

COON CREEK WATERSHED DISTRICT
Request for Board Action

MEETING DATE: July 14th, 2025
AGENDA NUMBER: 11
ITEM: Rough Draft Capital Improvement Plan Update

AGENDA: Information

ACTION REQUESTED

Receive report.

PURPOSE

To present the rough draft of the updated Capital Improvement Plan (CIP).

SCOPE

To update the current CIP through the remaining years of the Comprehensive Plan (2027-2033). The detailed CIP report is attached.

BACKGROUND/CONTEXT

- The Plan was created to be adaptive to address risks and concerns as the management situation changes. To do this, the District will conduct minor plan amendments every 3-5 years.
- This minor plan amendment is to update the CIP for the remaining years of the Plan (2027-2033).
- The Board directed staff to begin this minor plan amendment to update the CIP at the January 27th, 2025 Board meeting.
- The operating environment analysis that included CCWD's asset inventory was presented at the May 12th, 2025 Board Meeting.

COMPREHENSIVE PLAN RELATIONSHIP

- The intention to update the Plan every 3-5 years was articulated in the Plan. This CIP update is a step to continue successful implementation of the Plan.
- The updated CIP projects nearly 50% of total revenue will come from external sources, which highlights the need articulated in the Comp Plan to maintain close coordination with city partners to ensure mutual water resource management goals can be achieved.
- The need to continually update the plan and adapt to changing management circumstances was reinforced in this update process. Small changes to rules such as the potential for TMDL credit for stream restoration projects can have large capital planning implications. Refining assumptions based on new data can also have potentially significant impacts.

ISSUES/CONCERNS/OPPORTUNITIES

1. Total Cost: The total anticipated CIP expenditures from 2027-2033 are \$68,594,000, which is a 23% reduction over that period from the current CIP in the Comp Plan. The main causes of this change are:
 - a. Lower forecasted inflation rate of 4% vs 6%
 - b. Updated cost analysis for TMDL achievement
 - c. Refinement of regional water quality and flood mitigation projects

2. Updated TMDL Costs: An updated cost analysis for TMDL achievement was conducted using three scenarios named: 1) Status Quo. 2) Optimistic In-Stream. 3) Maximum In-Stream. These scenarios differed if the relative contributions of different project types to achieve pollutant reductions. The project types including housekeeping, watershed projects, and in-stream projects have varying cost effectiveness and result in a range of estimated costs for the three scenarios for the remaining TMDL progress prior to 2045 which are:
 - a. Status Quo – \$171 million
 - b. Optimistic In-Stream – \$94 million
 - c. Maximum In-Stream – \$73 million
3. Selected TMDL Scenario: The Optimistic In-Stream scenario is the most realistic and feasible scenario analyzed and was used for the basis of estimating TMDL project costs in this CIP update. This Optimistic In-Stream scenario is contingent upon a new water quality credit trading tool announced by MPCA, where TMDL credit will potentially be given to stream restoration projects which currently do not count as TMDL credit.
4. Future Revenue Uncertainty: An ongoing issue confirmed in this analysis is the uncertainty of future external revenue sources from cities, state, and federal grants. Some state and federal grants have recently been cut or reduced. CCWD will need to maintain strong internal funding and anticipate changes to grant programs to allow us to seek new opportunities if necessary.

IMPLICATIONS FOR RESOURCE/ORGANIZATION

- With the new MPCA water quality credit trading tool, CCWD can potentially capitalize on stream restoration opportunities for TMDL credit, achieve non-pollutant stressors and secondary benefits, and reduce the overall cost of TMDL achievement simultaneously.
- If TMDL goal remains unchanged, the next CIP (2034-2043) will likely continue to increase due to inflation and increasing complexity of projects.
- This CIP is heavily dependent on collaboration and funding from cities. CCWD needs to keep relationships with our city partners strong and keep internal funding strong to avoid delays if city revenue contributions are lower than anticipated.

CONCLUSIONS

- The rough draft of the CIP update anticipates \$68,594,000 in capital expenditures from 2027-2033, a 23% decrease from the current CIP. The expenditures summarized by program and year are shown below along with a summary of revenue sources.
- The biggest changes in the updated CIP are the TMDL cost analysis, a refinement of regional water quality and flood mitigation projects, and forecasted interest rates.
- The update process reinforced the need to collaborate with our city and state partners to solve and fund mutual water management problems and continually adapt and update our Plan as the situation changes.
- The rough draft CIP and any subsequent revisions will be released as a minor plan amendment for BWSR and public review this fall.

RECOMMENDATION

Receive report.