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Finance Committee Meeting Minutes  
12/17/18  
10 am - noon  
CIC Room - City Hall

Council Attendees: Mayor Wade Troxell, Ross Cunniff, Ken Summers

Staff: Darin Atteberry, Kelly DiMartino, Jeff Mihelich, Mike Beckstead, Erik Martin, Jerrod Kinsman, Josh Birks, Victoria Shaw, Travis Storin, Brian Hergott, Gerry Paul, Jennifer Poznanovic, Victoria Shaw, Greg Yeager, Chief Swoboda, Wendy Williams, Andres Gavaldon, Michelle Provaznik, Jim McDonald, Tyler Marr, Joe Wimmer, Judy Schmidt, John Duval, Ryan Malarky, Zach Mozer, Jo Cech, Katie Ricketts, Carolyn Koontz

Others: Dale Adamy, R1ST.org, Kevin Jones, Chamber of Commerce, Randy Morgan and Paul Panico from the Friends of the Gardens

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Meeting called to order at 10:05 am.

Approval of Minutes from the November 19<sup>th</sup> Council Finance Committee Meeting. Ken Summers moved for approval. Mayor Troxell seconded the motion. Minutes were approved unanimously.

## **A. Police Regional Training Facility IGA and Funding**

Greg Yeager, Deputy Chief  
Jerrod Kinsman, Lieutenant  
Brian Hergott, Sr. Facilities Project Manager  
Erik Martin, Financial Analyst II

**EXECUTIVE SUMMARY:** The Police Regional Training Facility (PRTF) has been under design and the staff from the Cities of Fort Collins and Loveland have developed a draft IGA that addresses the construction, operation, and maintenance of the facility. There have been a few changes in design since the March 2017 Joint Council presentation, and staff would like to brief Council on those changes and the progress while seeking direction for next steps.

**BACKGROUND/DISCUSSION:** In 2014, Fort Collins and Loveland held a Joint Council session to discuss the possibility of a police training facility that would be shared between the two agencies and as a regional resource for our neighbors. In 2015, Loveland City Council's split vote (4-4) put the project temporary on hold.

In 2017, the Councils jointly approved for design work to begin on the facility. Staff at the two cities have been working with the design firm SEH to design a facility that meets the scope, budget, and building requirements for both organizations. Based on updated requirements from the Northern Colorado Regional Airport and



surveys of the land, adjustments have been made to the design to stay within the project budget and to stay within the scoped needs of both agencies.

#### Summary of Changes from Previous

- One rifle range and one pistol ranges of reduced to one tactical range
- Three classrooms reduced to two classrooms
- Smaller skid pad and less complex driving track

In 2018, staff from the two cities have been working to create an IGA to govern the construction, operations, and maintenance of the facility that meets the requirements of both cities. Staff has a draft copy ready for consideration by both councils.

#### GENERAL DIRECTION SOUGHT AND SPECIFIC QUESTIONS TO BE ANSWERED

- Does Council support continued collaboration with Loveland on the PRTF through an IGA?
- Does Council wish to fund construction for the facility using debt service?

#### Discussion / Next Steps:



- Ensure a highly trained, efficient World Class Operation
- Develop a center that allows for current and future growth
- Productivity improvements – reduced travel, callout/call back benefits
- Singular location to drive and shoot simultaneously
- Ability to train together with multiple jurisdictions (many high profile incidents are multi-jurisdictional)
- Provide numerous law enforcement, fire, government, private entities a venue for training
- Fulfill Colorado POST Training Requirements



- **Facility is jointly owned and operated and costs split 50/50**
- **Loveland will lead on contracts – Fort Collins reimburses**
- **First IGA focus on design**
- **Second IGA will focus on construction, operation and maintenance**
- **Operations issues resolved before construction bid process**

Mike Beckstead; \$60K per year sinking fund O&M builds over time to handle any significant maintenance at the facility. IGA is 95% complete. Open Items; 1) we prefer to keep money in our bank and give them contributions on a quarterly basis tied to construction progress only open as we haven't finalized the wording yet 2) Zero Energy - there are some word modifications in the IGA to clarify our intent 3) Loveland added a new item to the IGA last week re: equal usage - we are looking for some clarification as we have twice as many officers as they do.

2<sup>nd</sup> IGA in motion between Loveland and Fort Collins related to the land lease of airport property. \$177K being converted to land lease as the airport can't lease to itself. Our City Attorney's office advised we should memorialize that intent - still working through the details and we will come forward in January with the financing if that is the direction we get today.

Mayor Troxell; we currently make an annual contribution to the airport along with Loveland \$177K each. Assuming this will offset that contribution from each city.

Mike Beckstead; that contribution direct to the airport will go away - the airport will receive that amount from both entities as land lease payments relative to lease obligations.

Darin Atteberry; the cash flow doesn't change - it is just done in a different way - this is a cleaner and better approach.

LEED Gold Certification - both cities have agreed to meeting each other in the middle as far as standards are concerned - Zero energy - main part of the facility - provide a well-functioning LEED certified

Ken Summers: How is that going to be achieved?

Darin Atteberry: staff has agreement, but Council will consider this tomorrow night

Brian Hergott; the office / classroom areas LEED certified - shooting range high performing - mechanical systems



- shooting range and site itself

Darin Atteberry; this is a 50/50 partnership - partner doesn't have the same standard and we are developing in their jurisdiction - we are trying to honor our policy - LEED certify office part - shooting range getting Loveland comfortable and buy in for systems and the return on investment over time

Brian Hergott; solar PV on the roof to meet LEED requirements - wind energy - get it to net zero - thermal

Ross Cunniff; does this Include the shooting range? What are the air quality standards of the shooting range?

Mayor Troxell; wind toward project through regs - Energy is created in Loveland - they are part of Platt River - need to clarify this tomorrow

Darin Atteberry; Brian, be prepared to discuss what projects specifically have a shorter ROI tomorrow evening. Have you reached agreement on what the LEED like enhancements are on the shooting range?

Brian Hergott; includes lighting / envelope testing / there are lots of creds we don't get because of the site

Mayor Troxell; this includes native and xeriscape landscaping too, right?

Brian Hergott; we plan to create a boundary up around the office area with native materials

Mayor Troxell; the airport commission is discussing having standards for buildings around the airport - currently there are none - architecture standards come into play now within Loveland's land use guidelines – right now there are no standards in place for the airport. The commission would like to get to the point where there are standards - to make it a regionally attractive area.

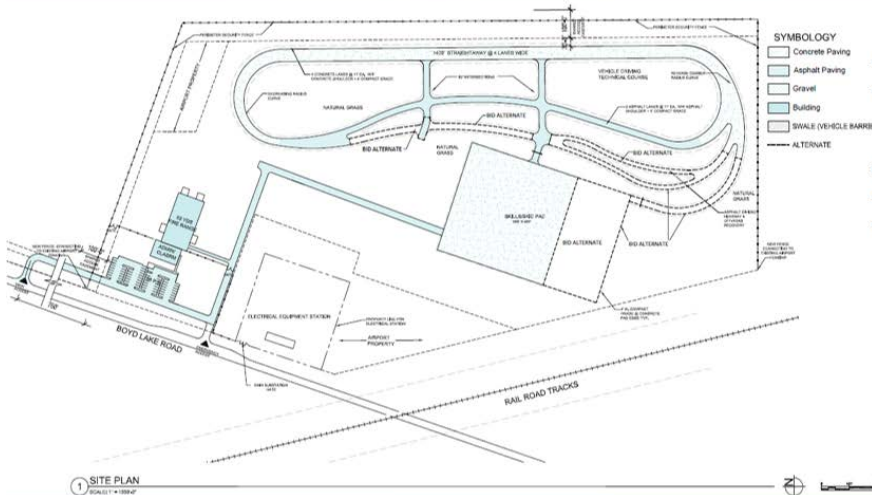
Brian Hergott; to get to LEED Gold – improve efficiencies

2012 -Energy Code - Loveland

2015 - Energy Code - Fort Collins



## New Facility Features



### \$18.5M facility includes:

- 50 yard, 21 lane indoor Pistol Range
- 6,000 sqft. Admin space including;
  - 2 classrooms
  - Office Space
- Driving Skid Pad
- 1.4 mile Driving pursuit/speed track
- Room to add on/grow in future:
  - Street Grid & Tactical Village
  - 100 yard range
  - Shoot house
  - EVOC Maint. Facility & Fuel Station
  - AVT and Off road driving course

## Change in Scope

**3/12/2017**

### \$18.5M concept Facility

#### Includes:

- 50 yard, 20 lane indoor Pistol Range
- 100 yard, 10 lane indoor Rifle Range
- 3 Classrooms
- Office Space
- Driving Skid Pad/Skills Pad
- 1.4 Mile Driving Pursuit/Speed Track
- Room to Add on/grow in future

**12/07/2018**

### \$18.5M concept facility

#### includes:

- 50 yard, 21 lane indoor Pistol Range
- 2 Classrooms
- Office Space
- Driving Skid Pad/Skills Pad
- 1.4 Mile Driving Pursuit/Speed Track
- Room to Add on/grow in future

Mike Beckstead; If the DOLA grant comes in there will be some upgrades made for example; some enhancements will be put back in including the skid pad and 2 additional lanes on the track.

Campus Capacity - was 5 days a week / 3 segments - expanded

Planning purposes - they decided to put that out to show capacity that can be used

Police officers work shifts - have officers train when they work

A segment is a 4-hour block of time - basic rental rate is \$325 per segment

Multiple segments can be leased out at the same time - classrooms are \$250 per segment



Ross Cunniff; how many police training facilities go into that average?

We have very slim choices to pick from in Colorado for comparison (Aurora and Flat Rock)

Mike Beckstead; for budgeting purposes, we wrote the IGA starting with rental revenue and budget for the facility which gets us to the net number - that would be the ask for the O&M to support the budget  
If we underspend that, it stays in the training center fund, then the next year – there won't be a buildup of underspend on O&M - it goes to fund the need in the next year - we zero it out each year.  
Capital renewal piece stays with Loveland - we both jointly own and that will be used for future maintenance

Fort Collins		Debt Structure	
<b>Project Amounts</b>		<b>Assumed Conditions</b>	
Police Training Facility	\$8.3M	• 20 year, fixed rate semiannual payments	
I-25 Project	\$17M	• 5.00% Interest Rate	
<b>Issue Costs*</b>	<b>\$0.3M</b>	<b>January 15<sup>th</sup></b>	
<b>Total Debt Issuance</b>	<b>\$25.6M</b>	COP Ordinance first reading	
<b>Yearly Debt Service</b>		<b>February 5<sup>th</sup></b>	
I-25 Project	\$1.4M	COP Ordinance second reading	
Police Training Facility	\$662k	<b>February 25<sup>th</sup></b>	
<b>Total Yearly Debt Service</b>	<b>\$2.04M</b>	Marketing and Pricing of COPs	
		<b>March 6<sup>th</sup></b>	
		Closing and delivery of proceeds	
		<b>End of March</b>	
		Payment to Loveland – subject to IGA	

*\*Estimate subject to change*

Mike Beckstead; bond funding - our intent is to combine the Police Training Facility with the I25 Prospect project. 2 assets are being used; 215 N. Mason St. and the Civic Center Parking Structure. Debt financing to a single COP \$26M offering. We hope to bring this forward to Council on January 15<sup>th</sup> with the 2<sup>nd</sup> Reading on February 5<sup>th</sup>. Our first payment to CDOT will be due in April 2019. Loveland is using cash and we believe they are looking to appropriate sometime in January.

Darin Atteberry; good news is that we paid off 215 N. Mason and the Civic Center Parking Structure in June. Two buildings were built and funded and now we can leverage them as collateral.

Discussion of Existing Facility:

March of 2017- we didn't have the asset value assuming it was sold - wanted to reinforce - Transparency

Darin Atteberry; given the study results and I think the Chief would agree that we should keep the asset

Ross Cunniff; Do we have an understanding of value of existing?



Mike Beckstead; As of a couple years ago it was \$500K including the shell and the land

Darin Atteberry; still a question for us - when we talked initially, we were going to sell that asset. It is not looking like it would be smart play - it is probably best to keep this asset in our portfolio

Ross Cunniff; question - IGA page 8 - training revenues - How do you anticipate that process working?

Mike Beckstead; when we first received this draft, Loveland assumed we handled fees the same way they do - the difference is that the Loveland Council approves those type of fees. We normally approve them administratively. We tried to write this the way current practice is - Darin does this administratively just like he does recreation fees, etc.

Ross Cunniff; how would it work if we disagree on what the fees should be?

Mike Beckstead; there is a dispute resolution mechanism in place which involves the two Chiefs meeting to resolve a dispute and if they aren't able to resolve it, the two City Managers would discuss and if no resolution there it would go to non-binding arbitration. Loveland wanted that in there in case it was ever needed.

Darin Atteberry; Animal Control Fees for example, I have the authority to set and increase those - so I communicate that I am planning to do this – ask Council to take a look at it and let me know if they have any concerns. Historically, we have given a heads up that we are looking at a fee increase. This fee must be market based or they will drive to the facility in Adams County.

Mike Beckstead; we want to capitalize on the market advantages in NoCo.

Mike Beckstead; Based on this conversation, we will bring forward the Bond Ordinance and the Appropriation Ordinances and the two IGAs on January 15<sup>th</sup>

## **B. Gardens**

Michelle Provaznik, Manager of the Gardens on Spring Creek  
Jim McDonald, Director of Cultural Services

Appropriation of Unanticipated Donation Revenues and Gardens Reserves to the Visitor Center Completion Project at the Gardens on Spring Creek.

### **EXECUTIVE SUMMARY**

- 1) The purpose of this item is to appropriate revenues raised by the Gardens on Spring Creek and Friends of the Gardens and Gardens Reserves for completion of Visitor's Center.

### **BACKGROUND/DISCUSSION**

In 2015, Fort Collins voters approved the Community Capital Improvement Program which included \$2 million to expand the Visitor's Center at the Gardens on Spring Creek pending successful fundraising for the remainder of funds needed for the project. In the 2017-2018 budget cycle, Council approved \$2,185,000 for the Visitor's Center expansion.





The Visitor's Center expansion is the second phase of completing The Gardens Master Plan and includes construction of a conservatory that will operate as a North American Butterfly House in partnership with the Butterfly Pavilion in Westminster. A new lobby/entrance, meeting room, café concessions, and expanded gift shop will be added. Plans are attached.

Since 2017, the Friends of the Gardens on Spring Creek Board of Directors has been actively fundraising to meet the needs of the Visitor's Center completion project and has secured \$572,394 in donations and pledges. This ordinance will appropriate the \$315,000 cash in hand which has been donated to the project. The remainder of the funding is in pledges that will be received between 2019-2023.

The Gardens has strategically built reserves to contribute to capital projects in case of funding shortfalls or to cover pledged gifts. The Gardens requests \$240,000 of reserves be appropriated to complete the Visitor's Center. The reserve amount will be fully replenished as the pledged gifts are received.

Construction of the Visitor's Center will begin in January/February 2019. This immediately follows the completion of construction of the Gardens expansion of five acres of new gardens including the Great Lawn, Undaunted Garden, Foothills and Prairie Gardens. The total cost of the garden expansion project was \$2.9 million, \$2.1 million was raised by the Friends of the Gardens and \$800,000 was provided by the City of Fort Collins.

The Gardens on Spring Creek will host a grand opening celebration for both projects in fall 2019.

#### **CITY FINANCIAL IMPACTS**

<b>Prior Appropriated Funds</b>	
Prior Appropriated Community Capital Improvement Funds	\$2,185,000
2018 Clean-up	\$27,394
Operations Services – Existing Building Renovation	<b>\$304,540</b>
Total Prior Appropriation	<b>\$2,516,934</b>
<b>Funds to be Appropriated with this Action</b>	
Funds donated for the Visitor's Center Project	\$315,000
Gardens Reserves	\$240,000
Total Funds to be Appropriated per this Action	<b>\$555,000</b>
<b>Total Current Project Budget</b>	<b>\$3,069,540</b>
<b>Prior Transfer to Art in Public Places</b>	<b>\$21,850</b>

#### **BOARD OR COMMISSION RECOMMENDATION**

The Completion of the Gardens on Spring Creek Master Plan has been supported by the Parks and Recreation Board and Cultural Resources Board.



**PUBLIC OUTREACH:** The Gardens on Spring Creek Master Plan and Visitor's Center design was originally approved in 2000. As the Visitor's Center Design is nearly identical to the originally approved plan, a minor amendment process has been undertaken. No further public outreach was required

**Discussion / Next Steps:**

Mike Beckstead; clarification - these are private donations that have built up over time and have been put back in a reserve account - \$240K – offsetting the \$230K we already have - the fundraising shortfall is \$10K - only using the reserves to bridge the timing of when the pledges come in.

Mayor Troxell; how does that relate to City Give? discretionary or endowed?

Mike Beckstead; it relates to City Give as Nina has been working with Michelle and her team on fund raising. We haven't fully implemented that component of City Give in terms of having a MOU with the Friends of the Gardens but that is coming very quickly. All of the funds come in on a restricted basis specific to the Gardens and use on this project - no endowment with this project.

Mayor Troxell; I would like to see it more in a donative framework - the philanthropic side of City Give is a very important part; relationships and developing a giving framework for the City of Fort Collins - we also need to have the back-office framework that supports the front facing operation.



Throughout its history, the Gardens on Spring Creek has grown due to the public/private partnership between the City of Fort Collins and its nonprofit partner, the Friends of the Gardens on Spring Creek.

Total Capital Investment:	\$9,250,000
City of Fort Collins Funding:	\$5,300,000 (57%)
Friends of the Gardens Fundraising:	\$3,950,000 (43%)

Mayor Troxell; You have done a great job - I looked at the facility this weekend and it is outstanding! It is coming into the promise - a lot of hard work has gone into this. I appreciate that Jim McDonald is here as well. It is good to see we are looking at our facilities as they relate to our cultural resources and assets. How do we best capture all of those together in terms of curation and exhibition and not have each one doing their own funding raising. Butterfly Pavilion partnerships and leveraging relationships to lift the game and allowing for things to happen. We have some opportunities there as we think of all our cultural asset resources. At some point in the future we will go after science / cultural resources - that will be the framework for asking - right now I don't think we have that framework.

Jim McDonald; I met with Nina Bodenhamer and we had a really good meeting - I have a background



In grant making and fund raising. We see strong alignment in the potential of all our facilities and programs. I have been here for about 7 weeks and I can say with my fresh eyes and ears in this community - this is a tremendous asset and a great platform we are building on. I plan to meet with Michelle and Nina to see what other opportunities exist because it is a great program and facility to support. I also want to point out the volunteer hours for this facility are so important - the volunteers are literally growing the plants we are selling. This is something that is not captured here - how many hours come from the Friends / the volunteers of the Gardens that we would have had to pay for. Appreciating them and acknowledging the tremendous job they do!

Ross Cuniff; I am excited about this - it will be a gem and is consistent with the vision for the Gardens. Great facility - appreciate the private fund raisers who had made this a reality. One question - Are we charging admission to our Butterfly Pavilion?

Michelle Provaznik; yes, we plan to charge admission - similar to the Museum of Discovery model -

Darin Atteberry; I noticed at the Garden of Lights that the donation / admission is handled in a great way - it looked like a bake sale table – guests are compelled to give but it was done in a way that if someone couldn't afford to pay, they would feel comfortable walking through.

Ross Cuniff; we have had that discussion around the Museum of Discovery - how to make it assessable to all

Ken Summers; great amenity and good project

Mayor Troxell; not to change anything that is already in reserves -build out more of the City Give framework - cashflow from a donative side - to recognize that there is a commitment on a donative side that is an obligation

Michelle Provaznik; I think clarity about that would be good.

Mayor Troxell; clarity and discipline - it also helps on the fundraising side whether it is volunteers or city staff that are making requests - Rules of engagement on the philanthropic side to adhere to as well. Great asset to our community - great project.

Mike Beckstead; we will bring this forward as soon as possible.

## **C. Metro District Policy Updates**

Josh Birks, Director, Economic Sustainability  
John Duval, Deputy City Attorney

### **EXECUTIVE SUMMARY**

The purpose of this item is to present several changes to the Metro District Policy, adopted by City Council on August 21, 2018, and changes to the accompanying Model Service Plan. These changes included clarification regarding timing and deadlines for submittal and reflect changes to the Model Service Plan requested by Council during their recent consideration of three service plans this past September. Aside from the timing changes to the policy, these changes should be familiar to the Finance Committee ("Committee") and City Council.

### **GENERAL DIRECTION SOUGHT AND SPECIFIC QUESTIONS TO BE ANSWERED**



1. Does the Committee support the proposed changes to the Metro District Policy and Model Service Plan?

### **BACKGROUND/DISCUSSION**

On August 21, 2018, City Council adopted Resolution 2018-079 revising the Policy for Reviewing Service Plans of Metropolitan Districts (the “Metro District Policy” or “Policy”) previously adopted by Council through Resolution 2008-069. The new policy made several fundamental changes to the previous policy. Shortly after adopting this new policy, City Council considered and approved the Service Plans for three new Metro Districts. During Council’s consideration of these items several changes were made to the service plans. Staff understood Council’s direction in requesting these changes constituted precedent for the review of future service plans. After Council’s review of the three most recent service plans, Staff met to debrief the process and discussed opportunities for improvement. Both the changes requested by Council and several process improvements are presented in this policy update.

### **Policy Changes & Process Improvements:**

Staff proposes to revise the Metro District Policy in the following ways (listed in the order in which they appear in the Policy):

1. **Workforce Housing** – This minor change adjusts the target Area Median Income (“AMI”) target range to 81 to 120 percent and adds the category to Exhibit A – Public Benefit Examples of the Policy.
2. **Staff Response to Letter of Intent** – To enhance clarity for applicants, the policy has been revised to require staff respond to any Letter of Intent within thirty (30) days of receipt and payment of pre-application fees.
3. **Formal Application Submission Deadlines** – To ensure adequate time for review and consideration, the policy has been revised to include a deadline for formal application submittal that provides a minimum of approximately 120 days for review. There are two deadlines each is linked to a potential election date, either spring or fall.
4. **Public Hearing Notice** – This minor change shifts the Council Public Hearing section to a separate section in the policy.
5. **Council Public Hearing** – This new section of the policy addresses the timing for Council to conduct a public hearing requiring that the hearing occurs at least thirty (30) days prior to the final submission date for the District Court to order an election. This should provide the Council a minimum of two (2) regular council meetings to consider a service plan.
6. **Order of Proceedings at Public Hearing** – This is the largest change to the policy. This new section lays out an order of proceedings for the public hearing that mirrors the development review hearing process. The intent of this revision is to facilitate a more complete review of a proposed service plan allowing Council to hear directly from the applicant.

A redline version of the Policy has been included for reference.

### **Model Service Plan Changes:**

Staff proposes to revise the Model Service Plan (Exhibit B of the Policy) in the following ways (listed in no order):

1. **Further Council Approval Required** – No Debt, Debt Mill Levy, or Fees to pay debt may be issued or collected until City Council approves an intergovernmental agreement and/or development agreement securing the Public Benefits (Section IV.B(1-3)).
2. **City may Dissolve a District for Inaction** – Revisions to Section XVI now empower the City, at its option, to dissolve the District if no intergovernmental agreement or development agreement has been approved by City Council within three years of Service Plan approval.



3. **Regional Improvements Clean-up** – Several minor changes have been made throughout the document to clean-up the commitment by a district to establish the ability to support Regional Improvements through the imposition of a 5.000 mill levy.
4. **Financial Plan** – Clarifying language has been added to section IX.A indicating that the financial plan attached to a service plan is based on “economic, political and industry conditions as they exist presently and reasonable projections and estimates of future conditions.” Furthermore, the estimates and projections presented are not to “be interpreted as the only method of implementation of the Districts’ goals and objectives...” This allows for the financial plan to adjust over time as long as those adjustments comply with the terms of the Service Plan.
5. **Maximum Debt Authorization** – Section IX.B(7) has been revised to clarify the applicability of the Maximum Debt Authorization excludes Intergovernmental Capital Pledge Agreements between two or more of the Districts created by a given service plan.
6. **Board Meetings** – Language clarifying the requirement to have board meetings in three of the four quarters shall not apply until there is at least one end user of property within a district and terminates when most of the directors on a district’s board are end users.
7. **Other Minor Changes** - All other changes in the Model Service Plan are either refinements in the spirit of the original Model Service Plan, minor in nature, or further changes for clarification.
8. **Intergovernmental Agreement** – Optional language will be added to allow for an intergovernmental agreement between the City and metro districts as needed for some districts in order to provide another tool for the City to enforce the approved service plan.

#### Discussion / Next Steps:

Changes requested during the review / approval of the last 3 service plans.

Mayor Troxell; timeline compared to those 3 service plans that were recently approved

Josh Birks; we received all of the applications in July - requested submission deadlines

In order to be ready for election they are targeting



Josh Birks; We were not able to include a red line of the updated Service Plan in your packets today.



We are looking to bring these changes forward for Consent right after the first of the year, so they are in place for any new applicants as they come in.

Ross Cunniff; I am not happy with tax levels on the ones we approved. Permanently affordable. Do we need to do anything in the example /model service plan to inform applicants of the requirements of list price + the additional tax burden?

Josh Birks; I don't think it would hurt for us to add that - I would rather be overly transparent than leave it to question.

Ross Cunniff; if we advertise as affordable housing, we need to be transparent

Mike Beckstead; the term which that applies to would be part of that transparency - is it 20 years or 40 years or is it perpetual?

Ross Cunniff; says permanently affordable - I like that

Ken Summers; timeline - are we saying that if they miss a May 3<sup>rd</sup> application submittal that they have to wait until the next year?

Josh Birks; if they submit by the 3<sup>rd</sup> Tuesday in May then we will ensure they get Council review in time for them to make a November election - if they submit later, we can't provide that assurance.

Work load and impacts – there are 3 that will move forward in 2019 and at least 2 more are waiting on deck. In the budget we anticipated and forecasted revenue from 5 districts per year and we have appropriated funds to hire additional staff for processing and to enhance capacity. My expectation is that we will be seeing more of these now that there is a policy in place.

Ken Summers; you do consider these clean up issues?

Josh Birks; yes, cleaning up some of the language -TABOR, financial plan language basically states that what is being presented is one outcome - not to be considered debt as part of max debt. We will have a red line of the Model Service Plan available when this comes forward to Council.

Mayor Troxell; thank you

## **D. Mall Financial Review & Net Taxable Sales Data**

Josh Birks, Director, Economic Sustainability  
Jennifer Poznanovic, Sr. Manager, Sales Tax / Revenue  
Victoria Shaw, Sr. Analyst, Finance

### **SUBJECT FOR DISCUSSION**

Mall Financial Review & Net Taxable Sales Data

### **EXECUTIVE SUMMARY**





The purpose of this item is to present an overview of the financial performance of the Foothills Mall Redevelopment and recently analyzed data on net taxable sales trends in the City of Fort Collins. The financial performance of the mall will include an analysis of anticipated City contributions from sales tax versus newly revised estimates and an update on the sales per square foot performance of the property. The net taxable sales trends will provide additional background for discussions regarding future sales tax revenue trends.

#### GENERAL DIRECTION SOUGHT AND SPECIFIC QUESTIONS TO BE ANSWERED

No specific direction is sought. This item is informational only.

#### BACKGROUND/DISCUSSION

##### Foothills Mall Financial Performance

The Foothill Mall Redevelopment project is supported by a public finance package that includes five revenue sources: (a) Metro District Capital Mills; (b) Metro District Specific Ownership Tax (c) Property Tax Increment; (d) Public Improvement Fee; (e) Sales Tax Increment. All revenues were pledged to the Foothills Metropolitan District to support the issuance of bonds. The bonds provided the direct subsidy to the project to fund a portion of on-site and off-site construction costs. The pledge of sales tax revenue is intended to support the bond debt service only if needed and to fill a supplemental reserve account required by the bond terms. Staff has prepared an update to the performance of the public finance package and retail sales performance.

The estimated investment contributed from the City of Fort Collins when the Foothills mall project was approved by council was \$8.8M. Based on current trends, staff estimates the new commitment level at \$5.4M. Savings was driven by the bond closing at a lower rate (5.92% vs. 7%) and the lower pledged increment allowing more Metro District revenues to contribute to bond reserve.

Original Assumptions							
Year	Metro District Revenue	City Sales Tax Revenue	Non-Pledged Sales Tax	Pledged Increment	Bond Payments & Reserve	Increment Returned to City	City Contribution
2012		4.8					
2015	2.1	5.0	5.0	2.5	4.6	-	2.5
2016	2.3	5.3	5.3	3.1	5.4	-	3.1
2017	6.5	5.4	5.4	3.2	9.7	-	3.2
2018	6.5	8.8	5.5	3.3	6.0	3.3	-
2019	6.7	9.0	5.6	3.4	5.7	3.4	-
<b>TOTAL</b>				<b>15.4</b>		<b>6.6</b>	<b>8.8</b>



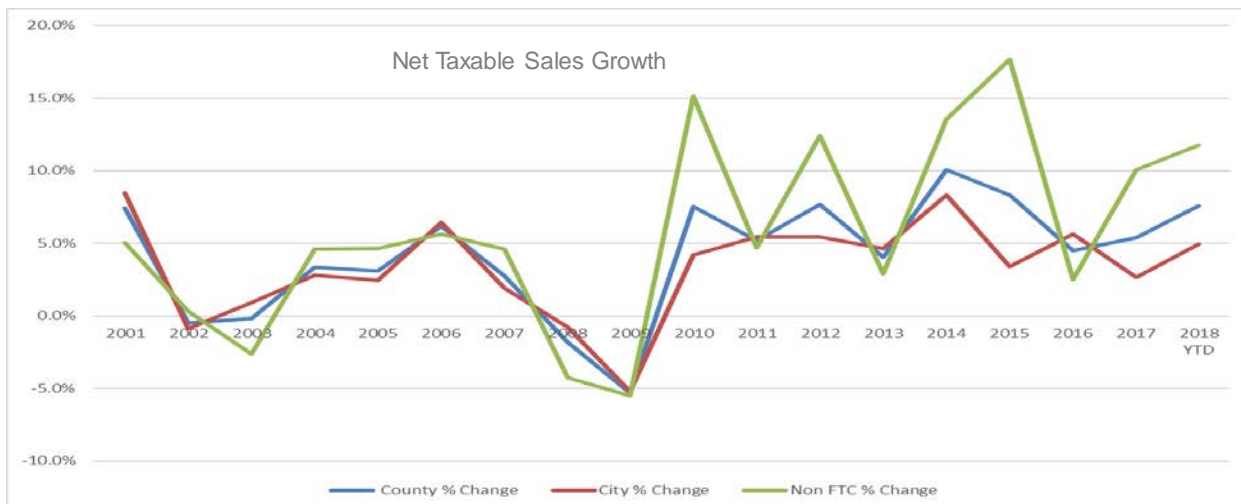
2018 Update							
Year	Metro District Revenue	City Sales Tax Revenue	Non-Pledged Sales Tax	Pledged Increment	Bond Payments & Reserve	Increment Returned to City	City Contribution
2012		4.8					
2015	0.8	3.2	3.2	-	0.8	-	-
2016	1.4	3.0	3.0	-	1.4	-	-
2017	2.1	3.6	3.2	0.3	2.4	-	0.3
2018	4.9	4.9	3.8	1.1	5.9	-	1.1
2019	5.0	5.7	4.1	1.5	6.6	-	1.5
2020	5.9	6.5	4.5	2.0	8.0	-	2.0
2021	5.9	6.7	4.5	2.1	6.4	1.7	0.5
2022	6.3	6.8	4.6	2.2	5.6	2.2	-
<b>TOTAL</b>				<b>9.3</b>		<b>3.9</b>	<b>5.4</b>

Ongoing revenue remitted back to the City will occur later and be less than originally forecasted. This is driven by slower lease-up rate and lower sales per sq. ft. performance. Lower sales per sq. ft. performance is driven by tenant mix, including more service-based businesses than anticipated.

### **Net Taxable Sales Tax Trends**

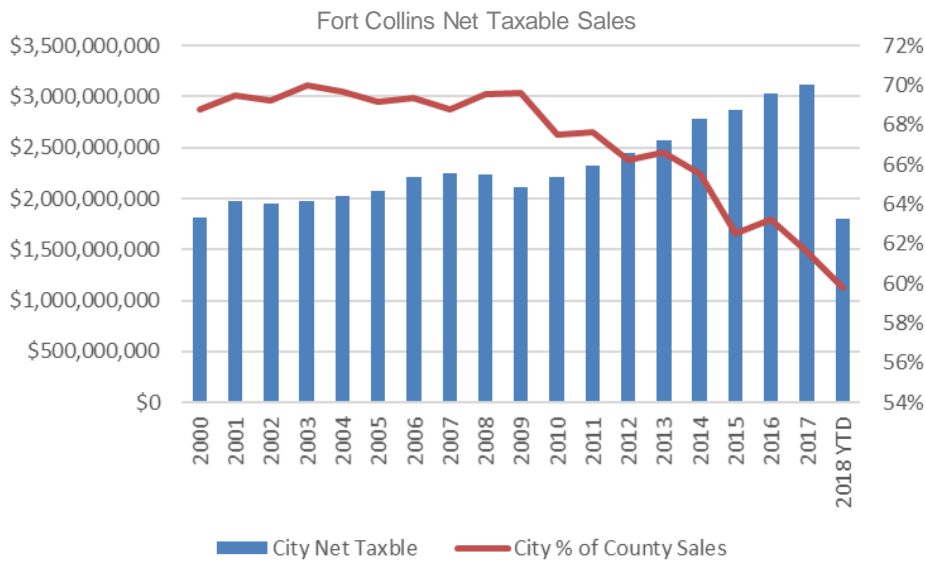
The City began facing a changing revenue situation beginning in 2017. A contributing factor to this revenue trend is flat to modest sales tax revenue growth. Financial Services Area (Finance) staff has begun to evaluate relevant data points and trends that might help to explain this shift and support revenue forecasting. Staff presents several preliminary data points as an introduction to this topic.

In the chart below, the City and County were following the same trendline until 2010. The County compound annual growth rate (CAGR) outside the City, from 2010 to 2017 was 7.8% while it was 4.4% in Fort Collins.



In the chart below, the City's percentage of County net taxable sales was consistently around 70% until 2010. Although net taxable sales in the City have been increasing since 2010, the City's percentage of the County's net taxable sales has been declining.





#### Hypothesis:

- Fort Collins is no longer the retail hub of the County
- Leakage – residents shopping outside the City (Costco, Scheels, etc.)
- Potential shifting of buying behavior (ex: less disposable income)

#### Potential next steps:

- Investigate industry segment trends
- Consider rebalancing revenue sources – lodging, admissions
- Reevaluate land use decisions going forward
- Explore collecting tax on internet purchases (without nexus)

#### Discussion / Next Steps:

Ken Summers; \$5.4 is less than the \$8.8 which was the original estimated

Victoria Shaw; The \$5.4M is the total of net city contribution

Josh Birks; Sales per square foot is down - \$350 down to \$300 due to the mix of tenants and the performance of the tenants. The good news is that all of this revenue is pledged - our dollars are last in and first out which protects and insulates us from lower performance - our commitment is not going up.

Mike Beckstead; more for context - exploring moral obligations - we have 2 neighboring communities who borrowed and are solely responsible for the debt service - the silver lining that Josh is describing and I want to reinforce is that the structure of the program really worked to the City's advantage given that we don't have control over performance. While the new revenue coming in is less, the obligation of commitment is lower and hopefully over time the developer can continue to work on improving the mall's performance.

Josh Birks; As we have said risk is less upside and that is the takeaway to us



Mayor Troxell; the mall has been a positive addition to our midtown area – we were looking at a degrading and declining area - it has served a role as a Catalyst – the housing around it, senior housing off of Horsetooth, the pedestrian tunnel and the improvements around that site and housing being better utilized. Public improvement - The way the project was structured - Council actually played a role in slowing things down. Even though it is not fully leased out, the Activity Center provides good programming and neighborhood connections - all in all - it has been positive, and the structure is to be complemented.

Ross Cunniff; I worry that could lead to others saying we will get the city to come in and be our white knight on future projects. Initially approved in May of 2013 and the developer came back and said they couldn't meet that timeline. Council had additional questions at that time - more skeptical and unfortunately some of Council's concerns came to fruition. The mall retail sales are not what we thought - could have more housing. These are lessons for us to internalize as we look at future projects.

We have an almost \$13M shortfall relative to projections - \$12.7M difference  
It is good that we have the retail there – cautionary tale for us - sales tax pledge can lead to good things for the City of Fort Collins - we missed by over \$10M

Mike Beckstead; I like the way Josh said it as there is still upside we have now - maybe there are other things we could have evaluated that would have provided upside but we haven't given any more than we thought we would give but we are getting less.

Ross Cunniff; I do appreciate the city is not on the hook for that. Looking to future URA - especially given the current findings – I read an article in the Denver Post about how corporate subsidies are not really paying off when it comes to tax revenues. Sales tax pledge lead to sales tax returns is not my favored approach.

Darin Atteberry; the only additional attribute is blight removal - catalytic - new Foothills Activity Center is a very active facility that is getting a lot of use especially by youth and seniors.

Ross Cunniff; what the opportunity cost - cautionary tale - the property tax - I would still like to see an estimate of whatever we think the appropriate radius is - property tax increment upside - might moderate my concern - now that we have had a full cycle

Mike Beckstead; it will still be an estimate - as you can tell the Metro district revenue didn't come down by a lot PIF is down but the tax increment is up.

Ross Cunniff; not just the mall - whatever we think the appropriate radius is.

### **SALES TAX DISCUSSION:**

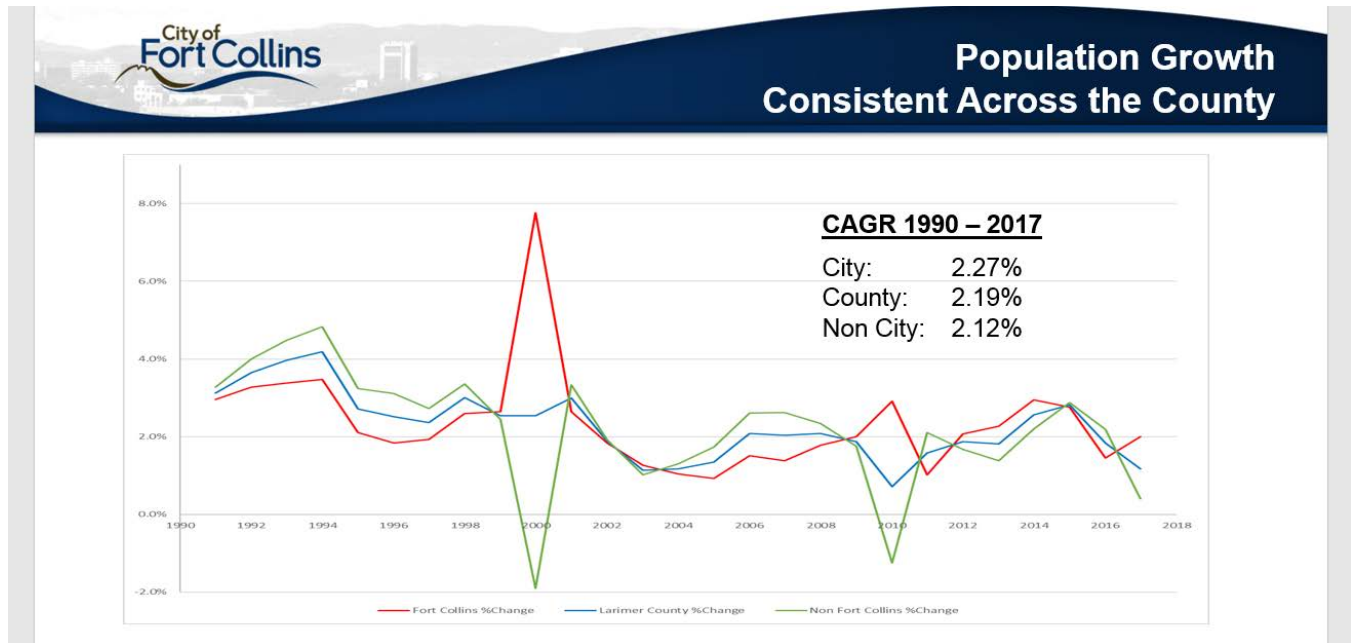
Darin Atteberry; this ought to be a Council priority discussion and I will be stressing that at our April / May Council orientation goal setting discussion.

We are 60% of the County (share of net taxable sales) - 40% that is the County but not in Fort Collins must be growing for the county to exceed what we are - that is what we found as we backed in to the 40% that is not the City of Fort Collins



**ACTION ITEM:**

Ross Cuniff; I would like to see a new version of the red line chart - prorated based on population - tease out 2 factors; population is growing at different rates in different parts of the County, sales tax trends. Isolate the sales tax part of it. Jennifer Poznanovic shared that she had included the slide below in the backup materials to address Ross' question.



Ken Summers; Per capita would be helpful

Mike Beckstead; I believe Windsor and Wellington have much higher growth rates than Fort Collins -

Josh Birks; over time higher per capita sales tax within the city and lower outside the city - disparity of shopping opportunity - normalizing where sales occur and other sales trends

Mike Beckstead; we are no longer that retail hub - more people going east or south for shopping and fewer people coming into Fort Collins for shopping. It could all be population - I really like the idea of doing the analysis that Ross suggested.

Ross Cuniff; internet sales are a significantly greater factor - shopping shifting in lieu of housing costs

Ken Summers; maybe it would be more of an internet sales total - nationwide it is 7-9% - a lot of money that has a significant impact - Local businesses are experiencing customers coming in and looking and then buying via Amazon

**Action Item:**

Ken Summers; sales tax is my hot button - I would really like to see a quarterly / weekly economic report - financial report that would highlight some of the information you have in a narrative form to include observations over time - last year - last 5 years. Percentage of sales tax from Fort Collins to sales tax total -



resulted in \_\_\_ - in less taxable sales - in terms of revenue lost for the city. Costco - Timnath - narrative summary as well as a broader picture of the county / state working down. Some of this probably comes from my statehouse perspective where I was used to receiving this type of data - 10-12 pages - how does that compare to the City of Fort Collins observation about the service vs retail. As a Council member it would be helpful for the public too – make them aware of what is going on - don't want to do a lot of research – report should be a high-level overview. We do need to make this a Council priority - what are going to do about this? What are the challenges moving forward? What does that mean in terms of collecting tax on internet sales? Read in email from Ray Martinez about small businesses collecting sales tax specific to area of delivery – complicated.

Mayor Troxell; CML is on top of the sales tax state issue and this is playing out as we speak. All aspects are complicated - the email that came in - really must reflect that there are a lot of things going on - CML is working this and there will be some discussion with the legislature

Mike Beckstead; the example in South Dakota where this issue came out - they have one sales tax rate for the entire state. In Colorado, we have 650 different combinations depending on location. How do we do something like South Dakota to make it less onerous?

Ken Summers; I hope they get this sorted out – An Art store in Estes Park ships product o Denver - this is going to kill us - Will be interesting to follow the legislative session and how they deal with it. Don't react too fast.

Jennifer Poznanovic; the CML meeting resulted in an agreement for home rule to do self-collection. It went into effect December 1st and is voluntary for the short term and the grace period keeps getting extended.

Ross Cuniff; not sure how that would be possible for an individual to do this for the city - we do need to make sure they are aware.

Mike Beckstead; we will summarize that and talk about improvements

Darin Atteberry; back to Ken's request re: economic report -a great place to do that is the City Manager's Monthly Report - no one is asking for a multi hour dissertation that takes a long time to prepare and read. Let's talk about what this report would look like and bring a prototype back to Council Finance to see if it hits the mark. Then we can drop it in the monthly report and have Josh distribute it as he sees fit to the business community.

Josh Birks; we need to think about how we tie it into the community dashboard - might be that we are just choosing to turn the flashlight on things.

Ken Summers; we are not asking for new data or new research. Look at what information do we have that we can share and that we think would be helpful to share - for community and Council to understand what is going on.

Mayor Troxell; as much as we can keep the conversation going and keep Council up to speed on what is going on – this is a rapidly changing landscape - recognize the fact that there might be some impacts to buyers and sellers and understand how it impacts Fort Collins – make sure we make our best case.

Ross Cuniff; question regarding reevaluating land use - re zoning?

Josh Birks; The overall revenue and expense situation ultimately does tie back to how many residents we have.





As we are looking at the City Plan, one of the questions we ask ourselves is; are we painting ourselves into a particular future based on the land use decision / choices we make? Is that something that we want to reevaluate? More about looking forward – if we don't have the right balance of revenue generating land uses vs expense related land uses. Zoning is the basic building block - do you have enough of these different uses?

Mayor Troxell; investigate industry segment trends – part of our strategy should be durable revenue retail / models – for example Scheels opened - Dick's might offer counter balance. Lodging – we just got recognized as a great place to visit - things are changing - create experiences - services / not taxable / massage / cycle bar - not taxable activity

Josh Birks; taxable sales / revenue diversification - is it more about experience (which tends to fall more in the service sector)

Mike Beckstead; no single answer up there – will be a combination of factors.

Meeting adjourned at noon.