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Finance Committee Meeting Minutes  
1/28/19  
10 am - noon  
CIC Room - City Hall

Council Attendees: Mayor Wade Troxell, Ross Cunniff (via phone), Ken Summers

Staff: Darin Atteberry, Kelly DiMartino, Jeff Mihelich, Mike Beckstead, Jill Oropeza, Kevin Gertig, Carol Webb, Lance Smith, Ken Mannon, Stu Reeve, Chief Swoboda, Greg Yeager, Erik Martin, Jerrod Kinsman, Travis Storin, Jennifer Poznanovic, Andres Gavaldon, Tyler Marr, Joe Wimmer, Ashley Macdonald, John Duval, Zach Mozer, Jo Cech, Katie Ricketts, Laurie Kadrich, Noelle Currell, Clay Frickey, Carolyn Koontz

Others: Dale Adamy, R1ST.org, Kevin Jones, Chamber of Commerce, Ben Walker, Innosphere

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Meeting called to order at 10:07 am.

Approval of Minutes from the December 17<sup>th</sup> Council Finance Committee Meeting. Ken Summers moved for approval. Ross Cunniff seconded the motion. Minutes were approved unanimously.

NOTE: Agenda was modified due to time limitations. The Child Care Incentive / Fee Waiver agenda item was moved to the February 25<sup>th</sup> Council Finance Committee meeting.

## **A. Utility Lab Building Partnership**

Jill Oropeza, Director, Sciences  
Carol Webb, Deputy Director, Utilities  
Lance Smith, Director, FP&A

### **Design and Construction of City Laboratory Facilities in Partnership with Innosphere**

#### **EXECUTIVE SUMMARY**

The City proposes to construct a new facility that will house the Utilities Water Quality Laboratory, Pollution Control Laboratory, and the Watershed Program (collectively the Water Quality Services Division). Utilities currently operates two separate laboratories which are in separate buildings and which have not been significantly renovated since the 1980s. Costs associated with construction of the new facility would be split evenly between the Water Fund and the Wastewater Fund.

The proposal for a new facility stems from the completion of a laboratory master plan funded in the 2017/2018 Budgeting for Outcomes (BFO) process. Construction of a new facility is currently included in the Utilities Capital

Improvement Plan at a cost of \$20 million. Preliminary design of the facility is included in the 2019/2020 City Council adopted budget.

The Master Plan considered several potential locations for the new facility, ultimately identifying the Drake Water Reclamation Facility (DWRF) as the preferred location. Separately, the City received a proposal to construct a new facility in partnership with the Rocky Mountain Innosphere (a high-tech incubator) on a parcel adjacent to and west of the Innosphere's current facility, located at 320 E. Vine. A subsequent cost-benefit evaluation of these two alternatives indicated that the partnership with Innosphere offers the highest cost-benefit to the City, and also benefits the Innosphere.

The expected cost a laboratory in partnership with Innosphere based on conceptual design is \$13.5M. Prior appropriations reduce the necessary future appropriations to \$10.5M, with \$4.25M from the Water Fund and \$6.25M from the Wastewater Fund.

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

Does Council Finance Committee support pursuing a partnership with Innosphere for the construction of a new laboratory facility?

### **BACKGROUND/DISCUSSION**

#### **Water Quality Services Division**

The City currently operates two analytical laboratories; the Water Quality Laboratory (WQL) located at the Water Treatment Facility (WTF), and the Pollution Control Laboratory (PCL) located at the Drake Water Reclamation Facility (DWRF), and a Watershed Program, located in the Water Production Division main office building. These functions operate as the Water Quality Services Division and provide critical laboratory and watershed services for Utilities customers and the community, including:

- Compliance testing for safe drinking water in the water distribution system and in customer homes, including bacteriological testing, lead and copper testing, and testing for taste and odor compounds
- Accurate and timely water quality data to meet the operational, planning and management needs of the Utilities, other City Departments, and regional water services providers.
- Analytical support for compliance and process optimization at the City's two water reclamation facilities and associated programs.
- Surface water quality monitoring of the Poudre River and local streams and waterbodies

#### **Discussion / Next Steps:**

Mike Beckstead; this is similar to the Firehouse Alley parking garage arrangement

Darin Atteberry; in the past there has been some question about whether a facility is included in our CIP - this series of appropriations leading to this - a logical progression - our partnership with Innosphere helps accomplish numerous objectives with wet labs in the community and it significantly lowers our costs as opposed to a standalone - this is something that has been thought thru and planned and is not impacting the General Fund - it has planned in the rate structure. One question we have been asked; If we don't use these dollars for this purpose what are the other priorities within the utilities?

Ross Cuniff; It looks like both the Drake option and the Innosphere option are in proximity to various river areas. Can we be assured that if the city is putting money into this it will staying well within the letter of the code as far as buffers?

Carol Webb; the Innosphere option has gone through conceptual review and that issue wasn't raised - storm water planning and management for the Innosphere site so I don't see that as an issue - we haven't done that level of analysis for the Drake site

Darin Atteberry; I will confirm and follow up with Ross and the Council via email. Laurie Kadrich and Clay Frickey from CDNS are here.

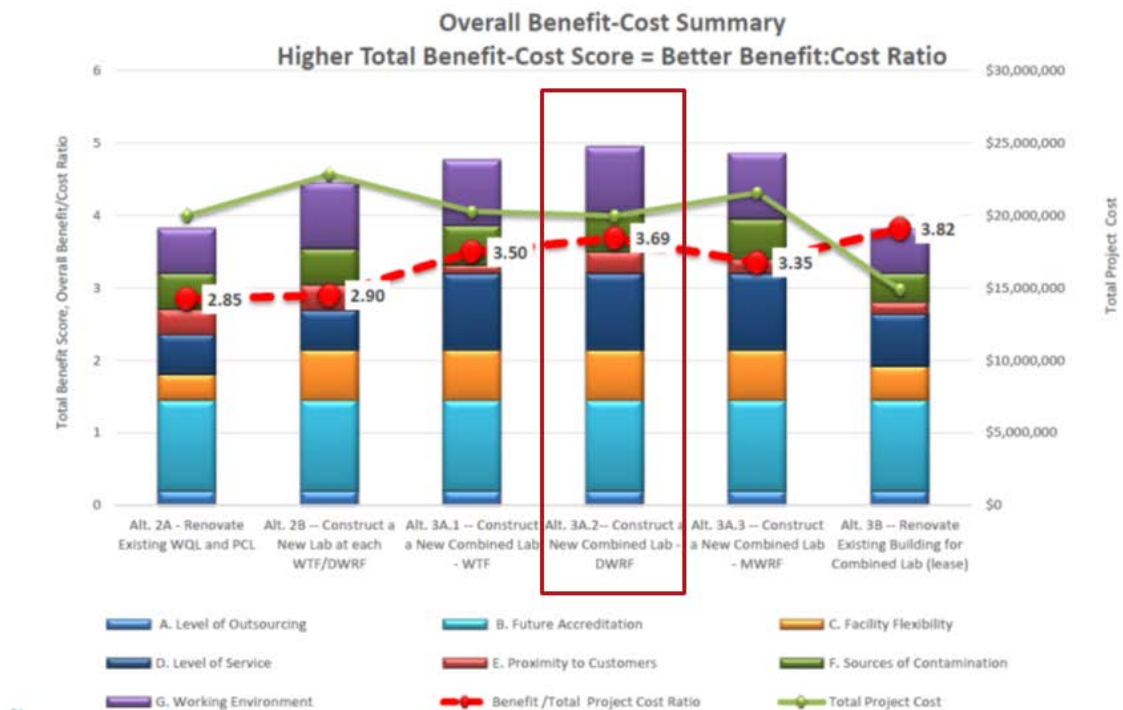
#### ACTION ITEM:

Ross Cuniff; requested a follow up memo from John Duval on whether the partnership building would fall into the city development review process or the normal development review process.

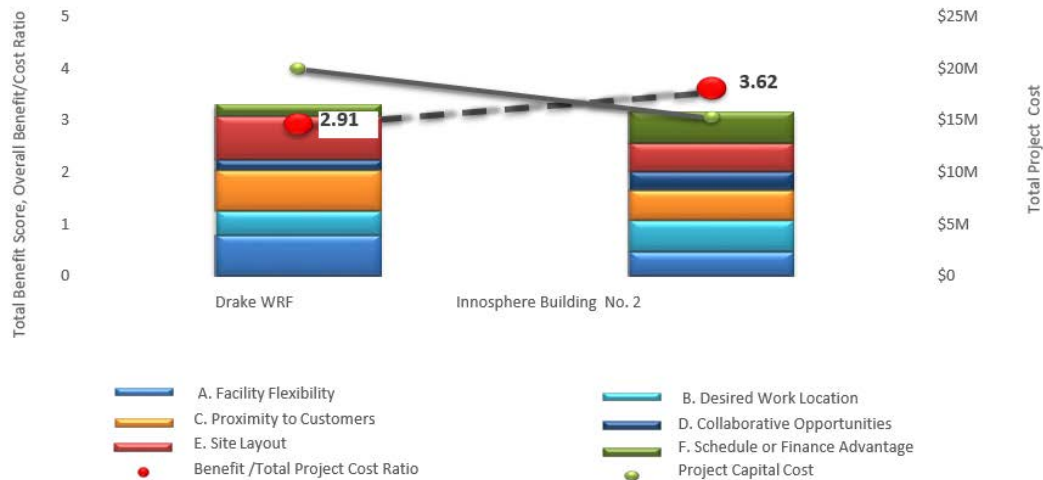
John Duval; it sounds like it will be built by Innosphere so it will probably go through the city's normal land use review process.

Ross Cuniff; Did you do a benefit comparison of the retro fit option? Including whatever the opportunities are there?

Carol Webb; as far as renovations to the current facility - we took that option through a benefit / cost analysis



# Benefits Comparison



18

Ross Cunniff; slide 14 does not include the partnership piece and slide 18 (included above) show a slightly different benefit comparison

Carol Webb; the collaboration was only completed on the Innosphere option because that came at a later date after the master plan was completed – recognizing that those collaborative opportunities were part of the analysis of the Innosphere option - It was only really included in evaluating the Innosphere option compared to the preferred option identified in the master plan.

Ross Cunniff; I did some measurements and came up with my own estimate - Drake Water Reclamation Facility and applied that same non-zero to alternative 3B and came up to 1 digit of significance -Innosphere is at 3.6 - the much cheaper renovation of the existing facility came in at 3.7. To me it is not a clear slam dunk on cost and benefits - it looks Innosphere slightly less expensive capital costs. I would like to see the same analysis done on renovating the existing building.

Carol Webb; point out the criteria of proximity to customers - evaluates that collaboration piece because that proximity creates the collaborative opportunities versus water quality lab - while it is not explicit, I think it was certainly integrated into the proximity piece of that. The Innosphere option provides facility that is equal distance between the two - the Drake option is farther away and closer to the Mulberry facility which is a key sampling site which played a role in Innosphere being a favorable option.

Ross Cunniff; run the numbers to make sure my assumptions are correct - doing the benefit comparison on slide 18

## Proposed Partnership Terms

<b>Agreement Structure</b>	Purchase and sales agreement, 2/3 City, 1/3 Innosphere for building and land
<b>Facility Design and Construction</b>	<ol style="list-style-type: none"> <li>1. Three floors, ~ 25,000 square feet</li> <li>2. Costs split 2/3 City and 1/3 Innosphere except City exclusive costs</li> <li>3. Conformance to all City design and construction standards</li> <li>4. Innosphere design team and construction contractor with City reps on team</li> <li>5. All project costs are fixed unless the City has approved change order.</li> </ol>
<b>Financing</b> (negotiations ongoing)	<ol style="list-style-type: none"> <li>1. \$400K City prior to design period. If partnership is terminated, payment will be refunded less real costs attributable to the City's portion of the project.</li> <li>2. Innosphere funds all other costs of design and construction except Owner's rep fees</li> <li>3. City pays Innosphere following approval of purchase and sales agreement, appropriation of funds, and issuance of CO.</li> </ol>

<b>Parking</b> (negotiations ongoing)	Agreement with adjacent landowner. Cost share proposal is City 1/3 and Innosphere 2/3 cost of parking lot improvements.
<b>Title Closing and Documentation Costs</b>	Title Closing and Commitment proposed to be paid by the City. All other costs including condo, recording, and closing fees to be split 50/50.
<b>Condo Assoc. and Post Closing Management</b>	Third Party
<b>Facilities Management</b>	Use City maintenance staff, utilities metered separately Possible use of Innosphere front desk staff for reception and receiving.
<b>Purchase Option</b>	Option to purchase the top floor and remaining 1/3 land interest after 8 years at fair market value based on appraisal

### ACTION ITEM:

Ross Cuniff; on the partnership terms, I would like to see more details on costs that are shared with the condo association when it comes to grounds keeping / roof repair, etc. The city sometimes is very generous with terms like these with partner organizations and I want to make sure that we are both paying our fair share. Before I give my go ahead, I would like to see more detail around the condo association costs, etc. Who is paying / how does that cost get put out?

Ken Summers; developing the condo association - are the only tenants going to be the city and Innosphere or do we anticipate leasing space to others?

Carol Webb; Innosphere will lease the space on the ground floor. The city will own floors 1 and 2 and Innosphere has title to 3<sup>rd</sup> floor to lease and the HOA has title to the grounds.

Darin Atteberry; is it possible that Innosphere could lease out space to non Innosphere users?  
Are there limitations that we have placed on that 3<sup>rd</sup> floor? Guessing that is for Innosphere clients - Innosphere could partner with someone else to lease that 3<sup>rd</sup> floor space.

Ben Walker; we could but that is not our plan. The way we do our leasing today client that goes through our onboarding process or could be in bio tech space and just lease the space and not be a client consistent with the way the current Innosphere space works.

Darin Atteberry; Mike Freeman was leasing to non Innosphere clients - now mostly filled up by clients

Ben Walker; or clients that have gone through the program and graduated and are using the space

Ken Summers; the cost or need for the condo association - If we own and are not leasing and incurring expense for a condo association fee - can Innosphere manage the lease? Trying to understand the need for condo association multiple floors - owned by separate entities

Mike Beckstead; The ground would be co owned via condo association - we would have title to the 2 floors which would be metered individually - the Condo Association would take care of the shared costs; landscaping, parking etc. We would pay the proportional share of those kinds of costs.

Carol Webb; we are still discussing how we apportion the costs for the common elements - May make sense to share more. Our floors would be managed through our facilities department, but the common elements would be managed by the 3<sup>rd</sup> party that works for the Condo Association.

Darin Atteberry; Police Training Facility is a different structure- 50/50 - no Condo Association  
- Governing structure set up. What I think Ken may be asking - there is a good amount of structure around Condo Associations and HOAs - that might mean additional costs – make sure the city doesn't bear any more than its fair share. Ditch company governance - If we own the majority of the building - do we have the majority of say on the Condo Association / HOA? I think those 3 things are embedded in this conversation.  
Condo Association / HOA seems more expensive - why aren't we doing it like the Police Training Facility?

Mike Beckstead; we migrated initially toward the HOA since it is not a 50/50 partnership like the Police Training Facility - if we are 2/3 of the building, we have 2/3 of the HOA vote. Judy Schmidt is not here but she is closest to this. The teams have worked very closely to minimize costs - the existing Innosphere organization will do that for their floor - they are already doing that for their parking, landscaping etc. We are not anticipating having to hire property management.

Darin Atteberry; when I hear HOA / Condo Association I think private sector model. That is fairly unusual for us – public like the police building - 50/50 governance - Tool to helps define who is responsible for what in the public/ private relationship.

John Duval; ownership through a condo is based on the fact you want to control your space so that you can sell your unit easily. An HOA is established to divide up the responsibility for sharing the costs - HOA bylaws that

would be created for this will have to be agreed to as far as who is going to have the voting rights - making sure that we are in control of most of the decisions - may be some that will need to be unanimous - we usually work through those.

Ken Summers; who is running the administrative piece of the HOA / making sure things get done?

John Duval; the parking garage example - controlled by the Board of Directors - they will decide who to hire to do the work - like the parking garage the agreement is between the HOA and the city - the city pays for work it will do - managing - City gets it 2/3 work done - cost sharing. We could have the contract being with the city as well - maintaining the common areas - Innosphere paying their 1/3 - it doesn't have to be a private entity

Ken Summers; could that be arranged outside of a legal structure?

John Duval; problem is the ownership of the units - making sure the city is in control of its 2 floors and can sell them if desired - Co-owners like the police training facility - hard to sell your share - Loveland would not want any other partners - condo units are easier to sell - all in one building

Ken Summers: brand new, state of the art lab that will hopefully last well over the 30 years useful life. Would we anticipate selling at some point in time? Change of use and functionality

John Duval; the city has 1<sup>st</sup> right to purchase - one option would be for the city own the whole building and lease part back to Innosphere.

#### ACTION ITEM:

Mike Beckstead; we can take the action to explore other comparative options to lower costs within the next 6-8 weeks. In was our intent to have those other agreements with us when we come back in May.

Ken Summers; what are the objectives we are trying to achieve - shared maintenance of parking, common grounds - Most cost effective, lease structure, admin, legal entanglements - achieve economies of scale and payback. What does the outsourcing option look like?

Carol Webb; we would provide some basic minimal lab services and contracting out the rest of the services, but this option didn't meet our world class commitments. We can provide more follow up.



## Conceptual Cost Analysis

- Conceptual estimates for all alternatives.
- Utilized to develop cost-benefit ratios
- Total Cost Analysis developed for varying financing options

Lab Location	Financing Mechanism	Total Cost
Drake Water Reclamation Facility	Cash Reserves	\$22.2
	Debt Issuance	\$32.2
Innosphere Partnership	Cash Reserves	\$13.5
	Debt Issuance	\$19.6

21

Ken Summers; question regarding costs on slide 21 (see above)

Lance Smith; if we paid cash for the building at Drake it would cost \$22M today and

if we financed that with debt the total cost with interest would be \$32M

Same with the Innosphere option above - cash is \$13.5M with debt it would be \$19.6M

## Appropriations Summary

Budget Cycle	Offer Title	Appropriated / Available	
		Water	Wastewater
2017 / 2018	Water Quality Lab Infrastructure Replacement	\$2.6M / \$2.0M	--
	Lab Master Plan	\$110K / --	\$100K / --
2019 / 2020	Pollution Control Lab Repairs	--	\$225K / --
	New Lab 30% Design	\$500K / \$500K	\$500K / \$500K
Total-to-Date		\$3.21M / \$2.5M	\$825K / \$500K
<b>Additional Appropriations Needed</b>		<b>\$4.25M</b>	<b>\$6.25M</b>



Mike Beckstead; the current thinking is we pay cash - but Lance has listed a debt financing option just for comparison purposes - some of the \$13.5M has already been appropriated - some of the funds already have money appropriated to remodel the existing labs - we would re purpose - need a little more than the \$4M out of the water fund and \$6.25 out of the wastewater fund – that combined with what has already been appropriated totals the \$13.5M. \$24-28M cash available in each fund respectively

Mayor Troxell; this is a great proposal- shows forward and collaborative thinking.

I would like to see some synergistic ideas - I bet there would be companies proposing sensors that could be used As part of our active watershed management, by co locating, there are benefits to the program that Innosphere is offering that could help solve some of the challenges with higher regulatory - help meet our needs and create opportunities for businesses - Key synergic opportunities - I know this is kind of speculative but that is one of the benefits of being right in the Innosphere ecosystem in locating some of our city services.

Question - what is going to happen to the space that will no longer be needed? Will it be modified or absorbed?

Carol Webb; one area would be repurposed as garage space and the Drake facility there is a planned expansion to accommodate treatment training - it would be deconstructed to make room for that

Mayor Troxell; challenges with wet lab space on different floors - the design needs to capture water events on the 3<sup>rd</sup> floor to make sure that doesn't translate into issues on other floors

Carol Webb; our lab design architect on the team who will be specifically looking out for those types of issues.

Darin Atteberry; thank you to Kevin and Carol - your analysis is very thorough - What I am hearing from the Committee are questions regarding the 'how' we are going to do it and that is where we will spend our time.

## **B. Police Training - LEED Options**

Ken Mannon, Operation Services Director

Stu Reeve, Energy Manager

Greg Yeager, Deputy Chief

Jerrold Kinsman, Lieutenant

### **EXECUTIVE SUMMARY:**

The purpose of this item is to request City Council Finance approve a partial waiver of LEED certification requirements for the new Police Regional Training Campus (Training Campus). In 2006, City Council adopted resolution 2006-096 which establishes a goal for all new construction projects of 5,000 square feet or more to achieve LEED Gold certification, except under limited circumstances. The City of Loveland, which is an equal partner in the Training Campus, does not have any specific LEED requirements for construction projects. City staff is requesting a partial LEED waiver in an effort to partner with Loveland. Per Section 3 of Resolution 2006-096, City staff is requesting approval to prioritize budget dollars for energy efficiency items and look to design, construct and certify the Admin/Classroom building only to the highest LEED certification practical. The remainder of the project, an indoor firing range, a driving track, and a skid/skills pad, would follow LEED principles, and prioritize energy efficiencies but not be included in the LEED certification boundary.

### **BACKGROUND/DISCUSSION:**

The design of the Training Campus has been underway for over a year and Fort Collins and Loveland have been discussing LEED certification for several months. The Training Campus is expected to include an

administration/classroom building, an indoor firing range, a driving track, and a skid/skills pad. In 2006, City Council adopted resolution 2006-096 which establishes a goal for all new construction projects of 5,000 square feet or more to achieve LEED Gold certification except in limited circumstances, which include if it is not technically or economically feasible to meet the LEED Gold standard. The City of Loveland is an equal partner in the design, construction and operation of the Training Campus, and both cities will share the costs equally. Loveland does not have any LEED requirements for its new construction projects, but they do support building efficiencies where there is a return on investment (ROI) of 10 years or less.

City staff is requesting approval to prioritize budget dollars for energy efficiency items for the entire project, but only design, construct and certify the Admin/Classroom building to the highest LEED certification practical. The remainder of the project would follow LEED principles, and prioritize energy efficiencies but not be included in the certification boundary or process.

The site location of this project will minimize the LEED credits available and if we include the indoor firing range in the LEED certification boundary it would make it impossible to achieve LEED Gold and very difficult to achieve LEED Silver. Indoor firing ranges add many challenges with the requirement of constant air exchanges for personnel safety, the desire to eliminate natural lighting which causes glare or shadows on targets, eliminate windows for views to the outdoors, and the need to use very specific materials is problematic to achieve recyclable or low VOC requirements. These required items for LEED certification would certainly bring down the certification level for the Admin/Classroom building and firing range and will add significant cost impacts to an already tight budget.

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



- 1. With the site location and other constraints, does Council Finance support excluding the firing range and the majority of the site from the LEED Boundary.**
- 2. Does Council Finance support staff prioritizing project dollars on energy and building efficiencies with achieving the highest LEED Certification practical on the Admin/Classroom Building?**
- 3. Does Council Finance support staff following LEED principals on the remainder of the project and prioritizing project dollars on energy and building efficiencies?**

## LEEDv4 Credit Comparison

### Admin/Classroom Only

1 of 16	Location & Transportation
2 of 10	Sustainable Sites
5 of 11	Water Efficiency
25 of 33	Energy & Atmosphere
4 of 13	Materials & Resources
11 of 16	Indoor Environment Quality
4 of 6	Innovation Credits
2 of 4	Regional Credits
<b>55 of 110</b>	<b>* 60 credits needed for LEED Gold</b>

#### LEED Gold Challenged

- Very few site credits with location
- Will need to pursue most other credits to achieve LEED Gold
- Will need innovation credits for this project

### Admin/Classrooms & Firing Range

1 of 16	Location & Transportation
2 of 10	Sustainable Sites
4 of 11	Water Efficiency
21 of 33	Energy & Atmosphere
3 of 13	Materials & Resources
4 of 16	Indoor Environment Quality
4 of 6	Innovation Credits
1 of 4	Regional Credits
<b>42 of 110</b>	<b>* 50 Credits needed for LEED Silver</b>
	<b>* 40 Credits needed for Certified</b>

#### LEED Silver Challenged

- Lose Energy Credits
- Lose Material Credits
- Lose Thermal Comfort Credit
- Lose Daylighting Credits
- Lose Views Credit

### Discussion / Next Steps:

Very challenging location - no transportation - site credits are very difficult to achieve

Ross Cunniff; do we get credit - will we be certifying the shooting range?  
42 of 110 credits - is that the entire project?

Ken Mannon: certified, then silver, gold and platinum - yes, that 42 of 100 is the entire project

## Energy Board Support

Chairperson Michell moved to recommend City Council approve a partial waiver of the requirements of resolution 2006-096 for the PRTC such that only the administration/classroom building shall be designed, constructed, and certified to the highest LEED standard practical, striving for Gold, and to achieve exceptional energy performance with a defined energy performance target. The remainder of the project should follow LEED principles and also achieve high energy performance with a defined energy performance target.

Board member Braslau seconded the motion.

Vote on the motion: It passed, 7-1.

Board member Baumgartner voted no, and he said he would prefer to have a little more clarity and context on the project and in the motion presented.

FAA on slide 8 not FTA

Ross Cunniff: Thank you for work with Energy Board - Susan McFadden sent us an email 2-3 weeks ago talking about the process and need according to the 2006 Resolution to do the energy modeling and then decide the LEED level with the City Manager having the authority to modify - Did that get resolved?

Ken Mannon; yes, we met with Susan McFadden (Industry Expert) and Alan Braslau on 1/16 to discuss concerns - they worked with us to modify the resolution we are planning to bring forward to Council - they were comfortable with our direction - their goal is to make two facilities as energy efficient as possible with the goals and dollars we have.

Kelly DiMartino; there were 3 main things that I took away from that conversation;

- 1) The upfront work that was done - was different by working with Loveland as the lead than would have been if we were the lead – we would have preferred a different process and sequencing that what happened
- 2) Their concern was some of what was being stated in proposal was a bit misleading because some of the costs were based on mis sequencing of information
- 3) More than wordsmithing – it was about let's not be unnecessarily malign the LEED program with that resolution. Clarifying that it is the uniqueness of this project partnership that is requiring it to come to Council instead of being at City Manager's discretion.

#### ACTION ITEM:

Ross Cunniff; I'm still hesitant to say let's go forward - I would like an analysis of the greenhouse gas impact of the difference - to understand the benefits of greenhouse gas that we are not able to afford at this time. Doesn't have to be before the funding review.

Mayor Troxell; I am supportive - thank you to Stacey Baumgartner and Alan Braslau and others from the Energy Board as well as Stu Reeve's involvement and expertise as an energy expert - this is a really good proposal coming forward - to get the project out the other side  
Challenges of working with Loveland - it is their land use - we are a 50% partner - the approach that was taken is a thoughtful and measured one – best path forward at this time.

#### ACTION ITEM

Darin Atteberry; one thing would be good for Council - a separate Thursday packet memo to reiterate the commitment and the fact that we have Council policy direction on city owned facilities to be LEED Gold. Background memo - 2 pages or less that says here is what our policy says and here is our portfolio of facilities - when that policy was adopted and what we have done with it since – we have an important story to tell – yes, this is an exception - I don't want anyone to think we are deviating from that commitment and policy direction. Take the opportunity and share that story - you could even tie it to the appropriation ordinance, but we should equip Council with that information - This is a good story and the reason we do this is to lead and to show private business that this is a good investment.

Mike Beckstead; we will move forward with Bond Ordinance assuming \$18.5 with LEED waiver commitments – same thing for the appropriation

Ken Mannon; key is we need to get this out on the street as soon as we can - goal is still to stay within that \$18.5M

Darin Atteberry; this has been a momentous effort and amazing work and has been in the works for a couple of years. We so appreciate you; Ken, Brian Hergott, Stu Reeves and Greg Yeager - we greatly appreciate the patience you have had and the phenomenal leadership through the process.

Ken Summers; we want to thank you for your work with the Energy Board - kudos for the fact that these are individuals who are committed to maximizing energy efficiency for the buildings we are involved in - prudent judicial process, understanding budget constraints, understanding the challenges of LEED certification criteria giving the site and partnership and the moving parts and uniqueness of this situation.

### C. FOP Contract

Jeff Swoboda, Chief of Police

Kelly DiMartino, Assistant City Manager

#### Collective Bargaining Unit Salaries and Supplemental Budget Appropriation

##### EXECUTIVE SUMMARY

Per the collective bargaining agreement (CBA) agreed to by the City of Fort Collins and the Fraternal Order of Police (FOP) in 2018, the positions within the Collective Bargaining Unit (CBU) shall be compensated at the 4<sup>th</sup> rank of 12 Front Range comparison agencies. Significant changes in jurisdictions' salaries which were previously much lower than the City have resulted in large increases for the majority of bargaining unit positions, which creates a shortage from what was budgeted and will require a supplemental appropriation. The projected total cost of these increased salaries, including associated increases in overtime and percentage-based contributions such as retirement and retiree health is approximately \$585,000.

##### BACKGROUND/DISCUSSION

The City and FOP agreed to a three-year CBA in the fall of 2018. One component of the comprehensive contract was the setting of pay and salaries for nine positions within the CBU. Within the 2019 budget, Police Services staff was budgeted for a 3.5% salary increase. The CBA states that actual salary data will be collected in late December and early January. With data now finalized, it is clear that some jurisdictions have made significant increases in their police salaries and the 3.5% that was budgeted will need supplemental appropriation in order to meet the contractual obligation of paying the equivalent of the 4<sup>th</sup> rank among the Front Range comparison agencies listed in the contract.

The following chart highlights what was initially budgeted for salary, overtime, and benefits, what the contractual increase is, and what the gap is between the budgeted amounts for each category

	<b><u>Projected</u></b>	<b><u>Budget</u></b>	<b><u>Shortfall</u></b>
Salary	23,237,596	22,842,724	(394,872)
Overtime	60,000	0	(60,000)
Benefits	7,794,591	7,666,841	(127,750)
<b>Total Compensation</b>	<b>31,092,187</b>	<b>30,509,565</b>	<b>(582,622)</b>

The positional breakdown in terms of what salary increases will be are listed below:

Job Title	Contract Increase
Community Service Officer	6.03%
Sr Supervisor, CSO	6.03%
Police Officer	6.03%
Police Corporal	6.03%
Police Sergeant	6.08%
Police Lieutenant	3.00%
Emergency Commun Dispatcher	3.29%
Sr Supervisor, Emergency Comms	3.65%
Sr Manager, Emergency Comms	3.00%

Staff plans to bring forward an appropriation ordinance on February 5<sup>th</sup> to the full Council for consideration to help cover the gap in the Police Services budget.

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

1. Does Council Finance Committee support bringing forward of the supplemental appropriation to cover the contractual cost?

#### Discussion / Next Steps:



- 2018 Sales Tax collections came in above budget by 1.3%
- The General Fund portion of that unanticipated revenue provides the available funding to support this supplemental appropriation:

	Amounts (\$k)
Estimated 2018 Sales Tax Revenue above budget	\$1,462.0
Portion of additional Sales Tax to the General Fund (~ 60%)	877.2
Additional appropriation needed to fund FOP salary and benefit increases	585.0
Remaining available / (Shortfall)	\$292.2

NOTE: 2018 Sales Tax revenue over budget was not included in 2019-20 Budget

Current overtime budget for Police Services is approximately \$2M.

Ross Cuniff; yes, I do support bringing it forward. The remainder of that GF surplus - I am interested in applying some of that in finishing some of the Climate Action Goals that we didn't achieve in the budget this cycle. Is there sales tax on the surplus?

Mike Beckstead; we just looked at sales tax – the use tax would be considered one-time funding, so we focused on the ongoing additional revenue that we didn't include in the 2019-20 BFO.

Ken Summers; I am good

Mayor Troxell; question about OT - Does that mean that we are going to stay lean on numbers?  
How do you budget for more overtime? Additional \$60K for OT

Kelly DiMartino; we took the assumptions that went into the original budget in terms of the amount of overtime hours that could occur - presuming that is an accurate assumption - this is how much more that it will cost with salary increase of 3% not a change in terms of hours – change in salary

Ross Cuniff; What the policy considerations were for the other communities / municipalities that significantly increased their salaries? Wondering if we are feeding off of other policies? Are they using Fort Collins as a metric / part of their analysis?

Mayor Troxell; great question - get caught in the positive feedback loop that drives costs higher

## **D. Non-Profit Facility Lease Rate Framework**

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### **SUBJECT FOR DISCUSSION**

Real Estate Services' new approach for determining less than fair market value rental rates for nonprofit organizations renting City facilities.

### **EXECUTIVE SUMMARY**

Real Estate Services developed a new administrative policy for determining rental rates for nonprofit organizations. Historically, reduced rental rates for nonprofits were individually considered. As requests for reduced rates arise more frequently, Real Estate Services needs a consistent framework for determining appropriate rates. The City's current seventeen leases with nonprofits are highly variable in regard to rent amount and rent discount based on fair market value. The intent of the new administrative policy is to make rates more predictable and equitable and allow for consistent negotiations. This new administrative policy may alter rental rates for current tenants after their present lease expires and is up for renewal beyond the extension period.

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

Real Estate Services is seeking feedback on the proposed administrative policy for determining reduced rental rates for nonprofit organizations.



## **BACKGROUND/DISCUSSION**

The City currently has seventeen leases with nonprofit organizations. Annual rent ranges from less than 1% of fair market value to 95% of fair market value. Nine nonprofits are paying less than 1% of the fair market value with a \$25-\$600/year lease.

In 2014, Ordinance No. 085 was approved to amend City Code, Sec 23-114 Disposition of property interests for less than fair market value, to provide guidelines for leasing or selling City owned property for less than market value and/or for a term exceeding 5 years in length. Recently, a few tenants currently leasing City owned buildings have requested additional reductions to their existing lease rate (e.g. Global Village Museum and The Center for Fine Art Photography).

Historically, rental rates for nonprofit organizations were determined on a case-by-case basis after nonprofits contacted the City seeking an available facility. The limited structure for determining an appropriate rental amount resulted in inequitable rates among the organizations and a lack of transparency regarding the evaluation criteria. The new framework will determine rental amounts based on the nonprofit's services to the community. Prospective nonprofit organizations will be evaluated using consistent criteria and procedure. The evaluation process and rubric are attached.

Real Estate Services determines fair market value through comparative market analysis, a method used by real estate appraisers and other real estate professionals. These values are analyzed quarterly or as needed to ensure the City is abreast of real estate market changes and fluctuations. It is important to note that each lease negotiation is unique based on the level of services available and amenities provided or needed in the space.

Due to the disparate characteristics of City owned properties, the policy for determining rates will not be applicable to all leases with nonprofit organization. Properties/organizations that may be exempt from the process include historical properties, CSURF, and organizations with lease-purchase agreements.

The new framework is estimated to impact four current tenants if they were to renew their leases. Reduced nonprofit lease agreements and/or long-term lease agreements would still need approval by the City Manager or Council per the guidelines outlined in the City code.

## **Discussion / Next Steps:**

## Nonprofit Leases Overview

- 17 current leases
- Inequity concerns among rates
- Rent range
  - <1% to 95% fair market value
  - Up to 99.99% rent discount
- Rates determined from case-by-case negotiations

Tenant	% of Fair Market
Foothills Gateway	0.02%
Teaching Tree	0.07%
FTC Baseball Club	0.19%
FoCo Café	15.63%
Global Village Museum	38.10%
Center for Fine Art Photography	76.19%
Center for Family Outreach	95.24%

17 current leases with non-profits - scale to be used as a tool - range of discount - historical designation

Ross Cunniff; I like the idea of a rubric - a way to analyze the alignment of lease rates which is a budget impact to the City. There may be some political fallout if we go this direction - how much time do we have to engage with these organizations so they can understand the criteria and impact - robust outreach to the effected people and to the general public.

Joe Wimmer; one of the leases (Global Village Museum) is up for renewal next year - there is a plan to introduce the new criteria - Intent would be to meet with non-profits in our current inventory so they are up to date with the changes and the new application and rubric for reduced rent.

Kelly DiMartino; we have also been working with Social Sustainability and Cultural Services as they are the ones who interact with these agencies on an ongoing basis to ensure that they fully engaged on where we are heading.

Mayor Troxell; there is a Council priority on integration of our museum services - I am meeting with Museum of Discovery and Kevin Jones - we should be thinking about all of our cultural services under a common umbrella - Some have great potential but are on the margin (Global Village, Museo and others) If we think about our Cultural Services in a common framework - curation - how do we invest in all – how do we integrate across all - one we seldom talk about which is an incredible resource is the Lindenmeir Site. This is where Jim McDonald and FoCo Creates come into play - rubric is a great idea but there is a certain class of tenants who provide a certain service - how that tells a key part of our story in our community - an asset - how do we integrate it more? what about Lee Martinez Park - the family wants to do exhibits there - how can we integrate these in a common framework within our Cultural Services. CSU has curation, cultural and scientific - county tax - that might be something that would lead to where that might make sense - think of them not just as tenants but the rubric does bring out a lot of the color and service to our community. I am supportive of what you are doing.

Ross Cunniff; to Darin - Have you given thought to having anyone appointed to the evaluation committee from the broader community in addition to staff?

Ashley Macdonald; we did not consider bringing in community for the committee - we want to have a strong perspective on City Standards that we need to maintain on the building - not opposed to this but sometimes the rubric meetings can include confidential information.

Ross Cuniff; this is an Administrative Policy – but that we consider having citizens like a BFO team.

Darin Atteberry; good question - let us bounce this around a bit - if we have a good process and one that the Council owns and a good rubric methodology. Currently, there are groups that come in unexpectedly and request to lease a building - ties to other city objectives - so it is a good thing to have a process in place that is fairly structured - I like that we are thinking about this in a systems standpoint - I would suggest that we build in some flexibility as well to address those directly tied to a Council objective - maybe exceptions would go to Council.

Kelly DiMartino; this is designed to provide predictability and more consistency in how the evaluation is done - this is a starting point for negotiations - it doesn't prohibit flexibility - we have built into the rubric a tie to Council priorities - how directly they are connected.

Ross Cuniff; hard to make the rubric completely objective - might be some disagreement on how the rubric is being applied (scoring) impact 2 on one maybe not 8 - could have significant impact on policy.

Darin Atteberry; brief conversation at LPT conversation - Gerry Horak provided some input around the criteria which he felt was still qualitative and subjective - the more quantitative we can be that would help

Ken Summers; tough to be totally objective and the challenge if we go to this is how it is communicated / implemented / making sure that this evaluation committee recognizes the impact on services that are provided for an organization. Justify from an objective standpoint but we need to drill down to understand the population being served - how many folks are impacted - it becomes an interesting prospect - maybe they charge for some services - nonprofits - How many vacant buildings do we want to have that the city owns? Are we going to be like Real Estate services - do they market to the community as a whole? Lots of issues to consider and we need to be aware of potential impacts of metrics we are trying to use - timing and how we implement are important – perception of a sales tax increase and then increasing rent charged to nonprofits -

Ashley Macdonald; when these non-profit organizations come to our department and are looking for space - they ask, 'how do we qualify for the \$25 a year rent?' Our challenge is to provide clear guidelines or objectives and conditions - this is intended to be a tool for our department to provide a recommendation. There is ultimately that opportunity for Council to say we appreciate your recommendation but here is what we want to do for this organization.

Ken Summers; it is not so much a new nonprofit coming in and asking - it is the one who is paying the low annual rent - there needs to be a lot of communication and interaction so that everyone understands the process - reapply as current leases expire

Darin Atteberry; the city doesn't go out and buy property and anticipate leasing it out - we will lease it out to try to bring in some revenue or make an opportunity for a nonprofit - From a real estate standpoint, our holdings are typically for future use - we are leasing those as we think there is some potential revenue in the short term –

but we have a long term use planned - we have decisions on whether to lease it out at market rate - trying to benefit the taxpayers - then we have the complexity of nonprofits – it happens through Real Estate, Finance or Economic Health.

Ashley Macdonald; it is pretty rare that we actively market city owned property for rent or sale - city owned buildings that have a future use we try to leave those available for future uses such Broadband expansion and other purposes.

Mayor Troxell; City Give can work with non-profits - help them on their business models – such as Global Village and Museo - great volunteers doing great things – but not creating a business model that makes them sustainable -Integrated Cultural Resources - proving their value to a wider customer base -There are resources there but when you are on the margin you are working to stay alive

Ken Summers; if we give a substantial discount to a non-profit - Create greater capacity and sustainability through City Care - it would be interesting to lease a non-profit a city facility at a graduated rate to encourage that.

Ashley Macdonald; that is where we are at with Global Village – a gradual increase over time.

**OTHER BUSINESS:**

Mike Beckstead; We have improved the usability of the online Use Tax Form and more information to follow but wanted Council to know we are working on this.

Meeting Adjourned at 12:08 pm