

AGENDA ITEM SUMMARY

FORT COLLINS CITY COUNCIL

ITEM NUMBER: 16

DATE: August 16, 2005

STAFF: Michael B. Smith
Jim Hibbard
Terri Bryant

SUBJECT

Resolution 2005-089 Adopting a Revised Stormwater Financing Plan.

RECOMMENDATION

Staff recommends adoption of the Resolution.

FINANCIAL IMPACT

Monthly rates for the City's stormwater customers will remain at current levels. The monthly stormwater bill for a typical residential customer will stay at \$14.27.

EXECUTIVE SUMMARY

This Resolution adopts a financing plan for stormwater master plan improvements that will keep monthly stormwater rates at current levels for the foreseeable future. The construction period to complete the capital improvements is extended an additional 10 years with construction build out estimated for 2036.

BACKGROUND

In 2001, City Council adopted Resolution 2001-94 establishing a financing plan to build out needed capital stormwater improvements over the next twenty-five years. The plan called for an initial \$15.0 million of debt financing to "jump start" the program and then a pay-as-you go approach financed by a series of rate increases. In 2002, rates increased 45% and in 2003 and 2004 the rates increased 10% each year. The 2002-2004 rate increases were all adopted by Council. The plan also proposed 6% rate increases each year from 2005 through 2008. When the 2005 rate increase was presented for Council adoption in the fall of 2004, it was not approved due to a concern that the rates were becoming unreasonable. Instead, staff was asked to review other financing options.

Three stormwater financing options were presented to City Council at the June 28, 2005, work session. The alternatives presented at the work session are summarized below:

	2001 Financing Plan	Alternative 1	Alternative 2	Alternative 3
Future rate increases	6% each year 2005 to 2008	6% each year 2006 to 2009	3% each year 2006 to 2009	0%
Highest typical single family fee	\$18.19	\$18.19	\$16.06	\$14.27
Construction build out	2026	2022	2026	2036
Chance of a 100-year storm during build out	19%	16%	19%	27%
Construction costs with inflation	\$158,700,000	\$148,400,000	\$158,700,000	\$185,800,000

Staff recommended Alternative 3. After evaluating the costs and risks of each alternative, Council agreed with the staff recommendation. The continuation of a pay-as-you-go approach permits further review of the plan as conditions change in the future.

The Resolution adopts the financing plan as outlined in Alternative 3 --- no monthly stormwater rate increases for the foreseeable future to finance the construction of master plan improvements through 2036.

ATTACHMENTS

1. Work Session Agenda Item Summary
2. Work Session Summary Memo

<p>DATE: June 28, 2005</p> <p>STAFF: Mike Smith Terri Bryant Jim Hibbard Bob Smith</p>	<p>WORK SESSION ITEM</p> <p>FORT COLLINS CITY COUNCIL</p>
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SUBJECT FOR DISCUSSION

Stormwater Financing Alternatives.

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GENERAL DIRECTION SOUGHT AND SPECIFIC QUESTIONS TO BE ANSWERED

1. Is there any additional information Council would like on this issue?
2. Are there other alternatives Council would like to see?
3. Which alternative(s) should staff prepare for Council consideration?

BACKGROUND

In 2001, Council adopted a 25-year pay-as-you-go financing plan to fund approximately \$120 million in stormwater improvements. This plan called for rates to increase 45% in 2002, 10% in 2003 and 2004, 6% each year from 2005 through 2008, and return to maintenance levels in 2027.

During the 2005 budget process, Council expressed concern the stormwater rates were becoming unreasonable and did not adopt the scheduled rate increase, asking staff to return with alternatives.

Stormwater rates are based on the potential of a developed parcel to generate stormwater, which depends on two factors; (1) area, and (2) the runoff characteristics of the parcel.

There are over 31,000 single family residential stormwater accounts. The current monthly rate for a typical single family residence is \$14.27. Single family residential accounts generate 46% of the monthly fee revenue.

There are about 7,000 commercial stormwater accounts. Monthly commercial rates vary widely, with 25% paying less than \$17.14, 25% paying between \$17.14 and \$28.11, 25% paying between \$28.11 and \$62.14, and 25% paying more than more than \$62.14. Approximately 1% of our commercial customers pay over \$1,000 per month. Commercial accounts generate 54% of the monthly fee revenue.

Staff has developed three scenarios. While each has a different proposal for rates, all continue the pay-as-you-go philosophy (no new debt) adopted in 2001. The revenue projections for all scenarios have been refined using data from the first four years of the 25-year financing plan adopted in 2001. In addition, all three scenarios anticipate adjustments in stormwater impact fees, to be considered by Council later this year.

Alternative 1 – Return to the rate increases as proposed in the 2001 financing plan.

This alternative calls for 6% rate increases each year for the next four years. Under this alternative, master plan improvements would be complete in 2022, four years sooner than projected in the 2001 financing plan. This is due to refined revenue projections and anticipated adjustments in stormwater impact fees, to be considered by Council later this year. The typical single family residential monthly fee would increase to \$18.19 by 2009, remain level until 2023 and then adjust to a maintenance level. The total cost of the improvements with estimated inflation would be \$148,400,000.

PROS

- Best alternative for meeting customer expectations for building projects
- Least risk compared to the other alternatives
- Lowest overall costs

CONS

- Highest rate impact

Alternative 2 – One-half of the rate increases proposed in the 2001 financing plan.

This alternative calls for 3% rate increases each year for the next four years. Under this alternative, master plan improvements would be complete in 2026, essentially the same 25-year build out proposed in the 2001 financing plan. The ability to complete the master plan improvements in the original time frame with lower rate increases is due to the previously mentioned refined revenue projections and anticipated adjustments in stormwater impact fees. The typical single family residential monthly fee would increase to \$16.06 by 2009, remain level until 2027 and then adjust to a maintenance level. The total cost of the improvements with estimated inflation would be \$158,700,000.

PROS

- More likely to meet customer expectations for building projects, same as original financing plan
- Lower risk due to shorter build out
- Lower costs

CONS

- Moderate rate impact

Alternative 3 – No additional rate increases for the foreseeable future.

Under this alternative, master plan improvements would be complete in 2036. This is approximately 10 years longer than the 25-year build out proposed in the 2001 financing plan. The typical single family residential monthly fee would remain at \$14.27 until 2037, and then adjust to a maintenance level. The total cost of the improvements with estimated inflation would be \$185,200,000.

PROS

- Lowest rate impact

CONS

- Delayed projects may not meet customer expectations
- Higher risk due to longer build out
- Higher costs due to inflation

Alternative Comparison

	2001 Financing Plan	Alternative 1	Alternative 2	Alternative 3
Future rate increases	6% each year 2005 to 2008	6% each year 2006 to 2009	3% each year 2006 to 2009	0%
Highest typical single family fee	\$18.19	\$18.19	\$16.06	\$14.27
Construction build out	2026	2022	2026	2036
Chance of a 100-year storm during build out	19%	16%	19%	27%
Construction costs with inflation	\$158,700,000	\$148,400,000	\$158,700,000	\$185,800,000

Recommendation

One of the primary reasons the pay-as-you-go approach was chosen in 2001 was that it gave the Council the flexibility to modify the priority, timing, and scope of future projects if deemed desirable or necessary.

Staff has attempted to quantify the characteristics associated with each alternative. From a policy perspective, the main issue appears to be one of risk versus rates. The following table compares the alternatives on these two criteria.

	Risk	Rates
Alternative 1	Lowest	Highest
Alternative 2	Intermediate	Intermediate
Alternative 3	Highest	Lowest

If Council's concern is to minimize risk and reach build-out sooner, choose alternative 1.

If Council would like to reach build-out in the original 25-year time frame with intermediate impact on rates, choose alternative 2.

If Council's immediate concern is avoiding a rate increase, choose alternative 3.

ATTACHMENTS

1. Presentation Slides

Staff presentations for certain Work Session items have been video taped in advance of this meeting. The presentations will be broadcast on City Cable Channel 27 at the following times:

Thursday, June 23	6:00 p.m.	Sunday, June 26	4:00 p.m. & 8:30 p.m.
Friday, June 24	1:00 a.m., 6:30 a.m., & 5:00 p.m.	Monday, June 27	11:30 p.m.
Saturday, June 25	4:00 a.m. & 11:00 a.m.	Tuesday, June 28	7:00 a.m. & 4:00 p.m.

Videos of the presentations will also be available via a high-speed internet connection at www.fcgov.com by 5:00 p.m., Friday, June 24.

Stormwater Financing Plan

City of Fort Collins
Council Work Session
June 28, 2005

2001 Financing Plan

- \$120 million in stormwater improvements,
- 25 years, build-out in 2026,
- \$15 million in bonds,
- Then pay-as-you-go.

2001 Financing Plan

Year	Projected Rate Increase
2002	45%
2003	10%
2004	10%
2005	6%
2006	6%
2007	6%
2008	6%

Current Monthly Rates

- Residential (typical) - \$14.27
- Commercial - varies
 - 25% less than \$17.14
 - 25% between \$17.14 and \$28.11
 - 25% between \$28.11 and \$62.14
 - 25% over \$62.14

Alternatives

1. Return to rate increases as proposed in the 2001 financing plan (6% each year for four years)
2. One-half of the rate increases proposed in the 2001 financing plan (3% each year for four years)
3. No additional rate increases for the foreseeable future

Alternative Comparison

	2001 Financing Plan	Alternative 1	Alternative 2	Alternative 3
Future rate increases	6% each year 2005 to 2008	6% each year 2006 to 2009	3% each year 2006 to 2009	0%
Highest typical single family fee	\$18.19	\$18.19	\$16.06	\$14.27
Construction build out	2026	2022	2026	2036
Chance of a 100-year flood during build out	19%	16%	19%	27%
Construction costs with inflation	\$158,700,000	\$148,400,000	\$158,700,000	\$185,800,000

Risk versus Rates

	RISK	RATES
Alternative 1 (6%)	Lowest	Highest
Alternative 2 (3%)	Intermediate	Intermediate
Alternative 3 (0%)	Highest	Lowest

Recommendation

- Minimize risk – Alternative 1
- Original build-out with intermediate rate impact – Alternative 2
- No increase in rates – Alternative 3

Questions for Council

- Is there any additional information Council would like on this issue?
- Are there other alternatives Council would like to see?
- Which alternative(s) should staff prepare for Council consideration?

**MEMORANDUM**

DATE: June 29, 2005

TO: Mayor and City Council Members

THRU: Darin Atteberry, City Manager *DA*

FROM: Jim Hibbard, Water Engineering and Field Services Manager *JCH*
Bob Smith, Water Planning & Development Manager *Bob*

RE: June 28, 2005 Work Session Summary
Review of Stormwater Financing Alternatives

At the June 28, 2005 work session, Utilities Staff provided information on alternatives for the financing of stormwater improvements. Following is a summary of that discussion.

Work Session Participants

City Council – Doug Hutchinson
Kelly Ohlson
David Roy
Kurt Kastein
Karen Weitkunat
Diggs Brown

City Staff – Darin Atteberry, City Manager
Mike Smith
Jim Hibbard
Bob Smith
Terry Bryant

Key Discussion Points

1. The combined cost for providing all utility services to customers is a concern.
2. The risk resulting from extending the completion of the stormwater master plan verses the acceptable level of monthly stormwater utility fees is a policy question.
3. Staff recommended the financing plan be revised to reflect no stormwater rate increases for the foreseeable future with the completion of the stormwater master plan extended to 2036.
4. City Council agreed with this approach. The pay-as-you-go philosophy will allow review of the program in the future as needed.
5. One councilmember had a concern that the program was over engineered, however, supported no increase in future stormwater rates.
6. One councilmember asked for more information on the benefits of the program. If nothing is done, flood damages over the next 50 years are estimated to be \$353 million. By spending \$132 million on stormwater capital improvements, estimated damages would be reduced by \$290 million.

Next Steps

1. Staff will prepare a resolution for City Council consideration that will update the 2001 Stormwater Financing Plan to reflect no stormwater rate increases for the foreseeable future with the completion of the stormwater master plan extended to 2036.

RESOLUTION 2005-089
OF THE COUNCIL OF THE CITY OF FORT COLLINS
APPROVING A REVISED STORMWATER FINANCING PLAN

WHEREAS, on April 20, 2004, the City Council adopted Ordinance No. 057, 2004 amending the City Code to reflect the adoption of updated master drainage plans; and

WHEREAS, the cost of the City-financed plans was estimated to be \$132 million, and the plans were to be completed in 2026; and

WHEREAS, the funding of the \$132 million was based on the Stormwater Financing Plan adopted by City Council in Resolution 2001-93 on July 17, 2001, (the "Financing Plan") which required fee increases of 45% in 2002 and 10% in 2003 and 2004, as well as anticipated additional stormwater fee increases of 6% in 2005 through 2008; and

WHEREAS, the 2005 stormwater fee increase was not approved by Council as anticipated in the Financing Plan; and

WHEREAS, at the City Council work session on June 28, 2005, Council members reviewed several alternatives to the Financing Plan; and

WHEREAS, the construction of the adopted master plan improvements is estimated to cost \$185.8 million in inflated dollars if such improvements are extended over an additional ten years; and

WHEREAS, staff has projected that the \$185.8 million of improvements can be financed with the revenues generated from the current stormwater fees which were adopted by Ordinance 155, 2003 on November 18, 2003; and

WHEREAS, based on staff's recommendation, Council has determined that future fee increases are not in the best interests of the City and that the ten year extension in the construction schedule is an acceptable alternative to raising the fees.

NOW, THEREFORE, BE IT RESOLVED BY THE COUNCIL OF THE CITY OF FORT COLLINS that the Council hereby declares its policy and intent that the estimated \$185.8 million of capital improvements necessary to carry out the approved master plans for the city stormwater system shall be constructed over the next 31 years with a projected completion date in 2036, and that the design, construction, operation and maintenance of the stormwater system facilities shall be financed without further increases in stormwater utility fees except as the Council may in the future determine are necessary.

Passed and adopted at a regular meeting of the Council of the City of Fort Collins held this 16th day of August, A.D. 2005.

Mayor

ATTEST:

City Clerk