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Finance Committee Meeting Minutes
August 1, 2022, 4-6 pm
Zoom

Council Attendees: Kelly Ohlson, Emily Francis (Acting Chair), Shirley Peel, Susan Gutowsky

Absent: Julie Pignataro

Staff: Kelly DiMartino, Tyler Marr, Rupa Venkatesh, Blaine Dunn, Randy Bailey, Logan Bailor, Trevor Nash, Amanda Newton, Jo Cech, Molly Reeves, Gerry Paul, Ginny Sawyer, Josh Birks, SeonAh Kendall, Seve Ghose, Victoria Shaw, Sylvia Tatman-Burruss, LeAnn Williams, Aaron Harris, Janice Seager, Peggy Streeter, Rebecca Everette, Lance Smith, Javier Echeverria, Dave Lenz, Sheena Freve, Tracy Ochsner, Brian Hergott, Jerod Cordell, Zack Mozer, Dianne Lapierre and Ken Draves, Poudre Library District, Carolyn Koontz

Others: Ann Hutchinson, Chamber
Molly Bohannon, Coloradoan
Chris Telli, CPA, FORVIS LLP
Haley King, CPA, FORVIS LLP

Meeting called to order at 4:06 pm

Approval of minutes from the July 7, 2022, Council Finance Committee Meeting. Kelly Ohlson moved for approval of the minutes as presented. Shirley seconded the motion. Minutes were approved unanimously via roll call by; Kelly Ohlson and Emily Francis and Shirley Peel

A. Aquatics

Seve Ghose, Director, Community Services
LeAnn Williams, Director, Recreation
Victoria Shaw, Manager, FP&A

EXECUTIVE SUMMARY

The purpose of this work session is to provide updates since the March 22, 2022, council work session item on the aquatics system, initiated from discussion on potential spending at Mulberry Pool and direction for the Southeast Community and Innovation Center.

GENERAL DIRECTION SOUGHT AND SPECIFIC QUESTIONS TO BE ANSWERED

Staff is seeking feedback from Councilmembers on the following options related to the proposed Southeast Community Center and overall aquatics:

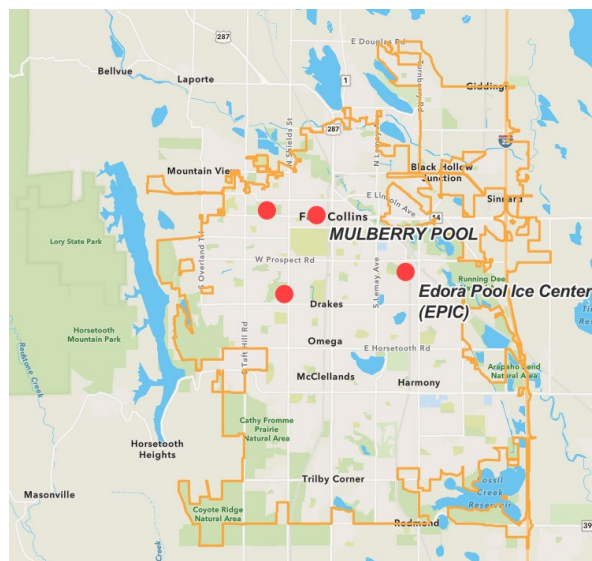
- **OPTION #1:** Build the Southeast Community Center with only the core amenities required to meet the ballot language. This configuration would require an outdoor leisure pool and innovation piece and be located at Fossil Creek Park. This option does not require any partnerships.
- **OPTION #2:** Meet the ballot language for the Southeast Community Center and address most significant overall aquatics systems needs with the addition of indoor leisure aquatics and 10 indoor lap lanes. This option requires partnerships with Poudre School District and Poudre River Public Library District to be feasible.
- **OPTION #3:** Meet the ballot language for the Southeast Community Center, address the most significant overall aquatics and recreation systems needs with the addition of indoor leisure aquatics, 10 indoor lap lanes, and a full-service community recreation center. This option requires partnerships with Poudre School District and Poudre River Public Library District to be feasible.

Staff is also seeking feedback on the direction to continue to pursue a partnership with PSD for the potential use of land adjacent to Fossil Ridge High School.

BACKGROUND/DISCUSSION

In 2015, voters approved a Community Capital Improvement Program (CCIP) which included adding a Southeast Community Center with outdoor pool. The item outlined the Community Center would be focused on innovation, technology, art, recreation, and the creative process. The center was projected to require \$14M of CCIP funding for construction and include a large outdoor leisure pool with water slides, sprays and jets, decks, a lazy river, and open swimming area. Operations and maintenance costs of \$230K per year for 5 years was also estimated in the ballot item.

This facility will be run and programmed by recreation staff and add to the existing recreation aquatics offerings across the City. The current aquatics system in Fort Collins features four facilities and is geographically concentrated in the Northern region of Fort Collins, with no facilities south of Drake, as illustrated in the following map:



Regarding amenities, the existing system includes:

	Mulberry Pool	Senior Center Pool	City Park Pool	Edora Pool
Lap Lanes	✓	✓		✓
Family Aquatics	✓		✓	
Therapy pool or programs		✓		✓
Competitive Aquatics Center				✓ 50M Lanes
Instructional Programs	✓	✓		✓
Indoor Pool	✓	✓		✓
Outdoor Pool			✓	

In early 2022, staff worked with a consultant, Counsilman-Hunsaker, to study the existing aquatics system and presented findings at the March 22, 2022, council work session meeting. Key findings included:

1. Need for aquatic amenities in the southeast quadrant of the city
2. Need for additional training (lap) lanes, 6 at current population and 8 based on 2025 projected population
3. Need for additional recreation water
4. Leverage the existing user group relationships to support the additional facilities and amenities
5. Additional investment in Mulberry pool not recommended

Based on feedback received during the work session item staff has continued to explore a “fair share” approach to the aquatics system, and options to leverage existing user group relationships to support additional facilities and amenities. Staff has identified potential opportunities to partner with Poudre School District and Poudre River Public Library District, which would enhance the level of amenities that could be provided at the community center and address community needs beyond the base ballot language. Potential pathways to move forward could include:

1. Build the Southeast Community Center with only the core amenities required to meet the ballot language.
 - This configuration would require an outdoor leisure pool and innovation piece and be located at Fossil Creek Park.
 - This option does not require any partnerships.
 - Estimated project budget cost is \$13.35M+
 - Estimated operation costs are \$1M/year with cost recovery from programming of 40%
2. Meet the ballot language for the Southeast Community Center and address most significant overall aquatics systems gaps
 - This option would add indoor leisure aquatics and 10 indoor lap lanes in addition to meeting the ballot language.
 - This option requires partnerships with Poudre School District and Poudre River Public Library District to be feasible.
 - Estimated construction costs are \$42.95M+
 - Estimated operation costs are \$1.7M/year with cost recovery from programming of 47%
3. Meet the ballot language for the Southeast Community Center, address the most significant overall aquatics system gaps, and build a full-service recreation facility

- This configuration would add indoor leisure aquatics, 8-10 indoor lap lanes, and a full-service community recreation center in addition to the ballot language.
- This option requires partnerships with Poudre School District and Poudre River Public Library District to be feasible.
- Estimated construction costs are \$56.6M+
- Estimated operation costs are \$1.7M/year with cost recovery from programming of 77%

Exact configurations of amenities could be further refined and configured to target specific needs; however, these options represent the tiers of facility which are under consideration. Additional components for consideration include adjusting the number of gymnasiums, weight and fitness rooms, wet classrooms, preschool rooms, and adding outdoor lap lanes or indoor turf.

The City currently owns land at Fossil Creek Park that could be used as a site for the location. A potential partnership with Poudre School District for land and aquatics could expand opportunities for the location of the facility. Partnership with the Poudre River Public Library District would expand ability for the facility to achieve the ballot language focus of innovation, technology, art, recreation, and the creative process.

NEXT STEPS

Staff will bring an aquatics item to the August 23, 2022, council work session meeting.

GENERAL DIRECTION SOUGHT AND SPECIFIC QUESTIONS TO BE ANSWERED

Staff is seeking feedback from Councilmembers on the following options related to the proposed Southeast Community Center and overall aquatics:

- **OPTION #1:** Build the Southeast Community Center with only the core amenities required to meet the ballot language. This configuration would require an outdoor leisure pool and innovation piece and be located at Fossil Creek Park. This option does not require any partnerships.
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Staff is also seeking feedback on the direction to continue to pursue a partnership with PSD for the potential use of land adjacent to Fossil Ridge High School.

DISCUSSION / NEXT STEPS

Kelly Ohlson; we act like we have unlimited pots of money

It appears we get one next shiny object brought to us – one after another lacking context and the full picture - not presenting opportunity costs to Council – what don't we do if we do this
I am for pools and recreation centers and community centers, but we don't have the funds.

I will have to see a lot of data and specifics;

1) How many regular Fort Collins residents (outside of teams) use indoor pools

- we are looking at between \$80M - \$100M in capital for two pools – a lot of money

(other than the teams that relates to the cost recovery formula)

2) Community prioritization – especially when we look at the number of people who use parks and what we need for parks refresh versus pools – I want to get the most bang for the buck - we don't get to have everything

We have gone from a \$13M Community Center to \$55M of city costs which is 4x

I want fairness in all of these proposals with our partners – in addition Council prioritization and usage numbers (teams) if we partner with the school district and /or the library district - that they pay their fair share based on their usage of the facility

I need details, details, details before we make any decisions

Who the partners may be and that they need to sign on to pay their fair share

We need to refresh parks - we can't seem to maintain or improve what we have and now we are talking huge numbers for pools.

I like the gross /net slide (see below)

City of Fort Collins		Southeast Facility Capital and Operations		12
<u>Capital Funding Options</u>		<u>Operations and Maintenance Funding</u>		
<u>43.18 CCIP Fund</u>		<u>2023-2024 BFO offers and beyond</u>		
<ul style="list-style-type: none">2023-2024 BFO offer: 15 Million		<u>Ops Services</u>		
		2024: 1 FTE Aquatic Tech		
		2025: ~\$550,000		
<u>Other potential funding</u>		<u>Recreation - 43.21 CCIP O&M</u>		
<ul style="list-style-type: none">11 Million CCIP Interest + Sales Tax SurplusBond/COP		2024: \$758,170		
		2025: \$1,029,932		
<u>Facility Capital Cost</u>				
\$15M - \$54M				
Depends upon scope of facility				

When you bring us operational costs in the future, make sure we have a gross what we think the income is and what the net will be

In a couple of the options, it appears that creative innovative center goes away - I thought that was in the ballot language

LeAnn Williams; that is the partnership with the Library District – they are in the business of innovation and makers space so that is their business, and they would do that with a partnership

Details, details, details,

Agreements up front of who shares what costs based on fairness in all appropriate categories not just construction or land swaps but in operations and maintenance too

Blaine Dunn; I forgot to mention at the top that this is an early look at the full aquatics picture and the southeast community center. We are bringing this forward to a full work session on August 23rd so we do want to hear all of your feedback about the facilities so we can work that information into what we bring forward for that full work session.

Kelly Ohlson; thank you – you always get points by bringing things to committees or council early. Any details you can add would be in your best interest if you want this to move forward

LeAnn Williams; we are having candid conversations with PSD about the fair share O&M - they have heard about fair share loud and clear, and the library district as well is 100% on board with that as well

Shirley Peel; great presentation – very succinct and clear – Can you remind me of the timeline on the ballot measure?

LeAnn Williams; there might be some flexibility on that which Seve or Blaine could address. The plan was to be completed by 2025 because once all of the projects are complete it releases the extra funding that is there, and they can go out for another new ballot measure

Design - late 2022 and 2023
RFP in 2023
Break ground end of 2023
Construction 2023 - 2024
Open end of 2024 or early 2025

Shirley Peel; is there a reason that we do outdoor pools in Colorado?

LeAnn Williams; people love them - lap swimmers love swimming outside most of the year
City Pool is often at capacity - there are 20 some HOA pools in our community that open us seasonally

Shirley Peel; regarding Mulberry - do we have a timeline on when CSU might be willing to partner?

LeAnn Williams; we have had quite a few discussions with them on the SE facility -they were very much at the table as their Moby pool is older than Mulberry – there were talks of what the SE might look like but looking at the cost and proximity it really didn't make a lot of sense for them. We are happy to start conversations back up regarding Mulberry – what their timeline is, the fair share partnership, does it make sense.

Shirley Peel; you mentioned all of the HOA pools – seems like there are a lot of private / HOA pools in this area

LeAnn Williams; I have a diagram of where all of the HOA pools are in the city and am happy to share that diagram - I was going to put it in your council districts so you can each see what is in your districts

Shirley Peel; back to Kelly's point of who actually uses all these pools?

Who is going to use the pool in the SE if most HOAs already have pools?

I know that due to the ballot measure, it needs to be built in the SE but that would sway me to let's do the basic versus let's do more - (use of the pool, the community center, the facility) looking at the return on our investment

LeAnn Williams; based on the population in the community - we build for the folks in our community but believe from a revenue standpoint that folks in surrounding communities (Timnath, Windsor, etc.) will also use the facility. Most of the HOA pools are like backyard pools, rectangular pools with maybe 5 or so lap lanes used for neighborhood swim teams, water 4-6 feet deep.

Shirley Peel; trying to be forward thinking and to get the biggest bang for our buck and not just focus on the initial ballot language – it just comes down to money. We keep discussing this and decide what we have money for. What other entities (partners) are willing to do.

Emily Francis; when we did the study of how many lap lanes we needed – HOAs and gyms were not included, correct?

LeAnn Williams; correct, our consultants did not consider HOA or private pools like at Miramont.

Emily Francis; why didn't they include them?

Seve Ghose; based on their national measures which are typically with the public sector pool- it is hard to get numbers for private sector pools, so they don't typically track those

Emily Francis; I understand but I don't agree with them – for me – the context of the HOA and private pools is important because I don't think that a plan based on population is enough for me to support dramatically increasing what we have in the ballot language. It is not just based on population, but on what amenities people currently have access to and what they want to do. For me it is like when we discussed how many people have access to yards and parks – the same thing – if folks already have access to pools – may have different uses but pools are very expensive, and we need to be conscious of water usage as well so there has to be some give and take -

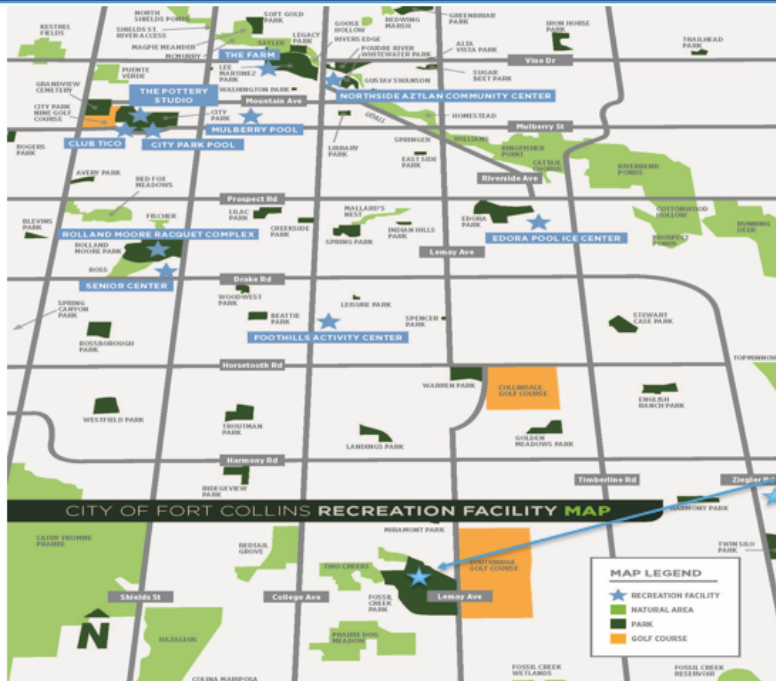
How many pools are we building? What is our responsibility as a city to provide that given in the context of people's neighborhoods

SE Pool if Mulberry is open and rebuilt and that would meet the need?

LeAnn Williams; correct

City Park has zero lap lanes, but it is an outdoor aquatic facility

The map (see below) shows all city aquatic facilities. Sr. Center pool has a few lap lanes. Mulberry has a little leisure and lap lanes. EPIC is lap lanes and a therapy pool and swim lessons which also happen at Mulberry. City Park pool is an outdoor leisure pool complex.



Our 10 existing facilities offer a mix of amenities and programming but are concentrated in the northern half of the City. *The senior center is open to only adults 18 and over.

potential sites of SE facility

Our existing aquatic facilities are concentrated in the northern half of the City and don't meet the demand of residents for both indoor/outdoor leisure and indoor/outdoor lap lanes. *The senior center pool is open only to adults 18 and over.



potential sites of SE facility

Emily Francis; how many dollars are we expecting from the ballot initiative?

LeAnn Williams; we asked for \$15M of CCIP for the next BFO cycle.

Blaine Dunn; the total capital amount from CCIP is \$17.6M
Additional \$1.1M in O&M once that is built

Emily Francis; how many Community Centers are we planning?

LeAnn Williams; I will get that information and circle back – it is in the Master Plan

Seve Ghose; the 2013 feasibility study identified the Southeast area as well

LeAnn Williams; we have been talking about the Southeast for 10 years

Emily Francis; I think it makes sense to combine the community center, library, and pool.
Better community building way to approach this. I also like the partnerships
I agree with my fellow committee members that the agreements, operations & maintenance, and everything else is going to be pivotal in this moving forward.

We, as a community like to build the best, which is great for our community, but we don't have the dollars to continue to build at this level. Yes, a community center is needed, a pool is needed.
My concern is that things get so costly because we want to include everything.
How do we really distinguish between what is needed and what is wanted in the community?
Has a chain effect on a lot of other things we are talking about – does that prevent us from rebuilding Mulberry or building another community center? More context is needed to make a decision because it does have a chain effect on many other things.

Kelly Ohlson; context of we like all these things too
There was maybe 1 or 2 Council members who want more lap lanes. Include that context as you work on this.
We are in the business of counting support on things.

3rd renovation of the Mulberry Pool - all very costly
Complete scrap off and rebuilding to last another 50 years
In the neighborhood of \$80M for the two pools – potential for 5-6 new pools on the 2 sites
Number of lap swimmers – not teams
We need details, details, details.
Fairness on the cost sharing with partners
How this meshes with parks refresh which cannot be lost in all of this
Opportunity costs / trade-offs – if we do some of these things it could mean less dollars for affordable housing
Adding 15 net new employees is \$2M a year gross

LeAnn Williams; in response to Emily's question – 2.1.1 in the Master Plan says construct the new southeast recreation center and consider 2 other community or neighborhood centers to serve the community's indoor recreation needs.

Blaine Dunn; summary

- Good feedback on what to bring to the work session – additional data and numbers
- More details on the partnerships we are looking at
- Make sure we are accounting for all pools (HOA and private)

B. Annual Financial Audit Results

Blaine Dunn, Accounting Director
Randy Bailey, Controller
Chris Telli, CPA, FORVIS LLP
Haley King, CPA, FORVIS LLP

SUBJECT FOR DISCUSSION

Independent Auditors' Report on 2021 Financial Statements
Independent Auditors' Report on Compliance for Major Federal Programs

EXECUTIVE SUMMARY

FORVIS will be presenting an overview of the *Report to Council*. This report covers the audit of the basic financial statements and compliance of the City of Fort Collins for year-end December 31, 2021.

NOTE: The Annual Comprehensive Financial Report has been sent to the printer, but the printing has not yet been completed. We will get hard copies distributed as soon as they are available, for those requesting one. A copy of the report can be found online here:

https://www.fcgov.com/finance/files/2021_City_of_Fort_Collins_ACFR_GAGAS.pdf

GENERAL DIRECTION SOUGHT AND SPECIFIC QUESTIONS TO BE ANSWERED

Staff seeks input on areas of priority or concern, other than those established in this Report to the City Council, for matters of recordkeeping and/or the City's internal control environment.

Otherwise, there are no specific questions to be answered as this is a 2021 year-end report.

BACKGROUND/DISCUSSION

In compliance with *Government Auditing Standards*, the City undergoes an independent external audit on an annual basis. FORVIS finalized its financial statement audit and compliance report on June 29, 2022, and the firm is required to report the results of the audit to those charged with governance.

Attachment 2 to this agenda item contains the full report, findings of note are summarized below:

Other Findings (Attachment 2, pages 5-6):

Other findings/deficiencies identified by the auditors but not rising to the level of a significant deficiency can be found in the Report to the City Council. Staff will provide a written response to the audit findings at a fourth quarter Council Finance Committee meeting.

DISCUSSION / NEXT STEPS

Kelly Ohlson; does the Council Finance Committee get involved in selecting the auditing firm?

Blaine Dunn; we issued the RFP and then we make sure that all of firms that responded to the RFP met the qualifications and could do the job. We need an audit firm that can bring enough manpower and knowledge to the table to be able to perform the audit for us. We work with the Audit Committee to make the final decision. Before we issued the most recent RFP we had a code change that says we can only have the same auditor for 2 consecutive 5-year terms for a total of 10 years in order to get a fresh set of eyes every so often.

Kelly Ohlson; I am very comfortable. 10 years is a stretch for me - I like fresh eyes after 5 years.
Directed to staff - I would like to see the summary of the first 3 years including the recommendations that you were given that you didn't respond to and why.

I agree that the Single Audit needs some attention. I also agree that the P-card issue needs to be taken more seriously - I felt this needed more attention even before the library district issue. It was pointed out in 2020, but we chose not to do anything about it. Why don't we take the P-card recommendation more seriously?

Blaine Dunn; the p-card recommendation was actually to remove that portion of the p-card policy that we do random audits because we have not been performing random audits. We did previously perform random audits so that is why it was in there. The discussion now is that we could remove that portion, but we are not sure as management that we want to remove that. We are determining if we want to restart our random audits and what that might look like.

Kelly Ohlson; I thought they were recommending that you do the random audits.

Blaine Dunn; nuance in words – in 2020, the recommendation was to remove that language from the policy but now, based on recent events, we are going back to do the random audits.

Kelly Ohlson; I would like to see the first 3 years of the recommendations - the ones we did not take - a few sentences to be included with your 4th quarter report out.

Blaine Dunn; got it – no problem

Shirley Peel; I saw that staff received a certificate of excellence for last year's finance report

Blaine Dunn; we have received that for the last 35 years

Shirley Peel; impressive - the percentages of errors is very low
I was concerned when I saw the technology review and the p-card audit and
I hope that we do take the recommendations seriously and that those concerns are addressed.

Blaine Dunn; when we bring back what has been done per our recommendations, we will work in conjunction with our IT colleagues on recommendations they have made on that side and where they are with all of those changes as well.

Emily Francis; they covered my questions, so I don't have any additional issues.

C. East Mulberry: Potential Annexation Lenses & Phasing

Dave Lenz, Director FP&A

EXECUTIVE SUMMARY

The purpose of this item is to provide Council with an overview of the potential annexation phasing lenses, assumptions, and corresponding financial modeling of the East Mulberry enclave. Staff have been evaluating a variety of possible approaches to a potential annexation and have developed five phasing lenses that encompass an underlying set of priorities and can help determine the order of approach to a potential annexation.

These phasing lenses have been utilized to create alternative five potential annexation scenarios. The financial implications of these scenarios have been modeled utilizing a fiscal impact modeling tool. Separate analysis has been performed for both the Governmental and Utility sectors of the City organization. A 20-year timeframe has been included as the base level of comparison across the scenarios. An additional 35-year analysis is also provided to highlight the impacts of accelerating or de-accelerating the potential annexation process.

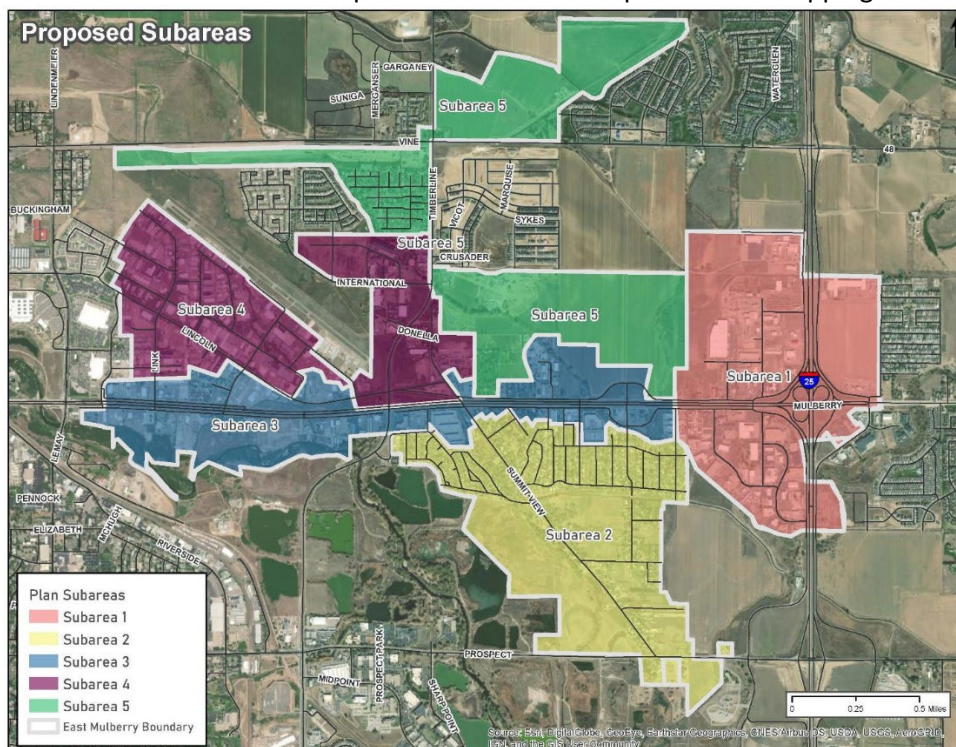
GENERAL DIRECTION SOUGHT AND SPECIFIC QUESTIONS TO BE ANSWERED

- What aspects of each scenario would Council like to prioritize to further refine toward a potential future annexation scenario?
- What questions remain for Council regarding potential annexation phasing and timing?

BACKGROUND/DISCUSSION

Phasing and Lenses

In order to facilitate a potential annexation evaluation, staff and outside consultants have divided up the East Mulberry enclave area into five subareas. These “boundaries” have been formed based on existing conditions and general land use designations. They are not specific recommendations but a necessary part of the exercise to establish a set of different potential annexation options. The mapping of the subareas is highlighted below.



Five phasing lenses have been created to articulate and depict the priorities, assumptions, and potential “benefits” or “drawbacks” to each scenario based on previously stated priorities by Council, community members, and City staff. Each of the scenarios includes a different sequencing and timing of all five subareas.

1. Economic Opportunity - Emphasizes economic development and vitality in the area
2. Residential Enhancement - Emphasizes connectivity, utilities, and other social priorities
3. Environment & Hazard Protection - Emphasizes environmental buffers, flood mitigation
4. Fiscal Health for City - Emphasizes fiscal impact to City of annexation, including existing priorities, risks, and timing
5. Community Gateway - Emphasizes improvements and reinvestment potential for the Mulberry Corridor, including the highway and frontage roads

These scenarios are theoretical and assume annexation within given periods of time. They can be adjusted by changing the underlying assumptions to produce different results. None of these scenarios are meant to be “staff recommendations” and are instead a starting point for conversation and analysis. More detail of on the character of each scenario are detailed in the accompanying presentation materials.

Financial Impacts

For each of the five developed scenarios, the analysis presents a twenty-year timeframe and assumes annexation of all areas within the enclave. Depending on the timing of when a particular sub-area is annexed into the City, additional operating costs, capital, and asset management requirements will fall outside the twenty-year timeframe.

Summary high level financial projections are highlighted below. This breakout shows the total 20-year revenue, expense, and margin for both the governmental and utility sectors, in addition to average annual amounts over the 20-year period.

Scenario 1 – Economic Opportunity – 20 yrs.					Scenario 2 – Residential Enhancement – 20 yrs.				
(\$M)	Gov't.	Utility	Total	Avg. / Yr.	(\$M)	Gov't.	Utility	Total	Avg. / Yr.
Revenue	\$215	\$242	\$458	\$23	Revenue	\$122	\$121	\$243	\$12
Expense	(\$263)	(\$325)	(\$589)	(\$29)	Expense	(\$127)	(\$231)	(\$358)	(\$18)
Margin	(\$48)	(\$83)	(\$131)	(\$7)	Margin	(\$5)	(\$110)	(\$115)	(\$6)

Scenario 3 – Env. & Hazard Protection – 20 yrs.				
(\$M)	Gov't.	Utility	Total	Avg. / Yr.
Revenue	\$118	\$131	\$249	\$12
Expense	(\$180)	(\$240)	(\$420)	(\$21)
Margin	(\$62)	(\$109)	(\$171)	(\$9)

Scenario 4 – Fiscal Health for City – 20y rs.					Scenario 5 – Community Gateway – 20 yrs.				
(\$M)	Gov't.	Utility	Total	Avg. / Yr.	(\$M)	Gov't.	Utility	Total	Avg. / Yr.
Revenue	\$82	\$77	\$160	\$8	Revenue	\$108	\$102	\$209	\$10
Expense	(\$116)	(\$199)	(\$315)	(\$16)	Expense	(\$142)	(\$217)	(\$360)	(\$18)
Margin	(\$34)	(\$122)	(\$155)	(\$8)	Margin	(\$34)	(\$115)	(\$151)	(\$8)

Additionally, the following detail and analysis is included in the presentation materials:

- Each scenario also has more granular detail provided (Governmental Operating and Capital; Utilities Operating and Capital). The twenty-year timeframe is divided into four 5-year periods (Immediate, Short Term, Medium Term and Long Term).
- A more detailed twenty-year summary roll-up of the governmental and utility sectors is included as well.
- A 35-year alternative analysis highlighting the impacts of accelerating or de-accelerating the potential annexation process.

Funding Considerations

Both the governmental and utility sectors will require additional funding to pursue a potential annexation. On the governmental side, no specific identified source of funding is currently available. Consideration to existing needs and council priorities will help inform the extent to which funding may be available in the future. On the utility side, mechanisms are in place to pay for additional requirements brought on by potential annexations, subject to impacts to existing projects and funding requirements, and the resulting impact to ratepayers.

Next steps

October: Tentative - Council Finance Committee – Touchpoint / Follow-up
November: Council Work Session – East Mulberry Plan Discussion / Financial Update
Jan/Feb '23: Council Work Session – Draft East Mulberry Plan / Refined Assumptions

GENERAL DIRECTION SOUGHT AND SPECIFIC QUESTIONS TO BE ANSWERED

- What aspects of each scenario would Council like to prioritize to further refine toward a potential future annexation scenario?
- What questions remain for Council regarding potential annexation phasing and timing?

DISCUSSION / NEXT STEPS

Kelly Ohlson; lots of information - well done – To clarify, we will consider phased annexation, we have not agreed to phased annexation. You hired a consultant – I would like to start with trusting the numbers – I am assuming staff looked at their methodology and vetted their numbers.

Dave Lenz; basically, they are creating the housing, the model – we engaged Economic Planning Systems early in the process - over 2 years ago. We have been working on the assumptions, methodology, framework of how they would evaluate this; number of businesses, development rates, how long it would take for parcels of land to develop, and it is correlated with our base line data - How we provide those services today and what it costs us to do that. We have done specific case studies for certain of our big areas; police services for example – how many officers, investigators, total headcount would we need for these big areas. We laid that existing data, our existing cost structure against the buildout and the particulars of those parcels of land and their existing structures - we have worked with them to bat down the methodology that they have used in a number of other places for potential annexation evaluations with a number of municipalities and entities on the front range and across the county. It is a combination - that is their sweet spot – model building for this type of annexation.

Kelly Ohlson; how do the voluntary annexations throw this plan off?

Dave Lenz; status quo – it is going to be parcel by parcel – so as a parcel comes in and there have been some that have happened since we started the evaluation – they basically excluded that out from the base of what we are going to have to incrementally go and add – all of the boundaries that we have, imagine geo coding

the whole area, moving parcels in and out and draw lines and if council decides to proceed with our further evaluation of this annexation, these options – our lines, the boundaries are going to look different – part of that will be we are going to decide to do an approach and part of it is that time will have marched on. So, over time we will refresh assumptions with updated data and delineate those lines out so that we include things that are going to come in or have comes in from the analysis of the incremental nature of what we would potentially bring in.

Kelly Ohlson; if council would decide at a work session for example, we want to do scenarios 3 and 4 or whatever and then all of a sudden some others voluntarily can come in that aren't in those - how we work those pieces of the puzzle?

Dave Lenz; it is still a planning study stage -if we get to the point where we want to pursue, things will get more refined as we start to look at thinks like getting the area surveyed precisely for different subgroups then we could parcel it out slightly differently - we aren't there yet with that discussion or input from council.

Kelly Ohlson; staff is doing exactly what we asked for, if we were doing anything, it would be slow and careful, incremental and we needed numbers. Thank you for scheduling enough time with Council Finance and with the full Council. When you say 5-year increments, does that mean if it is in the medium range and there are two geographic areas that they are both taking place in that 5-year timeframe?

Dave Lenz; that is right - we could pick a period for simplicity's sake, we assume that they came in at the same time kind of mid-pointed in there - we can move one forward and move one back, but they come in during that timeframe. Between 0-5 years is immediate.

Kelly Ohlson; in the southwest annexation - some of the lines still aren't underground – we make the decision not to do that – are some staying in the REA, or we just didn't get to it yet? Are those lines not going to be undergrounded and we are going to let REA continue? Are they our lines? There are some stormwater issues out there that haven't been dealt with and I think we are going on 10 years since annexation.

Lance Smith; regarding the southwest annexation, we do intend on providing electric service to all those customers. We have not provided service to all of those customers yet. We have yet to underground equipment for some of the customers we have been providing service to. That is just a matter of us trying to get there with all of the other capital work that we need to do and really the same applies to the stormwater there.

Kelly Ohlson; the last part of that was annexed in 2013 - at some point, some commitments and promises were made.

Rebecca Everett: I will just note on the question regarding the stormwater infrastructure in that area. The memo that we provided to council last week goes into more depth on some of the complexities, some of which relate to a lack of development activity on the timeline that we expected originally in some of those areas where there are the greatest deficiencies. A lesson learned from that area is that if we don't have a more proactive funding model in place to address some of those more regional deficiencies in stormwater infrastructure, it could take a long time for development activity to piecemeal enough funding together to address those issues. Some of it is the speed of development that has happened in some areas, and some is lack of a special improvement district or URA or other funding sources for those improvements.

Kelly Ohlson; we have to be very careful with promises we make on East Mulberry and the timeframes.

What we do is very complex, we need to proceed cautiously because it didn't quite work out the way we planned on the southwest annexation for valid reasons. I don't know why existing rate payers should pay for utility upgrades, electrical infrastructure to new annexations. I don't understand how 90% of that is fair. Opportunity costs - If we spend it here then we don't spend it on affordable housing or parks refresh. It's that chart I would like to see about Council options. You say - 'If we take one option, it will open land up for new development' that can be good or bad - I am talking about the fairness issues. I am not for using taxpayer and rate payer dollars to give to private landowners - if they want to improve the infrastructure and the stormwater in order to develop their property then that is their right - I am not interested in charging the taxpayers or the rate payers for new development. It is not fair that our taxpayers, residents, and rate payers pay millions of dollars in order to open up more land for development to the benefit of the private landowner. I will be digging my heels in very strongly on that point.

Emily Francis; I am interested in what we have done historically with land development and utilities.

Lance Smith; we have done both - the southwest annexation was a non-voluntary annexation. \$3M of the fees spread across existing rate payers across the city. Typically, when it is a voluntary annexation, we only spread fees within the annexed area. Voluntary or non-voluntary, it is up to council's discretion.

Emily Francis; I would like more information on why those decisions were made and what were the impacts. What we have seen and learned from this both ways. It was a great presentation - so much information that there is not a clear story or trade off or things to consider.

Dave Lenz; it is more, what would we as a council want to focus on from a priority standpoint. We want to solve or work on affordable housing, or we want to work on transit. What we have right now is representative of how we think it would look but we don't have the specifics.

How much do we think it is going to cost? We can refine that by saying that we want to focus on the transit corridor and stormwater then we can go back and sharpen our pencils and create something that is more realistic around things Council would like to solve. Focus on specific priority that is where we are saying focus on priorities. You are right, this is a lot of information. For example, saying we want a residential spur from the residential area in the southeast to the industrial area in the northwest - we want to connect that via transit. What does that look like in terms of actual dollars? We can come back with refined scenarios with a lot less cases.

Emily Francis; It would be helpful for us to know where there are red flags. For example, if you go down this path, this is what you are going to have to consider and here are the tradeoffs or this option is more fiscally responsible, but you may not get the outcomes that you want. How do we layer together the story of fiscal impacts to the city, the risks we are taking and the benefits we could get and / or negative consequences. That would help inform a decision. If we wanted to prioritize housing and transit - these huge things over 20 years - is there an option for us to look at that is more of a blended approach? More staging in - we don't want people to move in there and then we have stormwater issues, no transit, and no businesses to support the people living there. How do you blend scenarios together, so they come together in a more gradient approach.

Dave Lenz; that would be marrying those two things; a place to live and a way to get there. Let's create an area where that would be a geography that we could focus on - do a plan on how you would achieve that - approach on a geographical basis. Match priorities together - put some more specific programs to those things - then what does that look like? We need prioritization - again we can align to the existing priorities - and this adds in this additional boundary - some of the things we can do will match up like regional transportation and greater good things we are already doing - meshed in very well for an existing effort.

Emily Francis; even though we have so much information, I am still not hearing... ok, so let's say we want to prioritize neighborhoods / housing so what are the tradeoffs with that? With each one, there are also negatives to think about. The approach I would like is balanced, phased in, a community and human based approach.

Dave Lenz; I am getting a good picture of what you are looking for. We have been working on the East Mulberry plan, scenarios, what it is going to cost. So, it is really bringing that plan of potential annexation scenarios a little more together so we can flesh out a plan that addresses the priorities we want for this area.

Define risk

Define financial need

Define what could happen.

The consequences of not having unlimited dollars to do something - it takes time.

Communication, expectations, long time planning horizons are very important to this.

We started southwest a long time ago and we aren't done. Mulberry is bigger and more complex.

We do need to have that target and vision of what we are wanting to head toward and the realization that we have to adjust along with other priorities.

Shriley Peel; a lot of my questions are out in the weeds, things that will be flushed out as this moves forward.

I do like the way you laid out the different scenarios. It was very helpful to me to see the dollar amounts.

I would like to see more of a guiding principle that would include which one is the most economically feasible, which one causes the least hardship and disruption with the most benefits to the residents. Which one fits in best with our plans? If we could use that as our guiding framework. Looking at South College, it didn't seem like that kind of framework was there or maybe it just didn't flesh out that way.

To Rebecca Everette - I did read the South College report – it was very well done and was very helpful for me. I appreciate that. I hope we are going to address the issues that arose with South College annexation before we jump into this Mulberry annexation.

Dave Lenz; the lessons learned are reflected in our approaches to how we want to do this.

That is why we want to do a phased approach and why we want to go slow. We need to show long term horizons and be careful about what our ability to deliver on commitments is from a financial constraint perspective and realize that we have a lot of other priorities. We are in the early stages of planning on this - we are going slow at the pace we think you want/

Kelly Ohlson; I want to support Emily's idea – this is not easy stuff - you start with the numbers

The next time this is brought to the Council Finance Committee, we would like some words to match the numbers. You can see what our priorities are – these are some positives, some negatives, tradeoff, unknowns/

This is the good stuff we want – this is what we might give up with this scenario. Starting with the number is the right way - now we need to see it in descriptive terms what those numbers might mean.

Blaine Dunn; right now, we have a tentative hold to bring this back to Council Finance in October before a full work session.

Summary

- Defining trade offs
- Guiding principals
- How different tradeoffs might affect council priorities
- The opportunity costs that this might present with the current priorities and what we be wanting to do elsewhere in the city

- Some additional information on any impacts to rate payers
- Provide words to match the numbers
- Start to build some context around the annexation options and what that looks like in terms of services

Meeting adjourned at 6:40 pm