

LOVELAND CITY COUNCIL
STUDY SESSION
AMENDED 7/8/11
TUESDAY, JULY 12, 2011
CITY COUNCIL CHAMBERS
500 EAST THIRD STREET
LOVELAND, COLORADO

THE CITY OF LOVELAND DOES NOT DISCRIMINATE ON THE BASIS OF DISABILITY, RACE, CREED, COLOR, SEX, SEXUAL ORIENTATION, RELIGION, AGE, NATIONAL ORIGIN, OR ANCESTRY IN THE PROVISION OF SERVICES. FOR DISABLED PERSONS NEEDING REASONABLE ACCOMMODATION TO ATTEND OR PARTICIPATE IN A CITY SERVICE OR PROGRAM, CALL 962-2343 OR TDD # 962-2620 AS FAR IN ADVANCE AS POSSIBLE.

6:30 P.M. STUDY SESSION - City Council Chambers

1. **FINANCE**

Discussion of Possible November Ballot Measure Regarding TABOR (60 minutes)

This is a study session discussion to give staff direction on preparing materials to refer a ballot measure for the ability to retain revenue in excess of the TABOR (State Constitutional Amendment) revenue limits beginning January 2013.

2. **WATER & POWER**

Dixon Creek to Horseshoe Substation 230 KV Electric Transmission Line Project Update

Staff wants to provide an update to the above project.

ADJOURN



CITY OF LOVELAND
FINANCE DEPARTMENT

Civic Center • 500 East Third • Loveland, Colorado 80537
(970) 962-2695 • FAX (970) 962-2900 • TDD (970) 962-2620

AGENDA ITEM: 1
MEETING DATE: 7/12/2011
TO: City Council
FROM: Renee Wheeler, Finance
PRESENTER: John Hartman

TITLE:

Ballot measure consideration for the November 1, 2011 election for the purpose of retaining revenue in excess of the TABOR state revenue limits

DESCRIPTION:

This is a study session discussion to give staff direction on preparing materials to refer a ballot measure for the ability to retain revenue in excess of the TABOR (State Constitutional Amendment) revenue limits beginning January 2013.

BUDGET IMPACT:

Yes No

Impacts future year ability to invest in capital

SUMMARY:

Background

In 1992, Colorado passed a State Constitutional Amendment, known as TABOR, which imposed tax and spending limitations on governmental entities. Since the passage of TABOR, Loveland citizens have approved three ballot issues allowing the City to keep and spend for certain purposes, thus waiving the limits of TABOR. In 1994 the voters authorized the City to receive and expend all revenues generated from 1993 through 1997. In 1999, the voters again authorized the City to receive and expend all revenues generated from 1998 through 2002. The 1999 ballot issue stipulated that these monies be spent on street construction and youth services.

In 2002, voters once again authorized the City to receive and expend all revenues generated from 2003 through 2012. This ballot issue stipulated that these monies be spent on police and fire, street maintenance and construction, and park maintenance and construction.

Revenues in excess of the TABOR revenue limit have provided the General Fund contribution to the 2030 Transportation Plan, allowed for increased maintenance of existing streets, provided a portion of the funding to construct the new Fairgrounds Park, and provided funds for the replacement of fire apparatus and other large equipment purchases. It has been the philosophy to use the money on one-time expenditures, as opposed to recurring expenditures, because variability of the money based on the formula calculation. The following chart summarizes uses that are listed on page 4-45 of the City of Loveland 2011 Adopted Budget.

Excess Revenue Uses	Amount Committed in the Budgets from 2004 - 2011
Street Construction and Maintenance	\$19,234,047
Parks Construction and Maintenance	3,596,500
Fire	687,390
Police	433,230
Total 2004 - 2011	\$23,951,167

September 2, 2011 is the last day to certify content with Larimer County for the coordinated election. The attorney's office would prefer to process TABOR related ballot measures using an ordinance. First reading would come to City Council August 2 and the second reading would be on August 16. The language from the previous City Council action is attached with revisions to the dates for your review.

The public feedback during the financial sustainability measure recommended that the City refer the measure to the ballot, that it sunset in five years, and that the use be restricted. The current restricted uses are fire, police, streets construction and maintenance and parks construction and maintenance. The summary of public responses and all the detail responses were included in the financial sustainability material on May 24, 2011. The slide to the right is an excerpt from the summary material. Staff believes that City Council should consider a ten year sunset to align with ten year financial forecasting, the cost of elections, and the previous voter approval.

TABOR

Forum

On-Line for 3/16/11 & 4/30/11

- Refer the measure to retain revenue in excess of TABOR limit
- There should be a sunset of 5 years

- Refer the measure to retain revenue in excess of TABOR limit
- There should be a sunset of 5 years

	3/16/11		4/30/11	
	Yes	No	Yes	No
Police & Fire	X		X	X
Police, Fire & Parks		X	X	X
Police, Fire, Parks & Streets		X		X
Any General Purpose		X	X	X

Staff requests that you provide direction on the following:

- Whether or not to refer the TABOR excess revenue retention to the November 1, 2011 ballot
 - Sunset provision (No Sunset, Sunset in 5 years, Sunset in 10 years)
 - Restriction of use (No Restriction or specific uses)
-

LIST OF ATTACHMENTS:

- Revised language from the previous City Council action on the TABOR excess revenue retention
 - TABOR Revenue Retention White Paper prepared by John Hartman, Budget Officer
 - Citizens' Finance Advisory Commission Draft TABOR Handout
-

RECOMMENDED CITY COUNCIL ACTION:

REVIEWED BY CITY MANAGER:

William H. Cabril

RESOLUTION #R- ~~79XX-200411~~

A RESOLUTION SUBMITTING TO THE REGISTERED ELECTORS OF THE CITY OF LOVELAND AT THE REGULAR ELECTION TO BE HELD ON NOVEMBER 6, ~~200411~~, THE BALLOT ISSUE OF WHETHER, WITHOUT CREATING ANY NEW TAX OR INCREASING THE RATE OF ANY EXISTING TAX, THE CITY OF LOVELAND SHALL BE PERMITTED, FOR A TEN-YEAR PERIOD BEGINNING JANUARY 1, ~~200313~~, THROUGH DECEMBER 31, ~~201222~~, TO COLLECT AND SPEND ALL CITY REVENUES IN EXCESS OF THE SPENDING AND REVENUE LIMITATIONS IN ARTICLE X, SECTION 20 OF THE COLORADO CONSTITUTION FOR POLICE AND FIRE, STREET CONSTRUCTION AND MAINTENANCE, AND PARKS CONSTRUCTION AND MAINTENANCE.

WHEREAS, the City of Loveland has received, and will likely receive in the future, revenues in excess of the spending and revenue limits imposed by Article X, Section 20 of the Colorado Constitution; and

WHEREAS, such excess revenues are not the result of any new tax or increase in taxes but are the result of the increased growth and economic activity occurring within the City; and

WHEREAS, the City Council believes that the most productive use of such revenues is to commit them for a ten-year period beginning January 1, ~~200313~~, through December 31, ~~201222~~, for use by the City to fund police and fire, street construction and maintenance, and parks construction and maintenance; and

WHEREAS, Article X, Section 20 of the Colorado Constitution authorizes cities to seek and obtain voter-approved revenue changes in order to remove certain revenues from the spending and revenue limits imposed by Section 20; and

WHEREAS, pursuant to C.R.S. ~~§31-11-111(1)~~, the City Council is authorized to submit ballot issues to the City's registered electors and in doing so is required to fix a ballot title for the referred issue.

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

1. Pursuant to Article X, Section 20 of the Colorado Constitution and C.R.S. ~~§31-11-111(1)~~, there shall be submitted to a vote of the registered electors of the City of Loveland on the ballot at the regular election to be held on November ~~6~~, ~~200411~~, the ballot issue of whether, without creating any new tax or increasing at the rate of any existing tax, the City of Loveland shall be permitted for a ten-year period beginning January 1, ~~200313~~, through December 31, ~~201222~~, to collect and spend all City revenues in excess of the spending and revenue limitations in Article X, Section 20 of the Colorado Constitution for police and fire, street construction and maintenance, and parks construction and maintenance.

2. The ballots shall include the following title and submission clause for this ballot issue, in addition to those for any other City ballot issue and question which will be submitted:

ISSUE NO. _____ AUTHORIZING THE CITY OF LOVELAND TO COLLECT AND SPEND FOR A TEN-YEAR PERIOD FOR THE PURPOSES OF POLICE AND FIRE, STREET CONSTRUCTION AND MAINTENANCE, AND PARKS CONSTRUCTION AND MAINTENANCE. ALL CITY REVENUES IN EXCESS OF THE SPENDING AND REVENUE LIMITATIONS IMPOSED BY ARTICLE X. SECTION 20 OF THE COLORADO CONSTITUTION.

"WITHOUT IMPOSING ANY NEW TAX OR INCREASING THE RATE OF ANY EXISTING TAX, SHALL THE CITY OF LOVELAND, COLORADO, BE PERMITTED, FOR A TEN-YEAR PERIOD BEGINNING JANUARY 1, 2003~~13~~, THROUGH DECEMBER 31, 2012~~22~~, TO COLLECT AND SPEND ALL CITY REVENUES IN EXCESS OF THE SPENDING AND REVENUE LIMITATIONS IN ARTICLE X, SECTION 20 OF THE COLORADO CONSTITUTION FOR POLICE AND FIRE, STREET CONSTRUCTION AND MAINTENANCE, AND PARKS CONSTRUCTION AND MAINTENANCE?"

Yes

No

(To be endorsed on back of ballot)

OFFICIAL BALLOT FOR THE REGULAR MUNICIPAL ELECTION HELD IN THE CITY OF LOVELAND, COLORADO, ON TUESDAY, NOVEMBER 01, 2011

~~Donna Visconti~~ Teresa Andrews, City Clerk

3. This Resolution shall go into effect on the date and at the time of its adoption.

TABOR Issues

Beginning in 2010 the City is projected to go beneath the tabor cap and remain underneath the cap throughout the Financial Plan horizon. While the actual amount varies from year to year, on average we will be approximately \$1.7 million below each year, or, on average, 2% below the revenue limit. This is a slim margin, to be below and small changes in the economy could change the scenario. The City moves

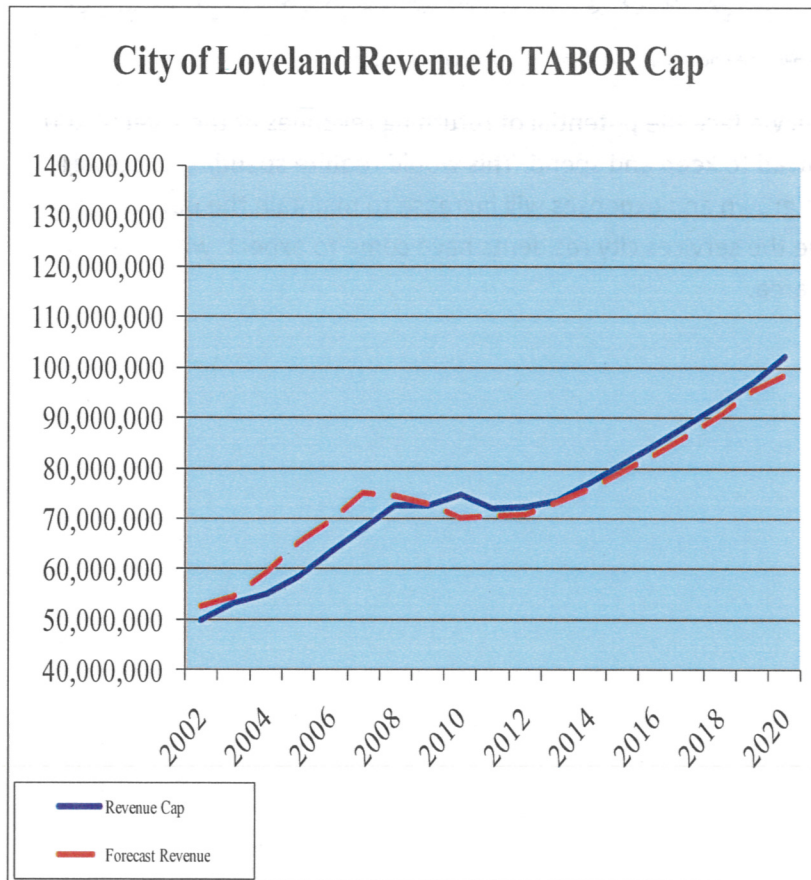
	2011	2012	2013	2014	2015
Projected Revenue under cap	1,373,048	1,511,258	308,466	1,310,427	1,688,837

underneath the limit after many years of being

above it due to the flattening of property tax revenue growth due to lower assessed valuations, reduced sales tax projections due to the recession, and significantly lower use tax revenues due to the slowdown in the construction industry. It is important to note that while the amounts are large, the City will only be under the cap by 1%-2% during the 2011-2015 time-period and is on average under by 2% for the remainder of the ten-year period to 2020. It will only take minor fluctuations in revenue collections or the two factors that inflate the cap for the City to once again be over the revenue limitation.

The revenue limitation is allowed to increased based on two factors; the Consumer Price Index for the

Denver-Boulder-Greeley area and "local growth", which is calculation to determine the percentage of new construction property value to existing property values. For the years 2009 and 2010 we have experienced significantly lower inflation than past history, and due the recession, the local growth factor is exceptionally low.

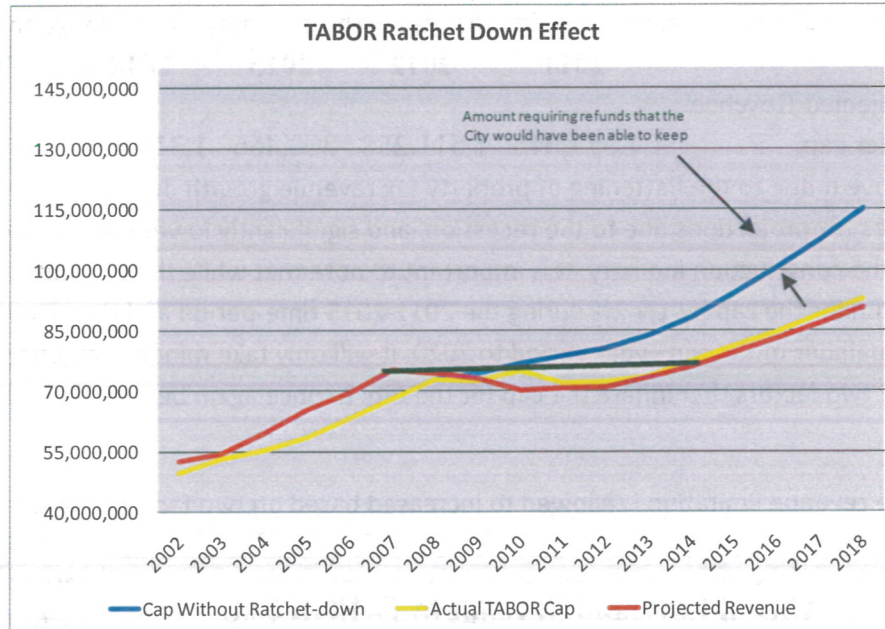


The impact has been to reduce the growth of the limit, allowing our revenues to catch up to the limit. From 2002-2008 the limit grew by between 6%-8% each year. 2009 and 2010 the percentage was 2.4% and 3.0% respectively. We are currently projecting 2011 and 2012 to be in this range, then growing back to a

more normal 6% by 2015.

If inflation stays at the low levels we have been experiencing, combined with low levels of new construction both of which will reduce the amount of cap growth; only a small change in sales & use tax collections could put the City back over the limit.

The greater concern to the City at this point is the other requirement of TABOR; commonly known as the “ratchet –down effect”. Within the Amendment there is the requirement that if an entity has revenue below the allowed limit; the actual revenue becomes the new limit from which the inflation and local growth adjustments are applied to. Since the ten-year forecast currently has the City under the limit each year, the revenue limit allowed by the Amendment is reduced each year.

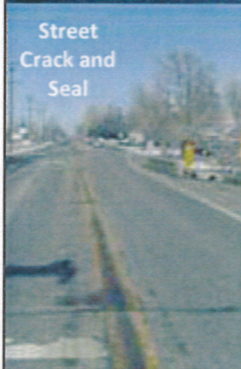


The impact that without the new ballot initiative

to allow us to keep and spend revenue, we face the potential of returning revenues at the level of 2007 amounts, we had previously been allowed to keep and spend. This would require spending to stay at 2007 levels although the City will have grown and expenses will increase to maintain the new infrastructure, and continue to provide the services city residents have come to expect, with a larger population and expanded geographic area.



Four New Police Officers



Street Crack and Seal



Fairgrounds Park Renovations



Street Paint Truck Replacement



Youth Sports Complex



Four New Firefighters & Replacement of Equipment

Loveland & TABOR: The FACTS

WHAT EXACTLY, IS "TABOR"?

TABOR is an acronym for "Taxpayer Bill of Rights". Many states have similar legislation, and Colorado's was passed by the State Legislature in 1992.

WHAT DOES TABOR DO OR REQUIRE?

Fundamentally, TABOR limits the amount of revenue that cities and municipalities may spend based on a formula tied to inflation and local growth.

WHY DOES THE CITY OF LOVELAND WANT TO OVERRIDE TABOR?

Prior to the passage of TABOR, Colorado cities added to their respective General Fund, that portion of the City budget used to support the majority of the City's departments and infrastructure. To continue to support those activities and provide the quality of life that Loveland citizens demand and enjoy, the City asked the citizenry to override the caps imposed by TABOR to their portion of the revenue collected within their municipal boundaries. Loveland citizens agreed that quality streets and parks, and police and fire services were a priority, by overriding TABOR in general elections in 1994, 1999, and 2002.



Street Repaving



Winona Pool Bathhouse



Police Vehicle Upgrades



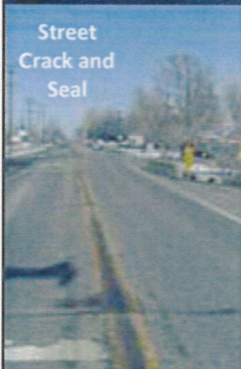
New Street Construction



Barnes Park Expansion



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Street Repaving



Winona Pool Bathhouse



Police Vehicle Upgrades



New Street Construction



Barnes Park Expansion

IF TABOR IS OVERRIDDEN AGAIN, DO I/WE GET A CHANCE TO CHANGE OUR MINDS IN THE FUTURE?

Yes, as currently foreseen, the TABOR override question will be put before the voter every 10 years.

IF I/WE VOTE TO OVERRIDE TABOR, WILL PROPERTY TAXES GO UP... OR DOWN?

No. TABOR is unrelated to property taxes. Property taxes are related to the mill levy rate. Any change in the mill levy requires a vote by the citizens of Loveland.

IF I/WE VOTE TO OVERRIDE TABOR, WILL SALES TAXES GO UP... OR DOWN? WOULD IT GIVE THE CITY THE RIGHT TO IMPOSE NEW TAXES?

No. Overriding TABOR has no impact on sales tax rates. Any change in the sales tax rate or new taxes requires a vote by the citizens of Loveland.

IS THE "OVERRIDE" OF TABOR THE SAME AS THE REPEAL OF TABOR BEING CONSIDERED AT THE STATE LEVEL?

No. They are not related.

WHAT HAPPENS IF TABOR IS NOT OVERRIDDEN AGAIN?

When the citizens overrode TABOR in the 2002 election, it gave the City the authority to spend the portion of sales taxes over and above the TABOR "cap" for Loveland police, fire, streets, and parks. The City has done what the citizens requested, and over the past 10 years approximately \$28 million has been collected from revenues above the TABOR "cap" and spent on those services. If a TABOR override is not approved, the City will not be able to use future revenue to continue to invest in these services, holding services at a lower level even though additional growth in the City may occur. In essence keeping growth from paying its way.

WON'T WE, THE CITY, "CATCH UP" ONCE THE ECONOMY IMPROVES?

No. TABOR has some truly unusual mathematical formulas related to the collection and expenditure of revenues based on inflation and local growth, and the "base" from which that growth is calculated would fall back to 2007 levels. Based on analysis from the City's financial advisors, not only would Loveland not catch up, it is likely that it would continue to lose the ability to spend a portion of revenues collected for an unforeseeable time into the future. Because of the declining revenue due to the recession, under the TABOR formula, the base from which growth is calculated has been reduced. The result is that in the event the economy recovers revenues that were previously below the revenue limit and available to the City without limitation would have to be refunded; effectively reducing current service levels.

IF THOSE REVENUES ARE LOST, WHERE WOULD THE CITY FIND THE MONEY TO REPLACE THEM?

That question is extremely difficult to consider at this time. The City has implemented a budget for the next several years that is approximately \$3.5 million "leaner" than was previously projected. Faced with the loss of revenues associated with TABOR, the City would be forced to look at severe cuts to budgeted activities, significant reduction in community services such as police and fire, and increases in the property or sales tax rates.

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AGENDA ITEM: 2
MEETING DATE: 7/12/2011
TO: City Council
FROM: Steve Adams, Water and Power Department
PRESENTER: Steve Adams
Brian Janonis, City of Fort Collins Utilities
Representative from Platte River Power Authority

TITLE:
DIXON CREEK TO HORSESHOE SUBSTATION 230 KV ELECTRIC TRANSMISSION LINE
PROJECT UPDATE

DESCRIPTION:
Staff wants to provide an update to the above project.

BUDGET IMPACT:
 Yes No

SUMMARY:
Staff wants to update the city council on this major electric transmission line project. The enclosed staff memorandum provides background information regarding the project. Staff will be joined by Brian Janonis, Utilities Executive Director of Fort Collins Utilities and a representative from Platte River Power Authority

LIST OF ATTACHMENTS:

1. Staff memorandum
2. Memorandum from Brian Janonis to Mayor Weitkumat and City Councilmembers dated June 28, 2011 regarding a presentation summary of the June 28, 2011 Fort Collins city council meeting and a presentation made by Platte River Power Authority regarding Transmission Lines

RECOMMENDED CITY COUNCIL ACTION:

No action needed at this time.

REVIEWED BY CITY MANAGER:



MEMORANDUM

To: Loveland City Council
Through: Bill Cahill, City Manager
From: Steve Adams, Interim Director Water and Power
Subject: Dixon Creek to Horseshoe Substation 230 KV Electric Transmission Line
Date: July 7, 2011

Platte River Power Authority (PRPA) is responsible for delivering wholesale electricity to the four member cities of Longmont, Estes Park, Fort Collins and Loveland. Part of that responsibility involves the construction, operation and maintenance of the transmission system in, around and between the four cities along with neighboring utilities. The transmission system needs to provide highly reliable service with sufficient capacity to support current loads and future growth that may occur within the next 10 years. Platte River has performed interconnected transmission lines studies and computer modeling. The results show that if there were to be a high electric load coupled with a transmission line outage (high winds, lightening, etc) this could cause an overload of neighboring lines. For this reason PRPA is pursuing a number of transmission line improvement projects to bring additional redundancy and capacity for future growth to the four cities. One of those projects is the Dixon Creek to Horseshoe Substation 230 KV Transmission Line project. This project when energized would provide a second feed to the Loveland electric distribution system.

On April 28, 2005, the PRPA Board approved the Dixon Creek to Horseshoe Substation Transmission Line project. The project is being constructed in three phases. Phase I starts at Horseshoe Substation and generally travels north to Trilby Substation. This 2.5 mile underground portion is completed. Phase II starts at Trilby Substation and generally travels west to the Horsetooth Tap. This 3.1 mile overhead portion is completed. Phase III starts at Horsetooth Tap and generally travels north and east to Dixon Creek Substation. Construction start is anticipated for August 2011 with completion by March 2012. Please see the enclosed schematic map of the different project phases. Currently about \$21,256,877 has been expended on the project with about \$8,411,600 remaining in the project budget.

At the May 18, 2011 PRPA Board Meeting the designated representative from the City of Fort Collins along with Mayor Weitkunat transmitted some questions from their city council regarding the Transmission Line project. PRPA agreed to attend

a future city council study session to explain the status of the Dixon Creek to Horseshoe Substation Transmission Line project. PRPA staff did attend a meeting on June 28, 2011 and the summary for that meeting can be found in Attachment 2. Basically, the City of Fort Collins city council has expressed some concerns about the Phase III transmission line routing which as planned will follow the existing Western Area Power Authority (WAPA) overhead transmission line routing within an existing easement. About 1.6 miles of this proposed Phase III alignment will go through the City of Fort Collins Pine Ridge Natural Area. At the July 28, 2011 PRPA Board meeting the City of Fort Collins plans to request that PRPA change its current Transmission Line policies to include undergrounding of transmission lines in natural areas and open spaces. Further, the City of Fort Collins will request that if this new policy is adopted that it apply immediately to Phase III of the Dixon Creek to Horseshoe Substation Project and that the portion of the proposed transmission line in the Pine Ridge Natural Area be undergrounded. Any change to the currently designed project would cause a delay.

Several items need to be considered should this project be delayed. The PRPA Board has already approved this project so action would need to be taken by the entire board to change the direction of the project. WAPA's approval of a change would also be needed. A redesign of a portion of the project including the acquisition of additional easements would also be necessary along with possibly some additional property acquisition at the Dixon Creek Substation. Project costs are estimated to increase by \$12 to \$14 million. The anticipated time delay of two to three years places a portion of Loveland's electrical load at risk should there be a problem with our current interconnect point. To prevent a cascading failure of the transmission system, the relays in Loveland's six distribution substations would shed the required amount of load to stabilize the transmission system.

Loveland City staff along with City of Fort Collins staff and a representative from PRPA will present a power point presentation on this project and be available to respond to questions.

Enclosure




Utilities Executive Director
electric • stormwater • wastewater • water
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Fort Collins, CO 80522
970.221.6702
970.416.2208
970.224.6003 TDD
utilities@fcgov.com
fcgov.com/utilities

MEMORANDUM

Date: June 28, 2011

To: Mayor Weitkunat and City Councilmembers

Thru: Darin Atteberry, City Manager

From: Brian Janonis, Utilities Executive Director 

Cc: Steve Catanach, Light and Power Operations Manager
Brian Moeck, Platte River Power Authority General Manager

Re: Work Session Summary – June 28, 2011 re: Platte River Power Authority (PRPA) Transmission Update

All City Councilmembers were present except Ben Manvel. Utilities Executive Director Brian Janonis provided introductions and Brian Moeck, PRPA General Manager, presented PRPA's 10-year Transmission Plan, including the Dixon Creek to Horseshoe 230 kilovolt (kV) transmission line. Mr. Moeck also explained PRPA's transmission line policy as well as security upgrades to the Dixon Creek and Timberline substations.

City Council is generally opposed to above-ground transmission lines, especially those through City-owned natural areas and open space lands. Specifically, Council is opposed to PRPA's above-ground transmission line upgrade across the Pine Ridge Natural Area and would like to see it undergrounded. Mr. Moeck stated that the cost to underground this portion of the line would be \$12-\$14million and result in a delay for the project of approximately two years. The line is needed to increase reliability of the Loveland system. Undergrounding would be at the City of Fort Collins' expense under current policy.

Council requested that:

- 1) Council's appointed representative ask the PRPA Board to change their transmission line policy to include undergrounding in natural and open space areas and that this change be made to include the Dixon Creek line through the Pine Ridge Natural Area.
- 2) City and PRPA staff develop a better process for keeping Council informed on projects that take a long time to complete.
- 3) City staff reviews the City's current undergrounding policy and identify high priority transmission lines for undergrounding.
- 4) City staff explores adding height limits to easements for transmission lines.
- 5) PRPA staff considers the value of Fort Collins limiting peak demand with distributed generation and the smart grid control to offset the construction of new gas peakers.
- 6) PRPA provide a letter explaining how a delay of the Dixon Creek line would damage the Loveland system.

Dixon Creek to Horseshoe Substation 230 KV Electric Line Transmission Project

