LOVELAND UTILITIES COMMISSION
REGULAR MEETING
July 15, 2015 - 4:00 p.m.
Service Center Board Room
200 North Wilson Avenue

AGENDA

4:00 pm - **CALL TO ORDER**

4:05 pm - **APPROVAL OF MINUTES – 05/20/2015 and 06/17/2015**

NEW EMPLOYEE INTRODUCTION TRACY BANE

CITIZENS REPORTS

Anyone in the audience may address the LUC on any topic relevant to the commission. If the topic is an item on the Consent Agenda, please ask for that item to be removed from the Consent Agenda. Items pulled will be heard at the beginning of the Regular Agenda. Members of the public will be given an opportunity to speak to any item on the Regular Agenda during the Regular Agenda portion of the meeting before the LUC acts upon it. If the topic is an item on the Staff Report, members of the public should address the Commission during this portion of the meeting as no public comment is accepted during the Staff Report portion of the meeting.

Anyone making comment during any portion of tonight's meeting should identify himself or herself and be recognized by the LUC chairman. Please do not interrupt other speakers. Side conversations should be moved outside the Service Center Board Room. Please limit comments to no more than tharee minutes.

4:15 pm - **CONSENT AGENDA**

1. 2015 2nd Quarter Goals Report – Steve Adams
2. Airport Substation Easement – Brieana Reed-Harmel

4:30 pm - **REGULAR AGENDA**

3. 2015 Water and Wastewater Rate Study Results – Jason Mumm & Jon Albertsen from Hawksley Consulting
4. Request for Water Line Extension and Service – Melissa Morin

5:30 pm - **STAFF AGENDA**

5. Broadband Update – Steve Adams
6. Quarterly Financial Report Update – Jim Lees

6:00 pm - 7. **COMMISSION / COUNCIL REPORTS**

7:00 pm - 8. **DIRECTOR'S REPORT** – Separate Document

7:30 pm - **INFORMATION ITEMS**

9. Clean Water Act Update – Michelle Stalker

7:45 pm - **ADJOURN**

The City of Loveland is committed to providing an equal opportunity for citizens and does not discriminate on the basis of disability, race, age, color, national origin, religion, sexual orientation or gender. The City will make reasonable accommodations for citizens in accordance with the Americans with Disabilities Act. For more information, please contact the City's ADA Coordinator at bettie.greenberg@cityofloveland.org or 970-962-3319.

The password to the public access wireless network (colguest) is accesswifi.

Commission Members Present: Anita Marchant, Dan Herlihey, David Schneider (Vice Chair), Gary Hausman, Gene Packer (Chairman), Larry Roos, Jennifer Gramling, John Rust Jr., Randy Williams (Arrived at 4:22 pm during item 2)

Council Liaison: Troy Krenning (Arrived at 4:37 pm during item 2)

City Staff Members: Bob Miller, Brieana Reed-Harmel, Chad Birgenheier, Chris Matkins, Darcy Hodge, Garth Silvernale, Greg Dewey, Gretchen Stanford, Jacob Mussler, Kim Frick, Kim O'Field, Larry Howard, Michelle Stalker, Sharon Citino, Steve Adams

CALL TO ORDER: Gene Packer called the meeting to order at 4:06 pm.

APPROVAL OF MINUTES: Gene asked for a motion to approve the minutes of the April 15, 2015 meeting.
Motion: Dan Herlihey made the motion to approve the minutes of the April 15, 2015 meeting.
Second: John Rust Jr. seconded the motion. The minutes were approved unanimously.

NEW EMPLOYEE INTRODUCTION: Jacob Mussler

CITIZEN REPORTS: none

REGULAR AGENDA

Item 1: Additional Appointment of Loveland Utilities Commission (LUC) Board Members as Liaisons for the 2015 Budget Process – Jim Lees & Steve Adams
Staff would like to discuss the opportunity to invite additional LUC board members to serve as liaisons during the 2016 Water & Power Budget Process.

Recommendation: Appoint Larry Roos as an additional LUC board member to participate in the 2016 budget review process for the Water & Power Department.

Approved: Unanimously approved by nodding acclamation of all board members.

Item 2: Raw Water Firm Yield Direction – Larry Howard
Multiple options provide potential opportunities to increase the City's raw water firm yield supply. Simultaneously growth, yield, timing, and market conditions affect the availability and desirability of these options. This item will briefly review last month's discussion on a number of options and potential short and long-term actions for further consideration. In particular, a question was raised at the April 2015 LUC meeting concerning whether the City should purchase Colorado Big Thompson (CBT) water in the short-term or focus for now on the City's participation in the Windy Gap Firming Project (WGFP).

Recommendation: Move to direct staff to apply the concept of dollar cost averaging to the future purchase of CBT water and to proceed with the process to identify CBT units for possible purchase.

Comments: Packer asked for clarification on the acre feet per unit that was referenced in the packet material. Larry Howard clarified that a unit of CBT is 1 acre-foot per unit, and a unit of Windy Gap is 100 acre feet per unit. Staff briefly reviewed what is included in the price for the various types of water storage, which can be referenced on page seventeen of the packet. John Rust Jr. asked if the cost listed referenced on page seventeen included the allowance for evaporation and shrinkage. Howard mentioned that there is a yearly shrink, currently this is modeled from the Water Rights hierarchy from the Direct Flow rights. Howard reviewed this hierarchy processes. Rust asked if the costs listed included the original cost of the pumping station. Howard referenced his PowerPoint presentation and mentioned that indeed this cost is included in the amount listed. He provided an explanation to the

board and staff of what costs are included and what costs are not included regarding pumping and pump stations.

In response to boards inquires, Howard informed the board about how Windy Gap water would be put through the Adams Tunnel and then stored on this side of the mountains. Native water could be stored in both Green Ridge Glade (GRG) and Windy Gap Firming Project (WGFP). Currently, Loveland will have about 7,000 acre-feet (af) of storage in WGFP. Howard continued to review and discuss "The Matrix of Raw Water Supply Options" on page seventeen of the packet.

Dan Herlihey inquired about the location of where Loveland Water & Power's (LWP) could do downstream storage and staff responded that it would be best to be near the Big Thompson River between I-25 and the Wastewater Treatment Plant (WWTP). Howard discussed the factors that have contributed to the increase in the cost of CBT over time. He questioned what the future projected costs might be and reviewed factors which may contribute to the future costs.

Because of the drought in the southwest, the board and staff discussed the ramifications of what could occur if there were a call on the Colorado River due to the upper basin states not meeting the delivery requirements specified in the Colorado River Compact. There could be curtailments on water for any water right after the Colorado Compact was signed in 1922. Both CBT and Windy Gap water rights were signed after that date and could be affected by curtailments.

Staff explained which of Loveland's water rights are single-use water rights. This means that they may only be used 1 time each water year. Howard explained the requirements under Colorado Water Law for CBT and WGFP. The water year runs from November 1st of one year through October 31st of the next year. Staff and board discussed the advantages and disadvantages of the Raw Water Supply Options.

Board and staff discussed the importance of a diversified water portfolio. LWP's portfolio is comprised of about 45% of their water from the west slope and 55% from the east slope. Even in the worst case scenario of curtailments on water from the West slope, LWP should still be able to keep taps running for at least indoor water use. Board and staff discussed ways to make multiple use of our water rights (gray water, purple pipe, reuse, and capture downstream and reuse) and how those actions could help increase the water yield if needed. Staff clarified that any time you divert water, there is returned flow water and if it is from a source that's reusable, Loveland could benefit again from that water. Board members discussed the challenges of the downstream water storage option which included lack of infrastructure for piping and pumping to get the water to a treatment facility, working against gravity to get water back to Loveland, the challenge of finding downstream water users interested in buying the water and that at present the costs for these options are higher than other options. Howard, Rust and Schneider discussed possible solutions to the challenges that LWP faces in order to reuse water.

Board and staff discussed what would need to be done to increase the storage capacity of GRG. Howard asked the board for their input on whether they think LWP should apply the dollar cost averaging concept to purchasing CBT. He also asked the board for their input on a number of options presented and the potential short and long-term actions for further consideration.

Discussion ensued surrounding the pros and cons of buying CBT water over other sources of water. Hausman stated that the opportunity to buy CBT is now and the timeframe in which LWP has to do so is decreasing over time. With that being said, he feels as though LWP should move forward with the purchase of CBT and that having CBT in our water portfolio should be a priority.

Schneider disagreed with Hausman stating that the current cost of CBT is very high. He pointed out the disadvantages associated with the economic investment of purchasing CBT while it is so expensive which would mean LWP would have to forego other options to acquire more water rights to accommodate the purchase of CBT water rights. He stated that there are many factors that contribute to the speculation on whether the CBT price will continue to climb or if it will come back down and highlighted the importance of analyzing the percent of firm yield associated with each option presented. Schneider highlighted the disadvantages of applying the cost averaging concept to a CBT purchase.

Packer asked what happens to the funds that are allocated to purchasing CBT when CBT is not purchased. Adams responded that the money is then put back into the Water Utility fund. He mentioned that in 2014, the money did not roll over because LWP was still working on funding flood related projects. Packer mentioned that he believes that at this point in time there are better options to use the funds than for using them to purchase CBT. Adams summarized the decision making process around the participation opportunity for WGFP. Staff informed the board that LWP may have a limited time to increase LWP's participation in the WGFP starting in November 2015. It was noted that Platte River Power Authority may not need as much water as they had previously planned for. The construction costs for WGFP are likely to increase considerably from previous estimates and there will be a need to be able to finance those cost overruns. Staff and board speculated on whether the cost to participate in the WGFP will increase once the reservoir is built.

Hausman brought up the possibility of buying at least a few units of CBT each year verses saving to buy larger blocks of units which would probably be at a better price point. Board and staff clarified the timeframe in which CBT water is expected to be available for purchase. Discussion ensued regarding whether or not there will be many units available if we wait to purchase CBT. Staff added that the remaining units owned by agricultural users is around 30,000. Schneider highlighted that with all factors considered, based on the information presented, he feels LWP can wait until a later date to make our purchase and prioritize making other purchases that will provide LWP with a higher firm yield. Schneider and Hausman discussed the advantages and disadvantages of purchasing CBT at this point in time and the differences in stored water costs. There was mention of whether it would be cheaper to build a mountain reservoir to store water than to buy more CBT if the CBT price continues to climb.

Recommendation: Move to direct staff to apply the concept of dollar cost averaging to the future purchase of CBT water and to proceed with the process to identify CBT units for possible purchase.
Motion: Gary Hausman made the motion.

Gary Hausman made the original motion; however, no second was made during this point in the discussion.

Adams provided some background information about CBT and why the costs are so high. CBT was not meant to be a primary water source of supply, but that has not been enforced. Unless Northern Water changes the way they operate and starts enforcing that rule, other water districts will be in the CBT market and buy water for additional taps, which will put upward pressure on the price of CBT. Some developments are now outside the cities which will continue to put pressure on the price of CBT. Loveland already added 150 water taps for the year, which is above our 10-year average for the first time in 5 years. Next year, the Raw Water Master Plan (RWMP) will be reworked and refined, and LWP will work to update the ultimate development buildout for LWP's service territory, which currently is projected to occur around 2042. Staff and board discussed the RWMP and that it will address the gap between what LWP will need and what LWP currently has in water rights.

Roos asked, if the price of CBT is expected to increase how this will affect the cost of WGFP. Adams added that there is potential for additional value in the WGFP if CBT costs continue to increase. Roos mentioned that if LWP purchase CBT with our current budget of $200,000 that this will not provide us with the solution we are looking for; this will be well under the amounted needed. Adams discussed that this target will be elevated in the RWMP next year and the potential for future opportunities to help close this gap. Adams briefly reviewed LWP's current portfolio and mentioned that we have time to consider our options and explore and evaluate what's next. Adams reviewed how the costs between WGFP, CBT, Chimney Hollow and other factors will contribute to the future decisions LWP has to make. He reviewed the impact these can have on LWP moving forward. Then, he said that more information will be brought in front of the board when it is available.

Matkins highlighted the difficulty in making a decision when the cost keeps fluctuating significantly. He said that had the WGFP been permitted closer to the original schedule, then LWP may have been facing these problems in years past. He mentioned that he thinks another possibility would be to purchase a combination of both WGFP and CBT water.

Randy Williams discussed whether the wording of the motion may overstep the authority of the LUC to "direct" staff rather than to "encourage" staff to buy CBT units. Schneider mentioned that the motion may not include enough tangible information or a threshold, including a dollar amount, to provide staff with clear direction on what actions to take moving forward. Hausman reviewed previous meetings, discussions and motions on how CBT water has been purchased. He feels staff can encourage and make an educated purchase based on LWP's needs and our budget. Schneider reviewed and agreed that we need to store water; however, there are ways in which we can use our funds to produce the most annual yield while not spending all the budget on CBT. Discussion then ensued between staff and board members over whether the motion gives too much or not enough direction and parameters to staff of when to buy CBT. The board continued to review the advantages and disadvantages of purchasing CBT. Based upon that discussion an amended motion was offered, seconded and approved by the LUC.

Motion to amend the wording of the proposed motion: A motion was made to replace the word "direct" with "encourage".
Motion: Gary Hausman made the motion.
Second: Randy Williams seconded the motion. The amended motion was approved by Gary Hausman, Randy Williams, Dan Herlihey, Gene Packer, John Rust Jr., Larry Roos and Anita Marchant. The amended motion was opposed by Dave Schneider.

Now the motion on the floor read: Move to encourage staff to apply the concept of dollar cost averaging to the future purchase of CBT water and to proceed with the process of identifying CBT units for possible purchase.
Motion: Gary Hausman made the motion.
Second: Randy Williams seconded the motion. The amended motion was approved by Gary Hausman, Randy Williams, Dan Herlihey, Gene Packer and John Rust Jr. The original motion was opposed by Dave Schneider, Larry Roos, and Anita Marchant.

The resulting direction given by the LUC was: Encourage staff to apply the concept of dollar cost averaging to the future purchase of CBT water and to proceed with the process of identifying CBT units for possible purchase.

STAFF REPORTS

Item 3: Long-Term Water Usage and Revenue Implications – Chris Matkins and Kim Frick

This informational item describes declining trends in water usage, implications in water planning, and corresponding impacts to the revenue streams of the Water Enterprise.

Staff Report only. No action required.

Comments: Staff clarified the gallons per capita differences in two of the PowerPoint slides as the difference between the water treated at the Water Treatment Plant (WTP) per customer on one slide verses the amount of water sold to customers divided by the total number of customers on another slide. A good number to compare Loveland to other communities is the average amount of water used per residential customer each year. In a future presentation in August 2015, staff will present how population growth will impact the Water Utility.

Board and staff discussed how water efficiency and water conservation affect the Water and Wastewater Utilities. Staff discussed that our rate consultant will incorporate conservation numbers into the current rate study so that if there is a long-term impact from these factors, LWP will adjust rates and revenue projections accordingly. The board and staff also discussed the type of messaging that LWP should do to communicate water efficiency and water conservation. LWP has tried to use more persuasion and education techniques rather than being overbearing. LWP's customers did cut back on their water usage in the 2002 drought.

Discussion ensued on various growth rates used in the State Water Plan, the City's Planning Department and LWP. During the first few years in the future, LWP uses what development information they have about development projects on the horizon to set a more conservative growth rate and then a few years out, LWP estimates population growth going forward using a more steady growth rate.

Discussion ensued on how conservation efforts and growth rates affect water sales and revenues, and the difference between fixed and variable utility costs. Staff clarified that the volume water charge is not the only charge to customers. There is not a direct correlation between growth rate and revenue because not all revenue is a usage charge (variable cost); there is also a fixed portion. The fixed base charge helps to level out changes from factors like weather.

Discussion ensued over what messaging should be employed to customers. It may be difficult for customers to find out that their water bill may actually increase if across the board all customers use less water too quickly through ramping up our water conservation marketing. However, the long term benefits for water conservation are great, but should be done in a controlled and planned for way to allow for revenues to adjust accordingly. Board members discussed whether the messaging should also include that if we don't conserve water, LWP may need to increase costs to acquire more water rights. The board discussed other factors that should be communicated to customers such as the cost increases caused by inflation to construction costs or cost increases caused by compliance to new regulatory requirements, etc.

A higher utility bill may be difficult for someone who feels like he or she is doing the right thing by conserving water. They will essentially be paying more for using less water. However, from the recent customer survey, customers said they would be willing to pay up to 3% more for water conservation programs. Higher base charges stifles some of the water conservation efforts. LWP does a great job on cost control efforts especially compared to other communities, but we still need to work on the message to the community. Most of the utilities' costs are fixed. Messaging is hard because we try to portray very complex concepts.

John Rust Jr. discussed how the City should lead by example to eradicate Russian Olive trees from City property. They are considered an invasive species that uses a lot of water.

COMMISSION/COUNCIL REPORTS

Item 4: Commission/Council Reports
Activity board members attended since last meeting – April 15, 2015

- Northern Water Workshop – May 13, 2015
- Webinar: Rain Water Collection in Colorado - The Story of HB15-1259 – May 7, 2015

Anita Marchant: none
Dan Herlihey: none
Dave Schneider: Shared about how the $750,000 from the General Fund was to help lower the rate increases. LWP did not support getting this money from the General Fund when the burden should be carried by the rate payers. He mentioned the webinar sound quality was very poor on the rain water collection legislation. Although this legislation did not pass, it did go far in the process. He discussed conflicts it has with Colorado's Water Law. This topic will likely come back to the legislature next year. He inquired about the Home Supply Ditch and the amount of water in their ditch verses what is being put back into the river.
Gene Packer: He'll be sharing comments at the Tri-City meeting tomorrow night, reviewed the information on the food sale tax and information that he provided to City council and the importance of continuing the $750,000 from the general fund. The city manager received letters from 11 boards and commissions. Last night, the item to eliminate sales tax on food was defeated 5 to 4.
Gary Hausman: Inquired how the meadow is doing. Staff members then discussed the flows through this area in cubic feet per second. So far the obermeyer gate has handled very well and so far the water has not flowed over the dam crest. The flows are considerably less than during the 2013 flood which maxed around 10,000 cfs.
Jennifer Gramling: none
John Rust Jr: none
Larry Roos: none
Randy Williams: He sat in on a board meeting in Estes Park about increasing the water rates and one well spoken business man said that they are not increasing them enough. Finally, Estes Park has managed to get an increase going, but they are far behind where we are.

Council Report: Troy Krenning

Regular Meetings – April 21, 2015

- Ordinance on Second Reading for Supplemental Appropriation for Water Treatment Plant was approved. A motion to Approve and Order published on First Reading an Ordinance Enacting a Supplemental Budget and Appropriation to the 2015 City of Loveland Budget to Correct the Splits of Funding for the Water Treatment Plant Expansion & the Water Transmission Line Replacement to Hwy 34. This is an administrative action.
    - The WTP Expansion Project should be allocated as follows: 40% in the Water Fund and 60% in the Water SIF Fund.
    - The Water Transmission Line Replacement to Highway 34 Project should be allocated as follows: 50% in the Water Fund and 50% in the Water SIF Fund.
    - Between funds rolled over from 2013 and supplemental appropriations done in 2014, the percentage split for the budget between the Water Fund and the Water SIF fund is off slightly for these two projects. This ordinance addresses these corrections.
    - The total amount of the appropriations are $506,200 funded by transfers between the funds.
    - There is no net increase in the total budget for either of the two projects.

- Resolution #R-27-2015 Approving an Intergovernmental Agreement Between the City of Loveland, Centerra Metropolitan District No. 1, and Little Thompson Water District Concerning the Relocation of a Water Meter Vault with Associated Connections and a Fire Hydrant from the Intersection of

Boyd Lake Avenue and U.S. Highway 34 to Facilitate Intersection Improvements, was unanimously approved by City Council.

Study Session May 12, 2015

Steve Adams (Water and Power) and Bill Westbrook (IT) gave an informational presentation about broadband to the City Council to provide information and solicit feedback from Council on how to proceed with the broadband initiative for Loveland.

Comments: Troy Krenning talked about how interesting it is to pursue a broadband utility. Krenning would like to know in advance when this topic will be addressed at the LUC so that he can arrange his schedule to be present for those meetings. Krenning also provided a short update on the City Council meeting the previous night and discussed the food sales tax item.

DIRECTOR'S REPORT

Item 5: Director's Report – Steve Adams

Comments: Herlihey inquired if the press release went out on fluoride. Staff responded that it went out in the Reporter-Herald. LWP reached out to the dental community, because they were the ones that sent in the petition. LWP wanted to make sure that the dental community was aware of this press release and that it did have the backing of the American Dental Association. Gene Packer will speak a little bit about this tomorrow night at the Tri-City meeting.

Dave Schneider inquired about the Garden in a Box delivery assistance. He volunteered to help and he inquired when and where he should be to show up. Gretchen Stanford will find out if they still need volunteers and be in contact with him.

INFORMATION ITEMS

Item 6: Electric Legislative Update – Kim O'Field
This item and the attachment are intended to give a brief update on electric-related legislation being contemplated by the Colorado General Assembly. Loveland Water and Power works closely with Platte River Power Authority (PRPA) and its sister cities, but relies primarily on the Colorado Association of Municipal Utilities (CAMU) for information on electric-related legislation.

Information Item only. No action required.

Item 7: Water Legislative Update – Michelle Stalker
This item and the attachment are intended to give a brief update on water-related legislation being contemplated by the Colorado General Assembly. Loveland Water and Power relies primarily on the Colorado Water Congress (CWC) for information on water-related legislation.

Information Item only. No action required.

Item 8: Water Supply Update – Larry Howard
Projection for raw water supply in 2015.

Information Item only. No action required.

Item 9: Financial Report Update – Jim Lees
This item summarizes the monthly and year-to-date financials for April 2015.

Information Item only. No action required.

ADJOURN The meeting was adjourned at 7:16 pm. The next LUC Meeting will be June 17, 2015 at 4:00 pm.

Respectfully submitted,

Michelle Stalker
Recording Secretary
Loveland Utilities Commission

Commission Members Present: Anita Marchant, Dan Herlihey, David Schneider (Vice Chair), Gary Hausman, Gene Packer (Chairman), Larry Roos, Jennifer Gramling, John Rust Jr., Randy Williams

Commission Members Absent: none

Council Liaison: Troy Krenning

City Staff Members: Allison Bohling, Alan Krcmarik, Bob Miller, Bill Thomas (left after item 5), Brieana Reed-Harmel, Chris Matkins, Craig Weinland, Darcy Hodge, Garth Silvernale, Gretchen Stanford, Greg Dewey, Jason Mumm, James Strang (left before item 1), Jon Albertsen, Jim Lees, Kim Frick, Larry Howard, Mark Warner, Michael McCrary, Michelle Stalker, Sharon Citino, Steve Adams, Tom Greene

Guest Attendance: Roger Weidelman

CALL TO ORDER: Gene Packer called the meeting to order at 4:03 pm.

APPROVAL OF MINUTES: Packer asked for a motion to approve the minutes of the May 20, 2015 meeting.

> **Original Motion:** Move approval of the May 20, 2015 Loveland Utility Commission minutes.
> **Motion:** Dan Herlihey made the motion to approve the minutes of the May 20, 2015 meeting.
> **Second:** John Rust seconded the motion.

Comments: Dave Schneider stated his opinion about the May 20, 2015 minutes, specifically the comments under item two, pages three and five. He felt that they did not accurately reflect the sequence of events during the discussion nor provide an accurate summary of the comments and motions made throughout the discussion. Schneider suggested that this item be reviewed and edited accordingly.

Larry Roos suggested Schneider work with LWP staff to amend the May 20, 2015 minutes to more accurately reflect and summarize item two. The board discussed ways in which to improve the information under the original and amended motions so they can provide a more adequate representation of the board's discussion.

Steve Adams added that staff can go back and review the minutes and update them to provide a more accurate and chronologically correct representation of item two. He reminded the board that there is an audio recording of the meeting available online if they would like a more thorough overview of any meeting topics. Board and staff also discussed that the minutes provided are not verbatim minutes and that they should reflect a summary of the comments and discussion from Loveland Utilities Commission (LUC) board members, staff and citizens.

Roos questioned the difference between the amended motion and original motion under item two. Board and staff clarified the difference between the two motions. Schneider mentioned on page four the word "irradiate" should be replaced with "eradicate".

> **Withdrawn Motion:** Move to withdraw the motion to approve of the May 20, 2015 Loveland Utility Commission minutes.
> **Motion:** Dan Herlihey made the motion to withdraw the previous motion to approve the minutes of the May 20, 2015 meeting.
> **Second:** John Rust seconded the motion to withdraw the previous motion to approve of the May 20, 2015 Loveland Utility Commission.
>
> Randy Williams corrected that on page seven under Commission and Council Reports that the board meeting he attended was in Estes Park and not Fort Collins.

Amended Motion: Move to have LWP staff rework the May 20, 2015 meetings, per the audio recording, and hold approval of the May 20, 2015 minutes until July 15, 2015.
Motion: Dan Herlihey made the motion to have LWP staff rework the May 20, 2015 meetings, per the audio recording, and hold approval of the May 20, 2015 minutes until July 15, 2015.
Second: John Rust seconded the motion. The amended motion was approved unanimously.

NEW EMPLOYEE INTRODUCTION: James Strang

CITIZEN REPORTS: none

Gene Packer presented Sharon Citino with a plaque of appreciation for her hard work and dedication to the City of Loveland. He thanked her for her contributions to Loveland Water and Power and to the LUC.

CONSENT AGENDA

Randy Williams pulled item one from the consent agenda.

Item 2: Interchange Lift Station Intergovernmental Agreement (IGA) – Roger Berg This is a proposed Intergovernmental Agreement (IGA) with Centerra Metropolitan District No. 1 (District) related to construction, management, and oversight of the Interchange Lift Station. Since this IGA will obligate the City to an amount higher than $10,000, the IGA will need to be approved by City Council. Therefore, the IGA is being presented to LUC for consideration.

The District is responsible for design and construction of the necessary infrastructure to serve the development. In order to ensure adherence to the plans and specifications, the City has requested to manage the construction phase of the project, along with a third party construction management firm (Ditesco), and share the cost of such management based on a 50/50 cost share. The proposed contract with Ditesco will be hourly based on actual hours worked not to exceed $88,000, therefore the City's share will not exceed $44,000.

Recommendation: Adopt a motion recommending that the City Council approve the Intergovernmental Agreement with the Centerra Metropolitan District No.1 related to the construction, management, and oversight of the Interchange Lift Station.

Motion: Gary Hausman made the motion to accept consent agenda items as written.
Second: Dave Schneider seconded the motion. The motion was approved unanimously.

Comments: Randy Williams pulled item one from the consent agenda.

Amended Motion: Gary Hausman made the motion to accept item two on the consent agenda as written.
Second: Dave Schneider seconded the motion to accept item two on the consent agenda as written. The amended motion was approved unanimously.

REGULAR AGENDA

Item 1: Acceptance of 4.7295 Louden Ditch Shares and possible executive session – Greg Dewey Request to deposit 4.7295 (3.0625 + 1.667) Louden Ditch Shares into the City's Water Bank with the possibility of an executive session.

Comments: Williams and Citino discussed the purpose and legalities of an executive session. Williams inquired if Citino has reviewed item two and feels comfortable moving forward with the recommendation as written. Citino stated that she is in support of the recommendation as written and provided the board with an overview of the discussion from staff and outside water council that has led to the recommendation listed.

Recommendation: Adopt a motion finding that the requirements set forth in City Code Section 19.04.080 have been met, and that acceptance of the 4.7295 (3.0625 + 1.667) Louden Ditch shares into the City of Loveland Water Bank is in the city's best interest; provided that the credit shall be restricted to 50% of the value allowed in Section 19.04.012 of the Municipal Code, and provided further that the credit may be adjusted by staff according to future direction from legal counsel and/or action by City Council.

Motion: Randy Williams made the motion to move approval of agenda item two as written.
Second: Dave Schneider seconded the motion. The motion was approved unanimously.

Item 3: Supplemental Appropriation for Water Enterprise – Chris Matkins & Jim Lees This item describes the reasons and amounts of a Supplemental Appropriation for the Water Enterprise. When there are not sufficient funds available in the capital budget or the operations and maintenance budget to fund cert%Fain needs for the current budget year, a supplemental budget appropriation is an option available to fund the needs. The Supplemental Appropriation outlined below is presented for LUC consideration and then will be scheduled before City Council for final approval.

Recommendation: Adopt a motion recommending that City Council approve the Supplemental Request for $1,214,400 to the Water Enterprise.

Comments: Herlihey asked Chris Matkins for more information about the Phase II Big Dam improvements and inquired about the participation ratio with Home Supply. Matkins and staff stated that the current agreement is from 1895. He added that the ratio split has been discussed for the Phase II project; however, no final decision has been made. LWP is offering to split costs as 50/50 partners on this project. Adams added that this agreement is currently being worked on and will be brought in front of the LUC in the future.

Schneider inquired about the anticipated increase of cost for the Carriage Contract. Matkins provided a general overview of how these costs have accumulated. He stated that the Bureau of Reclamation sends a yearly bill. Water and Power staff generally estimate the costs and can plan accordingly. Larry Howard reviewed the details of the contract and mentioned that this year was different. He described the three main components of the contract:

1 - Capital cost ($8.08 per acre year)
2 - Power interference (computed by the Bureau of Reclamation)
3 - Yearly system maintenance (This component was what was under budgeted compared to actual costs.)

With all these factors being considered, staff prepared for a bill close to $300,000. However, LWP received a much larger bill in 2015. Howard mentioned that more construction and rehabilitation work was done on the CBT system than what had been originally anticipated. Also, due to poor river water quality conditions, LWP took more water through the CBT system than normal. Kim Frick mentioned that the base for calculation also increased significantly. The combination of these factors contributed to the high bill.

Schneider added that there is potential for future discussion regarding the budget and funds in order to better plan for unexpected costs. Hausman inquired about which organization manages the billing and

labor involved. Howard reviewed the two companies, Northern Water and the Bureau of Reclamation, that manage these processes and how the work is divided.

Matkins provided an overview of the request for an additional $100,000 for a payment from LWP to Public Works, pending mangers approval, to purchase a wash bay and convert it into a storage area. Staff reviewed details regarding the asking price. Adams informed the board and staff about the Service Center Expansion project and associated improvements, including the construction of a new wash bay for the Public Works Department. He added that there are serval valuable reasons why it would be useful for LWP to own the old unused wash bay. He reviewed the process of how the cost for this building was negotiated. He mentioned that based on the preliminary costs, it is a very fair price for storage space. Staff and board discussed the size and cost of the wash bay.

Amended Recommendation: Adopt a motion recommending that City Council approve the Supplemental Request for $1,314,400 to the Water Enterprise.

Motion: Randy Williams made the motion.
Second: Dave Schneider seconded the motion. The motion was approved unanimously.

Comments: Larry Roos asked when the grout work would be done on the Big Dam. Howard stated that it would be late fall 2015 when the water flow in the river is low. Adams discussed how this will be executed and referenced review of page twenty-nine.

Item 4: 2016 Budget Presentation Update on Wastewater Utility – Roger Berg & Chris Matkins Driven primarily by regulatory changes, capacity needs, and aging infrastructure, the Wastewater Utility's 10-Year Capital Improvement Program (CIP) includes several capital projects with costs exceeding projected revenues and fund balances over the next ten years. To have sufficient funds to complete these necessary projects, the utility will need to secure $6,000,000 in debt financing in 2016. Three financing options that are available include bank loans, State Revolving Fund (SRF), and Revenue Bonds. In addition, the CIP includes several major projects from 2019 through 2024 that will require substantial rate increases, borrowing, or a combination of the two, in an estimated amount of about $20,000,000.

Original Written Recommendation: This agenda item is provided for LUC information, discussion, and concurrence as it is part of the 2016 Budget and 2015 Water and Wastewater Rate Study.

Comments: Darcy Hodge passed out updated copies of the 10-year financial plan for the Wastewater Utility to staff and board. Rust asked what additional changes will need to take place with the new federal regulations mandated by the new Clean Water Act. Greg Dewey stated that the new upgrades to the facility will allow Loveland to meet these established regulations. Matkins stated that this equipment is planned to be in service for the next 30 years. Adams stated that these changes will accommodate for new regulations and informed the board that the updates will be completed in a two-phase process. Michael McCrary provided an overview of the expected timeline of these projects.

Roos asked if the technology that was chosen to be incorporated in these improvements will meet the new requirements. Staff discussed that the technology that LWP plans to use have proven methods and are cost effective. Williams asked what the increase in capacity will be after project completion. Williams asked for more information about the expected expansion capacity and the expected population that the new plant can serve. Matkins said the current plant size can process about 21,000 pounds per day, and LWP will increase its capacity to about 28,000 pounds per day (about a 30% increase). Herlihey asked if this work will be completed out of the floodplain. Adams mentioned that indeed, this will be built outside of the floodplain.

Hausman mentioned that Matkins had a great presentation and supporting pictures that demonstrate the need for these updates. Staff and board discussed the images in the PowerPoint as well as current technology at the Wastewater Treatment Plant.

Schneider asked if the loans will be coming out of different accounts in order to provide funding for the project. Matkins stated how the projects come out of different funds based on the purpose of the project. Board and staff briefly discussed project funding and future loan options.

Verbal Recommendation stated during the meeting: Adopt a motion recommending that City Council approve the proposed 2016 Water and Power budget.

Motion: Dan Herlihey made the motion.
Second: Gary Hausman seconded the motion. The motion was approved unanimously.

Adams asked for the motion to be withdrawn because the recommendation given coincides with item six not item four.

Motion: Dave Schneider made the motion to negate the previous motion.
Second: Dan Herlihey seconded the motion to negate the previous motion. The motion was negated unanimous.

The board officially noted and concurred with the direction of item four. Item four was approved by acclamation.

Item 5: 2015 Water and Wastewater Rate Study Results – Jason Mumm & Jon Albertsen from Hawksley Consulting The purpose of this item is to get recommendations from the Loveland Utilities Commission (LUC) on proposed 2016 rates for both the Water and Wastewater Utilities to take to City Council.

Recommendation: Adopt a motion recommending that City Council approve the proposed changes to the rates for the Water and Wastewater Utilities for 2016.

Comments: Board and staff reviewed and discussed the approved revenue requirements and stated that the rates proposed stay within the future projected rate tracks. Schneider asked if costs cannot be identified to a rate class how they are allocated. Jason Mumm mentioned that those costs are spread out to all billable classes. Mumm provided the board with a few examples.

Lees stated that through the Rate Study process Hawksley Consulting discovered that multi-family home base charge rates correlated to the number of meters and not the number of dwelling units. LWP needs to make a correction in order to collect the proper revenue. Mumm stated that it would be approximately a $300,000 revenue difference per year. Tom Greene stated for clarification that the cost of multi-family homes for a 50-plex would be charged the same base rate as 100-plex.

Lees informed the board and staff that LWP does not have a wholesale City-rate for wastewater customers; they pay the commercial rate. Adams discussed the rates that are projected, including the 8% increase that was approved by City Council. LWP has a different rate track for the Wastewater Utility for which City Council has yet to adopt a formal resolution. However, LWP has discussed with City Council the large improvements that need to be made, and they gave permission for LWP to start increasing rates now to help start cash funding. This is reflected in the 2016 Budget Presentation Update on the Wastewater Utility. He continued to explain the impact of these rate increases and how the funding will be used. Staff discussed the 2016 rate projections and how they correlate with the findings of the Rate Study.

Based off Mumm's presentation and previous discussions with LWP staff, Adams proposed that in order to compensate for the miscalculation that LWP charges its multi-family rate customers a "step-up" rate increase over time which will lessen the initial steep increase in cost. Lees reviewed the difference that base charges can have for large multi-family complexes versus small multi-family complexes. Staff reviewed the current billing process for multi-family complexes.

Michelle Stalker asked about the possibility of base charges being associated with the number of dwelling units so it can more accurately reflect the cost associated with providing system capacity for each multi-family customer. Mumm stated that this point has been taken into consideration and may be evaluated in the future. There are changes that need to be made within the billing system in order to accommodate this change. Adams stated that system investment fees, or growth fees, are charged by the number of dwelling units so LWP does have that information available. He asked for a recommendation from Mumm. Mumm said for the reasons that were stated that he recommends that the base cost be charged per dwelling unit, if the billing system can make the adjustment and if customers are notified about the change.

Rust said that LWP's priority should be to balance out the base charge associated with the number of dwelling units. Customers have to pay equitable and appropriate amounts for their services. The board mentioned that this can possibly be adjusted over time. Lees stated that based on the 2015 Rate Study summary and discussion, he feels the consensus from the board is to make the switch if the billing system can handle it. Also, that the change should be made over a few years. Schneider added that the priority is to make the situation fair to all customers. Staff and board discussed the annual differences and the under collection of funds for multi-family homes. Lees discussed how the fees can be adjusted in order to fix the situation moving forward. Staff and board discussed different ways to catch up with the deficit and set LWP up for success in the future. The board agreed that LWP needs to make the situation right with our customers, Adams stated that the goal is to make progress to get back on track.

Lees stated that when Mumm comes back next month they will address future rate tracks. Board discussed the advantages and disadvantages of making the changes over time verses making the adjustment all at once. LUC would like to get more perspective on this topic next month, and make a recommendation at a later date. Adams said he will be giving the LUC a later update and thanked the board for their feedback.

Item 6: 2016 Budget – Jim Lees The purpose of this item is to ask the LUC to adopt a motion recommending that City Council approve the proposed 2016 Water and Power budget.

Recommendation: Adopt a motion recommending that City Council approve the proposed 2016 Water and Power budget.

Motion: John Rust Jr. made the motion.
Second: Dan Herlihey seconded the motion. The motion was approved unanimously.

Comments: Rust asked what driving factors increased the cost to the Chimney Hollow project. Matkins added that the two factors involved in this increase are that we now have a better understanding of the project perimeters, a clear outline of the work that has to be done, and there is a higher cost associated with doing that work. Adams added that this information is based off a preliminary estimate.

Staff and board discussed the impact of a density increase and population growth in Loveland as well as the impact of commercial business. Schneider commented on the impact vertical buildings can have on density. Adams stated that there will be more information to come in the future on this topic.

COMMISSION/COUNCIL REPORTS

Item 7: Commission/Council Reports
Activity board members attended since last meeting – May 20, 2015

- Tri-City Meeting – May 21, 2015
- City Council Study Session -10 year Capital Plan – June 10, 2015

Adams provided the LUC and staff with an update on the FEMA Alternate Project. Rust asked if the solar will go straight into the distribution system. Adams stated that yes, it will go directly into the grid and help our customers. Brieana Reed-Harmel added that the project is running on schedule with the NEPA process.

Anita Marchant: none
Dan Herlihey: He stated that Greeley did a good job hosting the 2015 Annual Tri-City Meeting. He highlighted the he really enjoyed the seating arrangements and getting the opportunity to network with representations from different organizations.
Dave Schneider: Asked if Harold Evans is leaving the Greeley Water Board. Howard stated that he is leaving the South Platte Round Tables not the Greeley Water Board. Howard discussed future cooperative effort and the potential for change of the Round Table meetings.
Gene Packer: He mentioned that he appreciated the opportunity to present at the 2015 Annual Tri-City Meeting.
Gary Hausman: He complimented Jim Lees on what a great job he has done on the Cost of Service Rate Study and 2016 Budget and that he appreciated all the effort put forth. He suggested that the 2016 Annual Tri-City Meeting be in a place where we can show off the great assets of Loveland.
Jennifer Gramling: none
John Rust Jr: He acknowledged Craig and New Belgium for supporting a group that wants to discontinue the future growth of coal fired power plants. He shared his father's day gift from his daughter. He suggested having a speaker at the 2016 Tri-City meeting who talks about minerals and metals.
Larry Roos: He mentioned that he appreciated being a part of the Cost of Service Rate Study and the 2016 Budget and complimented staff on their hard work throughout the process.
Randy Williams: none

Council Report: Troy Krenning

Regular Meetings – June 2, 2015

- Motion to approved and order published on first reading an ordinance enacting a supplemental budget and appropriation to the 2015 City of Loveland budget for both the anticipated revenue and expenditures associated with the FEMA substation and solar facility alternate projects.

  This was an administrative action. Loveland Water and Power requested supplemental appropriations for both revenue and expense for the Power Utility budget, totaling $9M ($9,068,018). Some ($5,068,018) appropriated from the Power Utility PIF fund for the solar facility project and $4,000,000 appropriated from the Power Utility General fund for the substation project. The revenue appropriation total request is $7,934,516 which is 87.5% of the anticipated $9,068,018 expense. This is the amount that FEMA and the State of Colorado Office of Emergency Management normally reimburse for the FEMA alternate projects. These funds are requested to allow the Power Utility to move forward with the Council approved Substation and Solar Facility FEMA Alternate Projects. The current schedule is to award contracts and perform project design in 2015 with construction beginning towards the end of 2015 and continuing through to the required deadline of September 2017.

DIRECTOR'S REPORT

Item 8: Director's Report – Steve Adams

Comments: Roger Weidelman introduced himself and gave a brief history of his professional experience. Weidelman stated that he appreciated being at the June 17, 2015 LUC meeting. Adams thanked him for being at the meeting. The board and staff concluded the meeting by wishing Citino luck in her future endeavors.

INFORMATION ITEMS

Item 9: Financial Report Update – Jim Lees This item summarizes the monthly and year-to-date financials for May 2015.

Information item only. No action required.

ADJOURN The meeting was adjourned at 7:06 pm. The next LUC Meeting will be July 15, 2015 at 4:00 pm.

Respectfully submitted,

Allison Bohling
Recording Secretary
Loveland Utilities Commission

City of Loveland

CITY OF LOVELAND
WATER & POWER DEPARTMENT
200 North Wilson • Loveland, Colorado 80537
(970) 962-3000 • FAX (970) 962-3400 • TDD (970) 962-2620

AGENDA ITEM: 1
MEETING DATE: 7/15/2015
SUBMITTED BY: Steve Adams, Director AB for SA

TITLE: 2015 2nd Quarter Goal Updates

DESCRIPTION:
This is a quarterly review of our progress on our 2015 utility goals.

SUMMARY:
Review 2015 utility goals and the 2nd Quarter updates.

RECOMMENDATION:
Discuss the presented information and approve the 2nd Quarter 2015 Goals and Quarterly Update Report.

REVIEWED BY DIRECTOR:
AB for SA

ATTACHMENTS:

- **Attachment A:** 2015 2nd Quarter Goals Update

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Attachment A

	2015 Goals & Quarterly Updates	Comp Plan #	Est. Completion	Actual Completion
1	**Complete a Water and Wastewater cost-of-service rate study**		**December, 2015**	
	Q2 Update: Jason Mumm and Jon Albertsen of Hawksley Consulting (a division of MWH Global) came to the June 2015 Loveland Utilities Commission (LUC) meeting to present the cost-of-service results and get input from the LUC on rate design. Jason and Jon will be back at the July 2015 meeting to present recommended rates for 2016 and rate track and borrowing scenarios. Staff will be looking to the LUC for recommendations to take to City Council on both rates for 2016 and 10-year rate tracks and borrowing scenarios.			
2	**Support priority-based budgeting (PBB) next steps**		**On-going**	
	Q2 Update: Marc Kahn, the Budget Manager and successor to John Hartman, resigned recently, so the PBB effort will be on hold until a new Budget Manager is hired.			
3	**Evaluate and recommend Wastewater Treatment Plant (WWTP) improvements to accommodate nutrient changes and future growth**		**2017**	
	Q2 Update: A panel of seven staff members interviewed three national engineering firms in April. Carollo Engineers scored the most points and was selected to be the design firm for this project. They will begin preliminary design in July 2015. Final design is expected to be complete in March 2016, and construction will be complete by the end of 2017.			
4	**Develop a Marketing and Communications Plan**		**May 2015**	
	Q2 Update: There has been no progress from the City's Public Information Office (PIO), therefore, we are still in a holding pattern.			
5	**Support City Council's direction on a broadband fiber network**		**2017**	
	Q2 Update: To date, seven presentations have been made to possible stakeholder groups with the hopes that one would be interested in partnering with the City to take over the public outreach efforts between when the ballot language is certified and the election date on November 3, 2015. The Chamber voted unanimously to support the ballot language. An internal City broadband committee has been formed and we are meeting on a biweekly basis.			
6	**Implement an LED streetlight policy**	**11C1.1 - Power** **11C.3.1 - Power**	**On-going**	
	Q2 Update: Staff have been evaluating sites for installation and taking recordings of the lighting levels and light patterns before the LED installation to provide a baseline comparison. Several of the sites will also require "make ready" work to allow for proper installation of the fixtures. This work is being scheduled with Power Operations.			
7	**Complete FEMA Alternate Project submittal and begin work on the Boedecker substation and solar project**	**Power 11C.3.2**	**On-going**	
	Q2 Update: Unfortunately, FEMA has not confirmed that the change of scope has been approved therefore, we are in a bit of a holding pattern. However, the Request for Proposal (RFP) for the solar project will close on the July 23, 2015, staff has issued one addendum. Staff has started meeting with PRPA on the design and specifications for transformer, control building, switchgear, and other contractor work.			
8	**Support the Planning Department's Comprehensive planning efforts in the following areas:**	**11B.3.2 - Water** **11C.3.2 - Power** **11D.3.2 - Wastewater**		
	a) Master Plan for Development of Highway 287 in Loveland		**On-going**	
	Q2 Update: The Water and Power Department Director is meeting with Development Services Director, Public Works Director and Parks and Recreation/Open Lands Director on a monthly basis to review and discuss plan implementation.			
	b) Master Plan for Development of the Highway 402 Corridor		**On-going**	
	Q2 Update: We held a kick off meeting with Ayres on June 3rd, 2015. They expect to be complete with the study by the end of the year.			

	2015 Goals & Quarterly Updates	Comp Plan #	Est. Completion	Actual Completion
	c) Downtown Revitalization Efforts		**On-going**	
	Q2 Update: Internal staff from the Power Division consultant, Exponential Engineering, have started meeting with the team for the Downtown Catalyst project headed by Economic Development. Plans are being made to remove electric services in areas of downtown in advance of the new developments and address the needs of the new utility services with new construction. Downtown areas for overhead to underground conversions have been identified for the 2016 budget process.			
	d) Comprehensive Plan Update		**On-going**	
	Q2 Update: Karl Barton gave an update on the Create Loveland Comprehensive Plan to City Council on April 28, 2015. The Planning Team has compiled the information received through their outreach efforts into a Draft Comprehensive Plan posted online at www.createloveland.com. They will be presenting the public comment on the plan to the Planning Commission at Study Sessions during July and August of 2015. The Plan will then be forwarded to City Council for adoption.			
9	**Create a Strategic Plan for Loveland Water and Power.**	**11B.1.2 - Water** **11C.1.2 - Power** **11D.1.2 - Wastewater**	**2016**	
	Q2 Update: Staff is prioritizing projects in hopes to direct us towards a more concrete timeline for starting the strategic plan.			
10	**Continue 2013 Flood restoration and service recovery efforts**		**On-going**	
	Q2 Update: **Water:** Lincoln Avenue 8" Waterline and Fire Training Grounds (Fairgrounds Park) 6" Waterlines - An existing 8" waterline along the west side of the Lincoln Avenue bridge over the Big Thompson River and a 6" waterline beneath the Big Thompson River from the Fire Training Grounds to Fairgrounds Park were destroyed during the flooding in September 2013. A construction contract has been signed with Gopher Excavating and they have completed the Fire Training Grounds 6" waterline and are 90% complete with the Lincoln Avenue 8" waterline and will have the project complete by the end of July 2015. **Power:** Pending County Permit - Electrical Engineering Staff is working with the county regarding permitting for rerouting of the single phase primary wire that crosses the Big Thompson River (BTR) along the east side of the property. The proposal is to underground the system by following CR23H from the south access to Sylvan Dale Ranch, heading east along the county road and intercepting the existing overhead lines near the location that they currently cross the BTR. Once completed this project will eliminate our exposure of having an overhead line in the flood plan. Pending contract construction of underground infrastructure and county approval. **General Overview -** For the most part, the large rebuild/restoration work in the Big Thomson Canyon has been completed. Loveland Water and Power (LWP) continues to energize individual homes throughout the BTC following state inspection. The count of customers without power due to the flood is mainly customers from Sylvan Dale Guest Ranch to Waltonia but it does include locations on South Lincoln and the Glade Road area for customers who were without power for an extended period of time. • Total customers without power due to 2013 flood = 314 • Total customers to date who have had power restored = 260 • Total customers still without power as of June 30, 2015 = 54 • Taking those numbers into account there are 10 customers in the canyon we would have the ability to restore power to. All customers have been contacted and we are waiting for them to schedule their service turn on. Restoration work within the city limits has been completed with operations crews back to normal duties.			
11	**Further develop the Asset Management Program for Loveland Water and Power**	**11B.3.3 - Water** **11D.2.2 - Wastewater** **11D3.1 - Wastewater**	**On-going**	

	2015 Goals & Quarterly Updates	Comp Plan #	Est. Completion	Actual Completion
	Q2 Update: Staff continues to have regular meetings at the Water Treatment Plant to evaluate risks by system. Staff is working to implement risk mitigation plans for each water treatment plant system. The risk mitigation plans include actions such as preventative maintenance work orders, increased training efforts, determining which items to keep spares on-hand and creating replacement plans. We anticipate beginning this same process at the Wastewater Treatment Plant in the fall of this year. Power has been meeting quarterly to review the asset management plan for Power assets and continues to expand the assets being tracked in CItyworks and GIS. Power currently tracks critical infrastructure for inspection and routine maintenance, but staff is setting up timeframes for inspection of all power assets within Cityworks and GIS. Yearly inspections for Key Account transformers have been completed. Bi-Annual switch and switchgear inspections and maintenance have been completed. Staff have been working on a plan to better track the conduit and vault assets. The GIS application, Conduit Manager, installation has been completed and we have purchased a new 360 degree rapid capture camera to take three dimensional pictures inside the vaults that show the status of the vault, modules and used conduits. We are now setting up a work plan to start inspecting all the vaults in the system.			
12	**Redefine the Key Accounts program**		**On-going**	
	Q2 Update: Staff is analyzing customers consumption and revenue to help redefine the key accounts program.			
13	**Work with Platte River Power Authority (PRPA) to implement and update an Integrated Plan (IP)**	**11C.1.2 - Power**	**December, 2015**	
	Q2 Update: PRPA continues staff work on the Resource Plan. A PRPA board retreat is scheduled for August 2015 to discuss and give guidance on the Resource Plan. An LUC presentation by PRPA is scheduled for September 16, 2015 with a City Council Study Session on this item scheduled for October 27, 2015.			

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City of Loveland

CITY OF LOVELAND
WATER & POWER DEPARTMENT
200 North Wilson • Loveland, Colorado 80537
(970) 962-3000 • FAX (970) 962-3400 • TDD (970) 962-2620

AGENDA ITEM: 2
MEETING DATE: 7/15/2015
SUBMITTED BY: Brieana Reed-Harmel, Senior Electrical Engineer BRH

TITLE: Airport Substation Easement

DESCRIPTION:
Tri-State Generation and Transmission Association, Inc. has requested an access easement for equipment located within the Airport Substation owned by the City of Loveland Water and Power.

SUMMARY:
The Airport Substation, located on County Road 3, north of Highway 34, is owned by the City of Loveland Water and Power. This site also has equipment owned by Platte River Power Authority (PRPA) and by Poudre Valley Rural Electric Association (PVREA).
On March 24, 2015 Tri-State Generation and Transmission Association, Inc. notified the City of Loveland that they had acquired the equipment owned by PVREA located within the Airport Substation. Tri-State has requested that an access easement be granted for the Airport Substation property in order to access and maintain their equipment.

RECOMMENDATION:
LUC recommends City Council approve the resolution.

REVIEWED BY DIRECTOR:
JB for SA

ATTACHMENTS:
- **Attachment A:** Letter from Tri-State to grant Easement for Airport Electric Substation
- **Attachment B:** Resolution –Grant of Easement Electric Substation to Tri-State
- **Attachment C:** City of Loveland Easement for Airport Substation
- **Attachment D:** Airport Substation Equipment Map

Attachment A

TRI-STATE GENERATION AND TRANSMISSION ASSOCIATION, INC.
HEADQUARTERS: P.O. BOX 33695 DENVER, COLORADO 80233-0695 303-452-6111

March 24, 2015

City of Loveland
Power & Water
Attn: Kathleen Porter
500 East Third Street
Loveland, CO 80537

Re: Grant of an Easement for Airport Electric Substation

Dear Ms. Porter:

Tri-State Generation and Transmission Association (Tri-State) is a wholesale electric power supplier owned by the 44 electric cooperatives that it serves. Tri-State generates and transmits electricity to its member systems throughout a 200,000 square-mile service territory across Colorado, Nebraska, New Mexico and Wyoming, serving approximately 1.5 million consumers.

Tri-State's board approved acquisition of some of its members of electrical equipment. One of its members, Poudre Valley Rural Electric Association, Inc., owns electrical equipment located in the Airport Substation that The City of Loveland owns fee title to the real property under the substation. Tri-State needs access to this equipment and requests The City of Loveland grant the enclosed Easement for Electric Substation. I have also enclosed the Title Commitment for ownership and a map for the location of the Airport Substation for your reference.

Thank you for your time and effort on this matter. Please call or email me with any questions you have.

Sincerely.

Joel Ford Contract Agent
Land Rights and Permitting Department
Tri-State Generation and Transmission Association, Inc.
303-254-3817 (direct)
jford@tristategt.org

Attachment B

RESOLUTION #R-____-2015

A RESOLUTION GRANTING AN EASEMENT FOR ELECTRIC SUBSTATION TO TRI-STATE GENERATION AND TRANSMISSION ASSOCIATION, INC.

WHEREAS, Tri-State Generation and Transmission Association, Inc. ("Tri-State") has requested that the City of Loveland ("City") grant Tri-State a perpetual, non-exclusive easement for the erection, installation, construction, reconstruction, replacement, modification, uprating, upgrading, removal, maintenance, and operation of an electric substation on, over, under, and across real property owned by the City; and

WHEREAS, the Water and Power Department reviewed Tri-State's request and found that the proposed use will not negatively affect the City's operations at that location; and

WHEREAS, the City Council desires to grant the requested easement on the terms and conditions set forth in the "Easement for Electric Substation" attached hereto.

NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF LOVELAND, COLORADO:

Section 1. That the "Easement for Electric Substation," attached hereto as Exhibit A and incorporated herein by reference ("Easement"), is hereby approved.

Section 2. That the City Manager and the City Clerk are hereby authorized and directed to execute the Easement on behalf of the City.

Section 3. That the City Manager is authorized, following consultation with the City Attorney, to approve changes to the form or substance of the Easement as deemed necessary to effectuate the purposes of this Resolution or to protect the interests of the City.

Section 4. That this Resolution shall be effective as of the date of its adoption.

ADOPTED this ____ day of _____, 2015.

_____
Cecil A. Gutierrez, Mayor

ATTEST:

_____
City Clerk

APPROVED AS TO FORM:

Assistant City Attorney

Attachment C

WHEN RECORDED RETURN TO:

If via USPS:
Tri-State Generation and Transmission Association, Inc
P.O. Box 33695
Denver, CO 80233
Attn: Glenda Lanik, Senior Manager and Assistant General Counsel

If via Federal Express or UPS:
Tri-State Generation and Transmission Association, Inc.
3761 Eureka Way
Frederick, CO 80516
Attn: Glenda Lanik, Senior Manager and Assistant General Counsel

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EASEMENT FOR ELECTRIC SUBSTATION

1. **GRANT.** In consideration of the sum of Ten Dollars ($10.00) and of the further agreements, compensation and considerations in this Easement for Electric Substation (the "Agreement"), the receipt and sufficiency of which is hereby acknowledged, CITY OF LOVELAND, a Colorado municipal corporation, 500 E. Third Street, Loveland, Colorado 80537 ("Grantor") hereby grants to TRI-STATE GENERATION AND TRANSMISSION ASSOCIATION, INC., P.O. Box 33695, Denver, Colorado 80233, ("Grantee") and to its employees, agents, licensees, invitees, contractors, lessees, successors and assigns a perpetual, non-exclusive easement for the purposes described below on, over, under and across certain premises situated in Larimer County, Colorado, which is further described below.

2. **ELECTRIC SUBSTATION USE.** Grantor grants to Grantee an easement for the erection, installation, construction, reconstruction, replacement, modification, uprating, upgrading, removal, maintenance, and operation of an electric substation with structures, poles, transformers, buswork, circuits, switches, meters, wires, cables, cable terminations, tracer wires, arrestors, ductbank systems, cable troughs, conduits, vaults, transition structures, riser structures, control buildings, gravel, subsurface grounding grids, foundations, footings, oil containment systems, control buildings, fences, gates, landscaping, and other facilities, equipment and systems used or useable in an electric substation, along with equipment and systems used or useable for the transmission or provision of telecommunications and fiber optic services, on, over, under and across the real property as described on the attached **Exhibit A** (the "Substation Easement Area").

3. **NON-EXCLUSIVITY, PERPETUITY.** The easements granted hereunder shall be non-exclusive, subject to Grantor's covenants and the restrictions set forth in Sections 4 and 5 below, and shall further be perpetual and deemed to run with the land.

4. **GRANTOR** The Grantor reserves all rights in and to the property other than those that interfere with rights expressly granted to the Grantee herein.

5. **GRANTOR COVENANTS**. Unless written permission is granted by Grantee, Grantor shall not undertake any activity on, under or over the Substation Easement Area posing a significant risk of interfering with the safe operation or maintenance of Grantee's substation facilities.

6. **GRANTOR WARRANTS.** Grantor warrants that: 1) Grantor is the owner of the land on which the easement conveyed herein is situated, 2) Grantor has full authority to grant this

easement, and 3) the rights granted herein are subject only to easements of record, intergovernmental agreements, and mineral rights of record in third parties

7. **NON-USE, TERMINATION.** Non-use or limited use of this easement shall not prevent Grantee from thereafter making use of the easement to the full extent herein authorized. If Grantee's substation facilities are removed and the Substation Easement Area is permanently abandoned by Grantee, the easement shall be terminated by one or more releases of easement executed and delivered by Grantee to Grantor.

8. **LIENS.** Grantee shall not allow any mechanic's lien to be recorded against Grantor's real property for any work or services performed at Grantee's request. Grantee shall indemnify, defend, and hold Grantor harmless from any and all loss, cost, damage, or expense, including reasonable attorneys' fees, related to any such mechanic's liens claimed or asserted.

9. **MISCELLANEOUS.** The provisions of this easement shall be binding upon and shall inure to the benefit of the heirs, executors, administrators, personal representatives, successors and assigns of the Grantor and Grantee. The rights, privileges, and obligations granted and created hereunder may be assigned or otherwise conveyed or transferred, in whole or in part. Grantee shall be entitled to all remedies at law or in equity to enforce the terms of this Agreement or to recover damages for breach. If any provision of this Agreement is held by a court of competent jurisdiction to be invalid or unenforceable or not run with the land, such holding shall not affect the validity or enforceability of the remainder of this Agreement. The headings and captions in this Agreement are used for convenience only and shall not be construed to affect its meaning.

10. **NOTICES.** All notices and other communications required under this Agreement shall be in writing and delivered personally or sent certified mail or via facsimile to the party set forth below:

If to Grantor: Director, Loveland Water and Power
City of Loveland
200 N. Wilson Ave.
Loveland, CO 80537

If to Grantee: Tri-State Generation and Transmission Association, Inc.
1100 W. 116th Avenue

Westminster, CO 80234
Attn: General Counsel

GRANTOR signs this Easement for Electric Substation on _____, 2015.

GRANTOR:

City of Loveland, a Colorado municipal corporation

By: _____

Printed Name: _____

Title: _____

ACKNOWLEDGMENT

STATE OF COLORADO)
) ss:
COUNTY OF LARIMER)

The foregoing instrument was acknowledged before me on _____, 2015, by _____, as _____ of _____, Grantor.

(Notarial Seal)

_____
Notary Public

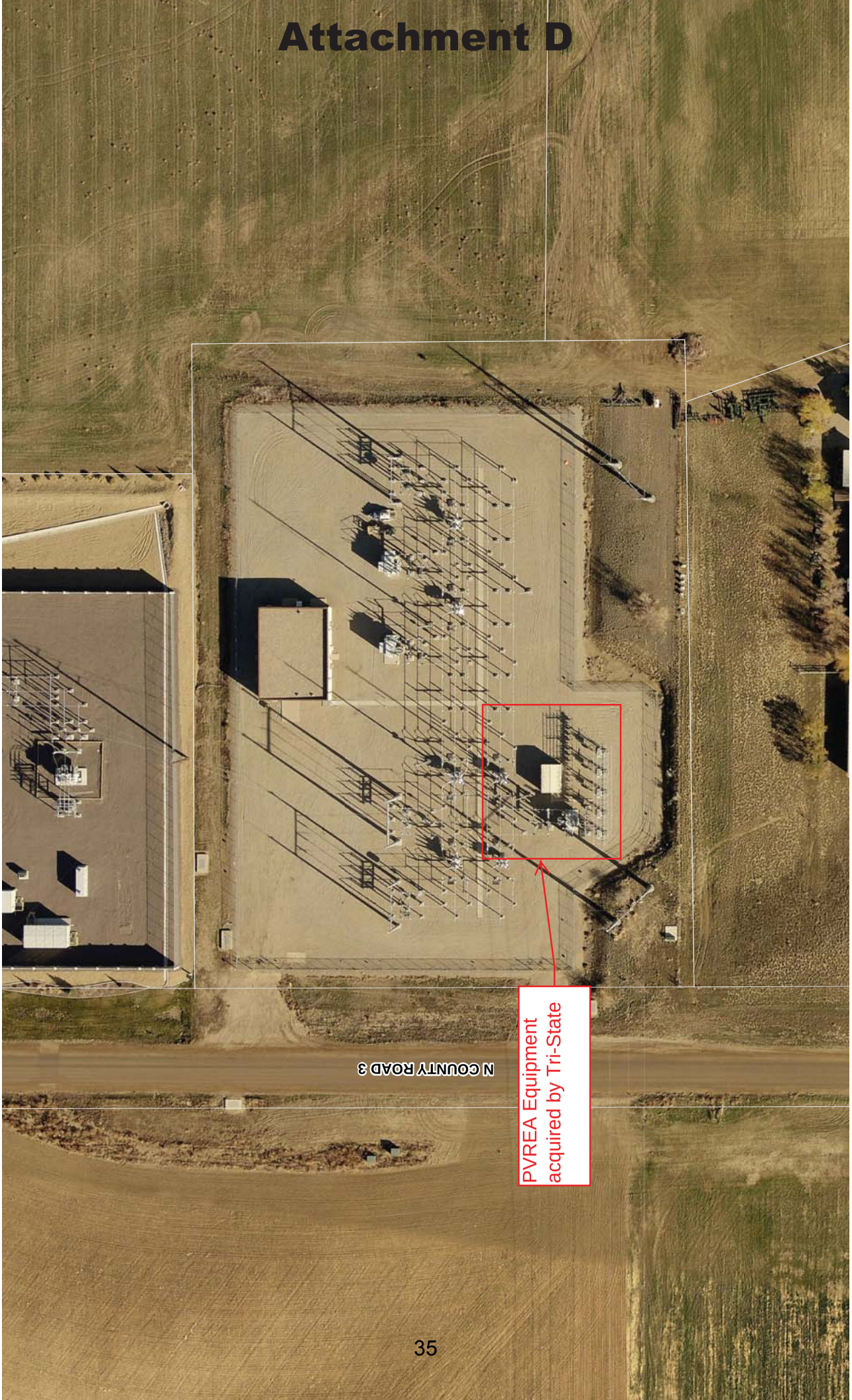
My commission expires: _____

EXHIBIT A
SUBSTATION EASEMENT AREA

Airport Substation

Lot 2 of P.R.P.A., First M.L.D. S-46-90, Located in a portion of the Northwest Quarter of Section 12, Township 5 North, Range 68 West of the 6th Principal Meridian, County of Larimer, State of Colorado.

Attachment D



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City of Loveland

CITY OF LOVELAND
WATER & POWER DEPARTMENT
200 North Wilson • Loveland, Colorado 80537
(970) 962-3000 • FAX (970) 962-3400 • TDD (970) 962-2620

AGENDA ITEM: 3
MEETING DATE: 7/15/2015
SUBMITTED BY: Jason Mumm & Jon Albertsen, Hawksley Consulting
Jim Lees, Utility Accounting Manager

TITLE: 2015 Water and Wastewater Rate Study Results

DESCRIPTION:
The purpose of this item is to get a recommendation from the Loveland Utilities Commission (LUC) on proposed rates for 2016 for both the Water and Wastewater Utilities to take to City Council and get recommendations on preferred 10-year rate track and borrowing alternatives for both the Water and Wastewater Utilities to take to City Council.

SUMMARY:
We have been working on a cost-of-service rate study for the Water and Wastewater Utilities since January. As part of this process, there have been three meetings with our LUC liaisons, Gene Packer, Larry Roos, Dave Schneider and Gary Hausman, and we so appreciate their time and insights. Our last cost-of-service rate study for Water and Wastewater was completed in 2012, so this year's study is in keeping with the new approach of updating our cost of service for each utility every three years instead of every five.

At last month's LUC meeting, Jason Mumm and Jon Albertsen from Hawksley Consulting (a division of MWH Global) were here to present the results from the cost-of-service and get direction from the LUC on what to bring back this month in terms of proposed rates for Water and Wastewater for 2016. Staff has worked with Jason and Jon to incorporate the direction given by the LUC, and proposed rates for 2016 will be presented at this meeting. In addition, another study-related item will be brought to the LUC for direction. 10-year rate tracks and borrowing alternatives for Water and Wastewater will be presented. Also, a brief update on the work that has been done so far for an evaluation of our Water and Wastewater System Impact Fees (SIF) will be presented, including a review of our current methodology and an analysis of different methodologies. Jason and Jon will join us again to lead us through the discussion on these study topics. Staff will be looking to the LUC for recommendations to make to City Council for two items: 1) rates for Water and Wastewater for 2016; and 2) 10-year rate tracks and borrowing alternatives for Water and Wastewater.

2016 RATES

Water

The cost-of-service results showed that for 2016, the revenue requirement, or the amount that needs to be collected from our customers, is $13.2 million when compared with the expected

revenue at the existing rates. This represents an overall average rate increase of 8.0%. The cost of service showed some cost shifting between the customer classes. The following table highlights some of the key proposed changes:

SUMMARY OF KEY CHANGES		
(all based on 3/4" meter size)		Proposed
	2015	2016
WATER		
Single Family Residential:		
Base Charge (per month)	$12.40	$12.40
Consumption Charge (per 1,000 gallons)	$2.16	$2.53
Multi-Family Residential:		
Base Charge (per month)	$18.27	$18.27
Consumption Charge (per 1,000 gallons)	$1.98	$2.32
Commercial:		
Base Charge (per month)	$12.40	$12.40
Consumption Charge (per 1,000 gallons)	$2.17	$2.43
Irrigation:		
Base Charge (per month)	$12.40	$12.40
Consumption Charge (per 1,000 gallons)	$2.65	$3.02

These changes in the base and consumption charges for Water would generate the following average increases by rate class:

RATE CLASS:	**% Increase**
Residential	7.50%
Multi-Family	7.20%
Commercial	8.30%
Irrigation	12.40%

If approved, these rate increases would result in the following average monthly changes by rate class:

AVERAGE CHANGE IN MONTHLY WATER BILL	Overall Avg. Change
Single-Family Residential	$2.85
Multi-Family Residential	$1.76
Commercial (3/4" tap)	$3.51
Irrigation (3/4" tap, avg. monthly change during irrigation season)	$17.76

Follow-up on City Wholesale Water Rate

At last month's LUC meeting, there was some discussion regarding the City Wholesale Water rate. The background on this rate is that back in the late 1990's, the General Fund was struggling financially, and the City Manager reached out to the Water & Power Director to ask about how the utilities might be able to help address the General Fund struggles. The solution that was reached was to charge the General Fund entities that paid utility bills (e.g. Police, Fire, Civic Center) a discounted rate on their water and electric billings. This approach has stayed in place ever since, and is referred to as the City Wholesale Rate. The current rate that is being charged for City Wholesale Water is $1.61 / 1,000 gallons. The calculation done by Hawksley for a wholesale water rate indicated that the rate for 2016 should be $1.39 / 1,000 gallons. Staff's recommendation is to stay with the $1.61 / 1,000 gallons that is currently in place rather than take a step backwards. There was some sentiment from the LUC to be moving in the direction of having the City accounts be charged full cost-of-service rates, so this matter will be revisited as rates continue to be adjusted.

Wastewater

The cost-of-service results showed that for 2016, the revenue requirement, or the amount that needs to be collected from our customers, is $10.5 million using the Baseline Scenario (more information on the Baseline Scenario later). When compared with the expected revenue at existing rates this represents an overall average rate increase of 7.2%. The cost of service showed some cost shifting between the customer classes. The following table highlights some of the key proposed changes:

SUMMARY OF KEY CHANGES		
(all based on 3/4" meter size)		Proposed
	2015	2016
WASTEWATER		
Single Family Residential:		
Base Charge (per month)	$10.12	$10.42
Consumption Charge (per 1,000 gallons)	$3.19	$3.74
Multi-Family Residential:		
Base Charge (per month)	$4.23	$2.85
Consumption Charge (per 1,000 gallons)	$3.19	$3.74
Commercial:		
Base Charge (per month)	$8.00	$10.42
Consumption Charge (per 1,000 gallons)	$3.21	$3.74
Extra Strength Surcharge:		
Biochemical Oxygen Demand (BOD)	$0.54	$0.55
Charge per pound (in Excess of Domestic Load)		
Total Suspended Solids (TSS)	$0.32	$0.37

Charge per pound (in Excess of Domestic Load)		

These changes in the base and consumption charges for Wastewater would generate the following average increases by rate class:

RATE CLASS:	**% Increase**
Residential	1.10%
Multi-Family	31.60%
Commercial	15.30%
Extra Strength Surcharge	8.10%

If approved, these rate increases would result in the following average monthly changes by rate class:

AVERAGE CHANGE IN MONTHLY WASTEWATER BILL	Overall Avg. Change
Single-Family Residential	$2.50
Multi-Family Residential (per dwelling unit)	$3.45
Commercial (3/4" tap)	$8.94

Wastewater Multi-Family Accounts

Through some analysis and discussion that took place through this study, an error was discovered with regard to how Wastewater Multi-Family accounts have been billed. The way the monthly base charge has been calculated is based on the assumption that billing for the Multi-Family class would be done on a **per-dwelling-unit basis**. The actual practice has been that the billing for the Multi-Family class has been done on a **per-meter basis**. What this means is that the owners of multi-family complexes have been paying too little for the base charge component of their wastewater bill. As an example, for an 8-plex, the owner should have been paying 8 X $4.23 (the current Multi-Family monthly base charge), or $33.84 per month for the base charge, but have actually been paying $4.23 per month. This error has resulted in an undercollection of revenue for the Multi-Family class of around $300,000 annually.

The discussion at the last month's LUC meeting on how to address this topic was lengthy, and ultimately, the consensus opinion was to make a complete correction of the error in 2016, if possible. A major question was whether the City's billing system had the capability to bill on a per-dwelling-unit basis, as this was clearly the preferred option of the LUC. The answer is yes, so the rates and revenue requirements that are proposed for 2016 are based on billing on a per-unit basis and on a full correction of the error. Although the impact on an owner of a multi-family complex might be significant (with the 2016 proposed rates, the owner of an 8-plex will see about a $19 / mo. increase in the base charge), the LUC's perspective was that this increase

would likely be passed on to tenants, and would be about a $3 / mo. impact to them. As a note of interest, 87% of our multi-family customers are 8 units or less.

High Strength Surcharge

An important finding that has come out of this study is that there are some significant unaccounted-for solids in Wastewater. In simplified terms, if you take the solids that are generated by all of our customers from normal, domestic strength loads and add the solids that are generated by our High Strength Surcharge customers, this total is far less than the volume of solids that are actually coming into the WWTP. There are nearly 3 million pounds of solids that are unaccounted for, which translates to nearly $1 million of costs that exist, but can't be attributed to a specific customer class. Hawksley has looked at a number of approaches for allocating this $1 million to the various customer classes, and has settled on an approach that allocates an appropriate share of the costs across all of the classes. These unaccounted-for loads are clearly an item that Staff will be investigating.

Wastewater Borrowing Options for 2016

For the proposed Wastewater capital improvements, it is estimated that $6 million of construction proceeds will be required through external financing sources. The cost to complete external financing include bond counsel, financial advisor services, potential bond ratings, and other miscellaneous charges are estimated not to exceed $200,000.

$6.2 Million External Loan for 20 Years. City staff has identified three external funding options:

A. A loan from a bank to the City of Loveland Wastewater Utility Enterprise;
B. A loan from the Colorado Water Resources and Power Development Authority ("CWRPDA" or the "Authority") to the Wastewater Utility Enterprise; and
C. Issuance of Wastewater revenue bonds by the City of Loveland through its Wastewater Utility Enterprise

Each of the techniques is described briefly below.

A. Loan from a Bank

In 2013 and 2015, the Water Utility completed direct loans from banks to provide construction proceeds for the water treatment plant expansion. Staff has recently contacted regional, state, and national banks to determine feasibility of a direct bank loan for the proposed Wastewater projects could be done in a similar manner. Several banks have indicated interest in preparing a financing option for the City to consider. Staff would conduct an open competitive process to determine the how interested the banks are. Based on the bank's review of the Utility's financial position and projections, a bank could provide a loan to fund the project. Banks may elect to perform their own credit assessment risk and not to require a formal rating from Standard & Poor's, Moody's, or Fitch.

With the transactions completed for the Water Utility, some banks expressed an inability extend credit for the anticipated 20-year payback period, but were interested in a loan 15 years and shorter. Others indicated that 20 years is feasible but may require higher interest rates. For both the 2013 and 2015 Water loans, the successful banks did deliver a full 20 year term loan at very competitive rates.

Current interest rates are still very favorable, but interest rates are expected to rise by the time the loan would be completed in 2016. Demand for banks to invest in tax-exempt debt is currently very strong.

For purposes of discussion, the assumed interest rate on a 20-year bank loan is 4.75%. A level debt service payment on $6.2 million would be approximately $490,000 per year.

The advantages of a Loan from a Bank include: a) relatively simple loan and debt service documents; b) quick loan terms determination .; c) competitive interest rates d) financing benefits local or Colorado banks e) potential greater flexibility in setting the rate, prepayment options, and re-financing terms if interest rates decrease.

B. Loan from the Colorado Water Resources and Power Development Authority (the Authority).

The State of Colorado offers financing programs for wastewater utility projects. Staff have been investigating one program with the Authority and the Colorado Department of Public Health and Environment.

Under this program, the Authority issues bonds that provide loans for the Wastewater Utility. The Authority would issue to bonds. The Authority has a triple-A credit rating (the highest available) and the rates on the bonds would be lower than if the City Wastewater Utility issued its own bonds. The Authority's program also uses federal dollars to reduce interest rates approximately 30%.

The use of federal money requires prevailing wages on the funded projects, increasing construction costs Based on a 2011 study, the State Department of Transportation concluded that the prevailing wage requirement did not add significant costs to projects. Staff is evaluating whether this program offers the lowest net cost to the City.

The Authority groups financing needs of several communities into one bond issuance to save on administrative costs. In discussions with the Authority, their financial staff believes the Authority's board may allow the City of Loveland Wastewater Utility to proceed on the first round schedule. The advantage would that we would be able to proceed through the financing process early in 2016, with funding proceeds available in the July-August timeframe in 2016. With a relatively small transaction, the $6.2 million, it is likely that other utilities could be combined with Loveland. This could restrict the level of tailoring of the financing to meet Loveland's specific needs.

This borrowing technique is fairly complex, requires the longest amount of time to complete, and requires the highest administrative/reporting/overhead requirements of all borrowing options. The Wastewater Utility would work closely with the Authority to accomplish all of the requirements and may have to coordinate with other jurisdictions in the process. For comparative purposes, this option is assumed to have an interest rate of 4.25% on a 20-year term. This would result in annual payments of approximately $467,000 per year.

C. City Wastewater Utility Bond Issuance

This option proposes that the City Wastewater Utility Enterprise would issue $6.2 million of enterprise revenue bonds to fund $6 million of improvements. The process to issue bonds could be completed in two to three months assuming that authorizations from the Loveland Utility Commission and Loveland City Council are obtained in a brisk fashion. The City and its Wastewater Utility have strong financial positions and have detailed long-term financial plans in place. The Wastewater Utility Enterprise would obtain a credit rating from at least one of the three major credit rating agencies. This is a very detailed process and requires assistance of the City's bond counsel and an external financial advisor. The Loveland Wastewater Utility is likely to be rated in a strong single-A or low double-A category. Interest rates are likely to be higher than the CWRPDA option discussed in Option B. They are likely to be similar to the bank loan option discussed in Option A. So, for the sake of discussion, the annual debt service payment would be approximately $490,000.

For a $6 million bond issue, staff has estimated $200,000 of issuance costs. The bond issue would also require a debt service reserve account to be funded. This can be done from the issuance of bonds or from other available Wastewater utility funds. Interest earned on money held in the debt service reserve reduces carrying costs over the term of the bond issue.

The advantage of this approach is that the Wastewater Utility bond issue would be designed solely for its own use. Interest rates on the bonds are not likely to be as low as the Authority financing approach. At the time of issuance, the call features on the bonds would have to be determined, allowing the bonds to be called prior to the final 20 year maturity. Typical call features are at the tenth year with no premium for call. Shorter call terms would require a premium payment to the bondholder.

A Wastewater utility revenue bond process could be completed more quickly that the Authority approach, and would require a considerable amount of staff time. A Wastewater utility bond issue would require an extensive set of legal documents.

Staff is actively pursuing the three options to determine how to best meet objectives at the lowest overall cost.

10-YEAR RATE TRACKS AND BORROWING ALTERNATIVES

When the last cost-of-service rate study for Water and Wastewater was conducted in 2012, the LUC and City Council were presented with several options for rate tracks and borrowing alternatives for both utilities. We will show what was ultimately supported for each utility below, discuss significant changes that have taken place since that study, and look at four scenarios for each utility that have come out of this year's updated cost-of-service study.

Water

From the 2012 study, City Council ultimately adopted a Water Financing Program that included the following key components that were adopted by Resolution R-16-2013:

1) A series of rate increases from 2013 through 2022 that went as follows:
   2013 – 2014: 13% per year
   2015 – 2019: 9% per year
   2020 – 2022: 8% per year
2) A $10 million external loan
3) A $6 million internal loan
4) A $750,000 annual contribution for eight years from the General Fund to the Water Utility Fund to pay for the principal portion of the internal loan
5) The elimination of a portion of Water Sales being transferred annually to the Raw Water Utility, starting in 2018

Since the Water Financing Program was adopted by City Council in March of 2013, the following key changes have taken place in the Water Utility:

1) The Flood of 2013 – this has created challenges with unanticipated expenses and slowness of reimbursement from FEMA and the State
2) Construction of the Water Treatment Plant Expansion Project came in nearly $4.7 million higher than the most recent estimate we received prior to bids being opened. The combination of the impact of the Flood of 2013 and the increase in construction cost led City Council to approve another $3 million in external borrowing (fulfilled via a loan from NBH) and $13 million in internal borrowing from the Raw Water Utility, which was appropriated as a contingency.
3) A significant increase in the estimated construction cost of the Water Utility's portion of the Chimney Hollow Reservoir Project. Staff recently received an update from the Municipal Subdistrict of the Northern Colorado Water Conservancy District, and the estimate, in 2018 dollars (when construction is anticipated to begin), went from $23.6 million to $33.0 million.
4) Instead of eliminating the transfer of a portion of Water Sales to the Raw Water Utility, Staff is proposing cutting the percentage back from the current 9.1% to 3% in 2016, and maintaining the 3% level from 2016 forward.

With these items being the most significant changes since the last rate study, here are the four rate increase and borrowing scenarios for consideration over the next ten years. Each one of these scenarios provides enough revenue to cover the debt service on all of the loans as well as funding the CIP over the next ten years.

SCENARIO 1: Baseline – This scenario takes the rate track that was adopted by City Council as part of the Water Financing Plan in March of 2013, and plugs in 3.5% rate increases per year for 2023-2025. It takes the current level of borrowing of $23.2 million ($6 million internal loan from Power; $10 million external loan from Wells Fargo; $4 million internal loan from Raw Water; and $3.2 million external loan from NBH) and adds a $9.2 million loan in 2018 to address the increase in the projected construction cost for Chimney Hollow Reservoir. This rate track provides enough revenue to cover the debt service on all of these loans as well as funding the Capital Improvement Program (CIP) over the next ten years. The rate track and new borrowing can be summarized as follows:

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
SCENARIO 1	9.0%	9.0%	9.0%	9.0%	8.0%	8.0%	8.0%	3.5%	3.5%	3.5%

NEW DEBT: $9.2 million

The pros and cons of Scenario 1 are:

PROS:

A) This is the rate track the City Council adopted in March of 2013, and in spite of the Flood of 2013 and significant cost increases for the WTP Expansion and Chimney Hollow, this same rate track (with 3.5% rate increases plugged in for the outer three years) will adequately fund both the debt service and CIP needs over the next ten years
B) This scenario will generate a significantly higher fund balance ($25.7 million vs. $16.4 million) at the end of 2025 in comparison to Scenario 1a This could reduce or eliminate the need for more borrowing beyond this 10-year window
C) Additional borrowing promotes intergenerational equity, where the customers over time who are benefiting from the assets that are constructed are also paying for them in contrast to Pay-As-You-Go, where current customers are paying for assets that benefit customers many years from now
D) The life of the asset will outlast the life of the loan

CONS:

A) More debt taken on
B) This rate track incorporates higher rate increases than Scenario 1a, yet Scenario 1a adequately funds both the debt service and CIP needs over the next ten years, as well

SCENARIO 1a: Updated Baseline – This scenario takes the same borrowing level as Scenario 1 ($9.2 million of new borrowing in 2018), but throws out the constraint of staying within the parameters of the rate track that was adopted by Council Resolution as part of the Water Financing Plan in March of 2013. It seeks out a rate track that is lower than the Council-adopted rate track, but still meets all of the debt service requirements and 10-Year CIP needs. The rate track and new borrowing can be summarized as follows:

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
SCENARIO 1a	9.0%	9.9%	9.9%	5.8%	5.8%	5.8%	5.8%	5.8%	0.0%	0.0%

NEW DEBT: $9.2

The pros and cons of Scenario 1a are:

PROS:

A) A lower rate track than Scenario 1
B) Promotes intergenerational equity
C) The life of the asset will outlast the life of the loan

CONS:

D) More debt taken on
E) Generates a significantly lower fund balance ($16.4 million vs. $25.7 million) at the end of 2025 in comparison to Scenario 1
F) Does not account for the cost of depreciation assets as shown by 0% rate increases the last two years.

SCENARIO 2: Pay-As-You-Go (PAYGO) – Rates would be set at a level where no new debt financing would be taken on to supplement what is already in place. This rate track also provides enough revenue to cover the debt service on the existing loans as well as funding the Capital Improvement Program (CIP) over the next ten years. The rate track and new borrowing can be summarized as follows:

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
SCENARIO 2	20.4%	20.4%	20.4%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%

NEW DEBT: $0

The pros and cons of Scenario 2 are:

PROS:

A) No new debt
B) Generates the largest fund balance at the end of ten years. This could reduce or eliminate the need for more borrowing beyond this 10-year window

CONS:

A) Three consecutive years of very high rate increases starting in 2016
B) Does not promote intergenerational equity

SCENARIO 3: Low Rates, More Borrowing – The goal of this scenario is to keep rates low by utilizing a higher level of borrowing. This scenario, in spite of having significantly more borrowing than the other three scenarios, does include a rate track that meets all debt service requirements throughout the 10 years. The rate track and new borrowing can be summarized as follows:

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
SCENARIO 3	9.0%	8.2%	8.2%	1.6%	1.6%	1.6%	1.6%	1.6%	0.0%	0.0%

NEW DEBT: $24.9

The pros and cons of Scenario 3 are:

PROS:

A) Lowest rate track
B) Promotes highest level of intergenerational equity
C) The life of the asset will outlast the life of the loan

CONS:

A) Highest level of debt
B) Generates the lowest fund balance ($7.1 million) at the end of ten years of the four scenarios

Wastewater

From the 2012 rate study, City Council supported (although didn't pass a resolution, as was done in Water) a series of rate increases from 2013 through 2022 that went as follows:

2013 – 2018: 11% per year
2020 – 2022: 7% per year

The 2012 cost-of-service results indicated that the Commercial class should have rates reduced by 17%, but City Council gave direction to freeze the Commercial rates until this 2015 rate study. This 2015 cost-of-service study shows that rates for the Commercial class should be increased by 15.3%. Also worth noting is that the 10-Year Financial Projection that was supported in the last rate study did not include any debt for Wastewater.

Since the 2012 rate study, the following key changes have taken place in the Wastewater Utility:

1) New wastewater discharge permit requirements from the State are driving a need to invest in the Wastewater Treatment Plant (WWTP). Coincidentally, the WWTP organic loading is nearing state-required expansion levels, so we are also increasing the treatment capacity of the plant approximately 30% at a very small incremental cost

increase. Aging infrastructure is also driving reinvestment in our anaerobic digester next year, and will likely require another significant new anaerobic digester project in five years to meet state regulatory requirements for treatment redundancy. The 10-Year CIP in the current study has $29.4 million more of projects loaded than the 10-Year CIP from the 2012 study. This activity at the WWTP is overwhelmingly the primary driver for the increase in capital activity. An overview of the WWTP projects was presented to the LUC at the June 17, 2015 meeting and will be presented to City Council at the July 14, 2015 Study Session.

2) The Flood of 2013 – this has created challenges with unanticipated expenses and slowness of reimbursement from FEMA and the State.

With these items being the most significant changes since the last rate study, here are the four rate increase and borrowing scenarios for consideration over the next ten years. Each one of these scenarios provides enough revenue to cover the debt service on all of the loans as well as funding the CIP over the next ten years.

SCENARIO 1: Baseline – This scenario takes the rate track that was supported by City Council during the review of the 2012 study results, and plugs in 3.5% rate increases per year for 2023-2025. It incorporates a $6.0 million loan in 2016 and a $20.0 million loan in 2020 to help fund the capital projects at the WWTP. The rate track and new borrowing can be summarized as follows:

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
SCENARIO 1	8.8%	11.0%	11.0%	11.0%	7.0%	7.0%	7.0%	3.5%	3.5%	3.5%

NEW DEBT: $26.0 million

The pros and cons of Scenario 1 are:

PROS:

A) This is the rate track the City Council supported from the 2012 rate study, and in spite of adding $29.4 million of capital in comparison to the CIP from three years ago, this same rate track (with 3.5% rate increases plugged in for the outer three years) will adequately fund both the debt service and CIP needs over the next ten years
B) This scenario will generate a fund balance of $26.7 million at the end of 2025, which is the most of the four scenarios. This could reduce or eliminate the need for more borrowing beyond this 10-year window
C) Promotes intergenerational equity
D) The life of the asset will outlast the life of the loan

CONS:

A) Debt taken on
B) This rate track incorporates higher rate increases than Scenario 1a, yet Scenario 1a adequately funds both the debt service and CIP needs over the next ten years, as well

SCENARIO 1a: Updated Baseline – This scenario takes the same borrowing level as Scenario 1 (slightly different timing, with $10 million of new borrowing in 2019 and $10 million in 2020), but throws out the constraint of staying within the parameters of the rate track that was supported by Council from the 2012 rate study. It seeks out a rate track that is lower than the Council-supported rate track, but still meets all of the debt service requirements and 10-Year CIP needs. The rate track and new borrowing can be summarized as follows:

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
SCENARIO 1a	7.9%	7.9%	7.9%	7.9%	7.9%	7.9%	7.9%	7.9%	0.0%	0.0%

NEW DEBT: $26.0

The pros and cons of Scenario 1a are:

PROS:

A) A lower rate track than Scenario 1
B) Promotes intergenerational equity
C) The life of the asset will outlast the life of the loan

CONS:

A) Debt taken on
B) Generates a significantly lower fund balance ($15.4 million vs. $26.7 million) at the end of 2025 in comparison to Scenario 1

SCENARIO 2: Pay-As-You-Go (PAYGO) – Rates would be set at a level where no new debt financing would be taken on to supplement what is already in place. This rate track also provides enough revenue to cover the debt service on the existing loans as well as funding the Capital Improvement Program (CIP) over the next ten years. The rate track and new borrowing can be summarized as follows:

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
SCENARIO 2	20.8%	33.2%	0.0%	0.0%	11.0%	0.0%	2.5%	1.4%	0.0%	0.0%

NEW DEBT: $0

The pros and cons of Scenario 2 are:

PROS:

A) No debt
B) Generates a significant fund balance ($20.9 million) at the end of 2025

CONS:

C) Two consecutive years of very high rate increases starting in 2016
D) Does not promote intergenerational equity

SCENARIO 3: Low Rates, More Borrowing – The goal of this scenario is to keep rates low by utilizing a higher level of borrowing. This scenario, in spite of having significantly more borrowing than the other three scenarios, does include a rate track that meets all debt service requirements throughout the 10 years. The rate track and new borrowing can be summarized as follows:

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
SCENARIO 3	4.6%	4.6%	4.6%	4.6%	4.6%	4.6%	1.4%	1.4%	0.0%	0.0%

NEW DEBT: $44.5

The pros and cons of Scenario 3 are:

PROS:

A) Lowest rate track
B) Promotes highest level of intergenerational equity
C) The life of the asset will outlast the life of the loan

CONS:

A) Highest level of debt
B) Generates the lowest fund balance ($4.6 million) at the end of ten years

Staff recommends the Baseline Scenario 1 for both Water and Wastewater. The PAYGO Scenario 2s for both utilities yield very high rate increases for the next two years for Wastewater and the next three years for Water. The Low Rates, More Debt Scenario 3s for both utilities would mean nearly $50 million of total debt for Water and nearly $45 million of debt for Wastewater. The Low Rates, More Debt Scenario 3s also lead to by far the lowest fund balances at the end of the 10-year period. With Scenarios 2 and 3 eliminated, that leaves either the Baseline Scenario 1 or the Updated Baseline Scenario 1a. Although the Scenario 1a(s) are appealing because of the lower rate tracks in comparison to Scenario 1s, Scenario 1s will grow the revenues from sales more rapidly than Scenario 1a(s), yet will still stay with the rate tracks that City Council approved in conjunction with the 2012 rate study. Growing the revenues from sales more rapidly is important for three reasons:

1) It will position us to be able to annually invest an adequate amount in rehabilitation and replacement of infrastructure
2) It will allow the fund balance to grow and provide a healthier safety net in the event of emergencies or catastrophes
3) It would reduce or postpone the need to take on more debt in the years beyond 2025

For these reasons, Staff recommends the Baseline Scenario 1 for both Water and Wastewater.

IMPACT FEE UPDATE

Part of the scope of the rate study was to have Hawksley Consulting do an evaluation of our Water and Wastewater System Impact Fees (SIF), including a review of our current methodology and an analysis of what using different methodologies would generate as far as SIF revenue. Since an evaluation of the methodologies used to calculate the City's Capital Expansion Fees is underway, and final decisions have not yet been made regarding what methodology will be used, W&P will continue to use our current Equity Buy In approach for calculating our impact fees for at least 2016. Staff will continue to work with Hawksley to explore whether a different methodology might be more advantageous for revenue generation, and, at the same time, remain fair, equitable and defensible.

RECOMMENDATION: Adopt separate motions recommending that City Council approve:

1) Proposed changes to the rates for the Water and Wastewater Utilities for 2016; and
2) Preferred 10-year rate tracks and borrowing alternatives for both the Water and Wastewater Utilities

REVIEWED BY DIRECTOR:

AB for SA

ATTACHMENTS:

- **Attachment A:** PowerPoint Slides

HAWKSLEY CONSULTING

Water & Wastewater Rate Options

Draft Results

City of Loveland

July 15, 2015

Agenda

- Follow-up / outstanding Items
- Rate track & borrowing scenarios
- Impact fees update
- Questions

Outstanding Items from Prior Meeting

- City wholesale rates
- Wastewater multi-family units
  - System has the ability to add a charge per unit
- High strength surcharges

Rate Options

WATER RESULTS

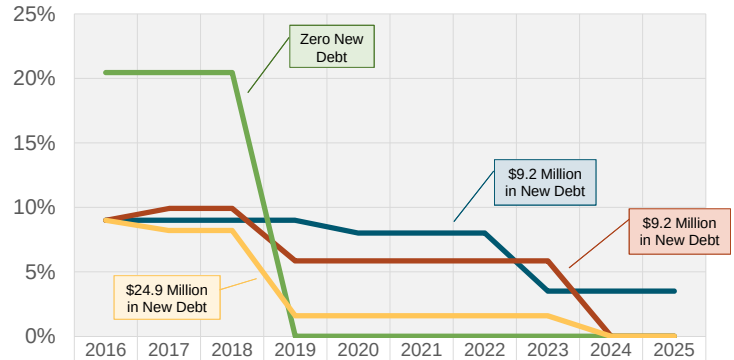
Water Rate Scenarios
Financial Plan 2016-2025 (in Millions)

	Total New Debt	Ending Balance in 2025	
Scenario 1: Baseline	$9.2	$25.7	Current approved rate track with planned debt
Scenario 1a: Updated Baseline	$9.2	$16.4	Planned debt with updated rates
Scenario 2: Pay-As-You-Go	$0	$33.0	No new debt, higher rate increases
Scenario 3: Lower Rates/ More Debt	$24.9	$7.1	More debt than planned, lower rates

HAWKSLEY CONSULTING 5

Expected Annual Water Revenue Increases

Scenarios produce different results based on the level of debt



	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Baseline	9.0%	9.0%	9.0%	9.0%	8.0%	8.0%	8.0%	3.5%	3.5%	3.5%
Updated Baseline	9.0%	9.9%	9.9%	5.8%	5.8%	5.8%	5.8%	5.8%	0.0%	0.0%
Pay-As-You-Go	20.4%	20.4%	20.4%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Lower Rates/More Debt	9.0%	8.2%	8.2%	1.6%	1.6%	1.6%	1.6%	1.6%	0.0%	0.0%

HAWKSLEY CONSULTING 6

Cost of Service Comparison
Baseline, Updated Baseline, and Lower Rates/More Debt Scenarios

Class	Cost of Service	Expected Revenue at Existing Rates*	Difference	Difference %
Residential	$8,419,879	$7,832,835	$587,045	7.5%
Multi-Family	1,388,188	1,294,557	93,632	7.2%
Commercial	1,799,684	1,661,320	138,365	8.3%
Irrigation	1,467,802	1,305,721	162,082	12.4%
City Gov't	125,166	125,157	9	0%
Total	**$13,200,720**	**$12,219,588**	**$981,132**	**8.0%**

*Expected revenue includes our independent projection of normalized demand and growth in accounts by class between 2014 and 2016.

HAWKSLEY CONSULTING 7

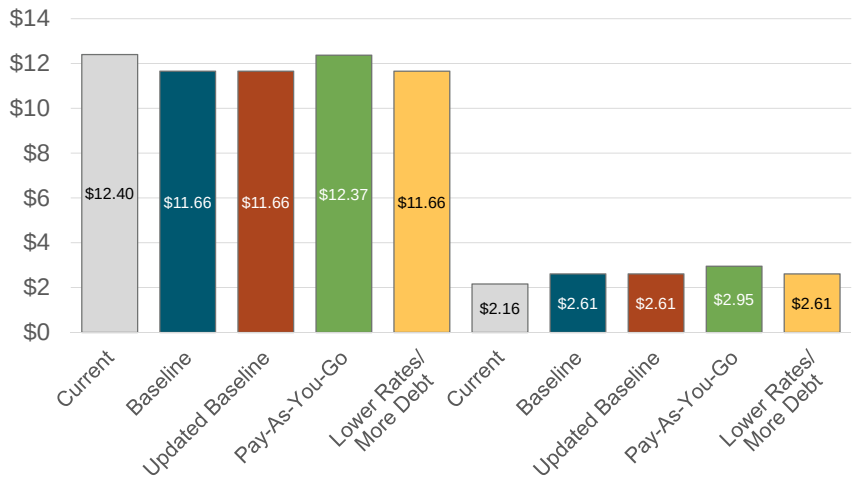
Cost of Service Comparison
Pay-As-You-Go Scenario

Class	Cost of Service	Expected Revenue at Existing Rates*	Difference	Difference %
Residential	$9,303,030	$7,832,835	$1,470,195	18.8%
Multi-Family	1,553,321	1,294,557	258,764	20.0%
Commercial	2,027,161	1,661,320	365,841	22.0%
Irrigation	1,646,482	1,305,721	340,762	26.1%
City Gov't	125,276	125,157	120	0.1%
Total	**$14,655,270**	**$12,219,588**	**$2,435,682**	**19.9%**

*Expected revenue includes our independent projection of normalized demand and growth in accounts by class between 2014 and 2016.

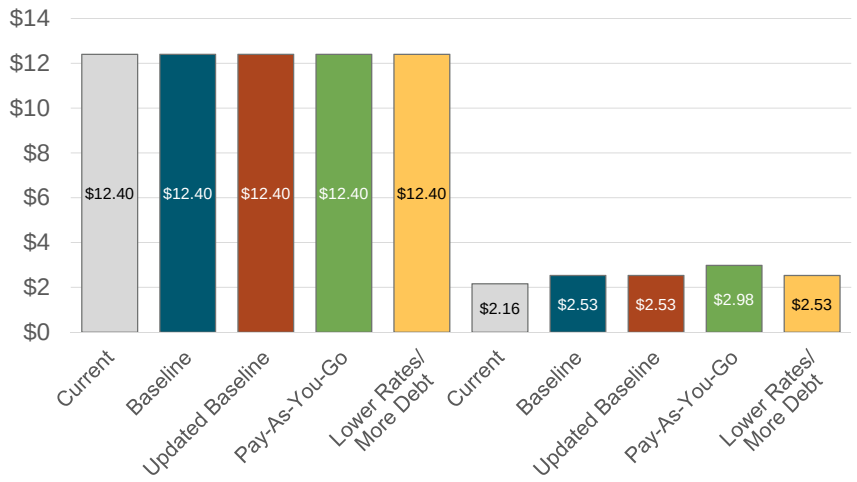
HAWKSLEY CONSULTING 8

Cost of Service Results
Residential ¾" Customer



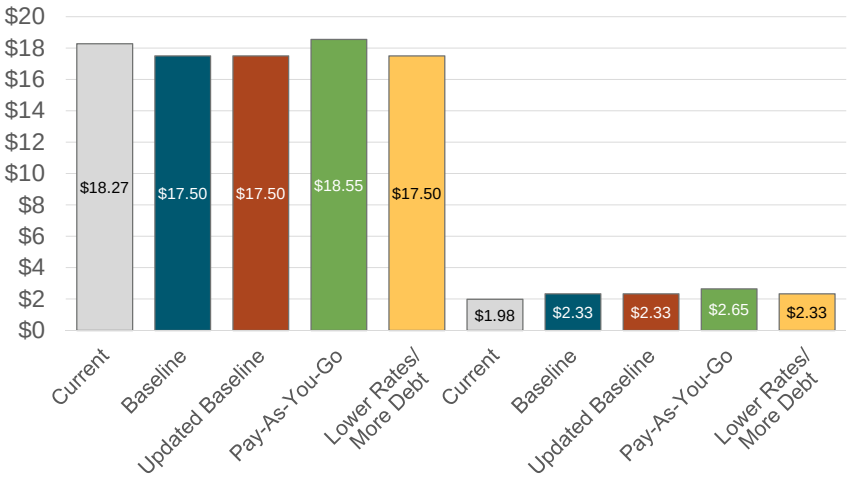
HAWKSLEY CONSULTING 9

Proposed 2016 Water Rates
Residential ¾" Customer



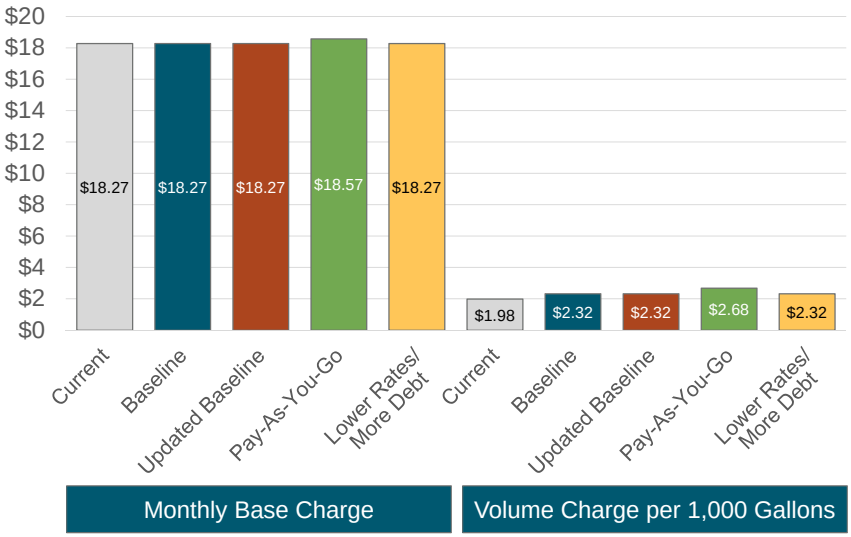
HAWKSLEY CONSULTING 10

Cost of Service Results
Multi-Family ¾" Customer



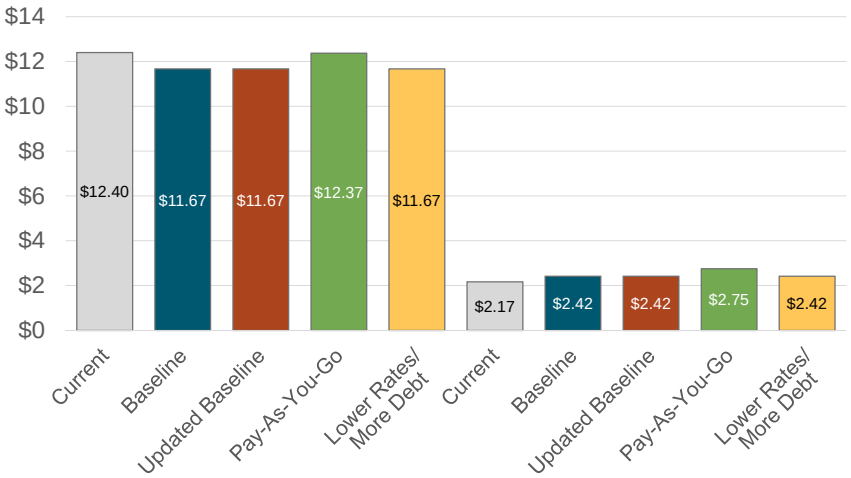
HAWKSLEY CONSULTING 11

Proposed 2016 Water Rates
Multi-Family ¾" Customer



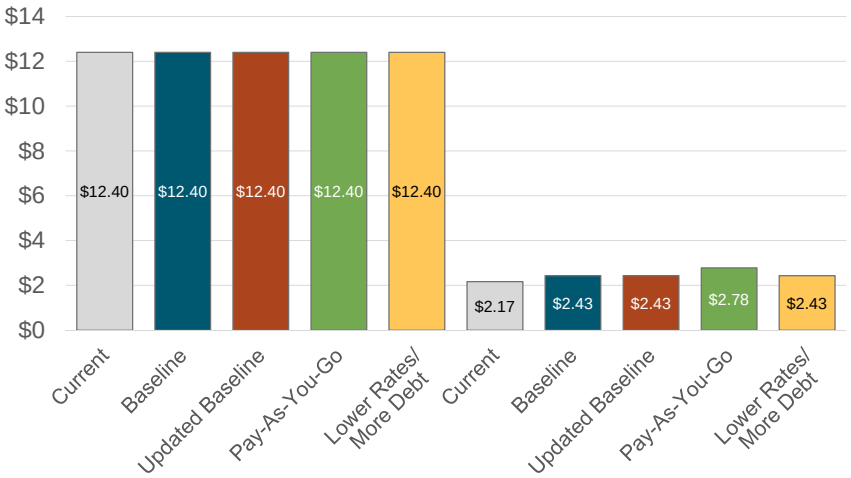
HAWKSLEY CONSULTING 12

Cost of Service Results
Commercial ¾" Customer



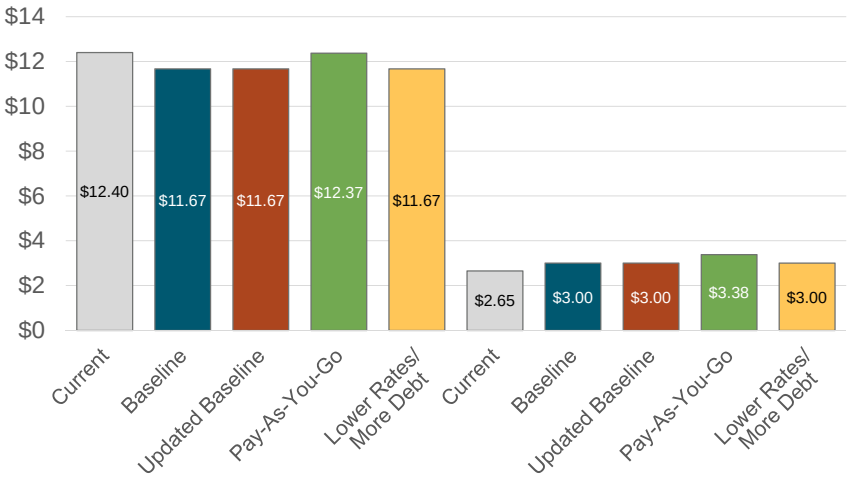
HAWKSLEY CONSULTING 13

Proposed 2016 Water Rates
Commercial ¾" Customer



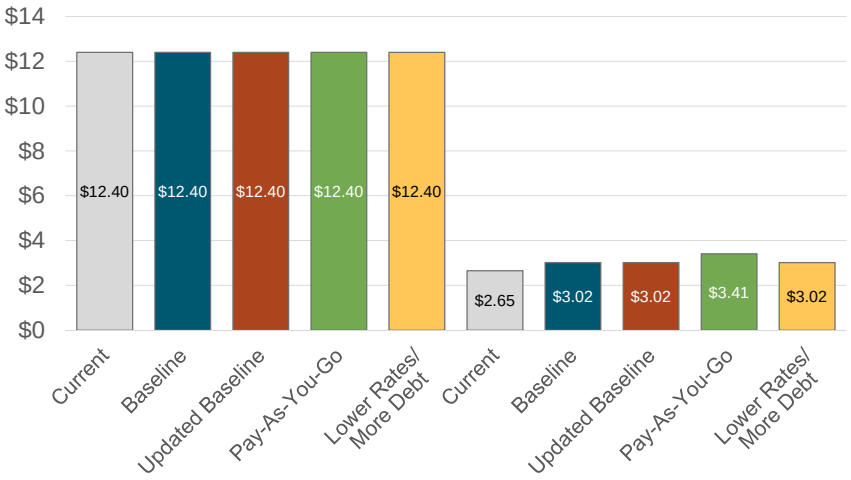
HAWKSLEY CONSULTING 14

Cost of Service Results
Irrigation ¾" Customer



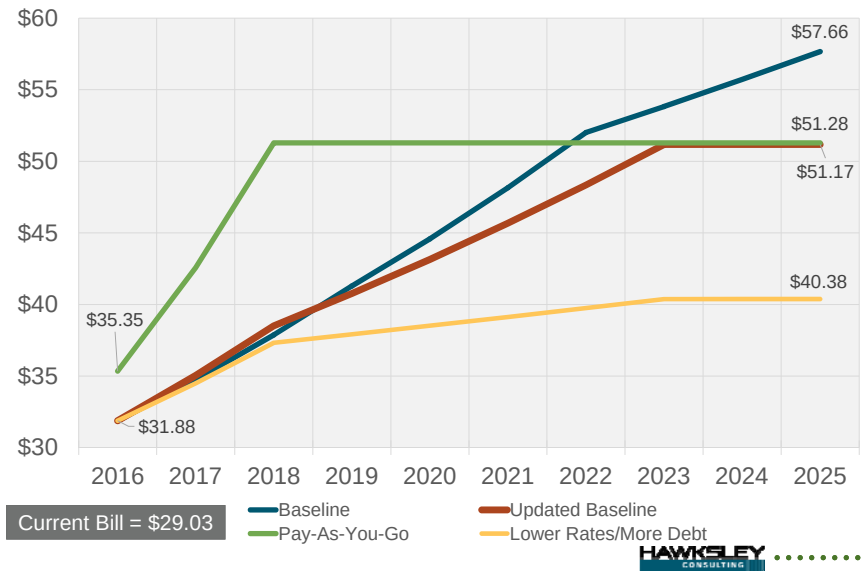
HAWKSLEY CONSULTING 15

Proposed 2016 Water Rates
Irrigation ¾" Customer



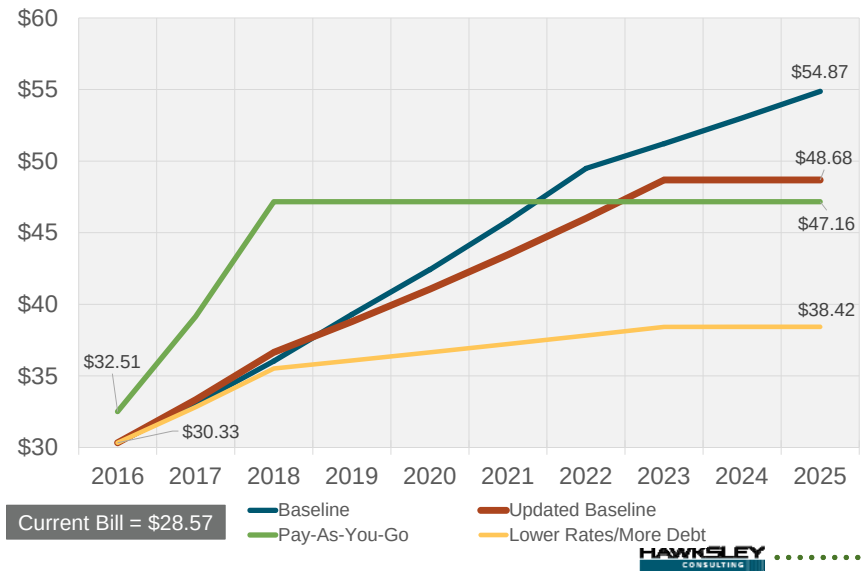
HAWKSLEY CONSULTING 16

Projected Average Monthly Water Bills
Residential ¾" Customer - 7,700 Gallons



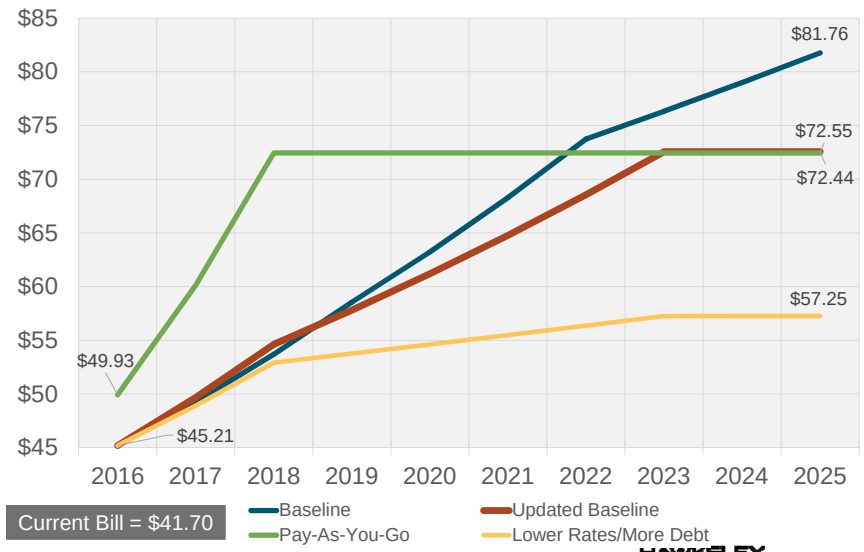
HAWKSLEY CONSULTING 17

Projected Average Monthly Water Bills
Multi-Family ¾", Dwelling Unit - 5,200 Gallons



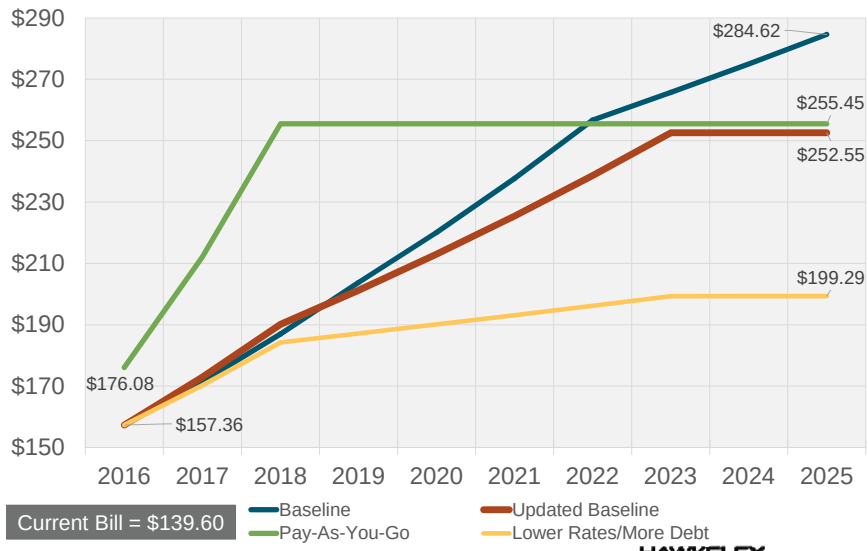
HAWKSLEY CONSULTING 18

Projected Average Monthly Water Bills
Commercial ¾" Customer - 13,500 Gallons



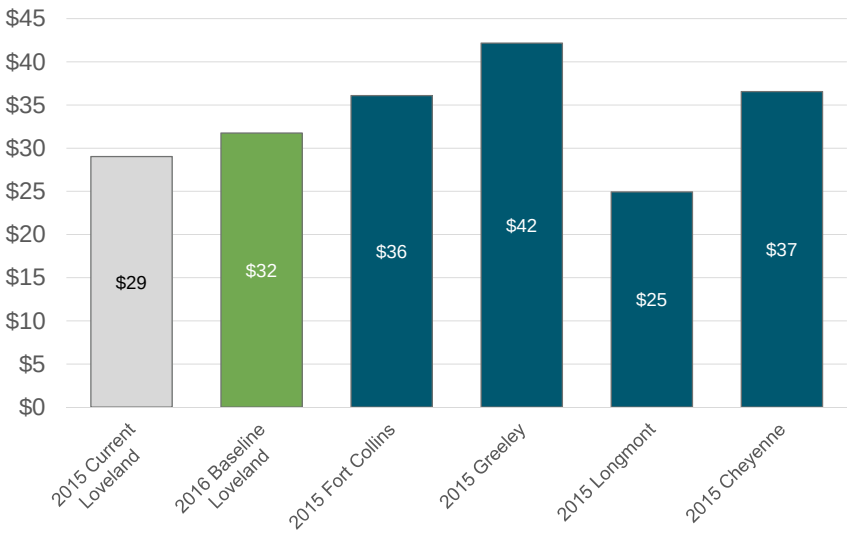
HAWKSLEY CONSULTING 19

Projected Average Monthly Water Bills
Irrigation ¾" Customer - 48,000 Gallons



HAWKSLEY CONSULTING 20

Regional Monthly Water Bill Comparison
Residential ¾" Customer – 7,700 Gallons



Rate Options

WASTEWATER RESULTS

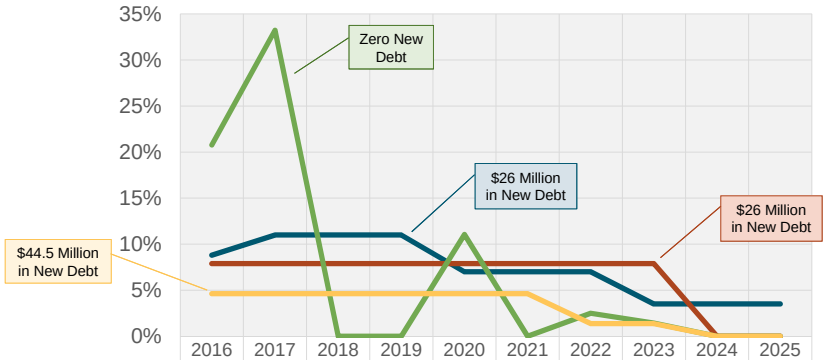
Wastewater Rate Scenarios
Financial Plan 2016-2025 (in Millions)

	Total New Debt	Ending Balance in 2025	
Scenario 1: Baseline	$26.0	$26.7	Current approved rate track with planned debt
Scenario 1a: Updated Baseline	$26.0	$15.4	Planned debt with updated rates
Scenario 2: Pay-As-You-Go	$0	$20.9	No new debt, higher rate increases
Scenario 3: Lower Rates/ More Debt	$44.5	$4.6	More debt than planned, lower rates

HAWKSLEY CONSULTING 23

Expected Annual Wastewater Revenue Increases

Scenarios produce different results based on the level of debt



	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Baseline	8.8%	11.0%	11.0%	11.0%	7.0%	7.0%	7.0%	3.5%	3.5%	3.5%
Updated Baseline	7.9%	7.9%	7.9%	7.9%	7.9%	7.9%	7.9%	7.9%	0.0%	0.0%
Pay-As-You-Go	20.8%	33.2%	0.0%	0.0%	11.0%	0.0%	2.5%	1.4%	0.0%	0.0%
Lower Rates/More Debt	4.6%	4.6%	4.6%	4.6%	4.6%	4.6%	1.4%	1.4%	0.0%	0.0%

HAWKSLEY CONSULTING 24

Cost of Service Comparison
Baseline Scenario

Class	Cost of Service	Expected Revenue at Existing Rates*	Difference	Difference %
Residential	$6,708,531	$6,636,727	$71,804	1.1%
Multi-Family	1,500,025	1,139,873	360,152	31.6%
Commercial	1,700,671	1,474,720	225,951	15.3%
City Gov't	80,108	68,956	11,151	16.2%
Ex-Strength	477,412	441,599	35,813	8.1%
Total	**$10,466,747**	**$9,761,875**	**$704,872**	**7.2%**

*Expected revenue includes our independent projection of normalized demand and growth in accounts by class between 2014 and 2016.

HAWKSLEY CONSULTING 25

Cost of Service Comparison
Updated Baseline Scenario

Class	Cost of Service	Expected Revenue at Existing Rates*	Difference	Difference %
Residential	$6,680,447	$6,636,727	$43,720	0.7%
Multi-Family	1,494,567	1,139,873	354,693	31.1%
Commercial	1,693,940	1,474,720	219,221	14.9%
City Gov't	79,792	68,956	10,835	15.7%
Ex-Strength	477,421	441,599	35,822	8.1%
Total	**$10,426,167**	**$9,761,875**	**$664,291**	**6.8%**

*Expected revenue includes our independent projection of normalized demand and growth in accounts by class between 2014 and 2016.

HAWKSLEY CONSULTING 26

Cost of Service Comparison
Pay-As-You-Go Scenario

Class	Cost of Service	Expected Revenue at Existing Rates*	Difference	Difference %
Residential	$7,423,525	$6,636,727	$786,798	11.9%
Multi-Family	1,638,721	1,139,873	498,847	43.8%
Commercial	1,871,946	1,474,720	397,226	26.9%
City Gov't	88,150	68,956	19,193	27.8%
Ex-Strength	477,177	441,599	35,578	8.1%
Total	**$11,499,518**	**$9,761,875**	**$1,737,643**	**17.8%**

*Expected revenue includes our independent projection of normalized demand and growth in accounts by class between 2014 and 2016.

HAWKSLEY CONSULTING 27

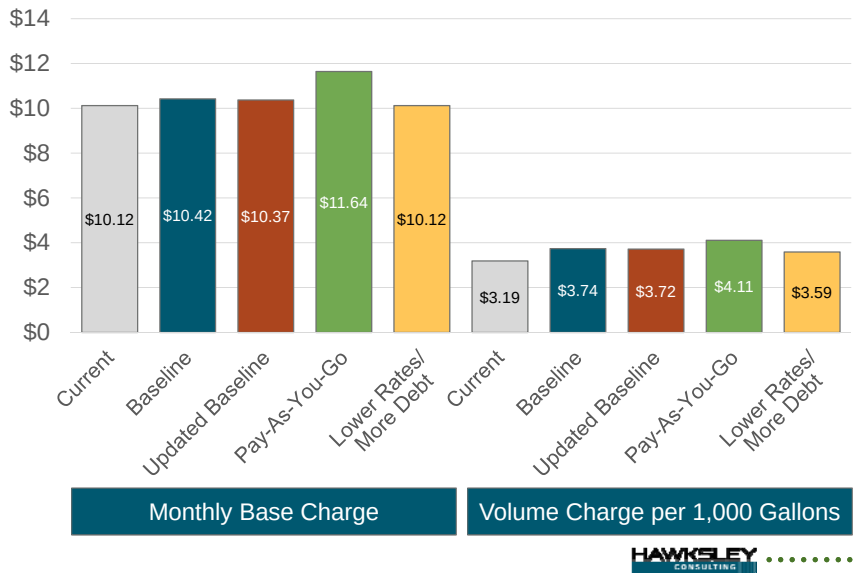
Cost of Service Comparison
Lower Rates/More Debt Scenario

Class	Cost of Service	Expected Revenue at Existing Rates*	Difference	Difference %
Residential	$6,472,355	$6,636,727	- $164,372	- 2.5%
Multi-Family	1,454,166	1,139,873	314,293	27.6%
Commercial	1,644,082	1,474,720	169,362	11.5%
City Gov't	77,451	68,956	8,494	12.3%
Ex-Strength	477,481	441,599	35,882	8.1%
Total	**$10,125,534**	**$9,761,875**	**$363,659**	**3.7%**

*Expected revenue includes our independent projection of normalized demand and growth in accounts by class between 2014 and 2016.

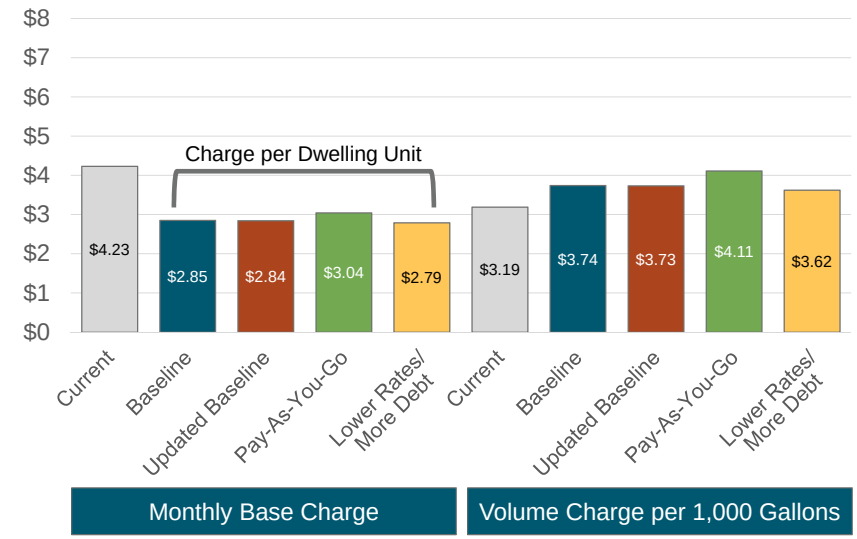
HAWKSLEY CONSULTING 28

Proposed 2016 Wastewater Rates
Residential ¾" Customer



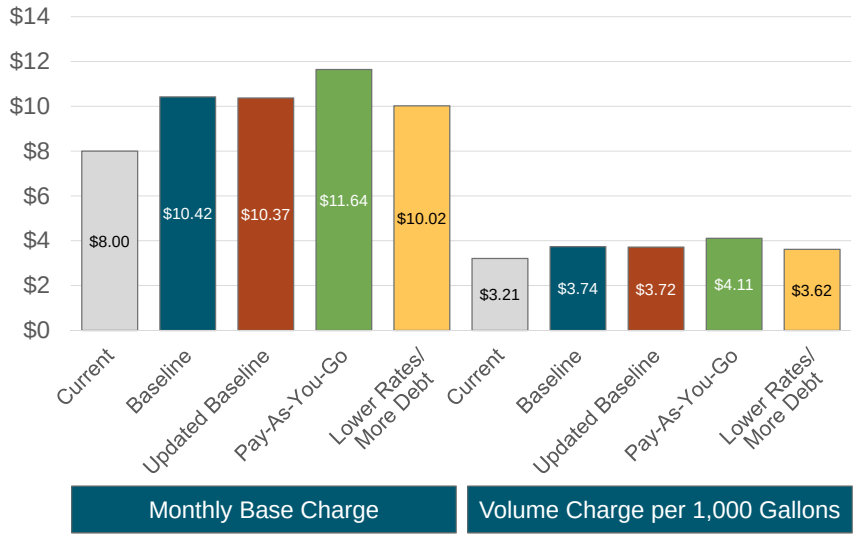
HAWKSLEY CONSULTING 29

Proposed 2016 Wastewater Rates
Multi-Family ¾" Customer



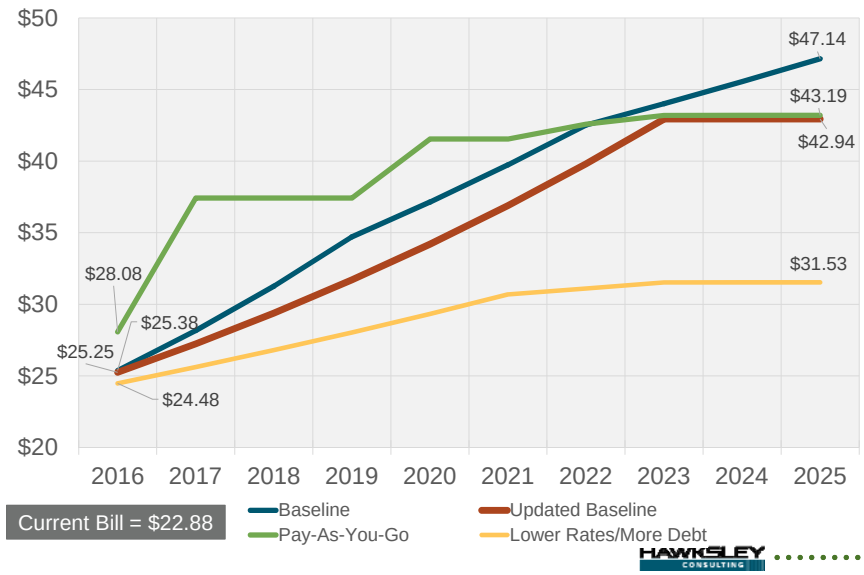
HAWKSLEY CONSULTING 30

Proposed 2016 Wastewater Rates
Commercial ¾" Customer



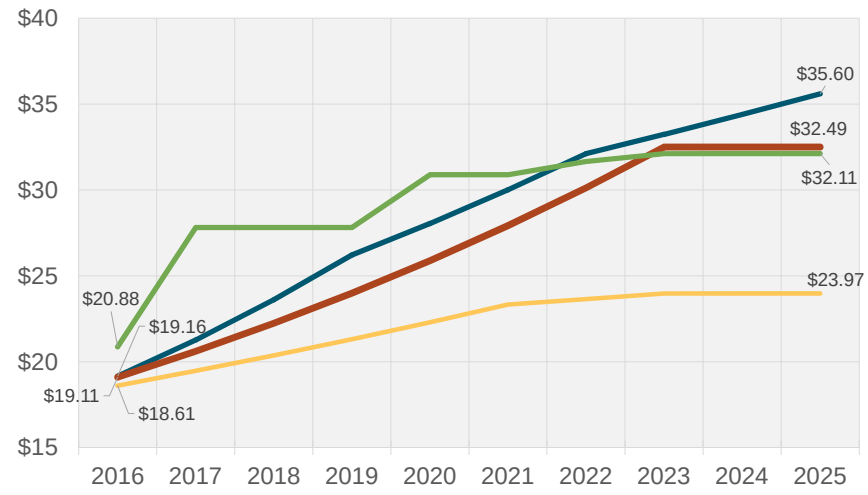
HAWKSLEY CONSULTING 31

Projected Average Monthly Wastewater Bills
Residential Customer – WQA 4,000 Gallons



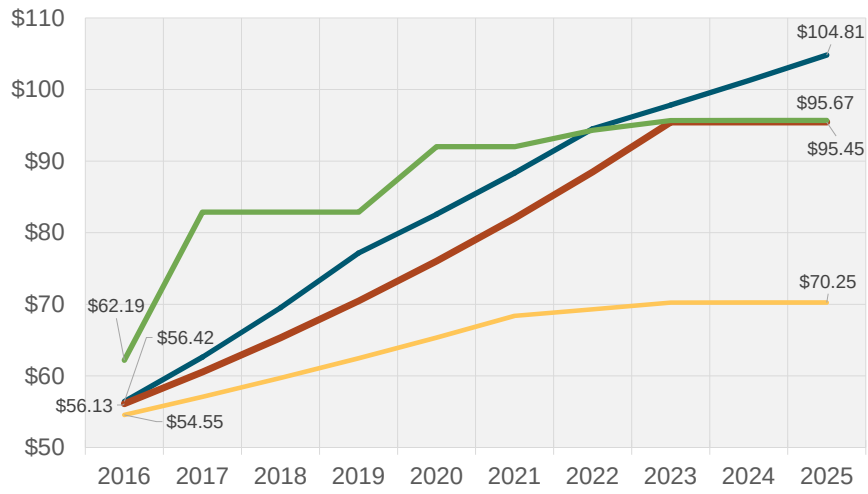
HAWKSLEY CONSULTING 32

Projected Average Monthly Wastewater Bills
Multi-Family Dwelling Unit – WQA 3,600 Gallons



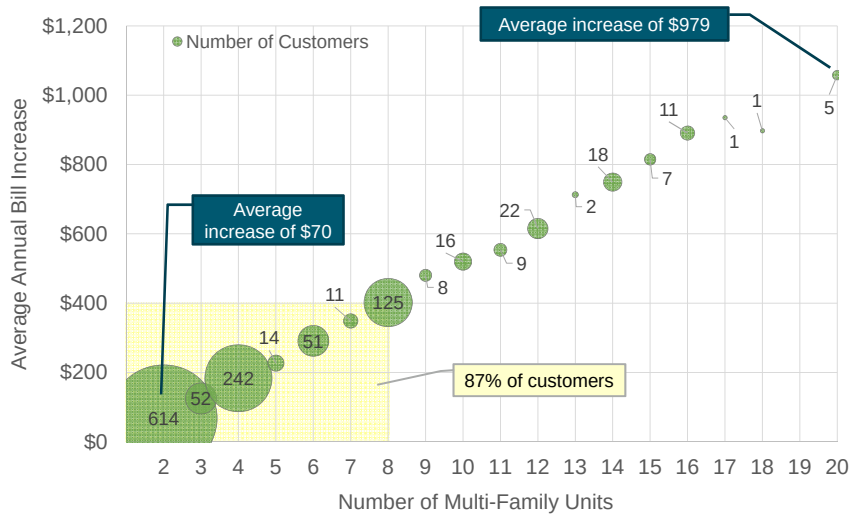
Current Bill = $15.71

Projected Average Monthly Wastewater Bills
Commercial ¾" Customer – WQA 12,300 Gallons



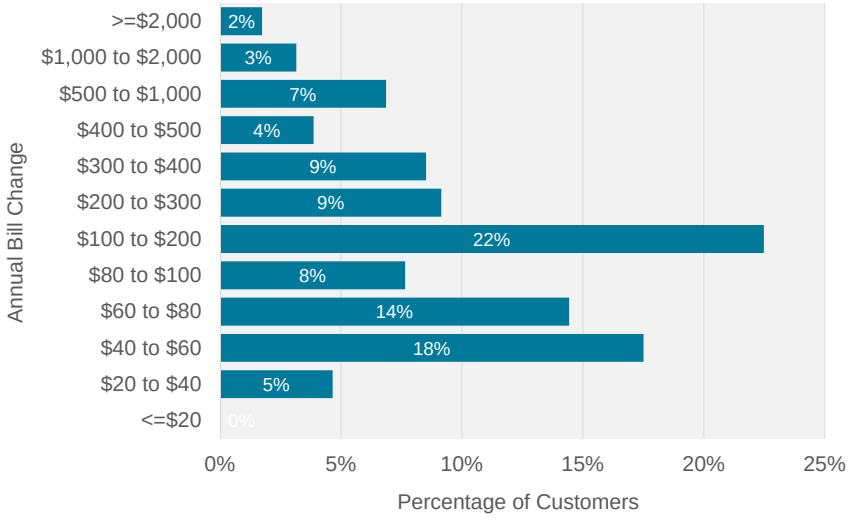
Current Bill = $47.48

Change In Annual Multi-Family Bills



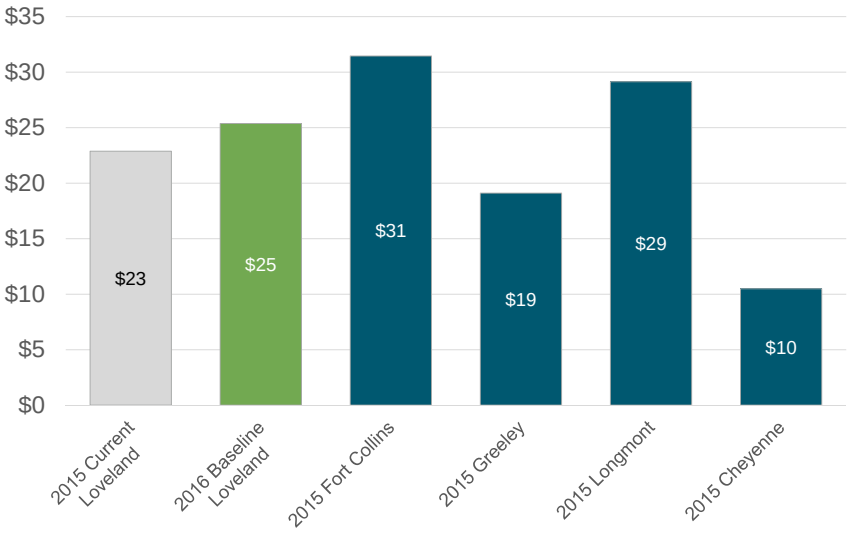
HAWKSLEY CONSULTING 35

Change In Annual Multi-Family Bills



HAWKSLEY CONSULTING 36

Regional Monthly Wastewater Bill Comparison
Residential Customer – WQA 4,000 Gallons



HAWKSLEY CONSULTING 37

Unaccounted-For Flows and Loads

	BOD	TSS
Domestic Flow	72%	56%
Extra-Strength Surcharge	8%	10%
Total Accounted Loadings	**80%**	**66%**
Unaccounted Flow	**20%**	**34%**
Unaccounted Pounds	*1,143,871*	*1,891,789*
Unaccounted Dollars	*$519,071*	*$466,965*
Normal Domestic Strengths (mg/l)	276.0	207.0

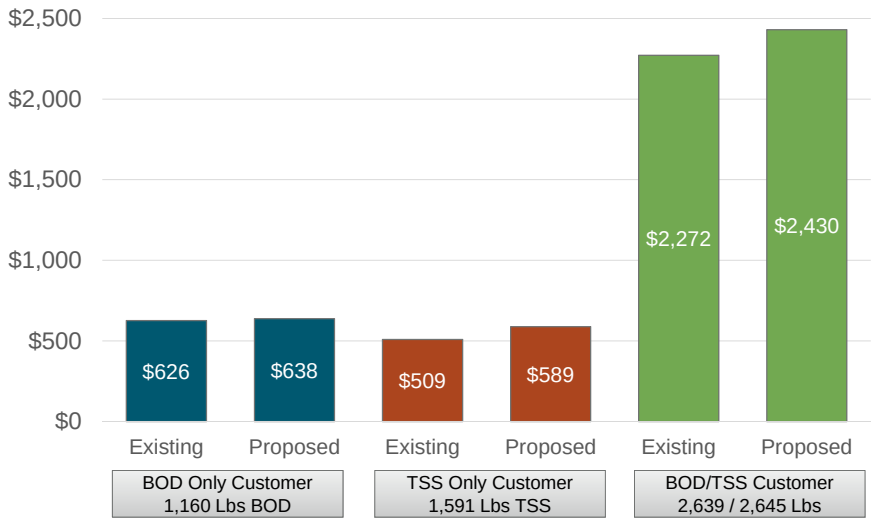
HAWKSLEY CONSULTING 38

Extra-Strength Rates

	BOD	TSS
Existing Rate ($/LB)	$0.54	$0.32
Proposed Rate ($/LB)	$0.55	$0.37

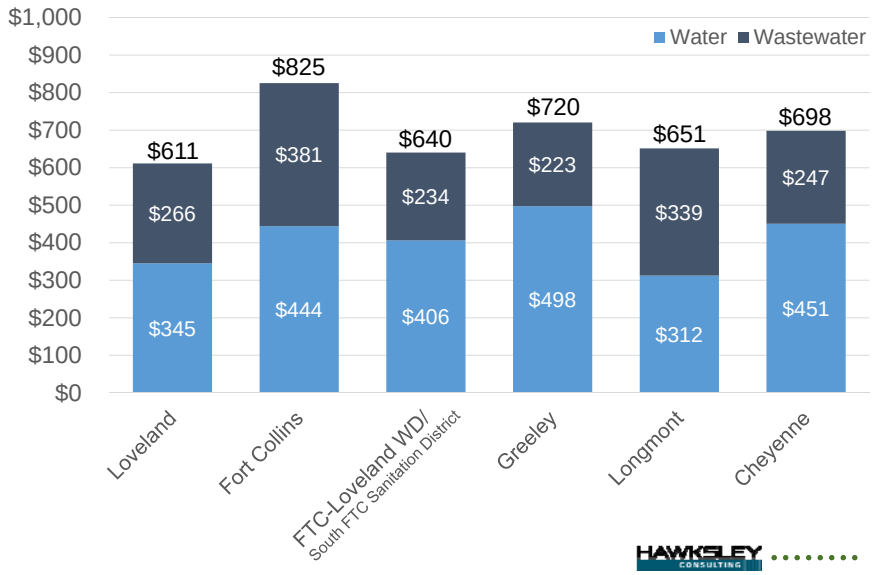
HAWKSLEY CONSULTING 39

Extra-strength Surcharge Annual Bill Impact



HAWKSLEY CONSULTING 40

Annual Operating Revenue per Residential Customer



HAWKSLEY CONSULTING 41

Impact Fees

As part of our scope, we are evaluating the current methodology for SIFs and looking at different potential methods of calculation. This effort is still continuing with staff.

For 2016, the current method of calculating SIFs will remain the same.

HAWKSLEY CONSULTING 42

QUESTIONS?

City of Loveland

CITY OF LOVELAND
WATER & POWER DEPARTMENT
200 North Wilson • Loveland, Colorado 80537
(970) 962-3000 • FAX (970) 962-3400 • TDD (970) 962-2620

AGENDA ITEM: 4
MEETING DATE: 7/15/2015
SUBMITTED BY: Melissa Morin, Civil Engineer

TITLE: Request for Water Main Extension and Service to Sweetheart City Wines

DESCRIPTION:
Jack Cantley has requested permission from City Council to extend the City's water distribution system to parcel number 95074-00-030 at West Highway 34 that he owns and is currently located in Larimer County. Current City Municipal Code requires that City Council approve of utility extensions outside the city limits.

SUMMARY:
Jack Cantely, owner of Sweetheart City Wines, would like to develop his property located south of West Highway 34, approximately ¼ mile west of the intersection of West Highway 34 and Wild Lane with a working winery, public tasting room, wine related gift shop, executive building to accommodate special events, and a single family home for the property owner. See Attachment A – letter from Jack Cantely dated July 2, 2015.

The existing residence on the property is currently served water from a private well (permitted for residential use only) and does not have water service from the City of Loveland. The three adjacent properties south of Highway 34 and east of the site do have water service from the City via a 2" water main. The existing water main is insufficient to provide the required fire flow to the proposed Winery and thus the Winery is requesting a new water main extension to serve the commercial winery use including irrigation and to meet fire sprinkler suppression needs (See Exhibit B). The existing well is planned to remain and be used as the primary water source for the proposed residence and not for winery operations.

The City of Loveland is willing to provide water service to the proposed improvements on the property as long as they meet the requirements set forth in the conditions below:

1. The applicant shall receive City Council approval for their request regarding the extension of City Water Infrastructure. (See Resolution.)
2. Prior to building permit, the applicant shall provide Public Improvement Construction Plans (PICP) (per current City Water/Wastewater Development Standards) for the proposed water service extension to the City for review and approval. Any required public utility easements will need to be dedicated prior to approval of the PICPs.
3. After PICP approval, but prior to connection to the City water main, the applicant shall submit an executed Application for Outside City Water Service and pay all applicable

fees. (See Exhibit C of Resolution.) The fees will include one (1) acre foot of water rights which is the lesser of the commercial or residential requirements regardless of the billed use type.

City Code Section 13.04.070 requires that the City Council approve water main extensions necessary to serve property outside the city limits. City Code Section 13.04.080 permits the City Manager or designee to approve applications for water taps to serve property outside the city limits, but staff is seeking City Council's approval of those taps because they are conditioned upon extension of the water main.

City Water Utility staff reviewed this request and finds that the city's water treatment plant and distribution system have adequate capacity to provide water service to the property, and therefore connection of the property to the city's water system will have no adverse impact on the system.

City Current Planning staff reviewed this request and finds no issue with this proposed development going forward in the county as it lies outside of the city's Growth Managment Area (GMA).

RECOMMENDATION: LUC recommends City Council approve the resolution.

REVIEWED BY DIRECTOR:
AB for SA
ATTACHMENTS:

- **Attachment A:** Request letter dated July 2, 2015 from Jack Cantley
- Resolution

Attachment A

Jack Cantley
6295 Bluff Lane
Loveland Co. 80537
(970)663-7219 H
(970)593-8563 C

July 2, 2015

Mr. Stephen C. Adams
Director City of Loveland Water and Power Department
200 North Wilson Avenue
Loveland, Colorado 80537

Re: Six inch City of Loveland water line from existing 20” water line located along Wild Lane.

Dear Mr. Adams,

I am requesting under City of Loveland Municipal Code Section 13.04.070, a 6" water line extension and service from the existing City of Loveland's 20” water line located along Wild Lane to service a proposed commercial project located along the south side of U.S. Highway 34 (see attached site sketch) including a tap for a fire hydrant.

The proposed waterline would connect to the existing 20" line along Glade Road. Then it would be placed on the east property line at 5519 west highway 34 and then a bore under U.S. Highway 34 to the subject property at 5500 west highway 34 and south to buildings.

I respectfully request urgent consideration of this request from the Loveland Utilities Commission and the City Council. If you have any questions regarding my request, please contact me at your earliest convenience. I thank you in advance for your consideration of my request.

Sincerely,

Jack Cantley

RESOLUTION #R-_____

A RESOLUTION AUTHORIZING THE PROVISION OF WATER SERVICE OUTSIDE OF THE LOVELAND CITY LIMITS PURSUANT TO LOVELAND MUNICIPAL CODE SECTIONS 13.04.070 AND 13.04.080

WHEREAS, City Code Section 13.04.070 provides that all water trunk lines or main extensions to serve areas not presently available for service and outside the City limits shall be approved by the City Council; and

WHEREAS, City Code Section 13.04.080 provides that water taps made outside the City limits shall be approved by the City Council; and

WHEREAS, the City's Water and Power Department received a written request, attached as Exhibit A, from Jack Cantley (the "Owner") for water service to be provided to his property located in the vicinity of U.S. Highway 34 and Wild Lane, a detailed map depicting the proposal is found in Exhibit B, attached hereto and incorporated herein by reference (the "Property"), which is located outside the City in unincorporated Larimer County; and

WHEREAS, the City's Water and Power Department has evaluated the request and finds that the City's water treatment plant and distribution system have adequate capacity to provide water service to the Property, and therefore connection of the Property to the City's water system will have no adverse impact on the system; and

WHEREAS, the City's Development Services Department has evaluated the request and finds that the Property lies outside of the City's Growth Management Area and does not meet the City's requirements for annexation; and

WHEREAS, the City Council is willing to authorize water service to the Property so long as the conditions set forth in this Resolution are satisfied prior to the requested water service being provided.

NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF LOVELAND, COLORADO:

Section 1. That the City Council hereby authorizes, pursuant to City Code Section 13.04.070, the extension of the needed water trunk lines and water main extensions and, pursuant to City Code Section 13.04.080, the granting of two (2) taps, one for commercial use and irrigation and one for fire suppression in order to provide water service to the Property, provided the following applicable conditions precedent are satisfied:

A. Before water service will be provided to the Property, or any portion of it, the owner of the Property must execute an Application for Water Service Outside of City Limits, the form of which is attached hereto as Exhibit C and incorporated hereby by reference; and

B. Before water service will be provided to the Property, or to any portion of it, all requirements and fees set forth in the Loveland Municipal Code, as amended from time to time, must be satisfied and paid.

Section 2. That this Resolution shall be effective as of the date of its adoption.

ADOPTED this 21st day of July, 2015.

_____
Cecil Gutierrez, Mayor

ATTEST:

_____
City Clerk

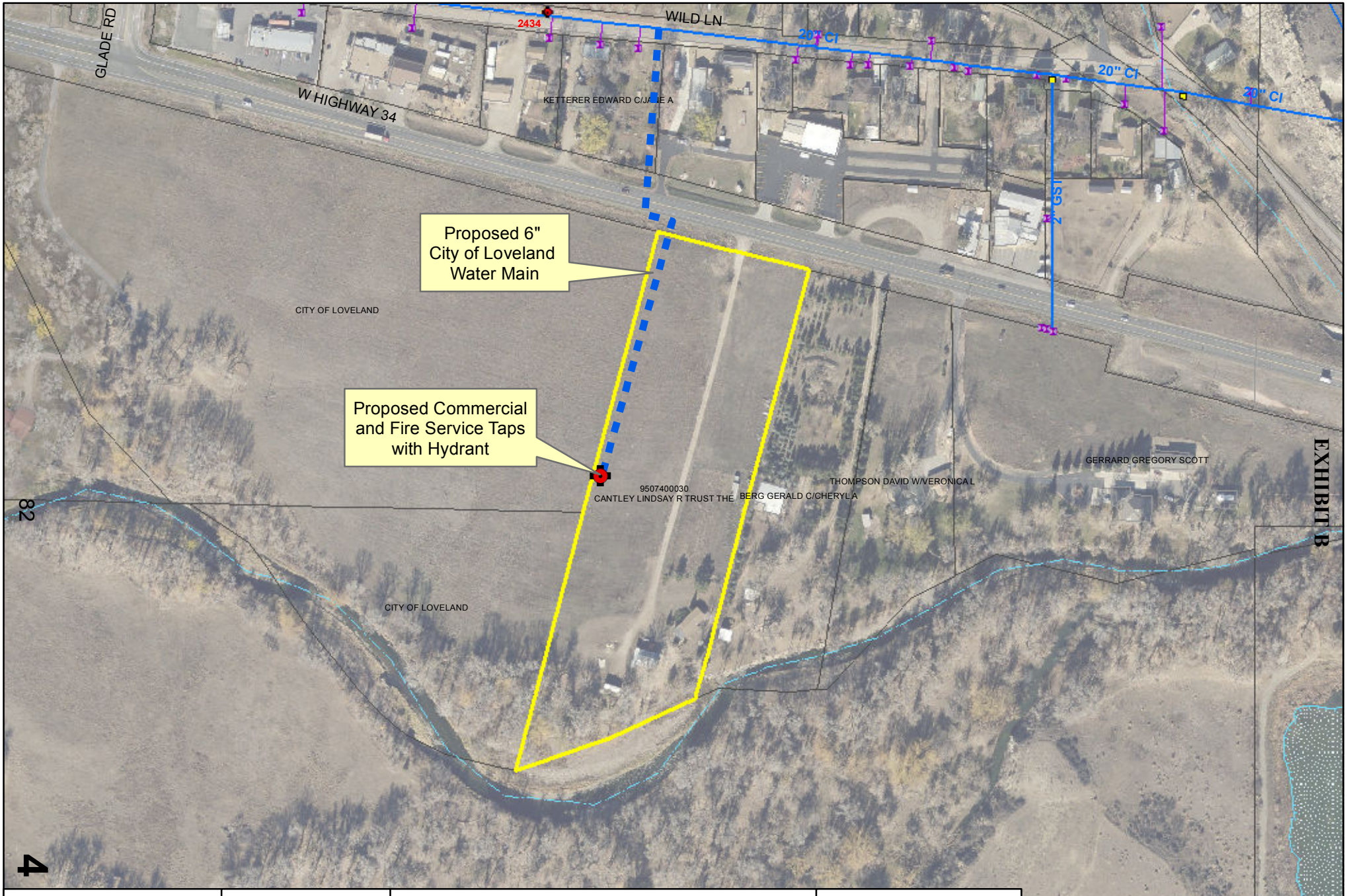
APPROVED AS TO FORM:

_____
Assistant City Attorney

EXHIBIT A

Legal Description of Property

POR 7-5-69 AND 18-5-69, COM AT SE COR SEC 7, N 89 59' 21" E 374.56 FT, N 33 54' 39" W 198.21 FT, N 75 26' 34" W 574.2 FT, N 14 26' 52" E 49.45 FT, N 75 17' W 614.48 FT TPOB, AND N 75 17' W 150 FT, N 75 17' W 150 FT, S 14 43' W 1109.06 FT, N 65 48' 39" E 192.76 FT, N 65 48' 39" ALG S LN PAR 1479-885, N 15 10' 55" E 872.69 FT TPOB (CONT 6.73 AC M/L)



This document was prepared for internal use by the City of Loveland, CO. The city makes no claim as to the accuracy or completeness of the data contained hereon.

Due to security concerns, the city requests that you do not post this document on the internet or otherwise make it available to persons unknown to you.

N

1 inch = 250 feet

City of Loveland

City of Loveland

Department of Water & Power

Loveland, Colorado

5500 W Highway 34

Created By: wweditor

Date Created: 7/6/2015

EXHIBIT C

OUTSIDE CITY WATER SERVICE AGREEMENT

This Outside City Water Service Agreement ("**Agreement**") is made and entered into this _____ day of _____, 20____, by and between the **City of Loveland, Colorado**, a home rule municipality ("**City**"), and _____ ("**Customer**").

Whereas, the Customer is the owner of certain real property located outside the City limits legally described as _____, County of Larimer, State of Colorado, also known by the mailing address of _____, Loveland, Colorado 8053__ ("**Property**"); and

Whereas, the Customer has applied to the City for a water meter to provide City water service to the Property; and

Whereas, the City has approved the Customer's application and has agreed to supply the Property with water service, subject to certain terms and conditions.

Now, therefore, in consideration of the mutual covenants and agreements contained herein, the parties agree as follows:

1. Water Rights; Fees and Charges. The Customer shall pay to the City the following upon signature of this Agreement: (i) water rights required in accordance with the Loveland Municipal Code in effect as of the date of this Agreement; (ii) meter and tapping charges and fees; and (iii) applicable development fees, including, without limitation, water system impact fees.

2. Meter Size and Location. The size and location of the water meter shall be determined by the City in accordance with the Property's approved use and the requirements of the City's water system.

3. Use. The water provided by the City hereunder may be used for residential, commercial, or industrial purposes consistent with the Property's approved use. The Customer shall abide by all City, state, and federal laws and regulations regarding use of the water.

4. Availability. Until such time as the Property is annexed to the City, water service to the Property shall be limited to whatever surplus water the City has available. The Customer's right to receive City water service shall be subject to the prior right of the City's water customers located within the City's water service area.

5. Improvements. All improvements placed on the Property on or after the date of this Agreement shall conform to the City's Site Development Performance Standards and Guidelines ("**SDPSG**"). Development plans for the proposed improvements shall be submitted to the City for review and approval. The Customer promises, for self, personal representatives, heirs, successors, and assigns, that if any improvement is placed upon the Property that is not in conformance with the City's SDPSG or the approved development plans to the extent that the

City's zoning, subdivision, or building requirements are not met as if the Property were within the City limits, that the City may terminate water service to the Property upon thirty (30) days' prior written notice to the Customer.

6. Consent to Inclusion in Municipal Subdistrict. The Customer shall consent to and provide all required documentation necessary for inclusion of the Property in the Municipal Subdistrict of the Northern Colorado Water Conservancy District ("**NCWCD**"). The Customer promises, for self, personal representatives, heirs, successors, and assigns, that upon failure to sign any required documentation for inclusion of the Property in the Municipal Subdistrict of the NCWCD, that the City may terminate water service to the Property upon thirty (30) days' prior written notice. Non-use or abandonment of water service by the Customer shall not affect the Customer's obligations pursuant to this paragraph.

7. Consent to Annexation. If the Property is ever included within the boundaries of a territory that is sought to be annexed to the City, by proceedings initiated by landowners or by the City, the Customer shall consent to and join in the annexation. The Customer shall comply with all legal requirements and conditions pertaining to the annexation, including, without limitation: (i) inclusion of the Property in the Municipal Subdistrict of the NCWCD; (ii) dedication of streets and easements as the City may require; and (iii) payment of all guarantees, fees, and expenses related to the annexation, including, without limitation, payment of any additional capital expansion fees required at the time of annexation. The Customer understands that the primary consideration for the City's consent to provide water service to the Property is the Customer's promise to consent to and join in the annexation as provided for in this paragraph. The Customer promises, for self, personal representatives, heirs, successors, and assigns, that upon failure to sign the annexation petitions and maps, that the City may terminate water service to the Property upon thirty (30) days' prior written notice. The Customer irrevocably authorizes and appoints the City Clerk of the City of Loveland, Colorado, as the Customer's lawful attorney-in-fact, to sign any annexation petitions and maps that include the Property therein, thereby binding the Customer to all of the terms and provisions of said petitions and maps as if the Customer had signed the petitions and maps. This power of attorney shall be valid for five (5) years from the date of this Agreement, or for as long as permitted by law, whichever is greater, and shall not be affected by the disability of the Customer. This appointment shall not preclude the City from taking any other action that may be necessary to enforce the provisions of this Agreement. Non-use or abandonment of water service by the Customer shall not affect the Customer's obligations pursuant to this paragraph.

8. Covenant Running With the Land. All of the terms and conditions herein shall extend to and be binding upon the Customer's grantees, personal representatives, heirs, successors, and assigns and shall be considered as a covenant running with the Property. Furthermore, it is agreed that, by accepting title to the Property, any such grantee, personal representative, heir, successor, or assign expressly agrees to be bound by the terms hereof, including, without limitation, appointment of the City Clerk as attorney-in-fact for the purposes set forth herein.

9. Enforcement; Costs. The Customer promises, for self, personal representatives, heirs, successors, and assigns, that upon failure of the Customer to abide by each and every covenant contained in this Agreement, the City may terminate water service to the Property upon thirty (30) days' prior written notice, and acknowledges and agrees that the City may take any

action available under law or in equity to enforce the provisions hereof, in addition to any other remedy provided for herein. The Customer agrees, for self, personal representatives, heirs, successors, and assigns, that the City may recover from the then-current owners of the Property its reasonable expenses, including attorney's fees, incurred with respect to such action.

10. Recording. This Agreement shall be recorded with the Larimer County Clerk and Recorder.

11. Miscellaneous. This Agreement contains the entire agreement of the parties relating to the subject matter hereof and, except as provided herein, may not be modified or amended except by written agreement of the parties. In the event a court of competent jurisdiction holds any provision of this Agreement invalid or unenforceable, such holding shall not invalidate or render unenforceable any other provision of this Agreement.

12. Applicable Law and Venue. This Agreement shall be governed by and enforced in accordance with the laws of the State of Colorado. In addition, the parties hereto acknowledge that there are legal constraints imposed upon the City by the constitutions, statutes, and rules and regulations of the State of Colorado and of the United States, and imposed upon the City by its Charter and Code, and that, subject to such constraints, the parties intend to carry out the terms and conditions of this Agreement. Notwithstanding any other provisions of this Agreement to the contrary, in no event shall any of the parties hereto exercise any power or take any action which shall be prohibited by applicable law. Whenever possible, each provision of this Agreement shall be interpreted in such a manner so as to be effective and valid under applicable law. Venue for any judicial proceeding concerning this Agreement shall be in the District Court for Larimer County, Colorado.

Signed by the parties on the date written above.

(Signatures on the following page.)

Customer:

_____
Signature

_____
Printed Name

STATE OF COLORADO)
) ss.
COUNTY OF LARIMER)

The foregoing instrument was acknowledged before me this ___ day of _____, 20____, by _____.

S E A L

_____
Notary's official signature

_____
Commission expiration date

City of Loveland, Colorado

By: _____
Director, Loveland Water & Power

ATTEST:

_____
City Clerk

APPROVED AS TO FORM:

_____
Assistant City Attorney

October 2006

PETITION FOR INCLUSION OF LANDS IN MUNICIPAL SUBDISTRICT NORTHERN COLORADO WATER CONSERVANCY DISTRICT

TO THE BOARD OF DIRECTORS OF MUNICIPAL SUBDISTRICT,
NORTHERN COLORADO WATER CONSERVANCY DISTRICT

1. All the owner(s) of lands situated in the County of _____, State of Colorado, hereby petition(s) and pray(s) that the lands hereinafter described be included in said Municipal Subdistrict, Northern Colorado Water Conservancy District ("Subdistrict").

2. The description of the lands owned by the Petitioner(s) is as follows:

PETITIONER	DESCRIPTION	SEC.TWP.RGE.	ACRES

TOTAL ACRES INCLUDED _____

3. A plat of the above described property is attached hereto as Appendix "B."

AMOUNT OF SUBDISTRICT PROCESSING FEE ENCLOSED $ 200.00

4. All the owner(s) of the above described property and their heirs, successors, and assigns hereby agree to be bound by the Water Conservancy Act, C.R.S. § 37-45-101 et. seq., as amended from time to time, and all rules, regulations, and policies of the Subdistrict as amended or changed from time to time.

5. All of the owner(s) of the above described property hereby agree(s) that inclusion of the above described lands into the Subdistrict is conditioned on present and future payment of the same mill levies and special assessments as are levied or will be levied on other similarly situated property in the Subdistrict at the time of inclusion of the Petitioner(s) lands. If such payments are not made on such equal basis, the inclusion of the lands can be terminated for non-compliance with this condition if payments are not otherwise made.

6. All the owner(s) of the above described property have executed Appendix "A" attached hereto.

THIS PETITION INCLUDING APPENDIX "A" MUST BE SIGNED BY ALL OF THE OWNERS OF THE ABOVE DESCRIBED PROPERTY

SIGNATURES	TITLE (if in relation to a Partnership or a Corporation)	ADDRESS
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____

STATE OF COLORADO)
) ss
County of _____)

The foregoing instrument was acknowledged before me this _____ day of _____,

A.D. 20___, by _____

_____

Witness my hand and Seal. My commission expires: _____

_____
Notary Public

H:\LAND-ALL\CONLEY\FORMS\petition.inc-subd.doc

STATE OF COLORADO)
) ss
County of _____)

The foregoing instrument was acknowledged before me this _____ day of _____,

A.D. 20___, by _____

_____

Witness my hand and Seal. My commission expires: _____

_____
Notary Public

STATE OF COLORADO)
) ss
County of _____)

The foregoing instrument was acknowledged before me this _____ day of _____,

A.D. 20___, by _____

_____

Witness my hand and Seal. My commission expires: _____

_____
Notary Public

STATE OF COLORADO)
) ss
County of _____)

The foregoing instrument was acknowledged before me this _____ day of _____,

A.D. 20___, by _____

_____

Witness my hand and Seal. My commission expires: _____

_____
Notary Public

APPENDIX "A"

Purpose

The purpose of this covenant is to subject Petitioner's property, described in the petition for inclusion and court order for inclusion, to the same mill levies and special assessments as are levied or will be levied on other similarly situated property in the Municipal Subdistrict ("Subdistrict") of the Northern Colorado Water Conservancy District at the time of inclusion of Petitioner's lands.

Waiver

Petitioner hereby waives any right which may exist to require an election pursuant to article X, § 20 of the Colorado Constitution before the Subdistrict can impose the mill levies and special assessments specified below. Petitioner also waives any right which may exist to a refund pursuant to article X, § 20 of the Colorado Constitution.

Mill Levies and Special Assessments

Upon inclusion into the Subdistrict, and as an express condition thereof, Petitioner covenants to pay any and all special assessments levied by the Board of Directors of the Subdistrict against Petitioner's property in the event the municipality or public corporation in which Petitioner's property is located defaults on payment of its obligations under existing or future allotment contracts with the Subdistrict. Such obligations include, but are not limited to:

1. Repayment of the bonded indebtedness of the Windy Gap Project.

2. Payment of the annual costs incurred by the Subdistrict in the administration, operation, maintenance, repair and rehabilitation of Windy Gap facilities and such other annual costs as may arise from and be attributable to the operation of the Windy Gap Project.

Covenant to Run with the Land

This covenant will run with and burden the property described in the petition for inclusion and court order for inclusion and binds all future owners of the property.

ALL OWNERS OF THE ABOVE DESCRIBED PROPERTY MUST SIGN THIS APPENDIX "A."

DATE	SIGNATURES	ADDRESS
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____

City of Loveland

CITY OF LOVELAND
WATER & POWER DEPARTMENT
200 North Wilson • Loveland, Colorado 80537
(970) 962-3000 • FAX (970) 962-3400 • TDD (970) 962-2620

AGENDA ITEM: 5
MEETING DATE: 7/15/2015
SUBMITTED BY: Steve Adams, Director AB for SA

TITLE: Broadband Update

DESCRIPTION:
The purpose of this item is to provide an update to the Loveland Utilities Commission (LUC) on the broadband initiative in Loveland.

SUMMARY:
Staff will provide a presentation to update the LUC on the broadband initiative.

RECOMMENDATION:
Staff Report Item only. No action required.

REVIEWED BY DIRECTOR:
AB for SA

ATTACHMENTS:
- Attachment A: PowerPoint Presentation

City of Loveland

Broadband Update

Loveland Utilities Commission

Steve Adams, Water and Power Director

July 15, 2015

Benefits of Broadband

Community Connectivity

- Government
- Libraries
- Healthcare
- Education
- Large and Small Businesses

Residential Customers

- Telecommuting
- Online Learning
- Entertainment

Commercial Customers

- R&D of New Technologies
- Preserve Jobs
- Promoting Innovation and Creativity

Economic Development

- Be Competitive
- Attract New Businesses & Entrepreneurs
- Job Creation

2

Why is the City Looking Into Broadband?

To Remain Competitive

- Remain competitive with neighboring communities who offer broadband services

To Promote Inclusivity

- Work with strategic partners to ensure connectivity for everyone

To Foster a Competitive Marketplace

- Encourage current and future providers to offer high quality services at competitive prices

To Encourage Unlimited Bandwidth

- Reach internet speeds 200 times faster than the current national average

3

What is Senate Bill 152?

Local Government Shall **Not**:

- Provide cable television, telecommunications or advanced services
- Purchase, lease, maintain, construct or operate any facility to offer such services

Conditions for Providing Services:

- Voter referendum approved by the majority of those voting on the ballot

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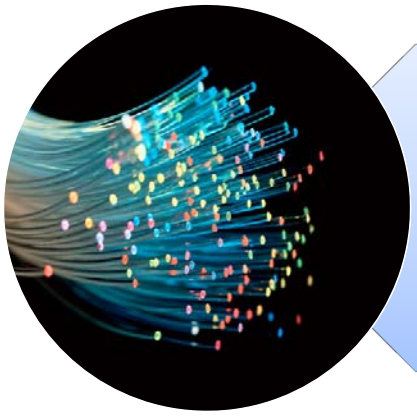
Senate Bill 152 Election Results

City	Election Date	Election Outcome	Known Service Plan Prior to Election
Grand Junction	April 7, 2015	Passed **75%**	**No**
Estes Park	February 3, 2015	Passed **92%**	**No**
Boulder	November 4, 2014	Passed **84%**	**No**
Cherry Hills Village	November 4, 2014	Passed **79%**	**No**
Red Cliff	November 4, 2014	Passed **70%**	**No**
Wray	November 4, 2014	Passed **56%**	**No**
Yuma	November 4, 2014	Passed **71%**	**No**
Montrose	April 1, 2014	Passed **74%**	**No**
Centennial	November 5, 2013	Passed **76%**	**Yes**
Longmont	November 1, 2011	Passed **61%**	**No**
Longmont	November 3, 2009	Failed **44%**	**Yes**

5

What does this ballot item achieve?



Take back the City's right to participate in providing broadband services

6

Statutory Requirements

1. **Local election must be held before a government may provide services either directly or indirectly**

2. **Ballot language shall include**
   1. Description of the proposed service
   2. The role the government will have in providing the service
   3. Who the service will be provided to

7

Loveland Draft Ballot Language

Without increasing taxes, and to restore local authority, shall the City of Loveland be authorized to provide advanced service (high speed internet), cable television service, and telecommunications service, directly or indirectly with public or private sector partners, to residents, businesses, schools, health care facilities, libraries, nonprofit entities, and other users of such services located within the boundaries of the City of Loveland and the service territory of the City of Loveland's power enterprise as expressly permitted by Title 29, Article 27 of the Colorado Revised Statutes?

Broadband Election Milestones

May 12, 2015

City Council Meeting

City Council directs staff to prepare SB-152 ballot measure

July 21, 2015

City Council Meeting

First reading of the Ballot Language Ordinance

August 4, 2015

City Council Meeting

Second reading of the Ballot Language Ordinance

Deadline for City involvement in public education

November 3, 2015

Election Day

9

City of Loveland

Questions?

City of Loveland

CITY OF LOVELAND
WATER & POWER DEPARTMENT
200 North Wilson • Loveland, Colorado 80537
(970) 962-3000 • FAX (970) 962-3400 • TDD (970) 962-2620

AGENDA ITEM: 6
MEETING DATE: 7/15/2015
SUBMITTED BY: Jim Lees, Utility Accounting Manager

TITLE: Quarterly Financial Report Update

DESCRIPTION:
This item summarizes the monthly and year-to-date financials for June 2015.

SUMMARY:
The June 2015 financial reports are submitted for Commission review. The following table summarizes the sales and expense results for the month of June, and the June Year-To-Date results in comparison to the same periods from 2014. The summarized and detailed monthly financial statements that compare June Year-To-Date actuals to the 2015 budgeted figures are attached.

	June				June Year-To-Date			
	2015	2014	$ Ovr/(Und) vs. 2014	% Ovr/(Und) vs. 2014	2015	2014	$ Ovr/(Und) vs. 2014	% Ovr/(Und) vs. 2014
WATER								
Sales	$857,174	$1,124,531	($267,356)	-23.8%	$4,357,529	$4,373,797	($16,268)	-0.4%
Operating Expenses	$655,895	$649,945	$5,951	0.9%	$5,828,937	$5,123,292	$705,645	13.8%
Capital (Unrestricted)	$698,501	$965,798	($267,297)	-27.7%	$4,509,449	$2,705,426	$1,804,024	66.7%
WASTEWATER								
Sales	$732,969	$705,224	$27,745	3.9%	$4,374,029	$3,976,006	$398,023	10.0%
Operating Expenses	$511,676	$527,583	($15,907)	-3.0%	$2,992,944	$2,568,101	$424,843	16.5%
Capital (Unrestricted)	$865,686	$227,094	$638,593	281.2%	$1,951,451	$716,434	$1,235,017	172.4%
POWER								
Sales	$4,260,902	$4,197,526	$63,376	1.5%	$25,758,547	$24,490,254	$1,268,293	5.2%
Operating Expenses	$5,147,397	$4,678,082	$469,315	10.0%	$24,356,540	$23,369,705	$986,835	4.2%
Capital (Unrestricted)	$360,126	$394,724	($34,598)	-8.8%	$3,141,172	$2,476,433	$664,739	26.8%

RECOMMENDATION:
Staff report only. No action required.

REVIEWED BY DIRECTOR:
AB for SA

LIST OF ATTACHMENTS:

- City of Loveland Financial Statement-Raw Water
- City of Loveland Financial Statement-Water
- City of Loveland Financial Statement-Wastewater
- City of Loveland Financial Statement-Power
- PowerPoint Slides

City of Loveland
Financial Statement-Raw Water
For Period Ending 06/30/2015

		TOTAL BUDGET FYE 12/31/2015	YTD ACTUAL	YTD BUDGET	OVER <UNDER>	VARIANCE
1	**REVENUES & SOURCES**					
2	Hi-Use Surcharge	52,500	7,749	26,280	(18,531)	-70.5%
3	Raw Water Development Fees/Cap Rec Surcharge	337,588	283,594	172,588	111,006	64.3%
4	Cash-In-Lieu of Water Rights	250,000	952,254	124,980	827,274	661.9%
5	Native Raw Water Storage Fees	5,000	0	2,500	(2,500)	-100.0%
6	Loan Payback from Water	137,800	0	0	0	0.0%
7	Raw Water 1% Transfer In	1,140,840	451,421	443,440	7,981	1.8%
8	Interest on Investments	81,600	93,689	40,800	52,889	129.6%
9	**TOTAL REVENUES & SOURCES**	**2,005,328**	**1,788,707**	**810,588**	**978,119**	**120.7%**
10	**OPERATING EXPENSES**					
11	Loan to Water	13,000,000	4,000,000	13,000,000	(9,000,000)	-69.2%
12	Windy Gap Payments	834,600	834,546	834,600	(54)	0.0%
13	**TOTAL OPERATING EXPENSES**	**13,834,600**	**4,834,546**	**13,834,600**	**(9,000,054)**	**-65.1%**
14	NET OPERATING REVENUE/(LOSS) (excl depr)	(11,829,272)	(3,045,839)	(13,024,012)	9,978,173	-76.6%
15	RAW WATER CAPITAL EXPENDITURES	1,200,000	92,055	517,180	(425,125)	-82.2%
16	**ENDING CASH BALANCES**					
17	Total Available Funds		11,327,648			
18	Reserve - Windy Gap Cash		3,401,801			
19	Reserve - 1% Transfer From Rates		4,272,547			
20	Reserve - Native Raw Water Storage Interest		1,579,003			
21	**TOTAL RAW WATER CASH**		**20,580,999**			
22	MINIMUM BALANCE (15% OF OPER EXP)		2,075,190			
23	OVER/(UNDER) MINIMUM BALANCE		18,505,809			

NOTE: YTD ACTUAL DOES NOT INCLUDE ENCUMBRANCES TOTALING: 0

City of Loveland-LIVE
Financial Statement-Water
For Period Ending 06/30/2015

			TOTAL BUDGET FYE 12/31/2015		YTD ACTUAL	YTD BUDGET	OVER <UNDER>	VARIANCE
1	****UNRESTRICTED FUNDS****							
2	**REVENUES & SOURCES**							
3	Water Sales		12,431,660		4,357,529	4,849,340	(491,811)	-10.1%
4	Raw Water Transfer Out		(1,140,840)		(451,421)	(443,440)	(7,981)	1.8%
5	Wholesale Sales		120,850		22,202	23,580	(1,378)	-5.8%
6	Meter Sales		41,850		66,782	26,790	39,992	149.3%
7	Interest on Investments		37,040		11,782	18,520	(6,738)	-36.4%
8	Other Revenue		549,390		93,335	299,310	(205,975)	-68.8%
9	Federal and State Grants		5,560,580		1,069,437	2,780,260	(1,710,823)	-61.5%
10	Internal Loan Monies Received		5,838,767		4,750,532	5,463,767	(713,235)	-13.1%
11	External Loan Monies Received		12,900,000		3,252,735	-	3,252,735	0.0%
12	**TOTAL REVENUES & SOURCES**		**36,339,297**		**13,172,914**	**13,018,127**	**154,786**	**1.2%**
13	**OPERATING EXPENSES**							
14	Source of Supply		2,649,850		1,451,460	1,864,810	(413,350)	-22.2%
15	Treatment		2,821,240		1,032,241	1,126,870	(94,629)	-8.4%
16	Distribution Operation & Maintenance		2,678,010		1,298,869	1,121,190	177,679	15.8%
17	Administration		529,586		242,173	304,816	(62,643)	-20.6%
18	Customer Relations		276,150		84,254	111,880	(27,626)	-24.7%
19	PILT		790,360		273,428	309,820	(36,392)	-11.7%
20	1% for Arts Transfer		98,030		24,189	59,710	(35,521)	-59.5%
21	Services Rendered-Other Departments		1,511,450		544,580	544,580	-	0.0%
22	Internal Loan Debt Expense		966,550		801,450	420,000	381,450	90.8%
23	External Loan Debt Expense		6,840		76,294	-	76,294	0.0%
24	**TOTAL OPERATING EXPENSES**		**12,328,066**		**5,828,937**	**5,863,676**	**(34,739)**	**-0.6%**
25	NET OPERATING REVENUE/(LOSS)(excl depr)		24,011,231		7,343,976	7,154,451	189,525	2.6%
26	CAPITAL EXPENDITURES		14,084,623		4,509,449	12,756,493	(8,247,044)	-64.6%
27	ENDING CASH BALANCE				**3,919,215**			
28	WATER DEBT FUNDS ENDING CASH BALANCE				**39,161**			
29	MINIMUM BALANCE (15% OF OPER EXP)				1,849,210			
30	OVER/(UNDER) MINIMUM BALANCE				2,070,005			
31	****RESTRICTED FUNDS****							
32	**REVENUES & SOURCES**							
33	SIF Collections		2,129,228		1,377,578	1,334,158	43,419	3.3%
34	SIF Interest Income		46,830		29,554	26,740	2,814	10.5%
35	SIF Federal and State Grants		2,662,510		-	1,331,280	(1,331,280)	-100.0%
36	Internal Loan Monies Received		8,420,000		-	8,420,000	(8,420,000)	-100.0%
37	**TOTAL SIF REVENUES & SOURCES**		**13,258,568**		**1,407,131**	**11,112,178**	**(9,705,047)**	**-87.3%**
38	SIF Capital Expenditures		12,866,330		3,548,521	12,823,650	(9,275,129)	-72.3%
39	1% for Arts Transfer		115,020		34,608	70,300	(35,692)	-50.8%
40	Internal Loan Debt Expense		86,200		-	86,200	(86,200)	-100.0%
41	**SIF ENDING CASH BALANCE**				**5,915,311**			
42	**TOTAL ENDING CASH BALANCE**				**9,834,526**			
	NOTE: YTD ACTUAL DOES NOT INCLUDE ENCUMBRANCES TOTALING:			$	17,281,611			
43	Water Treated at WTP (in million gallons)		N/A		1,518	N/A		
44	Water Sold To Customers (in million gallons, includes Ranch Water & Hydrant Sales)		3,720		1,065	1262	(197)	-15.6%

City of Loveland-LIVE
Financial Statement-Wastewater
For Period Ending 06/30/2015

			TOTAL BUDGET FYE 12/31/2015		YTD ACTUAL	YTD BUDGET	OVER <UNDER>	VARIANCE
1	****UNRESTRICTED FUNDS****	*		*				
		*		*				
2	**REVENUES & SOURCES**	*		*				
		*		*				
3	Sanitary Sewer Charges	*	9,031,400	*	4,374,029	4,373,500	529	0.0%
4	High Strength Surcharge	*	335,040	*	170,082	153,940	16,142	10.5%
5	Interest on Investments	*	26,520	*	40,554	13,260	27,294	205.8%
6	Other Revenue	*	53,920	*	36,145	26,460	9,685	36.6%
7	Federal Grants	*	432,090	*	127,810	216,040	(88,230)	-40.8%
8	State Grants	*	1,000,000	*	113,224	500,000	(386,776)	-77.4%
9	**TOTAL REVENUES & SOURCES**	*	**10,878,970**	*	**4,861,843**	**5,283,200**	**(421,357)**	**-8.0%**
		*		*				
10	**OPERATING EXPENSES**	*		*				
		*		*				
11	Treatment	*	3,565,463	*	1,442,223	1,447,763	(5,540)	-0.4%
12	Collection System Maintenance	*	2,384,230	*	793,104	1,047,920	(254,816)	-24.3%
13	Administration	*	513,197	*	143,186	271,447	(128,261)	-47.3%
14	Customer Relations	*	57,420	*	29,568	24,170	5,398	22.3%
15	PILT	*	655,650	*	318,088	316,040	2,048	0.6%
16	1% for Arts Transfer	*	41,070	*	12,155	28,850	(16,695)	-57.9%
17	Services Rendered-Other Departments	*	508,940	*	254,620	254,620	0	0.0%
18	**TOTAL OPERATING EXPENSES**	*	**7,725,970**	*	**2,992,944**	**3,390,810**	**(397,866)**	**-11.7%**
		*		*				
19	NET OPERATING REVENUE/(LOSS)(excl depr)	*	3,153,000	*	1,868,900	1,892,390	(23,490)	-1.2%
		*		*				
20	CAPITAL EXPENDITURES	*	9,632,342	*	1,951,451	7,581,602	(5,630,151)	-74.3%
		*		*				
21	ENDING CASH BALANCE	*		*	**9,232,141**			
		*		*				
22	MINIMUM BALANCE (15% OF OPER EXP)	*		*	1,158,896			
		*		*				
23	OVER/(UNDER) MINIMUM BALANCE	*		*	8,073,245			
		*		*				
24	****RESTRICTED FUNDS****	*		*				
		*		*				
25	**REVENUES & SOURCES**	*		*				
		*		*				
26	SIF Collections	*	1,148,720	*	787,616	707,030	80,585	11.4%
27	SIF Interest Income	*	58,440	*	31,308	29,220	2,088	7.1%
28	SIF Bond Proceeds	*	10,000,000	*	0	4,999,980	(4,999,980)	-100.0%
29	**TOTAL SIF REVENUES & SOURCES**	*	**11,207,160**	*	**818,924**	**5,736,230**	**(4,917,307)**	**-85.7%**
		*		*				
30	SIF Capital Expenditures	*	2,035,504	*	38,295	1,236,394	(1,198,099)	-96.9%
31	1% for Arts Transfer	*	14,600	*	0	10,230	(10,230)	-100.0%
		*		*				
32	**SIF ENDING CASH BALANCE**	*		*	**7,348,844**			
		*		*				
33	**TOTAL ENDING CASH BALANCE**	*		*	**16,580,985**			
	NOTE: YTD ACTUAL DOES NOT INCLUDE ENCUMBRANCES				900,348			
34	Wastewater Treated at WWTP (in million gallons) **- only through May**	*	N/A	*	**967**	N/A		
35	Wastewater Billed To Customers (in million gallons)	*	1,727	*	823	821	2	0.3%

City of Loveland
Financial Statement-Power
For Period Ending 06/30/2015

		*	TOTAL BUDGET FYE 12/31/2015	*	YTD ACTUAL	YTD BUDGET	OVER <UNDER>	VARIANCE
	****UNRESTRICTED FUNDS****	*		*				
		*		*				
1	REVENUES & SOURCES:	*		*				
2	Electric revenues	*	$57,180,680	*	$25,758,547	$26,493,970	($735,423)	-2.8%
3	Wheeling charges	*	$240,000	*	$113,622	$120,000	($6,378)	-5.3%
4	Interest on investments	*	$128,910	*	$84,423	$64,455	$19,968	31.0%
5	Aid-to-construction deposits	*	$1,000,000	*	$584,075	$500,000	$84,075	16.8%
6	Customer deposit-services	*	$220,000	*	$178,316	$110,000	$68,316	62.1%
7	Doorhanger fees	*	$420,000	*	$235,179	$210,000	$25,179	12.0%
8	Connect Fees	*	$160,000	*	$73,062	$80,000	($6,938)	-8.7%
9	Services rendered to other depts.	*	$4,551	*	$942	$2,276	($1,334)	-58.6%
10	Other revenues	*	$356,140	*	$184,959	$178,070	$6,889	3.9%
11	Year-end cash adjustments	*	$0	*	$0	$0	$0	0.0%
12	**TOTAL NORMAL REVENUES & SOURCES**	*	**$59,710,281**	*	**$27,213,125**	**$27,758,771**	**($545,646)**	**-2.0%**
		*		*				
13	FLOOD REVENUE	*	$4,812,500	*	$0	$2,406,250	($2,406,250)	-100.0%
14	**TOTAL REVENUES & SOURCES**	*	**$64,522,781**	*	**27,213,125**	**$30,165,021**	**($2,951,896)**	**-9.8%**
		*		*				
15	OPERATING EXPENSES:	*		*				
16	Hydro oper. & maint.	*	$4,888,424	*	$15,213	$2,444,212	($2,428,999)	-99.4%
17	Purchased power	*	$42,259,770	*	$18,915,808	$19,780,725	($864,917)	-4.4%
18	Distribution oper. & maint.	*	$4,581,001	*	$1,833,718	$2,290,501	($456,782)	-19.9%
19	Customer Relations	*	$1,146,590	*	$340,152	$573,295	($233,143)	-40.7%
20	Administration	*	$747,638	*	$269,906	$373,819	($103,913)	-27.8%
21	Payment in-lieu-of taxes	*	$4,002,650	*	$1,793,658	$1,917,269	($123,612)	-6.4%
22	1% for Arts Transfer	*	$66,760	*	$49,215	$31,978	$17,237	53.9%
23	Services rendered-other depts.	*	$2,278,320	*	$1,138,870	$1,139,160	($290)	0.0%
24	**TOTAL OPERATING EXPENSES (excl depn)**	*	**$59,971,153**	*	**$24,356,540**	**$28,550,959**	**($4,194,419)**	**-14.7%**
		*		*				
25	NET OPERATING REVENUE/(LOSS) (excl depn)	*	$4,551,628	*	$2,856,585	$1,614,062	$1,242,524	77.0%
		*		*				
26	CAPITAL EXPENDITURES:	*		*				
27	General Plant/Other Generation & Distribution	*	$9,249,800	*	$2,283,765	$4,624,900	($2,341,136)	-50.6%
28	Aid-to-construction	*	$1,000,000	*	$724,766	$500,000	$224,766	45.0%
29	Service installations	*	$250,000	*	$132,641	$125,000	$7,641	6.1%
30	**TOTAL CAPITAL EXPENDITURES**	*	**$10,499,800**	*	**$3,141,172**	**$5,249,900**	**($2,108,728)**	**-40.2%**
		*		*				
31	**ENDING CASH BALANCE**	*		*	**$19,994,068**			
		*		*				
32	MINIMUM BAL. (15% of OPER EXP excl depn)	*		*	$8,995,673			
33	OVER/(UNDER) MINIMUM BALANCE	*		*	$10,998,395			
		*		*				
34	****RESTRICTED FUNDS****	*		*				
		*		*				
35	PIF Collections	*	$2,751,917	*	$1,315,121	$1,375,959	($60,838)	-4.4%
36	PIF Interest Income	*	$33,250	*	$19,358	$16,625	$2,733	16.4%
37	Water Loan Payback	*	$966,550	*	$801,450	$966,550	($165,100)	-17.1%
38	**TOTAL REVENUES**	*	**$3,751,717**	*	**$2,135,929**	**$2,359,134**	**($223,205)**	**-9.5%**
		*		*				
39	PIF Feeders	*	$1,551,570	*	$210,438	$775,785	($565,347)	-72.9%
40	PIF Substations	*	$1,873,780	*	$190,522	$936,890	($746,368)	-79.7%
41	**TOTAL EXPENDITURES**	*	**$3,425,350**	*	**$400,960**	**$1,712,675**	**($1,311,715)**	**-76.6%**
		*		*				
42	**ENDING PIF CASH BALANCE**	*		*	**$4,685,535**			
		*		*				
43	**TOTAL ENDING CASH BALANCE**	*		*	**$24,679,603**			

NOTE: YTD ACTUAL does NOT include encumbrances totalling $3,137,181

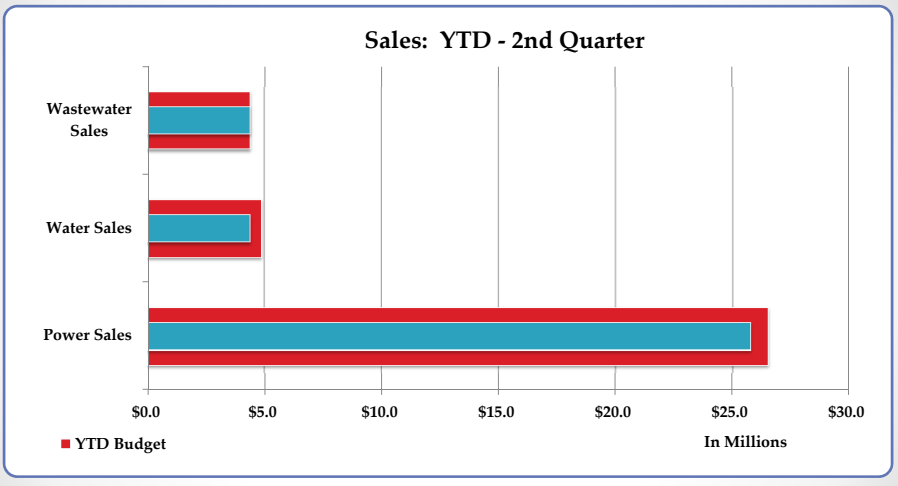
44	Energy Purchased (in million kWh) from PRPA	*	772	*	365	369	(4)	3.1%
45	Energy Sold to Customers (in million kWh)	*	741	*	349	354	(5)	-1.5%

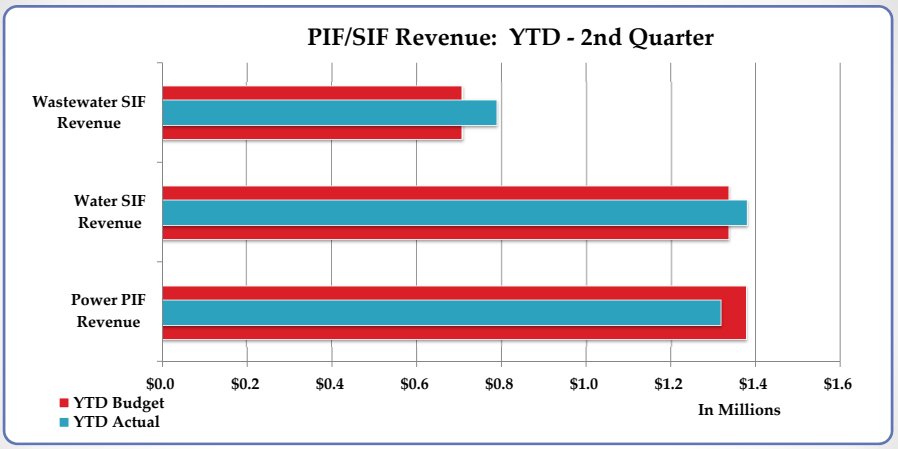
Loveland Water and Power

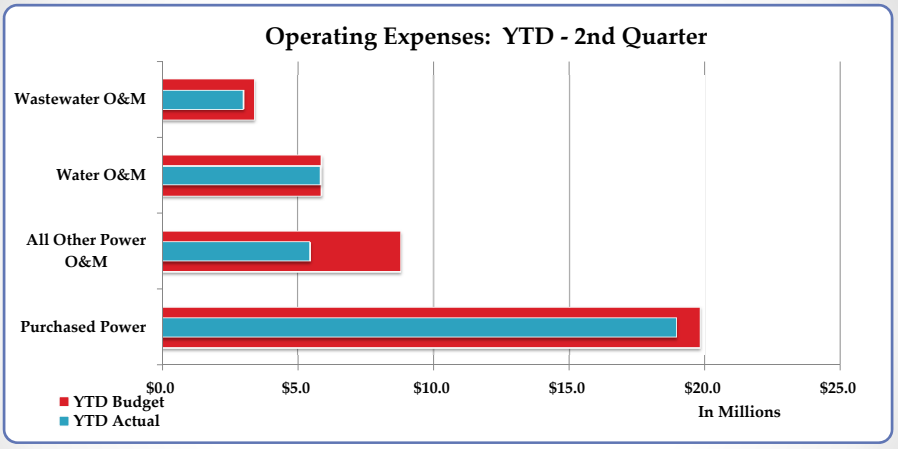
Water & Power Quarterly Financial Report

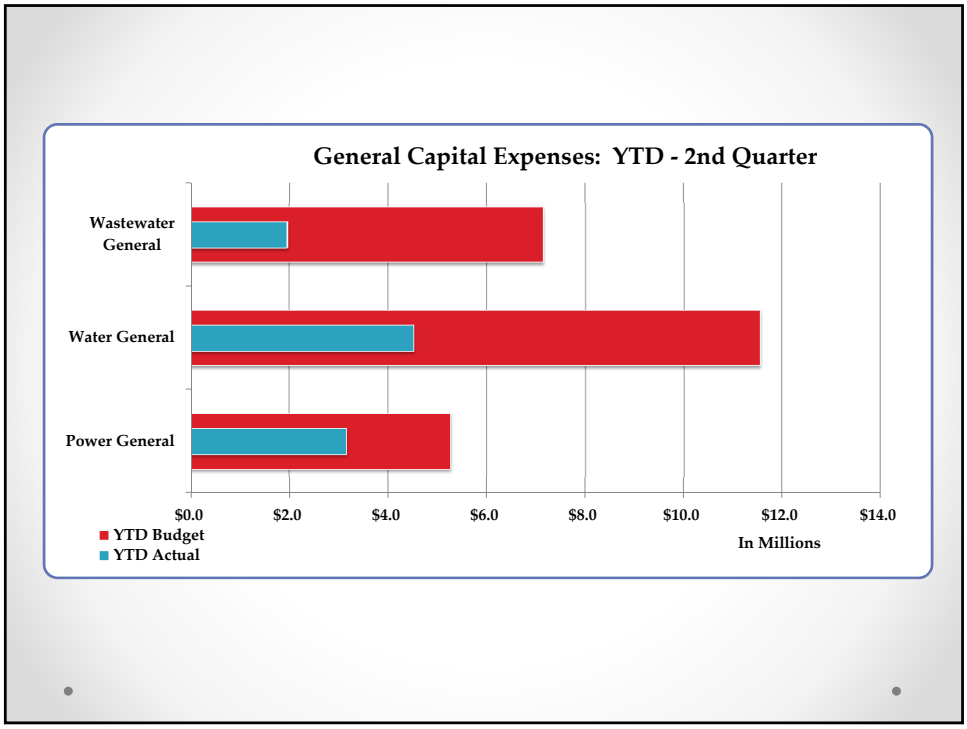
Loveland Utilities Commission

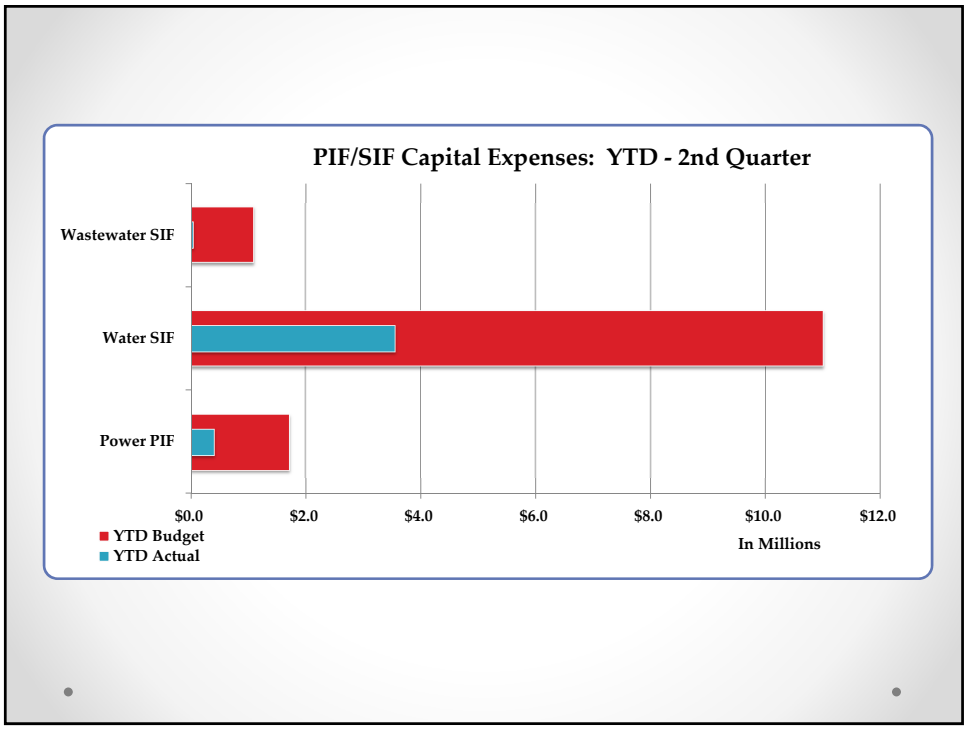
July 15, 2015




PIF/SIF Revenue: YTD - 2nd Quarter
Wastewater SIF Revenue
Water SIF Revenue
Power PIF Revenue
$0.0
$0.2
$0.4
$0.6
$0.8
$1.0
$1.2
$1.4
$1.6
YTD Budget
YTD Actual
In Millions


Operating Expenses: YTD - 2nd Quarter
Wastewater O&M
Water O&M
All Other Power O&M
Purchased Power
$0.0
$5.0
$10.0
$15.0
$20.0
$25.0
YTD Budget
YTD Actual
In Millions


General Capital Expenses: YTD - 2nd Quarter
Wastewater General
Water General
Power General
$0.0
$2.0
$4.0
$6.0
$8.0
$10.0
$12.0
$14.0
YTD Budget
YTD Actual
In Millions


PIF/SIF Capital Expenses: YTD - 2nd Quarter
Wastewater SIF
Water SIF
Power PIF
$0.0
$2.0
$4.0
$6.0
$8.0
$10.0
$12.0
YTD Budget
YTD Actual
In Millions

City of Loveland

CITY OF LOVELAND
WATER & POWER DEPARTMENT
200 North Wilson • Loveland, Colorado 80537
(970) 962-3000 • FAX (970) 962-3400 • TDD (970) 962-2620

AGENDA ITEM: 7
MEETING DATE: 7/15/2015
SUBMITTED BY: Steve Adams, Director AB for SA

TITLE: Commission/Council Report

SUMMARY:
Discuss events that the Loveland Utility Commission Board members attended and any City Council items related to the Water and Power Department from the past month.

RECOMMENDATION:
Commission/Council report only.

REVIEWED BY DIRECTOR:
AB for SA

City of Loveland

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AGENDA ITEM: 8
MEETING DATE: 7/15/2015
SUBMITTED BY: Steve Adams, Director AB for SA

TITLE: Director's Report

SUMMARY:

- **Big Thompson Watershed Forum** — Big Thompson Watershed Forum's 2015 Watershed Meeting will be September 24, 2015 at the Fireside Café Group Publishing Building located at 1515 Cascade Ave Loveland, CO 80537 from 8:00am - 4:00pm. More information about event details will be provided closer to the event date. If you would like to attend please contact Allison Bohling – Allison Bohling

- **South Platte Forum** — The 2015 South Platte Forum will be held in Loveland, Colorado at the Embassy Suites on October 28-29, 2015. Please let Allison Bohling know if you are interested in attending. For a copy of the preliminary conference schedule please visit the link below. – Allison Bohling

  http://www.southplatteforum.org/annual-meeting.html

- **Water Plant Facility Tours** — You are warmly welcomed to join a guided tour of some of our various facilities, including the Water Treatment Plant, Green Ridge Glade, Home Supply, our Horseshoe Substation, Platte River Power Authority's Rawhide Power Plant and the Wastewater Treatment Plant. Once every several years, Rawhide closes for several months for maintenance and VIP visitors only are allowed an in-depth look at the facility. Our visit coincides with the shut-down, and will be on October 26, 2015 beginning at 8:00am at the Service Center and returning at 3:45pm to the Service Center. If you are interested in attending contact Kathy Gross at 970-962-3543.More information will follow closer to the date of the event. – Allison Bohling

- **Windy Gap Financing** — The Windy Gap Firming project is currently awaiting a new cost estimate for the project. It is projected to be 30% higher than previously estimated. They are predicting that it is going to be very similar to geology that was found at Green Ridge Glade Reservoir. They hope to have a Request for Proposal (RFP) out this fall so they can get bids in by the end of the year and start design at the beginning of 2016. The 401 certification process is going well. All the participants are supposed to communicate their interest level in the project and how they plan to fund it and if they are interested in participating in joint financing. Also, Northern's staff will file new diversion right to accommodate the planned bypass channel around the Windy Gap Reservoir which is envisioned as part of the project.– Kim Frick

- **Corn Roast 2015** — Staff would like to invite board members to the annual Corn Roast Festival on Friday and Saturday, August 21 -22, 2015. Customer Relations will have a booth

on Fourth Street where we will provide information about water conservation programs, energy efficiency and electric vehicles. – Allison Bohling

- **Green Ride Grand Opening** — Green Ride Colorado Shuttle Service is coming to Loveland! The Loveland Chamber of Commerce will be holding a ribbon cutting ceremony on August 11, 2015 from 2:00pm – 7:00pm at the Loveland/Fort Collins Airport located at 4900 Earhart Road Loveland, 80538. In addition to the ribbon cutting ceremony, there will be a celebratory BBQ and Drive Electric Northern Colorado will be hosting a ride-and-drive event from 2:00pm – 4:00pm. We look forward to this new collaboration and we welcome LUC board members to attend. – Allison Bohling

- **Loveland Youth Gardeners: Garden and Art Tour** — Over 500 attendees visited the Olde Course Neighborhoods for The Loveland Garden Tour and Art Show on Saturday, June 20, 2015 from 8:00AM until 3:00PM. Loveland Water and Power sponsored and attended the event. Staff answered questions about residents Home Energy Report and provided information about xeriscaping, the refrigerator freezer recycling program, the home energy audit program and about the sprinkler inspection program. - Allison Bohling

- **Passport to Water and Power** — Loveland Water and Power is proud to be hosting the 2nd annual Passport to Water and Power event. This event allows Loveland residents the chance to take a trip and visit their local municipal utility - Loveland Water and Power. From there, customers can interact with each aspect of their municipal utility, in order to learn who we are, what we do, where we work, and how we, as a municipal utility, provide water and power to the Loveland community. Join us July 23, 2015 from 3:30 pm - 7:00 pm for family fun, food and prizes. Shirt orders have been placed for those members LUC board members who plan to serve as resource for the public to discuss the utility. Those board members are listed below. – Lindsey Bashline

Anita Marchant
Dan Herlihey
Dave Schneider
Gene Packer
Larry Roos
John Rust Jr.

- **Colorado Water Congress 2015 Summer Conference** — The conference will be held at the Vail Cascade Resort in Vail, Colorado from August 19-21, 2015. The City will cover LUC board member costs of the registration (Includes the following meals: Wednesday lunch, Thursday breakfast and lunch and Friday breakfast and brunch.). Board members will be responsible for covering the lodging, transportation and additional meal expenses. See the following link for additional information. Please let Allison Bohling know if you are interested in attending. – Allison Bohling

  http://www.cowatercongress.org/cwc_events/Summer_Conference.aspx

- **Northern Water Tours** — Please let Allison Bohling know if you would like to attend one of Northern Water's tours listed below.

East Slope (7:30 a.m. – 4:30 p.m.)	***West Slope (7 a.m. – 5:30 p.m.)***
Wednesday September 9, 2015	*Wednesday, August 12, 2015*

RECOMMENDATION:

Director's report only.

REVIEWED BY DIRECTOR:

City of Loveland

CITY OF LOVELAND
WATER & POWER DEPARTMENT
200 North Wilson • Loveland, Colorado 80537
(970) 962-3000 • FAX (970) 962-3400 • TDD (970) 962-2620

AGENDA ITEM: 9
MEETING DATE: 7/15/2015
SUBMITTED BY: Michelle Stalker, Technical Specialist

TITLE: Clean Water Act Update

DESCRIPTION:
This item and the attachments are intended to give a brief update on the Clean Water Act and the effects of the new definition of the "waters of the United States".

SUMMARY:
On June 29, 2015, the Army Corps of Engineers (Corps)and Environmental Protection Agency (EPA) jointly published in the Federal Register a final rule defining the phrase "waters of the United States" under the Clean Water Act (CWA), which will go into effect in 60 days. The final rule on defining the "waters of the United States" will affect the scope of the EPA's and Corps' jurisdiction under Section 404 of the CWA - particularly likely to affect the jurisdictional status of ephemeral and intermittent tributaries that will become jurisdictional by rule and ditches.

At this time, it is not known how the agencies will interpret the final rule; however, as written, it is likely to expand the agencies' geographic scope of jurisdiction under Section 404 of the CWA. The Corps has indicated they will not issue any approved jurisdictional determinations until the rule goes into effect at the end of August 2015. Those holding previously approved jurisdictional determinations that reached a conclusion that a water or wetland was nonjurisdictional based on isolation or lack of a significant nexus should carefully evaluate the likelihood of being able to receive an extension of the approved jurisdictional determination under the new rule. Project proponents should consider implementing their projects prior to the termination of their approved jurisdictional determination if the wetland or water previously determined nonjurisdictional is likely to be determined jurisdictional under the new rule.

For additional information see Attachment A and visit ERO's website at http://www.eroresources.com/EROResourcesCorporation/News.aspx, which has links to:

- EPA's final rule
- Federal Registry June 29, 2015: Clean Water Rule: Definition of "Waters of the United States"
- EPA's report on connectivity of waters that was the basis for the final rule

Please see Attachment B for a recent article by John Kolanz in BizWest on the possible changes the new definition will have on various water projects and types of water sources.

RECOMMENDATION:
Information item only. No action required

REVIEWED BY DIRECTOR:
AB for SA
ATTACHMENTS:

- **Attachment A:** Review of Corps-EPA Final Rule Defining Waters of the U.S. Under the Clean Water Act (CWA)
- **Attachment B:** *New Federal Water Rule Taps Reservoir of Angst*, by John Kolanz in BizWest June 26, 2015

1. INTRODUCTION

On June 29, 2015, the U.S. Army Corps of Engineers (Corps) and Environmental Protection Agency (EPA) published in the Federal Register a final rule defining the phrase "waters of the United States" under the Clean Water Act (CWA). The final rule is in response to the U.S. Supreme Court's *Solid Waste Agency of Northern Cook County v. U.S. Army Corps of Engineers* (SWANCC) and *Rapanos v. United States* and *Carabell v. United States* (Rapanos) decisions (79 Federal Register 22188). Although it not known how the agencies will interpret the final rule, it is expected to expand the agencies' geographic scope of jurisdiction under Section 404 of the CWA when compared with how the agencies currently determine the geographic scope of their Section 404 jurisdiction.

The final rule establishes three broad categories of waters and wetlands:

- Those that are categorically jurisdictional by rule;
- Those that are not jurisdictional by rule; and
- "Other waters" to be evaluated on a case-specific basis under the "significant nexus" test to determine jurisdictional status.

This approach is intended to establish bright-line categories and reduce the number of case-by-case jurisdictional determinations by the agencies.

The final rule also:

- Maintains the existing exemptions for agriculture;
- Clarifies that groundwater is not a water of the U.S. (WUS);
- Addresses the jurisdictional status of irrigation ditches; and
- Establishes numerous new terms.

2. WHAT'S JURISDICTIONAL?

Under the final rule, the following were considered jurisdictional in the past and will remain jurisdictional by rule:

- (a)(1) Traditional navigable waters (TNWs) – Waters that are currently used, were used in the past, or may be susceptible to use in the future for interstate or foreign commerce;
- (a)(2) Interstate waters and wetlands – Waters and wetlands that flow across or form parts of state boundaries regardless of navigability;
- (a)(3) Territorial seas;
- (a)(4) Impoundments – Impoundments of TNWs, interstate waters and wetlands, the territorial seas, and now tributaries (see below); and

For the first time, the following will be jurisdictional by rule:

- (a)(5) All "tributaries"; and
- (a)(6) All waters "adjacent" to TNWs, interstate waters, territorial seas, or tributaries.

Other Waters

"Other waters" are those that are not jurisdictional by rule or categorically excluded from jurisdiction and are determined, on a case-specific basis, to have a significant nexus to a TNW, interstate water, or territorial sea. The final rule includes two types of waters that may be determined jurisdictional on a case-by-case basis. The first type of waters are five identified categories of waters and wetlands (prairie potholes, Carolina bays and Delmarva bays, pocosins, Western vernal pools, and Texas coastal prairie wetlands), none of which occur in Colorado. The second type of waters are those that are within the 100-year floodplain (which is not mapped for many drainages in Colorado) of a jurisdictional water (a)(1) through (a)(3) and all waters within 4,000 feet of the high tide line or ordinary high water mark

(OHWM) of a jurisdictional water (a)(1) through (a)(5). A water has a significant nexus when any single function or combination of functions performed by the water, alone or together with similarly situated waters in the region, contributes significantly (must be more than speculative or insubstantial) to the chemical, physical, or biological integrity of the nearest TNW, interstate water, or territorial sea. The final rule identifies nine aquatic functions to be considered in determining a significant nexus (sediment trapping, nutrient recycling, pollutant trapping/transformation/filtering/transport, retention and attenuation of flood waters, runoff storage, contribution of flow, export of organic matter, export of food resources, and provision of life cycle-dependent aquatic habitat).

The final rule uses a variety of terms, many of which are new to Section 404 of the CWA (Table 1). Most of the new terms are related to defining the geographic scope of Section 404 jurisdiction and the case-specific significant nexus determination for "other waters."

Table 1. Terms associated with the final rule.

Term	Effect on How CWA Jurisdiction will be Determined
Tributary	Tributaries are jurisdictional by rule. A "tributary" is characterized by the presence of the physical indicators of a bed and banks and an OHWM and contributes flow, either directly or through another water (including an impoundment), to downstream TNWs, interstate waters, or territorial seas. A tributary can be a natural, man-altered, or man-made water and includes waters such as rivers, streams, ephemeral and intermittent drainages, canals, and ditches not excluded by the final rule.
Neighboring	Used to define "adjacent." All waters located within a minimum of 100 feet of jurisdictional waters and within the 100-year floodplain to a maximum of 1,500 feet of the OHWM are "neighboring." Many tributaries do not have the 100-year floodplain mapped.
Similarly situated	Used to determine the jurisdictional status of other waters. Waters in the same category or the same resource type are "similarly situated" (e.g., tributaries and adjacent wetlands) relative to a TNW when evaluating the presence or absence of a significant nexus. Waters are similarly situated when they function alike and are sufficiently close to function together in affecting downstream waters.
In the region	Used to determine the jurisdictional status of other waters. Waters are considered "in the region" if they fall within the same watershed that drains to the nearest TNW, interstate water, or territorial sea. "In the region" is used for the purposes of grouping "similarly situated" wetlands or waters for determining the presence or absence of a significant nexus for "other waters."
Significant nexus	Used to determine the jurisdictional status of other waters. A water, including wetlands, either alone or in combination with other "similarly situated" waters "in the region," that significantly affects the chemical, physical, or biological integrity of a TNW, interstate water, or territorial sea. Waters shall be assessed by evaluating nine aquatic functions. A water has a significant nexus when any single function or combination of functions performed by the water, alone or together with "similarly situated" waters "in the region," contributes significantly to the chemical, physical, or biological integrity of the nearest TNW, interstate water, or territorial sea.
Relocated tributary	The final rule excludes ditches with ephemeral or intermittent flows except where a ditch is excavated in or relocates a covered tributary. A tributary is relocated either when at least a portion of its original channel has been physically moved or when the majority of its flow has been redirected. A ditch that is a "relocated tributary" is distinguishable from a ditch that withdraws water from a stream without changing the stream's aquatic character. The latter type of ditch is excluded from jurisdiction where it meets the listed characteristics of excluded ditches.
Dry land	Areas of the geographic landscape that are not water features such as streams, rivers, wetlands, lakes, ponds, and the like. However, it is important to note that a "WUS" is not considered "dry land" just because it lacks water at a given time. Similarly, an area remains "dry land" even if it is wet after a rainfall event. "Dry land" should now be used in the context of Section 404 of the CWA when referring to areas that do not have the characteristics of waters or wetlands (previously commonly referred to as "upland").
Adjacent	Bordering, contiguous, or neighboring.

3. WHAT IS NOT JURISDICTIONAL?

The final rule states that the following are not WUS:

- (b)(1) Waste water treatment systems
- (b)(2) Prior converted cropland
- (b)(3) The following ditches:
    - Ditches with ephemeral flow that are not a relocated tributary or excavated in a tributary;
    - Ditches with intermittent flow that are not a relocated tributary, excavated in a tributary, or drain wetlands; and
    - Ditches that do not flow, either directly or through another water, into a jurisdictional water.
- (b)(4) The following features:
    - Artificially irrigated areas that would revert to dry land should application of water to that area cease;
    - Artificially constructed lakes and ponds created in dry land such as farm and stock watering ponds, irrigation ponds, and settling basins;
    - Artificial reflecting pools or swimming pools created in dry land;
    - Small ornamental waters created in dry land;
    - Water-filled depressions created in dry land incidental to mining or construction activity, including pits excavated for obtaining fill, sand, or gravel that fill with water;
    - Erosional features, including gullies, rills, and other ephemeral features that do not meet the definition of a tributary; nonwetland swales; and lawfully constructed grassed waterways; and
    - Puddles.
- (b)(5) Groundwater;
- (b)(6) Stormwater control features constructed to convey, treat, or store stormwater that are created in dry land; and
- (b)(7) Wastewater recycling structures constructed in dry land, detention and retention basins built for wastewater recycling, groundwater recharge basins, percolation ponds built for wastewater recycling, and water distributary structures build for wastewater recycling.

4. KEY PROPOSED CHANGES

The final rule would affect the geographic scope of the agencies' Section 404 jurisdiction in the following ways.

Eliminate the Isolation of Waters and Wetlands Based on Breaks in Jurisdiction

The final rule would significantly expand the geographic scope of Section 404 jurisdiction in the arid West where there are numerous intermittent and ephemeral drainages. The headwaters of many of these drainages are currently considered "isolated" (per guidance following SWANCC). Currently, when a drainage lacks continuous characteristics of a WUS (i.e., OHWM, bed, and bank), the reaches of the drainage and any associated wetlands upgradient of this break in jurisdictional characteristics are typically considered isolated and/or lacking a significant nexus to a TNW and are nonjurisdictional. The final rule proposes that a water that otherwise qualifies as a tributary does not lose its status as a tributary if, for any length, there are one or more man-made breaks, or one or more natural breaks so long as a bed, bank, and OHWM can be identified upstream of the break. The proposed elimination of breaks in jurisdiction isolating the upper reaches of drainages would translate to an increase in the scope of Section 404 jurisdiction on intermittent and ephemeral drainages and their associated wetlands.

Adjacent Waters are WUS

The final rule would make adjacent waters, rather than simply adjacent wetlands (the current situation), WUS. For example, open water ponds adjacent to a river with no outlet to the river are currently considered nonjurisdictional, but wetlands in these ponds are considered adjacent and jurisdictional. Under the final rule, both the water and wetlands in

the ponds would be considered adjacent and jurisdictional. See Table 1 for more information on "adjacency."

Ditches

The final rule declined to define "ephemeral" and "intermittent" for ditches because these flow regimes are described earlier in the rule, have been used by the agencies consistently, and are readily understood by field staff and the public. However, where these terms are described earlier in the rule, they are described in the context of streams. The final rule is also not clear on what constitutes a relocated tributary. Many agricultural ditches in the western U.S. intercept the flow of drainages that may qualify as a tributary, including the situation where a tributary ends in a canal and the canal conveys the water carried by the tributary. Reference is also made in the final rule's preamble that a ditch does not qualify for an exclusion if it "redirects the majority of a stream's flow." Many canals and ditches in the western U.S. derive their water from the exercise of lawful decreed diversions from rivers or streams, and it is not uncommon for a ditch or series of ditches along a stream reach to divert, under their respective priorities, the majority of the natural flow regime. The final rule is clear that the jurisdictional status of a ditch can be determined by ditch segment (i.e., it is possible to have jurisdictional and nonjurisdictional segments on the same ditch). Finally, it is unclear how the criteria for what renders a ditch nonjurisdictional applies to canals. There is no mention in the final rule of any exclusion for "canals" even though, in the western U.S., canals oftentimes operate in a manner similar to ditches. The definitions for ditch exclusions readily apply to constructed roadside ditches and drainage ditches, but they do not fit well with irrigation and water supply canals and ditches, which commonly occur throughout the western U.S.

Tributaries

Under the final rule, any water that meets the definition of a "tributary" is a WUS (Table 1). In addition to breaks in jurisdictional characteristics not isolating drainages (discussed above), the final rule would also establish other situations that do not eliminate jurisdiction including:

- Tributaries that have been channelized in concrete, or otherwise have been human altered, may still meet the definition of tributaries under the final rule so long as they still contribute flow to an (a)(1) through (a)(3) water.
- Waters that meet the definition of tributary under the final rule are jurisdictional even if there is an impoundment at some point along the connection from the tributary to the (a)(1) through (a)(3) water. Because an impoundment is considered by rule to not cut off a connection between upstream tributaries and a downstream (a)(1) through (a)(3) water, tributaries above the impoundment are still considered tributary to a downstream (a)(1) through (a)(3) water even where the flow of water is impeded due to the impoundment.
- The significant nexus between a tributary and a jurisdictional water is not broken where the tributary flows through a culvert or other structure.

Groundwater

The final rule states that groundwater is not a WUS. However, a shallow subsurface hydrologic connection can be used to demonstrate that a wetland or water is "adjacent" to a jurisdictional wetland or water. Guidance is not provided on how to demonstrate that a particular water or wetland does or does not have a shallow subsurface hydrologic connection. Groundwater monitoring studies can be time consuming, so the responsibility and cost will likely fall on the project proponent to demonstrate the lack of a connection or, in the interest of time, assume a connection and jurisdiction.

Significant Nexus Test

A significant nexus occurs when it is determined that an "other water" significantly affects the chemical, physical, or biological integrity of an (a)(1) through (a)(3) water. As proposed, the significant nexus test for "other waters" would be applied to waters and wetlands, either alone or in combination with other similarly situated waters in the region (i.e., a watershed). This allows the determination of a significant nexus to consider the individual water or wetland at issue or to group the individual water or wetland with other waters or wetlands in the watershed. When the functional contributions of the aggregated waters and wetlands in a watershed are considered, it would be an unusual situation that in the aggregate there is no significant nexus to an (a)(1) through (a)(3) water. As proposed, a significant nexus for the aggregate translates to a significant nexus for the individual water or wetland in question. The combination of aggregating waters and wetlands in a watershed for the significant nexus test for jurisdiction for "other waters," and including all tributaries as jurisdictional by rule (no jurisdictional breaks considered), would leave very few "other

waters" as nonjurisdictional. This becomes particularly clear when the agencies state that a hydrologic connection is not necessary to establish a significant nexus because, in some cases, the lack of a hydrologic connection would be a sign of the water's function in relationship to an (a)(1) through (a)(3) water (e.g., sediment trapping, nutrient recycling, pollutant trapping and filtering, retention or attenuation of flood waters, runoff storage, and provision of aquatic habitat).

5. WHAT WILL LIKELY HAPPEN?

The final rule will be effective 60 days after today, on August 28, 2015. During those 60 days, the Corps will not be able to issue any approved jurisdictional determinations. Those holding previously approved jurisdictional determinations that reached a conclusion that a water or wetland is nonjurisdictional based on isolation or lack of a significant nexus should carefully evaluate the likelihood of being able to receive an extension of the approved jurisdictional determination under the final rule. Project proponents should consider implementing their projects prior to the termination of their approved jurisdictional determination if the wetland or water previously determined nonjurisdictional is likely to be determined jurisdictional under the final rule.

The final rule needs to be viewed in a broader context to determine its potential effects on the regulated public. If the final rule is narrowly interpreted by the agencies in implementation, it will expand the scope of the agencies' Section 404 jurisdiction as described above. Concurrently, there has been a trend of tightening the impact thresholds of nationwide permits (NWPs) each time the NWPs are renewed and modified. Increased geographic scope of jurisdiction, coupled with tightening the impact thresholds of the NWPs, will make it more challenging and expensive for project proponents to comply with Section 404 of the CWA and avoid impacts on jurisdictional waters and wetlands, and will likely increase the potential for projects to require the more lengthy Individual Permit process. The recent shift in how the Corps complies with Section 106 of the National Historic Preservation Act, combined with the final rule and expansion of jurisdiction, will likely result in more projects requiring cultural resource surveys and review by the State Historic Preservation Office.

Please feel free to contact Steve Dougherty, Moneka Worah, Steve Butler, or your ERO project manager if you have any questions.

Attachment B

New federal water rule taps reservoir of angst

Developers, ag, energy sectors wary, while environmentalists decry rollback

by **John Kolanz** on June 26, 2015

It is largely about perspective. Some say the new federal rule defining the reach of the Clean Water Act will pave "the road to a regulatory and economic hell." Others see it as a rollback of current protections that fails to close loopholes that have made the nation's waters vulnerable to destruction by developers, corporate agriculture and general industry. Like most politically charged issues, however, the truth is somewhere in between.

Once effective later this summer, the new rule will provide the framework by which the federal government decides what waters receive CWA protection. This fundamental aspect of the Act remains confusing and contentious 40 years after its passage.

CWA regulation often brings to mind images of a sewage-treatment plant or large industrial facility discharging effluent into a river. While the Act certainly covers such activities, its application is much more extensive. For example, the Act also can apply to discharges of rainwater and snowmelt or placement of materials such as dirt, sand or gravel ("fill") into protected waters.

This latter component of the Act, often called "dredge-and-fill" or "wetlands" permitting, is the component likely to be most affected by the new rule. This permitting program often covers routine activities related to oil and gas production and distribution, road building, agriculture, and all aspects of development, including construction of the family home. Therefore, changes in the Act's coverage can impact many routine business activities, particularly in a region of dynamic growth, such as Northern Colorado.

The stakes can be high. Activities impacting protected waters require permits that can be difficult and expensive to obtain. Some projects may be denied permits. Even when issued, a permit creates binding obligations with potentially severe penalties for noncompliance.

The new rule is an attempt to clarify the reach of the Act because of uncertainty created largely by two U.S. Supreme Court opinions and subsequent government guidance on how to implement the Act in the wake of those opinions. The uncertainty led to many case-by-case determinations of coverage, creating permitting delays and inconsistent application of the Act.
To achieve clarity and certainty, the new rule draws bright lines to automatically protect certain waters. In some cases, these lines are based on distance to other protected waters, as opposed to scientific evaluation. However, despite the goal of certainty, the new rule also creates a potentially complicated test for extending the Act's protections to a "catch-all" category that will include many waters not now typically captured.

On the other hand, the new rule specifically excludes some waters that the Act would otherwise cover. Perhaps most significantly in Colorado, the new rule excludes certain irrigation ditches, artificially irrigated areas that would revert to dry land in the absence of irrigation, and water-filled excavations created incidental to construction or mining. Moreover, the new rule leaves in place existing permitting exclusions, including rather extensive exclusions related to agriculture.
Some industry groups have condemned the new rule as an inappropriate (and illegal) extension of the Act, and have threatened to file suit to challenge the rule. Environmental groups who think the new rule does not go far enough may pursue similar challenges. Legislation to limit or prohibit implementation of the new rule also is a possibility.

Often missing from hyperbolic exchanges regarding the new rule is acknowledgment of the expansive reach of the existing rule. While the Act currently protects "more-obvious" waters such as the South Platte River, it also extends to "less-obvious" waters such as many irrigation ditches and even meadows that appear dry for much of the year.

Because of its different approach to identifying covered waters, the new rule will change the playing field for the regulated community. Just how much is difficult to know until the new rule is applied. Some waters currently covered by the Act no longer will be included, while some waters not currently covered will be. How any given project will be impacted will depend on its own unique circumstances.

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