






Financial Services
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MEMORANDUM

Date: April 16, 2024
To: Mayor and City Councilmembers ^{DS} 
Through: Kelly DiMartino, City Manager ^{DS} 
Travis Storin, Chief Financial Officer ^{DS} 
From: David Lenz, Financial Planning & Analysis Director
Subject: April 9, 2024 Work Session – Impact Fees Discussion

BOTTOM LINE

The purpose of this memo is to document the summary of discussions during the April 9, 2024 Work Session on Impact Fees. All Councilmembers were present in person.

DISCUSSION SUMMARY

Staff provided an overview of the Capital Expansion Fee Study, Transportation Capital Expansion Fee Study, and Utility model updates that were completed in Q4 2023. Additionally, the preliminary work from the ongoing Water Utility 2024 updates and City and Front Range Communities' approaches to fee offsets were reviewed as part of the analysis and discussion.

Staff reviewed the methodologies underpinning the capital expansion fee studies, which adhere to the standards based (incremental expansion) approach which bases fees on the existing levels of service. Plan-based methodologies are also utilized to provide improvements for Active Modes. Industry best practices have been utilized to show the nexus and proportionality for each land use type. There was also discussion about the level of services provided and how these service levels can be impacted by collecting less than the full amounts provided for in fee study and model updates.

There was further discussion with Councilmembers about policy in relation to our impact fees. This included discussion around state statutes and the TABOR framework. Staff provided a review of the City's current fee credit program that is available to qualified projects to offset some of the impact fees. An overview of other Front Range communities' approaches to incentivizing affordable housing through fee reductions was also presented and discussed. Staff also presented various options that would allow the City to expand its fee credit programs and the estimated costs for the various options.

NEXT STEPS

Staff will continue to gather Council and community feedback related to impact fees. This will include the discussion related to the Council Priority work plan scheduled for the May 14, 2024

Work Session as well as the ongoing Water Utility fee and modeling updates. Staff will work with Councilmembers to determine the timing and format of additional meetings and/or communications during 2024 for further consideration of impact fees presented.

FOLLOW-UP ITEMS

Councilmembers had questions about development review processes, fees, and operational cost recovery. These fees are distinctly separate from the impact fees for capital that were covered in the meeting. Currently, a team of staff meets regularly to implement process improvements to make the development review process more predictable, efficient, and consistent. Development review fees were analyzed and restructured in 2019 for cost recovery and, due to COVID delays, were implemented in 2022. At this time, any anticipated increases will be based on inflation adjustments.

There were also requests to provide a more comprehensive set of comparable fees to benchmark other Front Range communities with the City of Fort Collins. Staff will work together to provide Councilmembers with an updated set of comparable fees, considering the complexities inherent with differing calculation methodologies, the number of different utility providers within communities and impacts across different land use classes, project types and dwelling sizes.



Utilities
electric • stormwater • wastewater • water
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MEMORANDUM

Date: April 16, 2024

To: Mayor and City Councilmembers^{ss}

Through: Kelly DiMartino, City Manager ^{DS}
Tyler Marr, Deputy City Manager TM
Jason Graham, Director of Water Utilities ^{DS}

From: Jen Dial, Water Resources Manager ^{JD}

Subject: April 9, 2024 Work Session Summary - 'Water Supply Requirements and Pre-1984 Non-Residential Water Allotments'

BOTTOM LINE

The purpose of this memo is to document the summary of discussions during the April 9, 2024 Work Session on Water Supply Requirements (WSR), Excess Water Use surcharges (surcharges), and pre-1984 non-residential allotments. All Councilmembers were present.

DISCUSSION SUMMARY

Water Supply Requirements

Staff provided background on the need for WSR fees to help ensure the ability to meet current and future demands. WSR fees have been in place since the mid-1960s but the fee methodology has evolved, with the most recent revision and fee increase happening in 2022.

Staff presented four alternatives, each using a Hybrid methodology, to calculate a WSR:

- Market-based, 30% contingency, 20% safety factor
- Cost-based, 30% contingency, 20% safety factor
- Market-based, 30% contingency, no safety factor
- Cost-based, 30% contingency, no safety factor

Staff discussed these options and included a proposed recommendation for the 'Cost-based, 30% contingency, 20% safety factor' methodology at an estimated fee of \$71,800 per acre-foot. Staff noted that determination of the adjustment factor in the 'Cost-based' analysis for the buy-in component and a market value update for the incremental component are still underway. Staff will provide an updated analysis on the final fee and further recommendation to Council at the July 16 Work Session.

The discussion included numerous questions regarding the Halligan Water Supply Project.

- Staff confirmed that both existing and future customers will need an expanded Halligan Reservoir. Staff also confirmed the project cost is reflected in the WSR fee and

increases to existing customers rates. Council agreed the Halligan Project is important for existing customers for drought mitigation.

- There were questions regarding the breakdown of Halligan Project costs between existing and future customers and how the water fund is managed. Staff clarified development fees will not cover all the costs of the Halligan Project and ratepayers will also contribute to costs, particularly in the near-term regarding issuing debt and the need to cover debt service payments. Rates are expected to increase but a higher WSR helps reduce the degree of future increases. The collection of development fees over the next 50 years will help lessen the impact on ratepayers.
- Council will receive a Halligan Project update at the July 9 Work Session.

There was also discussion regarding Utilities' WSR amounts (in acre-feet) compared to neighboring water providers because Utilities requires a lower dedication for some developments (specifically multi-family) and higher for others (specifically restaurants).

Overall, Council was supportive of staff's recommendation for a 'Hybrid, Cost-based, 30% contingency, and 20% safety factor methodology' and suggested the engagement efforts could be scaled back given the modest increase of the fee.

Assignment of Pre-1984 Non-Residential Allotments

Staff provided a history of assigning allotments, emphasizing there are approximately 1,000 pre-1984 non-residential accounts (one-third of non-residential customers) that do not have an allotment. Staff recommended assigning allotments to these customers for consistency, fairness, and more conservation opportunities. There were four methodologies presented for calculating an allotment with staff recommending a 'Hybrid' methodology. Discussion included questions on how many customers could benefit from conservation initiatives to avoid surcharges and the breakdown of types of business likely to be impacted.

In general, Council supported staff's recommendation to implement a Hybrid methodology. Staff will follow up with more detailed impacts of this approach and responses from engagement.

Engagement Plan

There was support for the engagement plan and the noted potential of scaling back should the WSR fee adjustment remain minimal. There was acknowledgement that engagement would be key for those non-residential accounts being assigned allotments by whichever method.

NEXT STEPS

Staff will work to provide the final WSR fee for the recommended methodology, consider revising the WSR engagement plan based on that fee, collect feedback from the likely-affected customers on the WSR fee and assignment of allotments, as well as further develop a proposed plan for implementation. These items, in addition to follow up on questions from this Work Session (listed below), will be presented at the July 16 Work Session.

FOLLOW-UP ITEMS

Staff will follow up with additional information on the following questions:

Water Supply Requirements

- Is a 20% safety factor for the WSR fee a standard among other regional water providers?
- Are the contingency and safety factors redundant?
- What percentage of the city does the Utilities water service area cover?
- Was the full 'buy-in' methodology ever used previously?
- Why are the different inputs of the water fund not tracked separately (e.g., put into one big pot)?
- How much of the Halligan Project will be paid for by existing customers?
- What is the breakdown of fees on a customer's bill?
- What WSR fee was used in the base rate setting?
- Why are our dedication amounts so low for a multi-family development and so high for a restaurant compared to other water providers?
- Are we disincentivizing residents to remodel/redevelop?

Allotments

- How many customers (of the 181 mentioned on slide 25) that would potentially be subject to surcharges under the Hybrid methodology benefit from conservation programs to avoid surcharges? What is the breakdown of types of businesses likely to be impacted?
- How many restaurants go over their allotment currently? Are we "right-sizing" restaurant allotments?
- Are City accounts with allotments staying within their allotment? How often are they going over their allotment?



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MEMORANDUM

Date: April 23, 2024

To: Mayor and City Councilmembers ^{DS}

Through: Kelly DiMartino, City Manager ^{DS}

Travis Storin, Chief Financial Officer ^{DS}

From: Jacob Castillo, Chief Sustainability Officer ^{DS}
Dean Klingner, Community Services Director ^{DS}
Lawrence Pollack, Budget Director ^{DS}

Subject: April 9, 2024 Work Session Summary: 2024 Appropriation of the 2050 Tax

The purpose of this memo is to document the summary of discussions during the April 9 Work Session. All Councilmembers were present. This work session item followed a previous Council Finance Committee meeting discussion and provided a summary of the '2050 Tax' approved by the voters in November 2023 elections. The new 0.5% Sales and Use Tax lasts from 2024 through 2050 with 50% dedicated to Parks and Recreation, 25% to Transit, and 25% to Climate

Authorization to spend these funds will occur in June at the earliest. With that in mind, staff associated with these proposals focused primarily on shovel-readiness of projects and turnkey/scaling ability on programming based on our current service offerings. There are not new programs being proposed with these funds in 2024; that may occur in the BFO process for the 2025-26 Budget.

Follow-up from Parks and Recreation:

Additional detail was requested about the proposed uses of the tax revenue and the information is provided below. For 1st Reading, the \$5.3M request will be submitted as 3 separate proposals, as outlined.

- The implementation of the Parks and Recreation funding is based on the assessment and prioritization in the Parks Infrastructure Replacement Program (link: https://www.fcgov.com/parks/files/fort-collins-parks-infrastructure-replacement-program-management-plan_compressed.pdf) and proposed work to bring the current understanding of the Recreation Facilities needs up to the same level of detail and maturity.
- Based on the April 9th WS conversation, Staff heard general support for the proposed offer and the request for a more detailed understanding of what will be done. Staff proposes to:
 - Break out the proposed 2024 funding into the following categories:
 - (1) **Building Capacity. \$550k.** This offer will fund the necessary steps to begin to staff and design a dedicated Asset Management team within the Park Planning and Development Team. This offer will also scope and fund the necessary asset

evaluation and planning necessary to fully understand and plan the needs for the Recreation Facilities.

- **Key Outcomes:**

- Phase 1 of hiring the staff necessary to stand up the programs. Includes 4.0 FTE. Completion of Recreation Asset Management Plan and integration into the Parks IRP (estimated date of completion: 2025). (Essentially create an integrated Parks and Recreation Asset Management Plan to inform future investments for the P&R portion of the 2050 tax.
- Create Program Accountability and Reporting mechanisms.

(2) Accelerate Existing Infrastructure Program and Preventative Maintenance Investments. \$750k. This offer seeks to deliver some improvements to Parks as quickly as possible. This means utilizing existing programs and contractors and prioritizing projects with little to no planning or design requirements.

- **Key Outcomes:**

- Focus on safety issues, continued preventative maintenance projects, projects of opportunity based on partnerships or construction optimization.
- Funds will be appropriated as lapsing, so any funds we do not expend or encumber this year will fall back to reserves and require future council action to reappropriate.

- **Potential Project Examples**

- Sheldon/PV&L raw water lateral pipe lining
- Rolland Moore Ballfields regrading
- Playground surfacing preventative maintenance and playground repairs
- ADA scoping
- Greenbriar Tennis & Basketball Court replacement
- Foothills Activity Center Door
- Senior Center Office Security
- Northside Aztlan Center – Front Desk Renovation; Volleyball Net Replacements; Childcare Outdoor Play Area (2024-25)

(3) Transform Scale of Projects Delivered. \$4M. This offer funds the investments necessary to complete larger projects in future years. This includes program design and strategy, program planning and coordination, design development, and procurement. This work needs to start as soon as possible since larger projects may have design development schedules of multiple years. Although much of these funds will not be expended in 2024, this appropriation allows procurement processes to start.

- **Key Outcomes:**

- Focuses on backlog of deferred maintenance projects as listed in the Top 40
 - Projects of opportunity may mean that additional assets are added to the scope of the Top 40
- Delivery timeframe of larger projects is dependent on an integrated reserves and bonding strategy for the SE Community Center.

- Scale of projects or change in use dictates public outreach for many of these projects.
- Example Potential Projects
 - Planning and design work initiated for Rolland Moore Tennis Center and playground
 - Planning and design work initiated for Mini Park Refresh Projects (3): Alta Vista, Freedom Square, Romero
 - Ridgeview Playground Replacement initiation
 - Scoping of Landings planning outreach and design
- Starting this work now allows the potential for projects such as those listed below to be completed within 1-3 years:
 - Construction for Rolland Moore
 - Construction for 1-2 Mini Parks
 - Construction for Landings Park
 - Skatepark Planning and design work (Old Fort Collins Heritage, Edora, Spring Canyon)
 - Pedestrian bridge improvements

Follow-up from Transit: Not applicable

Follow-up from Climate:

Council members shared appreciation for the diverse array of projects put forward for funding by the climate portion of the 2050 Tax. This reflects how the Our Climate Future (OCF) framework approaches climate action at a holistic, systems level with a focus on mitigation, resilience, and equity in near and long-term time scales.

Questions and curiosities were raised about clearly describing the nexus between recommended Offers and the voter-approved ballot language, as well as a request to provide quantifiable emissions reductions, where possible. While there was general understanding that GHG reductions per dollar invested is not the only way to measure project impacts, the table in Attachment #1 summarizes the Offers, estimated GHG reductions, and linkages to the ballot language.

Councilmembers asked specifically about two Offers, including connection to the intent of the ballot measure and appropriate funding source. Additional context is provided here:

- Comprehensive exterior lighting retrofits to City Recreation Centers
 - Recreation Centers, as with all City buildings, are maintained by the Operation Services Department, not the Recreation Department
 - Exterior lighting replacement with high-efficiency bulbs directly reduces energy use and GHG emissions, while also complying with night sky standards
 - Retrofit of existing exterior lighting systems at these facilities is estimated to reduce annual GHG emissions by 24 MTCO_{2e} in 2030, with lifetime savings of 373 MTCO_{2e}
- Grants to offset utility fees for affordable housing developments
 - Funds will subsidize costs of utility-related development fees for affordable housing projects to move towards all-electric infrastructure
 - Directly subsidizing investment in energy efficiency and electrification improvements for affordable housing projects reduces barriers and makes it more economically feasible for affordable housing providers to include infrastructure such as additional electrical capacity, EV charging, and on-site renewables

The majority of the Offers advance OCF Big Move 4 (Convenient Transportation Choices) and OCF Big Move 6 (Efficient, Emissions-free Buildings). Progress on these two Big Moves directly impacts emissions

reductions from electricity, natural gas use, and gas-powered vehicles, which are the biggest contributors to the community wide GHG inventory.

Councilmembers provided feedback on the “elective” Offers to include the Poudre River Health Assessment and to explore Natural Areas Department funding for the other two.

The 2024 funds will invest in projects that are shovel-ready and able to be completed within the second half of this year, presuming Council adoption being effective in June. The 2025-26 recommended budget will build on this process, including Offers to scale and accelerate climate investments from the 2050 Tax to advance towards adopted goals.

Greenhouse Gas Emissions Impact Summary

4/15/2024

BM	Planned Action - Project	Description of Climate and Air Pollution Impact	Estimated GHG Reduction* (lifetime** MTCO ₂ e)	Estimated GHG Reduction* (MTCO ₂ e in 2030)
4	Implement bicycle infrastructure as determined in the Active Modes plan (Centre Ave)	reduction of VMT and therefore fuel usage (GHG and non-GHG air pollutants)	~2,120 - 10,680	~100 - 515
4	Implement bicycle infrastructure as determined in the Active Modes plan (Laporte Ave)	reduction of VMT and therefore fuel usage (GHG and non-GHG air pollutants)	~2,480 - 12,660	~120 - 600
4	Mobility Hubs Plan development	foundational / needed next step for reduction of VMT by making active modes and transit trips easier	<i>foundational***</i>	<i>foundational</i>
4	Transportation Emissions Reduction Strategy Tool development	foundational / needed next step for reduction of VMT by being able to better prioritize and estimate impacts of transportation-related projects	<i>foundational</i>	<i>foundational</i>
6	Comprehensive exterior lighting retrofits at City Recreation Centers	increased efficiency and resulting reductions in electricity usage	373	24
6	Expand Mobile Home Park Mini-grant through Neighborhood Services	supports residents in increasing energy efficiency in their homes (reducing electricity and/or natural gas use)	~2,450	~125
6	Fund Healthy Homes Program	supports residents in reducing indoor air pollutants and increasing energy efficiency in their homes (reducing electricity and/or natural gas use)	~100	~5
6	Introduce new capital for utilities Epic Loans program	foundational / needed next step for increasing efficiency of buildings and therefore reducing electricity and natural gas use	~925	~70
6	Identify and determine critical support needed to upgrade under-resourced buildings, focusing on commercial / multi-family buildings	foundational / needed next step for increasing energy efficiency of buildings and therefore reducing electricity and natural gas use	<i>foundational</i>	<i>foundational</i>
7	Launch grants to offset utility fees for affordable housing development, particularly electric and water	makes energy efficient development more economically feasible for affordable housing providers; has potential to reduce VMT by making it easier for people to live and work in the same community	<i>foundational</i>	<i>foundational</i>
9	Expand Scholarship Program for Builders and Building Industry to meet new industry techniques and future codes	foundational / needed next step for increasing efficiency of buildings and therefore reducing electricity and natural gas use	<i>foundational</i>	<i>foundational</i>

10	Business support for plastic and styrofoam transition through NocoBIZ Connect	supports a transition to a circular economy	<i>foundational</i>	<i>foundational</i>
11	Poudre River Health Assessment	supports carbon sequestration through improved soil and riparian health	~20,000	<i>de minimus</i>
12	Repair Riverside Community Solar Array	increases renewable electricity	7,832	490
12	Add Solar PV System at City Facility - new fueling canopy and shop expansion at Wood Street	increases renewable electricity	540	19
13	Replace existing Parks Utility Carts with electric Utility carts	reduces fuel use and therefore reduces GHG and non-GHG air pollutants	~100-200	~5-10

Please note that the summary provided to Council on Tuesday, April 9th **only included the high confidence estimates.**

* **100 MTCO2e** is approx. equivalent to the emissions generated from **13 single-family homes' energy use** in one year (EPA Equivalencies Calculator)

** In these calculations, "**lifetime**" **varies from 15-25 years**, depending on the project.

*** Our Climate Future defines "**foundational**" as a necessary next step to for future GHG reduction.

Key
high confidence
medium confidence
low confidence