

AGENDA ITEM SUMMARY

City Council



STAFF

David Lenz, Director, Financial Planning & Analysis
Randy Reuscher, Lead Rate Analyst, Utilities Finance

SUBJECT

Items Relating to Amending City Code to Adjust for Inflation the Following Fees: Capital Expansion Fees; Transportation Expansion Fee; Electric Capacity Fee; Water Plant Investment Fee; Sewer Plant Investment Fee; and Stormwater Plant Investment Fee.

EXECUTIVE SUMMARY

A. Second Reading of Ordinance No. 020, 2024, Amending Chapter 7.5 of the Code of the City of Fort Collins to Increase for Inflation the Capital Expansion Fees and Transportation Expansion Fee.

B. Second Reading of Ordinance No. 021, 2024, Amending Chapter 26 of the Code of the City of Fort Collins Regarding Calculation and Collection of Development Fees Imposed for the Construction of New or Modified Electric Service Connections.

C. Second Reading of Ordinance No. 022, 2024, Amending Chapter 26 of the Code of the City of Fort Collins to Revise Water Plant Investment Fees.

D. Second Reading of Ordinance No. 023, 2024, Amending Chapter 26 of the Code of the City of Fort Collins to Revise Sewer Plant Investment Fee.

E. Second Reading of Ordinance No. 024, 2024, Amending Chapter 26 of the Code of the City of Fort Collins to Revise Stormwater Plant Investment Fees.

These Ordinances, unanimously adopted on First Reading on February 6, 2024, make annual inflation adjustments effective March 1, 2024, associated with the City's Capital Expansion Fees, Transportation Expansion Fee, Utility Plant Investment Fees, and Electric Capacity Fee.

STAFF RECOMMENDATION

Staff recommends adoption of the Ordinances on Second Reading.

BACKGROUND / DISCUSSION

During 2023, staff worked both internally and with external consultants to update the city's development related impact fees. This resulted in two study updates: the Capital Expansion Fee Study (CEF), covering neighborhood and community parks, fire, police and general governmental services Capital Expansion

Fees, and the Transportation Capital Expansion Fee Study (TCEF), covering the Transportation Expansion Fee (TEF).

Additionally, the City's utility organizations underwent their biennial internal update of their impact fee models. During the August 8, 2023, work session with Council, the Water Supply Requirement and Excess Water Use were discussed, and a decision was made to defer decisions around these two items until more work was undertaken (which is expected to last throughout 2024).

During Council Finance Committee meetings on October 5, 2024 and December 14, 2024, the CEF and TCEF Study updates were discussed with the committee. The Utility Water, Wastewater (Sewer), and Stormwater Plant Investment Fees (PIFs) and Electric Capacity Fee (ECF) updates were also discussed. Staff presented the background, methodologies, and findings of the external study updates and internal utilities fee model updates. New fee schedules for all impact fees reflecting the study and model updates were presented. Three options for fee updates were presented to the committee:

- Defer the decision on the new fee structures until full Water Supply Requirements are determined in 2024 (for a January 1, 2025 effective date).
- Adopt New Proposed Fee Structure for a Q2 2024 implementation after the April 2024 Council work session on Water Supply Requirements.
- Defer the decision on the New Fee Structure until the Water Supply Requirements are determined (for a January 1, 2025 effective date) and adjust the current rates by the annual inflation index only in Q2 2024.

After discussion with the committee about the results of the study and fee model updates, the committee recommended that staff proceed with inflation only adjustments to the CEF, TEF, Utility PIFs and Electric Capacity Fee for 2024.

As provided in City Code Section 7.5-18, the CPI-U index for Denver-Aurora-Lakewood is used for CEFs inflation (**5.6%**) and the Engineering News Record Construction Cost Index for TEF inflation (**7.4%**). Below is a summary of the inflation adjustments for all six of these fees including the total adjustment for each fee category:

| Land Use Type | Unit | N'hood Park | Comm. Park | Fire | Police | Gen. Gov't | TCEF | Total | Total % Δ |
|----------------------------------|---------------|-------------|------------|-------|--------|------------|----------|----------|-----------|
| Residential, up to 700 sq. ft. | Dwelling | \$2,226 | \$3,144 | \$545 | \$305 | \$742 | \$2,903 | \$9,865 | 6.1% |
| Residential, 701-1,200 sq. ft. | Dwelling | \$2,980 | \$4,208 | \$737 | \$413 | \$1,001 | \$5,391 | \$14,730 | 6.2% |
| Residential, 1,201-1,700 sq. ft. | Dwelling | \$3,255 | \$4,595 | \$802 | \$449 | \$1,093 | \$7,000 | \$17,194 | 6.3% |
| Residential, 1,701-2,200 sq. ft. | Dwelling | \$3,288 | \$4,642 | \$815 | \$455 | \$1,110 | \$8,185 | \$18,495 | 6.4% |
| Residential, over 2,200 sq. ft. | Dwelling | \$3,664 | \$5,175 | \$907 | \$507 | \$1,236 | \$8,774 | \$20,263 | 6.4% |
| Commercial | 1,000 sq. ft. | | | \$686 | \$384 | \$1,877 | \$10,682 | \$13,629 | 7.0% |
| Office and Other Services | 1,000 sq. ft. | | | \$686 | \$384 | \$1,877 | \$7,869 | \$10,816 | 6.9% |
| Industrial/Warehouse | 1,000 sq. ft. | | | \$161 | \$90 | \$442 | \$2,540 | \$3,233 | 7.0% |

For comparison purposes, the 2023 fees (effective January 1, 2023) increased by **8.6%** for CEFs and **7.4%** for TEF.

For Utilities impact fees, staff also bases inflationary updates on the Engineering News Record Construction Cost Index to adjust fees. This adjustment for 2024 is **7.4%**. In 2023, the utility impact fees were increased by 9%. The full detailed schedule of fee adjustments is included in the attached ordinances.

The tables below present a summary of the total fee component of development activity costs for both a multi-unit complex and a detached, single/duplex example. The multi-family example is for a 48,000 square foot development with 55 units. The single-family example is an 1,890 square foot floorplan.

| City Charged Fees: Multi-Unit Residence Example | | | | | | | |
|---|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| Type | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 |
| Capital Expansion Fees | \$ 320,692 | \$ 398,425 | \$ 448,585 | \$ 460,753 | \$ 469,536 | \$ 509,916 | \$ 538,471 |
| Transportation Capital Expansion | \$ 125,525 | \$ 159,479 | \$ 160,512 | \$ 161,403 | \$ 173,366 | \$ 185,675 | \$ 199,415 |
| Development Review, Permit, Infrastructure Fees | \$ 67,695 | \$ 67,695 | \$ 67,695 | \$ 67,846 | \$ 58,850 | \$ 58,850 | \$ 58,850 |
| Utility Fees | \$ 514,387 | \$ 521,991 | \$ 582,008 | \$ 602,552 | \$ 561,542 | \$ 594,544 | \$ 624,134 |
| Combined Fees | \$ 1,028,300 | \$ 1,147,591 | \$ 1,258,801 | \$ 1,292,554 | \$ 1,263,294 | \$ 1,348,985 | \$ 1,420,871 |
| Percentage Change | Baseline | 11.6% | 9.7% | 2.7% | -2.3% | 6.8% | 5.3% |

| City Charged Fees: Single/Duplex Residence Example - 1890 sq. ft | | | | | | | |
|--|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| Fee Type | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 |
| Capital Expansion Fees | \$ 6,038 | \$ 7,630 | \$ 8,591 | \$ 8,824 | \$ 8,992 | \$ 9,764 | \$ 10,310 |
| Transportation Capital Expansion Fees | \$ 5,150 | \$ 6,543 | \$ 6,586 | \$ 6,623 | \$ 7,115 | \$ 7,621 | \$ 8,185 |
| Development Review, Permits, Infrastructure Fees | \$ 2,532 | \$ 2,532 | \$ 2,532 | \$ 3,314 | \$ 2,792 | \$ 2,792 | \$ 2,792 |
| Utility Fees | \$ 21,907 | \$ 22,321 | \$ 25,517 | \$ 26,353 | \$ 35,992 | \$ 37,485 | \$ 38,569 |
| Combined Fees | \$ 35,627 | \$ 39,026 | \$ 43,226 | \$ 45,114 | \$ 54,891 | \$ 57,662 | \$ 59,856 |
| Percentage Change | Baseline | 9.5% | 10.8% | 4.4% | 21.7% | 5.0% | 3.8% |

As noted in the utility commentary above, no increases for 2024 are included for the Water Supply Requirement.

CITY FINANCIAL IMPACTS

The amount of impact fee collections in any given year depends on the volume of development activity. Over the past few years, the city has collected approximately \$11.1 million per year in Capital Expansion Fees and Transportation Expansion Fees. Collections from Utility PIFs and the Electric Capacity Fee have averaged approximately \$6.6 million per year. Based on these volume estimates, the table below highlights the monthly and annual impact on revenues with adoption of the of the inflation adjustments to the impact fees.

| Financial Impact - Inflation Adjustment to Fees | | | | | |
|---|-------------------------|--------------------------|----------------|------------------------------|-------------------------------|
| | Annual Revenue (\$ 000) | Monthly Revenue (\$ 000) | Fee Increase % | Annual Fee Increase (\$ 000) | Monthly Fee Increase (\$ 000) |
| CEF / TEF | \$11,053 | \$921 | 6.3% | \$700 | \$58 |
| Utility PIFs and ECF | \$6,561 | \$547 | 7.4% | \$486 | \$41 |
| Total | \$17,614 | \$1,468 | 6.7% | \$1,186 | \$99 |

For comparative purposes, the financial impact from the CEF and TCEF study updates and the utility model updates discussed in the December 14, 2024, Council Finance Committee meeting are also shown below.

| Financial Impact - Study and Model Updates to Fees | | | | | |
|--|-------------------------|--------------------------|----------------|------------------------------|-------------------------------|
| | Annual Revenue (\$ 000) | Monthly Revenue (\$ 000) | Fee Increase % | Annual Fee Increase (\$ 000) | Monthly Fee Increase (\$ 000) |
| CEF / TEF | \$11,053 | \$921 | 15.0% | \$1,663 | \$139 |
| Utility PIFs and ECF | \$6,561 | \$547 | 10.3% | \$677 | \$56 |
| Total | \$17,614 | \$1,468 | 13.3% | \$2,340 | \$195 |

BOARD / COMMISSION / COMMITTEE RECOMMENDATION

At the Council Finance Committee meeting on December 14, 2023, the committee recommended deferring action on the fee study updates and adopting inflation-only adjustments to impact fees (except for the Water Supply Requirements) as described above with an effective date of March 1, 2024.

PUBLIC OUTREACH

None.

ATTACHMENTS

First Reading attachments not included.

1. Ordinance A for Consideration
2. Ordinance B for Consideration
3. Ordinance C for Consideration
4. Ordinance D for Consideration
5. Ordinance E for Consideration