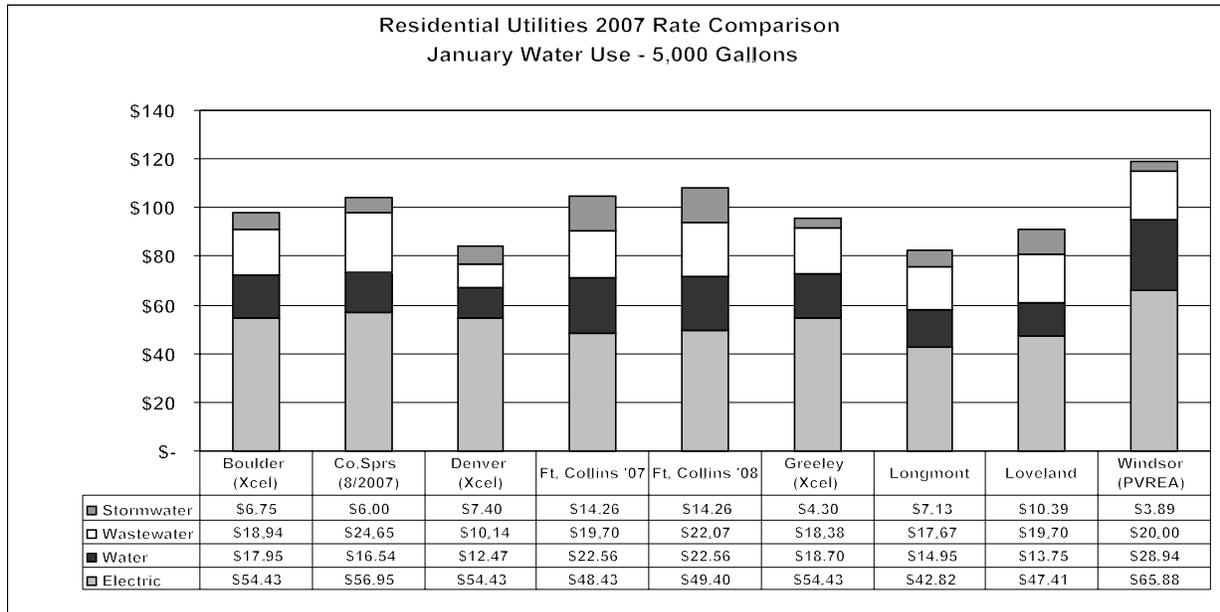
In addition, the electric rate Ordinance includes a housekeeping change to the *Power Factor Adjustment* clause of the commercial and industrial rate classes to reflect the changes in technology. Prior to the capabilities of modern metering equipment, special recording equipment was periodically installed on services to measure power factor. Meters now collect the data necessary to make these calculations each month so periodic testing is no longer required.

## Monthly Rate Summary

The following table summarizes the impact of the proposed rate increases on a typical single family residential customer's monthly utility bill. In total, a "typical" customer's bill will increase \$3.34 per month.

<b>Typical Residential Customer – Monthly Utility Bill</b>				
	<b>Current 2007</b>	<b>Proposed 2008</b>	<b>\$ Increase</b>	<b>% Increase</b>
<b>Electric</b> 700 kWh per month	\$ 48.43	\$ 49.40	\$0.97	2%
<b>Wastewater</b> 5,200 gallons/month winter quarter use	\$ 19.70	\$ 22.07	\$2.37	12%
<b>Stormwater</b> 8,600 sq.ft. lot, light runoff	\$ 14.26	\$ 14.26	\$0.00	0%
<b>Water</b>				
January 5,000 gallons	\$ 22.56	\$ 22.56	\$0.00	0%
July 21,000 gallon	\$ 60.90	\$ 60.90	\$0.00	0%
<b>Total January Monthly Utility Bill</b>	<b>\$104.95</b>	<b>\$108.29</b>	<b>\$3.34</b>	<b>3%</b>
<b>Total June Monthly Utility Bill</b>	<b>\$143.29</b>	<b>\$146.63</b>	<b>\$3.34</b>	<b>2%</b>

The following charts compare water, wastewater, stormwater and electric utility costs for eight front range cities. They include the recommended 2008 increases for wastewater and electric for Fort Collins. Projected rate adjustments for the other cities are unknown at this time.



**CUSTOMER SERVICE FEES AND CHARGES**

The Utilities is proposing increasing the turn-off notice fee from \$7.00 to \$10.00 and the return item fee (returned checks, electronic transfers, credit card payments) from \$15 to \$25. The increases are necessary to offset the associated costs and align with current business practices.

### **WATER BOARD AND ELECTRIC BOARD RECOMMENDATIONS**

The Water Board reviewed the 2008-2009 water utilities' budgets, water, sewer and stormwater plant investment fee changes, and monthly wastewater rate increases at the August 23, 2007 Board meeting. The Board voted 8 to 1 approving the proposed budget and fee changes with an amended motion encouraging City Council to increase the appropriation for water conservation and demand management.

The Electric Board reviewed the 2008-2009 Light and Power budget and the proposed increases to the electric rates and development fees and charges at its meeting on August 15, 2007. The Board unanimously approved a motion supporting the proposed budget and fee changes.

### **ATTACHMENTS**

1. Water Board Minutes – excerpt from August 2007 meeting relating to budget, rates and PIFs.
2. Electric Board Minutes – excerpt from August 2007 meeting relating to budget, rates, and electric fees.

for City purposes necessary to provide for payment during the aforementioned budget year of all properly authorized expenditures to be incurred by the City.

b. That the City Clerk shall certify this levy of 9.797 mills to the County Assessor and the Board of Commissioners of Larimer County, Colorado, in accordance with the applicable provisions of law, as required by Article V, Section 5, of the Charter of the City of Fort Collins.

Introduced, considered favorably on first reading, and ordered published this 16th day of October, A.D. 2007, and to be presented for final passage on the 20th day of November, A.D. 2007.

\_\_\_\_\_  
Mayor

ATTEST:

\_\_\_\_\_  
City Clerk

Passed and adopted on final reading on the 20th day of November, A.D. 2007.

\_\_\_\_\_  
Mayor

ATTEST:

\_\_\_\_\_  
City Clerk