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: 12/13/2011
TO: City Council
FROM: Bonnie Steele, Finance
PRESENTER: Bonnie Steele

TITLE:
October 2011 Financial Report

RECOMMENDED CITY COUNCIL ACTION:
This is an information only item. No action is required.

DESCRIPTION:
The Snapshot Report includes the City's preliminary revenue and expenditures including detailed reports on tax revenue, health claims and cash reserves for the ten months ending October 31, 2011.

BUDGET IMPACT:
☐ Positive
☐ Negative
☒ Neutral or negligible

SUMMARY:
The Snapshot Report is submitted for Council review and includes the reporting of the City's preliminary revenue and expenditures including detailed reports on tax revenue, health claims and cash reserves for the ten months ending October 31, 2011. Citywide Revenue (excluding internal transfers) of $168,724,281 is 103.4% of year to date (YTD) budget or $5,570,097 over the budget. Sales Tax collections year to date are 105.2% of the YTD budget or $1,317,698 over budget. Building Material Use Tax is 52.4% of YTD budget, or $730,153 under budget. The year to date Sales and Use Tax collections were 102.2% of YTD budget or $644,629 over YTD budget. When the combined sales and use tax for the current year are compared to 2010 the same period last year, they are higher by 4.8% or $1,340,083.

City wide total expenditures of $162,979,848 (excluding internal transfers) are 84.5% of the YTD budget or $29,844,146 under the budget, primarily due to the construction timing of capital projects (61.7% YTD budget).

The City's health claims paid year-to-date is $5,547,138 or 90.6% of budget. Compared to 2010 for the same period, claims paid in 2011 increased $385,742 or 7.5%. The City's cash and reserve balance year-to-date was $194,847,971.

REVIEWED BY CITY MANAGER: William D. Cahill

LIST OF ATTACHMENTS:
Snapshot report for October 2011

SnapShot

Monthly Financial Report — October 2011

Inside This Edition

Financial Sustainability Strategies Can Be Found At:

CITYOFLOVELAND.ORG
↳ Departments
↳ Finance
↳ Administration
↳ Financial Reports
↳ Financial Sustainability Strategies

A Snapshot In Time

- Citywide Revenue, excluding transfers between funds, $168.7 million (103.4% of Year-To-Date Budget, 3.4% above projected)
- Sales & Use Tax Collection, $29.4 million (102.2% of Year-To-Date Budget, 2.2% above projected)
- Citywide Expenditures, excluding transfers between funds, $163.0 million (84.5% of Year-To-Date Budget, 15.5% below projected)
- Citywide Year-To-Date Revenues exceed Year-To-Date Expenditures by $5.7 million.
- General Fund Revenue, excluding transfers between funds, $54.9 million (103.4% of Year-To-Date Budget, 3.4% above projected).
- General Fund Expenditures, excluding transfers between funds, $48.2million, (92.8% of Year-To-Date Budget, 7.2% below projected)
- General Fund Revenues exceed Expenditures by $5.2 million.
- Health Claims, $5.5million (90.6% of Year-To-Date Budget, 9.4% below projected)
- Cash & Reserves Year-To-Date Balance, $194.8 million, $138.2 million or 71.0% of these funds are restricted or reserved primarily for future capital projects.

The Sales Tax Basics

October 2011	Sales Tax	Motor Vehicle Use Tax	Building Materials Use Tax	Combined
Budget 2011	$ 25,553,300	$ 1,686,840	$ 1,534,090	$ 28,774,230
Actual 2011	$ 26,870,998	$ 1,743,924	$ 803,937	$ 29,418,859
% of Budget	105.2%	103.4%	52.4%	102.2%
Actual 2010	$ 25,322,960	$ 1,653,580	$ 1,102,235	$ 28,078,775
Change from prior year	6.1%	5.5%	-27.1%	4.8%

Financial Sustainability

The City of Loveland uses a 10-year financial planning horizon. Last year the financial plan indicated that General Fund expenditures would exceed General Fund revenues annually by an average of $3.5 million 2012-2020. Therefore the City engaged in a process to achieve financial sustainability over that time by engaging the public and identifying a strategy for balancing future budgets. Recommendations were developed pursuant to the principles adopted by City Council, and reflecting the policy views and priorities expressed by the City Council and the public. The resulting strategy includes both expenditure reductions and revenue increases, as the Council and the public indicated was desirable. The cumulative impact from recommended actions will mount over the next decade to $33.5 million ($22.6 million in cost reductions, $6.6 million in revenue). The recommended actions consist of 81% cost reductions and 19% in revenues benefiting the General Fund for 2012. The strategy is also phased in over a number of years. Savings from early actions allow phased-in reductions in cost over the time period. City Council formally approved the strategy June 7, 2011.

City of Loveland
500 East 3rd Street
Loveland, CO 80537

City of Loveland

Citywide Revenues & Expenditures

Monthly Financial Report

Combined Statement of Revenues and Expenditures
October 2011

	REVENUE	Current Month	YTD Actual	YTD Revised Budget **	% of Budget
	General Governmental				
1	General Fund	$ 4,216,110	$ 54,860,566	$ 53,068,718	103.4%
2	Special Revenue	134,617	912,792	1,012,655	90.1%
3	Other Entities	156,797	17,927,701	16,490,186	108.7%
4	Internal Service	1,436,101	13,599,993	13,639,008	99.7%
5	*Subtotal General Govt Operations*	*$ 5,943,625*	*$ 87,301,052*	*$ 84,210,567*	*103.7%*
6	Capital Projects	708,331	9,972,413	11,806,677	84.5%
	Enterprise Fund				
7	Water & Power	5,994,258	59,187,637	55,167,260	107.3%
8	Stormwater	359,963	3,540,467	3,583,330	98.8%
9	Golf	244,261	3,428,257	3,417,410	100.3%
10	Solid Waste	535,538	5,294,456	4,968,940	106.6%
11	*Subtotal Enterprise*	*$ 7,134,020*	*$ 71,450,816*	*$ 67,136,940*	106.4%
12	**Total Revenue**	**$ 13,785,976**	**$ 168,724,281**	**$ 163,154,184**	103.4%
	Prior Year External Revenue		*156,920,426*		
	Increase (-Decrease) From Prior Year		*7.5%*		
13	Internal Transfers	386,829	14,006,050	18,714,057	74.8%
14	**Grand Total Revenues**	**$ 14,172,805**	**$ 182,730,330**	**$ 181,868,241**	**100.5%**

	EXPENDITURES				
	General Governmental				
15	General Fund	$ 4,467,732	$ 47,345,644	$ 50,147,206	94.4%
16	Special Revenue	109,389	605,073	897,452	67.4%
17	Other Entities	137,912	12,367,514	13,059,579	94.7%
18	Internal Services	1,097,006	11,483,512	13,891,088	82.7%
19	*Subtotal General Gov't Operations*	*$ 5,812,039*	*$ 71,801,743*	*$ 77,995,325*	92.1%
20	Capital	2,603,629	38,628,579	62,583,387	61.7%
	Enterprise Fund				
21	Water & Power	4,276,203	45,328,030	44,551,360	101.7%
22	Stormwater	153,853	1,671,908	1,718,002	97.3%
23	Golf	234,005	2,212,344	2,277,204	97.2%
24	Solid Waste	332,412	3,337,245	3,698,716	90.2%
25	*Subtotal Enterprise*	*$ 4,996,473*	*$ 52,549,526*	*$ 52,245,282*	100.6%
26	**Total Expenditures**	**$ 13,412,141**	**$ 162,979,848**	**$ 192,823,994**	**84.5%**
	Prior Year External Expenditures		*146,516,572*		
	Increase (-Decrease) From Prior Year		*11.2%*		
27	Internal Transfers	386,829	14,006,050	18,714,057	74.8%
28	**Grand Total Expenditures**	**$ 13,798,970**	**$ 176,985,898**	**$ 211,538,051**	**83.7%**

*** Based on seasonality of receipts and expenditures since 1995.*

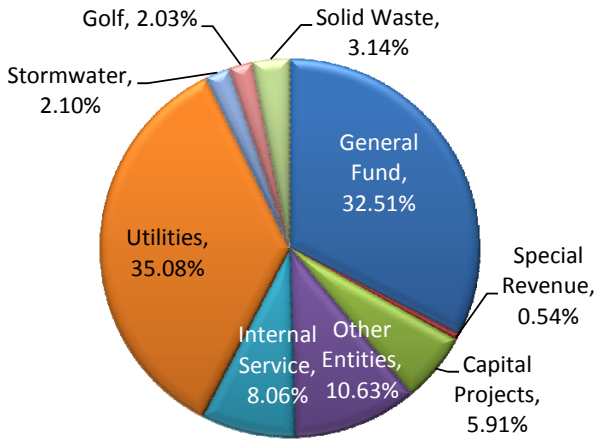
Special Revenue Funds: Community Development Block Grant, Cemetery, Local Improvement District, Lodging Tax, Affordable Housing, Seizure & Forfeitures.

General Government Capital Projects Fund: Capital Expansion Fee Funds, Park Improvement, Conservation Trust, Open Space, Art In Public Places.

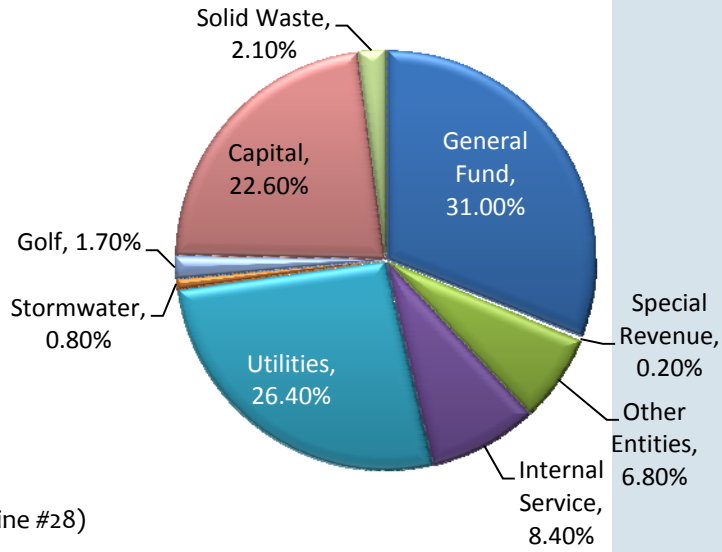
Other Entities Fund: Special Improvement District #1, Airport, General Improvement District #1, Loveland Urban Renewal Authority, Loveland/Larimer Building Authority.

Internal Service Funds: Risk/Insurance, Fleet, Employee Benefits.

YTD Operating Revenues of $168.7 Million



YTD Operating Expenditures of $163.0 Million



Revenues exceed expenditures YTD by $5,744,433. (Line #14 less Line #28)

Special Revenues (Line #2) are under budget due to less grants from Community Development Block program.

Other Entities (line 3) are over budget due to higher than anticipated commissions, aircraft fuel tax, and PFC revenue at the airport, property taxes in the Urban Renewal Authority, and special assessments in the Special Improvement District.

Capital Projects (Line #6) is under budget due to lower building activity, CEF fee credits given on multi-family units in the Van DeWater Subdivision and lower grant revenue in the capital projects fund.

Water & Power (Line # 7) is over budget due to System Impact fees paid on multi-family units in the Van DeWater and Lake Vista subdivisions.

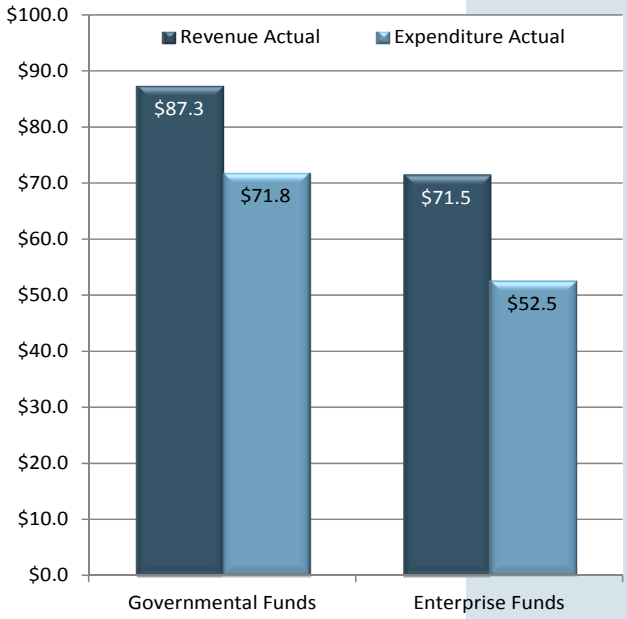
Solid Waste (Line # 10) is over budget due to proceeds on sale of assets and higher than anticipated sales of recyclable materials

Internal transfers (Lines #13 & #27) is under budget due to slower than anticipated progress on several projects in the capital projects fund. Transfers are made based on actual expenditures.

Special Revenue (Line #16) is under budget due to timing of Grants from lodging tax revenue and CDBG.

Other Entities (Line #17) are under budget due to lower payments to the Centerra TIF and the Urban Renewal Authority.

YTD Operating Revenue & Expenditures By Comparison, Excluding Transfers



Internal services (Line #18) is under budget due to timing of recording health claims, and payments for workers compensation.

Capital expenditures (Line #20) is under budget due to low activity on several projects throughout the City.

Solid Waste (Line #24) is under budget due to less spending on carts and bins, yard waste and solid waste disposal charges, and personal services.

General Fund Revenue & Expenditures
October 2011

	REVENUE	October 2011	YTD Actual	YTD Revised Budget	% of Budget
1	Taxes				
2	Property Tax	43,342	7,655,650	7,490,240	102.2%
3	Sales Tax	2,746,865	26,870,997	25,553,300	105.2%
4	Building Use Tax	17,021	803,937	1,534,090	52.4%
5	Auto Use Tax	180,546	1,743,925	1,686,840	103.4%
6	Other Taxes	274,881	2,409,298	2,092,960	115.1%
7	Intergovernmental	105,924	5,476,243	5,632,846	97.2%
8	License & Permits	-	-	-	
9	Building Permits	82,417	956,750	650,900	147.0%
10	Other Permits	20,020	407,313	250,930	162.3%
11	Charges For Services	208,273	3,036,541	3,010,930	100.9%
12	Fines & Forfeitures	79,025	785,239	801,940	97.9%
13	Interest Income	16,076	454,566	373,150	121.8%
14	Miscellaneous	441,720	4,260,108	3,990,592	106.8%
15	*Subtotal*	*$ 4,216,110*	*$ 54,860,566*	*$ 53,068,718*	*103.4%*
16	Internal Transfers	174,258	1,768,210	1,790,794	98.7%
17	**Total Revenue**	**$ 4,390,368**	**$ 56,628,776**	**$ 54,859,512**	**103.2%**
	EXPENDITURES				
	Operating				
18	Legislative	$ 6,928	$ 85,282	$ 104,485	81.6%
19	Executive & Legal	136,315	1,485,451	1,494,745	99.4%
20	Comm. & Bus. Relations	64,654	765,271	1,336,384	57.3%
21	Cultural Services	118,845	976,481	1,028,930	94.9%
22	Development Services	248,208	2,486,022	2,920,978	85.1%
23	Finance	190,416	1,719,775	2,012,221	85.5%
24	Fire & Rescue	657,007	6,452,148	6,545,067	98.6%
25	Human Resources	54,870	602,575	838,384	71.9%
26	Information Technology	234,160	2,564,147	2,911,438	88.1%
27	Library	198,320	1,864,828	2,008,129	92.9%
28	Parks & Recreation	643,411	6,256,811	7,049,922	88.8%
29	Police	1,225,727	13,331,987	13,633,109	97.8%
30	Public Works	847,272	9,156,870	9,405,525	97.4%
31	Non-Departmental	15,618	417,318	639,371	65.3%
32	*Subtotal Operating*	*$ 4,641,752*	*$ 48,164,967*	*$ 51,928,688*	*92.8%*
33	Internal Transfers	131,856	3,228,020	4,578,663	70.5%
34	**Total Expenditures**	**$ 4,773,608**	**$ 51,392,987**	**$ 56,507,351**	**90.9%**

Building Use Tax (Line #4) is under budget due to low building activity.

Other Taxes (Line # 6) is over budget due to higher revenue from sales and use tax audits, and cable TV tax.

Building Permits (Line #9) is over budget due to fees paid for an office building on Rocky Mountain Avenue.

Other Permits (Line #10) is over budget primarily due to occupational, liquor, and, police and fire special events permits , inspection fees, and street cut permits.

Charges for Services (Line #11) is over budget primarily due to recreation and adult athletics revenues.

Interest Income (Line #13) is over budget due to higher than expected interest earnings.

Miscellaneous (Line #14) is over budget due to higher than anticipated collections for rental income, Library and Cultural Services donations, proceeds on sale of assets, construction management fees, and police drug seizure revenue.

Legislative (Line #18) is under budget mainly due to budget dollars for the Council Advance and travel and meetings not being used.

Comm. & Bus. Relations (Line #20) is under budget due to timing in spending their purchased services, and economic incentives budgets.

Cultural Services (Line #21) is under budget due to timing in spending their supplies and capital budgets.

Development Services (Line #22) is under budget due to timing in spending their supplies, grants and historic preservation budgets.

Finance (Line #23) is under budget due to timing in spending their supplies, purchased services budgets for revenue audits, and bank charges/investment fees.

Human Resources (Line #25) is under budget due to timing in spending their supplies, and purchased services budget, as well as a vacant position.

Information Technology (Line #26) is under budget due to timing in spending their computer supplies, capital, and purchased services budgets.

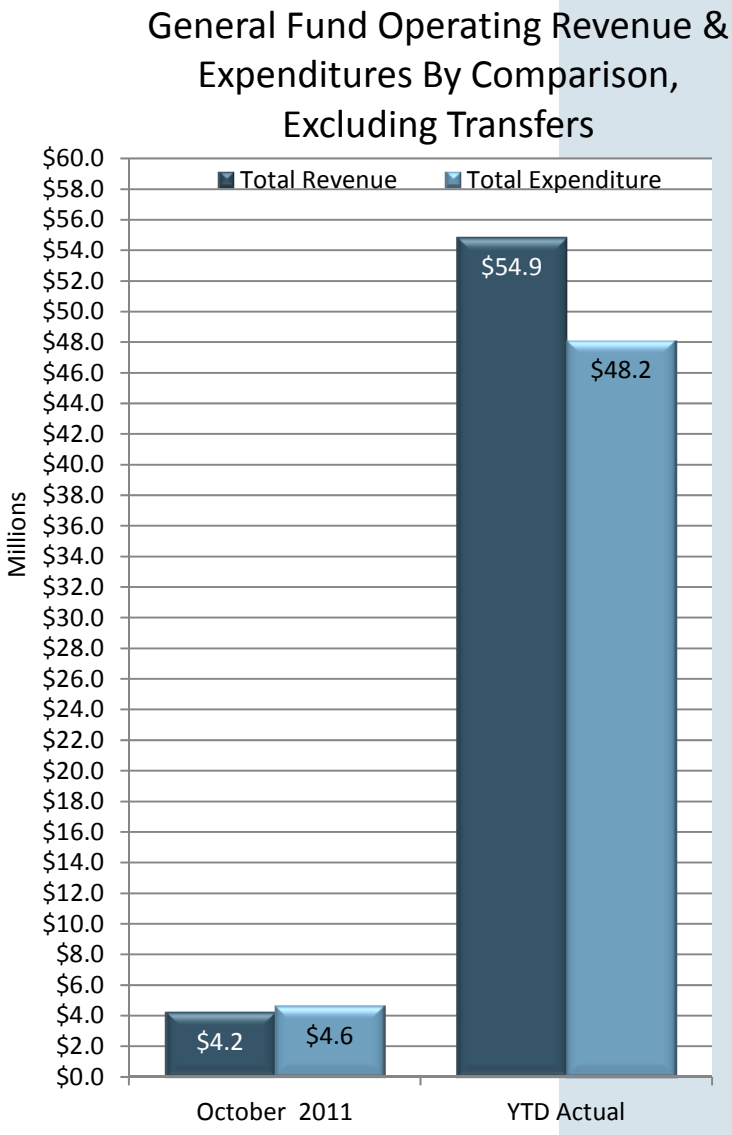
Library (Line #27) is under budget due to timing in spending their supplies and capital budgets.

Parks & Recreation (Line #28) is under budget due to timing in spending their personal services, and capital budgets.

Non-Departmental (Line #31) is under budget due to timing in spending their purchased services, personal services, and supplies budgets.

Internal Transfers (Line #33) are under budget due to timing of capital projects expenditures. Transfers are made monthly based on actual project costs. The transfer to the Recreation and Fire CEF fund for the interfund loan is lower than budgeted due to a lower interest rate than anticipated during the budget process.

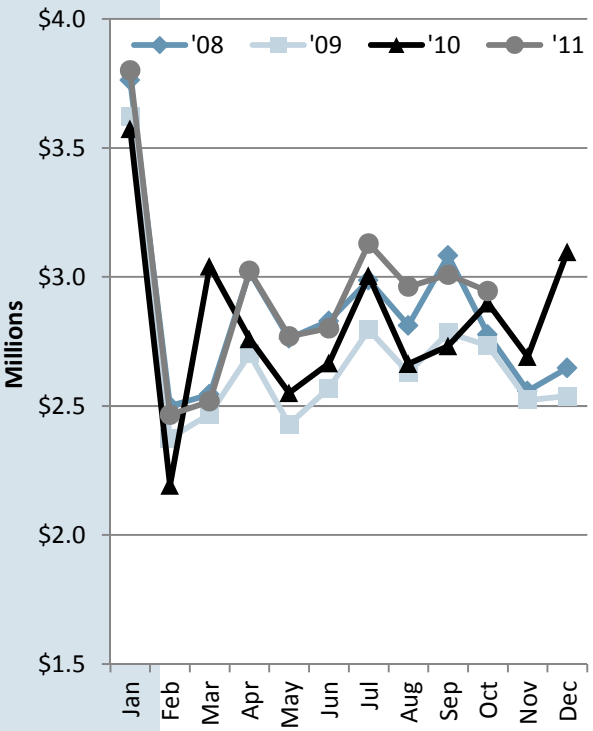
Revenues exceed expenditures by $5,235,790 (line #17 less line #34)



Tax Totals & Comparisons

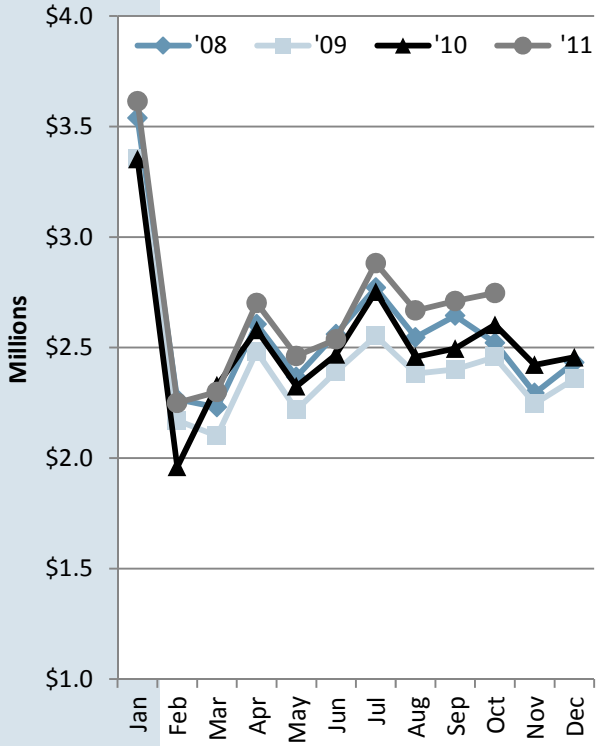
Monthly Financial Report

Sales & Use Tax



	'08	'09	'10	'11	2011 Budget	+ / - Budget
Jan	$ 3,763,212	$ 3,622,251	$ 3,573,972	$ 3,799,760	$ 3,708,140	2.5%
Feb	$ 2,499,464	$ 2,374,608	$ 2,191,609	$ 2,465,447	$ 2,618,440	-5.8%
Mar	$ 2,544,688	$ 2,468,095	$ 3,041,068	$ 2,517,162	$ 2,559,770	-1.7%
Apr	$ 3,020,580	$ 2,701,737	$ 2,759,556	$ 3,022,770	$ 2,910,840	3.8%
May	$ 2,761,197	$ 2,428,860	$ 2,550,227	$ 2,769,526	$ 2,628,350	5.4%
Jun	$ 2,829,423	$ 2,569,125	$ 2,665,632	$ 2,800,184	$ 2,738,110	2.3%
Jul	$ 2,987,495	$ 2,794,222	$ 3,004,324	$ 3,129,254	$ 2,968,340	5.4%
Aug	$ 2,811,579	$ 2,628,842	$ 2,662,932	$ 2,961,686	$ 2,815,690	5.2%
Sep	$ 3,082,644	$ 2,782,768	$ 2,732,087	$ 3,008,637	$ 2,884,640	4.3%
Oct	$ 2,776,559	$ 2,733,964	$ 2,897,370	$ 2,944,433	$ 2,941,910	0.1%
Nov	$ 2,557,802	$ 2,522,092	$ 2,690,549		$ 2,659,950	
Dec	$ 2,646,945	$ 2,537,802	$ 3,096,111		$ 2,682,740	
	$ 34,281,588	$ 32,164,365	$ 33,865,435	$ 29,418,859	$ 34,116,920	
YTD	$ 29,076,841	$ 27,104,471	$ 28,078,775	$ 29,418,859	$ 28,774,230	2.2%

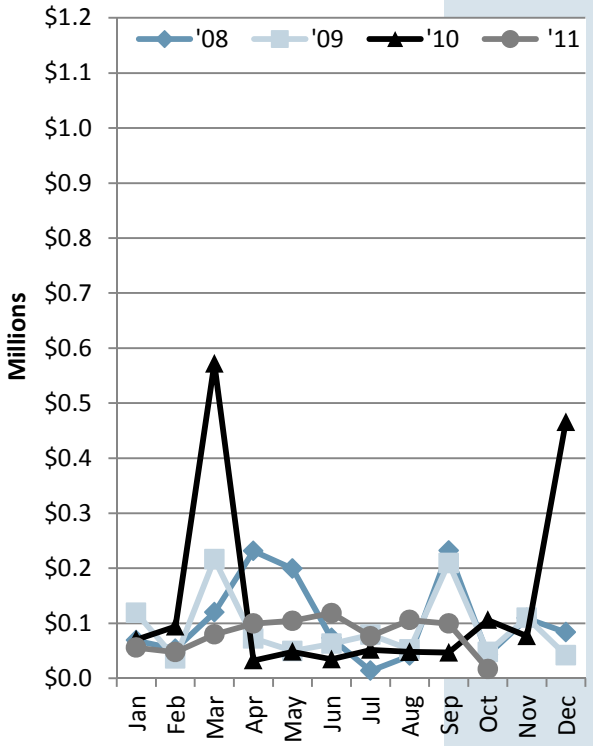
Retail Sales Tax



	'08	'09	'10	'11	2011 Budget	+ / - Budget
Jan	$ 3,538,021	$ 3,354,704	$ 3,352,821	$ 3,613,881	$ 3,419,500	5.7%
Feb	$ 2,266,805	$ 2,170,562	$ 1,959,729	$ 2,249,749	$ 2,333,970	-3.6%
Mar	$ 2,229,963	$ 2,100,216	$ 2,328,701	$ 2,299,237	$ 2,216,570	3.7%
Apr	$ 2,605,919	$ 2,482,752	$ 2,579,918	$ 2,702,024	$ 2,585,290	4.5%
May	$ 2,367,597	$ 2,218,482	$ 2,324,395	$ 2,462,213	$ 2,310,110	6.6%
Jun	$ 2,560,453	$ 2,390,535	$ 2,468,207	$ 2,536,541	$ 2,489,270	1.9%
Jul	$ 2,770,864	$ 2,552,195	$ 2,752,870	$ 2,882,075	$ 2,657,610	8.4%
Aug	$ 2,546,052	$ 2,383,119	$ 2,458,382	$ 2,667,674	$ 2,481,550	7.5%
Sep	$ 2,644,113	$ 2,401,596	$ 2,495,338	$ 2,710,738	$ 2,500,790	8.4%
Oct	$ 2,521,253	$ 2,457,158	$ 2,602,599	$ 2,746,866	$ 2,558,640	7.4%
Nov	$ 2,294,503	$ 2,245,659	$ 2,422,352		$ 2,338,410	
Dec	$ 2,432,635	$ 2,358,273	$ 2,455,821		$ 2,424,090	
	$ 30,778,179	$ 29,115,253	$ 30,201,133	$ 26,870,998	$ 30,315,800	
YTD	$ 26,051,040	$ 24,511,320	$ 25,322,960	$ 26,870,998	$ 25,553,300	5.2%

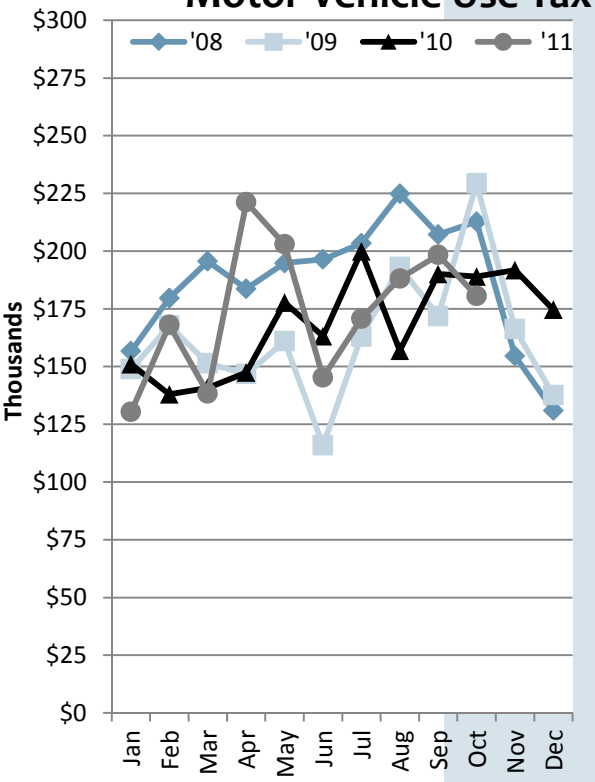
	'08	'09	'10	'11	2011 Budget	+ / - Budget
Jan	$ 68,522	$ 118,719	$ 70,117	$ 55,542	$ 136,380	-59.3%
Feb	$ 52,986	$ 36,254	$ 93,928	$ 47,621	$ 112,810	-57.8%
Mar	$ 119,149	$ 216,500	$ 571,599	$ 79,590	$ 188,330	-57.7%
Apr	$ 230,954	$ 72,251	$ 32,260	$ 99,569	$ 175,440	-43.2%
May	$ 198,765	$ 49,434	$ 48,145	$ 104,373	$ 153,590	-32.0%
Jun	$ 72,544	$ 62,723	$ 34,349	$ 118,318	$ 130,300	-9.2%
Jul	$ 13,276	$ 79,061	$ 51,657	$ 76,488	$ 144,010	-46.9%
Aug	$ 40,683	$ 52,578	$ 47,716	$ 105,871	$ 136,550	-22.5%
Sep	$ 231,321	$ 209,338	$ 46,646	$ 99,544	$ 208,060	-52.2%
Oct	$ 42,561	$ 47,437	$ 105,818	$ 17,021	$ 148,620	-88.5%
Nov	$ 108,737	$ 110,207	$ 76,444		$ 151,490	
Dec	$ 83,315	$ 41,844	$ 465,626		$ 115,540	
	$ 1,262,815	$ 1,096,346	$ 1,644,305	$ 803,937	$ 1,801,120	
YTD	$ 1,070,762	$ 944,295	$ 1,102,235	$ 803,937	$ 1,534,090	-47.6%

Building Material Use Tax



	'08	'09	'10	'11	2011 Budget	+ / - Budget
Jan	$ 156,669	$ 148,828	$ 151,034	$ 130,337	$ 152,260	-14.4%
Feb	$ 179,673	$ 167,793	$ 137,951	$ 168,077	$ 171,660	-2.1%
Mar	$ 195,576	$ 151,378	$ 140,768	$ 138,335	$ 154,870	-10.7%
Apr	$ 183,707	$ 146,734	$ 147,378	$ 221,177	$ 150,110	47.3%
May	$ 194,835	$ 160,943	$ 177,687	$ 202,940	$ 164,650	23.3%
Jun	$ 196,426	$ 115,867	$ 163,076	$ 145,325	$ 118,540	22.6%
Jul	$ 203,356	$ 162,966	$ 199,797	$ 170,691	$ 166,720	2.4%
Aug	$ 224,843	$ 193,144	$ 156,834	$ 188,141	$ 197,590	-4.8%
Sep	$ 207,209	$ 171,833	$ 190,102	$ 198,355	$ 175,790	12.8%
Oct	$ 212,745	$ 229,369	$ 188,953	$ 180,546	$ 234,650	-23.1%
Nov	$ 154,561	$ 166,225	$ 191,753		$ 170,050	
Dec	$ 130,995	$ 137,685	$ 174,664		$ 143,110	
	$ 2,240,595	$ 1,952,766	$ 2,019,997	$ 1,743,924	$ 2,000,000	
YTD	$ 1,955,039	$ 1,648,856	$ 1,653,580	$ 1,743,924	$ 1,686,840	3.4%

Motor Vehicle Use Tax



Sales Tax Collections

Monthly Financial Report

Collections By Standard Industrial Classification Code

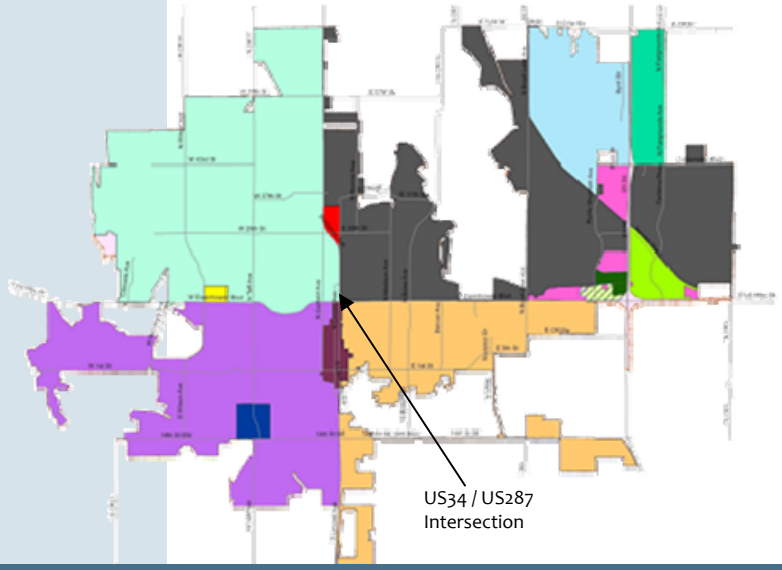
Summary of Sales Tax Collections by Industry Code
October 2011

	Description	YTD 2011	YTD 2010	$ Change	% Change	% of Total	Cumulative %
1	Department Stores & General Merchandise	$ 6,158,359	$ 6,057,341	$ 101,019	1.7%	22.9%	22.9%
2	Restaurants & Bars	3,257,817	2,959,497	$ 298,320	10.1%	12.1%	35.0%
3	Grocery Stores & Specialty Foods	2,700,437	2,565,795	$ 134,642	5.2%	10.0%	45.1%
4	Clothing & Clothing Accessories Stores	1,982,769	1,745,963	$ 236,807	13.6%	7.4%	52.5%
5	Building Material & Lawn & Garden Supplies	1,765,022	1,696,974	$ 68,048	4.0%	6.6%	59.0%
6	Motor Vehicle Dealers, Auto Parts & Leasing	1,653,143	1,516,888	$ 136,255	9.0%	6.2%	65.2%
7	Utilities	1,428,308	1,401,067	$ 27,242	1.9%	5.3%	70.5%
8	Sporting Goods, Hobby, Book & Music Stores	1,292,086	1,196,364	$ 95,722	8.0%	4.8%	75.3%
9	Broadcasting & Telecommunications	1,111,600	1,086,172	$ 25,428	2.3%	4.1%	79.5%
10	Used Merchandise Stores	762,825	686,623	$ 76,203	11.1%	2.8%	82.3%
11	Beer, Wine & Liquor Stores	601,877	570,765	$ 31,112	5.5%	2.2%	84.5%
12	Hotels, Motels & Other Accommodations	591,144	521,560	$ 69,584	13.3%	2.2%	86.7%
13	Electronics & Appliance Stores	548,958	535,704	$ 13,254	2.5%	2.0%	88.8%
14	Health & Personal Care Stores	460,209	415,012	$ 45,197	10.9%	1.7%	90.5%
15	Consumer Goods & Commercial Equipment	432,993	390,578	$ 42,415	10.9%	1.6%	92.1%
16	Electronic Shopping & Mail-Order Houses	378,479	312,787	$ 65,692	21.0%	1.4%	93.5%
17	Furniture & Home Furnishing Stores	363,568	321,694	$ 41,874	13.0%	1.4%	94.9%
18	Office Supplies, Stationery & Gift Stores	277,950	275,438	$ 2,512	0.9%	1.0%	95.9%
19	Gasoline Stations with Convenience Stores	209,415	199,707	$ 9,707	4.9%	0.8%	96.7%
20	All Other Categories	894,038	867,031	$ 27,007	3.1%	3.3%	100.0%
	Total	**$ 26,870,997**	**$ 25,322,960**	**$ 1,548,038**	**6.1%**	**100.0%**	

Sales tax revenue through October 2011 is 6.1% over 2010. Every geographical area remains positive year-to-date for sales over the same period last year. The North East Loveland area continues showing strong gains over last year on the performances of the hotels in the area and several new businesses in the Crossroads section of the North East Loveland area. The Outlet Mall has maintained its positive sales trend, coming in at 13.2% over 2010, thanks in part to several new store openings.

By business category, Clothing & Clothing Accessories are up by 13.6%, while Hotels & Motels remain up 13.3% over last year, followed by Furniture and Home Furnishing Stores, which are up 13%. Restaurants & Bars showed the largest increase in dollars while achieving a 10.1% increase over 2010.

The year to date Audit Revenue is at $502,942 and year to date Lodging Tax revenue is at $468,328.



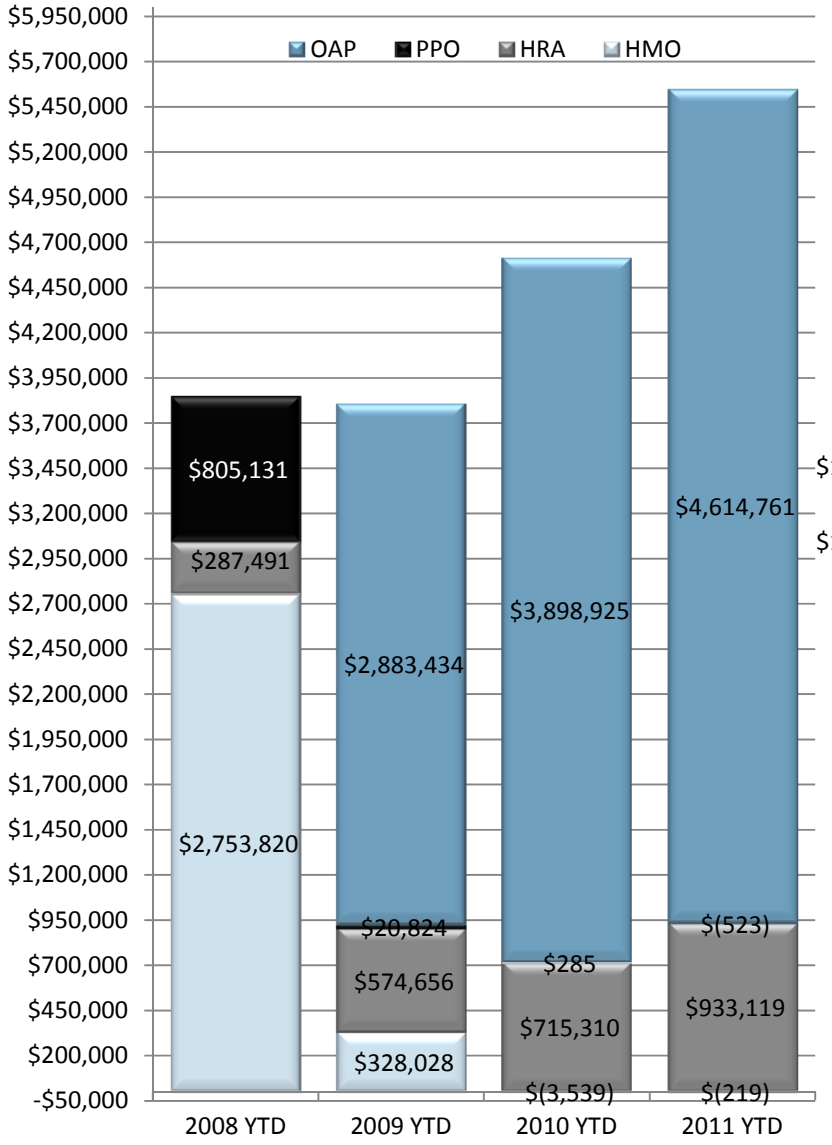
Collections By Geographical Code

Geographical Area	YTD 2011	YTD 2010	% Change
North West Loveland	$3,113,720	$3,076,290	1.2%
South West Loveland	$910,548	$880,590	3.4%
North East Loveland	$1,763,795	$1,617,135	9.1%
South East Loveland	$6,624,803	$6,419,307	3.2%
Orchards Shopping Center	$1,680,280	$1,585,442	6.0%
Columbine Shopping Center	$515,777	$473,996	8.8%
Downtown	$875,096	$841,474	4.0%
Centerra	$2,488,883	$2,277,542	9.3%
Promenade Shops	$1,960,766	$1,857,185	5.6%
Outlet Mall	$1,089,510	$962,538	13.2%
Thompson Valley Shopping Center	$1,290,146	$1,192,049	8.2%
The Ranch	$555,207	$470,272	18.1%
Airport	$329,846	$278,374	18.5%
All Other Areas	$3,672,622	$3,390,767	8.3%
Total	**$26,870,998**	**$25,322,960**	**6.1%**

For a larger map, visit our website at:
www.ci.loveland.co.us/finance/MonthlyFinancialsMain.htm

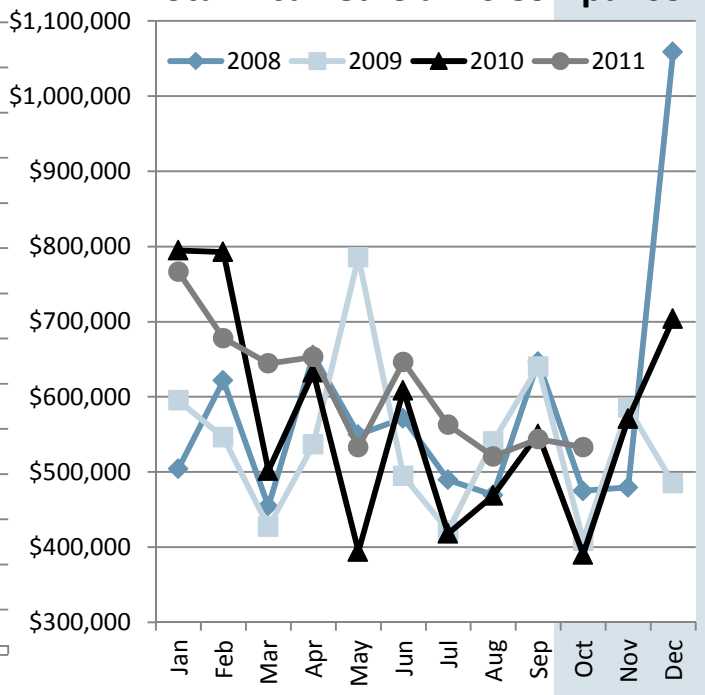
September Incurred Claims Posted In October

YTD Processed Claims



Claims Over $25k Comparison (2008-2011)				
October	2008	2009	2010	2011
# of claims	30	36	38	48
Cost of claims	$ 1,963,906	$ 2,106,610	$ 3,106,875	$ 2,534,961
# of Stoploss Claims:	0			

Total Incurred Claims Comparison

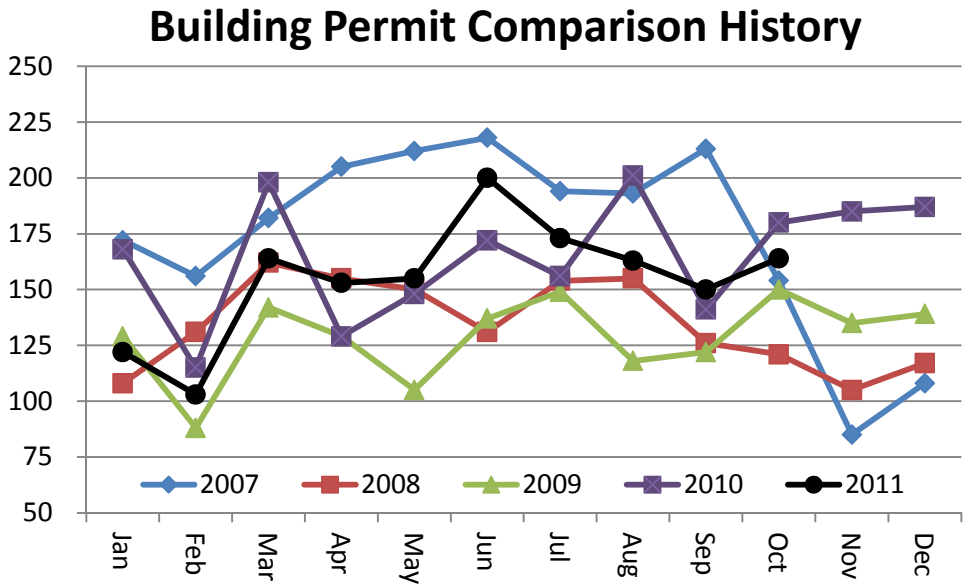


Cash Basis for Claims Paid

		HMO	OAP	HRA	PPO	Total	Budget	$ Over / (Under) Budget	% Over / (Under) Budg
2011	October	$ -	$ 450,099	$ 93,493	$ -	$ 543,592	$ 680,043	$ (136,451)	-20.1%
	YTD	-	4,614,761	932,900	$ (523)	5,547,138	6,120,383	(573,245)	-9.4%
2010	October	261	357,925	110,401	-	468,587	630,046	(161,459)	-25.6%
	YTD	(3,459)	4,347,763	816,807	285	5,161,396	5,670,413	(509,017)	-9.0%
Change	October	(261)	92,174	(16,908)	-	75,005			
	% Oct	0.0%	25.8%	-15.3%	0.0%	16.0%			
	YTD	$ (3,459)	$ 266,998	$ 116,093	$ (808)	$ 385,742			
	% YTD	100.0%	6.1%	14.2%	-283.5%	7.5%			

Activity Measures

Measures	Oct '09	Oct '10	Oct '11	2009 YTD	2010 YTD	2011 YTD
# of Building Permits	150	180	164	1,269	1,608	1,547
Building Permit Valuations	2,844,963	6,933,480	5,007,516	65,905,811	103,430,892	73,632,679
# of Certified Occupancies	23	16	18	187	147	191
Net # of Sales Tax Licenses	(6)	7	18	130	103	149
New Residential Electric Meter Sets	15	110	24	96	244	313
# of Utility Bills Sent	34,890	35,161	35,891	338,510	350,122	355,655
Rounds of Golf	6,351	10,535	9,004	121,962	112,937	113,631
Health Claim Costs/Emp.	671	632	849	8,874	9,010	9,704
# of Vacant Positions	8	10	25	70	93	150
# of Frozen Vacant Positions	10	15	9	96	130	118
# of Eliminated Positions	35	42	46	153	393	442
KWH Demand (kH)	86,670	88,256	97,952	999,620	1,040,815	1,084,014
KWH Purchased (kwh)	54,953,966	56,458,388	57,914,080	561,084,209	583,711,195	609,125,809
Gallons of Water Sold	327,106,915	472,800,601	431,994,863	2,921,937,397	3,232,484,081	3,328,343,040
# of Workers' Comp Claims	25	6	9	109	106	102
$ of Workers' Comp Claims Paid	37,640	170,925	20,664	247,934	616,395	146,507
# of Open Claims Current Year	NA	12	23	-	94	144
# of Total Open Claims	NA	14	25	-	136	174
$ of Total Open Claims	496,346	152,022	222,484	2,477,275	2,121,694	1,186,704
# of Hotel Rooms	NA	1,117	1,117	-	10,053	11,170
$ of Lodging Tax Collected	NA	53,858	59,374	-	411,992	468,328



Cash & Reserves

Total Cash & Reserves = $194.8 million, of which $138.2 million is restricted or reserved, or 71.0%, leaving $56.6 million unrestricted.

Statement of Cash
October 2011

		Beginning	YTD Activity	Ending
	Restricted			
1	Capital Expansion Fees	$ 36,464,857	$ (1,694,589)	$ 34,770,268
2	Other Special Revenue Funds	20,268,968	1,511,995	21,780,963
3	Capital Projects	3,439,842	(1,731,897)	1,707,946
4	Water System Impact Fees	5,634,568	1,318,335	6,952,903
5	Windy Gap	4,776,059	(496,696)	4,279,363
6	Raw Water	22,801,762	(9,046,159)	13,755,603
7	Wastewater System Impact Fees	4,258,451	198,948	4,457,399
8	Storm Drainage System Impact Fees	1,542,372	(130,813)	1,411,558
9	Power System Impact Fees	5,624,382	1,572,086	7,196,468
10	Cemetery	2,433,991	84,324	2,518,315
11	Other Entities	3,393,300	1,095,409	4,488,709
12	**Total Restricted**	**$ 110,638,552**	**$ (7,319,057)**	**$ 103,319,495**
	Committed/Assigned Balance Amounts			
13	General Fund			
14	Operating/Emergency ***	1,731,040	-	1,731,040
15	Council Capital Reserve ***	4,730,850	(1,240,285)	3,490,565
16	Liability	125,000	-	125,000
17	Police Communication Console Replacement	512,000	104,000	616,000
18	Library Reserve	158,379	2,514	160,893
19	Library Building Reserve	16,750	-	16,750
20	Telephone Switch Reserve	261,460	-	261,460
21	Excess TABOR	5,698,193	(560,345)	5,137,848
22	Water	660,898	23,575	684,474
23	Wastewater	816,746	436	817,182
24	Storm Water	442,355	(98,139)	344,216
25	Power	2,696,087	303,716	2,999,803
26	Golf	243,784	3,869	247,653
27	Insurance Reserves	4,632,532	409,596	5,042,128
28	Employee Benefits	6,443,162	259,464	6,702,627
29	Fleet Replacement	6,208,177	339,438	6,547,615
30	**Total Committed/Assigned**	**$ 35,377,415**	**$ (452,160)**	**$ 34,925,255**
31	**Total Restricted/Committed/Assigned**	**$ 146,015,966**	**$ (7,771,216)**	**$ 138,244,750**
	Unassigned Balance Amounts			
32	General	12,740,445	6,351,732	19,092,176
33	Airport	814,146	135,870	950,016
34	Internal Service - Vehicle Maintenance	57,032	130,044	187,076
35	Golf	902,662	905,319	1,807,981
36	Water	3,745,091	133,594	3,878,685
37	Wastewater	7,350,712	3,928	7,354,640
38	Power	15,277,828	1,721,057	16,998,885
39	Stormwater	2,506,679	(556,121)	1,950,558
40	Solid Waste	2,873,450	1,509,756	4,383,206
41	**Total Unassigned**	**$ 46,268,044**	**$ 10,335,177**	**$ 56,603,221**
42	**Total Cash**	**$ 192,284,010**	**$ 2,563,961**	**$ 194,847,971**

*Operating/Emergency: TABOR Amendment requirement for 3% of operating expenditures excluding transfers and debt.

**Other Entities Fund: Special Improvement District #1, Airport, General Improvement District #1, Loveland Urban Renewal Authority, Loveland/Larimer Building Authority

***Contributions made at year end.

(Line #17) Council Capital Reserve:
$900,000 Downtown Improvements
$97,485 Interfund Loan Payment
$242,800 Leslie Cleaners Property

(Line #22) The market value of the Proctor & Gamble Stock as of December 31, 2010 is $205,856. This value represents the original value of the stock when it was first donated.

(Line #24) Six main streets projects are: US 34/Madison, Boyd Lake Ave Extension, Signal at 4th/Lincoln, Crossroads/71st St, 57th/287, and Crossroads/I-25

Prepared by:
Finance Department

WEBSITE: WWW.CITYOFLOVELAND.ORG

Citywide Capital Projects Over $500,000

Project Title	2011 Budget	2011 Expenditures	Remaining 2011 Budget	% of 2011 Budget (Exp/Bud)	Budget Book Page #
Water Capital					
Washington Ave WL Replacement	$ 497,810	$ 347,940	$ 149,870	69.89%	C-115
Filter Plant 2 Improvements	$ 1,251,850	$ 995,011	$ 256,839	79.48%	C-113
Raw Water Capital					
Windy Gap Firming Project	$ 596,490	$ -	$ 596,490	0.00%	C-86
Purchase Colorado Big Thompson Water	$ 4,623,000	$ 4,500,200	$ 122,800	97.34%	C-87
Wastewater Utility Capital					
Carlisle Phase IV (Taft to RR)	$ 623,730	$ 46,966	$ 576,764	7.53%	C-101
Waste Activated Sludge Thickening	$ 4,793,250	$ 1,883,911	$ 2,909,339	39.30%	C-88
South Horseshoe Lift Station Submersible	$ 887,000	$ 6,361	$ 880,639	0.72%	
Power Capital					
Horseshoe Sub tie S along Taft to ckt existing on West 29th	$ 2,300,000	$ 6,685	$ 2,293,315	0.29%	
West Sub tie E along Arkins Branch, N along Wilson to 29th	$ 971,736	$ 205,622	$ 766,114	21.16%	
Valley Sub tie W along 402, N along Wilson, W along Arkins to W Sub	$ 1,100,000	$ 23,145	$ 1,076,855	2.10%	
Horseshoe Sub - New Transformer	$ 1,200,000	$ -	$ 1,200,000	0.00%	
Stormwater Capital					
Washington Ave Outfall Phase 4	$ 3,380,185	2,423,569	$ 956,616	71.70%	
Streets Transportation Program					
US34/Madison	$ 749,020	256,554	$ 492,466	34.25%	
Boyd Lake Ave Extension	$ 1,005,100	478,728	$ 526,372	47.63%	C-71
2011 Street Rehabilitation	$ 2,956,210	2,116,446	$ 839,764	71.59%	C-39
All Other					
Downtown Infrastructure	$ 900,000	$ -	$ 900,000	0.00%	C-40
Open Lands Acquisition	$ 2,445,000	$ -	$ 2,445,000	0.00%	C-29
MeHaffey Park Development	$ 640,000	$ -	$ 640,000	0.00%	C-28
Library Expansion	$ 7,870,850	$ 4,722,347	$ 3,148,503	60.00%	
ACE Center Land/Building	$ 5,675,000	$ 5,280,884	$ 394,116	93.06%	
Rialto Bridge (City's Share of the Project)	$ 2,097,700	$ 1,141,234	$ 956,466	54.40%	

City of Loveland
500 East 3rd Street
Loveland, CO 80537

For more information regarding this report contact:
Bonnie Steele, Acting Finance Director
970.962.2313 or steelb@ci.loveland.co.us

City of Loveland

CITY OF LOVELAND
CITY MANAGER'S OFFICE
Civic Center • 500 East Third • Loveland, Colorado 80537
(970) 962-2303 • FAX (970) 962-2900 • TDD (970) 962-2620

AGENDA ITEM: **2**
MEETING DATE: 12/13/2011
TO: City Council
FROM: Alan Krcmarik, Executive Fiscal Advisor
PRESENTER: Alan Krcmarik

TITLE: Investment Report for October 2011

RECOMMENDED CITY COUNCIL ACTION:
This is an information only item. No Council action is required.

DESCRIPTION: The budget estimate for investment earnings for 2011 is $3,163,130. For the first ten months of 2011, the amount posted to the investment account is $3,008,179 including realized gains. Actual year-to-date earnings are *higher* than the year-to-date projection by $372,339. Based on October's monthly statement, the estimated annualized yield on the U.S. agencies and corporates was up to 1.71%, well under the annual target rate of 2% but higher than recent months. Reinvestment rates are now significantly lower than the first-half of 2011.

BUDGET IMPACT:
☒ Positive
☐ Negative
☐ Neutral or negligible
The overall budget impact of this monthly report is positive because the City will likely exceed the annual investment target by more than 5%.

SUMMARY: At the end of October, the City's total portfolio had an estimated market value of $194.9 million, about $ 1 million more than a month ago. Of this amount, USBank held (including accrued interest) $178.4 million in trust accounts; other funds are held in local government investment pools, in operating accounts at WellsFargo Bank, and a few miscellaneous accounts. Interest rates have trended significantly lower over the past few months. Investments are in US Treasury Notes, highly-rated US Agency Bonds, highly-rated corporate bonds, money market accounts, and local government investment pools. The City's investment strategy emphasizes safety of principal, then sufficient liquidity to meet cash needs, and finally, return on investment. Each percent of earnings on the portfolio equates to $1.95 million annually. Each basis point would be about $19,500 annually.

REVIEWED BY CITY MANAGER: William D. Cahill

LIST OF ATTACHMENTS: Investment Focus October 2011

CITY OF LOVELAND
CULTURAL SERVICES /MUSEUM •ART IN PUBLIC PLACES
503 N. Lincoln Avenue • Loveland, Colorado 80537
(970) 962-2410 • FAX (970) 962-2910 • TDD (970) 962-2833

AGENDA ITEM: **3**
MEETING DATE: 12/13/2011
TO: City Council
FROM: Susan Ison, Director of Cultural Services
PRESENTER(S): Susan Ison, Jennifer Cousino, Kris Ortmann and Roger Clark

TITLE:
Loveland Museum/Gallery Expansion Project

RECOMMENDED CITY COUNCIL ACTION:
Discuss and provide staff with direction concerning next steps in the museum expansion process, including recruitment of a design architect and a development staff person focused on fundraising.

DESCRIPTION:
As the Loveland Museum/Gallery looks towards the expansion of the present facility, staff and facility space need assessments have been completed. Additional City Council guidance is desired in order to progress with the proposed project, which is likely to entail a capital campaign project.

BUDGET IMPACT:
☐ Positive
☒ Negative
☐ Neutral or negligible
Approximately $15 million for capital construction and $510,820 (including all Facilities support costs) for operating expenses.

SUMMARY:
In 2007, the City was successful in acquiring the Home State Bank building for the expansion of the Loveland Museum/Gallery with the intention of razing the building and erecting a 3-story 26,000 square foot addition. The purchase also provided much needed space for the historic collection and for youth and adult classes. Home State Bank (a.k.a. The Sequel) currently houses approximately 10,000 collection artifacts, and all of our classes are held there.

The proposal by Brinkman Partners to develop a 4-story residential project on this site has altered the proposed expansion project from north of the building to the parking lot on the southwest corner of 5th and Lincoln. At an earlier study session the City Council approved the

proposed relocation. The Cultural Services Department and the Cultural Services Board support the site change as a win/win proposal: the opportunity to add residential units in downtown Loveland and to add a must-see Museum in Loveland's downtown. The site change retains our commitment to downtown, serving to enhance the economic vitality of our historic center.

The Museum Expansion Project estimated cost is $13-$15 million, leaving an unfunded amount of approximately $11 million. As the first step to address the shortfall, we request Council approval to hire a development officer for the Cultural Services Department with the primary goal of working on a capital campaign. It is anticipated that $4-$5 million can be raised by the development officer. The salary would, initially, be paid by a recent donation from the Kroh Charitable Trust. A job description has been written and Human Resources is currently benchmarking it to similar positions in other cities. The Cultural Services staff will also develop strategies to address the remaining gap in funding.

Secondly, we hope that the new Museum will be an iconic building, one which will draw visitors from out of state with an exterior work of art to complement the new exhibits inside. To that end, we request approval to begin the search for an architect who can deliver a unique design. The architect would be funded from existing Cultural Services CEFs. We also seek direction from City Council to return in January with an appropriation request for the development officer and an architect search.

The study session will:

- Review the history of the Museum
- Share space needs and planning to date
- Present information on the economic impact of cultural institutions
- Review the potential for downtown amenities, including an architecturally significant project
- Delineate interim and long-term challenges
- Discuss next steps

REVIEWED BY CITY MANAGER: William D. Cahill

LIST OF ATTACHMENTS:
Feasibility Study for the Loveland Museum/Gallery

Feasibility Study

for

Loveland Museum - Gallery and City of Loveland

June 15, 2011

prepared by:

kenney associates inc

architects landscape architects urban designers planners

209 east fourth street
loveland, colorado 80537
970.663.0548
fax 970.669.2384
www.kenneyarch.com

June 15, 2011

Susan Ison
Director, Cultural Services
503 N. Lincoln Ave.
Loveland, CO 80537

Mike Scholl
Planner
500 E. 3rd St. Suite 310
Loveland, CO 80537

RE: Loveland Museum / Gallery South Expansion Feasibility Study

Susan and Mike,

Kenney & Associates has gathered information regarding the feasibility of expanding the Loveland Museum / Gallery south, over 5th Street and into the current City owned surface parking lot. The following information is what we've discovered. We've separated everything into a number of categories within the headings below.

Limiting Factors of Physical Property
-Zoned ***Be*** Established Business District
-Also located within the Core Character Area (area within 3rd - 6th and Garfield – Washington)
-Cannot close 5th Street between Lincoln and Cleveland
-Need to maintain access easement to the McKee building on the western edge of project

Setbacks and Easements
-Zero setbacks are allowed and encouraged in the Core Character Area
-May need to maintain access easement to the McKee building on the western edge of project as mentioned above
-Setbacks may be dictated by proposed fire protection and fire walls based on proposed code defined Construction Type and type of wall or opening being constructed. See Code information below regarding level of fire protection in relation to property line.

Utility Sizes and Locations
-Museum is currently supplied is through a 300 KVA transformer #7872 with 120/208 V three phase power located north of the building
-One underground power line on the south side of 5th Street. (see attached Electrical line drawing)

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-Two overhead lines connecting three street lamps. One on the north side of 5th Street adjacent the Reporter-Herald building moving east to a lamp along the center of the existing Museum, the final lamp is located across 5th Street to the southwest near the entrance to the existing parking lot. (see attached Electrical line drawing)
-Two electrical transformers are located on the central southern edge of the property will need to be relocated into a sub-grade vault.
-One 8" PVC water main located under the northern edge 5th Street. No building will be allowed over the water main. A bridged structure is acceptable as long as the utility company can access the street for any necessary repairs. (see attached Water line drawing)
-One 8" VCP waste line flowing east in the alley between 5th and 6th Streets
-One 10" VCP waste line flowing east in the alley between 4th and 5th Streets
-One 24" RCP storm line flowing east in the middle of 5th Street. (see attached Storm Water line drawing)
-One inlet on each side of 5th Street at the eastern third of the property
-We may need to relocate a couple storm inlets once the new impervious areas are determined.

Allowed Height and Area base on Zoning and Construction Type / Occupancy
-Allowed Height based on draft of **Be** Zoning District Update is 70'
-Any building with gross floor area over 25,000 needs Planning approval. In this case Planning approval would be necessary.
-Existing Museum is Construction Type III A with Occupancy Classification A-3
-2006 IBC allows 3 stories (65 feet) and 14,000 s.f. per floor with no increases.
-With only the sprinkler increase we are allowed 4 stories (85 feet) and 28,000 s.f. per floor.
-The City Zoning standards will likely govern the height and area of the new building
-Allowable area and height are equal for the 2006 and 2009 IBC

Preliminary Code Study (2006 IBC)

-Construction Type:	III A - sprinkled (chapter 6)
-Occupancy Classification:	Art Gallery A-3 (chapter 3)
	Museum A-3
	Storage Areas S-1
	Business Offices B
-Occupancy Separation:	A-3 / S-1, B = 1 hour (table 508.3.3)

-Max. Building Height & number of stories (table 503):
A-3 = 3 stories, 65 feet
S-1 = 3 stories, 65 feet

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B = 5 stories, 65 feet

-Automatic sprinkler system increase (section 504.2) allows (1) additional story and an additional 20 feet to all noted values above.

A-3 = 4 stories, 85 feet
S-1 = 4 stories, 85 feet
B = 6 stories, 85 feet

*Note: City regulations limit overall height to 70 feet.

-Allowable Floor Area (table 503): A-3 = 14,000 s.f. per floor
S-1 = 26,000 s.f. per floor
B = 28,500 s.f. per floor

-Automatic sprinkler system increase (section 506.3) allows double the above values.

A-3 = 28,000 s.f. per floor
S-1 = 52,000 s.f. per floor
B = 57,000 s.f. per floor

-Fire Resistive Requirements (table 601):

	Structural Frame –	1 hour
	Exterior Bearing Walls -	2 hours
	Interior Bearing Walls -	1 hour
	Interior Non Bearing Walls -	0
	Floor Construction -	1 hour
	Roof Construction -	1 hour

-Fire Resistive Requirements for Exterior Walls (table 602):

A-3, B	0- less than 5' from property line	1 hour
	5' – less than 10' from property line	1 hour
	10' – less than 30' from property line	1 hour
	Greater than 30'	0
S-1	0- less than 5' from property line	2 hours
	5' – less than 10' from property line	1 hour
	10' – less than 30' from property line	1 hour
	Greater than 30'	0

-Corridor Fire Resistive Rating (table 1017.1):
0 with sprinkler system

-Shaft enclosures (section 707.4):
Four stories or more = 2 hours
Less than four stories = 1 hour

-Exterior Door Fire Resistive Rating (table 715.4):
2 hour wall (S-1) = 90 min. door
1 hour wall (A-3, B) = 45 min. door

-Exterior Window Fire Resistive Rating (table 715.5):
2 hour wall (S-1) = 90 min. window
1 hour wall (A-3, B) = 45 min. window

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Preliminary Code Study (2009 IBC)

-Construction Type: III A - sprinkled (chapter 6)

-Occupancy Classification: Art Gallery A-3 (chapter 3)
Museum A-3
Storage Areas S-1
Business Offices B

-Occupancy Separation: A-3 / S-1, B = 1 hour (table 508.4)

-Max. Building Height & number of stories (table 503):
A-3 = 3 stories, 65 feet
S-1 = 3 stories, 65 feet
B = 5 stories, 65 feet

-Automatic sprinkler system increase (section 504.2) allows (1) additional story and an additional 20 feet to all noted values above.
A-3 = 4 stories, 85 feet
S-1 = 4 stories, 85 feet
B = 6 stories, 85 feet

*Note: City regulations limit overall height to 70 feet.

-Allowable Floor Area (table 503): A-3 = 14,000 s.f. per floor
S-1 = 26,000 s.f. per floor
B = 28,500 s.f. per floor

-Automatic sprinkler system increase (section 506.3) allows double the above values.
A-3 = 28,000 s.f. per floor
S-1 = 52,000 s.f. per floor
B = 57,000 s.f. per floor

-Fire Resistive Requirements (table 601):

Structural Frame –	1 hour
Exterior Bearing Walls -	2 hours
Interior Bearing Walls -	1 hour
Interior Non Bearing Walls -	0
Floor Construction -	1 hour
Roof Construction -	1 hour

-Fire Resistive Requirements for Exterior Walls (table 602):

A-3, B	0- less than 5’ from property line	1 hour
	5’ – less than 10’ from property line	1 hour
	10’ – less than 30’ from property line	1 hour
	Greater than 30’	0
S-1	0- less than 5’ from property line	2 hours
	5’ – less than 10’ from property line	1 hour
	10’ – less than 30’ from property line	1 hour
	Greater than 30’	0

-Corridor Fire Resistive Rating (table 1018.1):
0 with sprinkler system

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-Shaft enclosures (section 708.4):
Four stories or more = 2 hours
Less than four stories = 1 hour
-Exterior Door Fire Resistive Rating (table 715.4):
2 hour wall (S-1) = 90 min. door
1 hour wall (A-3, B) = 45 min. door

-Exterior Window Fire Resistive Rating (table 715.5):
2 hour wall (S-1) = 90 min. window
1 hour wall (A-3, B) = 45 min. window

How to connect to the existing building

We propose the new addition could attach to the existing building on the South side within the George Peters Park. Using existing openings in the building that are currently covered with graphics could prove beneficial to the connection. The adjacent interior space is used for circulation and is beyond the point of sale so control in and out is maintained and we would not need to adjust any of the offices or workshops in the southwest corner of the existing building. See attached site plan illustrating the physical relationship.

Future of 5th Street

-Cannot close 5th Street.
-Allowed to bridge over 5th Street.
-Minimum bridge clearance at 18'-6" (dependant to Public Works street repair equipment)
-Street can be reduced to 24'-0", must maintain two-way traffic.
-One-way traffic will not be allowed
-A complete Traffic Impact Study will be required

Lot Mergers

-We would need to merge the (7) lots that make up the current surface parking area.
-Need to work with Public Works and Engineering on access easements over 5th Street R.O.W.

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Vehicular and pedestrian access from Lincoln and Cleveland Avenues

-Vehicle traffic will remain
-Proposed new entrance would allow access and parking from both Lincoln and Cleveland Avenues.
-Street parking along 5th Street will be eliminated east of the new building bridge and likely be reduced on the west side.
-The remaining parking west of the new building bridge would maintain parking for the Reporter-Herald and McKee buildings.
-Provide drop off zones along 5th Street.
-The elimination of street parking will allow better pedestrian access from both Lincoln and Cleveland Avenues.

Identify positive and negative impacts of adjacent properties

Positive

-Additional space for community to view art exhibits.
-Civic Plaza open space on east side of building.
-Invigorate Downtown growth.
-Expands pedestrian traffic and connectivity beyond 4th Street, Lincoln and Cleveland Avenues.
-Last remaining overhead power lines can be buried.

Negative

-Removes (57) surface parking spaces in the parking lot, cost for new surface parking, $5,500 / stall.
-Removes (14) angled street parking spaces along 5th Street.
-Need to maintain access to east side of McKee building.
-View to east from a couple of small second story windows at McKee will be eliminated.

Approximate building square footage and construction estimate

-Based on Museum – Space Requirements and Expansion Study March 2010 the findings call for approximately 26,000 s.f.

We propose the following square footage calculations:

-Street Level	11,400 s.f.
-Second Level	8,900 s.f.
-Third Level	7,200 s.f.
-Total =	27,500 s.f.

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The total area represented above only necessitates the area required based on the expansion study. Any additional living or studio space would need to be calculated into the total. The site and allowed building areas can easily accommodate further scope as the project requires.

The initial building construction would be roughly $225 - $250 per square foot. Using some recent construction costs from the newly installed surface parking lot at 3rd and Lincoln, we can assume approximately $5,500 per parking stall to replace any necessary parking. This does not include property costs and is surface parking only. Any structured parking, possibly in the future development to the north of the existing Museum would be the cost of that developer.

Construction estimate

New Building		
27,500 s.f.	($225 - $250 / s.f.)	=$6,187,500 - $6,875,000
Remodel Existing main/upper/exterior		
26,400 s.f.	($150 / s.f.)	=$3,960,000
Site Work		
Street improvements, landscape, site furnishings, relocate electrical transformers		=$413,000
Furniture, Fixtures and Equipment		=$400,000
Professional Services		
Architectural, civil, mechanical plumbing, electrical, T.I.S., lot merger, entitlement.		=$1,547,125 - $1,650,250
10% Contingency		=$1,014,750 - $1,083,500
Total		**=$13,522,375 - $14,381,750**

*The above estimate does not include any City plan check or permit fees.

**The City of Loveland currently uses a value of $5.80 / s.f. annually for ongoing building maintenance, utility costs and security which would be another continual annual cost of $159,500.

Conclusion

Kenney & Associates believes the project would make a vibrant addition to downtown Loveland. There are a number of hurdles to overcome but nothing that would bring the project to a halt. The existing surface parking will be a large concern, if and where to replace it. The City zoning rules do not require additional

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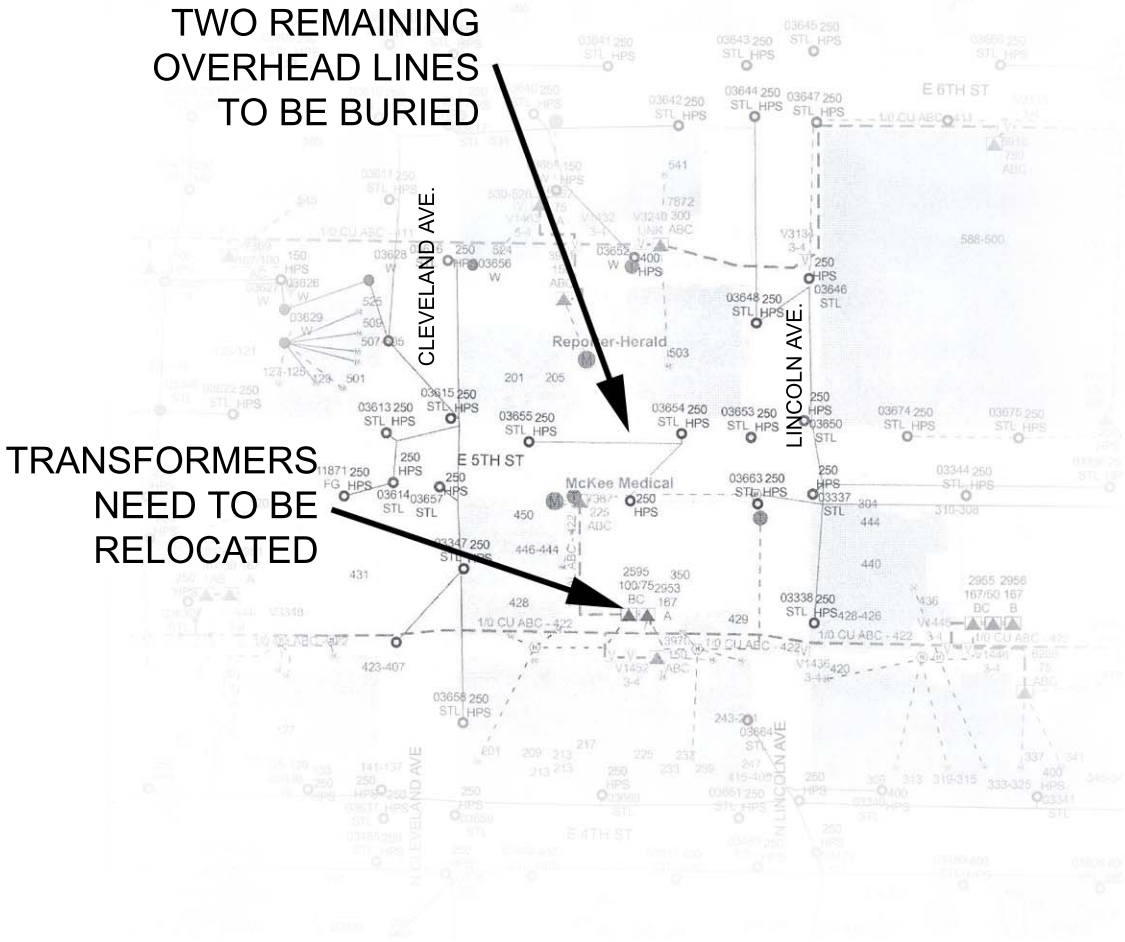
parking based on use and location although it would be in the best interest to provide some adjacent parking. The City does own a surface parking lot directly west of Cleveland Avenue on 5th Street that will remain operational. The remainder of the utility constraints can easily be worked with.

The building itself will also present a bit of a circulation and accessibility challenge, though nothing that cannot be overcome. Linking the existing and proposed building over 5th Street has its limitations but we have some exceptional design ideas that can prove harmonious and rewarding for this prospering area of Downtown Loveland.



ELECTRICAL LINES AND LOCATIONS

LOVELAND MUSEUM GALLERY

City of Loveland

kenney associates inc

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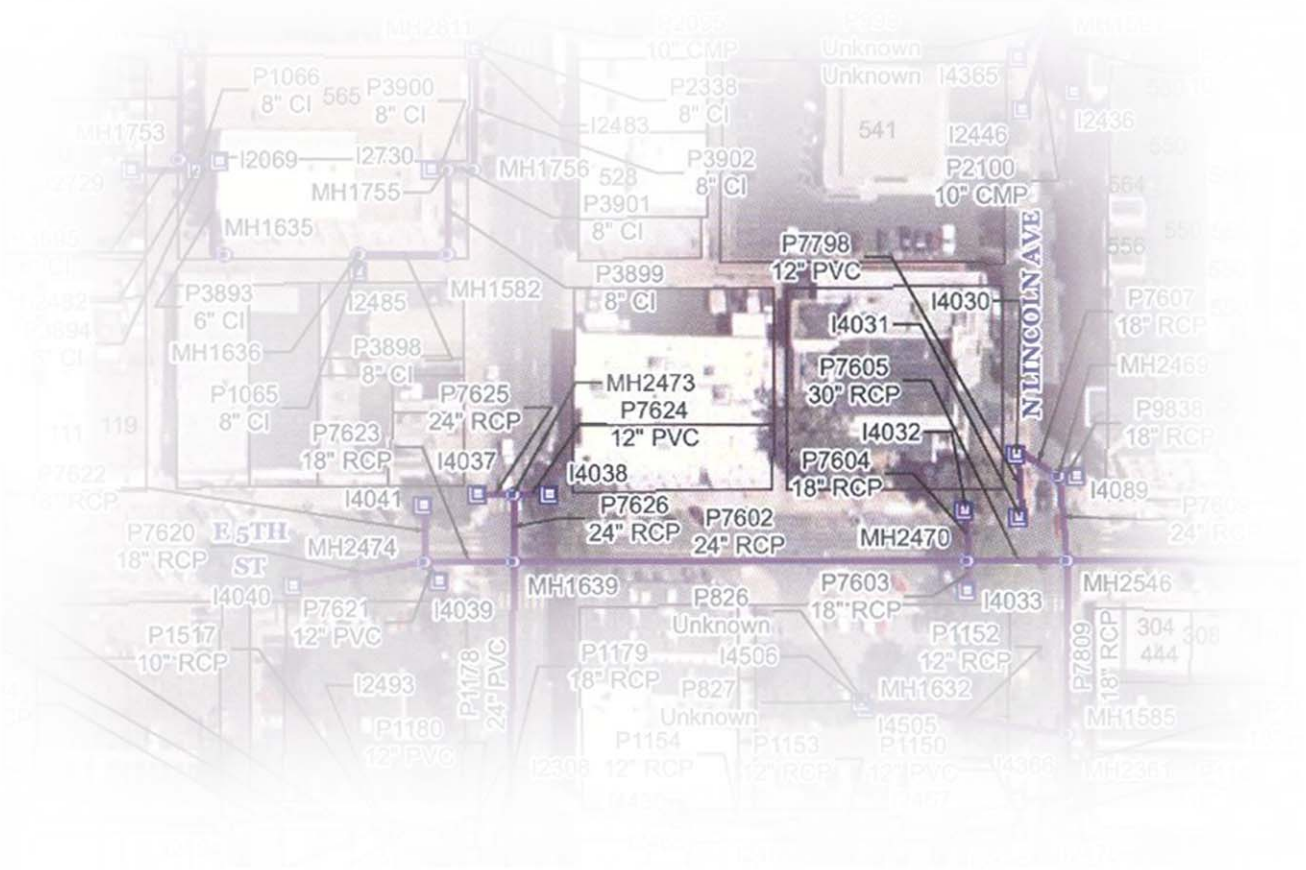

STORM WATER LINES AND LOCATIONS

LOVELAND MUSEUM GALLERY

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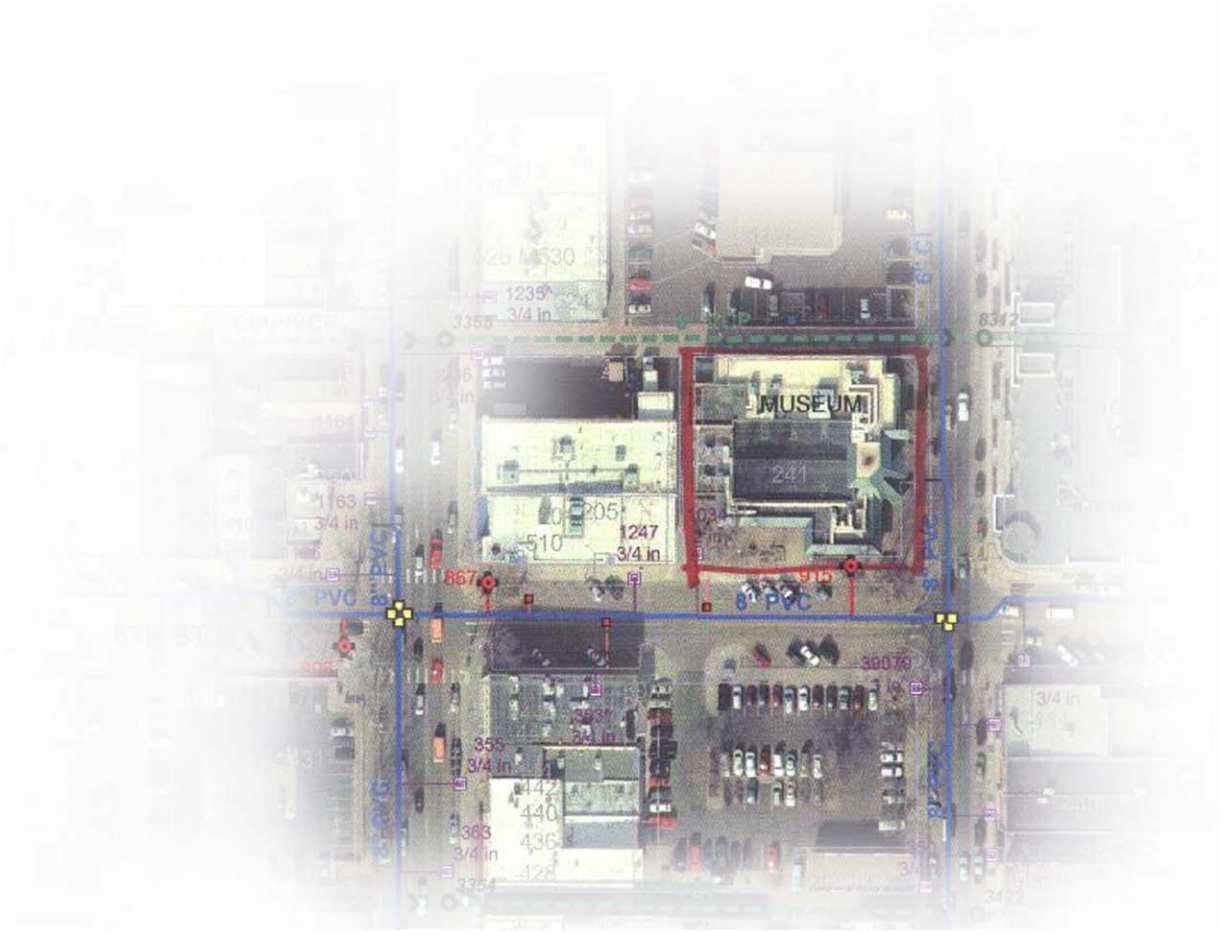

WATER LINES AND LOCATIONS

LOVELAND MUSEUM GALLERY

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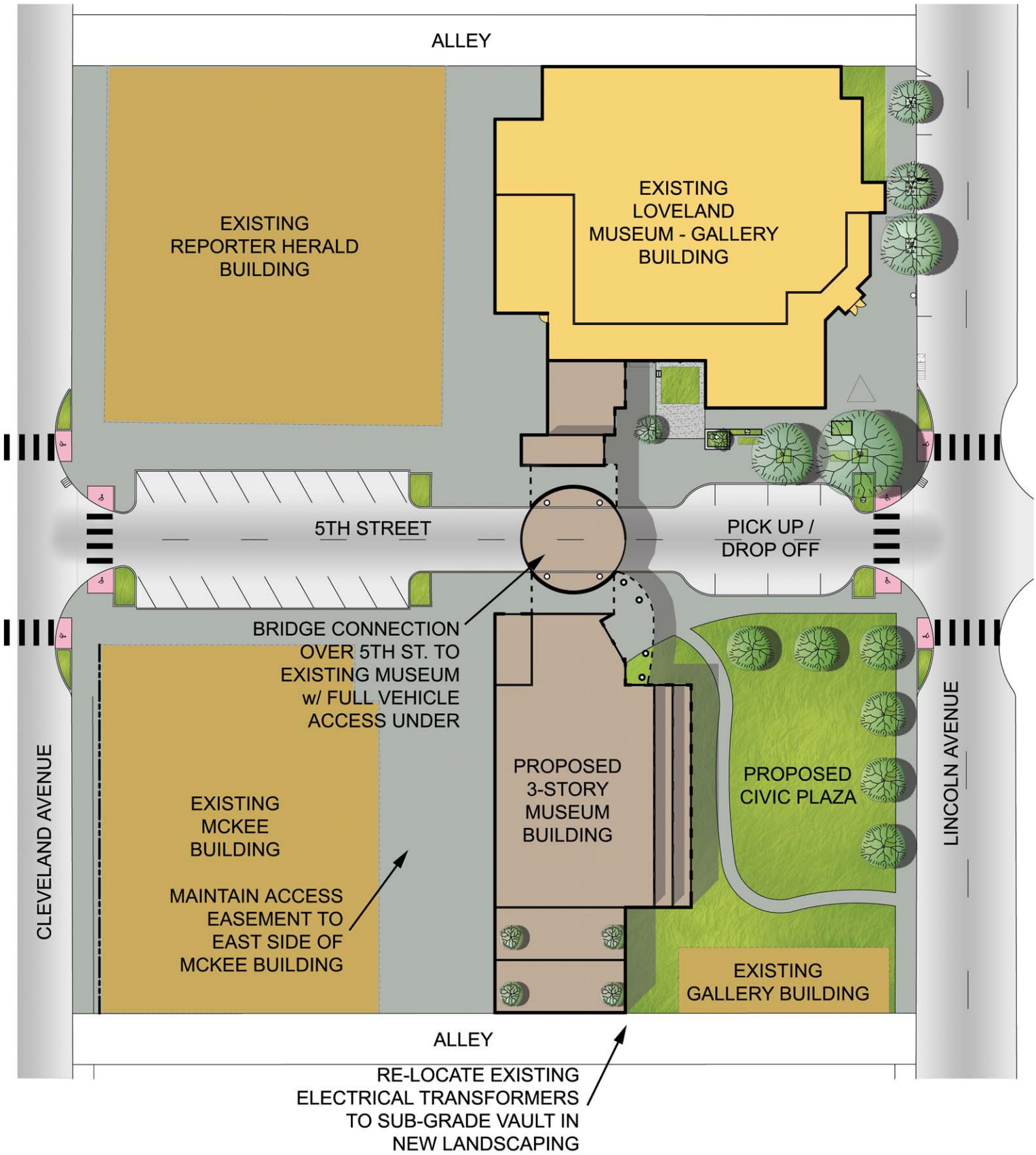

SITE PLAN

LOVELAND MUSEUM GALLERY

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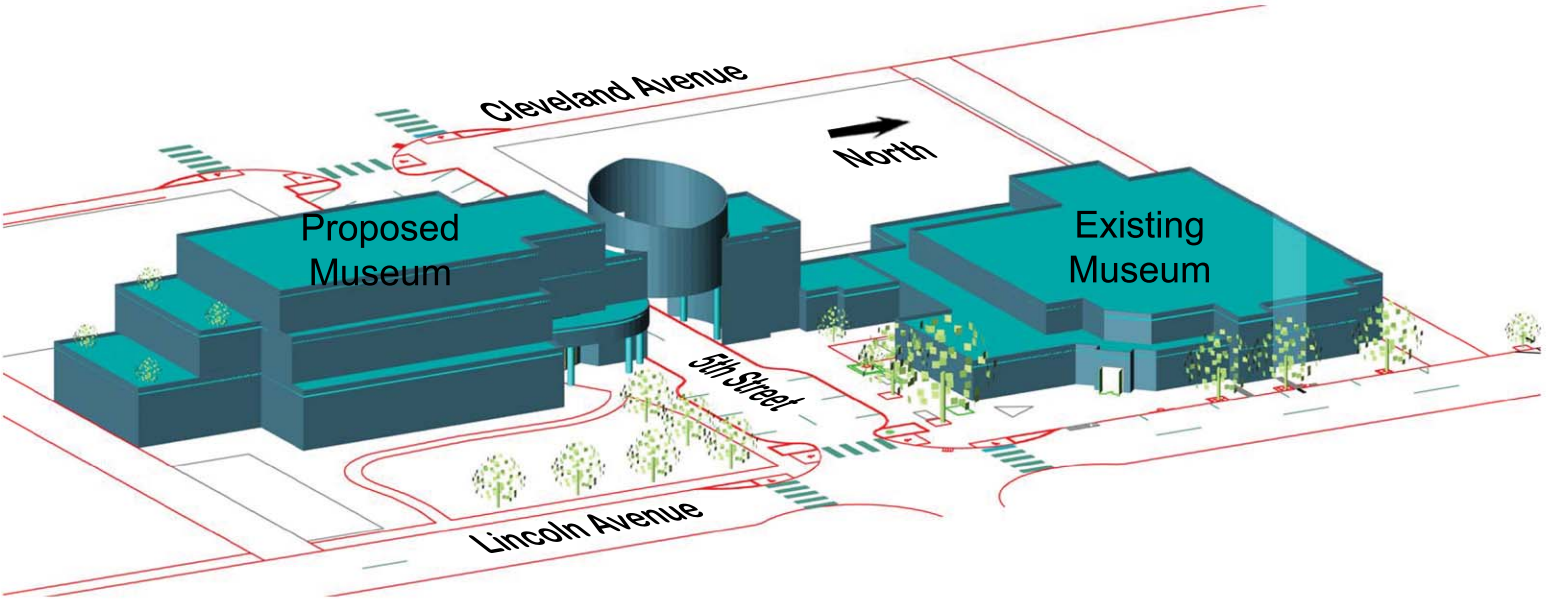

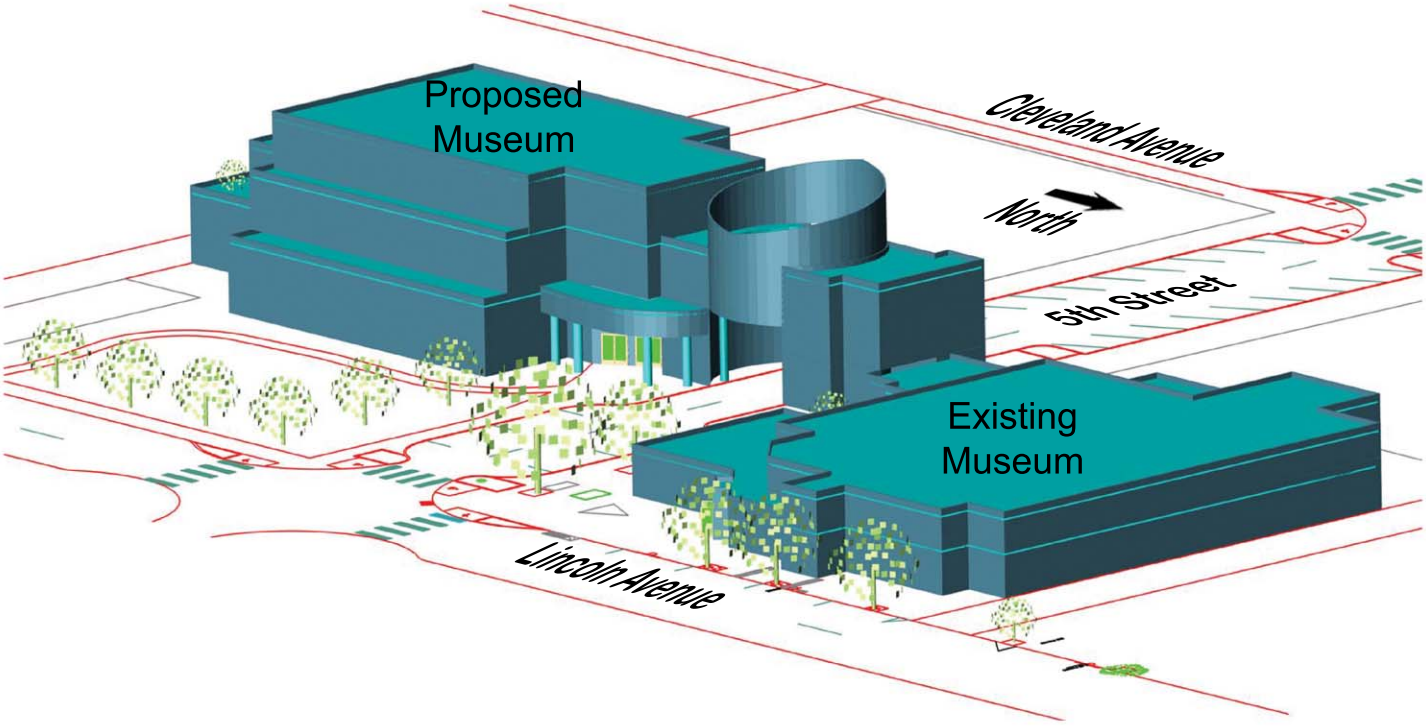

MASS MODEL VIEWS
FROM EAST, LOOKING WEST

LOVELAND MUSEUM GALLERY

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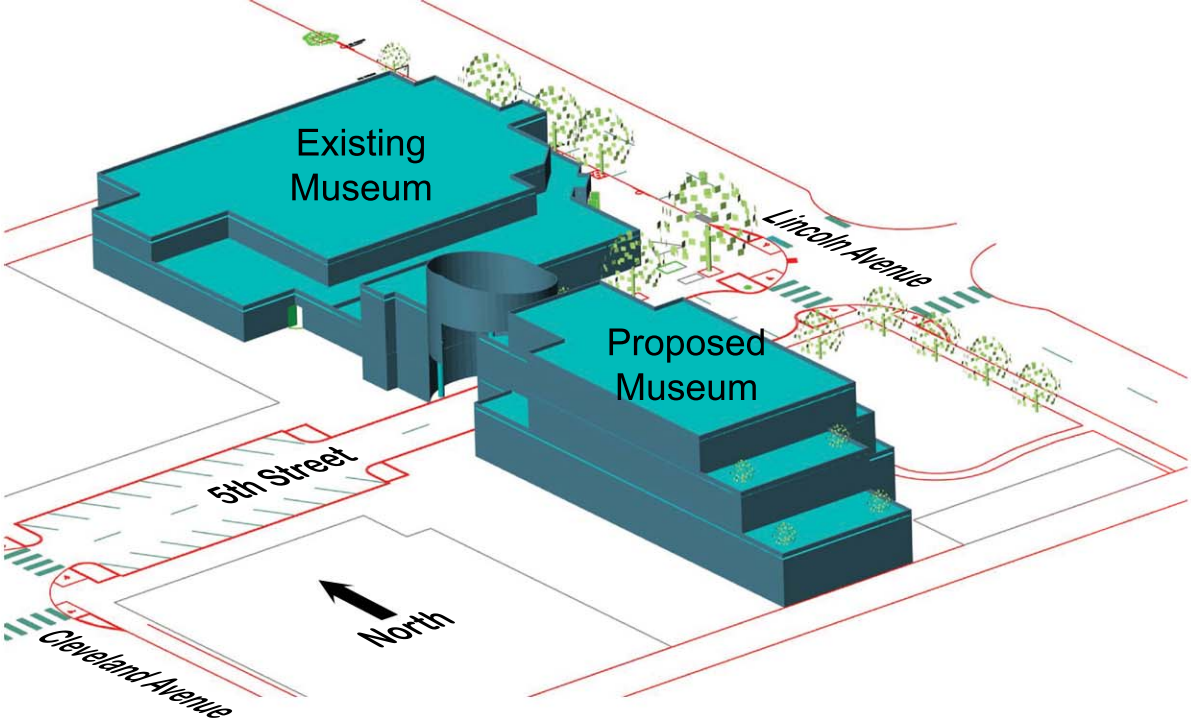

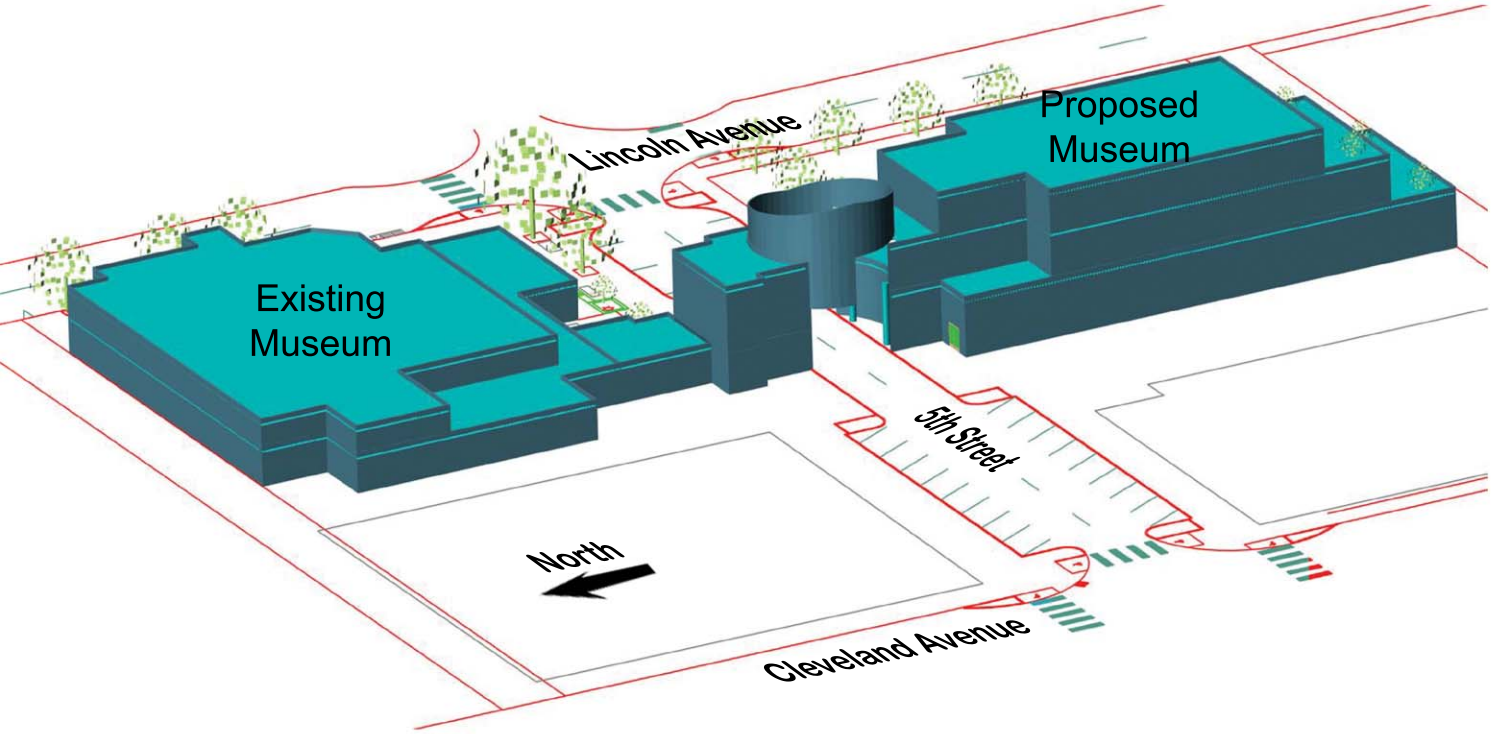

MASS MODEL VIEWS
FROM WEST, LOOKING EAST

LOVELAND MUSEUM GALLERY

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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: 12/13/2011
TO: City Council
FROM: Steve Adams, Water and Power Department
PRESENTER: Larry Howard, Water and Power Department

TITLE: Raw Water Master Plan Update

RECOMMENDED CITY COUNCIL ACTION:
Discuss and provide staff with feedback and comments.

DESCRIPTION: Staff will review work and concepts related to development of a Raw Water Master Plan Update for the City of Loveland.

BUDGET IMPACT:
☐ Positive
☐ Negative
☒ Neutral or negligible - This is a discussion item only.

SUMMARY:
The City of Loveland has a long history of planning for the water supply needs of the community. This document reflects the work of that effort and recommends steps for the City to take in ensuring a reliable water supply for the future. Staff will report on discussion and any action from the December 7, 2011 Construction Advisory Board meeting and the December 12, 2011 Planning Commission Meeting.

At the October 19, 2011 Loveland Utilities Commission meeting, the commissioners unanimously approved a motion recommending that the City Council adopt the 2011 Raw Water Master Plan. The current draft version of the 2011 Raw Water Master Plan is available on the City's website at http://www.cityofloveland.org/modules/showdocument.aspx?documentid=7725, or in hardcopy at the City Clerk's Office or City of Loveland Library.

REVIEWED BY CITY MANAGER: William D. Cahill

LIST OF ATTACHMENTS:
Staff memorandum with attachments A, B, and C
Overview slides for presentation
Executive summary from Draft Final *Raw Water Master Plan Update*
Draft Final *Raw Water Master Plan* (entire report)

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Memorandum

To: City Council

Through: Bill Cahill, City Manger

From: Steve Adams, Water and Power Director

Subject: Raw Water Master Plan Update

Date: December 2, 2011

Cc: Chris Matkins, Larry Howard, Greg Dewey and Sarah Smith

Attachment A: *Timeline of Events Leading to the Proposed RWMP Update*

Attachment B: *Questions from the July 12, 2005 City Council Study Session*

Attachment C: *Compiled Meeting Comments Related to the Raw Water Master Plan Update*

At the December 13, 2011 City Council Study Session, Water & Power staff will be presenting information about the RWMP update. Staff will be seeking Council's preliminary guidance regarding the 2011 DRAFT Raw Water Master Plan (RWMP) and the recommendations it contains. At the Loveland Utilities Commission meeting on October 19, 2011, the LUC formally recommended that City Council adopt the 2011 RWMP Update, with some allowances for minor clarifications in the report. Depending upon comments received from the December 13, 2011 study session, staff will bring forward a proposed resolution seeking adoption of the RWMP Update at a January, 2012 City Council Meeting.

The City of Loveland has a long history of planning for the water supply needs of the community. The RWMP Update is a document reflecting the work of that effort and recommending steps for the City to take in ensuring a reliable water supply for the future.

The original Raw Water Master Plan (RWMP) in 2005 was designed as a tool to help staff recommend to City Council the necessary steps to assure that the City's estimated future demands for raw water are met. The RWMP presented and analyzed alternative projects, and provided guidelines for ongoing evaluation of those alternatives to determine which best meet those future demands. The RWMP was completed and adopted by City Council in 2005.

It was expected that the RWMP will be revisited on approximately a 5-year time frame and updated based on the City's future water supplies and demands, and on the future availability of the various sources of water or feasibility of the various options. This RWMP Update report reflects the first update to the original RWMP and is presented for your consideration and input.

The Recommendations from the Raw Water Master Plan Update are included on the following page of this memo for convenient reference. The current draft version of the 2011 Raw Water Master Plan is available on the City's website at http://www.cityofloveland.org/modules/showdocument.aspx?documentid=7725, or in hardcopy at the City Clerk's Office or City of Loveland Library.

Raw Water Master Plan Update Recommendations

Based on results from the Raw Water Supply Model and review of the City's current policies related to fees, requirements, acquisition and development of a reliable, high quality supply of raw water for the City, the recommendations to City Council from the LUC and staff are as follows:

1. 1-in-100 Year Drought Planning
   A. Continue to plan for the City's long-term policy of preparing for a 1-in-100 year drought event with no curtailment.
   B. Use the City's water resources wisely, and use conservation as a tool for more meeting demands during severe droughts, but not as a source for meeting future supply demands up to the 1-in-100 year event.

2. 2011 *Raw Water Supply Yield Analysis Update* (SWE Report)—Raw Water Supply Model (RWSM)
   A. Continue to use the 2011 *Raw Water Supply Yield Analysis Update* and the Raw Water Supply Model as tools to evaluate proposed policy changes related to acquisition and planning for raw water supplies.

3. Continue to use a raw water demand target of 30,000 acre-feet.

4. Modify the City's current policy for accepting raw water. The basic components of any policy revisions may consider, without limitation, the following:

   A. CBT
      i. Require that at least 40 percent of every raw water payment be made using CBT, existing cash credits in the Water Bank, or cash-in-lieu.
         a. Accept CBT, cash credits in the Water Bank, or cash-in-lieu for the full payment of any raw water requirement.
         b. Keep the credit value of CBT, currently 1.0 acre-foot per unit.
      ii. Continue purchasing CBT acre-foot units, on an ongoing basis under favorable market conditions.

   B. Ditch Shares
      i. Adjust the credits for ditch shares to the actual values as determined by the current 2011 SWE report using either of the following methods, at the developer's option:
         a. For average yields as determined in the RWSM for ditch credits, require the storage fee to make up the difference between the firm yield and the average yield.
         b. For firm yields as determined in the RWSM for ditch credits, do not require a storage fee.
         c. Any ditch credits currently in the water bank originally deposited prior to July, 1995, may be granted average yields without requiring the storage fee.

ii. Accept any native water shares in the City's Growth Management Area that in the City's opinion may successfully be transferred in Water Court.

C. Storage
Do not adjust the Native Raw Water Storage Fee (NRWSF) from the current fees.

D. Cash-In-Lieu
i. Remove the current limit on cash-in-lieu transactions. Allow use of cash-in-lieu on any transaction.
ii. Continue to keep the City's cash-in-lieu fee 3 percent higher than the market price of CBT water, to allow for administrative expenses in acquiring water.

Below is Table 9-1 from the Raw Water Master Plan, showing a summary of the recommended factors for the various ditch shares:

Table 9-1: Summary of Recommended factors for Ditch Shares

Irrigation Company	Current & Proposed NRWSF ($/acre-foot)	Proposed Average Credit With storage (acre-foot/share)	Proposed Firm Credit w/o storage (acre-foot/share)
South Side	$6,770	4.55	1.46
Louden	$6,850	12.17	2.43
Buckingham	$7,400	6.36	0.38
Barnes	$5,750	3.32	0.86
Chubbuck	$7,400	2.94	0.41
Big TD&M	$3,530	186.57	70.90

5. Continue to consider the benefits of different types of storage:
A. Upstream Storage
i. Provides "annual storage"
ii. Provides "firming storage"
B. Downstream Storage
i. Provides staging for later upstream exchange.
ii. Provides staging for releases downstream.

6. Consider implementing elements of the maximum run conditions identified in Table 6 of the SWE Report.

7. Evaluate the most effective ways to make use of reusable supplies:
A. Exchange upstream for municipal use.
B. Sell or lease to downstream users.
i. Determine a reasonable policy for providing augmentation water to others, including value, storage, and administration.
C. Continue to monitor the applicability of a purple-pipe raw water irrigation system.

The intent of these policy changes is to ensure the reliability of water the city accepts, thereby adhering to the charge by City Council to be able to meet future demands for water without curtailment in up to a 1-in-100 year drought. These steps are designed to enhance the City's economic prosperity and potential for continued future growth.

Recurring Questions in Public Comments during the 2005 Raw Water Master Plan and the 2011 Raw Water Master Plan Update Processes

- How was the increase in the Native Raw Water Storage Fee determined?: The Native Raw Water Storage Fee was originally established by City Council on June 20, 1995 with Ordinance #4096, and set at $400. This was determined by comparing with the price of CBT water, which at the time was $800 per unit. The assumption was that without storage, the native water would only deliver 50 percent of its average yield so 50 percent of a CBT unit was required to make up the difference. On March 4, 1997, in Resolution #R-12-97 City Council raised the fee to $475 although the price of CBT water at that time was much higher and would have justified a higher fee. On November 15, 2005, Ordinance #5039 set the fee at different amounts for the various ditches to reflect the differing seniorities of their decrees. The average fee was targeted to be $6,000/AF, which reflected the approximate market differences between the value of CBT, which is stored, and native rights from the ditches, which require storage. The increased fee was phased in as follows: 1) one third of the amount was due for transactions beginning January 1, 2006, 2) two thirds was due for transactions after January 1, 2007, and 3) the full fee, averaging $6,000/acre foot, went into effect beginning January 1, 2008. The fee has remained unchanged since that time.

  During the meetings in 2005 while the fee was being contemplated, Staff obtained information from local water brokers who suggested that the value of native ditch water was $5,000 per acre-foot. To provide parity for anyone dedicating water to a development, the total cost of dedicating ditch water was compared to the price of CBT, which at that time was $11,000 per unit. The City's yield model assumed that each CBT unit would deliver 1 acre-foot. The NRWSF was set individually for each ditch according to the various storage ratios in the SWE report, averaging $6,000 per acre-foot for all the ditches. This procedure required a smaller fee from the more senior ditches with smaller storage ratios, thereby requiring less storage, and a higher fee from ditches with higher storage ratios, which require more storage to make the yield firm.

  Staff and LUC do not recommend changing the Native Raw Water Storage Fees at this time. Staff obtained current information from local water brokers who suggested that the value of native ditch water is about $2,000 per acre-foot and CBT is about $8,000 per unit. The City currently credits CBT at 1 acre-foot per unit. The current fee averages $6,000 per acre-foot for all the ditches. To provide parity for anyone dedicating water to a development, the total cost of dedicating ditch water with the storage fee, as compared to the price of CBT, are both about $8,000 per acre-foot.

- Who should pay the cost for a storage project or CBT water?: This philosophical question has also been phrased, "Should growth pay its own way?" The existing customers/citizens may benefit marginally from additional storage, but have already paid for storage in the Green Ridge Glade Reservoir Project. Since 2006, a 1% increase to the water rates has been added every year, with the accumulated monies to be set aside in a fund used for water resource development, such as building water storage or buying CBT water. In this manner, existing customers are paying for a portion of their marginal benefit.

  Among developers, those who use cash credits or CBT water are not creating a deficit like those using native water rights. The developers who use native water rights are the

ones who need to provide storage to deliver firm yields every year if growth is to pay its own way.

- What is the City's plan for funding a reservoir or other water resource project?: The Native Raw Water Storage Fee still falls far short of meeting the total estimated cost of building storage. Although, $6,000 per acre-foot of water credit on average is being collected, the lowest identified cost of storage for native water in the Big Thompson Basin upstream of the water treatment plant and below Rocky Mountain National Park is $7,768 per acre-foot of storage space constructed, adjusted using the "Handy Whitman Index for Public Utilities" from 4th quarter, 2008 dollars. This information comes from the "*Comprehensive Study Report, Loveland Storage Reservoir*," dated June 19, 2009 by BasePoint Design Corporation, On average 2.6 acre-feet of storage is required to create 1 acre-foot of firm yield. This results in a cost of $20,197 per acre foot of firm yield ($7,768 x 2.6 = $20,197), of which the $6,000 represents about 30 percent.

  The basic question is, "Who will need to make up the remaining 70 percent of the cost?" In 2005, the City Staff and LUC discussed that since a future water resource project will be needed in the future, the remaining funds could be generated by continuing to collect monies from a 1% per year rate increase, a bond issue, or low interest loan. This remains the City's current plan.

  However, collections of money received to date are very small compared to the total cost of meeting the increased demand. The Native Raw Water Storage Fee has been collected since it was instituted in 1995. However, the fees collected up through 2004 were used in the expansion of Green Ridge Glade Reservoir. Since 2005, $1.28 million in Native Raw Water Storage Fees and $1.27 million in cash-in-lieu have been collected. Of the 1% increase to the water rates previously mentioned, there is $1.5 million in the fund.

  Alternatively, CBT could be purchased at a much lower price per acre foot of firm yield. Current market prices appear to be in the $7,500 to $8,100 range, compared to the dedication of native rights, requiring $20,197 for storage to ensure the availability of the water when needed.

Conclusion

The process leading to the recommendations before Council tonight has been discussed, studied and publicly vetted over nine years. The Raw Water Master Plan Update has been thoroughly reviewed by experts in the water resources field, City Staff and the Loveland Utilities Commission. It is generally recognized that the current policies create parity among the options for paying raw water requirements. The Update is meant to reaffirm the City's priorities for securing a safe and reliable water supply in a fiscally responsible manner.

At the LUC meeting on November 16, 2011, Staff and LUC recapped the comments from the October 19, 2011 LUC meeting and public hearing. Staff reviewed the schedule for additional public presentations: Construction Advisory Board (date set as December 7, 2011), Planning Commission (December 12, 2011) and Loveland Utilities Commission (set for December 14, 2011). At the December 13, 2011 city council study session, staff will provide updated information from the Construction Advisory Board, and Planning Commission meetings. The date of those meetings precludes written summaries being included in the study session packet.

Attachment A
Timeline of Events Leading to the Proposed RWMP Update

Considerable effort from many entities and individuals has occurred over many years, dating back to the initiation of the Water Utility in 1887. The timeline below focuses on more recent history and significant events related to raw water planning and specifically the RWMP and Update.

- At the regular LUC meeting on September 18, 2002, Water & Power staff presented information showing that the City's acceptance of raw water from local ditch companies at average yield values without storage was creating a deficit in the City's future ability to meet demands. Staff proposed that the credits allowed by the City for shares in these companies be reduced from average to firm yield values to stop the accumulation of the deficit.
- At the City Council meeting on December 10, 2002, a presentation on Raw Water Supply Issues was made showing the same type of information: the City's acquisitions of water for development were not keeping pace with actual demands because of the mounting deficit. Council instructed staff and the LUC to work to resolve this issue and bring suggestions back to Council for modifying the current raw water policies.
- In early 2003, a Project Committee was created, made up of LUC and City Council members and staff. The Project Committee reviewed and agreed upon a scope of work for Spronk Water Engineers (SWE) to perform an analysis of the City's raw water system to estimate the firm yields the City can expect to meet future demands. Spronk Water Engineers was chosen because individuals in the firm are very familiar with the City's raw water supplies and the Big Thompson River basin hydrology from years of doing water supply and water rights engineering for Loveland. They had the technical expertise and experience to produce a technically solid computer model and report.
- The project to analyze the City's water rights was begun, and with the concurrence of the same Project Committee was expanded in August, 2004, to include additional elements. A report entitled *Raw Water Supply Yield Analysis* was completed by SWE, and was presented in draft form at the November and December, 2004 LUC meetings. Changes were made to the report as a result of input from the LUC members and from public comments during that period. The report was presented to the LUC in its final form at the January, 2005 meeting. Relevant questions asked at the earlier meetings were addressed in the information provided in January, 2005 to the LUC members. The final report was then presented to Council on February 8, 2005.
- On March 1, 2005, Council adopted Resolution #R-25-2005 directing staff to use the SWE report as a tool in developing a RWMP for the City. SWE's *Raw Water Supply Yield Analysis* report's only recommendations were that the City should, in summary:

    1) continue to use the same 1-in-100-year drought planning policy as it has historically,

    2) continue to use conservation as a hedge against potential future droughts greater than 1-in-100-year events, but not as a way to meet the demands of events less severe than a 1-in-100-year drought,

3) use the report and model in the future to develop and refine water acquisition strategies such as acquiring native water, transmountain supplies, or storage, and

4) use the model to update and evaluate changing incremental yields over time.

Using the SWE report as a tool, staff and the LUC explored a number of water supply alternatives. Cost information was developed for these alternatives. The LUC agreed to meet twice a month so that the policy and technical issues could be thoroughly discussed.

- At the June 15, 2005, LUC meeting the final elements of the RWMP were discussed and a unanimous vote was made by the LUC, among the members who voted, recommending adoption by City Council (there was one unannounced abstention from the voting, which was pointed out two weeks later by the nonvoting member). The RWMP included specific recommendations for revisions to the current policy for accepting raw water.

- At the July 12, 2005 City Council Study Session, a draft copy of the RWMP was presented to Council. Staff and the LUC members presented information about the work that had been accomplished and the recommendations included in the RWMP. Public comments were heard by Council. A list of questions and comments from Council and the public was compiled, and are addressed as an attachment to this memorandum entitled, *Questions from the July 12, 2005 City Council Study Session*.

- At the September 20, 2005 City Council meeting, Staff presented a proposed ordinance on first reading amending Chapter 19.04 of the Loveland Municipal Code and modifying water rights acceptance policies in accordance with the recommendations from the approved the RWMP as presented to the City Council at a study session on July 12, 2005. The changes were designed to enhance and protect the City's raw water supply and to improve the equity between various methods of making raw water payments. The intent of the proposed policy changes was to increase the reliability of raw water supplies the city accepts, thus adhering to the charge by City Council to be able to provide its customers adequate water without curtailment in up to a 1-in-100 year drought. Increasing this reliability would enhance the City's economic prosperity and potential for continued future growth. Just the single step of requiring that 40% of each transaction be CBT water was a significant step toward mitigating risk and protecting the City's ability to meet its citizens' future demands. The CBT water is already stored, and its acquisition reduces the City's dependence on native waters which are creating the deficit that increases the need for additional storage in the future.

  A public hearing was conducted with seven people speaking. Each councilor stated possible policy positions that he/she could or could not support listing in the proposed ordinance: phasing, delayed implementation, grandfathering for commercial/industrial approved and recorded plats, and affordable housing waiver. The council moved to table the ordinance and for staff to act on the direction given.

- At the November 3, 2005 City Council meeting, Staff presented a proposed ordinance on first reading amending Chapter 19.04 of the Loveland Municipal Code and modifying water rights acceptance policies in accordance with the recommendations from the September 20, 2005 City Council meeting. A public hearing was conducted with three people speaking. After adopting the proposed ordinance on first reading, the Council considered four separate amendments. The result was a phasing of the native raw water

storage fees and CBT yields over two years instead of four years. The Council adopted the amended ordinance on first reading.

- At the November 15, 2005 City Council meeting, one of the Councilors stated he would like to review the ordinance that was presented by staff at the November 3, 2005 meeting and recommended phasing the native raw water storage fees in four years instead of two. A public hearing was conducted with two people speaking. The Council considered four separate amendments. The result was a phasing the native raw water storage fees and CBT yields over three years. The Council adopted the amended Ordinance #5039 on second reading.
- At the November 15, 2005 City Council meeting, the City Council adopted Resolution #R-95-2005 which adopted the RWMP and authorized its use to develop and compare policy options to meet the future raw water needs of the City.
- January 1, 2006 was the date of the initial change in native raw water storage fees and CBT yields occurred, as contemplated in Ordinance #5039. This was also the beginning of a 1% increase to water rates, with the accumulated monies to be set aside in a fund used for water resource development, such as building water storage or buying CBT water.
- January 1, 2008 was the date the final change in native raw water storage fees and CBT yields occurred, as contemplated in Ordinance #5039.
- At the LUC meeting on July 21, 2010, Water & Power staff initiated the first update to the original RWMP. Discussed at the meeting were the need to determine alternatives to be included in the 2010 Raw Water Master Plan update for meeting future demands and their evaluation parameters. The LUC and Staff agreed that the first step would be to have Spronk Water Engineers update their yield model.

- At the LUC meeting on August 17, 2011, staff from Spronk Water Engineers presented the results of the City's model update. The results were summarized in the DRAFT report accompanying the agenda packets mailed out to the LUC members prior to the meeting, entitled *Raw Water Supply Yield Analysis Update, City of Loveland, August 2011*. LUC members were encouraged to review the report and provide comments.

- At the LUC meeting on September 21, 2011, Staff followed up on direction from the LUC at the August 17, 2011 LUC meeting, and used the 2011 Raw Water Supply Yield Analysis Update as a tool in updating the City's Raw Water Master Plan. Prior to the meeting, Staff provided LUC members with a *DRAFT Raw Water Master Plan Update, City of Loveland, September 16, 2011*. The report was also posted on the City's website for the public to review. This document reflected information which Staff and the consultant, Spronk Water Engineers compiled, and provided useful background information to help LUC members consider options and form opinions about their recommendations. At the meeting, Staff requested LUC input on a number of decisions which provided direction for the final Raw Water Master Plan. The goal of the meeting was to obtain direction from LUC to allow Staff to submit a DRAFT FINAL report to the LUC in October, to be considered later for recommendation for adoption by City

Council. The LUC also requested that the next LUC meeting be scheduled to allow for expanded public comment and staff to personally invite potentially affected parties.

- At the LUC meeting on October 19, 2011, Staff followed up on direction from the LUC at the September 21, 2011 LUC meeting, and revised the report and recommendations. Prior to the meeting, Staff provided LUC members with a *DRAFT FINAL Raw Water Master Plan Update, City of Loveland, October13, 2011.* The report was also posted on the City's website for the public to review. A public hearing was conducted with four people speaking. A list of questions and comments from Council and the public was compiled, and are addressed as an attachment to this memorandum entitled, *Comments related to 2011 Raw Water Master Plan Update, Comments / questions from public at Loveland Utilities Commission meeting October 19, 2011*. After addressing the comments, the LUC formally recommended that City Council adopt the 2011 Raw Water Master Plan Update, with some allowances for minor clarifications in the report.

- Development Services Department staff determined that the 2011 Raw Water Master Plan relates to and should be incorporated into the City's 2005 Comprehensive Master Plan ("2005 Comprehensive Plan") by reference as a functional (component) plan element. Staff prepared a presentation on the 2011 Raw Water Master Plan for the Planning Commission in a public hearing on Monday, November 14, 2011; however, the Planning Commission continued the item until its meeting on December 12, 2011.

- At the LUC meeting on November 16, 2011, Staff and LUC recapped the comments from the October 19, 2011 LUC meeting. Staff reviewed the schedule for additional public presentations: Construction Advisory Board (date set as December 7, 2011), Planning Commission (December 12, 2011) and Loveland Utilities Commission (date set as December 14, 2011).

Attachment B
Questions from the July 12, 2005 City Council Study Session

General thoughts from staff:

At the Study Session, there was discussion about native water rights currently in the City's Growth Management Area being acquired by domestic water providers other than Loveland. The following are City staff's thoughts on that issue.

The Big Thompson River is not necessarily a good target.

- One-stop shopping is not available
    - Large (controlling) percentages of shares are unavailable in any single ditch system.
    - There is not a large yield of water relative to other possible sources.
    - There are considerable contractual obligations already in existence with many of the ditch systems.

What could be the real impact to Loveland?

- Other entities still must preserve the historic river regime (historic return flows).

- If water were diverted above Loveland, the actual diversions could not be any greater than the historical diversions.

- If water were diverted below Loveland, the City would still realize the benefit of having the water enhancing streamflows for the river reach through the city.

Where would it go?

- Locally (Berthoud, Johnstown, LTWD) – Not likely to be competing heavily for the same ditches used for development in Loveland because other ditches run through their areas.
    - Still must satisfy same terms and conditions as Loveland would.
    - Water would still be "in the area" to the benefit of the area.
    - Loveland still realizes a benefit of the water enhancing streamflows through town for any water diverted below Loveland.
    - Berthoud
        - Currently focused primarily on the Handy Ditch system, which is outside the Loveland Growth Management Area and service area.
    - Johnstown
        - Currently focused primarily on the Home Supply system, which is located mostly outside the Loveland Growth Management Area and service area.
        - Possibly interested in Hillsborough, which is diverted below Loveland's WWTP and is primarily outside of the Loveland Growth Management Area and service area.

Attachment B
Questions from the July 12, 2005 City Council Study Session

- Regionally South (Firestone, Frederick, Denver, Thornton, Aurora) – Not considered likely.
    - Limited exchange potential on the South Platte would make pipelines necessary
    - Pipeline would require a direct route to end user, and would probably need to be two-way to bring back return flows.
    - Thornton purchased water in 1985, but still needs to build two pipelines for delivery. One is for diversion to use the water, one is for return flows to the Poudre River. Thornton may look for partners to complete this project.
    - Aurora has recently made a move to acquire water shares east of Greeley and build a pipeline to Aurora. Not likely that Aurora will look any further west in the near future.

- Regionally West (Estes Park)
    - Topography and the presence of national forest and Rocky Mountain National Park limit any large scale development. It is conceivable that a few shares in Big Thompson River ditches may be used for augmentation of wells. However, the river regime should not be impacted.

- Regionally East (Greeley, Windsor, Eaton)
    - Except for Greeley, these entities already look to the Poudre or other sources and are not currently focused on the Big Thompson. Greeley has avoided taking more shares of GLIC from the Loveland area because of the difficulty of making required return flows to the river this far west. This same issue would exist for Windsor or Eaton as well.

Comments / Questions from City Council:

1. **What does the Water Bank agreement say regarding the fluctuation of credit value?**

   Each depositor of water rights into the City's Water Bank signs a standard agreement. The standard form of the agreement contemplates changes in the credit values, made at the City's discretion.

2. **What is the rationale for using the 100-year drought as the benchmark?**

   Planning for a 1-in-100 year drought is the direction that City Council gave staff in 1986 during the CDM Drought Study. Using the 1-in-100 year drought is not uncommon. In our area, Longmont, Little Thompson Water District, and the CBT Project use the 1-in-100 year drought in their planning. Although Fort Collins and Greeley use a 1-in-50 year drought, it is a term of art. Their modeled drought (7 years in duration) may be as intense as Loveland's modeled drought.

The Spronk Water Engineers report which was accepted as a tool in developing the City's Raw Water Master Plan on March 1, 2005 affirmed the City's historic planning policy to: (1) continue to use the same 100-year drought planning policy as it has historically, and (2) continue to use conservation as a hedge against potential future droughts greater than 100-year events, but not as a way to meet the demands of a 100-year drought.

3. Will the new policy increase the likelihood of Denver area communities purchasing water from our basin and transferring it to theirs?

No one can accurately predict what will happen in the future; however, the proposed policy changes are not likely to greatly increase the potential for water to leave to other communities. Any other water provider must wrestle with the same issues the City of Loveland does—yield during drought years, return flow obligations, and the need for storage. Any Denver area community would also need to invest in expensive additional infrastructure as well, such as lengthy conveyance pipelines and rights-of-way to deliver raw water and carry return flows. To be worthwhile, a potential buyer would likely be searching for large blocks of agricultural water, which may be more easily acquired in other tributary basins or along the South Platte main stem.

4. As part of this study, did the LUC and staff consider the amount of raw water required for particular developments (residential vs. commercial, etc.)?

No. The amount of raw water required is the other side of the equation from the value of ditch shares. After the City calculates the raw water requirement, the developer determines which sources to use to satisfy the requirement.

The City has recently reevaluated the way the residential water requirements are calculated. The formulas used to calculate requirements were adjusted to match actual metered water use, and staff believes they reasonably reflect the amount actually used. The commercial water requirements will be reviewed in a similar manner, and a recommendation made to adjust them if necessary.

An alternative to reducing the amount of water to meet actual demands would be to grant lower credits, effectively requiring more shares for each requirement. This would have the effect of producing adequate water during more years, but still would not cover the winter period each year. It would not solve the firm yield issue without at least some storage, because the firm yields are typically only a fraction of the average yield.

5. Why increase the CBT credit value to 1.0 a.f./unit (rather than leaving it at .7359?)

The CBT Project yields at least 1.0 acre-foot per unit when the City and other users need it the most during drought conditions along the northern Front Range and in the Big Thompson basin. In fact, having a varied portfolio of water rights which includes both CBT waters and native water rights allows greater flexibility in meeting demands and actually tends to increase the total firm yield of each of the various components. The current credit value of 0.7359 acre-feet per unit is a long-term average which has little

meaning during the extreme event the City must plan for. Using the factor is also important in setting the City's cash-in-lieu of water rights fee. Cash-in-lieu is determined by dividing the market price of a CBT unit by the yield in acre-feet per unit, resulting in a price per acre-foot. Using a higher yield is reflective of the actual yield and results in a lower cash-in-lieu price per acre-foot.

6. Did the LUC and Staff discuss adjusting the fee for the various ditches to reflect the differences among their storage ratios (rather than relying on an average of $6,000 for all the ditches)?

Yes. The following schedule was developed by adjusting the various ditches in terms of the storage they need to produce their average yields and using the average Native Raw Water Storage Fee (NRWSF) of $6,000 per acre-foot of ditch water:

Barnes Ditch	$5,753
Big Thompson Ditch &Manufacturing Co.	$3,534
Chubbuck Ditch	$7,397
Farmers Ditch	$4,384
George Rist (a.k.a. Buckingham) Ditch	$7,397
Louden Ditch	$6,849
South Side Ditch	$6,767
AVERAGE	***$6,000***

The LUC voted to recommend that the NRWSF be set individually for each ditch according to the various storage ratios, but should average $6,000/af for all the ditches. This procedure requires a smaller fee from the more senior ditches with smaller storage ratios, and a higher fee from ditches with higher storage ratios.

The LUC and staff recognize that the storage fee is substantially lower than the actual cost of firming the native water. However, the fee is a good start to accumulating funds for a future raw water project, and bonding will be required to complete the project. The rate impact for those future residents is unknown at this time, but those receiving the future benefit will be the ones paying the cost.

7. What will be the impact to local farmers or owners of the native ditch shares?

There will be no impact to a farmer who wants to continue using his or her water for agricultural purposes. For those who are planning to use the water to meet water rights requirements in Loveland, the policy may reduce the paper value of their shares. However, the only reason for an apparent increased value was that the City was willing to accept the water without questioning its firm yield. Without parity among the developers, Developer A can bring a quantity of water at average yield, without its own storage, and be treated the same as Developer B, who brings a firm supply. The adjustments in the policy are meant to bring better parity among the options for meeting raw water requirements for development in the City.

Some farmers have waters which likely have limited or no value to a municipal water provider. In this case the highest and best use may be to continue using the water to raise crops. The City has no responsibility to accept this water to the detriment of the citizens' potable water supply.

Some developers pass through to the builder as much of the development costs as the market will bear. Likewise, builders may pass on their costs to the end user (i.e. the business owner or homeowner). As with any input cost, the basis will determine the profit margin. If a water right owner wants to develop under the new policy, the increased storage fee may reduce the owner's profit margin but will not likely stifle development. It is not likely that a developer or builder would increase the cost of the product by the new storage fee because he/she would be in competition with others who did not pay the storage fee. Recall that the proposed policy reduces the cost of the water dedication when cash-in-lieu or CBT are dedicated, and creates parity between the different methods of making raw water payments.

Comments / Questions from the Audience:

8. What is the impact of these policy changes?

The impact of these policy changes on the cost of development within Loveland will be positive in some situations and negative in others. The acquisition cost of water is market driven and the City is not directly involved with this aspect of the development process. The following are possible impacts from these policy changes to the cost of development:

- For raw water requirements met using CBT units, the credit per unit increases from 0.7359 af/unit to 1.0 af/unit. The number of CB-T units required is *reduced by 36%*.
- Developments with a raw water requirement less than or equal to four acre-feet, or portions of larger requirements with cash-in-lieu allowed up to four acre-feet will pay a reduced Cash-in-Lieu fee per acre-foot, since the CBT credit is increased. The current reduction would be from $14,947.68/af to $11,330/af., a *decrease of 24%*.
- The total cost of water, either CBT or Cash Credits, or native water plus the NRWSF, to satisfy future raw water requirements, may be *reduced* in some cases. Currently the general total cost of water credits to meet raw water requirements ranges from roughly $10,000 to a cap of $14,947.68 per acre-foot. The new policy would likely set the high end of the cost of water per acre-foot to the current estimated market price of CBT units, about $11,000.
- There may be individuals who have recently purchased water rights in or out of the Loveland Water Bank for use in future projects and paid prices that do not reflect the effect of the increased storage fee. They may experience a *higher total cost* using that

water. Many owners of ditch shares have owned them for many years and have a low initial cost basis.

- The requirement of 40% CBT for every transaction has an unknown impact on the overall market price of CBT water. Since CBT units can be purchased from anywhere within the Northern Colorado Water Conservancy District boundaries, the increase in demand in Loveland alone is not anticipated to impact prices on the CBT market significantly.

9. The 100-year drought benchmark is too aggressive.

Using a less aggressive benchmark (like a 1-in-50 year drought) means more than just living with a brown lawn occasionally. Having a reliable water supply, especially during drought times, is critical to commercial and industrial customers. While most residential customers may reduce their use (primarily outdoor water use) without significant financial impact, some commercial or industrial customers, producing goods and services, may have no alternative but to reduce production if water is not available.

Also, reducing a drought benchmark of 1-in-100 years to 1-in-50 years does not mean that the yield of the City's raw water sources would double during a drought. There is not a linear relationship between the drought benchmark and ditch yields. Reducing the drought benchmark by half would likely result in an increased ditch yield of only about 10%.

10. Can water rights be withdrawn from the Water Bank after they've been deposited?

According to the terms of the standard water bank agreement that each depositor signs, provisions exist for withdrawing water rights from the Water Bank after they are deposited, up until the time the City has incurred costs in transferring them for municipal use.

11. The City should take a look at implementing conservation measures.

Conservation does not change the need for storage or the quantity of storage needed to make firm any particular native water rights that are dedicated. The storage ratio between the amount of storage built and the firm yield remains the same. Conservation may reduce the total quantity of native water rights needed over time, but requiring less water based on conservation measures leaves fewer alternatives when serious drought occurs. The City may decide to consider rebating a portion of a water rights dedication if over the long-term the residents in a development show a reduced water use from the amount initially collected. However, to make this work would require an active Owners Association or Special District and a noticeable surcharge fee for any use in excess of the amount initially collected. This is really a separate issue from the storage requirements.

12. City policies should be fair and take into consideration the community's "good faith belief" in the City (i.e., increasing the storage fee by 15 times in one action is not fair).

The proposed Native Raw Water Storage Fee still falls far short of meeting the total estimated cost of building storage. Going from $475 per acre-foot to approximately $6,000 per acre-foot on average is about a thirteen-fold increase. However, preliminary estimated costs of storage for native water in the Big Thompson Basin upstream of the water treatment plant and below RMNP are as high as $19,000/acre-foot for an unspecified reservoir site. With an average storage factor of about 2 ac-ft of storage needed for each 1 ac-ft of firm yield, that estimate would result in a cost of $38,000 per acre-foot of firm yield needed for storage. In that scenario, $6,000 per acre-foot is less than 16 percent of that cost. The basic question is, who will need to make up the remaining 84 percent of the cost? Under the current scenario, once the money is needed for a storage project in 20 or 30 years, the remaining funds could be generated by a bond issue or low interest loan, with a rate increase put in place to cover the principal and interest payments.

13. Why do the holders of the native water have to pay to store the water? The City should spread out cost among those who benefit from the water.

This philosophical discussion has been phrased, "Should growth pay its own way?" The existing customers/citizens do not need the additional storage which will be required if the native water acquired in the future is expected to deliver average yields every year. They have already paid for storage in the Green Ridge Glade Reservoir Project. Among developers, those who use cash credits or CBT water are not creating a deficit like those using native water rights. Only the developers who use native water rights need to provide storage to deliver average yields every year.

14. If the policy is implemented, the City will have to adjust the storage fee on a regular basis as CBT market prices increase or decrease.

Staff and LUC have not included a recommendation to adjust the fee in this manner. However, the City Council may decide to adjust the fee as CBT market prices increase or decrease. An unintended consequence which might result would be fixing the market price of native rights in the area at an assumed value of $5,000 per acre-foot.

15. The City should look at moving water between storage facilities ("storage is storage") and increase its Windy Gap commitment.

Each type of storage has a distinct use. There are legal, administrative and institutional constraints that do not allow the City to move water between storage facilities unless certain, sometimes very expensive or difficult, conditions are met. Windy Gap storage is not available for storing the City's native rights unless a separate environmental process and change of water rights can be accomplished and a carriage contract entered into with Reclamation and the NCWCD. These steps are expensive, and success is not guaranteed. Neither does downstream storage serve the same functions or provide the same benefits as upstream storage. Assuming that 'storage is storage' puts the City at risk.

Council already anticipates the City's participation in the Windy Gap Firming Project by building 6,000 a.f of storage, probably in Chimney Hollow Reservoir. Results from Spronk Water Engineers and staff show that even if the City builds no storage in this project, about 1,327 acre-feet of Windy Gap water are made firm in Green Ridge Glade Reservoir. Building 6,000 a.f. in the Windy Gap Firming Project firms an additional 2,483 a.f., for a total of 3,810 a.f. made firm. The 6,000 a.f. of storage in the reservoir can be built using cash reserves the City has in the Raw Water Fund, and still leaves some cash available to apply toward future raw water projects. The City Council decided against firming the City's remaining 190 a.f., primarily because the incremental cost is too high. Current estimates indicate that firming the 190 a.f. would cost an additional $1.5 million or almost $8,000 per additional acre-foot made firm, not including the cost of the water itself. Staff continues to watch for other opportunities to firm this last increment of the City's Windy Gap water.

16. The City should delay the effect of the policy change for several months (at the very least) to allow for CBT transfers (i.e., it will take time to obtain and transfer the CBT units required by the new policy, and this will delay some developments that are far along in the process).

It is up to the City Council to decide if a phased approach to increasing the fee is warranted and when the policy changes will be implemented. Implementation of the policy as proposed will affect different parties in different ways. Overall, the changes will provide a better level of parity among the various options for making payments.

- Those using CBT credits for payment should realize decreased costs. They will probably be in favor of early implementation of the changes.
- The ability to use the cash-in-lieu option will be reduced, so those who would use this option will need to find ditch rights, CBT, and/or cash credits in the Water Bank to use instead of using cash-in-lieu. This may require more effort to accomplish, but is not expected to increase their overall cost.
- Those using ditch rights for payment will be required to pay the increased storage fee. Their net overall cost will depend upon the cost basis for the native water they use. They will likely prefer delayed implementation.

Policy changes have been on the horizon for almost three years. In September 2002, the staff made a presentation to the LUC pointing out that water acquisitions were not keeping up with demand, and specifically looking at the issue of giving average credit for ditch shares when firm yield is what actually matters. In December 2002, the Staff made a similar presentation to the City Council. The Council, LUC and staff have worked together on resolving this issue over the intervening years with considerable public input during the process.

CBT water can be changed easily for City use. Staff recently worked with a local developer bringing CBT into the City Water Bank. Prior to approaching the City, the developer purchased the CBT in two separate transactions from third parties and needed to work with the Northern Colorado Water Conservancy District to transfer ownership.

Once the developer started working with the City, both CBT transactions took City and NCWCD staff less than two months to complete, prior to the City issuing a holding receipt from the Water Bank.

17. We will sell native water elsewhere if the storage fee is increased.

Loveland actually needs only about 12% of the native water available annually in the Big Thompson River. On average, the river delivers about 125,000 a.f./year, and the City's target demand is 30,000 a.f. Of the water the City needs to meet that 30,000 a.f. demand, about half is expected to be CBT or Windy Gap water from the Colorado River, with the remaining half coming from the Big Thompson River.

Obviously, no one knows for sure what the future will bring, but the pressures to move water to locations outside the north Front Range have so far focused on large, more easily accessible systems with large blocks of water which can be moved most economically. The costs of moving water in this way, even in large blocks, are high, with many miles of rights-of-way and pipeline needed to convey water for use and to make return flows to the river of origin. It makes the most sense for an entity searching for significant raw water sources to look at large systems which aren't already heavily involved with local municipal users, and these are most recently being found along the main stem of the South Platte River. Any municipality using this water will also face the same problem of making its availability reliable on an annual and year-to-year basis. If Big Thompson River water is used by neighboring municipalities, it will stay in Northern Colorado and benefit the Northern Colorado economy. Recently, a group known as the Larimer-Weld Water Issues Group (LWWIG) pursued providing an alternative to selling water rights to the Denver-metro area without impacting the market locally. If water rights are sold to a local community in northern Colorado, this objective will have been met.

Attachment C
Compiled Meeting Comments Related to the Raw Water Master Plan Update

Comments / questions from public at Loveland Utilities Commission meeting October 19, 2011

Todd Williams (Williams & Weiss Consulting, 5255 Ronald Reagan Blvd., Johnstown).

I represent Jake Kauffman & Son, Sand and Gravel. I commend the staff and the consultants on preparing a good report. I represent Frank and Mary Kauffman who are the owners of a gravel operation below the City's wastewater treatment plant. Two areas of the RWMP apply to the Kauffman's:

1. The valuation of downstream storage. Kauffman's have been in the process of mining gravel, and are developing storage from the pits. In summer 2011 they completed the lining of a gravel pit and expect it to be certified by the SEO for use as storage by summer 2012. We estimate 1,700 acre-feet of storage can be available. This site is immediately downstream of Loveland's WWTP and upstream of the Hillsborough Ditch.
2. The potential use of wholly consumable water. The Kauffman's and I have been in discussions with city staff and would like to continue discussions to determine uses of wholly consumable water. Our hope is that Kauffman's could provide money or storage in exchange for wholly consumable effluent.

Staff Response: One of the recommendations from the RWMP is to continue monitoring the value of downstream storage, relative to other projects.

Scott Bray (2586 Eldorado Springs Drive, Loveland)

You've admitted in the study that at some point in time, let's say you got the water rights and got the $6,000 fee, but the city will still be short on what is required to build the reservoir. Is it right to get it from the people who own the rights or should it be the City of Loveland paying for storage? In other words, why do the holders of the native water have to pay to store the water? The City should spread out the cost among those who benefit from the water.

Staff Response: This philosophical discussion has been phrased, "Should growth pay its own way?" The existing customers / citizens do not need the additional storage which will be required if the native water is expected to deliver average yields every year. They have already paid for storage in the Green Ridge Glade Reservoir Project, completed in 2004.

Among developers, those who use cash credits or C-BT water are not creating a deficit like those using native water rights. Only the developers who use native water rights need to provide storage to deliver average yields every year.

Attachment C
Compiled Meeting Comments Related to the Raw Water Master Plan Update

What is the City's plan for funding a reservoir or other storage project?

Staff Response: The proposed Native Raw Water Storage Fee still falls far short of meeting the total estimated cost of building storage. Although, $6,000 per acre-foot of water credit on average is being collected, the lowest identified cost of storage for native water in the Big Thompson Basin upstream of the water treatment plant and below Rocky Mountain National Park is $7,768 per acre-foot of storage space constructed, adjusted using the "Handy-Whitman Index for Public Utilities" from 4th quarter, 2008 dollars. This information comes from the "Comprehensive Study Report, Loveland Storage Reservoir," dated June 19, 2009 by BasePoint Design Corporation, On average 2.6 acre-feet of storage is required to create 1 acre-foot of firm yield. This results in a cost of $20,197 per acre-foot of firm yield ($7,768 x 2.6 = $20,197), of which the $6,000 represents about 30 percent.

The basic question is, "Who will need to make up the remaining 70 percent of the cost?" In 2005, the City Staff and LUC discussed that since the storage project is not needed for at least 30 years, the remaining funds could be generated by a bond issue or low interest loan, with a rate increase put in place to cover the principal and interest payments. This remains the City's current plan. Alternatively, CBT could be purchased at a much lower price per acre-foot of firm yield, currently $8,500 compared to the dedication of native rights, requiring $20,197 for storage to ensure the availability of the water when needed.

What is the impact and benefit of the Native Raw Water Storage Fee? How much has been collected? How much is anticipated to be collected from native share-holders, both in the Water Bank and anticipated to be placed in the Water Bank?

Staff Response: The Native Raw Water Storage Fee has been collected since it was instituted in 1995. However, the fees collected up through 2004 were used in the expansion of Green Ridge Glade Reservoir. The table below shows the Native Raw Water Storage Fee collected beginning in 2005. Also shown is a related fee, cash-in-lieu. Since 2005, $1.28 million in NRWSF and $1.27 million in cash-in-lieu have been collected.

Year	Total Acre-Feet Dedicated	Native Raw Water Storage Fee Collected	Cash-in-Lieu Collected ($)
2005	**1,403.9**	$380,185	$413,653
2006	**414.7**	$317,861	$199,618
2007	**189.2**	$292,875	$164,678
2008	**55.7**	$153,047	$235,696
2009	**80.1**	$132,559	$90,215
2010	**132.2**	$0	$62,568
2011		$0	$99,382
Total	**2,275.8**	**$1,276,527**	**$1,265,810**

Attachment C
Compiled Meeting Comments Related to the Raw Water Master Plan Update

How much has been collected from 1% increase to the water rates?

Staff Response: On March 21, 2006, City Council adopted Resolution R-31-2006 approving a 1% increase to the water rates for the purposes of funding a water resource project. Money could be used for various items, including a storage reservoir or buying CBT which is already stored. City Council has maintained the 1% in the rates each year since. As of September 30, 2011, there is $1.5 million ($1,490,535) in the fund.

How do these amounts collected from a relatively few number of native shareholders compare with the total cost of the reservoir?

Staff Response: Since 2005, $1.28 million in NRWSF has been collected. City Staff estimated the additional amount of NRWSF that the City might collect from native shares remaining in the Water Bank as well as native shares not yet dedicated to the City. The native shares subject to the storage fee remaining in the Water Bank total about 1,220 acre-feet of average yield and their related storage fees would generate approximately $6 million when the water is used, under the current fee structure. The native shares not yet dedicated to the City which the City might reasonably expect to receive from the basin total about 3,138 acre-feet of average yield and would generate approximately $14 million.

The updated estimated cost of storage for native water in the Big Thompson Basin upstream of the water treatment plant and below Rocky Mountain National Park is $7,768 per acre-foot of storage (2011 dollars). Using the figures above, assumes 4,358 acre-feet of native shares (1,220 + 3,138 = 4,358) need to be firmed if the remaining shares were all transferred to the City. Using a firming ratio of 2.6 means that for every 1 acre-foot of the 4,358 acre-feet, 2.6 acre-feet of storage need to be constructed for a total of 11,331 acre-feet of storage (4,358 x 2.6 = 11,331). Using the $7,768 per acre-foot of storage, results in a total project cost of $88 million. The $21.3 million of NRWSF estimated to be collected is about 24 percent of the total cost. However, it is likely that the City would receive the fees at the same rate as development, and possibly over several years. It should be noted that current projections for completing the City's raw water portfolio show a need for an additional 2,610 acre-feet, less than the outstanding 3,138 acre-feet mentioned above. Also, given that a storage reservoir might not be needed for at least 30 years should that method be chosen to complete the raw water portfolio, the construction costs and permitting requirements will very likely escalate.

I feel the burden is unfairly placed on a few shareholders who own the rights. Wouldn't it be easier to plug the entire cost of the reservoir you need into the water rates. For example, let's add 10 cents per (1000) gallons. It's easier to add it into the cost. Then there's a market that is obviously limiting the native water rights value. Right now the value of my water is zero.

Staff Response: A 1% increase to the water rates has been implemented every year since March, 2006. This amounts to an average of about 2 cents per 1000 gallons. As of September 30, 2011, there is $1.5 million ($1,490,535) in the fund—5 ½ years after the fund was established. A rate increase of 10 cents per 1000 gallons would be equivalent to at least a 5% rate increase. Funds still would not accrue at the rate needed to fund building storage.

I don't disagree with you. But the point I'm making is that this is such a huge project for the entire public, wouldn't it be more reasonable to determine the sources of revenue, and the timing? If you put the full burden on the water rights holders, your net result will be no water rights dedicated. It's a public good so get the money from who's here right now. I went to a school someone else paid for. The City is trying to create an insurance policy for a drought that may happen without requiring water use restrictions. But if we were in a drought wouldn't we do some cutting back for cutting back purposes? That's just being a good citizen. I think we would still need to cut back. But that's not what this meeting is about.

Staff Response: Given a drought or the inability to sustain City water supplies, it is likely that Staff would recommend some interim measures to City Council. This concept and other related concepts are the subject of the City's Drought Management Plan. This document is meant to ensure water availability during a drought and considers water supply triggers, levels of response and public outreach. The Staff and LUC are scheduled to update the Drought Management Plan by December 2014.

How soon do you want to build it? This would be a good time to build, construction costs are down. The sooner the better. How much money can you charge on the City water rates. Ten bucks a month might be too much, but 10 cents a gallon or month might work. I think people are afraid of exposing the real cost to the public. It's easy to charge Scott Bray $6,000. I'm just an individual and there aren't a lot of people standing behind me. It's harder to go to the public and say we are going to raise rates because we are going to build storage. If that's what they want, they should pay for it.

Staff Response: Many of the federal grants for water treatment plants are administered through each state's drinking water revolving fund, administered by the Colorado Dept. of Health and Environment. The first step to qualify for the grants is to get on the State's revolving fund list, which we have. We did not qualify for the very limited grant money and limited access to low interest loans because there are other projects throughout the State, which the State considers are of higher priority. We also don't qualify because our conservative fiscal plans do not reflect dire financial need.

Our normal approach to project funding is to pay as we go thus avoiding the payment of interest and other long term debt associated costs. In spite of a grant, the bulk of the project cost would need to be funded through debt service, for example a bond issue. The Water Utility has not used bonds for many years, and to do so would require a change in direction from our City Council. This conservative approach has helped keep rates low for our customers.

We also have competing projects and limited resources. Rate increases are necessary for projects needed now. Instead of focusing on a storage project for the future, we have a higher priority on items needed now such as detecting leaks in the distribution piping and then fixing them or replacing aging infrastructure.

Is CBT totally reliable?

Staff Response: CBT is a reliable in a consistent manner with which the City has adopted the 1-in-100 year drought policy. CBT also fits well in the City's overall portfolio of water rights. The City can still acquire another 4,621 acre-foot units of CBT water under its current ownership cap.

Gale Bernhardt -- My question: certainly Loveland is not the first city to have this problem. What are other cities doing to address storage? Do they charge fees? If not, what strategies are they using to pay for storage?

Staff Response: Longmont has storage already. Longmont has historically required 3 acre-feet/ac and 1/3 of that has to be CBT (i.e. stored water). Fort Collins doesn't charge a storage fee but adjusts its cash-in-lieu based on the type of rights they are getting and try to keep a balance between the native and CBT water. Greeley doesn't have this issue because their water from the Big Thompson is in the GLIC and is already stored where they can use it. FCLWD and LTWD have not addressed the storage issue yet with fees.

What about outside the Front Range?

Staff Response: Generally when cities are developing and requiring water to be dedicated, they want water rights to yield water they can deliver, whether it comes from storage or through adjusting the ditch share credits so they reflect the dry year yield. Our community is still growing so we have options how to address this issue, before the water is needed.

John Swartz -- I feel Scott's pain, I was just talking to him. I just placed two shares of Big Thompson Ditch and Manufacturing in the Water Bank. It's not easy to do in some ways, but we looked into the cost of doing different things. We kind of equivocated it to having a pool of crude oil and Loveland is the refinery. There is some cost of moving the water and using the water or deferring it so it could be used properly. I don't know—I think it was kind of a fair game. I hope it doesn't change, but thanks for helping us Greg. That's the only solution we could come up with. It can't be moved across borders so you have to keep it where it's going to be used and deal with the cost of it. I don't know what else to say. Thanks.

Attachment C
Compiled Meeting Comments Related to the Raw Water Master Plan Update

Comments / questions from Loveland Utilities Commission at meeting October 19, 2011

Dave – We need to get on with a staff recommendation and vote.

Gary – I recommend that City Council adopt the 2011 Raw Water Master Plan. John – I'll second that.

Dave – Before we vote are there any other comments?

Randy – For the people out here, I want to say we don't stop when we adopt the plan. We look at this all the time in a continuous process. It doesn't mean it will or won't stay this way. Scott's comments have been considered before. Since I've been on the board that's the struggle we've had. How do we deal with the native water, keep it in the basin and do it at a reasonable cost to the rest of the citizens? It's difficult to say we need to accept something that costs several thousands of dollars to store when CBT is more reasonably priced. We understand the need to keep the water in the basin. Scott has been creative in using native water in his developments for irrigation of open spaces and that's been a good way to use things. I just want to say we don't stop considering these issues. We'll keep looking at these issues.

Gene – I made a suggestion that we add a statement that explains the rationale for the native storage fee.

Larry – I can do that and there may be some editorial changes if you don't mind giving us some leeway on that.

Dave – Yes, and I found a few misprints. I think this is an opportunity to leave it open for editorial changes so we have a complete document. I wish to reiterate that these LUC meetings are long, complex, and open to everyone. The agendas are published. It is this is a most interesting board to be involved with.

Steve – I think from the perspective of staff, we have some more public meetings to go to. We still have some work to do. We will develop a comparison sheet of how raw water dedications are handled by other cities.

As to questions Scott has asked, I would like to say a few things:

First I think we have talked about this idea of how do you balance water that's not available when you need it with wanting to get the raw water that's available in this basin.

I think it's about 3,600 acre-feet sitting there. The problem is we only have 2,600 acre-feet of gap between the target and where you are. Whether you construct a reservoir to close the gap or purchase CBT and finish it off, or some combination thereof, we don't know yet.

I want to assure Scott, there are three components which played into the last recommendation and are in this one.

First, the need. We have talked about the gap. Last time we thought storage in the basin might be the way to close the gap because it was a bigger gap. Because of the water rights we have now and storage in the Windy Gap Firming Project which we expect to be constructed eventually, we have minimized the gap.

Second, we don't need that water until 2050. I am not going to suggest to our LUC that we find a site. We have done a study to identify a location for a site. The owner does not want to sell to us right now. And if we want it in the future, maybe then.

All the environmental regulations are going to get harder to satisfy. The costs of construction and other things are still there.

Here's how you close the gap, we have said we have a storage fee plus the value of native water which together approximately equal the cost of CBT on an acre-foot basis. Those are balanced; they are about the same from the developer's point of view. What we've said is that there are additional costs to build a reservoir. To help close that gap, our City Council has adopted every year since 2006, and again last night, to put 1% of the water rates to collect money to put toward a water resource project to help us close the gap.

Last time we said this, and I apologize you didn't hear this last time, is that there is still going to be a delta in the future. We know there are 1.5 million dollars in the water resource project fund. We will need "X" amount of dollars for the reservoir. We don't need as big a reservoir as we needed in 2005 because the gap is closer. We will go to people in 2040 or 2045 and probably need to pass a bond issue or some major funding to make up the difference, and then close the gap.

So, we have started collecting money and doing these things. We have a need but it is 40 years out. We redo this study in 5 years. If we can purchase CBT, we may not need in the immediate future a reservoir. And we may not be able to use the native ditch water because the gap is closed for now.

But sometime in the future, if we go vertical as Ralph used to say, we may need to do something of a large magnitude in the future. That's where we would come up with a funding plan that would help us close the gap. But I didn't want you to think, Scott that we hadn't developed a plan and a concept of how we're going to get this closed. We can certainly make that clearer and put it in the report to help explain that approach.

Dave – Can I get a slight modification on the motion and the second to allow for some flexibility? (Gary Hausman / John Rust both said, "Yes.")

Motion Passed Unanimously

Raw Water Master Plan 2011 Update

City Council Study Session

December 13, 2011

Today's Outline

- Today's Goals
- Reports on CAB and PC meetings
- Brief History of Water Utility
- Study Background
- Key Assumptions
- Review Work to Date
- Recommendations
- Schedule
- Recommended Action

Today's Goals

- Seeking Council's preliminary guidance regarding the DRAFT Raw Water Master Plan (RWMP) and the recommendations it contains.
- Are there any concerns with the recommendations as they are presented tonight?

Report on Dec 7, 2011 Construction Advisory Board Meeting

(Staff will report on discussion and any action resulting from the meeting.)

Report on Dec 12, 2011 Planning Commission Meeting

(Staff will report on discussion and any action resulting from the meeting.)

- This 2011 update should be incorporated into the City's 2005 Comprehensive Master Plan by reference as a functional (component) plan element.
- Section 6.0 of the 2005 Comprehensive Master Plan requires that the Planning Commission
  - Conduct a public hearing to review the 2011 RWMP Update
  - Make certain findings regarding the proposed amendment
  - Adopt a resolution recommending that the 2005 Comprehensive Plan be amended by addition of the 2011 RWMP as a functional (component) plan element.

Introduction

- Staff and LUC, at City Council's direction, agreed to look at City's water situation. This work began in 2003.
- Assess City's current level of water supply.
- Consider existing policies.
- Determine the water portfolio (types and sources) the City should have in place.
- Recommend any changes to City Council.
- Review recommendations.
- Looking ahead – use the RWMP as a tool to help develop policies to meet future demands.

History (1887 – 2011)

- Water Utility in existence since 1887
- Community Projects: As a community, the City has developed water supplies in the following ways:
  - Domestic rights (direct flow)
  - Original CBT Subscription of 5,113 units
  - Decreed Transfers
  - Participate in original Windy Gap Project
  - Paid for ½ of Green Ridge Glade Reservoir

History (1887 – 2011) cont.

- Role of the former Water Board
- 1988 CDM Study
- Green Ridge Glade Reservoir Expansion
- Spronk Water Engineers (SWE) Model and Report
- 2005 Raw Water Master Plan
- Guiding Principles:
  - High quality water and service
  - Meet demand at full build-out of Growth Management Area
  - Diversification and flexibility
  - Economically acquire and maintain water supply

History (1887 – 2011) cont.

- Development Requirements: In addition, since 1960, other supplies have been dedicated to the City as a requirement of development:
  - Contributions of cash-in-lieu of water rights
    - Paid for ½ of Green Ridge Glade Reservoir
    - Will pay for Windy Gap Firming Reservoir
  - Dedications of CBT Project water
  - Dedications of native ditch shares

History (1887 – 2011) cont.

- Sep 18, 2002 – Staff presented to the LUC that native ditch rights do not meet all of the demand they are intended to "satisfy".
- Dec 10, 2002 – City Council asked staff to bring back policy changes.
- Spring 2003 – Project committee created, made up of LUC and City Council Members and staff.
- June 4, 2003 – Contracted with Spronk Water Engineers to develop a Raw Water Yield Analysis – City of Loveland.
- Feb 8, 2005 – City Council asked staff and LUC to bring back a Raw Water Master Plan.

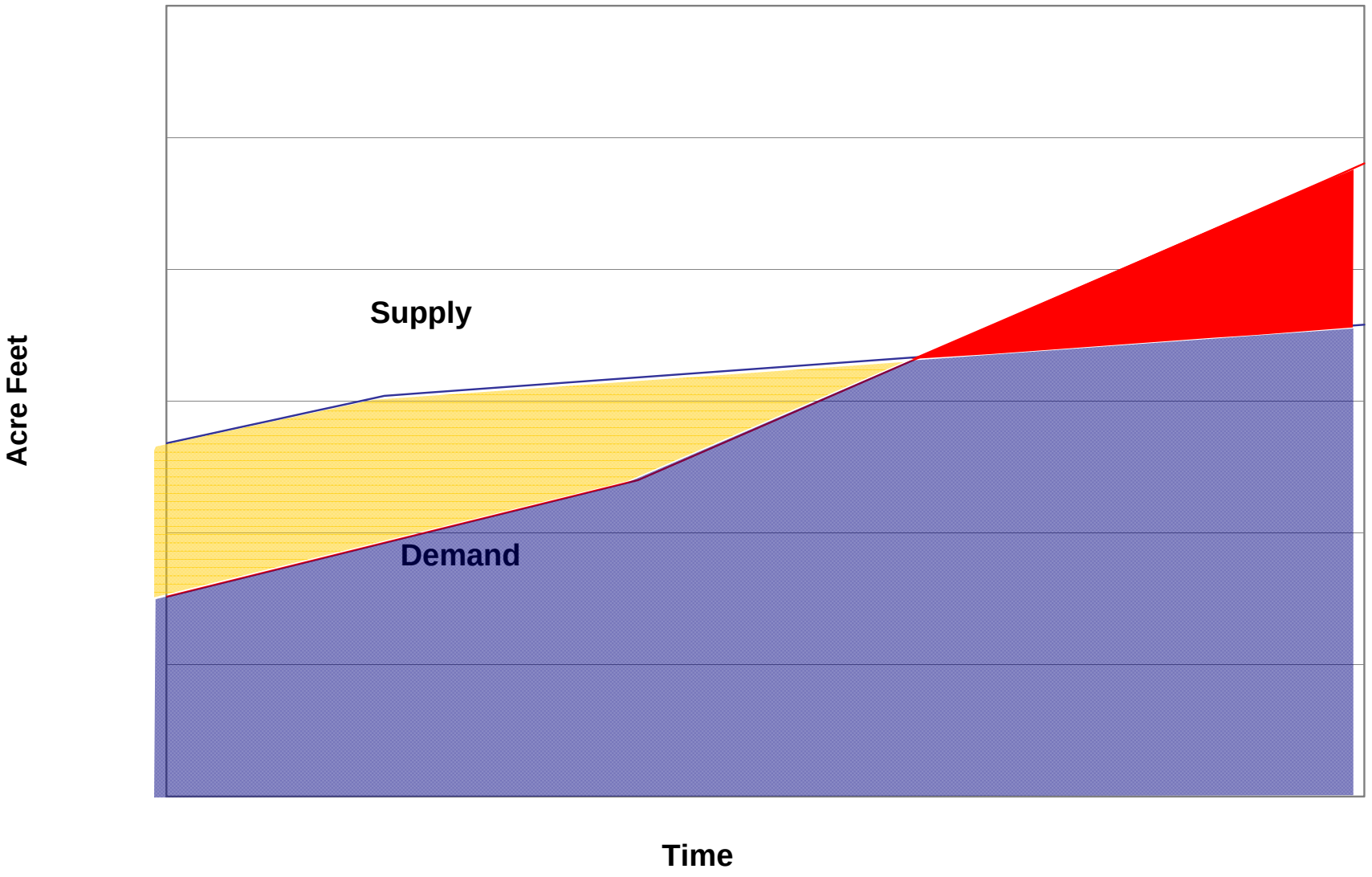
History (1887 – 2011) cont.

- Mar 1, 2005 – City Council accepted Spronk Water Engineers' Report as a tool in developing Raw Water Master Plan.
- Staff and LUC worked jointly on the components of the Raw Water Master Plan: Mar 16, Mar 23, Apr 6, Apr 20, May 4, May 18, Jun 1, Jun 15.
- July 12, 2005– Staff and LUC presented DRAFT Raw Water Master Plan at a study session, where public comments were also heard.
- Sep 20, 2005 – City Council heard 1st reading of an ordinance implementing changes recommended in the Raw Water Master Plan.
- Nov 15, 2005 – City Council adopted the Raw Water Master Plan by resolution and adopted the recommended policy changes by ordinance.

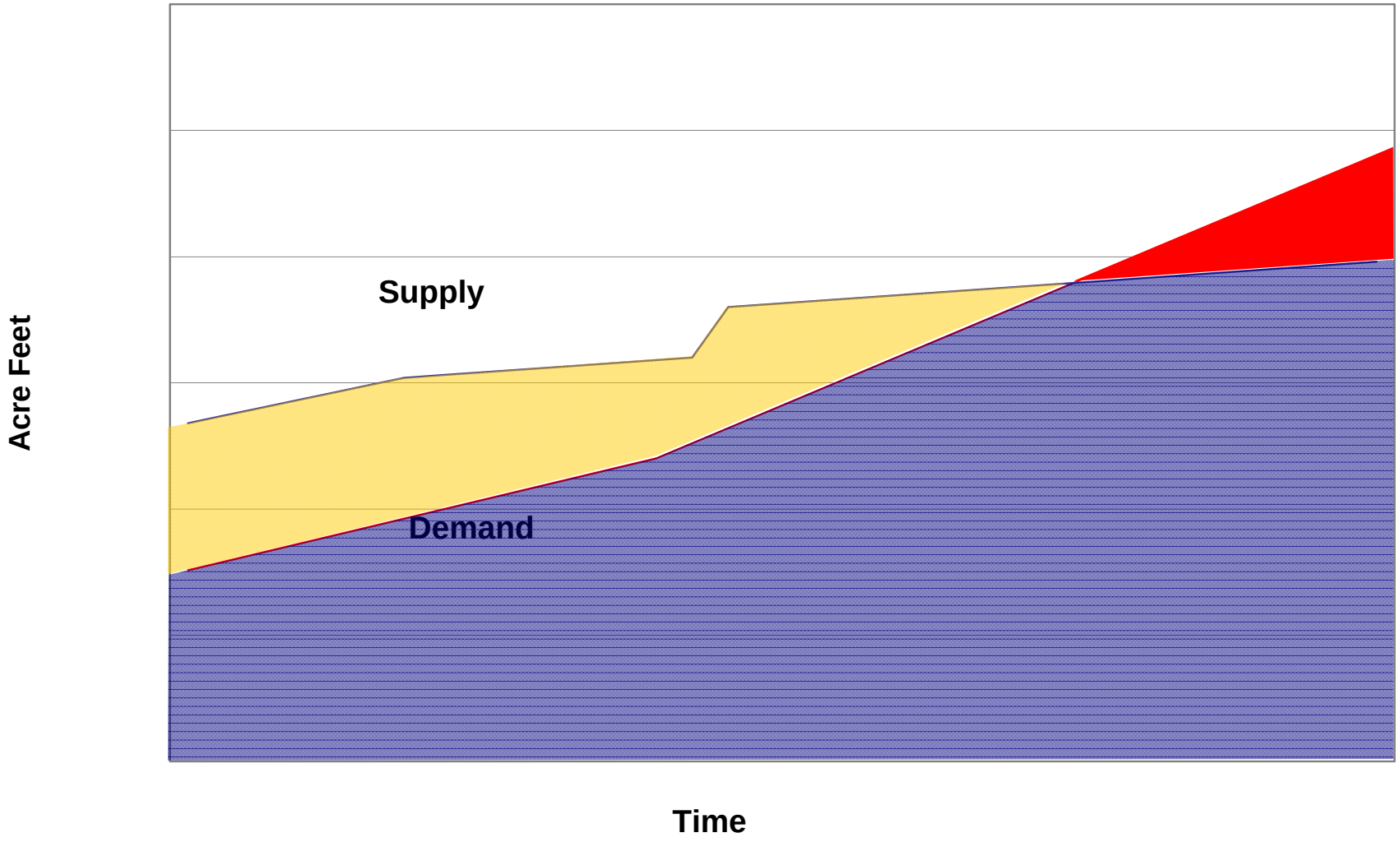
History (1887 – 2011) cont. Recent and Current Events

- Economic downturn slowed growth
- New decree, No. 2002CW392 finalized in 2010
- City purchased 933 CBT units
- Multi-year drought began 2000
- WGFP is not yet built

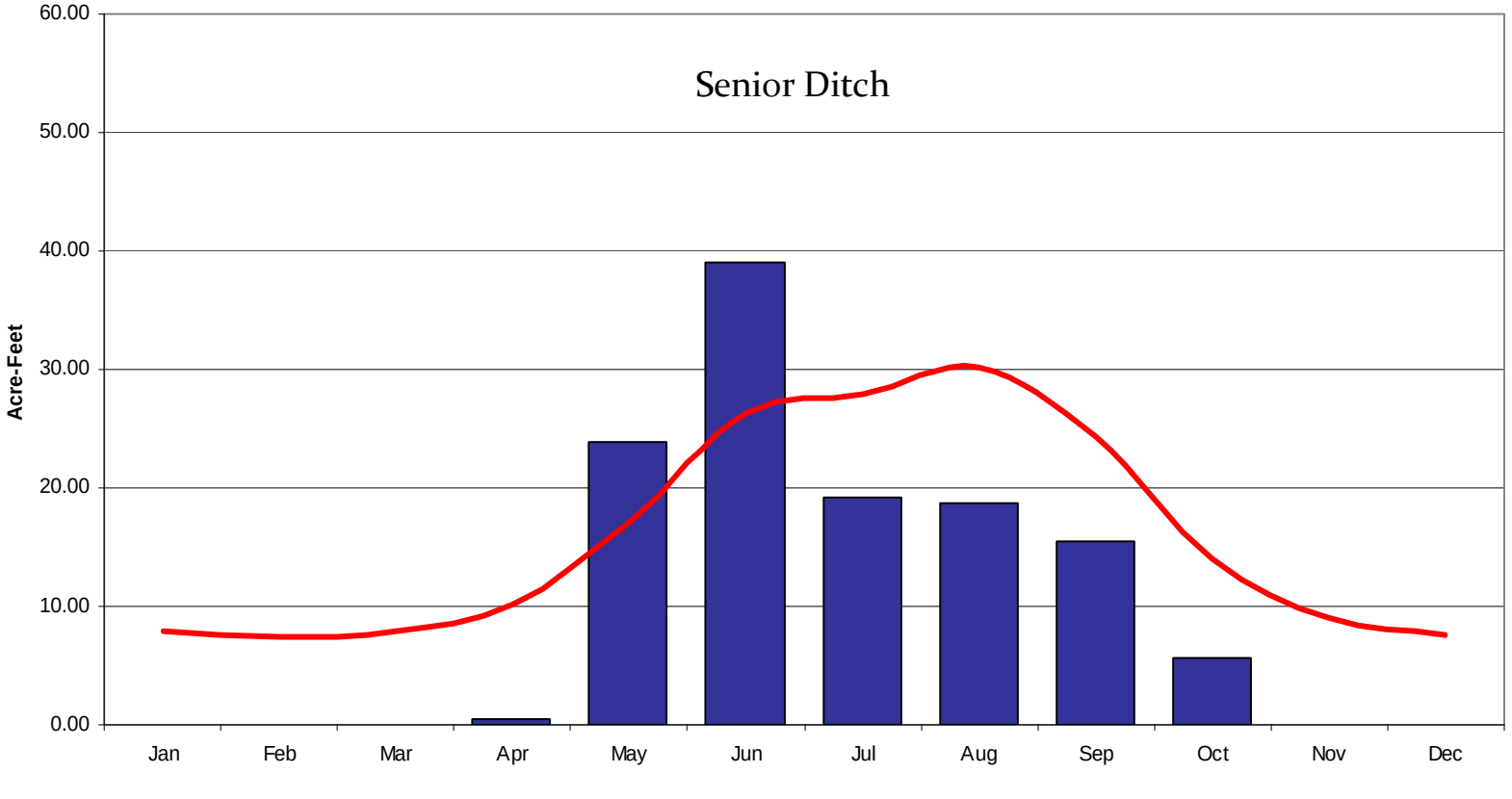
Conceptual City of Loveland Raw Water Policy
(Prior to Green Ridge Glade Reservoir Construction)



Conceptual City of Loveland Raw Water Policy with Green Ridge Glade Reservoir Expansion



1 share of Big Thompson Ditch & Mfg. Co. during 1-in-100 Year Drought Conditions



Notes:

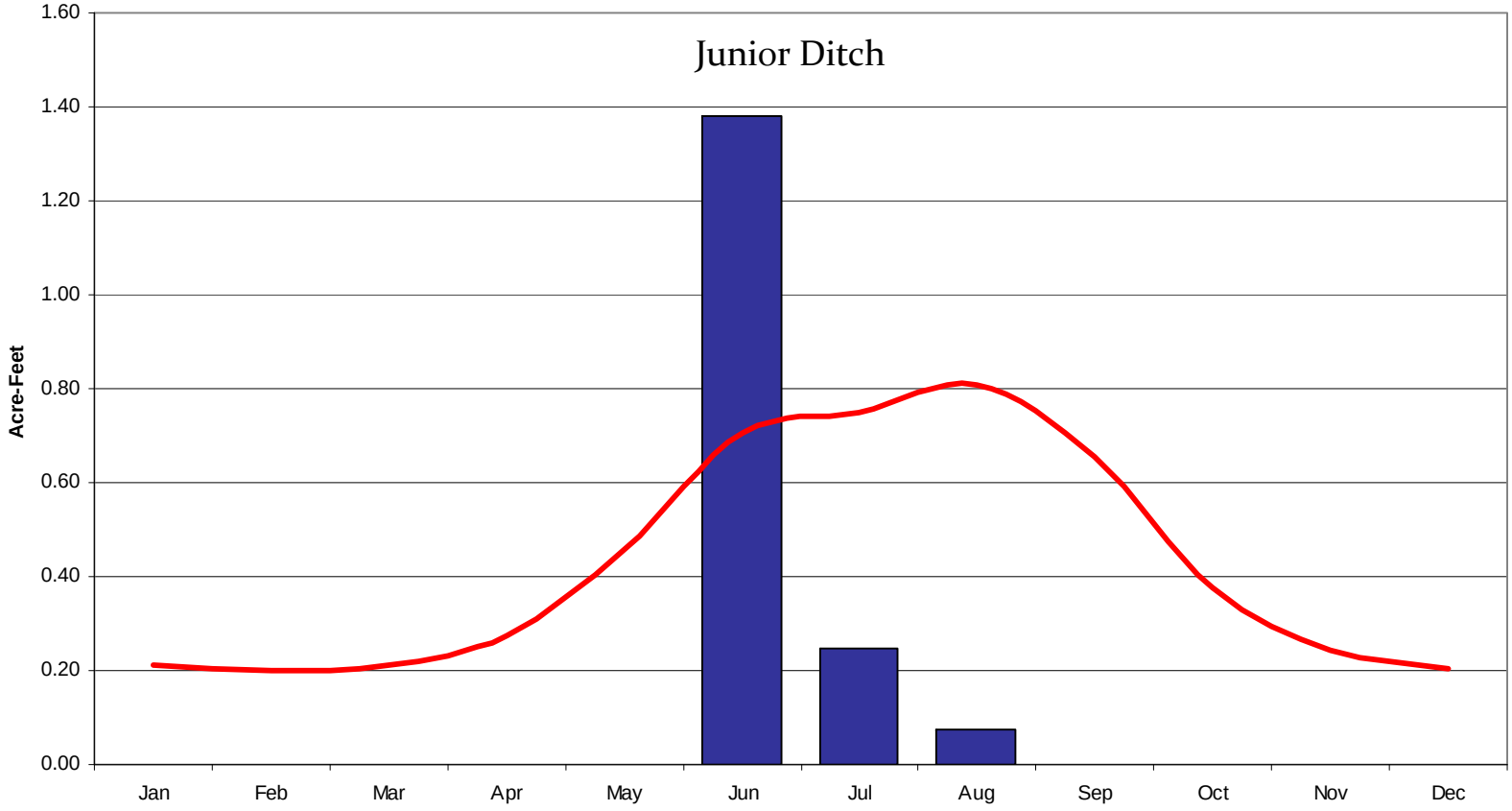
Yield of Big TD/M share = 122 af/sh based on simulated 100 yr drought (Year 2331 CDM Model) using monthly distribution from 1977

Typical single-family equivalent demand = .54 af/yr

1 share's annual duty of w ater = 349.56 SFE's using City's current ditch credit of 190.0 af/share

credit of 190.0 af/share

1 share of Buckingham Ditch
during 1-in-100 Year Drought Conditions



Notes:

Yield of Buckingham Ditch share = 1.71 af/sh, based on yield from 1977

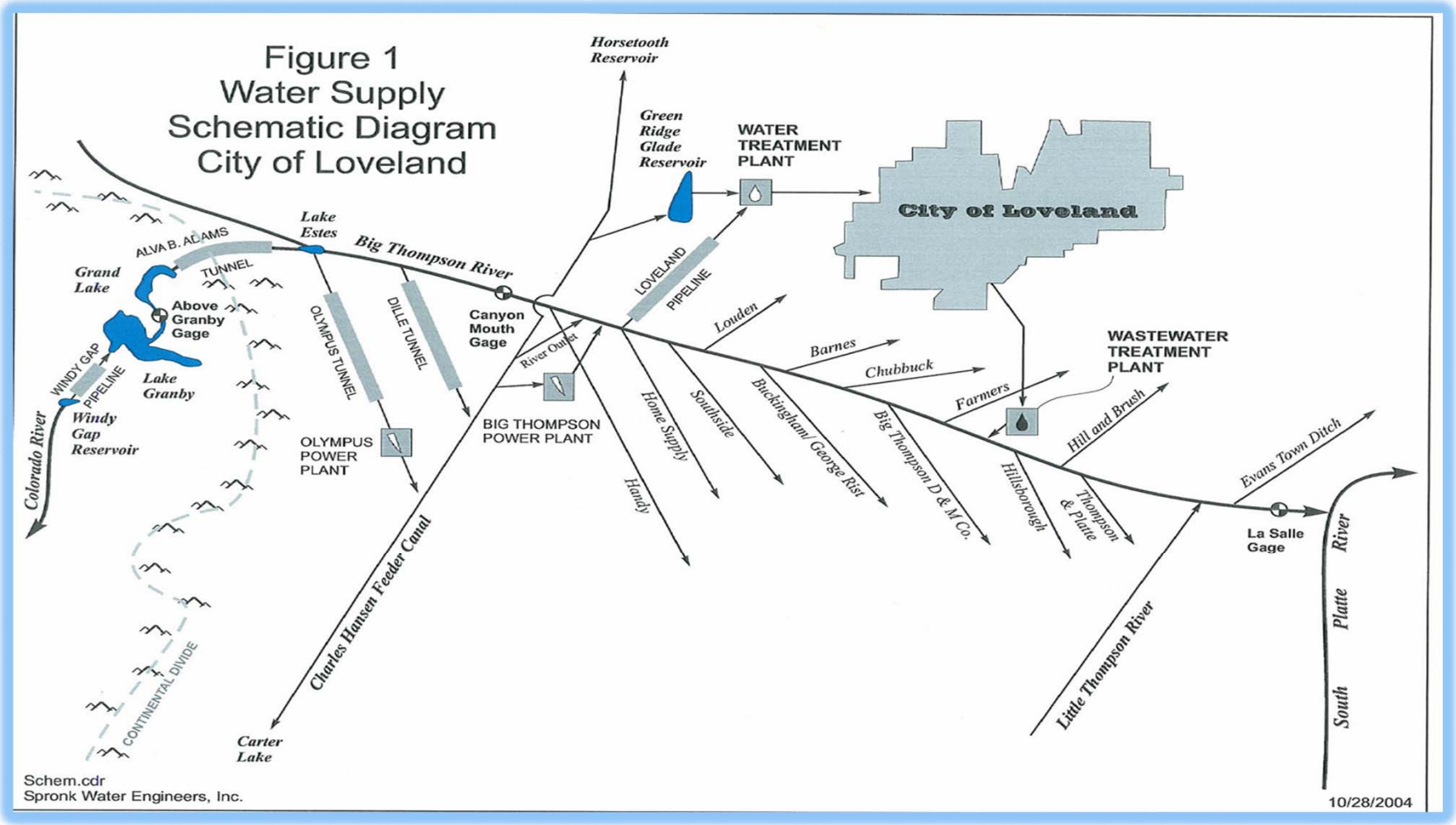
Typical single-family equivalent demand = .54 af/yr

1 share's annual duty of water = 9.38 SFE's using the City's current ditch credit of 5.1 af/share

Key Assumptions

- Meet future demands in drought event of 1-in-100 years.
- Conservation not a source of supply up to 1-in-100 years.
- Existing Growth Management Area, last updated by City Council on October 15, 2002.
- Development per Comprehensive Master Plan.
- Future customers will use water similarly to existing.
- Ratio of Industrial/Residential uses remains the same.
- No significant changes in administrative or regulatory climate which would negatively impact supplies.
- Potential climate change impacts were considered but analysis was reserved for a future update as the industry is developing responses in this area.

System Description Map



Water Demand Target Population Projections

- Relied on City's Development Services (Planners)
- Used most recent population estimates
  - Most recent published figure is 95,927 for 2030
  - Staff extended using 1.6% annual growth
- Build-out population is 144,000 (same as used in 2005)
- City's water service population is smaller due to areas within city limits served by other water providers
- Loveland water service population is 127,000 as estimated by Staff (or 88.2% of build-out population)

Water Demand Target
Historic Raw Water Demand

Year	Loveland Population	WTP Headgates Raw Water Demand (AF)	Annual Per capita Water Demand (AF per person)
2001	54,395	14,376	0.264
2002	56,182	12,726	0.227
2003	57,270	11,834	0.207
2004	58,999	12,005	0.203
2005	60,157	12,852	0.214
2006	61,098	15,104	0.247
2007	63,025	14,981	0.238
2008	64,690	14,546	0.225
2009	66,132	11,964	0.181
2010	66,572	12,913	0.194
Average (2006-2010)	N/A	13,902	0.217

Source: From 2011 Draft Raw Water Master Plan Table 2-1

Water Demand Target Comparison of 2005 vs. 2011

- 2005 RWMP used two projections, both of which resulted in annual demands under 30,000 acre-feet.
  - Approach #1 used land use type/consumption
  - Approach #2 used per capita use
  - LUC adopted 30,000 AF as a demand target.
- 2011 RWMP Update used three scenarios, all based on past usage and future population projections.
  - Population projections from Current and Strategic Planning through 2030, then assumed 1.6% per year.
  - Water Utility serves 88.2 percent of build-out demand
  - Add 590 AF of augmentation demand.
- Target Demand remains 30,000 acre-foot annual use.

Water Rights Inventory
Water Supply Portfolio

- Currently a resilient combination of supplies from the Big Thompson and Colorado River basins
- Sources from two river basins add protection from drought
- Balance is healthy, with approximately half the raw water supply from each side of the Continental Divide
  - Approximately 55% east-slope and 45% west-slope

Existing Supply Analysis

Process and Results

- Spronk Water Engineers determined the firm yield to be 22,400 AF in 2005
- Spronk Water Engineers performed update to model
  - Added 7,000 AF of storage in the WGFP
  - Added 590 AF of augmentation demand
- LUC approved use of model as a tool in updating RWMP at meeting on August 17, 2011
- 2011 Firm Yield is 27,390 AF
  - Meets 26,800 AF municipal demand plus 590 AF augmentation demand

Role of Water Conservation

Existing Program

- City was fully metered by 1981 – one of first in State.
- 2011 Conservation Program elements
  - Garden-in-a-box
  - New Xeriscape garden along 1st Street
  - Slow the Flow irrigation audits
  - Larimer County Youth – retrofit indoor water use
  - "Shave the Peak" campaign
  - Efficiency Expre$$ commercial audits
  - Enhancing Loveland Water & Power website
  - Enhance leak detection and meter testing programs
  - Home Energy Audit Program with low flow devices
- Code changes allow Xeriscape option for irrigation taps

Current Policies

- At least 40% of every raw water payment must be CBT or cash credits, except for small transactions under 4.0 AF.
- CBT credited at 1.0 AF/unit.
- Average yields for ditch credits from 2005 SWE model.
- Accept any native water shares in the City's Growth Management Area that can successfully be transferred in Water Court.
- Cash-in-lieu dedications limited to no greater than 4.0 AF.
- Cash-in-lieu fee is 1.03 times the market price of CBT.
- Purchases of cash-in-lieu credit in the Water Bank not allowed.
- Native Raw Water Storage Fee (NRWSF) reflects only a portion of the cost required to build storage.

Current Policies

Native Raw Water Storage Fee

- Developed using 2005 results, including storage ratios, current shares in Water Bank, future possible shares

Table 8-2: Current Native Raw Water Storage Fee Calculated by Loveland

Irrigation Company	Current NRWSF ($/AF)
South Side	$6,770
Louden	$6,850
Buckingham	$7,400
Barnes	$5,750
Chubbuck	$7,400
Big Thompson D&M	$3,530

- No change for 2011 update

Alternative Supplies

The following were analyzed:

- Operational Changes
- Purchase CBT units
- Increase participation in the Windy Gap Project / Firming Project
  - Acquire more units
  - Acquire more storage
  - Acquire units & storage
- Upstream Storage
- Downstream Storage
- Reuse
- River Exchanges
- Wells
- Acquire Native Rights
- Modify Water Policy

Recommendations to Council

- Continue to use 1-in-100 year drought planning
- Use the 2011 SWE Model Update and Report
- Use water wisely and use conservation as a tool to address more severe droughts
- Adopt a raw water demand target of 30,000 AF

Recommendations to Council

- Modify the City's raw water policies as follows:
  - CBT
    - Require that at least 40% of every raw water payment be made using a combination of CBT, existing cash credits in the Water Bank, or cash-in-lieu.
    - Keep the credit value of CBT, currently 1.0 AF per unit.
    - Continue to purchase CBT acre-foot units on an ongoing basis under favorable market conditions
  - Cash-In-Lieu
    - *Allow use of cash-in-lieu on any transaction*
    - Keep the City's cash-in-lieu fee 3% higher than the recognized market price of CBT water

Recommendations to Council

- Modify the City's raw water policies for ditch shares:
  - Adjust credits to the values determined by 2011 SWE report.
  - Require the storage fee when granting average yield credits as determined in the SWE report.
  - Allow firm yield credits for development as determined in the SWE report without collecting a storage fee.
  - Accept any native water in the City's Growth Management Area that can successfully be transferred in Water Court.
  - Keep Native Raw Water Storage Fee at current values.

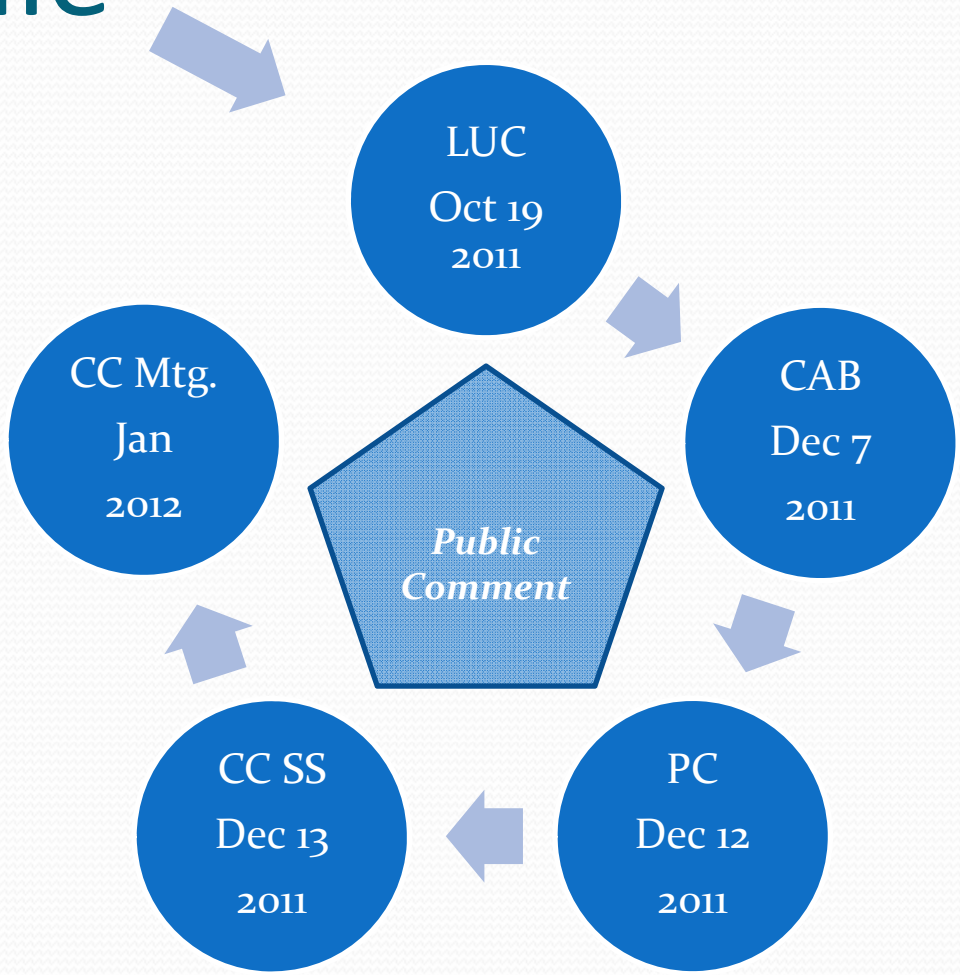
Recommendations to Council

Irrigation Company	Current & Recommended NRWSF ($/AF)	Recommended Average Credit (af/sh)	Recommended Firm Credit w/o storage (af/sh)
South Side	$6,770	4.55	1.46
Louden	$6,850	12.17	2.43
Buckingham	$7,400	6.36	0.38
Barnes	$5,750	3.32	0.86
Chubbuck	$7,400	2.94	0.41
Big TD&M	$3,530	186.57	70.9

Recommendations to Council

- Upstream Storage
  - Continue to monitor comparison of costs per AF of firm yield with other options
- Downstream Storage
  - Monitor options and comparison of costs per AF of firm yield with other options
- *Operational Changes – focus on the following:*
  - Domestic Rights
  - Lawn Irrigation Return Flows (LIRFs)
- Formulate Policy on Reusable Supplies

Schedule


LUC
Oct 19
2011
CAB
Dec 7
2011
PC
Dec 12
2011
CC SS
Dec 13
2011
CC Mtg.
Jan
2012
Public Comment

Recommended Action

- The 2011 Raw Water Plan is scheduled to go before the City Council for approval and adoption in January, 2012.
- Provide preliminary guidance regarding the DRAFT Raw Water Master Plan and the recommendations it contains.
- Discuss any concerns with the recommendations as they were presented tonight.

Questions??

Raw Water Master Plan Update
City of Loveland

EXECUTIVE SUMMARY
EXTRACT OF DRAFT FINAL 2011 RAW WATER MASTER PLAN

DRAFT FINAL

Prepared by:
Department of Water and Power
City of Loveland
October 13, 2011

Executive Summary

Background
For many years the Loveland Utilities Commission and City staff have conducted planning activities directed toward meeting the City's future raw water needs and to identify means to effectively manage the City's existing and future sources of raw water. This report builds on that work.

Concerns regarding the adequacy of the City's water supply were heightened as a result of the multi-year drought that began in 2000 and intensified in 2002. At approximately the same time, City staff formally addressed the Loveland Utilities Commission and the City Council on two occasions regarding the City's acquisitions of raw water for development, which were not keeping pace with actual demands. To determine how the City could best prepare to meet its future raw water demands, a Raw Water Master Plan was created in 2005.

In 2011 the City contracted with Spronk Water Engineers to perform an updated analysis of the City's raw water portfolio and system to estimate the firm yield the City can expect to meet demand. The resulting report, the *Raw Water Supply Yield Analysis Update*, was completed in draft and accepted as a tool in developing the City's Raw Water Master Plan update on August 17, 2011.

Need for a Raw Water Master Plan
The original Raw Water Master Plan (RWMP) was designed as a tool to help the City Council determine what steps are necessary to assure that the City's estimated future demands for raw water are adequately met. The RWMP presented and analyzed alternative projects, and provided guidelines for ongoing evaluation of those alternatives to determine which best meet those demands. It was expected that the RWMP would be revisited and updated based on the City's future water supplies and demands, and on the future availability of the various sources of water or feasibility of the various options. This report reflects the first update to the RWMP.

This update includes the impact of a number of significant events which were not part of the 2005 RWMP.

- An economic downturn started in 2008 and as a result, development slowed dramatically. The City did not experience the type of water dedications common during the preceding 15 years. For example, only two significant water dedications have occurred since 2006, and these have not yet been applied for development.
- The City's decree in Case No. 2002CW392 was finalized in 2010. This represented a significant addition to the City's available water rights portfolio and solidified the terms and conditions in which the City may divert the water for municipal use.
- The City purchased 933 Colorado-Big Thompson Project (CBT) acre-foot units (units) at favorable market prices. There still continues to be CBT available for

purchase under the rules and regulations of the Northern Colorado Water Conservancy District (Northern Water). At the time of the 2005 RWMP, the thought was that CBT units would be available for only another 15 years, although that projection may now be longer because of the economic slowdown.

- A multi-year drought that began in 2000 and intensified in 2002. At the time of the original RWMP, the City was still dealing with drought impacts.

- The Windy Gap Firming Project is not yet online. The required environmental permits are still pending, and design and construction have not yet begun. At the time of the 2005 RWMP it was projected that the project would be online by 2010.

Recommendations

Based on results from the Raw Water Supply Model and review of the City's current policies related to fees, requirements, acquisition and development of a reliable, high quality supply of raw water for the City, the recommendations from the LUC and staff are as follows:

1. 1-in-100 Year Drought Planning
   A. Continue to plan for the City's long-term policy of preparing for a 1-in-100 year drought event with no curtailment.
   B. Use the City's water resources wisely, and use conservation as a tool for more meeting demands during severe droughts, but not as a source for meeting future supply demands up to the 1-in-100 year event.

2. 2011 *Raw Water Supply Yield Analysis Update* (SWE Report)—Raw Water Supply Model (RWSM)
   A. Continue to use the 2011 *Raw Water Supply Yield Analysis Update* and the Raw Water Supply Model as tools to evaluate proposed policy changes related to acquisition and planning for raw water supplies.

3. Continue to use a raw water demand target of 30,000 acre-feet.

4. Modify the City's current policy for accepting raw water. The basic components of any policy revisions may consider, without limitation, the following:
   A. CBT
      i. Require that at least 40 percent of every raw water payment be made using CBT, existing cash credits in the Water Bank, or cash-in-lieu.
         a. Accept CBT, cash credits in the Water Bank, or cash-in-lieu for the full payment of any raw water requirement.
         b. Keep the credit value of CBT, currently 1.0 acre-foot per unit.
      ii. Continue purchasing CBT acre-foot units, on an ongoing basis under favorable market conditions.

B. Ditch Shares
   i. Adjust the credits for ditch shares to the actual values as determined by the current 2011 SWE report using either of the following methods, at the developer's option:
      a. For average yields as determined in the RWSM for ditch credits, require the storage fee to make up the difference between the firm yield and the average yield.
      b. For firm yields as determined in the RWSM for ditch credits, do not require a storage fee.
      c. Any ditch credits currently in the water bank originally deposited prior to July, 1995, may be granted average yields without requiring the storage fee.
   ii. Accept any native water shares in the City's Growth Management Area that in the City's opinion may successfully be transferred in Water Court.

C. Storage
   Do not adjust the Native Raw Water Storage Fee (NRWSF) from the current fees.

D. Cash-In-Lieu
   i. Remove the current limit on cash-in-lieu transactions. Allow use of cash-in-lieu on any transaction.
   ii. Continue to keep the City's cash-in-lieu fee 3 percent higher than the market price of CBT water, to allow for administrative expenses in acquiring water.

Below is a summary of the recommended factors for the ditch shares:

Table 9-1: Summary of Recommended factors for Ditch Shares

Irrigation Company	Current & Proposed NRWSF ($/acre-foot)	Proposed Average Credit With storage (acre-foot/share)	Proposed Firm Credit w/o storage (acre-foot/share)
South Side	$6,770	4.55	1.46
Louden	$6,850	12.17	2.43
Buckingham	$7,400	6.36	0.38
Barnes	$5,750	3.32	0.86
Chubbuck	$7,400	2.94	0.41
Big TD&M	$3,530	186.57	70.90

5. Continue to consider the benefits of different types of storage:
   A. Upstream Storage
      i. Provides "annual storage"
      ii. Provides "firming storage"

B. Downstream Storage
    i. Provides staging for later upstream exchange.
    ii. Provides staging for releases downstream.

6. Consider implementing elements of the maximum run conditions identified in Table 6 of the SWE Report.

7. Evaluate the most effective ways to make use of reusable supplies:
    A. Exchange upstream for municipal use.
    B. Sell or lease to downstream users.
        i. Determine a reasonable policy for providing augmentation water to others, including value, storage, and administration.
    C. Continue to monitor the applicability of a purple-pipe raw water irrigation system.

The intent of these policy changes is to ensure the reliability of water the city accepts, thereby adhering to the charge by City Council to be able to meet future demands for water without curtailment in up to a 1-in-100 year drought. These steps are designed to enhance the City's economic prosperity and potential for continued future growth.

An ongoing reevaluation of the alternatives considered in this RWMP at regular intervals a few years apart is recommended for the future. As water or cash-in-lieu of water is acquired, the City's overall water supply portfolio may change. Unforeseen factors may cause the ultimate demand to be different from current projections. It will be important to reevaluate the RWMP using the Raw Water Supply Model and the *Raw Water Supply Yield Analysis* in the future as growth occurs, and to adjust the conclusions and recommendations as appropriate to match future conditions.

Item 4 – Raw Water Master Plan Update

The attachment "*Draft Final Raw Water Master Plan*" is available on the City's website at: http://www.cityofloveland.org/index.aspx?page=1039

The "*Draft Final Raw Water Master Plan*" consists of two files:

1. Draft Raw Water Master Plan (2011)
2. Appendices