

Finance Administration

215 N. Mason 2nd Floor PO Box 580 Fort Collins, CO 80522

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AGENDA Council Finance & Audit Committee September 16, 2019 10:00 am - noon CIC Room - City Hall

Approval of Minutes from the August 19, 2019 Council Finance Committee meeting.

1. 2019 Annual Adjustment Ordinance

L. Pollack

15 mins.

Council Finance Committee

Agenda Planning Calendar 2019 RVSD 09/011/19 mnb

Sep 16 th			
	2019 Annual Adjustment Ordinance	15 min	L. Pollack
Oct 21st			
	Development Review Fee Update	30 min	T. Leeson N. Currell
	Sewer Line Replacement	20 min	T. Connor
	Revolving Loan Program Review	30 min	J. Birks
Nov. 18 th			
	City Long Term Financial Plan Review	30 min	D. Lenz
	Utility LTFP & CIP	60 min	L. Smith
	Financial Policy Review & Updates	20 min	J. Voss
Dec. 16 th			
	Purchasing Policy Update	30 min	G. Paul
	Housing Catalyst Pilot Waiver/Refund	20 min	S. Beck-Ferkiss

Future Council Finance Committee Topics:

- Park/Median Design Standards & Maintenance Costs TBD
- Metro District Policy Update TBD early 2020



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Finance Committee Meeting Minutes 08/19/19 10 am - noon CIC Room - City Hall

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

Staff: Darin Atteberry, Kelly DiMartino, Mike Beckstead, Jeff Mihelich, Travis Storin,

Lawrence Pollack, Jennifer Poznanovic, Kelley Vodden, Jennifer Selenske, Kerri Ishmeal, Renee Callas, John Voss, Sean Carpenter, Terra Sampson, Kim DeVoe, John Duval, Tyler Marr, Dave Lenz, Jo Cech, Katie Ricketts, Zach Mozer, Lance Smith, Joaquin Garbiso, Sue

Beck-Ferkiss, Beth Sowder, Carolyn Koontz

Others: Kevin Jones, Chamber of Commerce

Dale Adamy, R1st.org

Meeting called to order at 10:02 am

Approval of Minutes from the July 15, 2019 Council Finance Committee Meeting. Emily moved for approval of the minutes as presented. Mayor Troxell seconded the motion. Minutes were approved unanimously.

A. 2018 Fund Balance Review

Travis Storin, Accounting Director

SUBJECT FOR DISCUSSION: Status of Fund Balances and Working Capital

EXECUTIVE SUMMARY:

The attached presentation gives a status of fund balances and working capital. Fund balances are primarily considered for funding one-time offers during the Budgeting for Outcomes process. To a lesser extent, available monies are also used to fund supplemental appropriations between BFO cycles.

GENERAL DIRECTION SOUGHT AND SPECIFIC QUESTIONS TO BE ANSWERED

None, this is an update for Council Finance Committee.

BACKGROUND/DISCUSSION

To communicate what funding is available to support emerging issues and initiatives in the next budget cycle. In each fund the balances are shown vertically by the accounting classifications. The amounts are then additionally categorized into Appropriated, Available with Constraints, and Available for Nearly Any Purpose.



Appropriated, Minimum Policy or Scheduled is comprised of minimum fund balances established by policy, funds from the 2018 balance that have been appropriated in 2019, funds set aside for 2020 in the 2019-2020 budget, and amounts for projects specifically identified by voters. An example of the later is Community Capital Improvements Plan.

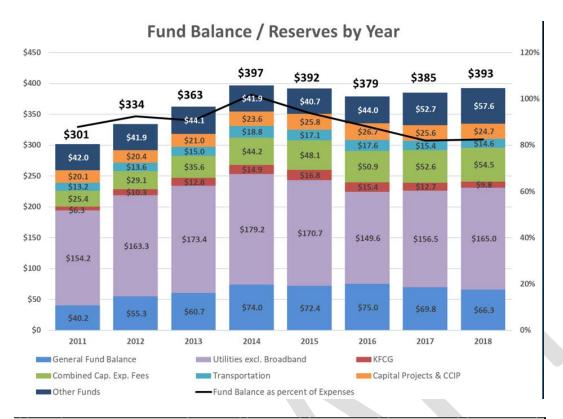
Available with Constraints are those balances available for appropriation but within defined constraints. An example is 4th of July donations. They are restricted for that purpose, but still available for appropriation.

Available for Nearly Any Purpose are balances that are available for appropriation at the discretion of the City Council.

DISCUSSION / NEXT STEPS

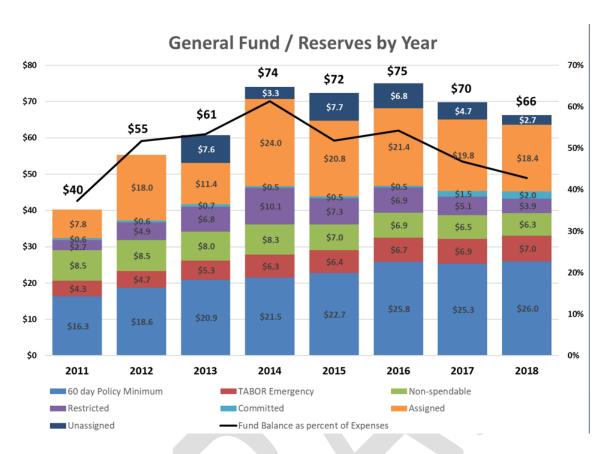
		All	Cit	y Fun	ds					
		2017		2018	Min.	opriated, Policy, or neduled	Available but with some Constraints		Available for Nearly Any Purpose	
General Fund	\$	69.8	\$	66.3	\$	55.2	\$	4.2	\$	6.9
Capital Expansion Fund		17.8		19.5		1.5		18.0		-
Sales & Use Tax Fund		0.7		8.0		8.0		-		-
GID #1 Fund		8.0		0.7		0.1		0.6		-
Keep Fort Collins Great Fund		12.7		9.8		7.4		2.4		-
Community Capital Imprvmt Plan		8.0		12.7		10.0		2.7		-
Neighborhood Parkland Fund		9.7		10.1		6.7		3.4		-
Conservation Trust Fund		3.0		2.3		1.1		1.2		-
Natural Areas Fund		16.8		18.6		12.4		6.2		-
Cultural Services Fund		2.6		2.2		1.3		0.4		0.5
Recreation Fund		2.3		2.5		1.1		1.4		-
Cemeteries Fund		0.7		8.0		0.5		0.3		-
Perpetual Care Fund		1.9		2.0		-		2.0		-
Museum Fund		0.9		0.7		0.2		0.5		_
Transit		4.2		3.4		3.4		_		_
Transportation Capital Expansion		25.1		24.9		9.3		15.6		-
Transportation		15.4		14.6		7.5		-		7.1
Parking Fund		1.8		1.5		0.5		1.0		_
Capital Projects Fund		17.6		12.0		9.3		2.7		-
Golf Fund		0.4		0.7		0.3		0.4		-
Light & Power Fund (excl. Broadband)	33.5		30.8		22.4		8.4		_
Water Fund		61.6		70.2		39.7		30.5		_
Wastewater Fund		41.4		42.8		20.6		22.2		-
Storm Drainage Fund		17.4		19.5		11.2		8.3		-
Equipment Fund		2.0		3.6		1.8		1.8		-
Self Insurance Fund		1.6		2.7		1.5		1.2		-
Data & Communications Fund		3.7		3.4		1.8		_		1.6
Benefits Fund		9.3		11.7		7.4		4.3		_
Utility Customer Service Fund		2.6		1.7		8.0		0.9		
TOTAL	\$	385.3	\$	392.5	\$	235.8	\$	140.6	\$	16.1





General Fund - Year End 2018 - \$66.3											
	2017	2017 2018 A		Available but with some Constraints	Available for Nearly Any Purpose						
Assigned - Minimum 60 day Policy	\$ 25.3	\$ 26.0	\$ 26.0	\$ -	\$ -						
Non-spendable											
Advances	4.9	4.7	4.7	-	_						
Landbank inventory	1.5	1.5	1.5	-	-						
Udall Endowment	0.1	0.1	0.1								
Restricted											
TABOR Emergency	6.9	7.0	7.0	-	-						
Police Programs	0.9	0.3	0.2	0.1	-						
Donations & Misc	0.9	1.2	0.8	0.4	_						
Economic Rebates	2.6	1.7	0.4	1.3	-						
DDA/Woodward Debt	0.7	0.7	-	0.7	-						
Committed											
Traffic Calming	_	0.2	-	0.2	-						
Culture & Recreation	0.2	0.4	0.3	0.1	_						
Affordable Housing Land Bank	1.3	1.4	_	1.4	-						
Assigned											
Prior Year Purchase Orders	4.3	3.7	3.7	-	-						
Manufacturing Use Tax Rebate	0.7	1.2	1.2	_	_						
Transit Bus Replacement	0.5	0.5	0.2	-	0.						
Golf Irrigation System	0.5	0.5	0.1	_	0.						
Revenue Contingency	4.4	2.2	-	_	2.						
Camera Radar	0.9	1.1	-	-	1.						
Waste Innovation	0.2	0.2	-	-	0.						
Reappropriation	1.0	0.3	0.3	-	_						
Budgeted use of reserves	7.3	8.7	8.7	-	-						
Unassigned	4.8	2.7	-	-	2.						
Year End Total	\$ 69.9	\$ 66.3	\$ 55.2	\$ 4.2	\$ 6.9						





All City Funds - Broadband will not be on the list until we develop a working capital position.

Ken Summers; where do we stand with reserves that have been used for Council Action in 2019?

Mike Beckstead; a bit of both - very difficult to give a single answer as it varies by fund. For the General Fund in 2018 - we had \$4.8M unassigned GF reserves at the end of 2017 How much we used – not sure but not all of it - we would have to go through the entire budget document and identify where we used reserves

During the year we keep track of the prior years' reserves.

For example, some of the unspent was used for;

\$49K for train horn noise,

\$20K code enforcement of backyard burning / outdoor firepit

Some funds were also used for Short Term Rentals

Ken Summer; General Fund would be the one to keep the closet eye on

Trend line is a percent of annual operating expenses - not all are green dollars we could spend - some nuances in the details – something less than 4-5 months of capacity

Mayor Troxell; \$4.7M loaned to URA - was refinancing that the intention all along?



Mike Beckstead; yes, that was our intention is to refinance soon

Travis Storin; North College set a model for that

Mayor Troxell; good news

Mike Beckstead; our fund balances are healthy - we have gone from mid 50's to high 40's in the last few years - we are working with Moody's because our fund balance is a big part of our credit rating - we want to do some data gathering beyond GFOA around where is the threshold that might put our credit rating at risk?

B. Comprehensive 2019 Fee Updates

Jennifer, Poznanovic, Revenue Manager Lance Smith, Utilities, Director FP&A

SUBJECT FOR DISCUSSION: Comprehensive 2019 Fee Update

EXECUTIVE SUMMARY

Coordination of Council approved fees began in 2016 to provide a more holistic view of the total cost impact. Previously, fee updates were presented to Council on an individual basis. After the 2019 fee update, fee phasing will be complete with regular two and four-year cadence updates beginning in 2021.

2019 fee updates include: Electric Capacity fees, Water Supply Requirement fees, Wet Utility Plan Investment Fees and Step III of the 2017 Capital Expansion Fees.

Staff proposes the following fee changes:

- Wet Utility PIFs as proposed
- Electric Capacity Fees as proposed
- Water Supply Requirement Fee as proposed
- 100% of proposed 2017 Capital Expansion Fees (Step III)
- Transportation Capital Expansion Fees (inflation only)

Development Review Fees were initially planned to be part of the 2019 update but have been decoupled and will come forward at a later date.

GENERAL DIRECTION SOUGHT AND SPECIFIC QUESTIONS TO BE ANSWERED

Does Council Finance Committee support the following proposed next steps?

- October 8th: Council Work Session
- November 5th & 19th: Ordinance readings subject to Council direction
- 2021 updates effective January 2022

BACKGROUND/DISCUSSION

Since the fall of October 2016, staff has worked to coordinate the process for updating all new development related fees that require Council approval. Development related fees that are approved by Council are six Capital Expansion Fees, five Utility Fees and Building Development Fees.



Type of Fee	Fee Name
Capital Expansion	Neighborhood Park
Capital Expansion	Community Park
Capital Expansion	Fire
Capital Expansion	Police
Capital Expansion	General Government
Capital Expansion	Transportation
Utility	Water Supply Requirement
Utility	Electric Capacity
Utility	Sewer Plant Investment
Utility	Stormwater Plant Investment
Utility	Water Plant Investment
Building	Development Review, Building
Development	Permit & Engineering Fees

Previously, fee updates were presented to Council on an individual basis. However, it was determined that updates should occur on a regular two and four-year cadence and fees updates should occur together each year to provide a more holistic view of the impact of any fee increases.

Impact fee coordination includes a detailed fee study analysis for Capital Expansion Fees (CEFs), Transportation Capital Expansion Fees (TCEFs) and Development Review Fees every four years. This requires an outside consultant through a request for proposal (RFP) process where data is provided by City staff. Findings by the consultant are also verified by City staff. For Utility Fees, a detailed fee study is planned every two years. These are internal updates by City staff with periodic consultant verification. In the future, impact fee study analysis will be targeted in the odd year before Budgeting for Outcomes (BFO). In years without an update, an inflation adjustment occurs.

	Phas	se 1	Phase 2	Phase 3		
	2016	2017	2018	2019	2020	2021
Capital Expansion Fees		Update	Step II	Step III	\	Update
Transportation CEFs		Update	Step II			Update
Electric Capacity Fees		Update		Update		Update
Water Supply Requirement		Update		Update		Update
Wet Utility Fees			Update	Update		Update
Development Review Fees				Update		Update
Fee Working Group		Acti ve	Active	Active		

Phase I of the fee updates included CEFs, TCEFs, Electric Capacity Fees, and Raw Water/CIL and were adopted in 2017. Phase II included Wet Utility PIFs and step II of CEFs and TCEFs, which were approved in 2018. Development review and building permit fees were originally included in Phase II but were decoupled from the 2018 update.

Due to the concern in the development and building community around fee changes, Council asked for a fee working group to be created to foster a better understanding of fees prior to discussing further fee updates. In August of 2017, the Fee Working Group commenced comprised of a balanced group of stakeholders – citizens,



business-oriented individuals, City staff and a Council liaison. The Fee Working Group met 14 times and was overall supportive of the fee coordination process and proposed fee updates.

The 2019 phase III update includes Electric Capacity fees, Water Supply Requirement fees, Wet Utility Plan Investment Fees and Step III of the 2017 Capital Expansion Fees. After the 2019 fee update, fee phasing will be complete with regular two and four-year cadence updates beginning in 2021.

Development Review Fees were initially planned to be part of the 2019 update but have been decoupled and will come forward at a later date. The 2019 Fee Working Group is focused on Development Review fees only and has met three times as of mid-August. The 2019 Fee Working Group consists of a balanced group of stakeholders — citizens, business-oriented individuals and City staff.

2019 Utility Fee Updates

The proposed changes to Utility Fees for a single-family, residential home include a 1.7% increase to the Electric Capacity Fee (ECF) and increases to the three Wet Utility Fees ranging between 1.5% and 6.7%. The Water Plant Investment Fee (PIF) is proposed to increase 6.7%, the Wastewater PIF is proposed to increase 1.5% and the Stormwater PIF is proposed to increase 3.3% from current fee levels.

The chart below summarizes the proposed Utility Fees for a single-family home, assuming an 8,600 square feet lot and 4 bedrooms:

Utility Fee	Current Charge	2020 Charge	\$ Change	% Change
Electric Capacity Fee	\$1,537	\$1,563	\$ 26	1.7%
Water PIF	\$ 3,826	\$ 4,084	\$ 258	6.7%
Wastewater PIF	\$ 3,537	\$ 3,590	\$ 53	1.5%
Stormwater PIF	\$ 1,548	\$ 1,600	\$ 52	3.3%
Water Supply Requirement	\$11,160	\$13,838	\$ 2,678	24.0%

2019 Capital Expansion Fee Updates

The chart below shows the current and proposed fee updates for CEFs:



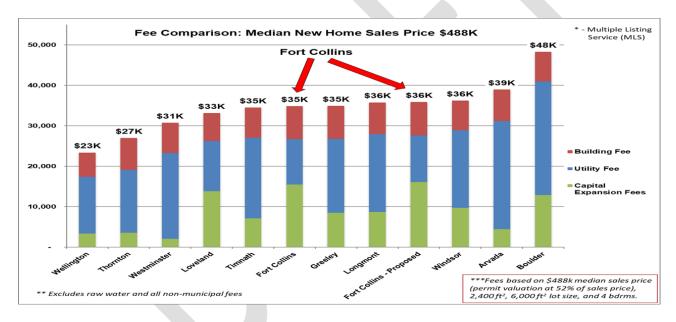
Step III - Full fees proposed in 2017

Land Use Type	Unit	N'hood Park	Comm. Park	Fire	Police	Gen. Gov't	Current Total	Step III Total w Inflation	% Increase w Inflation
Residential, up to 700 sq. ft.	Dwelling	\$1,721	\$2,430	\$421	\$236	\$574	\$5,152	\$5,724	11%
Residential, 701-1,200 sq. ft.	Dwelling	\$2,304	\$3,253	\$570	\$319	\$774	\$6,911	\$7,679	11%
Residential, 1,201-1,700 sq. ft.	Dwelling	\$2,516	\$3,552	\$620	\$347	\$845	\$7,543	\$8,381	11%
Residential, 1,701-2,200 sq. ft.	Dwelling	\$2,542	\$3,589	\$630	\$352	\$858	\$7,630	\$8,478	11%
Residential, over 2,200 sq. ft.	Dwelling	\$2,833	\$4,001	\$701	\$392	\$955	\$8,502	\$9,447	11%
Commercial	1,000 sq. ft.	0	0	\$531	\$297	\$1,451	\$2,182	\$2,424	11%
Office and Other Services		0	0	\$531	\$297	\$1,451	\$2,182	\$2,424	11%
Industrial/Warehouse	1,000 sq. ft.	0	0	\$124	\$69	\$342	\$512	\$569	11%

Step III fees are an 11% increase from current fee levels (Step II). CEF fee increases are 100% of full fee levels recommended in 2017. The CPI-U index for Denver-Aurora-Lakewood is used for CEF inflation (1.3% in 2019).

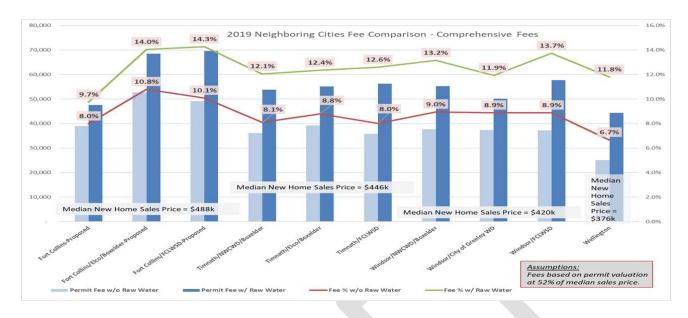
Comparison Charts

Fort Collins proposed fees are in the upper-middle of the pack:



The following chart shows neighboring cities across water districts with and without raw water. Fort Collins fees are in line with neighboring cities:





Fort Collins fees and the cost of code is leveling as a percentage of median new home sales price:



Community Outreach

In an effort towards better communication, outreach and notification of impact fee changes, staff met with 9 organizations across the City in the summer of 2019.



Organization	Staff	Status
Affordable Housing Board	All	Complete
Building Review Board	All	Complete
Economic Advisory Commission	All	Complete
Fort Collins Board of Realtors	All	Complete
Local Legislative Affairs Committee	All	Complete
Northern Colorado Homebuilder's Association	All	Complete
Super Issues Forum	All	Complete
Energy Board	Utilities	Complete
Water Board	Utilities	Complete
Downtown Development Authority	Dev. Review	On Hold
Housing Catalyst	Dev. Review	On Hold
North Fort Collins Business Association	Dev. Review	On Hold
Planning & Zoning Board	Dev. Review	On Hold
South Fort Collins Business Association	Dev. Review	On Hold

Overall, organizations were supportive of the approach and cadence. There was acknowledgement that regular fee updates are necessary.

Staff also heard:

- Support for fee group recommendations
- Concerns about attainable housing it may be less desirable to live here
- Policy questions on development standards going forward, having alignment on total cost including operations and maintenance

Below is the 2019 fee roadmap:

	March	May	June/July	August	October	1/1/2020
Capital Expansion Fees		CFC	Outreach	CFC	Council	Effe ctive
Transportation CEFs						
Electric Capacity Fees		CFC	Outreach	CFC	Council	Effe cti ve
Water Supply Requirement		CFC	Outre a ch	CFC	Council	Effe cti ve
Wet Utility Fees		CFC	Outreach	CFC	Council	Effective
Development Review Fees	CFC		Working Group	Working Group		

DISCUSSION / NEXT STEPS:

Mayor Troxell; slide 7 -Fee Comparison for Median New Homes Sales Price How do we evaluate our peer cities? Adjacent front range such as Severance, Firestone and others in that space.



Mike Beckstead; we could definitely expand this list to included others in the area - Same median home price -we need to understand their fees well enough to know what they pay - that is the methodology behind this.

Darin Atteberry; Severance and Johnstown – benchmark cities have been more of a national market – with fee competitiveness but that is not the market - we want to bring relevant data to Council - not just theoretical

Mike Beckstead; Do they have Impact Fees? If they do, we can certainly add them.

Darin Atteberry; Metro Districts change portfolio

Mayor Troxell; we don't have insight on what to recommend - some communities are not there yet but there is a lot of activity.

Mike Beckstead; before we bring fees back in 2020 we will take a look at who best to compare with how and why and come back with a list.

Emily Gorgol; CEF - types of housing - increase with inflation - how can we somehow encourage smaller houses to be built? -could fees not increased as much for building a smaller home?

Mike Beckstead; page 6 - you can see the different size homes we apply fees to - 90% of our fees are for 2200 sq. ft and above so that is the majority of what is getting built. During the Fee Working Group discussions we talked about expanding to 8 fee categories which will address part of what you are saying. The legal issue we wrestle with is we can't artificially raise one fee and lower another to motivate certain behaviors -fees have to be based on a legal nexus – expand categories and maybe shift the line a little

Darin Atteberry; traffic modeling - family multiple unit less travel in trips than single family - driven by behaviors not footprint - lower trip generation - lower rate

Smaller family size - less trip generation - lower rate

Council Policy - you have different areas where you can affect cost but this is based on the legal nexus

Ken Summers; slide 7 - CEP, impact fees are higher than other surrounding communities - described as being in the middle of the pack - Worth noting that with all of our higher fees - how low Utilities are in comparison to others. Is that a reflection of owning our own electric? The breakdown is interesting.

Mike Beckstead; Timnath uses a Metro District as a revenue source (tax increment financing) for a lot of their infrastructure so they have very low impact fees. Communities are at different stages of development in terms of development fees. Others have crafted different types of revenue sources – there is a story behind the numbers.

Ken Summers; future expansion here based on Metro District - those builders still incur all of those capital expansion fees. I attended a conference last week and we discussed affordable housing - lobby federal government for more money - got into the nuts and bolts and drivers - I agree with Emily - smaller homes. Maybe take a land bank community and dedicate it to smaller homes - 10% of the cost of a house goes to fees - All of the communities could get a better handle on this - affordable housing piece is an issue for every



community nationwide - we all need to take a look at fee waivers - all of us are in the same boat in regards to what it costs to build a house.

Mayor Troxell; under Longmont - big utility gap - counter to Fort Collins and Loveland - they stand out and are part of Platt River

Mike Beckstead; part of that is the favorability we have and the age of our infrastructure and our water rights - Fees go up from \$48K to \$69K - a 40-45% increase because of the utility fees from the authorities not our utilities - you are seeing that in a lot of the sister communities

Emily Gorgol; will the outreach be done before working session?

Jennifer Poznanovic: Yes

Mayor Troxell; I think you are good to go for October

Darin Atteberry; greater segmentation in the market would be good - some of the Northern Colorado communities - a lot of folks driving from / moving to

ACTION ITEM: regarding the discrepancy that Ken pointed out between Utilities and Capital Expansion Fees on slide - go forward but add a separate one pager providing more context for Council. It is an important question that others are going to be asking. This is Phase 3 of the 3 Phase approach that Council came up with - I appreciate that we are back at this point and we are in the 3rd phase of ramping up - it feels good that we took the time to do that

Mike Beckstead; This will be the first time for cadence of 2-year review cycle to be in place

C. Potential New Revenue Discussion

Mike Beckstead, CFO

SUBJECT FOR DISCUSSION: 2019 Revenue Priorities

EXECUTIVE SUMMARY

Financial Services coordinates updates to existing council approved fees to provide council and the community a holistic understanding of the cost impact of these changes. Consistent with that focus, staff has assembled the current discussions occurring around needed revenue sources to facilitate a high-level discussion of the organization's revenue needs and priorities.

GENERAL DIRECTION SOUGHT AND SPECIFIC QUESTIONS TO BE ANSWERED

Does Council Finance Committee have any concerns with the revenue opportunities under discussion?

Feedback and thoughts on prioritization?





Potential New Revenue:

- Transit Revenue
- Stormwater Inspection Fee
- Affordable Housing Impact Fee
- Parks & Trails Asset Mgt. Program
- Community Park Refresh

Status:

Assessing per Transit Plan

In Development

Find \$, Conduct Study

Master Plan in process

Master Plan in process

DISCUSSION / NEXT STEPS:

Mike Beckstead; What 2 or 3 revenue sources would be Council Priorities? What might a new fee be to support? Priorities? These would be new fees that would generate new revenue to accomplish something specific.

Darin Atteberry; If Council says Transit is a priority – you either reprioritize to get more money there So that is a Budget for Outcomes conversation

Transit Master Plan - We are through Phase 2 of a 3 Phase plan

We can either reprioritize existing money or create a new fee / revenue stream - might be a redirection of resources or an additional tax. The prioritization conversation is always on the table.

We have in our sights - additional fees or tax -

candidly as a Council priority - if you want to have a big impact on Transit, it will take some additional resources Some say between \$8-16M per year to have a measurable impact - probably won't find that in our existing budget

Ken Summers; we need to take a more strategic and simplistic thinking in terms of our budget.

Basically our sales tax revenue is not keeping up with inflation - something of concern to me when I look at our financials — we are in good financial condition in terms of our reserves — my concern is when I look at the trend line of flat or declining revenue that is not keeping up with inflation and we have expenses are increasing as twice the inflation rate. The higher our taxes go, we basically encourage people to shop somewhere else.

We might have to invest money in areas that are going to bring people to Fort Collins to stay, recreate, shop and dine. We can't just look at it from taxing more or reallocating more resources – thus will require some real trade offs - would have to be more stop doings

Darin Atteberry; our hope – we are not just having one-off conversations - how we are translating the Council priority list. We know we will be doing work in this space as part of the next budget cycle.

Fee to charge to increase supply of affordable housing in Fort Collins. At the time when a developer pulls their fees – they would be charged a new affordable housing impact fee which would help build affordable units - not



necessarily a novel concept – there are many states and cities that are doing this but it would be new to Fort Collins. A couple years ago when we were doing the Foothills Mall study - we chose not to move forward with it But it is certainly a tool that is Council chooses to put Policy or regulatory tool in place - this is one way to do that. We have not made a recommendation whether or not this is the best tool.

Mayor Troxell; Affordable from what perspective - I would encourage a broader perspective.

Darin Atteberry; I think we are talking more about affordable rather than attainable

Jeff Mihelich; we have a Working Session coming on Affordable Housing – the whole strategy - 80% of AMI – we can provide those options to Council

Darin Atteberry; there is alot more to it - Are we going to allow tiny homes? More affordable types of development? Increased density? All of those things need to be at play - the context is much wider

Mayor Troxell; water fees and other districts being more – that goes right to the purchase price of the house If we can moderate that -that is a \$30K potential impact

Jeff Mihelich; possibly bring land bank properties into the mix which could lower some of the fees – go more to cost of service - tighten up fees - a way to layer them all together and set up a matrix - when to apply and when not to

Darin Atteberry; can add \$12 - \$30k per unit which equates to \$90k over a 30-year mortgage. That is why we are having conversations about fees right now.

Emily Gorgol; in response to the prioritization question - An Affordable Housing impact fee is part of the broader affordable and attainable issue - I would prioritize that along with Transit and then parks

Jeff Mihelich; that is in alignment with the Council Priorities

D.2020 Budget Revision Review

Lawrence Pollack, Budget Director

SUBJECT FOR DISCUSSION: 2020 Budget Revision Recommendations

EXECUTIVE SUMMARY

The purpose of this agenda item is to familiarize and seek feedback from the Council Finance Committee on the City Manager's recommended revisions to the 2020 Budget before the recommendations are reviewed and discussed at the Council Work Sessions scheduled for September 10th and 24th. Based on direction from Council, the 2020 Budget Revisions will be combined with the previously adopted 2019-20 Biennial Budget. The 2020 Annual Budget Appropriation Ordinance is scheduled for 1st Reading on October 15 & 2nd Reading on November 5.

GENERAL DIRECTION SOUGHT AND SPECIFIC QUESTIONS TO BE ANSWERED

- What questions or feedback does the Council Finance Committee have on the City Manager's recommended revisions to the 2020 Budget?



- Does the Council Finance Committee support moving forward with bringing the 2020 Budget Revisions to the full City Council for the September 10th work session?

BACKGROUND/DISCUSSION OVERVIEW:

The mid-cycle Revision Process is different from the biennial Budgeting for Outcomes (BFO) process in that:

- 1) There is no broad request for new and innovative Offers. This is because we are operating within the approved 2019-20 Biennial Budget and these revisions should be exceptions based on information not known at the time the budget was adopted in 2018
- 2) Likewise, there is no review by BFO Teams or request for public engagement. However, the Executive Leadership Team and City Manager conducted a comprehensive review to determine which requests should be forwarded on for Council's consideration. Revised revenue projections and available fund reserves were carefully considered when making these recommendations.

The 2020 Budget Revisions include both 1) reductions to 2020 ongoing expenses to align them with a decreased 2020 Sales Tax forecast and 2) additional Offers for Council's consideration based on information that wasn't available at the time the 2019-20 Budget was adopted. The following are key objectives which the 2020 Budget Revision recommendations are intended to address:

- Matching appropriations for ongoing expenditures to current ongoing revenue estimates
- Council priorities
- Fiduciary responsibilities & fund balance requirements
- High-priority projects and other needs not known at the time of the adoption of the 2019-20 Budget

The recommended 2020 Budget Revisions meet these goals. Recommended revisions to the 2020 Budget must also meet one of the following criteria:

- The request is specifically directed by the City Manager or City Council
- The request is related to a previously approved Offer where either revenue shortfalls or unforeseen expenses are significantly impacting the delivery of that program or service

On a related note, at the July 23, 2019 City Council work session on the Climate Action Plan update, some Councilmembers expressed interest in considering 2020 Midcycle Revision Offers to support progress on the CAP goals. At the work session, staff noted they are continuing to work on the 2018 community greenhouse gas inventory and forecast to 2020, in light of improved new vehicle composition data staff received in July. By the end of August, staff will be able to provide City Council with an update on the 2018 community carbon inventory and a forecast for the 2020 goal.

The 2020 Mid-cycle Revision Offers developed by staff and brought forward by the Budget Lead Team do not address specific CAP requests, in light of the limited scope of the midcycle revision process and cautious approach regarding future revenue projections. However, once the future greenhouse gas projections are clear, Council may request supplemental appropriations at any time during the rest of 2019 and throughout 2020 necessary to help achieve the City's 2020 Climate Action Plan goals.



REVENUE: Overall, most significant City revenues are coming in at, or above, the 2019 budget except for Sales Tax. Although total revenue for 2019 is on track to support 2019 expenses, the 2019 Sales Tax base, upon which 2020 growth is calculated, is now expected to be lower than budget. Based on 2019 YTD sales tax growth of 1.8% and continued talk of a possible recession, the growth of 2020 Sales Tax is now conservatively being estimated at 1.5%, compared to 3.0% in the 2020 Budget.

Thus, it is necessary for the City to reduce ongoing expenses in 2020 to align with the reduced forecast for 2020 Sales Tax revenue. The decreased forecast for Sales Tax revenue primarily impacts the General Fund and Keep Fort Collins Great (KFCG) Fund; but also impacts the funds associated with the three dedicated quarter-cent sales tax initiatives (Street maintenance, Natural Areas and CCIP). The total reduction of anticipated revenue from Sales Tax in 2020 is about \$1.8M, with the General Fund portion being just under \$1.1M.

ONGOING EXPENSE REDUCTIONS:

There are a few different opportunities to align ongoing expenses to the reduced revenue projections. First, there was interest rate favorability associated with the debt offering for the Police Regional Training Facility and the I-25/Prospect Interchange projects in the amount of \$350k in the General Fund. Second, there is ongoing fuel and maintenance savings within Transfort which will reduce the contribution from the General Fund. Third, significant underspend and rising reserve balances in the Benefits Fund allows for the ongoing expense reduction to departments based on reduced contributions to the Benefits Fund. This third opportunity equates to just over \$1.2M savings in the General Fund.

Additionally, some funds had residual, unused ongoing revenue in 2020 that can be applied to offset expenses. Lastly, 2018 fund balances are available in some funds to offset one-time expenses. These changes to revenue and available reserves are summarized in the table below. The Subtotal of Funding Changes line indicates that all Sales Tax shortfalls are covered and indicates the amount of funding available by fund for the 2020 Revision Requests.

Summary of 2020 Revenue Changes and Available Reserves (values in \$k)

Description	General Fund - Ongoing	Fund -	Expan-	KFCG	CCIP	Natural Areas	Trans- porta- tion	Storm- water	Self Insur- ance	Broad- band	TOTAL
Summary of Revenue Changes & Reserves											
Reduced 2020 Sales Tax (ongoing)	(\$1,052)			(\$397)	(\$117)	(\$117)	(\$117)				(\$1,800)
Debt service favorability (ongoing)	350										350
Fuel Savings (ongoing)	206										206
Benefits Fund (ongoing)	1,244										1,244
- Unused 2020 Ongoing Revenue - Available Reserves (1-Time, if requested)		2,700	11,100	2,400	2,700	398	15 1,900	8,300	165	197	775 29,100
Less: 2019 Reappropriation (1-Time)		(340)		(28)			(584)				(952)
Less: 2019 Supplemental Approps (1-Time)		(62)					(20)				(82)
Subtotal of Funding Changes	748	2,298	11,100	1,975	2,583	281	1,194	8,300	165	197	28,841

The reserves and revenue above are available to fund the recommended additions to the 2020 Budget. The table below summarizes those proposed additions and Attachment #1 contains the details of those recommended Offers.



Summary of 2020 Recommended Additions:

2020 Budget Revision Requests - BY FUNDING SOURCE

Fund	Revision Requested	FTE	Ongoing \$	One-Time \$	Total
General Fund	Developing Equity Gaps Analysis, Indicators, and Principles	-	-	120,000	120,000
	East Mulberry Corridor Plan Update and Annexation Assessment	-	-	- 175,000 - 50,000 - 42,000 18,638 - 93,750 17,962 85,000 - 50,585 - 747,973 404,962 - 1,500,000 - 300,000 \$0 \$1,800,000 13,400 - 959,500 \$0 \$959,500 \$0 \$959,500 \$0 \$0 \$0	175,000
	Park Improvement Project Support	-	-	50,000	50,000
	Train Hom Noise - Federal Lobbying	-	-	42,000	42,000
	Continued Voluntary Compliance Support for Outdoor Residential Wood Burning - 0.25 FTE	0.25	18,638	-	18,638
	Fund Developing Equity Gaps Analysis, Indicators, and Principles East Mulberry Corridor Plan Update and Annexation Assessment Park Improvement Project Support Train Horn Noise - Federal Lobbying Continued Voluntary Compliance Support for Outdoor Residential Wood Burning - 0.29 Chief Privacy Officer with Records Management Responsibility (start date of 1 Mar 20) Ongoing Agreements from 2018 Collective Bargaining Sales Tax Technician - 1 FTE Total General Fund Expansion New Block 32 Parking Structure Design Block 32 & 42 Plan Refresh Government) Total Capital Expansion Fund rance Fund Security Specialist - 1.0 FTE (est. start date of 1 March 2020) Total Self Insurance Fund			17,962	111,712
	Ongoing Agreements from 2018 Collective Bargaining	5	585,000	-	585,000
	Sales Tax Technician - 1 FTE	1.00	50,585	-	50,585
	Total General Fund	2.25	747,973	404,962	1,152,935
Capital Expansion	New Block 32 Parking Structure Design		-	1,500,000	1,500,000
Fund	Block 32 & 42 Plan Refresh		_	300,000	300,000
(General Government)	Total Capital Expansion Fund	-	\$0	\$1,800,000	\$1,800,000
Self Insurance Fund	Security Specialist - 1.0 FTE (est. start date of 1 March 2020)	1.00	113,400	-	113,400
	Total Self Insurance Fund	1.00	\$113,400	\$0	\$113,400
Stormwater Fund	Northeast College Corridor Outfall A4 (Lemay) Stormwater Lateral Design and Construction	-	-	959,500	959,500
	Total Stormwater Fund	-	\$0	\$959,500	\$959,500
Broadband Fund	Income Qualified Connexion Credits	-	195,000	- 120,000 - 175,000 - 50,000 - 42,000 8 - 0 17,962 0 - 5 5 - 7 3 404,962 - 1,500,000 - 300,000 0 - 00 - 959,500 - 959,500 0 - 00 \$0	195,000
	Total Broadband Fund	-	\$195,000	\$0	\$195,000
				120,000 175,000 50,000 42,000 17,962 17,962 17,962 17,500,000 300,000 11,800,000	
	TOTAL ALL FUNDS	3.25	1,056,373	3,164,462	4,220,835



After netting out the proposed additions fund balances are still strong and well above minimum fund balance requirements.

Summary of Available Reserves and Revenue after Recommended Additions (Values in \$k)

Description	General Fund - Ongoing		Capital Expan- sion		CCIP	Natural Areas	Trans- porta- tion	Storm- water	Self Insur- ance	Broad- band	TOTAL
Available Revenue and Reserves	748	2,298	11,100	1,975	2,583	281	1,194	8,300	165	197	28,841
2020 Budget Revision Requests Ongoing Requests	(748)								(113)	(195)	(1,056)
One-Time Requests	(7.40)	(405)	(, /					(960)		(405)	(3,165)
Total of 2020 Revisions Net Impact (positive = available)	(748) \$0		\$9,300	\$1,975	\$2,583	\$281	\$1,194		(113) \$52	(195) \$2	(4,221)

The 2020 Budget Revisions allow the City to align ongoing expenses with reduced revenue forecasts from Sales Tax. Conversely, the City is also able to fund a small number of additions to the 2020 Budget, which address Council priorities and other capital projects and design work that benefit our community

DISCUSSION / NEXT STEPS:



Governmental Funds

- Revenue:
 - 2019 budget included 3% sales tax growth strong 2018 modified to 1.7%
 - YTD net Sales Tax growth is 1.8%
 - Other major revenue streams no concerns

Expenses:

Underspend YTD – no concerns

Enterprise Funds

No concerns with either revenue or expenses through July 2019

Mike Beckstead; We have a 3% growth rate 2019 / 2018 base assumption for last BFO – we grew stronger in 18 than we thought we would - adjusted the 2019 YOY growth needed to meet budget to 1.7%. Challenge gets to this year we've only grown at 1.8% YTD - is we took out one time events it goes down to 1.6%. We grew at 2.3 and 3.2 in 2017 and 2018 respectively. This is just sales tax – not use tax.

Staff Recommendation to modify 2020 Sales Tax forecast from 3% to 1.5%. That lowers revenue by \$1.8M



\$400K of that is in KFCG - rest from General Fund. Where do we make reductions of \$1.8M?

How we closed the gap;



1. Reduced Debt Service Due to Interest Rate Favorability

- Lower interest on 2019 debt resulted in \$350k debt service favorability
 - Impact: Ongoing savings of \$350k in the General Fund starting in 2019

2. Fuel Savings in Transfort

- 2019 YTD fuel savings of being driven by usage of CNG and diesel fuel lower than forecast
- Adjustment to 2020 of \$206k modified GF transfer to Transit
 - Impact: Ongoing savings of \$206k in the General Fund

3. Benefits - Lower Claims & High Available Fund Balance

- Claims cost \$2.9M under forecast, benefits fund \$4.3M higher than minimum
- Hold flat department or staff premiums avoid 7.5% and 5.0% increase
 - Impact: Reduction across all departments approximately \$3.0M with about \$1.25M in the General Fund

Darin Atteberry; medical claims - you can have bad years and those numbers go crazy and vary. We do have Stop Loss insurance. The higher claims do effect out fund. Our approach to Wellness has been very effective. This is a particularly low year and that is always a good thing as we come to year end there could be something that could impact that.

The overall benefits fund is \$25M + and we watch that closely and we intentionally have drawn it down.



All values in \$k Description	General Fund - Ongoing		Capital Expan- sion		CCIP	Natural Areas	Trans- porta- tion	Storm- water	Self Insur- ance	Broad- band	TOTAL
Summary of Revenue Changes & Reserves											
Reduced 2020 Sales Tax (ongoing)	(\$1,052)			(\$397)	(\$117)	(\$117)	(\$117)				(\$1,800)
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Less: 2019 Reappropriation (1-Time)		(340)		(28)			(584)				(952)
Less: 2019 Supplemental Approps (1-Time)		(62)					(20)				(82)
Subtotal of Funding Changes	748	2,298	11,100	1,975	2,583	281	1,194	8,300	165	197	28,841

Expenditure Adjustments in Total Balance Expenditures with Revenue



Reappropriations shown in red address Ken's question

Ross Cunniff; I assume new Council members know many of these funds are not mix and match

Mike Beckstead; yes, the color of money will be covered in our Council on Boarding later this week Confirmed that there is a continency fund of \$2.2M in case it is needed – inflation, etc. which we have not touched.

Mayor Troxell; I am in support of where you are - you have done a great job of delicately teasing out and putting togethe a proposal that makes sense.

E. Epic Program – Long Term Financing

Travis Storin, Director Accounting
Sean Carpenter, Lead Specialist, Economic Sustainability

SUBJECT FOR DISCUSSION: Epic Homes 15-year Capital Options

EXECUTIVE SUMMARY

This item will provide an update to Council Finance regarding the Epic Homes 15-year capital options and discussion of each. Topics include:

- Review of capital recruitment process;
- Importance of 15-year capital in achieving desired program outcomes;
- 15-year capital options;
- Banking relationship with the national green bank; and
- Interest rate swap background.

GENERAL DIRECTION SOUGHT AND SPECIFIC QUESTIONS TO BE ANSWERED

- Does the Committee support funding a 15-year Epic Loan option?
- Which 15-year capital option does the Committee support?
- Does the Committee support staff analysis of the debt policy and the exception request if the variable-rate, collateralized option is desired?

BACKGROUND/DISCUSSION

Fort Collins' innovative Epic Homes portfolio supports several community and City Council priorities, including ambitious goals around energy efficiency and renewables, reduced greenhouse gas emissions and increased equity and wellbeing of all residents. Meeting these objectives will require, among other activities, greater numbers of property owners to undertake comprehensive efficiency improvements in the coming years, particularly for older, less-efficient rental properties which make up a large percentage of the City's housing stock. An ongoing and attractive financing structure to support energy efficiency retrofits will be a critical element for success moving forward.

On-Bill Financing (OBF) 1.0 (also known as the Home Efficiency Loan Program or HELP) operated successfully from 2013 through 2016 when the encumbered funds reached the maximum outstanding loan balance of \$1.6M. At that time, Elevations Credit Union was selected through an RFP process to continue HELP for energy



loan financing. Utilities staff qualify the efficiency project based on the rebate measures in the Efficiency Works Home program; however, the loan origination and servicing are independent of Utilities programs. With the implementation of Epic Loans, Elevations loans will continue to be an option for interested customers.

Epic Loans began in August 2018 during the Champions Phase of the *Bloomberg Mayors Challenge*, using the \$100,000 award from the Champions Phase and a \$200,000 grant from the Colorado Energy Office (CEO) to revitalize on-bill financing. Fort Collins is among nine winning cities for the Mayors Challenge, each receiving \$1M to implement their winning idea.

Leveraging external capital is critical to achieving the long-term "revolving loan" vision of Epic Loans and offers a continuing source of funds to meet increasing customer demand for energy efficiency financing. Epic Loans is designed to balance the programmatic objectives and financial requirements of the City, while also meeting the needs and expectations of capital providers and Utilities customers.

Council Finance Meetings Review

Staff presented to Council Finance in November 2018 regarding the program background and issuing an RFP for third-party capital sources. The City issued RFP #8842 in December 2018 and staff pursued conversations and negotiations with respondents and other potential capital providers.

Staff presented to Council Finance in May 2019 regarding the potential capital sources and next steps for bringing capital agreements to Council. Staff have continued negotiations with potential capital providers (including a locally managed national bank, a regional bank, Colorado Clean Energy Fund, and the CEO) and received Legal and Purchasing review of draft contracts.

Staff presented to Council Finance in July 2019 regarding capital agreement terms. Staff was directed to bring two of the three capital sources to full Council for consideration. Staff was also directed to explore 15-year capital options and provide additional information on interest rate swaps to Council Finance.

Importance of 15-year Capital

During prototyping for the Bloomberg Mayors Challenge competition, rental property owners reported that no money down, affordable monthly payments are critical considerations, in particular for owners with multiple units. OBF 1.0 proved these factors are also important for owner-occupied properties, where many homeowners preferred longer term loans which often allow for more comprehensive projects and /or solar installations with affordable monthly payments. In 2016, Fort Collins Utilities implemented the Efficiency Works Neighborhood pilot, with nearly 60 long term loans issued totaling over \$750,000. An additional \$1.5M in 15-year capital for Epic Loans would support approximately 120 similar projects.

Throughout the program history (2013-2019, including Elevations Credit Union loans), 35% of customers have used longer loan terms to reduce monthly payments and / or undertake more comprehensive energy efficiency projects. As a result, the longer-termed loans account for a larger percentage of the total loan portfolio value, at 45%. When looking specifically at on-bill financed loans (2013-2016 and 2018-2019), nearly 50% of customers have used longer term loans (Table 1), accounting for approximately 60% of the on-bill financed loan portfolio value. In short, longer term loans are generally used for bigger, more comprehensive projects that can generate increased benefits for the people who live in and / or own those homes, as well as positively impacting overall City goals.



Table 1. Summary of On-Bill Financed Projects by Loan Term

	3- & 5-year loans	7- & 10-year loans	15 (& 20) year loans
Projects	38	65	95
Percentage	19%	33%	48%

In order to keep monthly payments low and make energy retrofit projects attractive, longer loan terms are required. With a 15-year loan at the average long-term loan amount of \$13,000, monthly payments are \$101. These attractive monthly payments are critical for overcoming both upfront cost and continual cost barriers for home and rental property owners considering energy upgrades.

15-year Capital Options

Per Council Finance request, staff has identified the following four options for 15-year capital:

- 1. Pursue an agreement with the national green bank for up to \$2.5M with the required 50% deposit and use an interest rate swap to stabilize variable rates (This is the staff recommendation.)
- 2. Use L&P Reserves to fund \$1.5M, in addition to the current \$1.6M that is currently deployed or has been repaid
- 3. Use only the 15-year funding available from CEO, Bloomberg, and repaid L&P Reserves
- 4. Implement a hybrid of Options 2 and 3, using L&P Reserves to provide backfill demand once other Option 3 sources are exhausted

To provide sufficient financing for the expected number of projects, the short-term (3-4 year) capital goal is \$7M to \$8M. This assumes \$1.5M to \$2M annually in energy efficiency project financing. As staff has outlined, sufficient 15-year capital is critical to the success of the overall program.

Option 1: National Green Bank

Staff has been in discussions with a national green bank to negotiate 15-year loan terms, which were presented and discussed at the July 15, 2019 Council Finance meeting. The terms include:

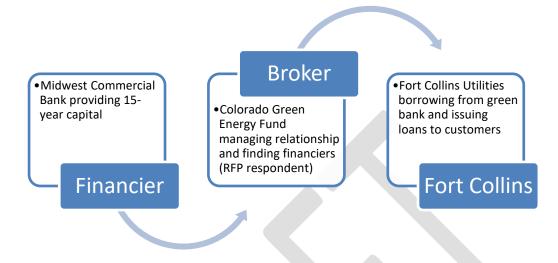
- Amount: Up to \$2,500,000 (staff expects to only draw \$1,500,000)
- Length: 15-years inclusive of draw period
- Draw period: Up to 2 years with quarterly draws based on customer loans
- <u>Variable rate:</u> Wall Street Journal Prime + 0.25% (currently 5.50%)
- <u>Collateral</u>: City will deposit 50% of drawn amount into interest bearing account from L&P Reserves (staff expects \$750,000 deposit)
- <u>Pre-pay</u>: City may pre-pay in whole or in part at any time and without penalty
- Repayment position: Senior pledge on customer loan repayments and second position on Electric Utility revenues, after the more senior pledge held by revenue bondholders

Banking Relationship

Staff issued RFP #8842 in December 2018, to which the Colorado Green Energy Fund was one of two respondents. The Colorado Green Energy Fund has found and managed the relationship with a financier willing to provide 15-year terms (Figure 1). If this option is selected, Fort Collins Utilities would borrow from the Colorado Green Energy Fund.



Figure 1. Banking Relationship with the Colorado Green Energy Fund and Commercial Bank



Policy Interactions

This Option has two interactions with Financial Policy #7 - Debt.

The first interaction is the required 50% collateral, or credit enhancement. Staff assesses an appropriate use of a credit enhancement via the collateral pledge.

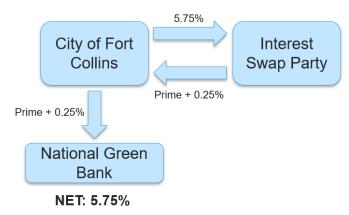
The second interaction is the variable rate and/or derivative swap instrument. The proposed lender is offering a variable interest rate for the loan duration. Staff has attempted to negotiate rate lock-in rights during the draw period, but the lender has been unable to flex. An alternative is to use an interest rate swap, which would qualify as a derivative instrument and is covered by policy as an instrument the City should avoid. Staff assesses a "plain vanilla" interest swap is a feasible solution, although it carries a cost premium, but it would effectively "lock in" a fixed rate on the 15-year note if City is unwilling to accept variable rate risk.

Interest Rate Swap

Interest rate swaps are a common financial instrument, used by a wide variety of businesses to manage their debt service payments in a manner that best suits their organizational needs. For some entities, variable rates are preferred; for others, fixed rate obligations are best. In this option, the City would negotiate with another party (who prefers a variable rate interest obligation) and the City would exchange the variable rate obligation under the proposed loan with the national green bank (Option 1) for the swap party's fixed rate instrument (Figure 2), using well established markets / providers for these types of financial transactions. The swap would be based on the notional principal, and only the netted difference between fixed and variable interest rate amounts is paid. The interest swap party would also agree to a settlement cadence.

Figure 2. Example of Cash Flows of Interest Rate Swap





All rates are theoretical and not indicative of potential market

Option 2: Light & Power Reserves

Currently, \$1.6M of L&P Reserves have been deployed for on-bill financing since 2013, of which nearly \$400,000 have been repaid without any losses to date. Option 2 would dedicate an additional \$1.5M of L&P Reserves for 15-year loans. Available Reserves at the end of 2018 were \$8.4M. Anticipated 2019-20 budget changes include a 2019 drawdown on Reserves by \$340K and a 2020 increase on Reserves by \$320K. The Capital Improvement Plan will be updated in Fall 2019, prior to updating the Strategic Financial Plans for a November 2019 presentation to Council Finance.

There is no anticipated need to increase electric rates for a one-time \$1.5M appropriation of Reserves. However, appropriating L&P Reserves for use in Epic Loans will make those funds unavailable for use in other future capital projects, until such time that those funds are repaid by Epic Loan customers.

Option 3: 15-year Funding from Grants and Low-Cost Capital Only

There are currently other sources of limited 15-year capital, which include:

- Up to \$1M low-cost loan from CEO dedicated to 15-year projects (to be presented to Council on September 3, 2019)
- Re-allocation of up to \$900K from Bloomberg and CEO grant funds, away from 5-year and 10-year projects

Without external or Reserve financing, the full capital stack across all product offerings will support approximately 130 fewer home upgrades for each "cycle" of the loan portfolio (e.g. each time the capital is lent, repaid and therefore available to be re-loaned), or approximately 370 projects versus an estimated 500 projects. In this Option, the capital burn rate would be 1 to 1.5 years faster.

Option 4: Hybrid of Options 2 & 3 Using L&P Reserves After Other Sources Exhausted

A final Option is to use the 15-year capital sources outlined in Option 3 above and use L&P Reserves once all other sources have been exhausted.

15-year Capital Option Analysis

Staff analysis of the benefits and challenges for each Option is outlined in Table 2. If supported by Council Finance, staff recommends bringing Option 1 to full Council for consideration on October 1, 2019.

Table 2. Analysis of 15-year Capital Options



Option	Benefits	Challenges
Option 1: National Green Bank (staff recommendation)	 Provides sufficient funding for expected 15-year projects Scalable for the long-term, and replicable for other cities Only market capital provider willing to provide 15-year terms, all other market capital providers will not go over 10-year terms 	 Requires a 50% deposit into an interest-bearing account from L&P Reserves Requires a policy exception to use an interest rate swap Contingent on other low-cost capital sources to provide an attractive rate for customers
Option 2: Light & Power Reserves	Provides easy access to low-cost capital	 Impacts the opportunity costs of other important Utilities needs Not scalable for long-term, or replicable for other cities
Option 3: 15-year Funding from Grants and Low- Cost Capital Only	No additional capital agreements needed (after CEO loan presented to full Council)	 Does not provide sufficient funding for expected 15-year projects Not scalable for long-term Removes low-cost capital from 5-year and 10-year loans for blending to create attractive customer rates
Option 4: Hybrid of Options 2 & 3 Using L&P Reserves After Other Sources Exhausted	No additional capital agreements needed (after CEO loan presented to full Council)	 Not scalable for long-term, or replicable for other cities Removes low-cost capital from 5-year and 10-year loans for blending to create attractive customer rates Impacts the opportunity costs of other important Utilities needs

Next Steps

Staff seeks direction from Council Finance with which option to proceed for City Council consideration. If supported, staff is tentatively scheduled to present the selected 15-year capital option to full Council on October 1, 2019.

DISCUSSION / NEXT STEPS:

A 15 year loan term is programmatically important - 80% of customers / owners said if longer term is not available, it would not be feasible for them to participate.

Ross Cunniff; see if my impression is right – interest rate swap – really a bet that the variable rate will go down and they will potentially make potentially more money –

Travis Storin; speculating or they have a hedge of their own that they are trying to install

Ross Cunniff; re: the risk to the person who wants to pay the fixed interest

- 1) Variable rate goes down paying more for money than we would have had to
- 2) Hard to back up there may be some potential that a partner might default on the agreement

What are our contingencies if that happened?



Travis Storin; credibility of the institution - that is a key element as we go shop for this Will have to be one of the large multi-national banks we are targeting to take on this risk.

They do have the risk of defaulting - it is a possibility and deliberate vendor selection is our mitigating measure.

Ross Cunniff; if the economy tanked, we could decide to not engage or draw the full amount, right?

Travis Storin; yes, the notional amount is going to be whatever we have drawn - we will have a draw period on the facility and only swap the amount we have drawn not the full amount -

Ross Cunniff; still some risk - the advantage to program and to businesses that cannot make the cash flow work Are powerful to me along with the ability to make this a sustainable proposition. My concern is I would not want to make this a standing change to policy - I would want to make it a case by case basis — so would need to be very narrowly tailored for this circumstance - vitally important program. I am supportive of moving forward - we need to be careful sending the message — I don't want us to be used as part of a portfolio This is really a special case - Fort Collins is not going to be a variable interest player - bigger picture policy perspective

Mike Beckstead; staff is very much aligned with that - This is an exception specific to version 3.0. If we find this works and would want to do it again - we would need to come back to Council and share our experience for 4.0 - we view this is a one-time event as well.

Mayor Troxell; I would agree - let's keep it as a one-time exception

Option 1 with the National Green Bank is my preference.

Question – with the interest rate swap how does the deposit play into that?

Travis Storin; the deposit scales with what we draw at a rate of 50% - according to policy we are only to do this when we run an NPV and this is still beneficial to City of Fort Collins. In this case there is really not an NPV to run - more a deal or no deal – we are working with Lance Smith and we have determined that it is up to \$750K earmark on reserves which would go into an interest bearing account - Comparable rates to a money market - when we prepay or it matures, we would get those funds back

Sean Carpenter; The max loan amount would be \$25K - we have not issued any loans that large to date The average loan amount is currently \$14K so we anticipate \$10-14K will be the range for the vast amount of these projects over 5, 10 or 15-year terms

Mike Beckstead: the consumer chooses the term based on the value of the energy efficiency they want to put into their properties – the savings from the improvements are hard to realize over a shorter term - which impacts their cashflow

Ken Summers: how many loans are we anticipating?

Travis Storin; our peak year was 2016 where we did 110 loans

Ken Summers; what happens if they default? Concerned about someone needing to borrow that amount over such a long term



Mike Beckstead; we would have a lien on the house but our experience to date in the 4-5 years of this program is that we have not had a single delinquent loan - part of that is the nature of what people are borrowing for – they know with the lien in place that if they do sell we will get our piece.

Darin Atteberry; projects like new windows, furnaces, major capital equipment

Ross Cunniff; we are targeting certain types of projects that typically pay back similar or higher value on their energy bill to what they are paying - that is probably also why you would want to get the monthly cost down.

Travis Storin; one of our iterations was a strictly 3rd party bank that they would go to as a qualified borrower — with much the same amount of rigor as a mortgage — not serviced on the bill so the protections were different — the demand for that product has been pretty limited - people like being able to pay it on their utility bill the onbill portion is a positive.

Ken Summers; we are talking about modifying policy and additional risk – I am concerned on the trade-off standpoint

Mike Beckstead; might be helpful is we zoom out to 10K feet and provide some context - we started this program in 1012 using \$800K from L&P reserves as the funding source for the loans and in 2014 Council approved another \$800K for additional loans -revolving. Currently there is \$1.8M in reserves available for these loans - we can't continue to use that funding methodology and make the volume of energy efficiency changes we want to make in our community so we turned to how to use 3rd party capital - we went to version 2.0 with a local credit union but when we did that the number of loans tanked dramatically. Now we are at version 3.0 where we are trying to figure out how to get a competitive capital stack across 3 different terms providing home energy efficiencies that would not happen without this type of financing - a little bit of history on how we came to this point. Our goal has been to figure out how we can use 3rd party capital as opposed to using our own capital which comes with some risk.

Travis Storin; This is one component of the greater energy works portfolio - of the energy efficiency improvements that are made - loans account for 25% of the expenditure and 15-year loans count for 50% of loans and for 60% of the dollars

80% of those who used 10-15 year terms and on-bill financing said that they would not have done it without the 10 or 15 year terms.

Mayor Troxell; this is a model - some other municipalities are looking to us -

Sean Carpenter; that is right - some of the support we are not talking about today includes the \$200K grant we received from the Colorado Energy Office – in the hopes that we can create a 'cookbook' to help other communities replicate this in Colorado and elsewhere.

Travis Storin; the low cost capital is a critical success factor- for every loan 2/3 of the loan amount comes from a market driven source

Mike Beckstead; To summarize, there are some questions and concerns, some things in the AIS that we will want to clarify. But I believe we have the direction to bring this forward to Council on October 1st



Ken Summers; to do 15 years – we will need to make a policy exception and take on more risk I am trying to get a handle on year 11-15 – as opposed to years 1-10 and the impact

Mike Beckstead; the consumer is making the choice – we are just providing the alternatives to match the savings of the investment, the energy efficiency benefits and their cashflow

Meeting adjourned at 11:56 am



COUNCIL FINANCE COMMITTEE AGENDA ITEM SUMMARY

Staff: Lawrence Pollack

Date: September 16, 2019

SUBJECT FOR DISCUSSION

First Reading of Ordinance No. , 2019, Appropriating Unanticipated Revenue and Prior Year Reserves in Various City Funds.

EXECUTIVE SUMMARY

The purpose of this Annual Adjustment Ordinance is to combine dedicated and unanticipated revenues or reserves that need to be appropriated before the end of the year to cover the related expenses that were not anticipated and, therefore, not included in the 2019 annual budget appropriation. The unanticipated revenue is primarily from fees, charges, rents, contributions, donations and grants that have been paid to City departments to offset specific expenses.

GENERAL DIRECTION SOUGHT AND SPECIFIC QUESTIONS TO BE ANSWERED

- What questions or feedback does the Council Finance Committee have on the 2019 Annual Adjustment Ordinance?
- Does the Council Finance Committee support moving forward with bringing the 2019 Annual Adjustment Ordinance to the full City Council?

BACKGROUND/DISCUSSION

This Ordinance appropriates unanticipated revenue and prior year reserves in various City funds and authorizes the transfer of appropriated amounts between funds and/or projects. The City Charter permits the City Council to appropriate unanticipated revenue received as a result of rate or fee increases or new revenue sources, such as grants and reimbursements. The City Charter also permits the City Council to provide, by ordinance, for payment of any expense from prior year reserves. Additionally, it authorizes the City Council to transfer any unexpended appropriated amounts from one fund to another upon recommendation of the City Manager, provided that the purpose for which the transferred funds are to be expended remains unchanged; the purpose for which they were initially appropriated no longer exists; or the proposed transfer is from a fund or capital project account in which the amount appropriated exceeds the amount needed to accomplish the purpose specified in the appropriation ordinance.

If these appropriations are not approved, the City will have to reduce expenditures even though revenue and reimbursements have been received to cover those expenditures.

The table below is a summary of the expenses in each fund that make up the increase in requested appropriations. Also included are transfers between funds and/or projects which do not increase net appropriations, but per the City Charter, require City Council approval to make the transfer. A table with the specific use of prior year reserves appears at the end of the AIS.

Funding	Unanticipated Revenue	Prior Year Reserves	TOTAL
General Fund	\$4,779,190	\$884,527	\$5,663,717
Capital Projects Fund	190,125	0	190,125
Cultural Services Fund	115,930	0	115,930
Equipment Fund	289,165	0	289,165
Light & Power Fund	4,533	0	4,533
KFCG Fund (PFA)	0	136,419	136,419
Self Insurance Fund	0	410,000	410,000
Transportation Fund	468,663	900,000	1,368,663
Transportation CEF Fund	39,261	210,116	249,377
Water Fund	70,000	0	70,000
Wastewater Fund	10,000	0	10,000
Stormwater Fund	10,000	0	10,000
GRAND TOTAL	\$5,976,867	\$2,541,062	\$8,517,929

A. GENERAL FUND

1. Title: Sponsorships - Love the Fort Fund

This adjustment is to repurpose \$12,500 of money originally set up to support new and creative initiatives focusing on resident engagement around the uniqueness and original attributes of Fort Collins with an external partner. After review of the initial funds that were expended, staff believes the funds are better brought in house to be used for similar purposes, such as the Lateral Labs pop up event that was hosted by the City and the Music district in July 2019. Any expenditures of these funds will be spent on other things that support a uniquely Fort Collins approach to engagement and creativity.

FROM: Unanticipated Revenue \$12,500 FOR: Community Engagement Activities \$12,500

2. Title: Land Bank Operational Expenses

This request is intended to cover expenses related to the land bank property maintenance needs for 2019. As expenses vary from year-to-year, funding is requested annually mid-year to cover these costs. Expenses for 2019 include general maintenance of properties, raw water and sewer expenses, electricity, prairie dog mitigation, and other as applicable.

FROM: Prior Year Reserves (Land Bank reserve) \$45,693 FOR: Land Bank Expenses \$45,693

3. Title: Manufacturing Equipment Use Tax Rebates

Finance requests the appropriation of \$405,437 to cover the amount due for the 2018 Manufacturing Equipment Use Tax Rebate program as established in Chapter 25, Article II, Division 5, of the Municipal Code. The rebate program was established to encourage investment in new manufacturing equipment by local firms. Vendors have until December 31st of the following year to file for the rebate. This item appropriates the use tax funds to cover the payment of the rebates.

FROM: Prior Year Reserves (Manufacturing Use Tax Rebate) \$405,437 FOR: Manufacturing Use Tax Rebates \$405,437

4. Title: Host Compliance - Short-Term Rentals Annual Subscription

In response to a steady stream of online platforms that advertise short term rentals (STRs), City staff has had to fund technology that will monitor the occurrence of unlicensed short-term rentals (STR). Host Compliance has developed a proprietary system to scan the internet to find active STR advertisements and match them against licensed agencies, thereby allowing City Staff to focus on noncompliant issues by providing the documentation needed to pursue enforcement and to investigate proactively. The cost of this software was not budgeted in CDNS and has been paid consistently by the city for 2 years.

FROM: Prior Year Reserves \$17,129 FOR: Short-term rentals software license \$17,129

5. Title: Historic Structure Assessment (HSA) of the Fort Collins Water Treatment Plant No. 1 at Gateway Park

The City has been awarded a \$22,835 grant from History Colorado, to be matched by \$15,000 of Operations Services funds. This grant will fund professional structural engineering and architectural services to provide a comprehensive assessment of the condition of the Water Treatment buildings and filtration site features. As the facility has been offline since 1987, this HSA is the critical first step towards a solution for the treatment plant that will balance the preservation and ecological needs of this defunct water treatment plant with a functional use.

FROM: Unanticipated Revenue (grant) \$22,835 FOR: Historic Structure Assessment \$22,835

6. Title: Juvenile Diversion Grant 2019-20

These grant funds support Restorative Justice Services in providing alternatives to the justice system for youth who commit crimes in our community. Due to changes in state legislation, only half the grant award was awarded this year (July 1 - December 31, 2019.) Changes in the state process are why the funds are being appropriated through clean-up rather than the normal appropriation process. The other half will be awarded in January 2020.

FROM: Unanticipated Revenue (grant) \$33,809 FOR: Alternative sentencing for youth \$33,809

7. Title: College Downtown Survey

The City has been awarded a \$25,000 grant from History Colorado to be matched by \$15,000 of City funds, to survey and document 50 buildings along College Avenue. This survey project furthers Council's direction for proactive survey of Fort Collins' older building stock to guide development and is a requirement for Fort Collins to retain its historic preservation certification through the Federal Certified Local Government Program. The matching funds were previously appropriated in the KFCG Fund through the 2019-2020 BFO process for anticipated grants such as this.

FROM: Unanticipated Revenue (grant) \$25,000 FOR: Historic survey \$25,000

8. Title: Harmony Gateway Illustration Project (Transfer) (see Item #E1 for additional information)

This request is administrative in nature; we are requesting that the budget that was originally carried forward in the GID fund be transferred to the correct business unit. The original budget was in the Downtown General Improvement District (GID #1) and should have been in the General Fund. No new spending will occur as a result of this change.

FROM: Transfer from Previously Appropriated Funds (GID 1) \$5,800 FOR: Correcting Business Unit & Fund for budget (General Fund) \$5,800

9. Title: Emergency Preparedness and Security (previously the Office of Emergency Management) FEMA Grant (Transfer to non-lapsing)

Funds for the 2019-2020 budget Emergency Preparedness and Security (EPS - previously the Office of Emergency Management) were all assigned to a lapsing business unit, meaning the budget will go away at the end of 2019. EPS has grant funds of \$65,000 coming from the Emergency Management Program Grant (EMPG) and there is a 100% match which must come from the City of Fort Collins. Therefore, this request is to move \$130,000 (grant funds plus the match) from the EPS lapsing appropriation to the non-lapsing grant appropriation. No new spending will occur as a result of this change.

FROM: Previously Appropriated Funds (General Fund) \$130,000 FOR: Transfer to non-lapsing business unit for grant tracking \$130,000

10. Title: Forestry tree donations and miscellaneous revenue

This item appropriates unanticipated revenue from Forestry tree donations and miscellaneous revenue (this includes the Christmas tree recycling program & fees collected to replace damaged trees).

FROM: Unanticipated Revenue (donations & miscellaneous revenue) \$45,000 FOR: Forestry work & tree plantings \$45,000

- 11. **Fort Collins Police Services (FCPS)** has received revenue from various sources and is also requesting the use of reserves, to be appropriated to cover the related expenditures. A listing of these items follows:
 - a. \$5,631 Police Battle Grant 2018-2019 Supplemental The Beat Auto Theft Through Law Enforcement [BATTLE] Grant is a state funded grant for overtime for officers to reduce auto theft and bring those who steal automobiles to justice. This grant pays for overtime on a reimbursable basis. The original 2018-2019 grant was appropriated in the 2018 Annual Adjustment Ordinance and this request is for additional funds awarded after the first round of awards.
 - b. \$9,072 Police Battle Grant 2019-2020 The Beat Auto Theft Through Law Enforcement [BATTLE] Grant is a state funded grant for overtime for officers to reduce auto theft and bring those who steal automobiles to justice. This grant pays for overtime on a reimbursable basis.
 - c. \$33,033 Black and Gray Market Marijuana Grant 2019 The Black and Gray Market Marijuana grant was administered by the District Attorney's Office funded through state marijuana sales taxes. This grant is used to pay for overtime and equipment associated with the enforcement of black market marijuana criminals.
 - d. \$5,384 2019 Click it or Ticket Grant In 2019 Police Services was awarded a Click it of Ticket Grant from the Colorado Department of Transportation to pay for officers to work overtime to conduct enforcement activities.
 - e. \$31,505 State of Colorado Peace Officer Standards and Training (COPOST) Grant 2018-2019– COPOST reimburses agencies within Colorado Police training and training equipment on a reimbursement basis
 - f. \$11,000 High Visibility Impaired Driving Enforcement Grant 2019-2020 In 2019 Police Services was awarded a High Visibility Impaired Driving Enforcement grant from the Colorado Department of Transportation to pay for overtime for DUI enforcement during specific holiday time periods.
 - g. \$128,051 Sale of Police records and other miscellaneous revenue FCPS received revenue from the sale of Police reports along with other miscellaneous revenue.

- h. \$307,249 Police Overtime Reimbursement Police Services help schedule security and traffic control for large events. Since these events are staffed by officers outside of their normal duties, officers are paid overtime. The organization that requested the officer presence is billed for the costs of the officers' overtime. The different activities include, but not limited to, CSU football games, Tour De Fat, Brew Fest, New West Fest and other events. Additionally, FCPS partners with Larimer County to staff events at The Ranch. Police receives reimbursement from Larimer County for officers' hours worked at Ranch events.
- i. \$11,030 Police City Give Donations Unanticipated Philanthropic Revenue for the Police Explorer Unit, K9 division and general police use.
- j. \$2,500 Shop with a Cop Grant The program pairs volunteers from regional emergency services with local children whose families are facing severe financial difficulties and limited/no housing. Children selected by the McKinney Foundation (through the Poudre School District), are given gift cards to purchase gifts for their immediate family members. Emergency personnel shop with them, building bonds and providing assistance.
- k. \$20,428 Movement of Funds Associated with the Northern Colorado Drug Task Force As a part of the movement of the Northern Colorado Drug Task Force over to Larimer County as a part of them being the fiscal agent, this transfer would account for the remaining amount of State Asset Forfeiture funds that the Larimer County will now be the fiscal agent for. This additionally includes an ancillary payment to the NCDTF from court fines and fees.

TOTAL APPROPRIATION

FROM:	Unanticipated Revenue (2018 BATTLE Grant)	\$5,631
FROM:	Unanticipated Revenue (2019 BATTLE Grant)	\$9,072
FROM:	Unanticipated Revenue (Black & Gray Market MJ Grant)	\$33,033
FROM:	Unanticipated Revenue (2019 Click it or Ticket Grant)	\$5,384
FROM:	Unanticipated Revenue (COPOST Grant 2018-19)	\$31,505
FROM:	Unanticipated Revenue (HVE Grant)	\$11,000
FROM:	Unanticipated Revenue (Miscellaneous)	\$128,051
FROM:	Unanticipated Revenue (Overtime Reimbursement)	\$307,249
FROM:	Unanticipated Revenue (City Give Donations)	\$11,030
FROM:	Unanticipated Revenue (Shop with a Cop Grant)	\$2,500
FROM:	Prior Year Reserves & Unanticipated Revenue	\$20,428
	(Northern Colorado Drug Task Force)	
FOR:	2018 BATTLE Grant	\$5,631
FOR:	2019 BATTLE Grant	\$9,072
FOR:	Black & Gray Market MJ Grant	\$33,033
FOR:	2019 Click it or Ticket Grant	\$5,384
FOR:	COPOST Grant 2018-19	\$31,505
FOR:	2019 HVE Grant	\$11,000
FOR:	Police Services	\$446,330
FOR:	Shop with a Cop Grant	\$2,500
FOR:	Transfer of reserve funding to Larimer County	\$20,428

12. Title: Radon Kits

Environmental Services sells radon test kits at cost as part of its program to reduce lung-cancer risk from in-home radon exposure. This appropriation would recover kit-sales for the purpose of restocking radon test kits.

FROM:	Unanticipated Revenue (radon kit sales)	\$3,960
FOR:	Radon Test Kits	\$3,960

13. Title: Radon Grant 2018-19 Addendum

City staff was invited to present on local initiatives at the International Radon Symposium in Denver. To cover the costs of travel, stay, and registration, the Colorado Department of Public Health and Environment (CDPHE) increased the purchase order of the radon grant. A 40% match is included from previously appropriated money.

FROM: Unanticipated Revenue (grant) \$1,859 FOR: International Radon Symposium \$1,859

14. Title: Roof Hail Damage Insurance Appropriation

These funds are intended to repair roof hail damage on 36 buildings resulting from the June 19, 2018 hailstorm. The City of Fort Collins has received \$2,713,458 Insurance proceeds and expects to recover another \$1,362,685 in losses. All work is expected to be completed by August 2020.

FROM: Unanticipated Revenue (insurance proceeds) \$4,076,143 FOR: Roof repair \$4,076,143

15. Title: Safety and Risk Management (SRM) Premium and Claims Adjustment (see Item #H1 for additional information)

This Annual Adjustment is for the unanticipated increase of insurance premiums caused by 2018 hail damage and increase claim amount realized in 2019. The amount from the General Fund Reserves will be transferred to the Self-Insurance Fund.

FROM: Prior Year Reserves \$410,000 FOR: Transfer to Self-Insurance Fund for increased insurance costs \$410,000

B. CAPITAL PROJECTS FUND

1. Title: Gardens Visitor Center Expansion

Unanticipated revenues received as donations for the visitor center expansion.

FROM: Unanticipated Revenue (City Give donations) \$21,715 FOR: Gardens Visitor Center Expansion \$21,715

2. **Title: Gardens Visitor Center Expansion transfer to reimburse Gardens on Spring Creek**Donations for the Visitor's Center expansion to be transferred to General Fund reserves to reimburse the donation money borrowed from the Gardens on Spring Creek to get the project started. These donations flowed through City Give.

FROM: Unanticipated Revenue (City Give donations) \$30,000 FOR: Reimburse Gardens on Spring Creek reserve in the General Fund \$30,000

3. Title: Poudre River Reach 4 Study Donation

This item appropriates a donation received for the feasibility study/design for the Reach 4 phase of the Poudre River Downtown Master Plan. This item is linked to BFO Offer #32.7 ENHANCEMENT: Poudre River Downtown Master Plan Reach 4 Feasibility Study.

FROM: Unanticipated Revenue (City Give donation) \$25,000 FOR: Poudre River Downtown Master Plan \$25,000

4. Title: Nature in the City

Nature in the City gives out small grants for nature related projects. A grant was given to Front Range

Community College for a pollinator garden. They returned the remaining unused funds of \$1,197, which needs to be appropriated for expenditure.

FROM: Unanticipated Revenue (return of unused funds) \$1,197 FOR: Future use \$1,197

5. Title: College & Trilby Intersection Improvements

6520 S. College Avenue - Vintage Marketplace. Approved minor amendment for dedication of ROW and public sidewalk improvements requested of applicant. Capital Projects (CP) has improvements scheduled at nearby intersection of College / Trilby and will be completing the project in 2021. As project has not been designed and to avoid having the developer make improvements that may need to be changed after project design, a payment in lieu of construction was requested from the applicant and will be applied as a funding source to the project.

FROM: Unanticipated Revenue (payment in lieu of construction) \$38,163 FOR: Public sidewalk improvements \$38,163

6. Title: Prospect Rd. & 1-25

Paradigm Properties, LLC is one of the property owners at the I-25 Prospect interchange. As part of the overall project, property owners who benefit from the enhanced interchange are contributing Right of Way (as opposed to a direct monetary contribution) to the overall project. This \$32,500 is the amount Colorado Department of Transportation paid the property owners for their right of way. These funds come into the City and will go back into the construction contract for the overall project. This will go towards the total \$500k that the property owners will contribute to the City.

FROM: Unanticipated Revenue (right of way contribution) \$32,500 FOR: I-25 & Prospect interchange improvements \$32,500

7. Title: Vine & Timberline Intersection Improvements

With new development the City can request that a developer build enhancements or pay the City to construct them; this is termed a Payment-in-lieu (PIL) of construction. This request appropriates a PIL collected during the year to the Vine & Timberline Intersection Project; the project outcome will signalize the intersection and remove the current 4 way stop.

FROM: Unanticipated Revenue (payment in lieu of construction) \$38,950 FOR: Intersection improvements \$38,950

8. Title: CCIP Pedestrian Sidewalk-ADA

Engineering Staff had requested a developer, by letter, to make concrete repairs in accordance with an acceptance walk-thru on a recently developed property. The developer did not respond to numerous requests and therefore Staff initiated a request to the financial company for issuance to the City the remaining funds on their letter of credit so that the City could complete the necessary repairs. This is being bundled with Sidewalk CCIP as this is the group who will execute the repairs and the sidewalk is being brought up to current standards by the development.

FROM: Unanticipated Revenue (insurance payment) \$2,600 FOR: Sidewalk repair \$2,600

Title: Payments in Lieu of Construction (see item #J1 for additional information)

With new Development the City can request a developer to build enhancements or pay the City to construct them; this is termed a Payment-in-lieu (PIL) of construction. This request appropriates PILs collected during the year to various projects across the City. \$210,116 to the Lemay and Vine

Intersection, \$1,300 to the College/Trilby Intersection and \$37,961 to the North Mason Street Design. These funds will be transferred to the Capital Projects Fund in order to complete the projects.

FROM:	Transfer from Transportation CEF Fund	\$249,377
FOR:	Lemay & Vine Intersection	\$210,116
FOR:	College & Trilby Intersection	\$1,300
FOR:	North Mason Street Design	\$37,961

10. Title: Art In Public Places - Poudre Whitewater Park (see item #D1 for additional information)

Transferred funding from Parks for Art in Public Places for additional artwork at Poudre Whitewater Park. The \$40,000 is matching funds from Parks per Resolution #2019-080.

FROM: Previously Appropriated Funds \$40,000 FOR: Transfer to Cultural Services Fund \$40,000

C. CULTURAL SERVICES FUND

1. Title: Art In Public Places - Poudre Whitewater Park (see item #B10 for additional information)

Transferred funding from Parks for Art in Public Places for additional artwork at Poudre Whitewater Park, \$28,000 is from donations and \$40,000 is matching funds from Parks per Resolution #2019-080.

FROM: Unanticipated Revenue (City Give donations) \$28,000
FROM: Transfer from Capital Projects Fund (matching funds) \$40,000
FOR: Art in Public Places (artwork & O&M) \$68,000

Title: Art in Public Places - Pianos About Town

Pianos About Town is a collaborative project between the City of Fort Collins Art In Public Places Program, Bohemian Foundation, and the Downtown Development Authority. The project combines art and music for the enjoyment of the community. Pianos are painted from May through October in Old Town Square, where the public can interact with the artists as they work. Pianos are also painted in the winter months, in various public indoor locations. The completed pianos then rotate to various locations throughout Fort Collins, inviting people to admire the artwork and play a tune.

FROM: Unanticipated Revenue (City Give donation) \$87,930 FOR: Pianos About Town (artwork & O&M) \$87,930

D. EQUIPMENT FUND

1. Title: State CNG Vehicle and Electric Charging Infrastructure Grants

This revenue is from the Alt Fuels Colorado (\$262,880) and Charge Ahead (\$26,285) grant programs administered by the State Energy Office and the Regional Air Quality Council. Alt Fuels Colorado provides 80% reimbursement on the incremental cost of Natural Gas vehicles, while Charge Ahead provides infrastructure for vehicle charging stations.

FROM: Unanticipated Revenue (grants) \$289,165 FOR: Natural Gas Vehicles & Charging stations \$289.165

E. GENERAL IMPROVEMENT DISTRICT #1 FUND

1. Title: Harmony Gateway Illustration Project (Transfer) (see Item #A8 for additional

information)

This request is administrative in nature; we are requesting that the budget that was originally carried forward in the GID fund be transferred to the correct business unit. The original budget was in the Downtown General Improvement District (GID #1) and should have been in General Fund. No new spending will occur as a result of this change.

FROM: Previously Appropriated Funds (GID 1) \$5,800 FOR: Transfer to General Fund to Correct PO Carryforward \$5,800

F. LIGHT & POWER FUND

1. Title: Art in Public Places - Sponsored Transformer Cabinets

Transformer Cabinet Mural Project Sponsorship. Donations were received by 3 entities to have the transformer cabinets in their areas painted through the APP Project to decrease the prevalence of graffiti. Donators: Our Saviour's Lutheran Church \$2,234, Observatory Village Master HOA \$1,143 and Observatory Village Master HOA \$1,156. Operations and Maintenance costs are not applicable on painting projects at this small scale.

FROM: Unanticipated Revenue (donations) \$4,533 FOR: Transformer Cabinet Mural Project \$4,533

G. KEEP FORT COLLINS GREAT FUND (PFA)

1. Title: KFCG Reserve for Fire

Requesting the Keep Fort Collins Great Reserve for Fire to pay for Poudre Fire Authority's share of regional fire command post (a vehicle that is used as the command center during major incidents, fully equipped with communication devices).

FROM: Prior Year Reserves (KFCG PFA) \$136,419
FOR: Regional fire command post \$136,419

H. SELF INSURANCE FUND

1. Title: Safety and Risk Management (SRM) Premium and Claims Adjustment (see Item #A15 for additional information)

This Annual Adjustment is for the unanticipated increase of insurance premiums caused by 2018 hail damage and increase claim amount realized in 2019. The amount from the General Fund Reserves will be transferred to the Self-Insurance Fund.

FROM: Prior Year Reserves \$410,000 FROM: Transfer from General Fund \$410,000 FOR: Increase in Insurance costs \$820,000

I. TRANSPORTATION FUND

Title: Snow & Ice Removal

The 2019 snow budget has nearly been consumed. Appropriated budget in BFO is \$1.3M and YTD spending is \$870K. The salt supply was intentionally depleted in early 2019 so maintenance and repair work could be performed on the salt barn; therefore 6000 tons of salt will be purchased in final months of the year. Additional funding of \$900,000 is requested to ensure there is enough budget appropriated to provide snow removal services from September through December 2019. The breakdown of the request: \$525,000 for salt and \$375,000 for removal service & equipment maintenance.

FROM: Prior Year Reserves \$900,000 FOR: Snow & Ice removal costs \$900,000

2. Title: Streets Work for Others Program

The Planning, Development and Transportation Work for Others is a self-supported program for all "Work for Others" activities within Streets. Expenses are tracked and billed out to other city departments, Poudre School District, CSU, CDOT, Larimer County, developers and other public agencies. The original budget of \$3.2M was an estimate based on scheduled projects. Additional unanticipated projects were added in 2019. This additional appropriation of \$300,000 is requested to cover projects through the end of 2019. Revenue for performing the work will offset the expense (note - expense will not be incurred without offsetting revenue).

FROM: Unanticipated Revenue (work to be billed) \$300,000 FOR: Work for Others Program \$300,000

3. Title: Street Maintenance Program

The City took ownership of Saber Cat Drive from Poudre School District (PSD). PSD signed an agreement to contribute \$105,000 towards the cost to bring the Saber Cat to the standards in City Code Section 24-98. In addition, Xcel Energy forfeited \$8,858 from an escrow account for street repairs related to Xcel's gas line/services improvements on Debra Drive and Rick Drive. The work was performed by Connell Resources on behalf of the City and this revenue will offset a portion of those costs.

FROM: Unanticipated Revenue (contributions) \$113,858 FOR: Street Maintenance Program \$113,858

4. Title: FC Bikes Program

FC Bikes received funding from the following sources: People For Bikes Big Jump Network Donation (\$40,000); and Open Streets sponsorship, donations and vendor fees (\$11,625). Funding from the People for Bikes grant will support bicycle and pedestrian improvements along W. Vine Drive and Lancer Drive. Open Streets revenue is used to offset 2019 Open Streets event costs.

Unanticipated Revenue (People for Bikes City Give donation)	\$40,000
Unanticipated Revenue (Open Streets sponsorship, vendor fees)	\$11,625
Bicycle & Pedestrian improvements W. Vine/Lancer Dr	\$40,000
2019 Open Streets event costs	\$11,625
	Unanticipated Revenue (Open Streets sponsorship, vendor fees) Bicycle & Pedestrian improvements W. Vine/Lancer Dr

5. Title: Safe Routes to School

This funding was donated to the Safe Routes to School (SRTS) program by Scheels (an outdoor-equipment store) and the FoCo Fondo Fest (an annual recreational cycling event) to encourage more kids to participate in the outdoor activity of bicycling. The funds must be used to support SRTS-sponsored after-school biking clubs and other bicycle education targeted at local K-8 students.

FROM: Unanticipated Revenue (City Give donations) \$3,180 FOR: Safe Routes to School Program \$3,180

J. TRANSPORATION CEF FUND

1. Title: Payments in Lieu of Construction (see item #B9 for additional information)

With new Development the City can request a developer to build enhancements or pay the City to construct them; this is termed a Payment-in-lieu (PIL) of construction. This request appropriates PILs collected during the year to various projects across the City. \$210,116 to the Lemay and Vine Intersection, \$1,300 to the College/Trilby Intersection and \$37,961 to the North Mason Street Design.

These funds will be transferred to the Capital Projects Fund in order to complete the projects.

FROM: Prior Year Reserves (Unanticipated revenue) \$210,116
FROM: Unanticipated revenue \$39,261
FOR: Transfer to the Capital Projects Fund \$249,377

K. WATER FUND

1. Title: Water Efficiency Grant (Colorado Water Conservation Board Water Plan Grant)

Fort Collins Utilities customers are facing increasing costs for water and are motivated to explore water wise landscapes. Also, a warming climate means that our community needs more successful, waterwise, drought-tolerant landscapes. This grant allows Water Conservation staff to provide education around and incentives for commercial-scale waterwise landscape transformation projects (e.g. turf-to-native grass or other low-water-use landscapes). This grant from the Colorado Water Conservation Board will help fund approximately six commercial and HOA landscape conversion projects that will save an estimated 1.5 million gallons. This effort was selected for its value in meeting the goals of the Colorado Water Plan and the projects will serve as case studies for others in Fort Collins and across Colorado. Staff anticipate awarding between \$5,000 – \$15,000 per project. These case studies will increase knowledge about implementation, maintenance, cost, and community acceptance of landscape conversion projects in HOA and commercial settings. This research will support complimentary regional efforts lead by Northern Water and Colorado State University (CSU) Extension. Funding can also provide additional support to customers affected by increases in the Excess Water Use surcharge and compliments the Allotment Management Program (AMP), Ordinance No. 050, 2019.

FROM: Unanticipated Revenue (grant) \$70,000 FOR: Water Efficiency training \$70,000

L. WASTEWATER FUND

1. Title: Supplement to Bacteriological Water Quality Monitoring Study

Northern Water Conservancy District has entered into an agreement with the City to participate in the Bacteriological Water Quality Monitoring study and has contributed \$20,000 towards the study. This donation will be split evenly between the Wastewater Fund and Stormwater Fund. This unanticipated funding will supplement the current study and enable the City to conduct molecular analyses in 2019 to help identify human-related source contributions of E. coli in the Poudre River and its tributaries. The study is primarily funded by 2019-2020 BFO enhancement offer 9.69.

FROM: Unanticipated Revenue (donation) \$10,000 FOR: Bacteriological Water Quality Monitoring study \$10,000

M. STORMWATER FUND

1. Title: Supplement to Bacteriological Water Quality Monitoring

Northern Water Conservancy District has entered into an agreement with the City to participate in the Bacteriological Water Quality Monitoring study and has contributed \$20,000 towards the study. This donation will be split evenly between the Wastewater Fund and Stormwater Fund. This unanticipated funding will supplement the current study and enable the City to conduct molecular analyses in 2019 to help identify human-related source contributions of E. coli in the Poudre River and its tributaries. The study is primarily funded by 2019-2020 BFO enhancement offer 9.69.

FROM: Unanticipated Revenue (donation) \$10,000 FOR: Bacteriological Water Quality Monitoring study \$10,000

FINANCIAL / ECONOMIC IMPACTS

This Ordinance increases total City 2019 appropriations by \$9,223,106. Of that amount, this Ordinance increases General Fund 2019 appropriations by \$5,669,517 including use of \$884,527 in prior year reserves. Funding for the total City appropriations is \$5,976,867 from unanticipated revenue, \$2,541,062 from prior year reserves and \$705,177 from transfers between Funds.

The following is a summary of the items requesting prior year reserves:

Item #	Fund	Use	Amount	
A2	General	Land Bank Operational Expenses	\$45,693	
A3	General	Manufacturing Equipment Use Tax Rebates	405,437	
A4	General	Host Compliance - Short-Term Rentals Annual	17,129	
		Subscription		
A11k	General	Movement of Funds Associated with the Northern Colorado	6,268	
		Drug Task Force		
A15	General	SRM Premium and Claims Adjustment	410,000	
G1	KFCG	KFCG Reserve for Fire	136,419	
H1	Self Insurance	SRM Premium and Claims Adjustment	410,000	
I 1	Transportation	Snow & Ice Removal	900,000	
J1	Transportation CEF	Payments in Lieu of Construction	210,116	
Total Use of Prior Year Reserves:				

ATTACHMENTS

Attachment #1 - Presentation to City Council Finance Committee





The recommended 2019 Annual Adjustment Ordinance is intended to address:

- 2019 unanticipated revenues (e.g. grants)
- Appropriation of unassigned reserves to fund unanticipated expenditures associated with approved 2019 appropriations
- Should be routine and non-controversial
- Items approved by the ordinance need to be spent within fiscal/calendar year 2019



City-wide Ordinance No. , 2019 increases total City 2019 appropriations by \$9,223k

- This Ordinance increases General Fund 2019 appropriations by \$5,669k including the use of \$885k in prior year reserves. Those reserves are primarily for:
 - \$405k for the Manufacturer's Use Tax Rebate
 - \$410k for transfer to the Self Insurance Fund for increased premiums and claims costs
- Funding for the total City appropriation of \$9,223k is:
 - \$5,977k from additional revenue
 - \$2,541k from prior year reserves
 - \$705k from transfers between funds



Summary of 2019 Adjustments by Fund

Funding (all values in \$k)	Unanticipated Revenue	Prior Year Reserves	TOTAL (excluding transfers)
General Fund	\$4,779	\$885	\$5,664
Capital Projects Fund	190	0	190
Cultural Services Fund	116	0	116
Equipment Fund	289	0	289
Light & Power Fund	5	0	5
KFCG Fund (PFA)	0	136	136
Self Insurance Fund	0	410	410
Transportation Fund	469	900	1,369
Transportation CEF Fund	39	210	249
Water Fund	70	0	70
Wastewater Fund	10	0	10
Stormwater Fund	10	0	10
GRAND TOTAL	\$5,977	\$2,541	\$8,518



Large Adjustments

Item (in \$k)	General Fund	Transportation Fund	Other	TOTAL
Manufacturing Equipment Use Tax Rebate	\$405.4			\$405.4
Hail Damage Insurance Appropriation - Roof	4,076.1			4,076.1
SRM Premium and Claims Adjustment	410.0		410.0	820.0
Snow Removal		900.0		900.0
Sub-Total	\$4,891.6	\$900.0	\$410.0	\$6,201.6
All Other Recommended Items	777.9	468.7	1,774.9	3,021.5
TOTAL	\$5,669.5	\$1,368.7	\$2,184.9	\$9,223.1



Guidance Requested:

- What questions or feedback does the Council Finance Committee have on the 2019 Annual Adjustment Ordinance?
- Does the Council Finance Committee support moving forward with bringing the 2019 Annual Adjustment Ordinance to the full City Council?