

AGENDA ITEM SUMMARY

City Council



STAFF

Joe Wimmer, Utilities Finance Director
Matt Fater, Water Engineering, Senior Director

SUBJECT

Items Relating to Funding and Financing of the Construction of Improvements to the City's Wastewater System, Including the Intent to Reimburse Capital Expenditures from Bond Proceeds and the Appropriation of Grant and Fund Reserves for the Wastewater Utility Septage Receiving Facility Project.

EXECUTIVE SUMMARY

A. Resolution 2026-106 Expressing the Intent of the City to be Reimbursed for Certain Expenses Relating to the Construction of Improvements to the City's Wastewater System and Other Capital Assets of the City Through the Issuance of Bonds.

B. Resolution 2026-107 Authorizing the City Manager to Execute an Agreement for a Grant of the Colorado Department of Local Affairs Energy and Mineral Assistance Funds Between the City of Fort Collins and the State of Colorado for the Septage Receiving Facility Project.

C. First Reading of Ordinance No. 123, 2026, Making a Supplemental Appropriation from the Colorado Department of Local Affairs Energy and Mineral Impact Assistance Fund and Appropriating Wastewater Fund Reserves for the Septage Receiving Facility Project.

The purpose of Resolution 2026-106 is to express the City's intent to reimburse itself with bond proceeds for out-of-pocket expenses if it decides to finance projects identified in Wastewater Utility's 2027–2028 Capital Improvement Plan ("Wastewater Utility CIP"), with the issuance of bonds. Treasury Regulation Section 1.150-2 (the "Regulation") dictates whether an issuer can use proceeds from a tax-exempt issuance to reimburse prior capital expenditures. The Regulation requires the issuer to adopt a declaration of official intent to reimburse prior capital expenditures with the proceeds of a tax-exempt issuance in order to actually do so. The issuer can reimburse capital expenditures made within 60 days prior to the adoption of the official intent.

Adoption by Council of a reimbursement resolution, like Resolution 2026-106, does not obligate the City to issue bonds in the future, but rather serves as a declaration of the City's "official intent," pursuant the Regulation to reimburse itself with the proceeds of a bond issue in the future if the City should choose to finance the projects by issuing bonds. Resolution 2026-106, allows Fort Collins Utilities ("Utilities") to spend current Wastewater Utility Fund reserves on critical projects in the Wastewater Utility CIP immediately, and then later, to reimburse those amounts using proceeds from a planned future bond issuance. Any future bond issuance would still come forward to Council for consideration of actions to authorize that financing—the resolution does not authorize the issuance of bonds.

The Colorado Department of Local Affairs (“DOLA”) made an award from the Energy/Mineral Impact Assistance Fund Grant (“EIAF”) for the City’s Septage Receiving Facility Project. Resolution 2026-107, if adopted by Council, is the action to accept that DOLA grant and authorize execution of the grant agreement.

Resolution 2026-106 and Resolution 2026-107 are related because the Septage Receiving Facility Project is one of the critical projects (within the Wastewater Utility CIP) for which the City plans to commence as soon as possible by applying Wastewater Utility Fund reserves and for which later financing proceeds may be used to reimburse.

Ordinance No. 123, 2026, if adopted, will appropriate the grant award revenue from DOLA, as well as amounts from the Wastewater Fund reserves, to expend for the Septage Receiving Facility Project.)

STAFF RECOMMENDATION

Staff recommends adoption of Resolutions and Ordinance on First Reading.

BACKGROUND / DISCUSSION

Consistent with the Wastewater Utility’s CIP and rate recommendations for the 2027-28 budget cycle, several critical capital projects are ready to begin ahead of a planned revenue bond issuance in Q2/Q3 2027. One of these critical capital projects is the Septage Receiving Facility Project to relocate the septage receiving station at the Drake Reclamation Facility (the “Project”). The estimated cost of the Project is \$3,000,000. Because of the critical need for this Project, it would need to be brought forward regardless of proposed rate adjustments.

In response to the DOLA request for applications for projects to protect public health and the environment, Utilities submitted an application for EIAF grant funds to support the Project. The City’s application for the Project met the grant eligibility criteria because the application proposed a project which protects public health and the environment by safely continuing to provide septage receiving services to the greater Northern Colorado region. Utilities presented the Project proposal to the EIAF Advisory Committee in late spring 2026, and based on the City’s application and Utilities presentation, the Committee recommended that the City receive a partial EIAF grant award of \$500,000. Pursuant to the recommendation of the EIAF Advisory Committee, DOLA awarded \$500,000 in support of the Project. (See AIS Attachment No. 1, May 26, 2026 EIAF Septage Project Grant Award Letter.) If the Council accepts this \$500,000 EIF grant award, remaining \$2,500,000 of the Project cost will funded by revenues generated by septage receiving fees and charges, pursuant to City Council adoption of Ordinance No. 044, 2026 (AIS Attachment No. 2).

Resolution 2026-107, if adopted by Council, would accept the EIAF grant and authorize the City manager to execute the Intergovernmental Grant Agreement with the State of Colorado for the EIAF 26-241 Fort Collins Septage Receiving Station Construction Project (the “Draft 2026 EIAF Septage Project Grant Agreement”), attached to the resolution as an exhibit, in the same general form as the draft, with the final Project specifics and other details, indicated in **highlights** in the draft, to be completed and filled out for the final agreement. City staff make their recommendation to Council to accept this award and bind the City to the final intergovernmental agreement based on (1) Utilities schedule for construction of the septage receiving station to align and begin with the intergovernmental agreement effective date (2) match requirements being met through the Ordinance to appropriate \$2,500,000 from the Wastewater Fund reserves.

Resolution 2026-106 authorizes Utilities to temporarily utilize available Wastewater Fund reserves to commence needed projects. Beginning projects before the issuance of revenue bonds is recommended to ensure project timelines are met, minimizing potential for cost escalations. Wastewater Fund reserves will be replenished from 2027 revenue bond proceeds, if the City Council decides to authorize the issuance of revenue bonds in 2027. In addition to the subject Septage Receiving Facility Project, there are other

proposed wastewater reclamation projects anticipated to utilize the proposed reimbursement framework. Individual project appropriations will come forward for City Council approval before commencing and utilizing the bond reimbursement strategy.

CITY FINANCIAL IMPACTS

The Ordinance No.123, 2026 includes the following actions in support of the Septage Receiving Facility Project:

- Appropriate \$500,000 of unanticipated grant revenue from DOLA's Energy and Mineral Impact Assistance Fund; and
- Appropriate \$2,500,000 from the Wastewater Fund reserves.

The award from DOLA is a reimbursement type award, meaning Wastewater Fund expenses will be reimbursed up to \$500,000. The \$500,000 is contingent upon execution of the associated grant agreement. In the event the agreement is not executed, this appropriation will sunset on December 31, 2026. This contingency ensures that the City is only obligated to expend funds once final grant terms are in place.

Wastewater Fund reserves are available to support the \$2,500,000 million for the Septage Receiving Facility Project, as well as initial costs for other proposed wastewater reclamation projects within the Utilities Capital Improvement Plan.

BOARD / COMMISSION / COMMITTEE RECOMMENDATION

Utilities staff presented the proposed septage receiving fee increases related to the Project at the regular meeting of the Water Commission on March 19, 2026, and Council Finance Committee meeting on March 17, 2026. The Water Commission and Council Finance Committee were supportive of the fee increases and recommended Council formally adopt the updated septage receiving rates which went into effect July 1, 2026.

PUBLIC OUTREACH

Beginning July 2026, Utilities met with septage haulers to discuss the Project and associated fee increases, communicating the addition of the grant funds reducing rate increases that will be implemented in phases through 2028.

ATTACHMENTS / LINKS

1. EIAF Septage Project Grant Award Letter, May 26, 2026
2. Ordinance No. 044, 2026 (copy)
3. Presentation – Water Commission and Council Finance Committee, March 2026
4. Resolution 2026-106
5. Resolution 2026-107
6. Ordinance No. 123, 2026