



**Finance Administration**

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**AGENDA**  
**Council Finance & Audit Committee**  
**February 24, 2020**  
**10:00 am - noon**  
**CIC Room - City Hall**

Approval of Minutes from the January 27, 2020 Council Finance Committee meeting.

- |                                       |          |               |
|---------------------------------------|----------|---------------|
| 1. City Give Portfolio Process Review | 30 mins. | N. Bodenhamer |
| 2. 2019 Re-appropriations             | 30 mins. | L. Pollack    |

**Council Finance Committee**  
**Agenda Planning Calendar 2020**  
**RVSD 02/11/20 mnb**

<b>Feb 24<sup>th</sup></b>			
	City Give Portfolio Process Review	30 min	N. Bodenhamer
	2019 Re-appropriations	30 min	L. Pollack

<b>Mar 16<sup>th</sup></b>			
	Digital Equity Program Review	30 min	N. Bodenhamer
	Affordable Housing Support Process (Fees)	20 min	S. Beck-Ferkiss V. Shaw

<b>April 20<sup>th</sup></b>			
	BFO Assumptions	30 min	L. Pollack
	Suniga/Turnberry ROW/Design	30 min	C. Crager
	Utility Rebate Consolidation	20 min	J. Poznanovic

<b>May 18<sup>th</sup></b>			
	B-Dam Alternatives and Recommendation	30 min	T. Connor

Future Council Finance Committee Topics:

- Park/Median Design Standards & Maintenance Costs – TBD
- Metro District Policy Update – TBD 2020
- BFO Assumptions Review – July 2020
- Annual Adjustment Ordinance – Sep 2020



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Finance Committee Meeting Minutes  
January 27, 2020  
10 am - noon  
CIC Room - City Hall

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

Staff: Darin Atteberry, Jeff Mihelich, Kelly DiMartino, Mike Beckstead, Teresa Roche, Lance Smith, Chris Martinez, John Phelan, Dave Lenz, Zack Mozer, Jo Cech, Sean Carpenter, Blaine Dunn, Theresa Connor, John Duval, Carol Webb, Claire Turney, Carolyn Koontz

Others: Kevin Jones, Chamber of Commerce

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Meeting called to order at 10:04 am

Approval of Minutes from the December 16, 2019 Council Finance Committee Meeting. Ken Summers moved for approval of the minutes as presented. Ross Cunniff seconded the motion. Minutes were approved unanimously.

## **A. Utilities 2019 CIP and Strategic Financial Plan Updates for Water & Wastewater**

Lance Smith, Utilities Strategic Financial Director

**SUBJECT FOR DISCUSSION** – Utilities 2020 Capital Improvement Plans and Strategic Financial Plan Updates for the Water and Wastewater Utilities

### **EXECUTIVE SUMMARY**

The purpose of this agenda item is to provide the Council Finance Committee with an overview of the planning processes underway within Fort Collins Utilities. This agenda item will focus on the Water and Wastewater Enterprise Funds. The Light & Power and Stormwater Enterprise Funds were presented for discussion last month. The 2020 Capital Improvement Plans (CIPs) and the 2020 Strategic Financial Plans for each utility are outlined. The resulting investment projections set the basis for beginning the 2021-22 Budgeting For Outcomes (BFO) cycle. The overall 10-year rate projections for all four utilities is also presented here along with the forecasted debt issuance needs for each Enterprise Fund.

The Water Fund has significant infrastructure investments over the coming decade. Through active management of O&M expenses, modest rate adjustments and the issuance of some debt, the Water Enterprise Fund is expected to be able to meet its operational objectives through targeted capital investments. Further preliminary design efforts during the 2021-22 budget cycle will refine project cost forecasts ahead of any debt issuance being requested.

The Wastewater Enterprise Fund is expected to need some rate adjustments along with \$25-35M of debt issued over the next decade as renewal of the collection system increases to a more sustainable level. Operating costs have been kept under control over the last decade in these Enterprise Funds which has served these utilities' customers well.

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

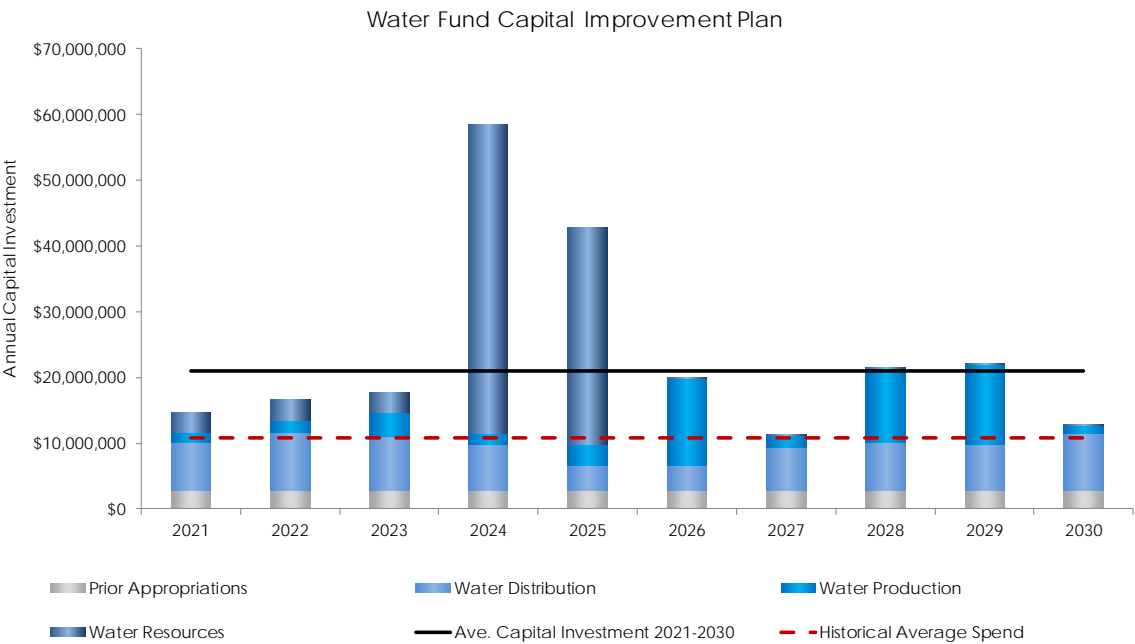
Does the Council Finance Committee support the Utilities Strategic Financial Plan assumptions ahead of the 2021-22 BFO cycle? In particular, the projected rate increases necessary to meet anticipated revenue requirements.

**BACKGROUND/DISCUSSION**

The financial health of each utility Enterprise Fund depends on active management of ongoing operating and maintenance expenses as well as planning for large capital expenditures. In some years it is expected that the capital investment alone may exceed the annual operating revenues for an Enterprise Fund even before considering operating expenses. Thus, the capital investment required to maintain the current levels of service provided by each of the four utility services to the community requires a long planning horizon and consistent reevaluation and prioritization. Additionally, the expected operating and maintenance expenses must be forecasted and managed so that the financial sustainability of each utility is ensured while continuing to provide the levels of service expected without large rate increases being necessary in any given year.

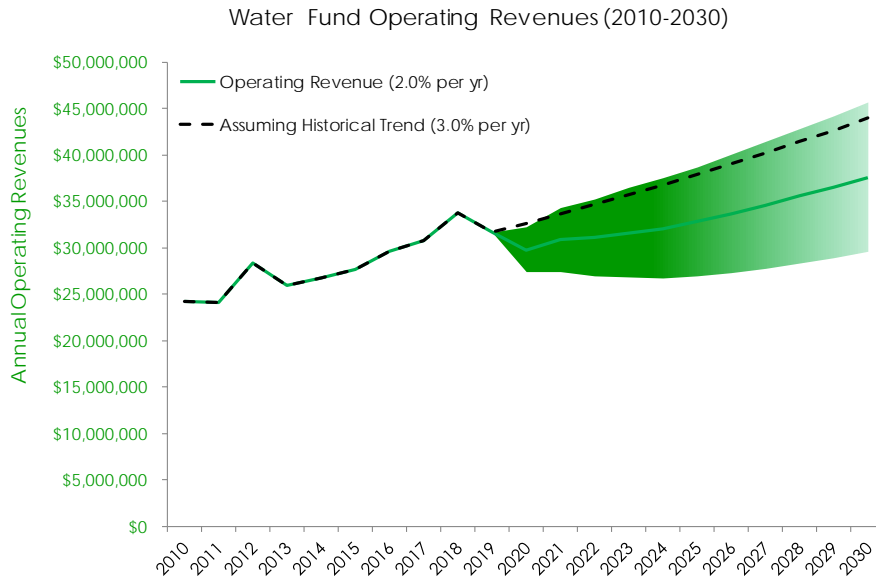
**Water Enterprise Fund**

The 10-year Capital Improvement Plan (CIP) for the Water Fund consists of projects needed to provide an adequate water supply, treatment facility improvements and an increase in the renewal of the distribution system to a more sustainable long-term replacement rate. The Halligan Reservoir project is expected to begin physical construction in the 2023-24 BFO cycle with cost uncertainty being reduced through additional design and mitigation refinements.



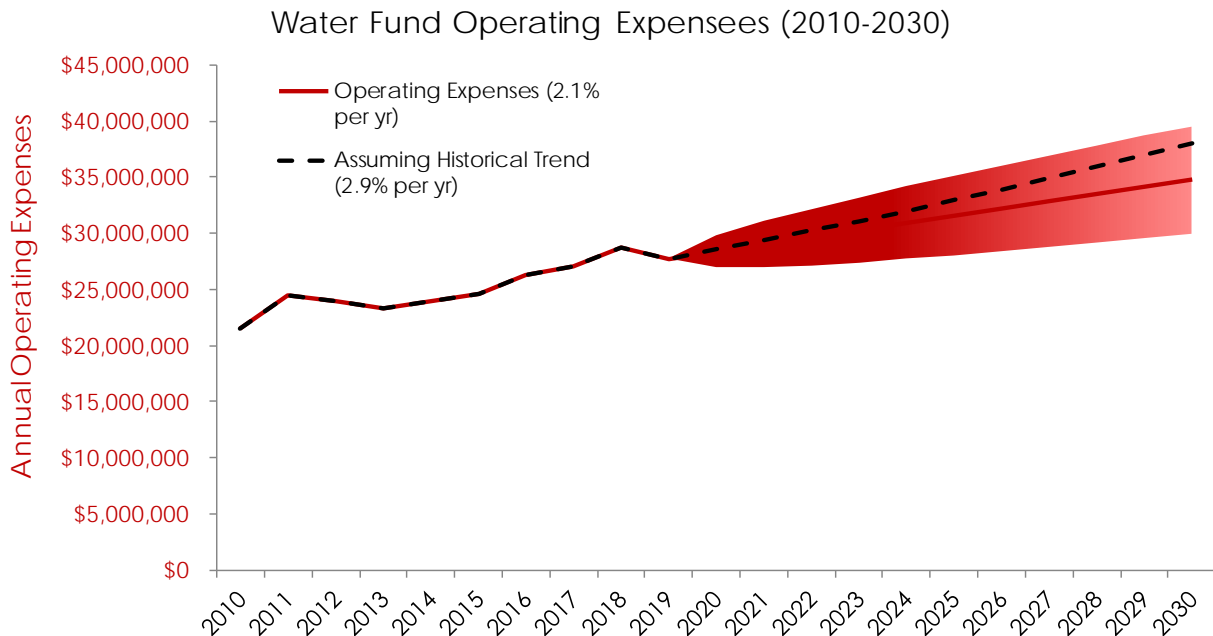
## Water Operations

Operating revenues have grown modestly over the past decade through rate increases while total water production has remained flat. Based on the projected revenue requirements for O&M and capital investment revenues are projected to grow at a rate similar to the past decade.



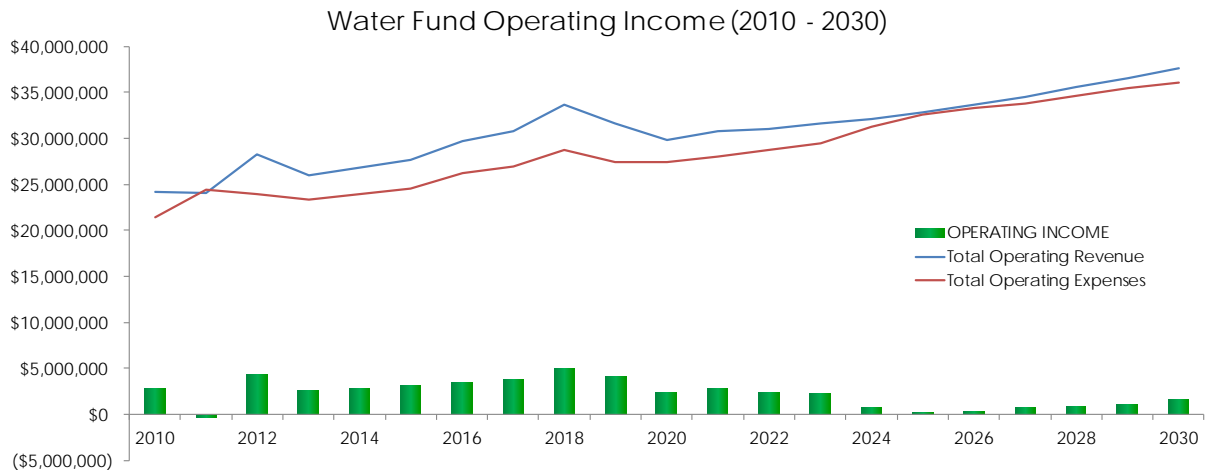
*The colored area represents the 95% confidence band around the expected operating expense.*

O&M expenses in the Water Fund have increased at a reasonable 2.9% annualized rate over the past decade. This has been achieved through active management. The rate and debt issuance forecasts in the plan assume that O&M will increase at a rate closer to the rate of consumer inflation over the coming decade.



*The colored area represents the 95% confidence band around the expected operating expense.*

By limiting O&M to modest rate of growth it is expected that the operating margin will decrease over the coming decade which will require modest rate adjustments to meet the expected increase in debt service related to significant infrastructure investments.



### Water Rate and Debt Forecasts

Rate increases are not anticipated to be significant over the coming decade although any significant change in the necessary capital investments may require modest rate adjustments to ensure adequate operating revenue is generated to support the system renewal investments. Some debt will be needed for capital investments over the next decade including a significant issuance ahead of beginning construction on the Halligan Reservoir.

	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
Rate Increase	0%	0%	2%	0-2%	0-2%	0-2%	1-3%	1-3%	1-3%	2-4%	2-4%
Debt Issuance					\$55-65M			\$30-35M			

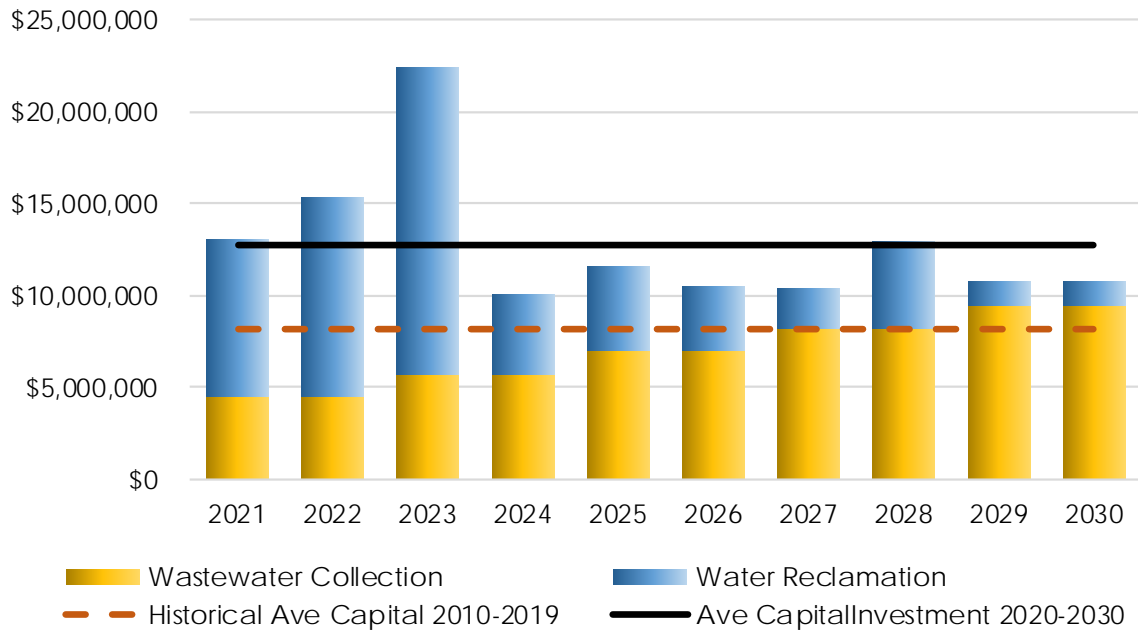
\$209M of capital work is expected to be needed between 2020 and 2030 in addition to the current capital appropriations

### Wastewater Enterprise Fund

#### **Wastewater CIP**

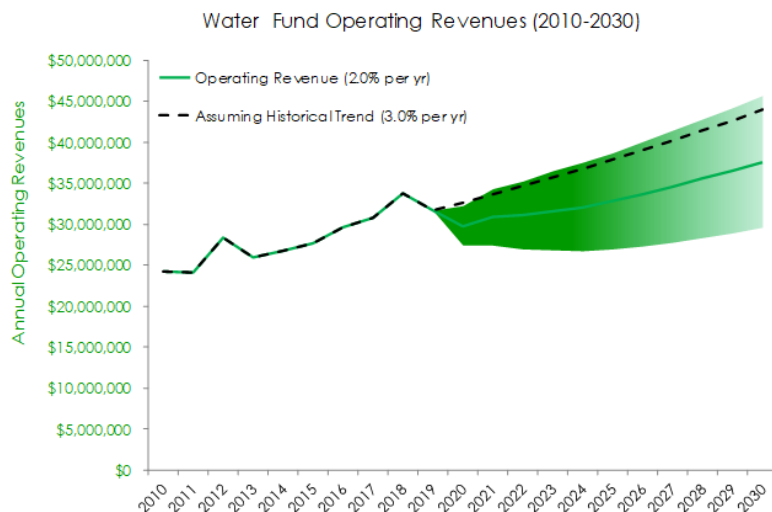
The Capital Improvement Plan for the Wastewater Fund includes capital improvements at the reclamation facilities as well as a significant increase in asset renewal of the wastewater collection system.

## Wastewater Fund Capital Improvement Plan



### Wastewater Operations

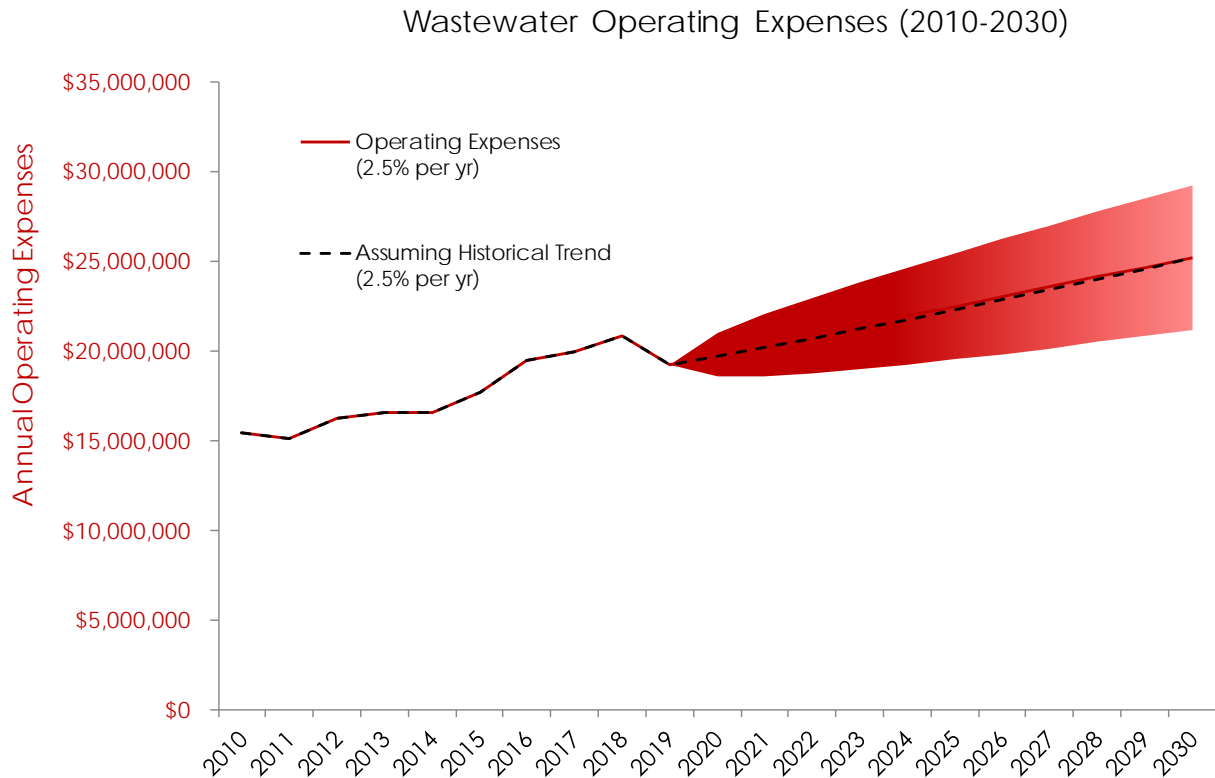
Operating revenues have grown modestly over the past decade with rate increases often not being fully realized. Modest rate adjustments will be necessary to increase revenues in this utility service.



- Expect revenue growth < 3% on average

The colored area represents the 95% confidence band around the expected operating expense.

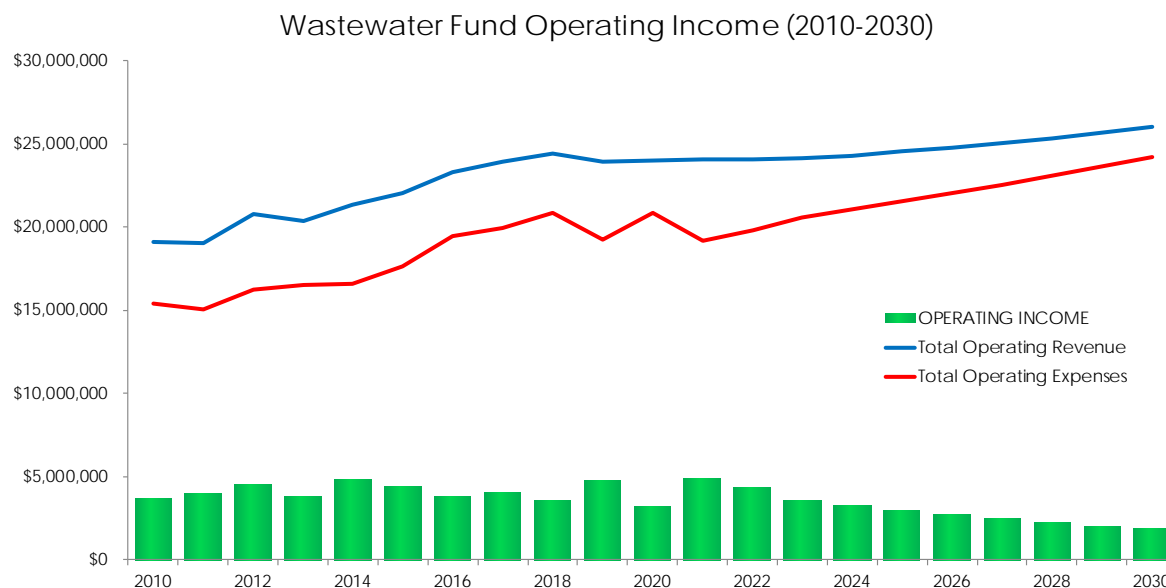
Wastewater Operations & Maintenance expenses have increased at 2.5% over the past decade. If this can be maintained over the coming decade, this Enterprise Fund will be well positioned to meet the anticipated increase in capital investments.



*The colored area represents the 95% confidence band around the expected operating expense.*

The combination of operating revenues increasing very modestly and O&M increasing at a slightly faster rate will over time reduce the operating income being generated for this utility. However, operating income is expected to remain adequate to meet all debt service needs without significant contributions being required from plant investment fees.





### Wastewater Rate and Debt Forecasts

As the table below shows, very modest rate adjustments are anticipated along with the issuance of \$25-35M of debt over the coming decade to provide adequate financial resources to complete the anticipated \$150-170M of capital improvements.

	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
Rate Increase	0.0%	0.0%	0.0%	0-2%	0-2%	0-2%	0-2%	0-3%	0-3%	0-3%	0-3%
Debt Issuance \$M				\$10-15M			\$15-20M				
\$150-170M of capital work is expected to be needed between 2020 and 2030 in addition to the current capital appropriations											

### Conclusion and Next Steps

Updating the ten- year Capital Improvement Plans ahead of the budget cycle allows for an assessment of potential rate adjustments and debt issuances that may be necessary in the near future. The Strategic Financial Plan provides a financial path forward to meet the operational needs of each utility.

The Water Fund has significant infrastructure investments over the coming decade. Through active management of O&M expenses, modest rate adjustments and the issuance of some debt, the Water Enterprise Fund is expected to be able to meet its operational objectives through targeted capital investments. Further preliminary design efforts during the 2021-22 budget cycle will refine project cost forecasts ahead of any debt issuance being requested.

The Wastewater Enterprise Fund is expected to need some rate adjustments along with \$25-35M of debt issued over the next decade as renewal of the collection system increases to a more sustainable level. Operating costs have been kept under control over the last decade in both of these Enterprise Funds which has served these utilities' customers well.

With the updated Strategic Financial Plans for the Light & Power, Water, Wastewater and Stormwater Enterprise Funds, the initial revenue projections for the 2021-2022 budget cycle can be developed. No debt issuances are

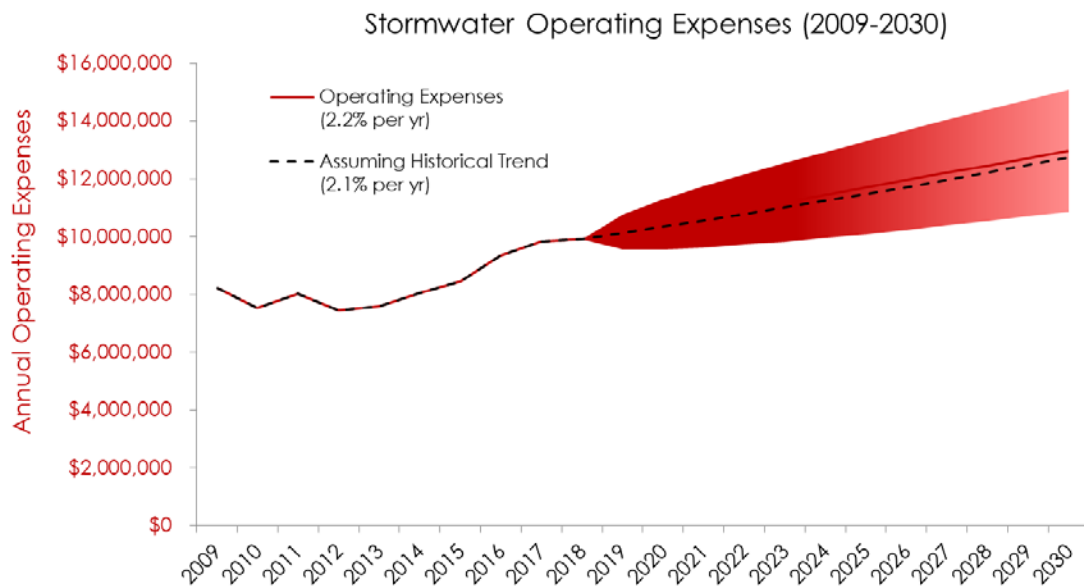
anticipated for this budget cycle. The tables below summarize the proposed rate adjustments and debt issuances for each Fund.

Rate Adjustments										
Enterprise Fund	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
501 - Light & Power	2%	2%	1-3%	1-3%	1-3%	1-3%	1-3%	1-3%	1-3%	1-3%
502 - Water	0%	2%	0-2%	0-2%	0-2%	1-3%	1-3%	1-3%	2-4%	2-4%
503 - Wastewater	0%	0%	0-2%	0-2%	0-2%	0-2%	0-3%	0-3%	0-3%	0-3%
504 - Stormwater	0%	0%	0-2%	0-2%	0-2%	0-2%	0-2%	0-2%	0-2%	0-2%

Debt Issuances										
Enterprise Fund	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
501 - Light & Power			\$10-15M			\$10-15M				
502 - Water				\$55-65M			\$30-35M			
503 - Wastewater			\$10-15M				\$15-20M			
504 - Stormwater		\$35-40M				\$35-40M			\$20-25M	

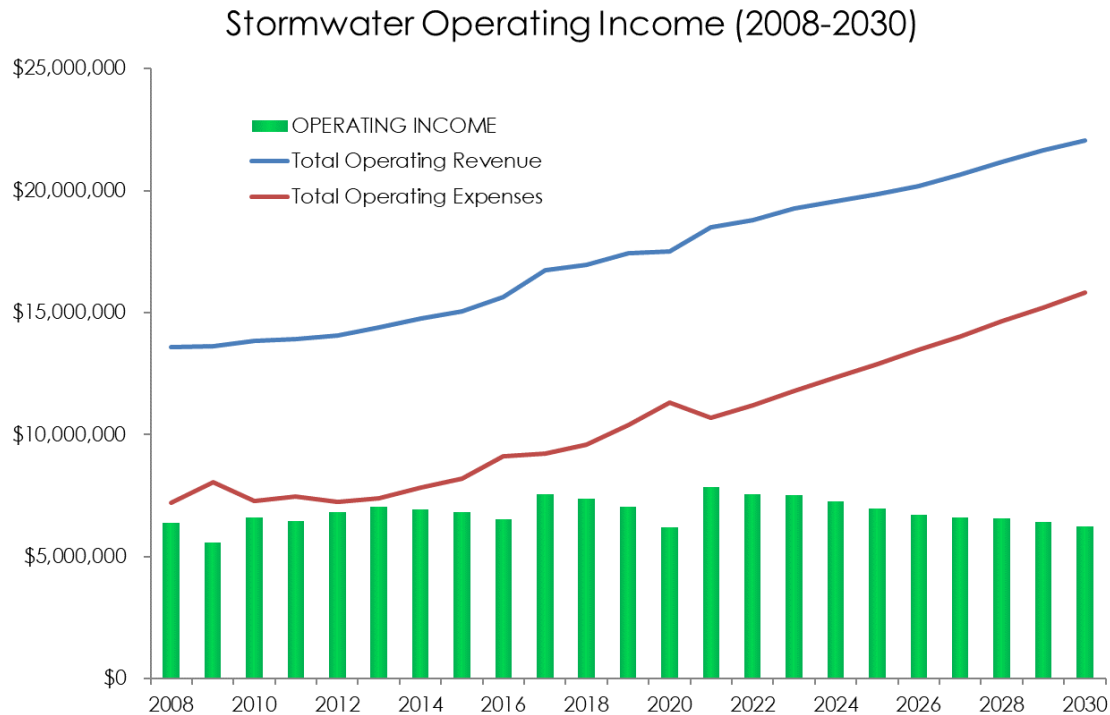
*The colored area represents the 95% confidence band around the expected operating expense.*

Stormwater O&M has increased as more infrastructure is built requiring O&M. The financial forecast recognizes this but assumes that the growth can be managed to increase at the rate of inflation. The largest increases were seen in engineering and administrative charges.



*The colored area represents the 95% confidence band around the expected operating expense.*

The combination of operating revenues increasing very modestly and O&M increasing at a faster rate will over time reduce the operating income being generated for this utility. However, operating income is expected to remain strong over the coming decade as shown in the graph below.



**Stormwater Rate and Debt Forecasts**

With the strong operating income being generated every year in this utility only providing a fourth of the anticipated capital investment required to fully build out the infrastructure for the community over the next 25 years it will be necessary to issue significant debt to complete the remaining flood mitigation infrastructure. Significant rate increases could be implemented rather than, or in conjunction with, issuing debt, however, the capital needs are not ongoing capital needs. Rates are usually adjusted to fund ongoing operational and capital needs. There is significant debt capacity in this fund that operates with an operating margin of 40%. Increasing rates would increase the operating margin but not necessarily allow for the initial infrastructure to be built on an accelerated schedule because of the relative scale of the capital investment compared to the operating revenues. The anticipated levelized annual capital investment required to complete the initial build out over the next 25 years along with minor capital investments required on existing infrastructure is \$24M per year or 150% of the 2019 operating revenue. Infrastructure that is expected to last for at least 50 years into the future could be financed over that time period with those customers benefiting from the new investment paying for its cost rather than increasing rates substantially. The table below shows the amount of debt that would need to be issued over the next decade to establish this 25 year build out schedule while adhering the financial boundary conditions of gradual, modest rate adjustments, positive operating income and a debt coverage ratio of at least 2.0.

As the table below shows, there will be the need to issue debt for several capital investments over the next decade. The first such issuance should be done in 2022 so that the funds are available for the 2023-24 BFO cycle.

	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
Rate Increase	2.0%	0.0%	0.0%	0-2%	0-2%	0-2%	0-2%	0-2%	0-2%	0-2%	0-2%
Debt Issuance			\$35-40M				\$35-40M			\$20-25M	

\*\$374M of capital work is expected to be needed between 2021 and **2045**.

### Conclusion and Next Steps

Updating the ten-year Capital Improvement Plans ahead of the budget cycle allows for an assessment of potential rate adjustments and debt issuances that may be necessary in the near future. The Strategic Financial Plan provides a financial path forward to meet the operational needs of each utility.

Through active management of O&M expenses, modest rate adjustments and the issuance of some debt, the Light & Power Enterprise Fund is expected to be able to meet its operational objectives through targeted capital investments over the coming decade.

The Stormwater Enterprise Fund has a significant amount of capital investment required to complete the initial buildout of all the needed infrastructure. Given the high operating ratio (operating income / operating revenue) and the amount of capital investment needed, this utility will require the issuance of significant debt over the next 25 years as this initial infrastructure is built. Modest rate adjustments allow for some increase in the debt capacity of this Fund but not enough to accelerate the build out. Timely debt issuances will allow for rates to remain close to current rates while completing build out over the next 25 years.

## Water Financial Health Forecast



	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
Rate Increase	0%	0%	2%	0-2%	0-2%	0-2%	1-3%	1-3%	1-3%	2-4%	2-4%
Debt Issuance					\$55-65M			\$30-35M			

\$209M of capital work is expected to be needed between 2020 and 2030 in addition to the current capital appropriations

- Modest rate adjustments will be necessary over the coming decade
- Operating Income diminishes in the future
- Two debt issuances are expected to be necessary for significant infrastructure improvements over the coming decade

## Discussion / Next Steps - Water Fund CIP:

2% increase bundled in 2022 for Water Fund – no increase in 2023 and 2024 with modest increases over next few years.

Ross Cuniff; is 2% over inflationary expenses for energy costs, etc?

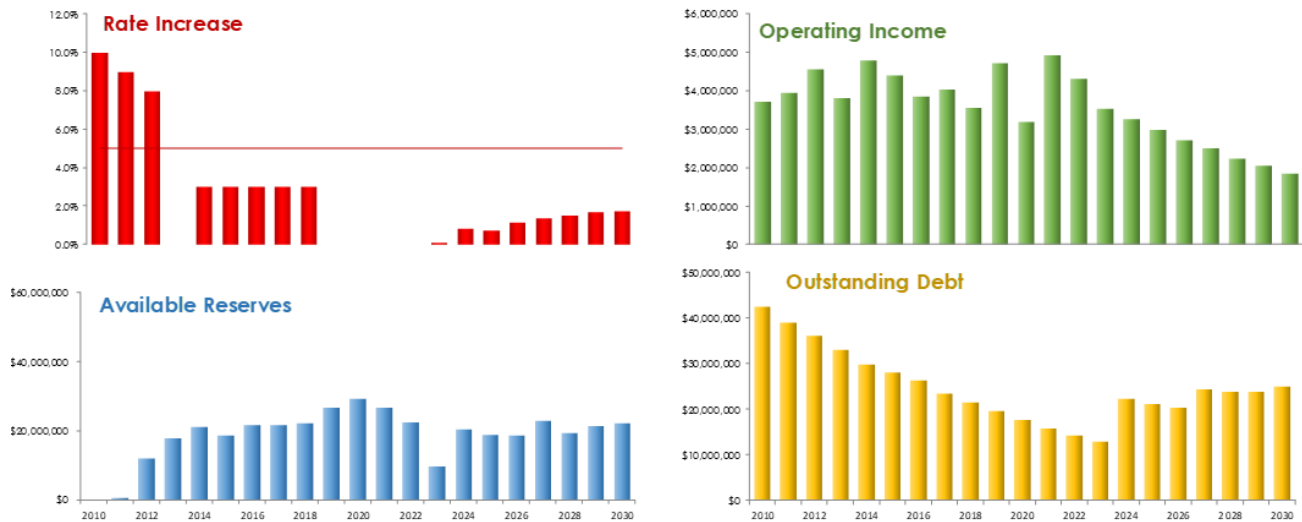
Lance Smith; it does include that and we did use future dollars.

Ross Cuniff;

**ACTION ITEM:** Would like to see how these charts look if we charge for raw water purchases based on what it would cost to replace it. If somebody buys water rights to develop - they pay us based on a rate of what we paid for it in the 1970s dollars plus things we prorate in various capital improvements such as Michigan Ditch Tunnel, Halligan etc. What if, instead of charging 1970s + capital improvements rate – we charge what it would cost to replace it with whatever Northern or Elco - the rates that they would have to use to find water rights from ditch companies. If we could extrapolate based on some historical averages, it would be interesting to see what these charts would look like.

## Discussion / Next Steps - Wastewater Fund CIP:

## Wastewater Fund Financial Health Forecast



Darin Atteberry; is debt in 2024 related to a treatment upgrade?

Lance Smith; it is not one significant project - there are the nutrient removal projects that we are looking at over the next decade and beyond - More timing - do we have cash available – looking to issue \$25-30M of debt in wastewater fund over next decade.

Potential Debt Issuances - issue some debt in late 22 for next budget cycle

2023 L&P and Wastewater - will be a need to issue debt to get all of the capital investment work we have planned completed over the next decade.

## Wastewater Rate & Debt Forecasts

	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
Rate Increase	0.0%	0.0%	0.0%	0-2%	0-2%	0-2%	0-2%	0-3%	0-3%	0-3%	0-3%
Debt Issuance \$M				\$10-15M				\$15-20M			
\$150-170M of capital work is expected to be needed between 2020 and 2030 in addition to the current capital appropriations											

- Near term capital needs are met with debt issuance in 2023 for the 2023-24 BFO cycle and again in 2027
- Total debt issued between 2020 and 2030 is \$25-35M

## Residential Rate Impacts

Fort Collins Utilities Comparative Residential Monthly Bill							
		2021			2022		
Utility	2020 Bill	Bill	\$ Change	% Change	Bill	\$ Change	% Change
Electric	\$ 78.52	\$ 80.09	\$ 1.57	2.0%	\$ 81.69	\$ 1.60	2.0%
Water	\$ 48.07	\$ 48.07	\$ -	0.0%	\$ 49.03	\$ 0.96	2.0%
Wastewater	\$ 34.24	\$ 34.24	\$ -	0.0%	\$ 34.24	\$ -	0.0%
Stormwater	\$ 16.04	\$ 16.04	\$ -	0.0%	\$ 16.04	\$ -	0.0%
Total Average Bill	\$ 176.88	\$ 178.45	\$ 1.57	0.9%	\$ 181.01	\$ 2.56	1.4%

Mayor Troxell; what does average rate mean for L&P with TOU, etc.?

Lance Smith; to some extent this is a hypothetical L&P customer - someone who is using the average amount of electricity - almost 750kWh per month under the TOU rate and no solar on roof or medical equipment in the home.

Mayor Troxell; electric and water have been flat - that is captured here too?

Lance Smith; through our conservation efforts, the mindfulness of our community we have leveled the consumption of the commodities and that is reflected here.

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

Does the Council Finance Committee support the Utilities Strategic Financial Plan forecast projections ahead of the 2021-22 BFO cycle? In particular, the projected rate increases necessary to meet anticipated revenue requirements.

Mayor Troxell; projections - Halligan is a big part of the debt on the water side and we are now waiting for the final approval - When do we anticipate that?

Carol Webb; we anticipate the final 1 -2 years from now and then a record of decision approximately a year after that; we have hired a design firm and design is underway/ we will be hiring a contractor in the next couple of month - so the design and contract work can inform the rest of the permitting process; we entered the permitting process in 2006 - initial cost projection was approximately \$24M and we had appropriated \$28M. Now we are at \$120M

Mayor Troxell; What do you attribute the escalated costs to?

Carol Webb; permitting - we have spent roughly \$1M per year to date - we still have other permits to acquire including the State Fish and Wildlife Plan and 401 cert and the 1041 and others - as we learn more about the mitigation needs - that has increased - we have Improved our estimating process - we are better at integrating the cost of risk. For example, we have an estimate on the cost of permitting -but then you assign risk so if that went a year longer or if there was a lawsuit on the record of decision - we have now embedded those costs in the estimate itself. Halligan has the most dramatic impact of that.

Halligan meets our purpose and need (storage) for the next 50 years. The size has reduced over time- largely because partners have dropped out of the project - and some conservation benefits over that time. Caveat - in using the Army Corp of Engineers lens for purpose and need -there is not a heavy emphasis on climate change. That is where other tools such as conservation help us meet those future needs.

If we take no action and don't invest in these projects it is more expensive - we have to acquire over 600 shares of North Poudre Irrigation Company shares which cost approximately \$170K per share today so even just buying the water rights we need to serve would be over \$100M - this is a reflection of the cost of water on our market today. The cost of other alternatives to Halligan are much more expensive - cost to the community - Halligan is not the most expensive alternative.

Ken Summers; inflationary costs - looking at another 2 ½ years before it is approved and another year or more before project starts - construction costs increase –

Carol Webb; at some point if you are interested, we can show you how we do the risk register – the kind of risks we are counting and monetizing - we will be doing site investigations - to better understand the risks at that site.

Ken Summers; thank you for this work - it is monumental - the overall project let alone the whole process has been going on for so long

Darin Atteberry; we are close and ready to strike – Carol has been a rock star with this effort. Carrie and CAO office as well.



Carol Webb; I would like to give kudos to the team including Linsey Chalfant and Eileen Dornfest- the risk register is their work and is setting us up for success in insuring that we recover the costs and minimize those costs when we can.

Mayor Troxell; using the existing structure -initial engineering is to better understand the current dam and its material, etc.

Carol Webb; it is pretty amazing - they do all kinds of integrity testing - that is incorporated into the costs we are talking about today - we will hopefully save a significant amount – it would be more expensive if we had to build a new dam – to be able to elevate the existing dam 25 feet - there are cost savings in that

Mayor Troxell; there are also risks - structural integrity of the existing dam - materials, good design

Carol Webb; I am really happy with who we have on board and I think they are going to give us a great design.

Ken Summers; thank you for the report - it seems like we are in good shape. Use flat over the last 10 years -- this is an accomplishment in our conservation efforts that we put together. Good work.

Darin Atteberry; I give kudos to past Councils and community leaders for that as well as staff over 2-30 years of work - that have been operationalizing that vision. The idea of conserving which directly translates to our future expansion needs - over time we have had to define conservation efforts – time and time again Councils has invested in that are we are seeing some of the dividends. We were talking about the Halligan expansion when I became City Manager - I remember Halligan numbers in the \$15-18M range - those weren't detailed engineering drawings that led to those costs - Carol uses \$120M and the last memo I saw had a range \$120-150M. In the last 15 years this project has gone from \$15-18M to \$120-150M because of permitting, construction inflation, mitigation - It is a much better project If you take \$120M project and put a conservative construction cost inflation at 5% - that is a \$6M growth of that project every year we wait – so if this doesn't get built in the next 10 years we are going to see \$60M just in construction inflation. We need to be transparent and attentive to that - we are in a good position and can start talking about design and construction. We are spending over \$1M per year studying as well - we have spent more on that than the original project costs.

Ken Summers; engineering construction - we can't start that until the project is approved but it is prudent to make sure that we are ready to get this project going just as soon as possible.

Darin Atteberry; it feels like we are near able to strike - we are getting really close. Carol has been a rock star in this effort as well - echo what she said - years and years of planning - engineering / City Attorney's office has played a huge role in this.

Ross Cuniff; that does not model any service area increases for wastewater?

Lance Smith; this does not model that

Darin Atteberry; one of the things that is becoming clearer and clearer is that we have a responsibility in our service territory, but we also have a stewardship role with the entire GMA boundary. Some of the challenging conversations we have had with Boxelder Sanitation over the last 2 years as it relates to Montava - once that dust settles - it is going to be really important to talk about some of these durable relationships that we have with PSD, DDA, PFA, CSU, Housing Catalyst and others, but there is a sub tier as well which includes these utility providers who we are counting on providing these utilities.

**FUTURE ACTION ITEM:** When we have capacity, I think at some point it would be good to talk with Council Finance about these relationships and providers and to delve into their ability to serve. How do we go about having those providers coming in to talk about their ability to serve as well and how we are aligning with the city objectives -they are separate entities. Kevin Gertig's teams are working very closely with these providers on a daily basis sometimes but I don't think we have good alignment on a policy standpoint.

What is Loveland / Fort Collins water district's 10-year capital plan? What is their financial capacity? What should we be aware of? There should be a bright light on that

Mayor Troxell; same presentation as we just had.

Ross Cunniff; I think we do have an obligation to understand the other utility districts; their capital plans - provide for those utilities - I support having that discussion. Policies regarding conservation, energy, river health, etc.

## **B. EPIC 15 Year Loan Program**

Blaine Dunn, Sr. Treasure Analyst

Sean Carpenter, Climate Economy Advisor

**SUBJECT FOR DISCUSSION:** Epic Homes 15-Year Capital

### **EXECUTIVE SUMMARY**

This item will provide updated details to Council Finance regarding the proposed Epic Homes 15-year capital sources. Staff will present on two capital agreements with attractive terms and no associated City financial policy exceptions. One agreement is for a fixed-interest rate loan up to \$2.5M with a Denver-based bank and the other is for an \$800k interest-free loan from the Colorado Energy Office.

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

Does the Committee support presentation of the proposed 15-year capital agreements to the Electric Utility Enterprise Board on February 18<sup>th</sup>?

### **BACKGROUND/DISCUSSION**

#### **Epic Homes**

In October 2018, Fort Collins became a winner of the 2018 Bloomberg Mayors Challenge and the associated \$1M prize. The 2018 Bloomberg Mayors Challenge involved over 300 cities proposing ideas to address important issues in their community. The City's proposal, Epic Homes, was selected as a winner for its innovative approach to providing health and equity benefits to residents, specifically for low-to-moderate income renters, by improving the energy efficiency of rental homes. Residential property owners can take advantage of Epic Homes' easy streamlined steps to make their homes more comfortable, healthy and efficient. Partnering with Colorado State University, Fort Collins is also establishing a research study which links the health and well-being indicators of improved indoor environmental quality.

Epic Homes provides non-energy benefits in addition to efficiency, such as increased comfort, health and safety. In nearly every energy assessment, energy advisors identify a health and safety hazard in need of attention. This could vary from a back-drafting water heater, to air leakage pollutants entering the home from the garage or crawlspace, to combustion appliances that need tuning or replacing producing excess carbon monoxide. Loans

are available for over 25 different types of efficiency measures, including replacing an old furnace with a new efficient furnace that has important safety features, such as sealed combustion with intake and exhaust to the outside.

### Epic Loans

Fort Collins' On-Bill Finance program (previously also known as Home Efficiency Loan Program or HELP, and now called the Epic Loan Program), a component of the Epic Homes portfolio (Attachment 1), supports a number of community and City Council priorities, including ambitious goals for energy efficiency and renewables, reduced greenhouse gas emissions and increased equity and well-being for 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 significant percentage of the City's housing stock.

The original On-Bill Finance program issued loans from 2013 through 2016 when the maximum outstanding loan balance funded through Light & Power reserves was reached (\$1.6 million). On-Bill Finance was revitalized as the Epic Loan Program in August 2018 during the Champions Phase of the Bloomberg Mayors Challenge. The City has been awarded grants from the Colorado Energy Office (\$200,000) and from Bloomberg Philanthropies (\$688,350) for the Epic Loan Program. The Electric Utility Enterprise has also entered into a \$2.5M line of credit loan agreement with U.S. Bank to provide up to 10-year capital for the Epic Loan Program.

Staff has been working to develop third-party capital agreements to scale impact for owners and renters in Fort Collins. This has included presentations with the Council Finance Committee to discuss the Request for Proposals for third-party capital providers, discuss the capital strategy and review proposed capital agreement terms. The proposed 'capital stack' is provided below in Table 1 and the customer interest rates based on third-party capital terms are provided in Table 2.

An ongoing and attractive financing structure to support energy efficiency retrofits will be a critical element for success moving forward. Through 2019, Fort Collins Utilities has serviced 211 on-bill loans to support energy efficiency upgrades in residential homes and overcome financial barriers for making these important upgrades. Detailed information regarding the Epic Homes program and loan terms can be found at [fcgov.com/epichomes](http://fcgov.com/epichomes).

Table 1. Epic Loan Capital Stack Summary

Capital Type	Provider	Term	Rate	Amount
Internal & Grant				
	Previously authorized Light & Power reserves	Ongoing	0%	\$1,600,000
	Bloomberg Philanthropies	Grant	0%	\$688,350
	Colorado Energy Office – Grant	Grant	0%	\$200,000
	<b>Internal Subtotal</b>			<b>\$2,488,350</b>
External Market				
	Colorado Energy Office – Loan	15 year	0%	<b>\$800,000</b>

	U. S. Bank	5 & 10 year	76% of Prime (3.99% Currently)	<b>Up to \$2,500,000</b>
	Denver Based Bank	15 year	10-year US Treasury + 2.75% (4.55% Currently)	<b>Up to \$2,500,000</b>
	<b>External Subtotal</b>			<b>\$5,800,000</b>
<b>Total</b>				<b>\$8,288,350</b>

Table 2. Customer Interest Rate

<b>Loan Term</b>	<b>Customer Rate (Effective Aug. 2019)</b>
<b>3 or 5 years</b>	3.75%
<b>7 or 10 years</b>	4.25%
<b>15 years*</b>	4.75%

\*The 15-year loan option is currently paused until external capital is secured.

### Council Finance Meetings Review

An overview of Council Finance Committee presentations and discussions related to Epic Homes is provided below in Table 3.

Table 3. Overview of Council Finance Committee Items Related to Epic Homes

<b>Date</b>	<b>Topic</b>	<b>Outcomes</b>
November 2018	Program background and issuing an RFP for third-party capital sources	<ul style="list-style-type: none"> <li>• City issued RFP #8842 in December 2018</li> <li>• Staff pursued conversations and negotiations with respondents and other potential capital providers</li> </ul>
May 2019	Capital strategy, potential capital sources and next steps for bringing capital agreements to Council	<ul style="list-style-type: none"> <li>• Staff continued negotiations with potential capital providers (including a locally managed national bank, a regional bank, Colorado Clean Energy Fund, and the CEO)</li> <li>• Received Legal and Purchasing review of draft contracts</li> </ul>
July 2019	Capital agreement terms	<ul style="list-style-type: none"> <li>• Staff directed to bring two of the three capital sources to full Council for consideration (<i>US Bank Loan authorized by Electric Utility Enterprise Board in Ordinance 007 &amp; 008, 2019</i>)</li> <li>• Staff directed to provide additional information on interest rate swaps and 15-year capital to Council Finance</li> </ul>
August 2019	15-year capital and interest rate swaps	<ul style="list-style-type: none"> <li>• Staff directed to bring third capital source to full Council for consideration (<i>Staff reached impasse in terms with capital provider and is proposing new 15-year capital sources</i>)</li> </ul>

### Importance of 15-year Capital

During prototyping for the Bloomberg Mayors Challenge, rental property owners reported that no-money-down, affordable monthly payments are critical considerations, in particular for owners with multiple units. OBF 1.0 (also known as HELP) 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. Additionally, of those that used a loan during the pilot, 80% of customers stated they would not have done a project without the attractive on-bill loan option.

Throughout the on-bill financing history (2013-2016 and 2018-2019), 50% of customers have used longer loan terms to reduce monthly payments and/or undertake more comprehensive energy efficiency projects (Table 4). As a result, the longer-termed loans account for a larger percentage of the on-bill loan portfolio value, at 60%. Longer term loans are generally used for bigger, more comprehensive projects that can generate increased benefits for the people who live in and own those homes, as well as positively impacting overall City goals.

Table 4. Summary of On-Bill Financed Projects by Loan Term

Loan Terms	3 & 5 year	7 & 10 year	15 (& 20) year	Total
Projects Using OBF by Term	41	71	99	211
Percentage of Total	19%	34%	47%	100%

In order to keep monthly payments low and make energy retrofit projects attractive, longer loan terms are required. The average on-bill long-term loan amount is \$13,000, with monthly payments of \$101. Heating, ventilation and cooling (HVAC) projects are an example of higher cost projects where longer loan terms are more attractive. The average HVAC project loan in Epic Loans is \$14,000. With a 10-year loan, the monthly payment is \$143; however, with a 15-year loan, the monthly payment is \$109, a 30% lower monthly payment that is much more attractive and feasible. These attractive monthly payments are critical for overcoming cost barriers for home and rental property owners considering energy upgrades.

### Denver Based Bank Overview

Staff previously presented a 15-year capital source with a Midwest-based commercial bank through the Colorado Clean Energy Fund, which included some uncommon terms for City loan agreements, such as a required collateral deposit and variable interest rate resulting in the need for a derivative instrument. After presentation of this capital source to the Council Finance Committee, staff reached an impasse in terms with the capital provider as the terms became unfavorable for the City. Staff was able to find a new source for 15-year capital from an in-state commercial bank with highly desirable terms, including a fixed interest rate at the time of closing, no collateral requirements, and no debt policy exceptions needed.

Staff has reviewed a draft loan agreement with the Denver Based bank for 15-year capital. The terms include:

- Amount: Up to \$2,500,000
- Length: 17-years inclusive of draw period
- Draw period: Up to 2 years, with draw timing and amounts based on program / customer demand
- Fixed rate: 10-year US Treasury + 2.75% (4.55% Currently); Rate set at time of loan closing

- Collateral: None
- Pre-pay: City may pre-pay in whole or in part after 2027 with no penalty. No prepayment is allowed prior to 2025, and between 2025 and 2027 there is a 1% prepayment fee.
- Repayment position: Senior pledge on customer loan repayments and subordinate position on Electric Utility revenues, after the more senior pledge held by revenue bondholders

### **Colorado Energy Office Overview**

The Colorado Energy Office (CEO) showed support of Epic Loans in 2018 with a \$200,000 grant. Staff have also negotiated a \$800,000 loan from CEO. Terms of the agreement include:

- Amount: \$800,000
- Length: 15-years
- Draw period: None
- Fixed Rate: 0%

The principal will be due at the end of the 15-year period and any program income may be used for administrative expenses and/or issuing new loans. Any unused program income will also be due at the time of principal repayment.

### **Next Steps**

Staff seeks approval from Council Finance to proceed for Electric Utility Enterprise Board consideration of the proposed 15-year agreements. If supported, staff is scheduled to present the 15-year agreements on February 18, 2020.

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

Better, cleaner deal / better partner / lower cost - eliminated complexity - no collateral required

These will be through the electric enterprise - we will need to go through the Electric Enterprise Board  
Will be able to draw in tranches up to once per quarter in the 2-year period. We will make those decisions based on the demand. The rate when we close will be the rate for the duration of the loan and will include all tranches. We will pay Interest only during 2-year draw period – then it will turn into a 15-year loan (principle and interest)

Mike Beckstead; this is a rate risk question - before we had talked about locking in at stages.  
There is a little rate risk - policy change risk went away - much better terms overall

No debt policy exception or interest rate swap instrument needed for this program as was for the previous program.

**Amount:** \$800,000

**Length:** 15-years

**Draw period:** None

**Fixed Rate:** 0%

- Principal due at end of 15-year period
- Program income may be used for administrative expenses and/or issuing new loans
  - Any unused program income will be repaid with principal

No draw period - 0% total principle will be due at end of loan - one-time balloon payment

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

Does the Committee support presentation of the proposed 15-year capital agreements to the Electric Utility Enterprise Board on February 18<sup>th</sup>?

### **Results:**

Ross Cunniff; yes - this sounds great. Thank you for finding this and bringing it to us. I enthusiastically support this.

Mayor Troxell and Ken Summers also support going forward.

Good meeting - US Mayor's Challenge oversight perspective this is viewed as a good project

Sean Carpenter; we are excited to get the financing in place so we can move aggressively into outreach - start getting projects done.

## **COUNCIL FINANCE COMMITTEE AGENDA ITEM SUMMARY**

**Staff:** Nina Bodenhamer, Director, City Give

**Date:** February 24, 2020

### **SUBJECT FOR DISCUSSION**

City Give Portfolio Selection: How does the City identify and select projects for fundraising?

### **EXECUTIVE SUMMARY**

In 2019, the City of Fort Collins launched City Give, a municipal philanthropic initiative that creates a formalized structure for charitable giving within our City. The enterprise-wide process improvements developed over the past year create the groundwork for today's topic: a strategic selection process for the City Give portfolio.

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

Objective: Information and Update Only

### **BACKGROUND/DISCUSSION**

In 2019, the City of Fort Collins launched City Give, a municipal philanthropic initiative that creates a formalized structure for charitable giving within our City. Over the past year, we've worked to get our "charitable house in order," and have established a range of financial and operational practices, including but not limited to:

- Financial Governance Policy of Philanthropic Gifts
- System-wide Financial Accounting and Tracking Protocols for Charitable Gifts
- Gift Acceptance Process
- Gift Agreements for Charitable Gifts \$25K and Above
- Identification of Signature Relationships

This "in-house" approach to philanthropy allows Fort Collins to respond to strategic projects and community needs that fall outside the normal city budget priorities but are well-positioned for private funding.

The enterprise-wide process improvements, developed in this last year, create the groundwork for today's topic: the strategic selection process for the City Give portfolio.

Our 2-step selection process reflects philanthropic best practices, and serve as an innovative platform to pair charitable giving with civic priorities.

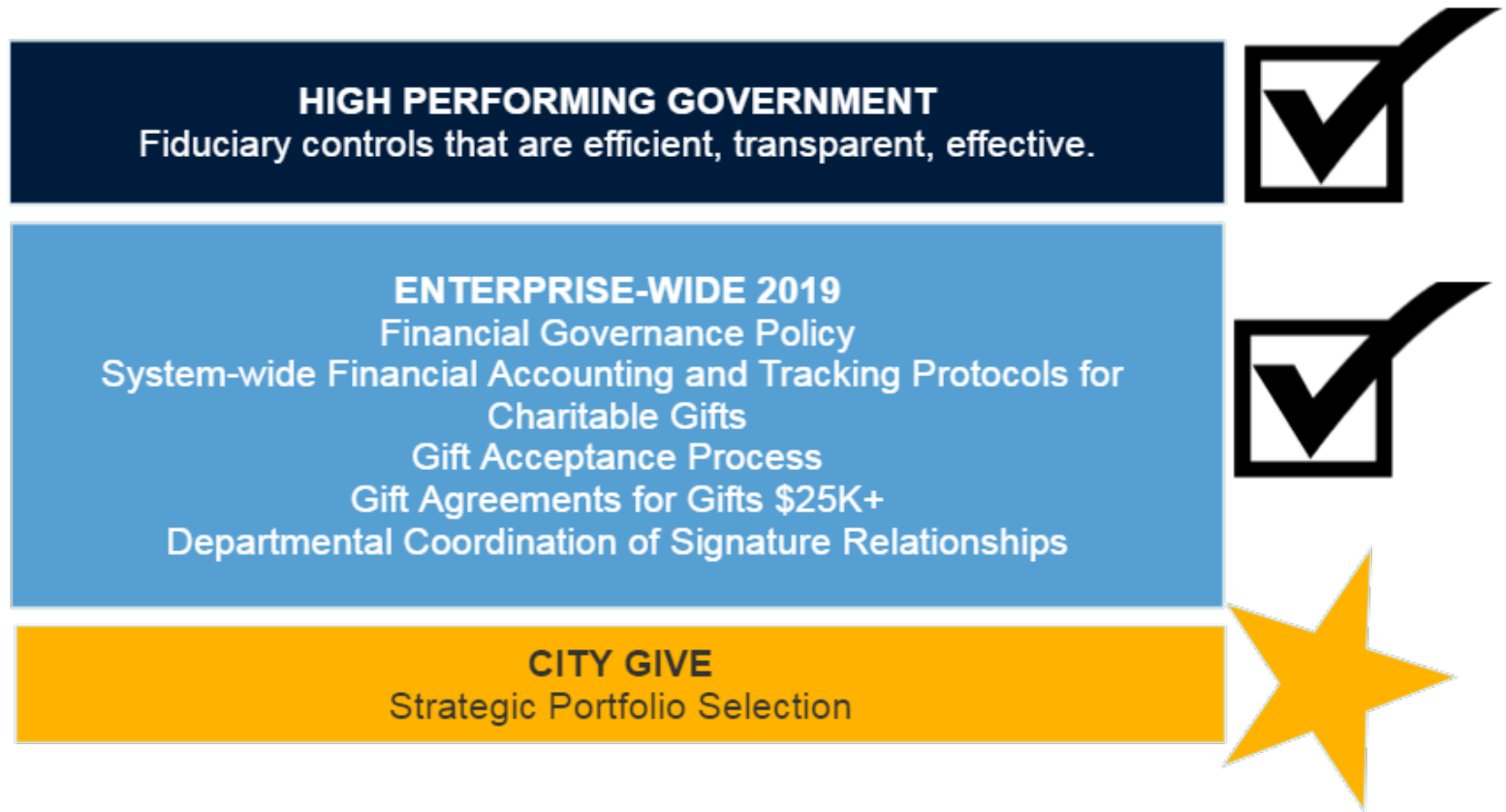
1. City Give will serve as a collection point for potential fundraising projects to establish fundraising feasibility. Feasibility metrics include factors such as: quality of case



statement, financial proposition, competing fundraising landscape, and community resources.

2. Strategic operational selection will evaluate alignment with strategic outcomes, organizational priorities, audiences served, and resource allocation.

**ATTACHMENTS** (numbered Attachment 1, 2, 3,...)



## CITY GIVE SHIFTS MUNICIPAL PHILANTHROPY

FROM	TO
Reactive	Thoughtful & Proactive
Budget-gap Requests for Funding	Priorities That Match Community Needs & Donor Interest
Overlapping & Duplicated Requests	Coordinated & Purposeful Relationships
Paternal Governance	Municipal Innovation

# An Ecosystem of Giving



## 2019 PHASE 1



The City has a valid role in the philanthropic landscape of our community



Consistent, transparent financial governance is the backbone of giving.

## 2020 PHASE 2

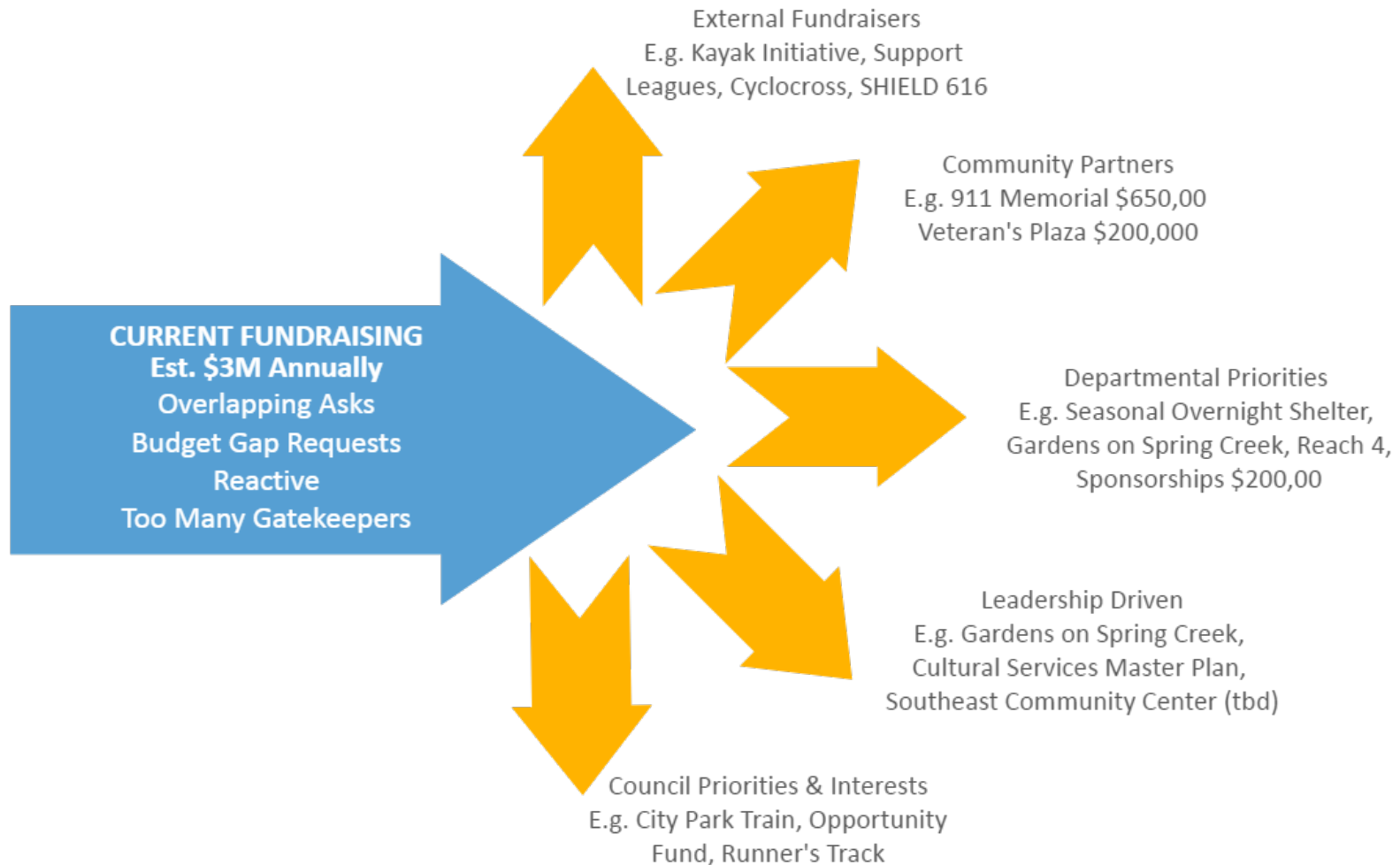


**A strategic range of projects with a diverse scope of donor appeal and giving platforms.**

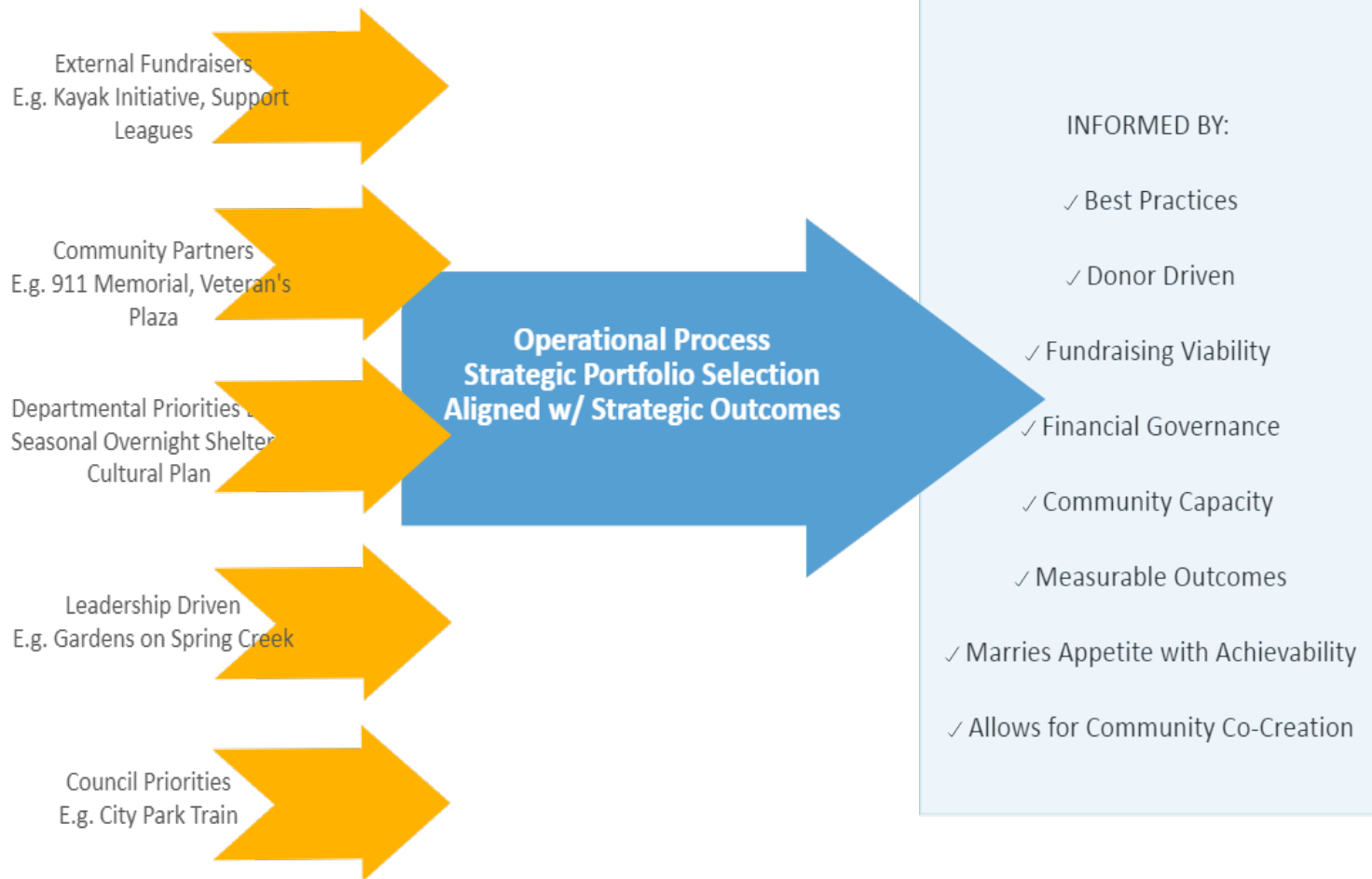


Lasting, meaningful relationships between givers and the City: an ideal fit between donor desire & City projects.

# Current CoFC Fundraising Process



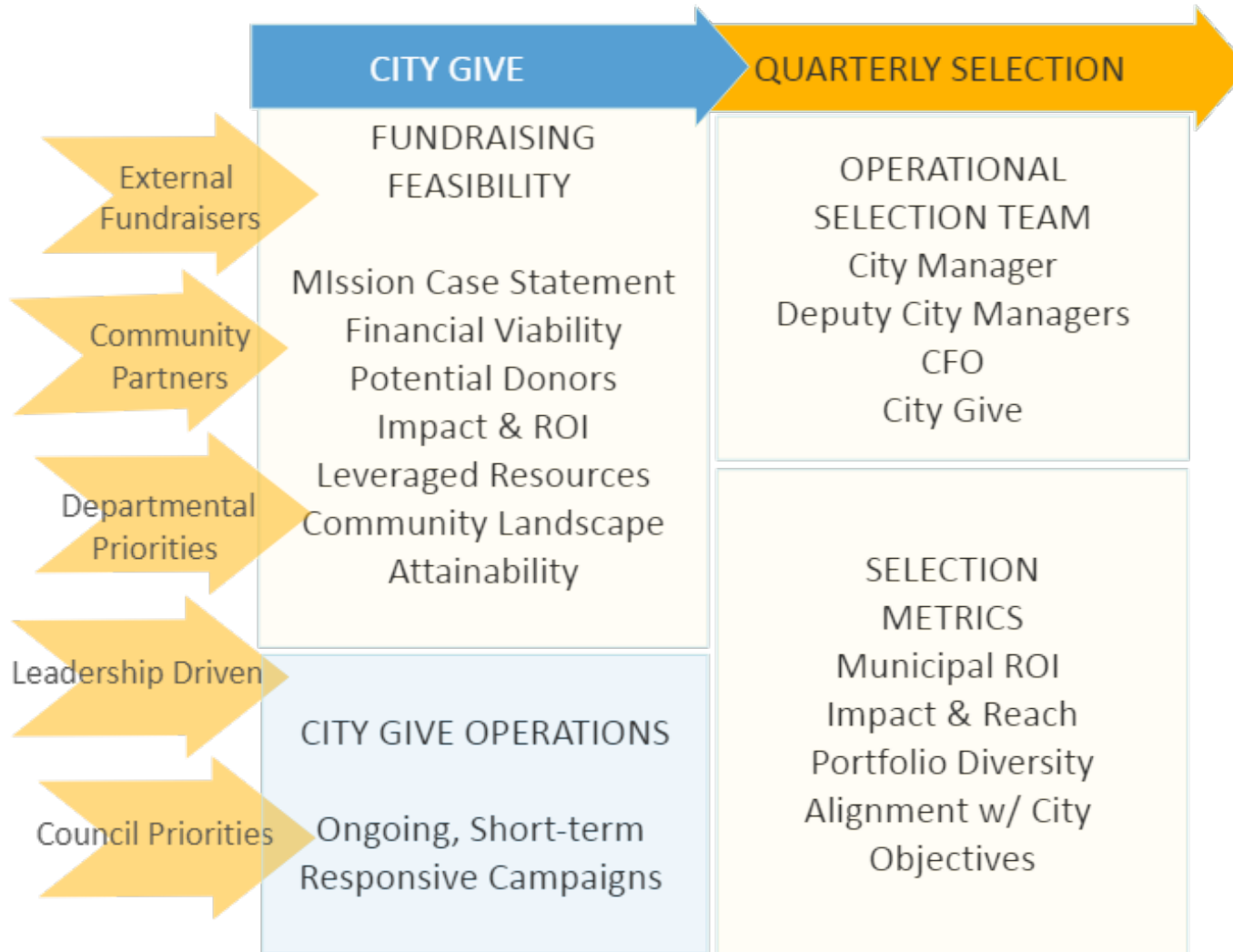
# What Projects do We Say "Yes" To?



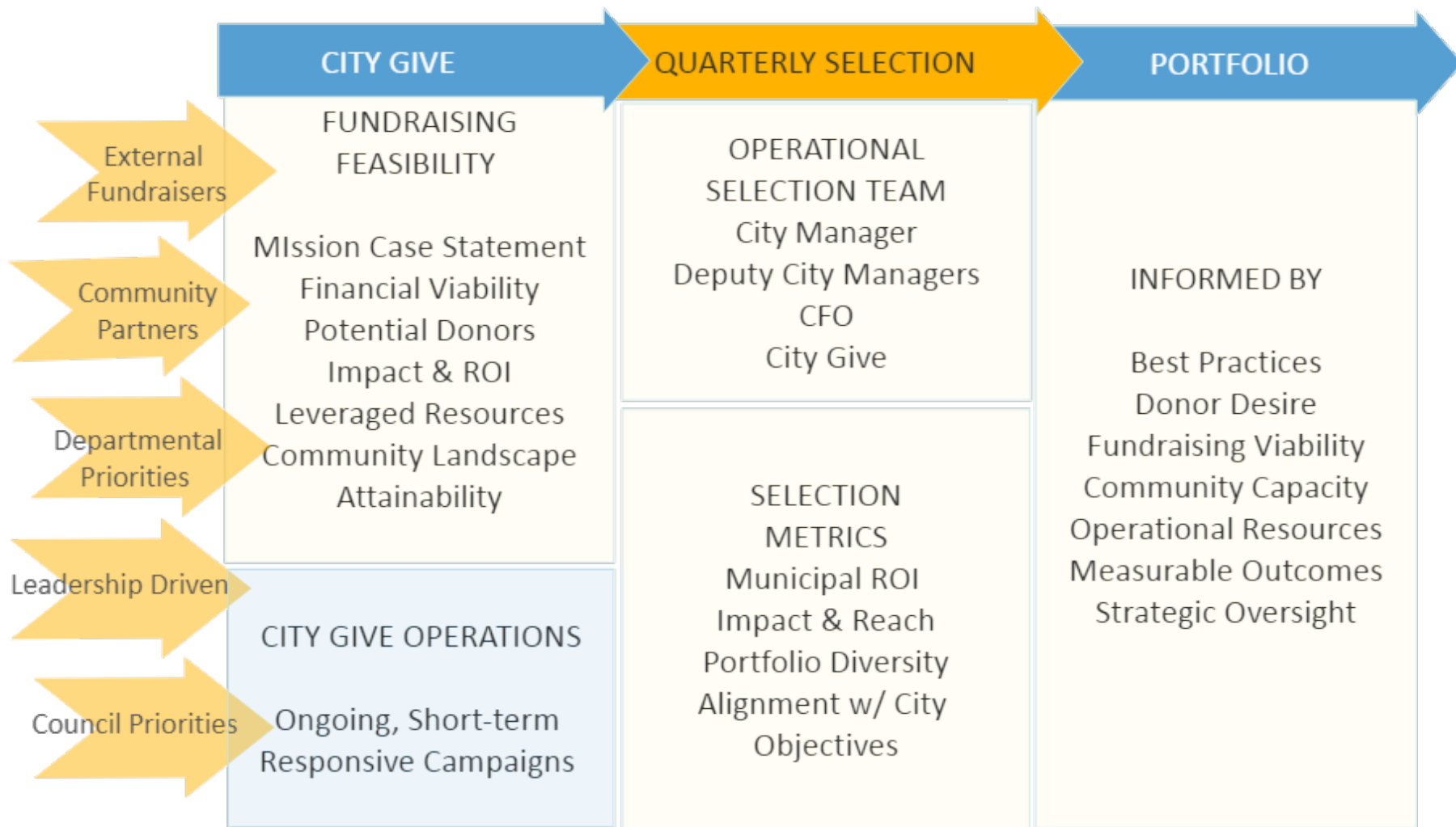
# Portfolio Process: Feasibility



# Portfolio Process: Quarterly Selection









Questions?  
Discussion?

*With gratitude, Nina*

**COUNCIL FINANCE COMMITTEE  
AGENDA ITEM SUMMARY**

**Staff:** Lawrence Pollack, Budget Director

**Date:** February 24, 2020

**SUBJECT FOR DISCUSSION**

Review of the 2020 Reappropriation Ordinance to appropriate prior year reserves.

**EXECUTIVE SUMMARY**

The purpose of this item is to reappropriate monies in 2020 that were previously authorized by City Council for expenditures in 2019 for various purposes. The authorized expenditures were not spent or could not be encumbered in 2019 because:

- there was not sufficient time to complete bidding in 2019 and therefore, there was no known vendor or binding contract as required to expend or encumber the monies
- the project for which the dollars were originally appropriated by Council could not be completed during 2019 and reappropriation of those dollars is necessary for completion of the project in 2020
- to carry on programs, services, and facility improvements in 2020 with unspent dollars previously appropriated in 2019 for those specific purposes

In the above circumstances, the unexpended and/or unencumbered monies lapsed into individual fund balances at the end of 2019 and reflect no change in Council policies.

Monies reappropriated for each City fund by this Ordinance are as follows:

General Fund	\$258,008
Keep Fort Collins Great Fund	71,097
Cultural Services Fund	171,498
Transportation CEF Fund	1,750,000
Transportation Fund	290,000
Parking Fund	30,000
Data and Communications Fund	476,715
Total	<hr/> \$3,047,318

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

Does the Council Finance Committee support moving forward with the 2020 Reappropriation Ordinance on the Consent Agenda at the March 3, 2020 Council meeting?

## **BACKGROUND/DISCUSSION**

The Executive Team has reviewed the Reappropriation requests to ensure alignment with organization priorities and the Budget staff reviewed the requests to verify that all met qualification requirements. The 2020 Reappropriation requests are as follows, by fund:

### **GENERAL FUND**

#### **Natural Areas**

##### **1) Response to the Northern Integrated Supply Project (NISP) - \$24,478**

Purpose for funds: The purpose of this offer is to fund legal and consulting services in support of the City's engagement with the NISP permitting process. Given the broad impact NISP will have on this community, and the complex layers of permits required, the City has prioritized engagement with NISP to ensure it maximizes its influence to protect City assets affected by NISP.

Reason funds not expensed in 2019: The City expected the permitting process of NISP to progress more quickly in 2019 than it actually did. Consistent progress and work have occurred on building collaborations and negotiating to improve outcomes for the City within the context of NISP. However, the final permitting phase is still not complete. Staff plans to use these funds to hire external expertise and legal counsel to support various aspects of our engagement with NISP in 2020. Most specifically in 2020, staff will be focused on the Adaptive Management framework and governance, integration of technical bases, and engaging with our community and the permitting authority when the Record of Decision is released (anticipated early 2020).

#### **City Clerk's Office**

##### **2) Continued Population of Ordinance Repository - \$10,000**

Purpose for funds: OrdBank is a service available through our codifier, Municipal Code Corporation (MCC), that allows the City to store, search, and link original ordinances from a Code section's history note, Supplement History Table, and Code Comparative Table. It allows browsing of a permanent ordinance repository and affords the City the opportunity to include historical ordinances in the repository. This provides a "one stop shop" experience beneficial to public and internal customers and is particularly helpful for research and development of future Code amendments. Appropriation of these funds will add six more years (2006 through 2011) of ordinances amending City Code, Land Use Code and Traffic Code language to be added to the repository.

Reason funds not expensed in 2019: The City has been adding to the MCC ordinance repository since 2016 as resources allow. This is typically done near the end of the year when codification (Code amendment) is winding down and remaining funds are identified. Due to staffing shortages in the 4th quarter of 2019, this project was delayed.

### **3) Boards and Commissions Software/Enhancements - \$9,000**

Purpose for funds: These funds, originally established as ongoing funding for boards and commissions tracking software, will be used to make enhancements to the chosen product called Engage. Engage is a custom-built data management platform used to track all City volunteers, and as such, does not immediately provide all of the functionality specific to managing boards and commissions membership. Fortunately, additional customization is readily available through Squarei Technologies, the Engage provider. Desired customization includes additional data fields, enhanced reporting capabilities, and ability to integrate with other tools (such as the City event calendar).

Reason funds not expensed in 2019: The Boards and Commissions Coordinator left her position in August, which remained vacant until December 30. Although other staff members met with the Engage developer about desired enhancements, there was not adequate time or knowledge to adequately scope needs.

## **City Manager's Office**

### **4) Emergency Preparedness and Security - \$50,000**

Purpose for funds: The 2019 offer provided funding to maintain the current level of service provided by the Office of Emergency Preparedness and Security (EPS), which benefits residents, visitors and employees of Fort Collins by providing preservation of life, safety, property conservation and environmental protection in pre-disaster, disaster and post-disaster periods. EPS is also now responsible for coordinating and providing internal and external services in the area security, addressing both internal and external security issues and threats.

Reason funds not expensed in 2019: In 2019 there was a nationwide search for a Director of Emergency Preparedness and Security which was not completed until July 2019. During the time of the search there was a concentrated effort by the interim Director to limit the spending of funds so the new Director could set the strategic direction of the program. Once the Director was in place, emergency and security programming was initiated in the fourth quarter and has continued into 2020. This request is to reappropriate \$50,000 to fund critical programming and training that is foundational to daily operations and aligns with the strategic vision being developed.

## **Municipal Court**

### **5) Court-Appointed Defense Counsel Funding Request - \$18,750**

Purpose for funds: In 2019, as required by law, Chief Judge Lane ordered that court-appointed defense counsel be assigned to represent certain defendants on traffic and non-traffic misdemeanor cases. Defense counsel was appointed on approximately 330 cases in

2019, several of which are still in progress. The fee paid by the City for such representation is billed at the rate of \$75/hour up to a maximum of \$1,675 per case if the case does not go to trial or \$2,480 if the case goes to trial. We are requesting that a portion of the remaining funds from our 2019 budget be reappropriated into the same expense account for 2020.

Reason funds not expensed in 2019: Due to the complexity of and circumstances related to these cases, the Court has 59 outstanding cases with defense counsel appointments that started in 2019 and have not yet reached final disposition. Therefore, the assigned defense counsel will not be submitting bills to the Court until the case(s) have been concluded, sometime in the next few weeks/months.

## **Social Sustainability**

### **6) Affordable Housing Programs (AHF) - \$105,780**

Purpose for funds: The Affordable Housing Funds are allocated annually through the Competitive Process to support critical affordable housing needs in the City of Fort Collins. Because of the cyclical nature of housing development, funding may be either unallocated or unexpended during a program year. Pursuant to ordinance No. 28, 1994, any amounts appropriated by Council and not expended during the fiscal year should lapse into the Affordable Housing Reserve.

Reason funds not expensed in 2019: \$25,047 represents FY19 funding that was not allocated to an affordable housing project. \$10,434 represents unspent program support costs and \$70,299 represents funding that was previously committed to the Homebuyer Assistance Program but not yet contracted. The HBA funding cannot be contracted until individual homeowners make application to program for specific properties under contract. The balance of funds will be added to the Spring 2020 Competitive Process to be allocated to an eligible affordable housing project.

## **Environmental Services**

### **7) CAP Energy Policy - \$40,000 (plus an additional \$15,000 in Keep Fort Collins Great Fund (KFCG) totals \$55,000 for request)**

Purpose for funds: These resources support the development and deployment of Our Climate Future, a combined update to the Climate Action Plan, Energy Policy and Road to Zero Waste updates, which include an equity-centered planning process and outcomes. The funding will support consultants for the technical aspects of the planning process (\$40,000 General Fund) as well as additional community partners and plan ambassadors to support community engagement to be coordinated by the City of Fort Collins Communications & Public Involvement Office (\$15,000 KFCG).

Reason funds not expensed in 2019: Due to the equity-centered planning process, an additional phase was added to the planning process (entitled "Understanding Community Priorities"). This meant the 2019 focus was almost entirely on community engagement instead of securing the consultants needed to develop and analyze the plan's strategies. There

is an RFP out for the consultant team as well as additional recruitment are all underway. All funds are anticipated to be expended in 2020.

## **KEEP FORT COLLINS GREAT FUND**

### **Natural Areas**

#### **8) West Nile Virus - Efficacy Study- \$20,000**

Purpose for funds: The purpose of this offer is to improve understanding of the efficacy of adult mosquito control efforts in Fort Collins. The West Nile Virus (WNV) Technical Advisory Committee has identified a need for field studies to show the efficacy of adult mosquito treatments. Although the WNV program operates a robust trapping network, the timing of data collection contributes to variability in pre-treatment and post-treatment efficacy analysis. These funds would decrease the variability and improve understanding of the causal relation between treatment and vector index reduction.

Reason funds not expended in 2019: The Centers for Disease Control initiated preliminary pro-bono work on developing a treatment efficacy study in 2019. However, due to the impacts of a rain event on the single 2019 adult mosquito treatment event, the CDC could not generate sufficient data. If the 2020 CDC budget allows, CDC and the City will continue to work together to develop a study. If that is not possible, these funds will fund an efficacy study performed by a consultant.

### **Economic Health**

#### **9) Business Retention and Engagement- \$22,500**

Purpose for funds: These funds are intended for the Business Engagement Action Plan team development of Customer Service Training Tools and Innovation After Hours. Piloting a new Innovation After Hours focusing on workforce and highlighting local companies' best practices, as well as innovative ways of doing business.

Reason funds not expended in 2019: In 2019, City Manager's Office requested that the Customer Service initiative be reviewed at the City-organizational level instead of only at the business stakeholder level. Funds were not expended due to timing of onboarding a new PM. This approach allows for a holistic approach to customer service.

### **Environmental Services**

#### **10) CAP Energy Policy - \$15,000 (plus an additional \$40,000 in General Fund totals \$55,000 for request)**

Please see description in #7 under General Fund.

#### **11) Road to Zero Waste Plan Update- \$13,597**

Purpose for funds: These resources allow the Waste Reduction and Recycling program area to update the Road to Zero Waste (RtZW) plan in 2019/2020 as part of the Our Climate Future (OCF) planning process. OCF is a combined update to the Climate Action Plan, Energy Policy and Road to Zero Waste updates, which include an equity-centered planning process and outcomes. The Road to Zero Waste plan was originally adopted by City Council in 2013 and has been a foundational, strategic document for the Environmental Services Department, the organization, and the community. An evolution of the road map, including a review of interim Zero Waste goals, is needed to adapt priorities and strategies to changes that have occurred from the local level all the way to the global level.

Reason funds not expensed in 2019: Due to the equity-centered planning process, an additional phase was added to the planning process (entitled "Understanding Community Priorities"). This meant the 2019 focus was almost entirely on community engagement instead of securing the consultants needed to develop and analyze the plans' strategies. There is an RFP out for the consultant team as well as additional recruitment are all underway. All funds are anticipated to be expended in 2020.

## **CULTURAL SERVICES FUND**

### **Cultural Services**

#### **12) Lincoln Center Sustainable Performance Hall Lighting- \$171,498**

Purpose for funds: This offer will purchase energy-efficient LED lighting for the Lincoln Center Performance Hall. The new fixtures will reduce energy consumption by 75,000 kWh each year, reduce utility costs by \$12,000 per year, reduce the labor to replace lamps, and reduce electric greenhouse gas emissions by at least 66 tons each year. This offer replaces the Performance Hall's 47 house lights with LED lamps and data distribution and dimming for those units; and integrates house lights with the emergency lighting system, dramatically improving safety during any evacuation event. The existing system is inadequate and may not meet current code. Many existing bulbs in the performance hall are failing and need to be replaced on a regular basis, making this the ideal time to replace this existing system with a more cost-effective and environmentally sustainable LED lighting system.

Reason funds not expensed in 2019: Due to turnover in technical staff, Cultural Services did not have the expertise to complete the project in a timely and cost-effective manner. This was communicated to executive management in June, resulting in the decision to postpone the project until 2020.

## **TRANSPORTATION CAPITAL EXPANSION FEE FUND**

### **Engineering**

#### **13) Transportation Capital Expansion Fee Developer Reimbursements- \$1,750,000**

Purpose for funds: The purpose of this offer is to appropriate Transportation Capital Expansion Fee (TCEF) funds for the purpose of reimbursing development for the construction of eligible transportation related improvements. The TCEF Program will



frequently partner with development to construct arterial and collector level roadways adjacent to the development's frontage. After eligible improvements are accepted by the City, the TCEF program will reimburse the developer for these improvements. The TCEF Program anticipates several large reimbursements for 2020, including improvements associated with the following developments: The Crowne at Old Town North, Northfield, Waterfield Fourth, Mountains Edge, Taft Place, and the Standard. This offer will ensure the TCEF Program's ability to reimburse development for eligible improvements constructed in 2020.

Reason funds not expensed in 2019: The TCEF Program reimburses development for eligible improvements after they are constructed and accepted by the City. Several of the above-mentioned developments did not meet their anticipated 2019 completion dates and are now expecting to be completed in 2020. The TCEF Program is still responsible to reimburse these developments for eligible improvements. With these projects being delayed, TCEF funds budgeted for 2019 need to be re-appropriated to 2020 to accommodate the anticipated reimbursements.

## **TRANSPORATION FUND**

### **Streets**

#### **14) Hickory SMP- \$240,000**

Purpose for funds: Streets is requesting \$240,000 to be re-appropriated from the 2019 SMP budget to cover the costs of the Hickory Phase 2 project which was scheduled to be completed in 2019. Phase 2 includes overlay maintenance from the railroad tracks East to College Avenue.

Reason funds not expensed in 2019: Hickory Street Phase 2 was postponed because Utilities needs to complete work prior to the street maintenance work being completed. The utilities work will be completed in 2020, and the Streets department will be able to complete the project in 2020.

### **Traffic**

#### **15) Neighborhood Traffic Mitigation Program - \$50,000**

Purpose for funds: Traffic in neighborhoods can affect the quality of life for residents, bicycles, pedestrians as well as drivers. The Neighborhood Traffic Mitigation Program is a collaborative effort between neighborhoods and City staff to implement traffic calming options. Neighborhoods wanting to install speed bumps are required to complete a petition before construction can take place. Traffic is requesting \$50,000 to be re-appropriated from the 2019 budget to install speed bumps in several neighborhood.

Reason funds not expensed in 2019: Prior to speed bumps being installed, neighborhood consensus with super majority support is required. In the fall of 2019, several neighborhoods completed petitions, however there was not enough time to schedule and install the bumps

before the asphalt plants closed for the season. The streets are Stanford Road, Wabash Street, Caribou Drive and Creekwood Drive. That construction is now scheduled for 2020.

## **PARKING FUND**

### **Parking**

#### **16) Replacement Signage for Downtown - Flexible Parking Enforcement Hours - \$30,000**

Purpose for funds: Signage in the downtown area regarding timed public parking spaces needs updated to be consistent with messaging and to improve aesthetics to help improve the downtown experience. Prior to updating existing signage, Parking Services wanted to ensure that proper verbiage and messaging was aligned with long-term needs. Existing signage indicates hours of regulation, and in some signs/areas, days of regulation. By updating the downtown signage, it will provide the flexibility of enforcement to meet community needs, which is also supported by the Parking Advisory Board and the Downtown Business Association. Based on newer parking signs adjacent to the Firehouse Alley Parking Structure, on Chestnut Street, a similar design would support downtown needs and provide the flexibility to alter/update as necessary.

Reason funds not expensed in 2019: The reason the approved budget for the downtown signage was not spent in 2019 was because Parking Services wanted to ensure that the updated sign design in the downtown area would meet community needs for the longer-term. Inground sensors were installed in the downtown parking stalls to capture specific data sets, including occupancy, duration of stay, and parking space turnover. Parking Services had intended to use the parking sensor data collected over 2019 to inform a decision of the appropriate downtown signage. In lieu of data collection, Parking Services has begun conversations with community partners, the Parking Advisory Board, the Downtown Business Association, and the Downtown Development Authority. these funds will be spent in 2020.

## **DATA & COMMUNICATIONS FUND**

### **Information Technology (IT)**

#### **17) Electronic Plan Review - Phase Two - \$35,510**

Purpose for funds: The purpose of these funds is to continue the development and implementation of phase two of the Electronic Plan Review system for the Community Development and Neighborhood Services (CDNS) department as well as Utilities and City Partners including PFA. The funds will be utilized to support consulting services with True Point Solutions to assist IT and CDNS with system improvements and increased functionality to the existing Accela system, which includes configuration, scripting, report design and development, testing, and support. These improvements are intended to help better track and manage improved building permit processes. This phase of the project is anticipated to be completed by Q1 2020.

Reason funds not expensed in 2019: Phase two of this project was approved by City Council on October 1, 2019 via Ordinance #112. Per the Agenda Item Summary and Ordinance, this project was slated to go through Q1 of 2020. Therefore, it was anticipated that these funds would not be fully expensed by the end of 2019. The City has already encumbered the majority of the funding authorized by Ord #112 with True Point Solutions. The funds being requested are for any unanticipated ancillary support costs and/or work order items that may occur through scope changes as the project progresses.

#### **18) Electronic Record Search - \$103,000**

Purpose for funds: This request is to fund the purchase and implementation of an Electronic Record Search solution that will enable organizations across the City to collaborate effectively and efficiently when Open Records and other searches are requested. Open records requests are received throughout the City organization and at times require exhaustive searches of the records of many different departments in a strictly limited period of time. The primary departments that take the lead in coordinating and assisting with records searches for requests that touch on multiple departments are the City Clerk's Office, City Attorney's Office and Information Technology. It is anticipated that this system will assist departments throughout the City in complying with the statutory mandate to provide public records upon request by members of the public. This item was a priority at the time it was initially funded and continues to be critical to addressing an existing gap in the City's systems for identifying and producing requested records.

Reason funds not expensed in 2019: The original idea was to bring in a completely new tool to meet identified electronic search functionality goals and that run concurrently with the Document Management replacement system. Initially, a tool set within Office 365 was identified as a potential solution, however after further analysis, the solution would have required additional resources and process rewrite beyond the scope of the original intent. Shortly after this discovery, the project stalled due to IT bandwidth capacity issues for supporting higher priority, large scale projects. Recently in 2019, in light of staffing changes and further dialogue, the primary departments involved in this project intentionally delayed pursuing a procurement until early 2020 so that the future Chief Privacy Officer would have an opportunity to provide additional input in identifying the proper tool needed based on the Officer's recommended records management processes.

#### **19) Event Log and Performance Monitoring Tool- \$139,300**

Purpose for funds: This request would fund the procurement of an Event Log and Performance Monitoring Tool to quickly evaluate the City's IT systems to pinpoint operational inefficiencies and help detect cyber threats that can inhibit day-to-day City operations. The tool will also enhance the City's ability to monitor and provide a proactive response to infrastructure operations and incident resolution, quickly isolate and resolve issues, and avoid any potential downtime. Funds in this request will also support the need for professional services to assist in the implementation of this solution.

Reason funds not expensed in 2019: This project was slated to begin in the 3rd quarter of 2019. However, the Data Management team's resources were consumed with higher level, priority projects supporting Connexion and Light & Power, and there wasn't available

bandwidth to begin procuring this tool in 2019. These delays were reported in the quarterly Safe Strategy Map review sessions. The team has had opportunity for continued analysis of potential solutions and is targeting Q2 of 2020 to procure this tool with full implementation by Fall of 2020.

## **20) Network Switch Replacements- \$178,615**

Purpose for funds: The funds for this reappropriation request will fund the procurement and professional services needed to replace two core switches along with two other switches that are reaching their end-of-life cycle in July 2020. This infrastructure equipment is critical in nature in that it connects to the eight individual fiber rings that supports the City's entire network system. The professional services needed for this replacement includes the discovery, configuration, implementation, and testing of the cores as this is projected to be a three-month replacement project.

Reason funds not expensed in 2019: In mid-2019, Information Technology staff began the evaluation of replacing the core switches one year before lifecycle expiration. This included multiple discussions with professional services and presentations on potential solutions to replace the switches. During this same timeframe, a transition of City Network responsibilities from IT to the Connexion team was being identified and determined. The timing of the final transition did not leave adequate time for Connexion to evaluate IT's solution proposal to assess if the proposal would fit within Connexion's network architecture plans. In light of the timing of the lifecycle deadline, critical nature of these switches, and other competing priorities, professional services funding needs to be carried into 2020 to complete the replacement of these switches.

## **21) SharePoint Online - \$20,290**

Purpose for funds: Funding this offer will enable the continuation of the planning, migration and implementation of the SharePoint Online collaboration software included with the Office 365 plan which includes Outlook, Word, Excel, PowerPoint, Publisher, OneNote, OneDrive, MS Teams, and SharePoint Online. Several of the Microsoft products utilize the SharePoint Online platform for collaboration, task/project management and storage, and in some cases, cannot function without SharePoint. This tool will enhance and standardize processes to increase efficiency and reduce costs as expected by City Leaders, staff, and residents.

Reason funds not expensed in 2019: Through 2019, the internal team responsible for this project engaged in the planning foundations, contracted with a vendor, analyzed the infrastructure to help develop standards and templates, priority sites for migration were identified, and the team deployed MS Teams with accompanying training currently ongoing into 2020. However, the project experienced intermittent delays over the course of the year due to higher priority project commitments by team members. These delays were reported in the quarterly HPG Strategy Map review sessions. Despite these delays, particular elements and milestones of this project were accomplished. At present, a test migration is scheduled for mid-February and the project team is targeting Q2 of 2020 for full deployment of the SharePoint implementation.

## **FINANCIAL/ECONOMIC IMPACTS**

This Ordinance increases 2020 appropriations by \$3,047,318. A total of \$258,008 is requested for reappropriation in the General Fund, \$71,097 from the Keep Fort Collins Great Fund, and \$2,718,213 is requested from various other City funds. Of those other funds, the majority is \$1,750,000 in the Transportation Capital Expansion Fee Fund. Reappropriation requests represent amounts budgeted in 2019 that could not be encumbered at year-end. The appropriations are from 2019 prior year reserves.

## **ATTACHMENTS**

PowerPoint presentation



City of  
**Fort Collins**  
**215**  
**N. Mason**

## 2020 Reappropriation Ordinance

Feb 24, 2020

Lawrence Pollack, Budget Director



## What qualifies for Reappropriation?

- Funds that were originally appropriated in 2019 for a specific purpose but were not fully expensed or encumbered by the end of the fiscal year
- Appropriate the funds from 2019 reserves into the 2020 budget for the same specific uses that were originally proposed and approved for 2019
- The executive team reviewed the reappropriation requests and concluded that all 2020 reappropriation items submitted were still high priorities to be completed

## 2020 Reappropriation Summary

### Amount by Fund being requested for Reappropriation:

General Fund	\$258,008
Keep Fort Collins Great Fund	71,097
Cultural Services Fund	171,498
Transportation CEF Fund	1,750,000
Transportation Fund	290,000
Parking Fund	30,000
Data and Communications Fund	476,715
Total	<hr/> \$3,047,318



# Reappropriation by Fund

## GENERAL FUND:

#	Department	Request Name	Amount
1	Natural Areas	Response to the Northern Integrated Supply Project (NISP)	\$24,478
2	City Clerk's Office	Continued Population of Ordinance Repository	10,000
3	City Clerk's Office	Boards and Commissions Software/Enhancements	9,000
4	City Manager's Office	Emergency Preparedness and Security	50,000
5	Municipal Court	Municipal Court: Court-Appointed Defense Counsel Funding	18,750
6	Social Sustainability	Affordable Housing Programs (AHF)	105,780
7	Environmental Services	CAP Energy Policy	40,000
<b>GENERAL FUND TOTAL</b>			<b>\$258,008</b>

## KEEP FORT COLLINS GREAT FUND:

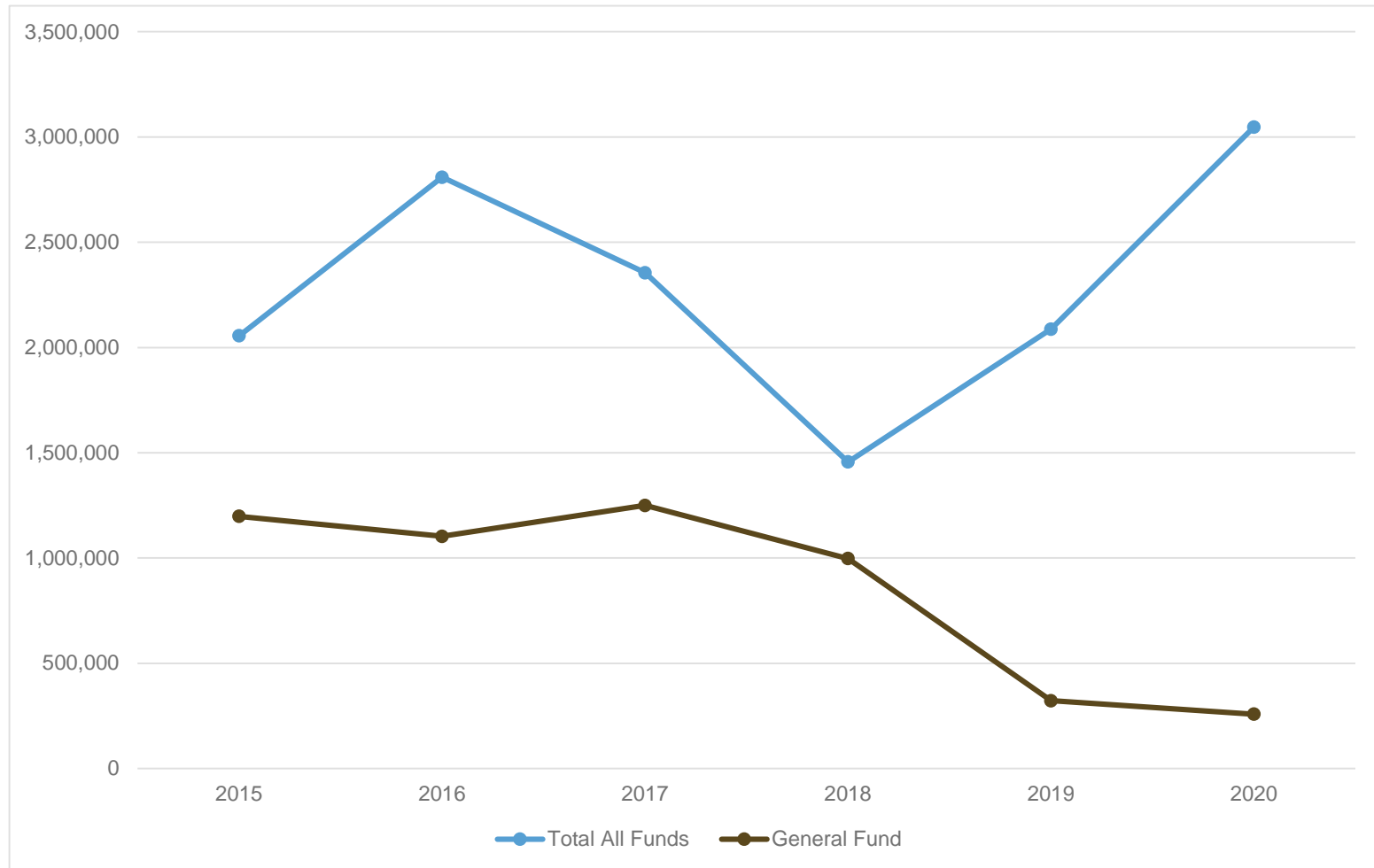
#	Department	Request Name	Amount
8	Natural Areas	West Nile Virus - Efficacy Study	\$20,000
9	Economic Health Office	BR&E Business Engagment	22,500
10	Environmental Services	CAP Energy Policy	15,000
11	Environmental Services	Road to Zero Waste Plan Update	13,597
<b>KEEP FORT COLLINS GREAT FUND TOTAL</b>			<b>\$71,097</b>

# Reappropriation by Fund

## OTHER FUNDS:

#	Department	Request Name	Amount
12	Cultural Services	Lincoln Center Sustainable Performance Hall Lighting	\$171,498
13	Engineering	Transportation Capital Expansion Fee Developer Reimbursements	\$1,750,000
14	Streets	Hickory SMP	240,000
15	Traffic	Neighborhood Traffic Mitigation Program	50,000
16	Parking	Replacement Signage for Downtown- Flexible Parking Enforcement Hours	30,000
17	Information Technology	Electronic Plan Review - Phase Two	35,510
18	Information Technology	Electronic Record Search	103,000
19	Information Technology	Event Log & Performance Monitoring Tool	139,300
20	Information Technology	IT Network Switch Replacements	178,615
21	Information Technology	SharePoint Online	20,290
<b>OTHER FUNDS TOTAL</b>			<b>\$2,718,213</b>
<b>GRAND TOTAL</b>			<b><u>\$3,047,318</u></b>

# Historic Reappropriation Ordinances



## **Guidance Requested:**

- 1) CFC feedback on the Reappropriation requests being presented
- 2) CFC direction on putting Reappropriation on the Consent Agenda of the March 3<sup>rd</sup> City Council meeting