



Commission Memorandum

REPORT TO: Honorable Mayor and City Commission
FROM: Kristin Donald, Finance Director
SUBJECT: Adoption of the **Wastewater Impact Fee Fund Capital Improvement Plan** (CIP) for FY21-25.
AGENDA ITEM TYPE: Action
MEETING DATE: **December 2, 2019**

RECOMMENDATION: Adopt the **Wastewater Impact Fee Fund Capital Improvement Plan** (CIP) for FY21-25.

BACKGROUND: Each year, the City Manager is required to prepare a 5 Year Capital Improvements Plan and submit it to the Commission by December 15th. The Public Works Department, City Manager, and other city staff met in October and November to develop the attached Capital Plan for the equipment and capital needs of the Wastewater Impact Fee Fund.

The City's Impact Fee Advisory Committee (IFAC) met on November 5 to review and make recommendations for the planned expenditures of Wastewater Impact Fees. There was a quorum of the Committee and they voted to recommend the attached CIP. They did emphasize the debt financing of the large projects in FY19 and FY20 is using up funding for future projects along with debt financing scheduled FY23. There is concern that the majority of the impacts fees in the future will be going towards debts payments rather than projects.

Our Financial Summary is conservative with entire projects being budgeted in one year and the debt service starting the following year in the full amount.

UNRESOLVED ISSUES: None.

ALTERNATIVES: As suggested by the City Commission. If the Commission is does not wish to adopt this schedule tonight, it can be scheduled for approval on a later agenda.

FISCAL EFFECTS: This step in the process has no fiscal effect. Once adopted, the Capital Improvements Plan becomes the basis of the City Manager's Recommended Budget for FY21.

Report compiled on: November 15, 2019
Attached: Wastewater Impact Fee Fund CIP Section

WASTEWATER IMPACT FEE FUND FINANCIAL SUMMARY

Financial Summary	Projected					Unscheduled
	Current Year FY20	FY21	FY22	FY23	FY24	
Projected Beginning Reserve Balance Dedicated to CIP	\$ 3,590,778	\$ 2,389,548	\$ 2,812,077	\$ 2,809,273	\$ 3,091,771	\$ 688,406
Plus: Impact Fee Revenues Dedicated to CIP	\$ 1,109,180	\$ 1,142,455	\$ 1,176,729	\$ 1,212,031	\$ 1,248,392	\$ 1,285,844
Plus: Financing WWIF38	\$ 5,200,000					
Plus: Financing WWIF20				\$ 2,800,000		
Plus: Financing WWIF21				\$ 1,250,000		
Plus: Funding from FY19 Carry forward financing	\$ 7,985,000					
Less: Carryover FY19 Capital Projects	\$ (8,623,947)					
Less: Debt payments (WWIF11, 24, 38, 20, 22)	\$ (97,463)	\$ (194,926)	\$ (879,533)	\$ (879,533)	\$ (1,151,757)	\$ (1,151,757)
Less: Scheduled CIP Project Costs	\$ (6,774,000)	\$ (525,000)	\$ (300,000)	\$ (4,100,000)	\$ (2,500,000)	\$ -
Projected Year-End Cash Dedicated to CIP	\$ 2,389,548	\$ 2,812,077	\$ 2,809,273	\$ 3,091,771	\$ 688,406	\$ 822,493

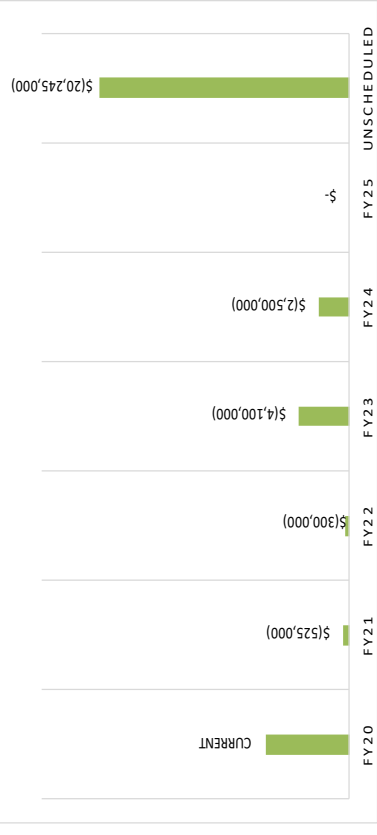
Assumptions Made for Revenue Estimates

Current Year FY20	Projected				
	FY21	FY22	FY23	FY24	FY25
Estimated Annual Wastewater Impact Fee Revenues	\$ 1,109,180	\$ 1,142,455	\$ 1,176,729	\$ 1,212,031	\$ 1,248,392
Estimated Annual Increase	0.0%	3%	3%	3%	3%
Total Estimated Revenues	\$ 1,109,180	\$ 1,142,455	\$ 1,176,729	\$ 1,212,031	\$ 1,248,392
Current Revenues Dedicated to CIP %	100.0%	100.0%	100.0%	100.0%	100.0%
Plus: Increase Dedicated to Wastewater Capacity Expansion CIP	0.0%	0.0%	0.0%	0.0%	0.0%
Total % Dedicated to CIP	100.0%	100.0%	100.0%	100.0%	100.0%

Total Estimated Revenues Dedicated to CIP

	\$ 1,109,180	\$ 1,142,455	\$ 1,176,729	\$ 1,212,031	\$ 1,248,392	\$ 1,285,844
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WASTEWATER IMPACT FEE PROJECTS



WASTEWATER IMPACT FEE FUND PROJECT SUMMARY

Project #	Project Name	FY2021	FY2022	FY2023	FY2024	FY2025	Unscheduled
WWIF20	NORTH FRONTAGE ROAD INTERCEPTOR	-	-	2,800,000	-	-	-
WWIF22	DAVIS-FOWLER INTERCEPTOR	-	-	1,250,000	-	-	-
WWIF35	BABCOCK SANITARY SEWER UPGRADE	-	-	-	-	-	245,000
WWIF44	WRF INTERCEPTOR	-	-	50,000	500,000	-	-
WWIF45	BIOTRAIN #1 RETRO FIT	-	300,000	-	2,000,000	-	-
WWIF46	DOWNTOWN SEWER MAIN UPGRADES	-	-	-	-	-	3,000,000
WWIF47	WASTEWATER COLLECTION PLAN UPDATE	125,000	-	-	-	-	-
WWIF48	HIDDEN VALLEY LIFT STATION	-	-	-	-	-	7,000,000
WWIF49	WRF CAPACITY & NUTRIENT UPGRADES	-	-	-	-	-	10,000,000
WWIF51	COTTONWOOD SUB SEWER OVERSIZING	400,000	-	-	-	-	-
	Fiscal Year totals	525,000	300,000	4,100,000	2,500,000	-	20,245,000

WASTEWATER IMPACT FEE FUND DETAIL

BACKGROUND

This enterprise fund revenue source is impact fees. Revenue estimates for Water Impact Fees have been updated with the 5-year average collection amount, detailed on the following page. Revenues have grown on average by 4.62% per year, over the past 5 years. For the CIP, we have used the 5-year Average collection, plus 3% growth each year from FY21 to FY25.



CAPITAL PLAN SUMMARY

The next major project for the plan is WWIF 20 the North Frontage Road interceptor scheduled in FY23, which will replace the road’s interceptor between Springhill Rd and Bridger Dr. Portions of the current interceptor are at or very near capacity. This project will directly increase collection capacity in the southeast and east part of town. The same year we start work on WWIF44 the Water Reclamation Facility (WRF) Interceptor with construction done in FY24 and will expand capacity upgrading from a thirty-inch outfall to a 48-inch main.



Scheduled in FY24 is WWIF45 Biotrain #1 Retro Fit that will increase nutrient (total nitrogen and total phosphorous) removal treatment capacity of the WRF. The retrofit will modify the reactor basin into a 5-stage bardenpho reactor similar to existing Biotrains 2 & 3. The retrofit helps the WRF maintain its current nutrient effluent performance as the city continues to grow. In other words, as our wastewater load increases with growth, we need additional bioreactor capacity to maintain current nutrient effluent performance.

A significant amount of borrowing has been incurred for Projects WWIF24, WWIF11, WWIF20, WWIF22 and WWIF38. Due to the uncertainty of the revenue stream, the Wastewater Utility will need to borrow via revenue bonds and be reimbursed by the Water Impact Fee Fund. There may be rate-requirements to support this borrowing, which were included in the most recent Wastewater Rate Study. The estimated borrowing it outlined in the table below:

Debt- Description	Estimated Debt Schedule				
	FY2021	FY2022	FY2023	FY2024	FY2025
Davis Lane Lift Station Debt Service (WWIF24)	194,926	389,851	389,851	389,851	389,851
Front Street Interceptor Debt Service (WWIF11)	-	140,161	140,161	140,161	140,161
Norton East Rach Outfall Diversion (WWIF38)	-	349,521	349,521	349,521	349,521
N. Frontage Street Interceptor Debt Service	-	-	-	188,204	188,204
Davis-Fowler Interceptor (WWIF22)	-	-	-	84,020	84,020
Total Estimated Debt Service Payment	\$ 194,926	\$ 879,533	\$ 879,533	\$ 1,151,757	\$ 1,151,757

The projects highlighted above aid in our efforts towards the Strategic **Plan 4.3 b Increase Capacity of Sewer Pipes to Accommodate Development Projects.**

Project Name	Year	Description	Amount	Total	Project #
NORTH FRONTAGE ROAD INTERCEPTOR	2023	N FRONTAGE RD INTERCEPTOR	5,290,000	2,800,000	
		DESCRIPTION:	-		
		THIS PROJECT WILL REPLACE OR PARALLEL 11,500' OF THE NORTH FRONTAGE ROAD INTERCEPTOR BETWEEN SPRINGHILL RD AND BRIDGER DR. PORTIONS OF THE INTERCEPTOR ARE AT OR VERY NEAR CAPACITY AND UNLES IMPROVEMENTS ARE MADE IT WILL BE AT OR OVER CAPACITY WHEN THE TRIBUTARY OBLIGATED AREAS ARE DEVELOPED. THIS PROJECT WILL DIRECTLY INCREASE COLLECTION CAPACITY IN THE SOUTHEAST AND EAST PART OF TOWN WITHIN THE COMMUNITY PLAN BOUNDARY AS WELL AS THE EAST PART OF TOWN WILL BE TRIBUTARY TO THIS NORTH FRONTAGE ROAD INTERCEPTOR. THERE ARE POTENTIALLY A GREAT NUMBER OF PRIVATE DEVELOPMENT PROJECTS WHICH WILL NOT BE ABLE TO PROCEED DUE TO THE LACK OF WASTEWATER COLLECTION CAPACITY. THIS PROJECT WILL CONFORM TO THE CITY'S WASTEWATER MASTER PLAN.	-		WWIF20
		ALTERNATIVES CONSIDERED:	-		
		LIMIT FUTURE DEVELOPMENT IN THE AREA.	-		
		ADVANTAGES OF APPROVAL:	-		
		IF CONSTRUCTED TO THE LINE SIZES MASTER PLANNED IN THE CITYS WASTEWATER FACILITIES PLAN, CAPACITY WILL BE PROVIDED FOR FUTURE GROWTH TRIBUTARY TO THIS MAIN.	-		
		ADD OPERATING COSTS:	-		
		IMPACT FEES CAN NOT FUND OPERATING AND MAINTENANCE COSTS. THE CITYS WASTEWATER UTILITY WILL PAY FOR THESE COSTS, WHICH ARE ESTIMATED TO BE A SMALL INCREMENT OF THE CITYS SYSTEM AS A WHOLE.	-		
		DECREASE:	(2,490,000)		
		CHANGING THIS PROJECT TO BE DONE IN PHASES AS IT IS PROPOSED IN THE MASTER PLAN	-		

Project Name	Year	Description	Amount	Total	Project #
DAVIS-FOWLER INTERCEPTOR - CONSTRUCTION	2023	DAVIS-FOWLER INTERCEPTOR - CONSTRUCTION DESCRIPTION: THIS PROJECT WILL REPLACE OR PARALLEL 2700' OF THE DAVIS-FOWLER INTERCEPTOR BETWEEN DURSTON AND OAK. THE INTERCEPTOR BETWEEN DURSTON RD AND W OAK WILL EVENTUALLY EXCEED CAPACITY AS THE BAXTER CREEK DRAINAGE BASIN DEVELOPS. IN ORDER TO CONVEY THE ULTIMATE BUILD-OUT FLOW, THE INTERCEPTOR WILL NEED TO BE INCREASED FROM AN 18-INCH DIAMETER TO A 24-INCH DIAMETER PIPE.	1,250,000	1,250,000	
		ALTERNATIVES CONSIDERED: LIMIT FUTURE DEVELOPMENT IN THE AREA. ADVANTAGES OF APPROVAL: IF CONSTRUCTED TO THE LINE SIZES MASTER PLANNED IN THE CITYS WASTEWATER FACILITIES PLAN, CAPACITY WILL BE PROVIDED FOR ANTICIPATING THE LONG-TERM FUTURE GROWTH IN THIS AREA.	-	-	
		ADD OPERATING COSTS: WASTEWATER FUND WILL TAKE ON MAINTENANCE OF THE SYSTEM.	-	-	
		WWWIF22 (FY23)	-	-	

Project Name	Year	Description	Amount	Total	Project #
BABCOCK SANITARY SEWER UPGRADE	UNSCHEDULED	BABCOCK SANITARY SEWER UPGRADE DESCRIPTION: ORIGINALLY SCHEDULED FY20 TO ACCOMMODATE FLOWS FROM PHASE 2 OF THE ICON APARTMENTS PROJECT, FERGUSON FARM, AND LUPINE VILLAGE AS WELL AS FUTURE IN-FILL DEVELOPMENT, THE EXISTING 10-INCH SANITARY SEWER MAIN IN W. BABCOCK MUST BE UPGRADED TO A 15-INCH SANITARY SEWER MAIN FROM MANHOLE L0408 AT THE INTERSECTION OF RESORT DRIVE AND BABCOCK TO L0412 AT THE INTERSECTION OF BABCOCK AND COTTONWOOD. ALTERNATIVES CONSIDERED: DO NOTHING ADVANTAGES OF APPROVAL: ALLOWS INFILL DEVELOPMENT TO PROCEED AS THIS SANITARY SEWER MAIN WILL BE AT CAPACITY AFTER DEVELOPMENT OF PHASE I OF ICON APARTMENTS AND VARIOUS SITE PLAN APPLICATIONS AT FERGUSON FARMS. ADD OPERATING COSTS: MINIMAL AS THIS WILL BE A CAPACITY UPGRADE OF AN EXISTING SANITARY SEWER MAIN.	245,000 - - - - - - - - - - - - - - - - - - -	245,000	
		WWIF35			

Project Name	Year	Description	Amount	Total	Project #
WRF INTERCEPTOR	2023	WRF INTERCEPTOR DESCRIPTION: REPLACE OR PARALLEL 1200 FEET OF SEWER FROM I-90 TO THE WRF. UPGRADE 30" OUTFALL TO 48" MAIN.	50,000 - -	50,000	WWIF44 (FY23)
WRF INTERCEPTOR	2024	WRF INTERCEPTOR DESCRIPTION: REPLACE OR PARALLEL 1200 FEET OF SEWER FROM I-90 TO THE WRF. UPGRADE 30" OUTFALL TO 48" MAIN.	500,000 - -	500,000	WWIF44 (FY24)
BIOTRAIN #1 RETROFIT	2022	DESCRIPTION: THIS IS A RETROFIT TO OUR OLDEST TRAIN BIOTRAIN #1 ADVANTAGE: THIS PROJECT WILL ALLOW FOR ADDITIONAL CAPACITY. ALTERNATIVES: NONE OPERATION COST: NONE	300,000 - - - - -	300,000	WWIF45 (FY22)
BIOTRAIN #1 RETROFIT	2024	DESCRIPTION: THIS IS A RETROFIT TO OUR OLDEST TRAIN BIOTRAIN #1 ADVANTAGE: THIS PROJECT WILL ALLOW FOR ADDITIONAL CAPACITY. ALTERNATIVES: NONE OPERATION COST: NONE	2,000,000 - - - - -	2,000,000	WWIF45 (FY24)
DOWNTOWN SEWER MAIN UPGRADES	UNSCHEDULED	DOWNTOWN SEWER MAIN UPGRADES DESCRIPTION: DOWNTOWN DEVELOPMENT AND USE INTENSIFICATION IS PLACING DEMANDS ON SEWERS THAT ARE UNDERSIZED AND GREATER THAN 100 YEARS OLD. UPGRADES ARE NEEDED TO ACCOMMODATE INCREASED DENSITY DOWNTOWN. ALTERNATIVES CONSIDERED: ADD OPERATING COSTS: CHANGES FROM LAST CIP: NEW ITEM	3,000,000 - - - - - - -	3,000,000	WWIF46

Project Name	Year	Description	Amount	Total	Project #
WASTEWATER COLLECTION PLAN UPDATE	2021	WASTEWATER COLLECTION PLAN UPDATE DESCRIPTION: GIVEN RAPID GROWTH AND THE DESIRE FOR INCREASED INFILL DENSITIES UPDATE THE WASTEWATER COLLECTION FACILITIES PLAN. THE HYDRAULIC MODEL UPDATE IN FY20 WILL BE A PREREQUISITE EFFORT FOR THIS UPDATE ALTERNATIVES CONSIDERED: CONTINUE IMPLEMENTING THE RECOMMENDATIONS PROVIDED IN THE PREVIOUS PLAN. ADD OPERATING COSTS: NONE CHANGES FROM LAST CIP: NEW ITEM	125,000 - - - - - - - - - -	125,000	WWIF47
HIDDEN VALLEY LIFT STATION	UNSCHEDULED	HIDDEN VALLEY LIFT STATION DESCRIPTION: DESIGN & CONSTRUCT HIDDEN VALLEY LIFT STATION & FORCE MAIN. THIS PROJECT WILL CONFORM TO THE CITY'S WASTEWATER COLLECTION FACILITIES PLAN. THE DAVIS LIFT STATION MUST BE UPGRADED TO ACCOMMODATE FLOWS FROM THE HIDDEN VALLEY LIFT STATION WHEN THE HIDDEN VALLEY LIFT STATION IS CONSTRUCTED. ALTERNATIVES CONSIDERED: LIMIT DEVELOPMENT ON THE NORTHWESTERN EDGE OF THE CITY DUE TO NO SANITARY SEWER AVAILABILITY. ADDITIONAL OPERATING COSTS: OPERATING COSTS WILL BE PAID FROM THE CITY'S SEWER ENTERPRISE FUND.	- -	7,000,000	WWIF48

Project Name	Year	Description	Amount	Total	Project #
WRF CAPACITY & NUTRIENT UPGRADES	UNSCHEDULED	WRF CAPACITY & NUTRIENT UPGRADES DESCRIPTION: DUE TO GROWTH ON OUR SYSTEM, WE WILL NEED TO EXPAND THE CAPACITY OF THE WRF. THE MONTANA DEQ DISCHARGE PERMIT REQUIREMENTS ARE BECOMING SIGNIFICANTLY MORE STRINGENT. THIS UPGRADE WILL INCLUDE TECHNOLOGY UPGRADES FOR MORE STRINGENT PERMIT REQUIREMENTS. FUNDING: \$10M WWIF 630 AND \$50M WW620	10,000,000 - - - - - -	10,000,000	WWIF49
COTTONWOOD SUBDIVISION SEWER OVERSIZING	2021	COTTONWOOD SUBDIVISION SEWER OVERSIZING DESCRIPTION: SEWER LINE NEEDS GREATER CAPACITY AND THIS PROJECT IS THE SUBDIVISION SEWER OVERSIZING FOR CAPACITY	400,000 - - -	400,000	WWIF51