

AGENDA ITEM SUMMARY

July 21, 2015

City Council

STAFF

Jon Haukaas, Water Engr Field Operations Mgr
Phil Ladd, Utilities Customer Accounts Supervisor

SUBJECT

Second Reading of Ordinance No. 075, 2015, Appropriating Prior Year Reserves in the Water Fund for 2015 Water Distribution Infrastructure Replacement Projects.

EXECUTIVE SUMMARY

This Ordinance, unanimously adopted on First Reading on July 7, 2015, appropriates \$745,000 in prior year reserves to be used for water distribution system infrastructure replacement projects in 2015. The current funding shortfall is due to unanticipated projects and escalating construction costs. There are sufficient water plant investment fee revenues in reserve available and appropriately utilized for this purpose, particularly in light of unanticipated fee revenues received in 2015.

STAFF RECOMMENDATION

Staff recommends adoption of the Ordinance on Second Reading.

ATTACHMENTS

1. First Reading Agenda Item Summary, July 7, 2015 (w/o attachments) (PDF)
2. Ordinance No. 075, 2015 (PDF)

AGENDA ITEM SUMMARY

July 7, 2015

City Council

STAFF

Jon Haukaas, Water Engr Field Operations Mgr
Phil Ladd, Utilities Customer Accounts Supervisor

SUBJECT

First Reading of Ordinance No. 075, 2015, Appropriating Prior Year Reserves in the Water Fund for 2015 Water Distribution Infrastructure Replacement Projects.

EXECUTIVE SUMMARY

The purpose of this item is to appropriate \$745,000 in prior year reserves to be used for water distribution system infrastructure replacement projects in 2015. The current funding shortfall is due to unanticipated projects and escalating construction costs. There are sufficient water plant investment fee revenues in reserve available and appropriately utilized for this purpose, particularly in light of unanticipated fee revenues received in 2015.

STAFF RECOMMENDATION

Staff recommends adoption of the Ordinance on First Reading.

BACKGROUND / DISCUSSION

The budget needs for Water Distribution System infrastructure replacement projects requested in the 2015-2016 Budgeting for Outcomes (BFO) process included all known projects at that time. The typical funding request was significantly reduced in order to draw down account balances in accordance with our most recent financial operational objectives. At the same time, our asset replacement program for infrastructure replacement city-wide is being accelerated.

A city-wide Capital Improvement Program (CIP) is still in the development stages. Most of the projects with unforeseen needs were included in that list. Projects listed in the CIP and approved in the budget process are often only at the conceptual stages of design. The full impacts cannot be identified until after the preliminary evaluations of the projects are begun.

The following list of projects identifies the unanticipated funding needs for 2015.

- The first six have components with costs assigned to the Water Fund that were not identified until after the budgeting process was completed and final design work completed.
- Staff felt it was prudent to replace the remaining portion of water main across Old Town Square along with the current renovation to reduce the risk of a main failure in the future.
- The Mountain Avenue Water Main Replacement project has higher than anticipated construction costs due to conflicts with Xcel gas mains, the concrete paving, and construction phases required by the various events on Mountain Avenue during the summer.

Project	Location	Impact	Cost
North College Ave Reconstruction	Hickory Drive intersection to the north	Water main relocation due to conflicts with new storm sewer	\$90,000
Arthur Ditch Bridge Replacement	Wood Street at Sycamore Street	Water main lowering for new box culverts	\$90,000
Arthur Ditch Bridge Replacement	Oak Street at Whitcomb Street	Water main lowering for new box culverts	\$55,000
Arthur Ditch Bridge Replacement	Olive Street at Loomis St	Water main lowering for new box culverts	\$30,000
New Mercer Ditch Bridge Replacement	Mulberry Street at City Park Drive	Water main lowering for new box culverts	\$50,000
Roundabout Construction	Shields Street at Vine Drive	Water main lowering and valve relocations	\$65,000
Old Town Square Renovation	Walnut Street to Mountain Avenue	Replacement of a water main ahead of new paver construction	\$65,000
Mountain Ave Water Main Replacement	Grant Street to Shields Street	Escalating construction costs	\$300,000
		Total:	\$745,000

Adoption of the Ordinance will allow for the implementation of these projects and continuation of our asset replacement programs.

CITY FINANCIAL IMPACTS

The Ordinance appropriates Water Fund reserves generated by plant investment fees (PIFs) including \$5 million in unexpected PIFs paid in 2014. These PIFs are collected to fund the system improvements and replacements over time. This matches the specific objectives of the water distribution system infrastructure replacement program.

Water Enterprise funds will continue to be spent in alignment with the Water Enterprise requirements and projects approved through the BFO process.

BOARD / COMMISSION RECOMMENDATION

The Water Distribution Infrastructure Replacement program was reviewed by the Water Board during the budgeting process. The specifics of this special appropriation were discussed with the Water Board at its June 4 work session. At its June 18, 2015 meeting, the Board voted unanimously to recommend adoption of the Ordinance. (**Attachment 1**)

ATTACHMENTS

1. Water Board minutes (draft), June 18, 2015 (PDF)

ORDINANCE NO. 075, 2015
OF THE COUNCIL OF THE CITY OF FORT COLLINS
APPROPRIATING PRIOR YEAR RESERVES IN THE WATER FUND
FOR 2015 WATER DISTRIBUTION INFRASTRUCTURE REPLACEMENT PROJECTS

WHEREAS, the budget needs for Water Distribution System infrastructure replacement projects requested in the 2015-2016 BFO process included all known projects at that time; and

WHEREAS, the asset replacement program for infrastructure replacement citywide is being accelerated; and

WHEREAS, the current funding shortfall in Water Distribution System infrastructure replacement projects requested in the 2015-2016 BFO process is due to unanticipated projects and escalating construction costs; and

WHEREAS, this ordinance appropriates \$745,000 in Water Fund reserves in the Water Distribution System Replacement project; and

WHEREAS, Article V, Section 9 of the City Charter permits the City Council to appropriate by ordinance at any time during the fiscal year such funds for expenditure as may be available from reserves accumulated in prior years, notwithstanding that such reserves were not previously appropriated; and

WHEREAS, City staff have determined that the appropriations as described herein are available and previously unappropriated in the Water Fund.

NOW, THEREFORE, BE IT ORDAINED BY THE COUNCIL OF THE CITY OF FORT COLLINS that there is hereby appropriated for expenditure from revenue in the Water Fund Reserves the sum of SEVEN-HUNDRED FORTY-FIVE THOUSAND DOLLARS (\$745,000) for the Water Distribution System Replacement projects.

Introduced, considered favorably on first reading, and ordered published this 7th day of July, A.D. 2015, and to be presented for final passage on the 21st day of July, A.D. 2015.

Mayor

ATTEST:

City Clerk

Passed and adopted on final reading on the 21st day of July, A.D. 2015.

Mayor

ATTEST:

City Clerk