Section 6: Financial Plan

This section describes both Loveland's current transportation expenditures and revenues, and the 2035 Transportation Plan costs and funding sources. The finance plan described here addresses both the estimated transportation impacts associated with Loveland's land use plan and the costs related to maintaining and rehabilitating the existing transportation system.

Current Transportation Revenues

For 2012, the total Revenue and Expenditures includes the base $11.1 million, plus unused funds from 2011 (rollover) of $2.8 million plus an additional grant of $1.1 million, for a total of $15 million.

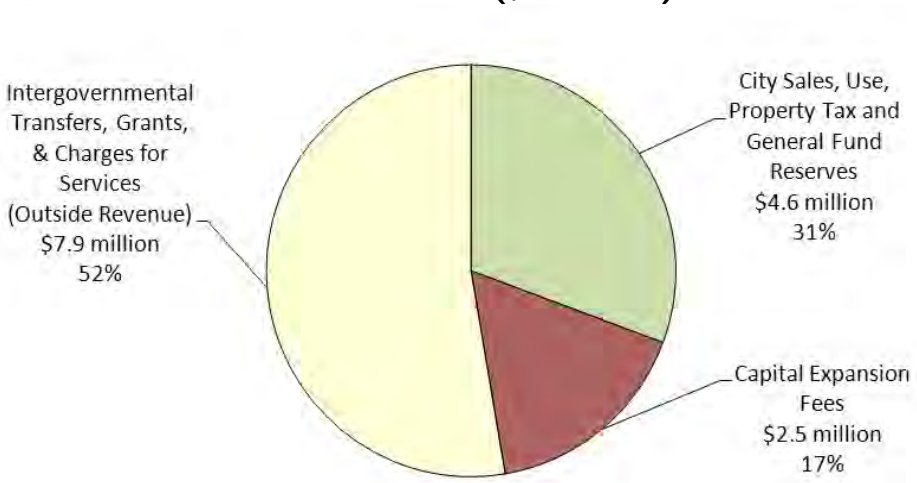
- General City Taxes, including sales tax, use tax and property tax, and reserves contribution of $4.6 million in 2012. These taxes are not limited in their use to specific types of activity.

- Capital Expansion Fees. $2.5 million, including $1.1 million estimated in 2012, plus $1.4 million in unused fees from 2011. These fees are specifically charged on building permits for the construction of specific street improvements and cannot be used for other work, such as plowing snow or fixing potholes.

- Intergovernmental Transfers, Grants, and Charges for Services (Outside Revenues), estimated at $7.9 million in 2012, there are about a dozen such sources of revenue, the main ones include the following. (Some must be used specifically for certain activities, like street maintenance; others are more general in nature.)

    - Highway Users Tax from the state: $2,598,510
    - State Road and Bridge Tax: $295,250
    - Motor Vehicle Fees: $244,310
    - State signal and street maintenance contracts: $437,140
    - Transportation Maintenance Fee: $1,917,250
    - Grants: $2,363,460
    - Charges for Services: $62,300

Total 2012 Revenues ($15 million)



Current Transportation Expenditures

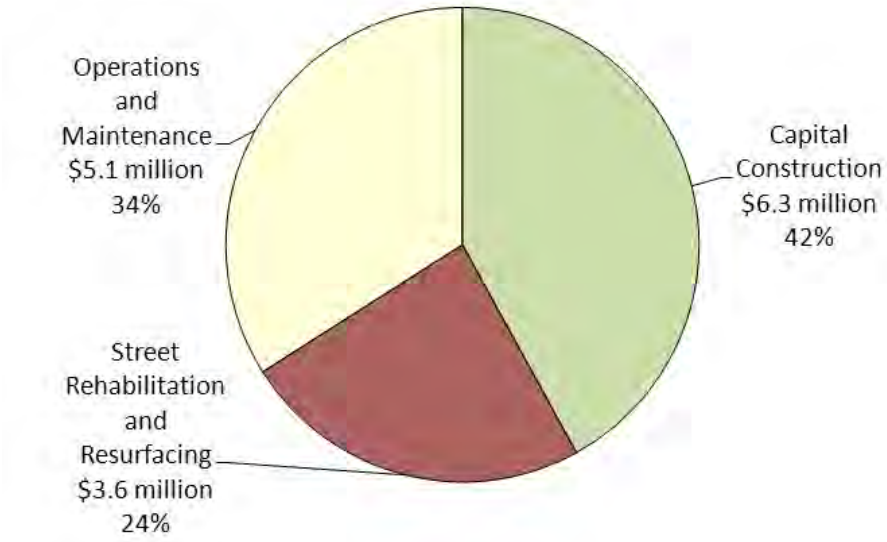
The City of Loveland currently spends approximately $11.1 million a year on transportation. This is broken down into three main categories:

- Capital Construction. This is the construction of new facilities or reconstruction and expansion of existing facilities. The new continuous flow intersection of Eisenhower at Madison and the I-25 and US 34 interim interchange improvements are two recent examples of this type of activity. $6.3 million a year is currently available for this work through Capital Expansion Fees, the fees assessed to all new development in the City, and the General Fund from Sales and Use Taxes. The City periodically receives federal and state grants for specific projects, but this source of revenue is highly variable and generally not available for building City streets.

- **Street Rehabilitation and Resurfacing.** This program was established fifteen years ago to keep the 330 miles of City streets in good repair. The annual budget is now $3.6 million, which is about one percent of the replacement cost of the streets. This program focuses on major street rehabilitation, such as overlaying an entire street with asphalt, rather than minor repairs, like filling potholes.

- **Operations and Maintenance.** This is the bulk of the daily activities associated with the transportation department. It includes everything from plowing snow, changing the light bulbs in traffic signals, and patching potholes, answering phone calls and doing engineering design work. Approximately $5.1 million is spent on these activities.

Total 2012 Expenditures ($15 million)



2035 Transportation Plan Costs

The proposed 2035 Transportation Plan is an ambitious endeavor that was developed to adequately accommodate the existing traffic as well as mitigate the estimated traffic impacts for the estimated growth between today and 2035. The key points of the transportation plan and the associated costs (in current year 2012 dollars) are listed below.

- Roughly 19 miles of road widening or new road construction on City streets, not including Centerra. Total estimated cost of $106.9 million.

- Centerra related improvements, including $117.1 million for roadway and intersection improvements and $101.5 million for Regional Improvements (on I-25 and US 34) for a total of $218.6 million.

- Widening of 10.2 miles of state highways at an estimated cost of $63.7 million.

- $8.7 million of sidewalk and on-street bike facilities improvements to provide safe and convenient travel for those not traveling in motor vehicles to encourage a reduction in driving. This is exclusive of the off-street recreational trail system that is built and managed by the Parks and Recreation Department.

- Transit service is largely dependent on funding from the Federal Transit Administration as the City became eligible for urban system programs as Loveland exceeds a population of 50,000 in the 2000 census.

- Signal and intersection improvement projects. It is estimated that new traffic signals will be needed in the next 23 years, as well as improved communication links between the signals. In addition, existing signalized intersections will need major improvements, primarily adding more turning lanes. These improvements are estimated to cost $51.9 million.

- The final element is $6.5 million for bridge replacements and $1.0 million for professional services to support the 2035 Capital Improvement Program.

The total of the above elements reveal a capital cost for the proposed Plan improvements of $464,423,630 in constant 2012 dollars.

Why not just charge new development all the street improvement costs?

There are legal restrictions on how street improvement costs are assessed as a fee against new development. It is not legal to charge new developments in Loveland for the traffic that passes through town from other cities. So when the fees are calculated, it is necessary to reduce the impact fees for street construction by the percentage of pass through trips that are on the streets being improved. It is also not legal to force new development to pay fees to fix existing problems that are not a result of the new development. In the proposed transportation plan, the impact fees for new development will cover 62% of the cost of the City streets. The other 38% will need to come from other sources.

Why doesn't the Colorado Department of Transportation pay for the new streets?

The State is facing the same situation as Loveland and most other cities: The cost of needed road construction and repairs exceeds the money available. The state has taken the official position that federal and state funds under their control will be used only on federal and state highways.

2035 Transportation Plan Capital Cost Funding

Proposed funding for capital costs associated with the 2035 Transportation Capital Improvement Plan projects are presented in five components, based on the revenue source.

1. Collector Street Equivalent Improvement Costs
2. Capital Expansion Fees - New Development's Share of Regional Transportation Improvements
3. Colorado Department of Transportation or Federal Funding
4. General City Funds (including sales and use taxes)
5. Centerra portion (from Master Finance Agreement and Centerra Metro District)

Collector Street Equivalent Improvement Costs

Developers are required to construct or pay for the costs of all local and collector streets. On larger streets, such as those included in the 2035 Transportation Capital Improvement Plan, developers are still required to pay for the portion of the street that would be equivalent in cost to a collector street. This typically includes two travel lanes, bike and parking lanes, and the curb, gutter and sidewalk on both sides of the street. Along vacant land, this cost is assigned to the land and is due when the property develops.

The collector street cost equivalent in the 2035 Transportation Plan is $44,009,280 in current (year 2012) dollars.

Capital Expansion Fees (New Development's Share of Improvements)

New development's share of 2035 Transportation Plan improvements, will continue to be financed with the Streets Capital Expansion Fee (CEF). Regional improvements include medians, the third through sixth lane, left turn lanes, bridges and signals. New development's share includes the portion of improvements attributable to vehicle trips generated by new development.

The City of Loveland first adopted the Streets CEF in 1983. The CEF fee schedule was updated in 1994, 2001, 2007, and in 2009. This Plan updates and revises the CEF calculations so that they are consistent with the 2035 Transportation **Capital Improvement Plan.** The background, methodology and calculations are presented in the Appendix.

The Capital Expansion Fee in the 2035 Transportation Plan is $129,886,011 in current (year 2012) dollars.

Colorado Department of Transportation (CDOT) Share

The City anticipates that the Colorado Department of Transportation will provide partial funding for improvements to portions of US 34, US 287, and SH 402. The CDOT share is estimated to be $37,784,700, which comprises about 50 percent of the total costs of these improvements.

General City Funds

Approximately $34,099,009 in transportation improvements are attributable to the "City's Share." These include improvements that correct existing deficiencies, upgrade the quality of existing improvements, and accommodate through trips (external to external or E-E trips discussed in other parts of this document). Funding for the City Share typically comes from the General Fund.

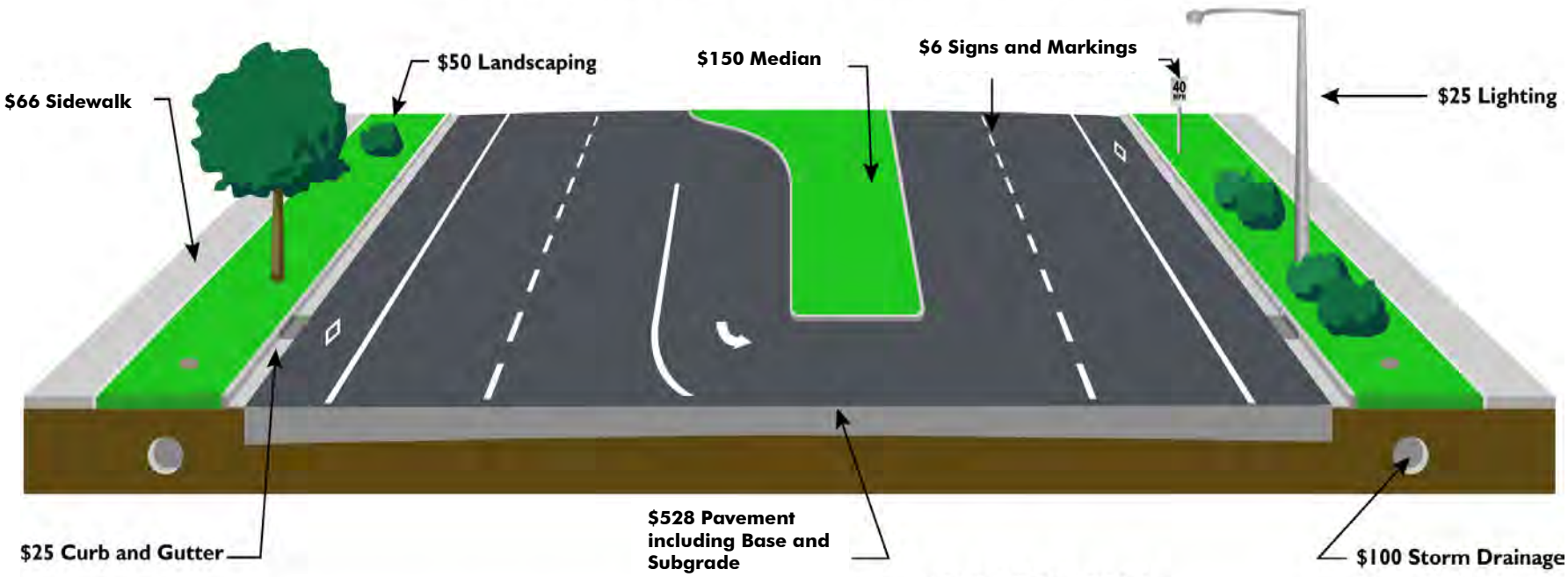
Centerra Metro District

As part of the Master Finance Agreement and Centerra Metro District Agreement, the City required that the Developers are responsible for not only City-related road infrastructure improvements but regional improvements (large scale improvements to I-25 and US 34) in which the City would not typically participate. These improvements comprise the final $218,644,630 included in the 2035 Transportation Plan.

How much do new road improvements cost?

It varies dramatically from one situation to another but in most cases new roads and road widening projects cost a lot more than you might imagine. It becomes very expensive to widen a road in an area that is already fully developed and does not have a wide enough right-of-way for the proposed road. Not only must the City pay for the land, but also sometimes many utilities must be relocated. In a situation like this, the total cost for widening a two -lane road to four lanes can easily exceed $15 million a mile. Even in the best situations, it is very difficult to build a new arterial street for less than $7 million a mile.

TYPICAL COST PER RUNNING FOOT FOR A FIVE LANE ARTERIAL STREET



$1,310 Total Cost Without Land Purchases

$100 Underground Utilities
$100 Construction Contingencies
$80 Design
$80 Construction Management

Other Financing Considerations

State and Federal Funding

This analysis assumes that the City will be successful in securing $37.8 million in State and Federal funding for eligible projects within the 2035 Transportation Capital Improvement Plan over the next 23 years. If the City is more successful than this target, then the need to earmark sales and use tax revenues will decline.

2035 Transportation Plan Note: While State and Federal dollars are shrinking, the projects included in the 2035 Transportation Plans have been identified by CDOT and the North Front Range Metropolitan Planning Organization as priorities. As in previous plans, the 2035 Transportation Plan conservatively estimated State and Federal Funding.

Annual Cash Flow Requirements

The need to construct some road improvements will precede the time when all of the necessary funding is in place. In these circumstances, the City will be required to (a) fund the needed projects with future reimbursement from the CEF and new development excise tax revenues, (b) create districts to fund the improvements with future reimbursement, (c) require developers to fund the improvements with future reimbursement or (d) not construct the improvement when needed. This Plan anticipates that these types of circumstances will be resolved on a case-by-case basis.