



Finance Administration
215 N. Mason
2nd Floor
PO Box 580
Fort Collins, CO 80522
970.221.6788
970.221.6782 - fax
fcgov.com

AGENDA
Council Finance & Audit Committee
March 2, 2023
4:00 - 6:00 pm
Zoom Meeting <https://zoom.us/j/8140111859>

Approval of Minutes from the February 2, 2023, Council Finance Committee meeting.

- | | |
|---|-------------------------|
| 1. Utility Billing System Appropriation | G. Stanford
L. Smith |
| Presentation: | 20 mins. |
| Discussion: | 20 mins. |
| 2. Connexion - Capital Management | B. Dunn
C. Crager |
| Presentation: | 10 mins. |
| Discussion: | 20 mins. |
| 3. Annual Reappropriation Ordinance | L. Pollack |
| Presentation: | 10 mins. |
| Discussion: | 10 mins. |

Council Finance Committee
2023 Agenda Planning Calendar
 RVSD 2/21/23 ck

March 2nd	2023		
	Utility Billing System Appropriation	40 min	G. Stanford L. Smith
	Connexion – Capital Management	30 min	B. Dunn
	Annual Reappropriation Ordinance	20 min	L. Pollack

April 6th	2023		
	Sustainable Revenue - Climate		H. Depew
	Sustainable Revenue - Approach to Ballot		G. Sawyer T. Storin
	Potential County Childcare Tax		TBD
	West Elizabeth Appropriation Request		M. Martinez

May 4th	2023		
	Auditor RFP Process	30 min	B. Dunn
	Encampment Clean-up	20 min	R. Venkatesh M. Yoder

June 1st	2023		
	Sustainable Timberline Recycling Center	TBD	M. Saylor

August 7th or August 16th (in person - 4-7:30 pm)
 Auditor Interviews (B. Dunn)

September 7th
 Annual Adjustment Ordinance (20 mins. L. Pollack)
 2024 Budget Revisions (45 mins. L. Pollack)



Council Finance Committee Meeting
February 2, 2023
Via Zoom

Council Attendees: Julie Pignataro, Emily Francis, Kelly Ohlson, Shirley Peel

Staff: Kelly DiMartino, Travis Storin, Tyler Marr, John Duval, Teresa, Roche, Terri Runyan, Ginny Sawyer, Sylvia Tatman-Burruss, Megan Valliere, Jen Poznanovic, Nina Bodenhamer, Blaine Dunn, Jo Cech, Randy Bailey, Renee Reeves, Gerry Paul, Lawrence Pollack, Dave Lenz, Sheena Freve, Josh Birks, Javier Echeverria Diaz, Rachel Rogers, Lindsay, Ex, Caroline Mitchell, Beth Rosen, Kira Beckham, Honore Depew, Dean Klingner, Victoria Shaw, Mike Calhoon, LeAnn Williams, Aaron Harris, Monica Martinez, Ian Smith, Kaley Zeisel, Drew Brooks, Dave Lenz, Kerri Ishmael, Sheena Freve, Zack Mozer, Tracy Ochsner, Erik Martin, Brian Hergott, Jeff Rochford, Carolyn Koontz

Others: Jason Licon, Airport Director
Wade Troxell
Kirk Scramstad, Mark Houdashelt
Pat Ferrier, Coloradoan

Meeting called to order at 4:00 pm

Approval of minutes from the January 5, 2023, Council Finance Committee Meeting. Emily Francis moved for approval of the minutes as presented Kelly Ohlson seconded the motion. Minutes were approved unanimously via roll call by; Julie Pignataro, Kelly Ohlson and Emily Francis.

A. Sustainable Revenue / CCIP

Ginny Sawyer, Sr. Project Manager
Jen Poznanovic, Sr. Revenue Manager

EXECUTIVE SUMMARY

The purpose of this item is to seek Council Finance Committee direction on timing and what, if any, item(s) to consider for referral to the November 2023 ballot.

Should CFC recommend bringing a revenue option in November 2023, staff suggests focusing on an additional tax on marijuana, alcohol, and tobacco. Revenue from this option is estimated at an amount that could cover the existing Parks and Recreation gap that focuses on maintaining current assets and infrastructure.

Also of note, staff is currently focusing on a November 2024 election to bring forward the Street Maintenance renewal and the Community Capital Renewal.

GENERAL DIRECTION SOUGHT AND SPECIFIC QUESTIONS TO BE ANSWERED

1. Does Council Finance support bringing a revenue question to the voters in November 2023?
2. If yes, what type of revenue increase option does Council Finance recommend?
3. Does Council Finance support pursuing the two ¼ cent renewals in November 2024?

BACKGROUND/DISCUSSION

Over the past several years, masterplan developments and updates have identified clear funding needs in the areas of parks and recreation, transit, and housing. Along with these needs the criticality of advancing City climate action goals has also been identified as an area of need. Original estimated annual shortfalls ranged from six to twelve million per area.

When conversations were first initiated, funding needs included:

- Parks & Recreation - \$8 to \$12M annual shortfall (Parks & Recreation Master Plan)
- Transit - \$8M to \$10M annual shortfall (Transit Master Plan)
- Housing - \$8M to \$9.5M annual shortfall (Housing Strategic Plan)
- Climate - \$6M+ annual shortfall (Our Climate Future Plan)

Throughout 2022, staff has worked with the Council Finance Committee (CFC) to refine and better articulate the needs and what additional funding would accomplish. CFC discussions have also focused on potential funding mechanisms and the impacts and implications of various strategies.

Discussions and feedback to date have highlighted a desire to:

- Clearly define and articulate revenue needs and level of service considerations.
- Thoroughly research funding options including impacts and the context of existing and potential new tax measures (local and regionally.)
- Work to keep overall resident impact and tax burden as low as possible.
- Consider existing dedicated tax renewals and associated election timelines in a strategic manner.

These considerations were also supported by the full Council at the April 12, 2022, work session.

Funding Gaps

Since April, staff has engaged with CFC in June, September, and November to clarify funding needs. These efforts have resulted in updates to the funding gaps (see below) and more focused funding strategies.

- Transit from \$8-\$10 to \$14.7M
- Climate from \$6M to \$9.5M

With total annual shortfalls ranging from \$30-\$40 million discussions have focused on understanding priorities in each area and how additional money would be spent.

Parks and Recreation needs are in operations and maintenance and infrastructure replacement. Additional funding is needed to maintain existing assets and to stay current with community needs and trends.

Transit funding needs have been identified to build out the transit system to the 2040 vision. Shorter term needs would focus on capital investments and increased frequencies. Longer term funding would focus on local grant matches for larger projects.

Fort Collins **Housing** goals call for increasing affordable housing stock to 10% total. Additional funding could be utilized in a variety of ways including expanding the competitive funding process and/or expanding and initiating City-led efforts.

The **Climate Action** focus would be on reduction strategies identified in Our Climate Future Big Moves.

Through discussion and analysis at CFC and Council work sessions, sales tax, property tax and excise/additional sales taxes have emerged as the most feasible mechanisms. The table below demonstrates the potential revenue gain along with estimated annual impact to residents. Capital expansion fees are listed and is something staff will pursue during the Fee Study in 2023.

Category	Funding Mechanism	Annual Revenue Estimate	Household Impact
Sales Tax	¼-Cent Sales Tax (dedicated, ongoing or repurpose)	\$9M+	<ul style="list-style-type: none"> \$30.67 average per year for a resident Sales tax on food would remain at 2.25% Visitors also impacted
Property Tax	1 Mill Property Tax	\$3.5M	<ul style="list-style-type: none"> Residential annual increase of \$21.45 Commercial annual increase of \$87.00
	2 Mill Property Tax	\$7M+	<ul style="list-style-type: none"> Residential annual increase of \$42.90 Commercial annual increase of \$174.00
	3 Mill Property Tax	\$11M+	<ul style="list-style-type: none"> Residential annual increase of \$64.35 Commercial annual increase of \$261.00
	4 Mill Property Tax	\$14.5M+	<ul style="list-style-type: none"> Residential annual increase of \$85.80 Commercial annual increase of \$348.00
	5 Mill Property Tax	\$18M+	<ul style="list-style-type: none"> Residential annual increase of \$107.25 Commercial annual increase of \$435.00
Additional (Excise) Sales Tax	5% Tax on Specific Goods	\$5M	<ul style="list-style-type: none"> \$5 per \$100 purchase in Fort Collins Visitors also impacted
Capital Expansion Fee	Reconfigure/Broaden Application	\$2M	<ul style="list-style-type: none"> Net neutral for residential and commercial permit fees

Sales Tax: Sales tax has been the most traditional revenue source for the City. Our base rate is currently 2.85%. There are four dedicated ¼ cent taxes. These taxes are paid on any purchase made within the city. Requires voter approval. (Groceries taxed at 2.25%).

Property Tax: Since 1992, the City has collected 9.797 mills of property tax which equates to 10.5% of a Fort Collins property owners total annual property tax. Below is the breakdown of what a Fort Collins property owner pays in property tax.

Poudre Fire Authority gets 67% of the City's portion (approx. 6 of the City's 9 mills) of property tax amount through an intergovernmental agreement. Requires voter approval.

Additional Sales Tax: An additional sales tax is an additional sales tax on the purchase price to the end customer. For consideration in these discussions, staff has estimated additional tax revenue using an additional 3% and 5% tax on marijuana, alcohol and tobacco.

Numerous other municipalities across Colorado have an additional tax on marijuana and have not experienced negative impacts. Police Services has found that “gray/black” market marijuana activity in Fort Collins is focused on transport out of state, not on sales and availability to residents or minors. Police Services is reporting an uptick in underage sales of tobacco.

An additional sales tax would require voter approval.

Excise Tax: An excise tax is a tax on specific goods or services paid by the businesses. Fort Collins currently has a liquor occupation excise tax.

Staff is also researching excise tax mechanisms to generate revenue and change behavior in natural gas use. Staff plans to discuss a natural gas excise tax and a large emitter tax with Council Finance Committee in May of 2023.

Any excise tax would require voter approval.

Funding Scenarios

Achieving additional funding will likely be a phased effort that lessens the funding gaps incrementally over time. Knowing this, and through CFC conversations, demonstration scenarios target pursuing new revenue in a \$25M range.

The scenarios presented are not intended to be final or recommended options. They are intended to demonstrate the flexibility and variable means and ways to add additional revenue to cover the identified gaps.

The two scenarios include anticipated impacts to a household of three and range from \$156 annually to \$107 annually. The models focus on property tax, sales tax, and excise tax.

Staff has also calculated the impact to 3-person households at both 50 and 80% AMI and found the lowest impact to be 0.14% of total annual income to 0.32% at the high end.

Scenario A: 4.1% sales tax/estimated \$156 annual cost to a 3-person household.

Category	Funding Mechanism	Annual Revenue Estimate	Stakeholder Impact
Sales Tax	New ¼-Cent Sales Tax	\$9M+	<ul style="list-style-type: none"> \$30.67 average per year for a resident Sales tax on food would remain at 2.25%
Property Tax	3 Mill Property Tax	\$11M+	<ul style="list-style-type: none"> Residential annual increase of \$64.35 Commercial annual increase of \$261.00
Additional (Excise) Sales Tax	3% Tax on Alcohol	\$2M+	<ul style="list-style-type: none"> \$2 per \$100 purchase in Fort Collins Visitors also impacted
Additional (Excise) Sales Tax	3% Tax on Retail Marijuana	\$3M	<ul style="list-style-type: none"> \$3 per \$100 purchase in Fort Collins Visitors also impacted
Additional (Excise) Sales Tax	3% Tax on Tobacco	\$1M	<ul style="list-style-type: none"> \$1 per \$100 purchase in Fort Collins Visitors also impacted
Total	Sales Tax 4.1%	\$25M+	<ul style="list-style-type: none"> \$156 net annual increase per household* + impact of excise tax

*Assumes a family of three

Scenario B: 3.85% sales tax (no increase). Higher property tax and impact to homeowners.

Follow up on Taxes and State Sharebacks from December Council Work Session:

Below are the current total retail sales tax rates on alcohol, tobacco, and marijuana in Fort Collins:

Taxing Authority	Cigarettes	Other Tobacco	Alcohol	Marijuana
State (Excise)	\$1.94 (per pack)	-	-	-
State	2.90%	2.90%	2.90%	15.00%
County	0.0%	0.80%	0.80%	0.80%
City	3.85%	3.85%	3.85%	3.85%
Total	6.75% + excise tax	7.55%	7.55%	19.65%

The City has a liquor occupation excise tax and had two state sharebacks until June 2022. The City receives a monthly state marijuana tax shareback and opted out of the tobacco tax shareback in June 2022. Previously the city exempted tax on cigarettes but now taxes cigarettes at the City's 3.85% rate.

CITY LIQUOR OCCUPATION TAX*		STATE CIGARETTE TAX SHAREBACK		STATE MARIJUANA TAX SHAREBACK	
Year	Revenue	Year	Shareback	Year	Shareback
2019	\$474K	2019	\$282K	2019	\$1.1M
2020	\$392K	2020	\$300K	2020	\$1.4M
2021	\$400K	2021	\$342K	2021	\$1.5M
2022	\$495K	2022**	\$196K	2022	\$1.3M

*This tax is paid by the business annually based on the type of alcohol served

**The City opted out in June 2022

Election Timeline Considerations

Per the recent ballot initiative, City elections will now be in November. Ballot referral would likely need to happen in August.

Tabor initiatives cannot be considered during special elections.

Street Maintenance and Community Capital Taxes expire December 31, 2025. November 2024 and November 2025 are two opportunities for renewal.


CITY LIQUOR OCCUPATION TAX*		STATE CIGARETTE TAX SHAREBACK		STATE MARIJUANA TAX SHAREBACK	
Year	Revenue	Year	Shareback	Year	Shareback
2019	\$474K	2019	\$282K	2019	\$1.1M
2020	\$392K	2020	\$300K	2020	\$1.4M
2021	\$400K	2021	\$342K	2021	\$1.5M
2022	\$495K	2022**	\$196K	2022	\$1.3M

GENERAL DIRECTION SOUGHT AND SPECIFIC QUESTIONS TO BE ANSWERED

1. Does Council Finance support bringing a revenue question to the voters in November 2023?
2. If yes, what type of revenue increase option does Council Finance recommend?
3. Does Council Finance support pursuing the two ¼ cent renewals in November 2024?

DISCUSSION / NEXT STEPS

Emily Francis; why are the amounts different on \$100 if they are all 5%
(see slide 10 and 7 below)


Scenario B: \$29M+
10

Category	Funding Mechanism	Annual Revenue Estimate	Stakeholder Impact
Property Tax	5 Mill Property Tax	\$18M+	<ul style="list-style-type: none"> Residential annual increase of \$107.25 Commercial annual increase of \$435.00
Additional (Excise) Sales Tax	5% Tax on Alcohol	\$4M+	<ul style="list-style-type: none"> \$4 per \$100 purchase in Fort Collins Visitors also impacted
Additional (Excise) Sales Tax	5% Tax on Retail Marijuana	\$5M	<ul style="list-style-type: none"> \$5 per \$100 purchase in Fort Collins Visitors also impacted
Additional (Excise) Sales Tax	5% Tax on Tobacco	\$2M	<ul style="list-style-type: none"> \$2 per \$100 purchase in Fort Collins Visitors also impacted
Total	Sales Tax 3.85%	\$29M+	<ul style="list-style-type: none"> \$107.25 net annual increase per household* + impact of excise tax

IMPACT FOR A HOUSEHOLD OF THREE:

- 0.22% increase at 50% Area Median Income
- 0.14% increase at 80% Area Median Income

*Assumes a household of three

ADDITIONAL SALES TAX

- An additional sales tax on the purchase price to the end customer
- Estimates below:

Tax Type	Additional 3%	Additional 5%
Alcohol*	\$2M+	\$4M+
Marijuana	\$3M	\$5M
Tobacco	\$1M	\$2M

*Liquor store estimate only

EXCISE TAX

- Excise tax on the distributor
- Natural gas excise tax discussion
 - May CFC

Travis Storin; you are correct – numbers were transposed between slides 7 and 10(see above0

Emily Francis; would the new proposed alcohol sales tax apply to grocery stores as well?

Ginny Sawyer: we could do that in grocery stores easily

Emily Francis; does our Transit funding include multimodal?

Travis Storin; I don't believe so – this has been focused around bus rapid transit – fixed route network.

Drew Brooks; what we have been proposing so far in the transit discussion has only been around transit itself (buses) and bus service. There are some aspects of that buildout of the Transit Master Plan that would result in some active modes improvements, for instance the West Elizabeth corridor is a full rebuild of that corridor that would include protected bike lanes and improvements to sidewalks

ACTION ITEM:

Emily Francis; great clarification – thank you. Do we know what the gap in funding is for our Active Modes Plan?

Drew Brooks will get that information to Emly as a follow-up

Emily Francis; if we did another capital improvement tax - what projects would be in there?

Ginny Sawyer; that is part of the reason we are looking at November 2024, we definitely need some time to develop that. Certainly some things that we would consider traditional; a lot are transit related, bike / pedestrian related. We also try to get some amenities in there. We have started pulling a team together

internally to start shaping at a high level (a community choice and Council choice), but at least getting some of the options together. We will be bringing that back to Council Finance yet this year.

Travis Storin; I think last time that was a 16-month window around planning and engagement. That suite of programs from the capital tax is thoroughly vetted and does take quite a bit of time.

Emily Francis; I noticed that both scenarios presented have higher impacts on lower income residents.

Ginny Sawyer; I think anything we do is going to have a higher impact on lower income residents when we look at gaining revenue in a taxing space. There are ways to work through our existing rebate programs which are already in place. If we add to taxes, we could also add to a rebate piece.

Emily Francis; I would support bringing something in November 2023. We do need to talk more about why was Parks & Recreation was elected for 2023. I know we have some immediate needs identified for Parks & Recreation and we have other options in our other three priority areas. In looking at the pros and cons of which one to bring forward, know what the trade-offs are would be helpful. I know we have limited time, but that would be a good session to have.

Ginny Sawyer; we should do that sooner because you are right, the limited time is a very real thing. Bringing the community along to get behind and be supportive and to understand how that will go forward. With needing ballot language by August, time is of the essence but, we can certainly have that conversation.

Travis Storin; We would be happy to describe here today, the rationale the staff had. I know that there are community residents supportive of all priorities or particular concentrations of the priorities who are disappointed with the proposed sequencing but have respect for the fact that ultimately it is the Council's decision on what we do here. You have satisfied our first question on whether to go forward with something in 2023. I am happy to provide context now or as we go through the items.

Emily Francis; I feel like there are a lot of trade-offs and benefits to all of them. I don't feel like I have enough information to give any direction.

Julie Pignataro; I agree and that was my question as well, why Parks & Recreation was prioritized. We all know there are issues and trade-offs, and I would love to hear why staff thought that was the best way to go.

Travis Storin; we treated the renewals as something of an anchor that the others initiatives are sort of responding around. For us, 2024 made a lot of sense as it still allows for two chances in 2024 and 2025, should the voters not approve the renewals in 2024. It became a question for us around 2023 and 2025. In addition to what Ginny mentioned around the currently provided services and the amenities that are reaching a state of disrepair. For us, it came down to two equally important things;

- 1) Ballots – which comes down to odds and probabilities. We have reason to believe that given the success in other communities, taxation on marijuana and other substances mentioned have a pretty decent chance a good of successes.
- 2) As it related to using those funds on parks, we were assessing all 4 priority areas that are each part of Council's 31 adopted priorities. When we talk about affordable housing, transit and climate, we know that there are some really powerful policy levers, and current resourcing levels that are helping to reach the goals around 2030. In the case of climate, we know that much of our results will be driven by Utilities and

the dialogue around anticipated rates increases through Platt River Power Authority in order to achieve those goals, knowing that is not the entirety of the resourcing needed for our climate future. We are at least assured of some level of progress and a reasonable chance of success at 80% GRG reduction by 2030.

In the case of Affordable Housing, that is where the powerful policy levers existed, whether that is the land development code or occupancy or the many things we have talked about with Council through the Affordable Housing Strategic Plan that are not necessarily resource dependent (as helpful as the resources may be) we are assured of some level of progress within the next 7-10 years.

On Transit, we have these federal funding opportunities, that are not necessarily as available or widespread across the other three categories.

From the staff perspective, Parks & Recreation is the one that is existing in a largely un resourced state and lacks either the current resourcing or the heavy hitting policy levers to advance those. So, those are the two factors in our rationale; 1) probabilities of ballot success and 2) the other avenues of progress toward the other three priorities.

Ginny Sawyer; we do acknowledge there are trade-offs, one being finding the matching dollars for those transit grants, that is a very real thing. We are acknowledging that and having those conversations. Knowing what the gaps are across, knowing that we have renewals, I think leads to – that we need to run something this November and that is right away. People love our Parks & Recreation. These taxes on marijuana, tobacco and alcohol are pretty favorable if you look across the landscape and so it felt doable.

Kelly DiMartino; one things to add, we talked one, this is an explicitly stated Council priority that we think is aligned well with your conversations around that asset management gap that we are trying to address. From a vetting perspective, we know that is one that has been multi-year conversations with Parks & Recreation Board and some of that community advocacy piece so there were some other considerations in addition to what Travis and Ginny have outlined.

Julie Pignataro; I hear you that was one priority, but I see 14 or 15 that have to do with the other ones. I also hear that you are looking at matching grants that would be available in further years. Is that what you are saying as a reason to put it off?

Ginny-Sawyer; I was just calling that out as a straight up trade-off. That is a risk.

Julie Pignataro; It is hard because I love all of those things as do a lot of people. All of these are so important. Frankly, I am tired of putting off climate, very tired of putting off climate. I know we have bigger problems with the parks where we are talking about how we are going to continue O&M, but, I am not feeling strong that we have that answer. I see what you are saying the anchoring of the renewals which made perfect sense but it makes the trade-off even more extreme which I am trying to wrap my head around. Is it possible to break those three things up? We have talked about having climate, affordable housing, and transit in a package.

Ginny Sawyer; that is doable. If we look at these estimated dollar amounts. Let's just say 5% on those things is about \$10M. We can divvy that up and put it in different places. There is always that prerogative. We could put it in the General Fund and put it through priorities and BFO offers because that becomes a bit of a harder sell to the public and probably disappointing to Parks & Recreation, who has been raising this warning flag for years. We can do whatever we want and what the community supports.

Julie Pignataro; that is what I love about putting things on the ballot – the immediate feedback that you get. I personally, if it is possible, would not object to having both Parks & Recreation and the Climate portfolio in 2023.

Ginny Sawyer; are you talking only with the proposed additional taxes or are you suggesting we run a property tax as well?

Julie Pignataro; I still need to suss that out. I am still in the baby steps part of figuring out when to put things on the ballot.

Ginny Sawyer; what we don't want to do – I appreciate that a ballot is immediate feedback but there are ripple effects if you don't win too. It's hard to say ok, what about this one then and we only get an annual chance at that now. We want to be really confident and bring the community along and build that story of here is what you are going to get for these dollars. That is what we have built our reputation on with these taxes. We want to be cautious and conscientious of that.

Travis Storin; we have been working with partners over at the County, and it is looking increasingly likely that all of the work that has gone into a childcare tax could come back this November as well in the form of a ¼ cent. Somewhat speculative but seems likely that we will have another local entity on the ballot as well. I know the school district has on going challenges as well – in the future looking at their own funding structures.

Emily Pignataro; just to clarify - can you use sales tax to match grants for the transit?

Ginny Sawyer; yes

Emily Francis; in the past, has our CI tax been used for parks?

Ginny Sawyer; yes, it has been used for some things in parks. Mike Calhoon concurs.

Emily Francis; I know people love Parks & Recreation, but I hear most frequently is about climate and housing. I feel like we continue to put it off. If they were on the same ballot, it doesn't compute with me that they are different taxes.

Ginny Sawyer; We haven't done a Mil since the 90's

Emily Francis; I think there is support for doing two things at the same time.

Kelly Ohlson; this is one of the biggest and most complex things we do. clarifying question; on the alcohol tax, it said liquor store estimates only – what about non-restaurant alcohol sales grocery stores? We must do both to be fair. I sense the days of automatic voter approval of taxes may be coming to an end.

Category	Funding Mechanism	Annual Revenue Estimate	Stakeholder Impact
Property Tax	5 Mill Property Tax	\$18M+	<ul style="list-style-type: none"> Residential annual increase of \$107.25 Commercial annual increase of \$435.00
Additional (Excise) Sales Tax	5% Tax on Alcohol	\$4M+	<ul style="list-style-type: none"> \$4 per \$100 purchase in Fort Collins Visitors also impacted
Additional (Excise) Sales Tax	5% Tax on Retail Marijuana	\$5M	<ul style="list-style-type: none"> \$5 per \$100 purchase in Fort Collins Visitors also impacted
Additional (Excise) Sales Tax	5% Tax on Tobacco	\$2M	<ul style="list-style-type: none"> \$2 per \$100 purchase in Fort Collins Visitors also impacted
Total	Sales Tax 3.85%	\$29M+	<ul style="list-style-type: none"> \$107.25 net annual increase per household* + impact of excise tax

IMPACT FOR A HOUSEHOLD OF THREE:

- **0.22%** increase at 50% Area Median Income
- **0.14%** increase at 80% Area Median Income

*Assumes a household of three

Slide 10 Scenario B (see above)

I am not for a ¼ cent sales tax – all taxes are somewhat regressive for lower income folks.

A property tax increase is less regressive than another ¼ cent. If it raises \$29M and the number for parks is \$15M or so, what is the other \$14M going to?

Ginny Sawyer; when we did these scenarios, we were trying to capture the gaps identified across parks, housing, climate and transit. These slides were meant to refresh what we have talked about, covering all of the gaps, knowing it would likely be a phased approach. We don't think we can go to the voters all at once to get \$29M. These scenarios showed ways we could approach the revenue gaps across all four areas – and across what could be 3 or more ballots.

Kelly Ohlson; so, the 5% on alcohol, tobacco and marijuana to raise in the neighborhood of \$ 11M as one option. I am not in favor any of them. If I was going to support anything, which is extremely unlikely, it would be the alcohol, tobacco, marijuana thing and a property tax increase. I think we have declared a climate emergency. Have we declared a Parks & Recreation emergency? Parks & Recreation is in need of money, if I was going to support anything I would support that as well. I support the climate thing along with the other committee members that perhaps we need to aim high. I am assuming the question on alcohol, marijuana and tobacco could be one question and then the property tax increase would be a second question Do the alcohol tobacco and marijuana need to be separate ballot questions?

John Duval; the property tax would have to be a separate ballot item. The tax on alcohol, tobacco and marijuana could be a single item or separately.

Kelly Ohlson; it is almost unpredictable, sometimes almost everything passes, sometimes almost everything fails and sometimes it is a mix. About 95% city measures have passed.

By and large, city things pass much more often. You can have a bunch of things on there, if you think they are worthy and you sell it well (in an absolutely ethical, moral and legal way).

This is the really hard part for me. I helped the city raise over \$1B in taxes that didn't exist before I got involved. In good conscience, I cannot support additional tax dollars for an organization when I so fundamentally disagree on the major issues of the day. Not no brainer 7-0 issues, of the action and inactions of the land use code, the slow and weakened oil & gas regulations and 1041 regulations, Rental Registration & Licensing, Land Use, U+2, minimum wage. I am not interested in feeding the beast. I will contribute my thoughts, but I won't be supporting putting anything on the ballot and won't be supporting it once it is on the ballot.

Julie Pignataro; Kelly I appreciate you bringing those things up but I won't speak for other councilmembers but I see what is happening a little differently. Previous Councils used agenda setting and keeping things off of the agenda or postponing as a way to permanently table things. The things I have voted to postpone have been because I needed more data to know if we are improving or causing more problems. I am looking forward to minimum wage and rental registration coming back. I have a listening session scheduled that is specifically targeted for renters in District 2 because we are not getting to these people. I am looking forward to coming back to these things with more information to make more informed decisions. As you have said Kelly, 'different opinions make for a better product in the end.'

Ginny Sawyer; I would say is we are going to look at bringing something in November which means we need to light a fire under what that would be. We will go back and look at what we can do with \$10M, if it is tobacco, marijuana and alcohol across the priority areas and maybe even just in the climate area and see what that looks like. What impact it could make.

B. Airport Terminal Project

Travis Storin, CFO

Jason Licon, Airport Director

EXECUTIVE SUMMARY

The purpose of this item is to seek Council Finance Committee direction on the contractual conditions associated with a proposed capital contribution to the Airport.

GENERAL DIRECTION SOUGHT AND SPECIFIC QUESTIONS TO BE ANSWERED

1. Does Council Finance support bringing an appropriation to Council
2. If yes, which performance indicators or gates would the Committee recommend pursuing as a condition of the capital contribution?

BACKGROUND/DISCUSSION

The Fort Collins Loveland Airport is seeking additional funding to complete their total need for the \$27M project of a new terminal facility. This new terminal will replace the inadequate, temporary facilities used for growing multi-modal transportation segment, charters, and future airline services. The new terminal will include two airline gates, Denver Airport transportation, and transit access. The total cost of the project is being funded by Federal Funds (\$23M), Airport Capital Reserves (\$2M), City of Loveland contribution (\$1M), and seeking a City of Fort Collins Contribution of (\$1M). This will give the project the total needed to complete the work.

At the January Council Finance meeting, Committee members directed staff to identify performance outcomes that could be attached as condition to a forgivable loan or capital contribution. Staff has identified an array of possible performance metrics for discussion:

Condition	Baseline / Current State	Target State
1) Cities' annual operations/maintenance contributions	0% (since 2019)	0%
2) Leadership in Energy and Environmental Design (LEED) Silver building certification	N/A	Yes
3) Public art commitment at 1% of non-federal contributions	No	Yes
4) Carbon Footprint of Building	236 MTCO2e	198 MTCO2e
5) Number of annual outbound passengers served (bus and air)	18,000	33,000
6) Enhance accessibility	Partial	Fully
7) Achieve regularly scheduled commercial air service	No	Yes

GENERAL DIRECTION SOUGHT AND SPECIFIC QUESTIONS TO BE ANSWERED

1. Does Council Finance support bringing an appropriation to Council
2. If yes, which performance indicators or gates would the Committee recommend pursuing as a condition of the capital contribution?

DISCUSSION / NEXT STEPS

Julie Pignataro; what is the status of the remote tower with the FAA?

Jason Licon; the vendor that the FAA selected is working on developing some solutions for some newly created FAA criteria on these new emerging systems. The remote tower concept was pioneered by our installation of a system and one in Leesburg, Virginia that predated us by a couple of years. As a result, our system was deployed in late 2019 / early 2020 right before the pandemic. Due to timing, the FAA had more time to really think through the requirements of such a system and as a result of that, some criteria have changed. The vendor is working to create solutions to address those updated criteria that the FAA developed and released about a year ago. One of the biggest hurdles is the visibility requirement for the cameras and displays was increased by 50%. The existing system that was created and deployed in 2019, isn't able to accurately depict. The vendor is looking at upgrading their system to a higher definition capable camera and display. They are hoping to bring that up later next month to begin testing and hopefully get us back on track. with the certification of the new system by the FAA.

Julie Pignataro; if things go that way, what is the timeline for approval?

Jason Licon; we don't have one yet. There are still a lot of questions we need to get answers to from what the FAA has told us. It will take testing that and making sure it works properly. Fully retrofitting the system so that it will work at that elevated level. Upgrading to 4K cameras from the HD cameras that they currently use.

Kelly Ohlson; I am not for it, but I understand why some are for it. I think it is a Loveland Airport no matter what they call it, therefore, I think they should be responsible for funding of the \$2M. It is their city limits and they do the land use planning. Back in the day, I didn't even support the \$60K because I thought it was a Loveland airport. At that time, I thought mostly corporations and wealthy individuals were using it. Just like our Impact fees, I am not up to speed as to if there are impact fees there on commercial aspects and the regular users of the airport. I am not for subsidizing things that stimulate more growth with public dollars. I am not interested in a commercial airline coming in. The land use planning for the county and the city of Loveland exactly designed our land use planning and our residential development around massive commercial use. I am not interested in fueling more growth which doesn't help our climate goals or our affordable housing goals. The opportunity costs of the \$1M – some hesitation on funding

Emily Francis; do we still contribute even though that slide is very specific to operations and maintenance?

Jason Licon; there is no contribution directly to the airport at this time from either community.

Emily Francis; so, we haven't contributed anything since 2019?

Jason Licon; correct – nothing since 2019.

Emily Francis; what is the timeline for meeting these benchmarks?

Jason Licon; there are some that are tied directly to the building. Once the building is complete as it relates to leadership energy and environmental design, LEED Silver Designation and carbon footprint. As it relates to outbound passengers, we can tie that to some of the forecasts that our Airport Master Plan identified and were adopted in 2020. We looked at those forecasts and believe it would be a three year timeframe to get to the 33K mark. The accessibility piece is fully dependent on how much redesign we would need to do. We had mentioned partially and fully because we may have to take out some of the components that would enhance baggage claim access and that may make it more difficult for those who have less accessibility. The end of project would be approximately October of 2024, and then the three years that would in addition to that for the outbound passenger component.

Travis Storin; there is a ground lease that is associated with the Police Training Facility that is paid to the FAA by Police Services.

Jason Licon, federal requirements dictate that any land lease for that type of use does require fair market value. Primarily due to the fact that the federal government provided the land to the cities as a steward. Our funding is heavily reliant on federal resources for maintaining the capital needs for the airport.

Emily Francis; I think I heard you say it would be about seven years.

Jason Licon; we are hopeful that most of this will be five years. A two-year program for building the facility, and then another three years on top of that to get to forecasted passenger counts.

Emily Francis; why wasn't the security-to-security landline included in one of the benchmark options? I would rather see that as a benchmark instead of a commercial airline which is not of interest to me.

Jason Licon; I think it kind of dove tailed in with the commercial air service since it is a private sector driven benchmark. We are very excited about that potential as well and continue to move forward in partnership. That is something that is not totally within our control to be able to manage or have a direct influence over.

Emily Francis; I thought that was the point of having a terminal.

Jason Licon; It is, we do include bus and air transportation in the number so that metric is inside the numbers. As far as getting the secure-to-secure functionality - the proof of concept on getting the bus transportation past the security checkpoint at DIA certainly is our goal but we don't have a timeline on that.

Julie Pignataro; does landline do that anywhere?

Jason Licon; they don't – they do have partnerships with three other airlines including Sun Country, American and United. There are other air carriers that are working in parallel with our project to try to get that capability. There are more players who have recently helped our push to get this through the various approvals that are needed from TSA and within the airlines themselves on who is undertaking some of the risk between the point to point and making sure those security compliance metrics are met. Most of that is heavily dependent on the air carriers. We are getting through a lot of the procedures and statement of operational viability for making sure we are able to get there.

Julie Pignataro; is it a correct statement that no bus service such at landline has achieved that yet?

Jason Licon; that is correct. We hope to be one of the first and as with any pioneering concept, we are trying to develop as we go, we have a lot of work completed but more to do as we work through some of the finer details. The end points (both airports) are pretty much done, the in between that has been causing the most challenge for us from the liability standpoint (who is responsible for what) and security and regulatory compliance.

Kelly Ohlson; I just wanted to thank Emily for asking for some performance outcomes at our last meeting. Last night in another meeting, I was asked how I thought the current staff was compared to years ago. To me it is light years better. It is not us versus them nearly as much, of course there will always be conflict and different values. Commending Travis for transparency and full disclosure, not making Councilmembers ask the subset of the subset to get the full answer. Back in the day you would have had to probe for that. Things are much more professional. Does that mean that we had an obligation, but we are meeting it through this land lease and that if we didn't have the land lease we would still be paying money into the airport?

Travis Storin; I appreciate the complement and the answer is yes.

Kelly Ohlson; how much money would that be if we weren't paying it through the land lease?

Jason Licon; I believe it is approximately \$180K annually from each city for the land lease for the 43 acres of space.

Kelly Ohlson; I am sure there are valid reasons, but we do give three times the \$60K.

(see slide 7 below)

Kelly Ohlson; I do want to understand the carbon footprint, is that for the operations? I think we are using most of the old buildings and it is not figuring in the cost because there is carbon footprint for the construction. Are the 236 MTCO₂e and the 198 MTCO₂e for the ongoing O&M? Is that for the ongoing carbon footprint for the existing buildings?



Potential Metrics for City Contribution

7

Condition	Baseline / Current State	Target State
1) Cities' annual operations/maintenance contributions	0% (since 2019)	0%
2) Leadership in Energy and Environmental Design (LEED) Silver building certification	N/A	Yes
3) Public art commitment at 1% of non-federal contributions	No	Yes
4) Carbon Footprint of Building	236 MTCO ₂ e	198 MTCO ₂ e
5) Number of annual outbound passengers served (bus and air)	18,000	33,000
6) Enhance accessibility	Partial	Fully
7) Achieve regularly scheduled commercial air service	No	Yes

Staff recommendation is to proceed with items 1-6 for a conditional capital contribution

Jason Licon; it would be for the new building itself based on what the annual heating and electrical usage. That will be a minimum as there will be some additional facilities that will be decommissioned as a result of this, further lowering the amount of energy use. This building will be replacing buildings that are less efficient.

Kelly Ohlson; do you get the \$1M upfront or after you have met these performance metrics?

Travis Storin; an upfront contribution that is repayable should the selected goals not be met.

Emily Francis; I am not interested in using public dollars to fund charter or commercial airline. So, for me the funding the terminal is really funding the ability of landline to be direct to DIA. I am hearing that it is unknown, and I understand why. I agree with the metrics that are in there, but I would like a metric around landline. I think this should go to the full Council. I don't know if this committee has a recommendation.

Jason Licon; Landline Service is operating still, the only component that we are missing is the secure-to-secure functionality. We do have nine round trips daily that are being utilized. The TSA security component is still the thing that is a work in progress.

Julie Pignataro; I think this should go to the full Council. I am still torn. I do appreciate the metrics and I think 1-6 is the best way to go. If we could do something even though it is external dependency to get the secure-to-secure functionality. Since this first came, I have heard from people on both sides, it is pretty evening split. It is

very interesting what does and does not raise flags. Encourage more thought into maybe an additional metric – being very clear what payback would look like if it came to that. I appreciate all the work. Bring it to Council and I encourage a little bit more in the metrics;

C. Trash Contracting Admin Fee & Potential Appropriations

Kira Beckham, Lead Specialist, Environmental Sustainability

Rachel Rogers, Senior Specialist, Economic Sustainability

SUBJECT FOR DISCUSSION Administrative Fee and request for appropriation in the amount of \$107,251 in 2023 from the General Fund for the Residential Solid Waste Collection Program.

EXECUTIVE SUMMARY

The purpose of this item is to seek feedback on the recommended Residential Solid Waste Collection Program administrative fee and to request an appropriation in the amount of \$107,251 from the General Fund to support the start-up phase of the program.

One of the adopted Council Priorities is to explore a contracted system for garbage, recycling, and compost collection for single family homes. On February 21, 2023, City staff will present a draft contract and Ordinance to City Council for First Reading. By passing the Ordinance, Council would create a new Residential Solid Waste Collection Program.

An administrative fee for the Residential Solid Waste Collection is proposed to defray City costs to run the program. An Administrative Fee Study was done to evaluate City program costs, the recommended fee range, and projected revenues. The recommended administrative fee is proposed to not exceed \$1.35 per household per month to ensure repayment during the contract term.

GENERAL DIRECTION SOUGHT AND SPECIFIC QUESTIONS TO BE ANSWERED

1. Does Council Finance Committee have feedback about the recommended administrative fee of no greater than \$1.35/household/month?
2. Does Council Finance Committee have feedback about the appropriation request of \$107,251 from the General Fund in 2023 to support the start-up phase of the Residential Solid Waste Collection Program?

BACKGROUND/DISCUSSION

Fort Collins has adopted aggressive waste reduction goals, including working toward zero waste by 2030, and has identified a stagnant residential diversion rate as one of the challenges of making progress on that goal. Strategies to achieve zero waste are outlined in Our Climate Future, the combined waste, climate and energy plan for Fort Collins, which can be viewed at www.fcgov.com/climateaction/our-climate-future.

For decades, Fort Collins has utilized a licensed open market collection system. Licensing requires haulers to report the materials collected from all sectors of the community, which is used to calculate various diversion rates. In 2020, the Community Diversion Rate (including residential, commercial, and industrial materials) was 52% and the Residential Diversion Rate was 29%. Details of Fort Collins diversion rates can be found in the annual reports at www.fcgov.com/recycling/publications-resources.php.

To support increased waste diversion, one of the adopted Council Priorities is to explore a contracted system for garbage, recycling, and compost collection for single unit homes.

Changing to a contracted system could help achieve the following goals:

1. Reduce the number of trucks on residential streets and achieve street maintenance savings as well as increase safety in residential neighborhoods
2. Reduce greenhouse gas emissions
3. Increase diversion of recyclable materials and yard trimmings and encourage reuse of bulky items as much as possible
4. Provide equitable pricing throughout the community
5. Provide cost-effective pricing for collection services
6. Provide a high level of customer service

SCOPE

The contractor would provide these core services over a term of 5 years:

1. Solid Waste collection
2. Recyclable materials collection
3. Yard trimming collection
4. Bulky item collection
5. Billing
6. Customer Service

Services would be provided for all single unit residential housing and multi-family housing of seven units or fewer that use carts for collection. The following would not be included in the program:

- All commercial and industrial establishments and multi-unit housing containing eight (8) or more units.
- All households served by a dumpster.
- Homeowners' Associations with contracts for solid waste, recycling, and yard trimmings collection. These contracts must be effective before the effective date of the City's contract and comply with all applicable requirements of Chapter 12 and Chapter 15 of the City Code
- Residential units that have been granted a variance for shared service or excess producers as defined in Chapter 12 of the City Code

Residents that fall within this scope would be required to utilize the service or pay an opt-out fee equivalent to the service cost of the smallest trash cart size.

The City may provide billing service in future contracts, which would require a new evaluation of the City administrative fee and contractor pricing.

Key Milestones and Dates

- April 12, 2022 - Council Work Session
- April, June 2022 - Community Conversations
- July 12, 2022 - Council Work Session
- July 19, 2022 - City Council [passed a Resolution](#) directing City staff to proceed with developing a Request for Proposals (RFP) for a single hauler contracted system
- September 13, 2022 – City staff released a Request for Proposal (RFP)
- November 1, 2022 – Three haulers respond to RFP: Republic Services, Waste Management of Colorado, and Sweetman Sanitation
- November 28, 2022 – Hauler Interviews

- December 2022 through January 2022 – Contract Negotiations
 - February 21, 2023 – Staff will present the draft contract and Ordinance for First Reading with Council at a regular meeting.
 - March 7, 2023 – If adopted on First Reading, Second Reading would
- By passing the ordinance in February, Council would create a new Solid Waste Collection Service Program. Service would expect to start 12-18 months after the contract was signed.

Administrative Fee Highlights

The proposed Residential Solid Waste Collection Program includes an Administrative Fee.

Cities imposing new fees are required to demonstrate a clear connection between program costs incurred by the City and the subject of the fee. The purpose of a fee is to defray the cost of providing a service to the community.

The Residential Solid Waste Collection Administrative Fee Study is attached for further details on anticipated revenues, costs, methodology, and peer community case studies.

Fee Components

To deliver on the City's role in administering the contract, there are four primary elements that are needed, see **Table 1**.

Table 1. City Roles in Administering the new Residential Solid Waste Collection Program (more details are included in the Administrative Fee Study):

Need	Key Activities
Program Management	Contract administration, performance reviews, transition support for community, grant management, lead contract renewals, staff supervision
Customer service	Answering questions from public, support billing escalation and tracking, ready customer service software/develop tools, records retention
Compliance	Investigate complaints, check HOA compliance, check variances, enforce contract and code, ready software/develop tools
Education, Outreach, and Program Support	Collateral review, community communications and education, HOA specific communications, recycling and yard waste education, program communications

To deliver on these roles, the following estimated costs include outreach and communication, tools and materials, and staffing. Peer communities shared that start-up and transition phases (end of one contract and start-up of a new contract) require a larger staffing level to ensure quality customer service, smooth transitions for residents, an effective and efficient purchasing process, and to communicate and educate the community on coming changes.

The estimates shown in the table below represent a summary of the range of anticipated program costs and number of full-time equivalent staff (FTE). A contingency of 5% has been added to overall costs to allow for inflation and unforeseen expenses. As negotiations are ongoing, these costs are being refined by the project team and may be updated in advance of the Council Finance Committee.

Table 2. Costs to the City for the new Residential Solid Waste Collection Program. Note: Transition expenses are included in these annualized expenses but are averaged over the contract term (when the City will receive revenue):

Cost description	Annual cost range (low) Assumes 2 FTE	Annual cost range (high) Assumes 4FTE
Outreach and communications	\$31k	\$31k
Tools and materials	\$59k	\$59k
Mileage	\$3k	\$3k
Staffing	\$243k	\$448k
Contingency	\$17k	\$27k
Total Cost	\$353k	\$568k

Methodology for Fee Calculation

Key drivers of the administrative fee necessary to break even within the 5-year contract term:

- The staffing level required to support the program.
- Repayment period
- Number of contributing households

Staffing: The transition from a licensed system (which requires less than 0.25 FTE) to a new contracted system will require additional resources, including staffing. **Table 2** includes the estimated need of 2 to 4 FTE.

Repayment period: The repayment period for the costs shown in Table 2 has been aligned with the contract term.

Number of contributing households: Staff has done extensive work to size the range of in-scope households. This includes GIS mapping and analysis and HOA identification. The number of households will be clear by the service start date but are modeled as a range based on best information available at this time.
Fee

Further clarity in the future: As the number of households and the necessary program costs become clear over time, the administrative fee may be adjusted to meet the goal of covering the program costs but not substantially accruing funds over time.

Recommended Fee Range

The estimated fee ranges from \$.65 to \$1.35. A conservative approach to the fee helps to minimize risk of a lower number of households being in-scope or higher program costs. **Table 3** below illustrates the range of administrative fee minimums.

Staff is recommending setting the administrative fee at \$1.35 per household per month, as this will allow revenue to cover anticipated program costs over the term of the contract. Staff will review all fee drivers at

least annually and prior to service start date to determine if a change to the fee is warranted. Changes to the fee would require formal Council action by resolution or ordinance.

Table 3. Minimum administrative fee levels for different levels of staffing and numbers of households:

Admin Fee Minimums			
2023-2029 (5-yr contract + start-up)			
	Number of Households		
Staffing	35,500	40,500	45,500
2 FTE	\$0.85	\$0.75	\$0.65
4 FTE	\$1.35	\$1.20	\$1.05

Requested Appropriation

An appropriation of \$107,251 from the General Fund is requested to support the 2023 portion of the start-up phase of the Residential Solid Waste Collection Program. This appropriation amount supports both 2 FTE and 4 FTE scenarios modeled, as only 2 FTE are scheduled for program startup, i.e., additional staffing would be added after service starts. The funding appropriated for 2023 startup costs will be repaid from administrative fees once they begin to be collected ensuring that the City is not subsidizing the cost of this service.

GENERAL DIRECTION SOUGHT AND SPECIFIC QUESTIONS TO BE ANSWERED

1. Does Council Finance Committee have feedback about the recommended administrative fee of no greater than \$1.35/household/month?
2. Does Council Finance Committee have feedback about the appropriation request of \$107,251 from the General Fund in 2023 to support the start-up phase of the Residential Solid Waste Collection Program?

DISCUSSION / NEXT STEPS

Julie Pignataro; throughout this whole program, I have been so impressed with your department and your research and the way you have provided all information – Bravo. I am fine with both questions. Do we know what the price range is for a single-family home?

Trash Cart Size	% of Homes	Trash + Recycling Only				Trash + Recycling + Yard Trimmings				Trash + Recycling + Yard Trimmings + Bulky Items			
		Current	Contract	\$ Change	% Change	Current	Contract	\$ Change	% Change	Current	Contract	\$ Change	% Change
XS	0.5%	\$15.93	\$11.10	\$ (4.83)	-30%	\$33.10	\$11.10	\$ (22.00)	-66%	\$39.35	\$11.10	\$ (28.25)	-72%
Small	43%	\$18.18	\$12.85	\$ (5.33)	-29%	\$35.35	\$17.85	\$ (17.50)	-50%	\$41.18	\$17.85	\$ (23.33)	-57%
Med	41%	\$32.09	\$29.60	\$ (2.49)	-8%	\$49.26	\$34.60	\$ (14.66)	-30%	\$55.10	\$34.60	\$ (20.50)	-37%
Large	15%	\$42.32	\$46.35	\$ 4.03	10%	\$59.49	\$51.35	\$ (8.14)	-14%	\$65.33	\$51.35	\$ (13.98)	-21%
XL	n/a	n/a	\$96.60			n/a	\$101.60			n/a	\$101.60		

In an apples-to-apples comparison of services, the contracted price offers significant price savings for almost all households

Monthly Service price

- XS cart service (16 gallons): \$11.10
 - S cart service (35 gallons): \$17.85
 - M cart service (65 gallons): \$34.60
 - L cart service (95 gallons): \$51.35
 - XL cart service (2 x 95 gallons carts): \$101.60
- (prices incl. City Admin Fee)

- Services included: trash, every-other-week recycling, yard trimmings, 2 bulky items / year
- Service start date: 9/30/24
- Contract length: 5 years from service start date
- Opt-out fee: \$11.10 / month
- Sustainable Vehicles: 1 EV, all new vehicles will run on natural gas from landfills etc.
- Weekly recycling: available for \$1.25 more / mo (Council decision)
- If opting out of yard trimmings: bill reduced \$5 / mo (except XS service)
- Contractor provides billing and dedicated local customer service reps
- HOAs w contracts that comply w Pay-As-You-Throw requirements exempted

Lindsay Ex; we just completed the contract a few hours ago – the slide above was created after the packets went out.

Julie Pignataro; are the fees on top of or included in these amounts?

Kira Beckham; the fees are included in those amounts.

Emily Francis; I am a yes to both of the questions in front of us. Such great work – the study and analysis. I think it is a nominal fee.

Kelly Ohlson; yes to both – I want to echo the quality of the work
1986 prices would most likely go down – these numbers presented exceeded my expectations.

Historically every staff member and consultants have agreed with me on the road to zero waste.
It was a compromise about the HOA thing, but the commitment was made by staff that HOAs would have to comply with the pay as you throw.

If there a commitment from staff that we will eliminate the gaming of the system – what happens is people get bigger carts for a cheaper price than the rest of Fort Collins. That flies in the face of the Climate and the Pay as You Throw programs and of the solid waste and recycling. Most HOAs receive bigger carts for a cheaper price. Do I have a commitment from the organization that you are serious about the compliance, and they will not be exempt from this program?

Kira Beckham; we are absolutely committed to compliance on the HOA front. If this is adopted, one of the first things we are going to tackle after our discussions with you in July is to look at existing contracts and making sure those are adjusted to accommodate the pay as you throw requirements.

I think you have staff's full commitment – across the board for HOAs.

Kelly Ohlson; this isn't easy work, but this is great work and I look forward to it coming to us.

D. Audit Selection Process

Travis Storin, CFO

I wanted to apprise the committee of a competitive process every five years to select an Audit firm. The committee itself has some charter driven responsibilities around. This is the only city service I am aware of where the Council is directly awarding a contract. Our charter requires that we undergo an independent external audit every year. The Council makes the decision as we should not be our own watchdog. We have limited our auditors to a term of five years and a given audit firm maxes out after two terms. Our current firm is reaching the end of their five year term and they are eligible to bid on the next five year term.

The process begins in April, when we will come to this committee and gather your input for the contents of an RFP. Staff will look to narrow down the respondents to 2-3 candidates to bring in for live interviews in a public meeting likely in July or August. By the end of the year, we will look to the Council to have awarded the contract so we can end 2023 and know who our new auditor will be. Conducting the interviews will likely take up an entire Council Finance committee meeting.

Blaine Dunn; our current audit firm is eligible to respond to an RFP again, but they will need to change the partner who is on our engagement. So, if you remember Chris Telli is our partner on the engagement now. This is part of the due diligence, so we don't get too comfortable. Should FORVIS choose to respond again, they will need to bring a different partner.

The 'partner' is the person who is actually signing the audit opinion. We have mandatory rotations built in that mimics the private sector around Sarbanes-Oxley requirements.

Baine Dunn; the audit firm reports to this committee. In between this meeting and the meeting in April, I am guessing based on timelines from previous years, that we will receive our formal engagement letter from this year's audit and we will pass that document on to the committee as soon as we receive it so you can see everything they are doing and their full scope of services as well.

Julie Pignataro; having never interviewed for an auditor, prior to the interviews can you provide us with some context on what makes a good auditor and lessons learned from firms we have engaged with in the past.

Travis Storin; yes, we can incorporate that into April. Your April input will basically create the requirements for the RFP that the firms will respond to. The success criteria are really important to label.

Kelly Ohlson; should this be a one off, separate meeting?

Travis Storin; and it would be helpful if the meeting is 3 hours long to allow adequate time for 3 firms to present, should that be the case. The firms would prefer to give in person presentations if possible.

Julie Pignataro; It may make sense to possibly make this a separate meeting. I prefer three candidates as having two candidates is not really a choice.

A special three hour in person Council Finance Committee meeting to be scheduled. Carolyn will work with Sarah Kane.

Meeting adjourned.

**COUNCIL FINANCE COMMITTEE
AGENDA ITEM SUMMARY**

Staff: Lance Smith, Sr. Director of Finance for Utilities
Gretchen Stanford, Utilities Deputy Director of Customer Connections

Date: March 2nd 2023

SUBJECT FOR DISCUSSION

Utilities Billing System Appropriation

EXECUTIVE SUMMARY

An appropriation ordinance is being brought for your consideration from the utility enterprise funds. These funds are necessary to implement a modern Utility Customer Information System – Customer Self Service Portal (CIS-CX) Solution. Funds from the enterprise reserves are being requested just as the City completes the selection of a solution partner and before professional services are contracted. This appropriation request is necessary to allow the City to secure CIS-CX project management and solution quality assurance services through go-live, provide legal review of professional services contracts, and provide funding for hiring contractual staff throughout the implementation.

The total amount being requested for appropriation here is:

Professional QA and Implementation Management	\$1,500,000
Contract Review and Counsel	\$100,000
Contractual Implementation Staffing	<u>\$2,650,000</u>
Total	\$4,250,000

Once the full solution scope for the new CIS-CX is determined another appropriation, expected to be the last, will be requested for the direct solution costs including licensing and hardware.

GENERAL DIRECTION SOUGHT AND SPECIFIC QUESTIONS TO BE ANSWERED

- 1. Does the Council Finance Committee support bringing an appropriation ordinance forward for the consideration of the full City Council to support the next phase of the modernization of the Customer Information System – Customer Self Service Portal?**

BACKGROUND/DISCUSSION

Fort Collins Utilities is currently conducting 5 weeks of onsite product demonstrations as the final review of proposals received for a modern Utility Customer Information System – Customer Self Service Portal (CIS-CX) Solution. The proposals were received after a deliberate 12-month process focused on identifying solution requirements, scrutinizing and rating every

proposal received, performing reference checks of each solution provider with other utilities that have implemented the proposed solutions, planning the solution implementation schedule, staffing needs and quality assurance milestones, and having employees involved in the solution selection throughout the process and asking questions of the solution providers. This due diligence and deliberation is necessary to ensure that the selected solution partner and their CIS-CX will serve our community well as our community moves toward Our Climate Future and evolving how we serve our ratepayers and enhancing their customer experience with their municipal utilities.

Over the next few months, a solution partner will be selected and then a second appropriation will be presented to this Committee before the 24-month solution implementation can begin. It is anticipated that the City will successfully implement the new CIS-CX within 24 months, at which point the existing solution will be retired. The Capital Improvement Plans presented to the Council Finance Committee ahead of the 2023-24 Budgeting For Outcomes included up to \$15M for this capital investment including the licensing and hardware.

This appropriation is being brought forward at this time to maintain the continuity of the implementation schedule and to ensure that the pricing reflected in the proposals are current and complete. Momentum for this implementation is building as staff are getting opportunities to see the benefits of modernizing and enhancing our customer's experience as well as focusing on simplifying the architecture and processes behind the customer interface to provide a stable, upgradable platform.

There are three categories of funding in this next phase of the CIS-CX modernization.

Professional Quality Assurance and Project Management Services

While many existing City employees have worked for decades with the current customer information and billing system, operating such a system requires a different skill set than upgrading or implementing an existing system into a new system. The new system may be hosted in the cloud or a more traditional in-house physical solution with different hardware requirements and interfaces. It may include different modules for a customer portal, social media, bill printing, etc. To effectively implement these new features and ensure that the City is receiving the functionality it is expecting, professional software implementation project management and quality assurance is required.

A scope of work has been developed for these services with a maximum fee through the implementation and go-live of the new solution. Because most of this work will be done remotely, travel expenses have been excluded from the not to exceed price for these services. Estimating some travel will be necessary, raises the amount being requested for these services including travel to \$1,500,000.

Contract Review and Counsel

Prior to the City entering into a binding services agreement with the solution provider outside legal counsel may be sought as needed to ensure the final agreement is in the best interest of the City and ratepayers. It is requested that an amount of up to \$100,000 be appropriated for this purpose.

Contractual Staffing

Many of the City's employees who work in and with the current customer information system will be involved in the implementation of the new solution. This is a best practice to ensure that the proposed solution is consistent with customer expectations and operational requirements. In order to have these employees available to focus on the implementation, staff will be augmented by contractual staff throughout the implementation, and post go-live quality assurance and testing. Based on the staffing plan developed for the solution implementation, the following contractual positions are needed before implementation:

4 Customer Service Providers	\$288,000 / yr
1 Customer Experience Provider	\$64,000 / yr
1 Billing & Accounts Receivable Specialist	\$80,000 / yr
1 Field Service Lead	\$100,000 / yr
5 Information Technology Solution Providers	\$575,000 / yr
	<hr/>
	\$1,047,000 / yr

Because having these additional staff will be advantageous throughout the 24-month implementation with some needed beforehand and some afterward, in total for almost 2.5 years of augmentation it is estimated that contractual staff may require:

Contractual Staffing Appropriation = \$2,650,000

In addition to the contractual staff discussed above who will backfill employees focused on the implementation, there will be a need for additional staffing for the duration of the project who will focus on leading testing of the solutions, developing training and training employees, implementing organizational change management, reviewing existing business processes and developing business analytics for the future solution. As these additional staff are not needed initially, this staffing need will be a part of the implementation appropriation once the solution partner is selected.

Appropriation by Enterprise Fund

As the customer information and billing system is needed by each utility to generate monthly operating revenues, each utility requires such a system and therefore should contribute to the upgrade or replacement of such a system. While some rates are more complicated than others and some require meter consumption data to assess, billing for each utility requires much of the same information as any other utility. Because electric monthly charges are more complicated than flat stormwater rates and unmetered wastewater use, there are additional billing components for billing electric customers. Hence, it is appropriate to attribute more of the shared costs to Light & Power. A similar argument applies to Water billing. The annual subscription costs for this system are divided between the four utilities as follows:

Light & Power	50.0%
Water	25.0%
Wastewater	12.5%
Stormwater	12.5%

This same cost sharing ratio is proposed for the implementation costs.

Light & Power	\$2,125,000
Water	\$1,062,500
Wastewater	\$531,250
Stormwater	<u>\$531,250</u>
	\$4,250,000

Enterprise Fund Reserve Balances

The funds being requested herein would come from available reserves of each utility. These funds are above and beyond funds set aside within the reserves to meet minimum fund balance requirements and any previous appropriations made but not yet spent. As the table below shows, each enterprise fund has sufficient available reserves for both anticipated appropriations related to modernizing the CIS-CX solution.

	Light & Power	Water	Wastewater	Stormwater
Available Reserves EOY 2021	\$41.4	\$41.3	\$19.1	\$14.5
Mid-year 2022 Appropriations	(\$26.1)	\$0.0	\$0.0	\$0.0
2023-24 BFO Use	(\$1.0)	(\$29.3)	(\$7.7)	(\$2.3)
2022 Revenues Above Budget	\$11.2	\$3.5	\$1.2	\$0.2
2022 Expenses Below Budget	\$1.9	\$7.4	\$1.8	\$2.2
Estimated Available Reserves	\$27.4	\$22.9	\$14.4	\$14.6
Amount Being Requested	(\$2.1)	(\$1.1)	(\$0.5)	(\$0.5)
Remaining Available Reserves (\$M)	\$25.3	\$21.8	\$13.9	\$14.1

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



03/07/2023

Utilities Billing System Appropriation

Lance Smith

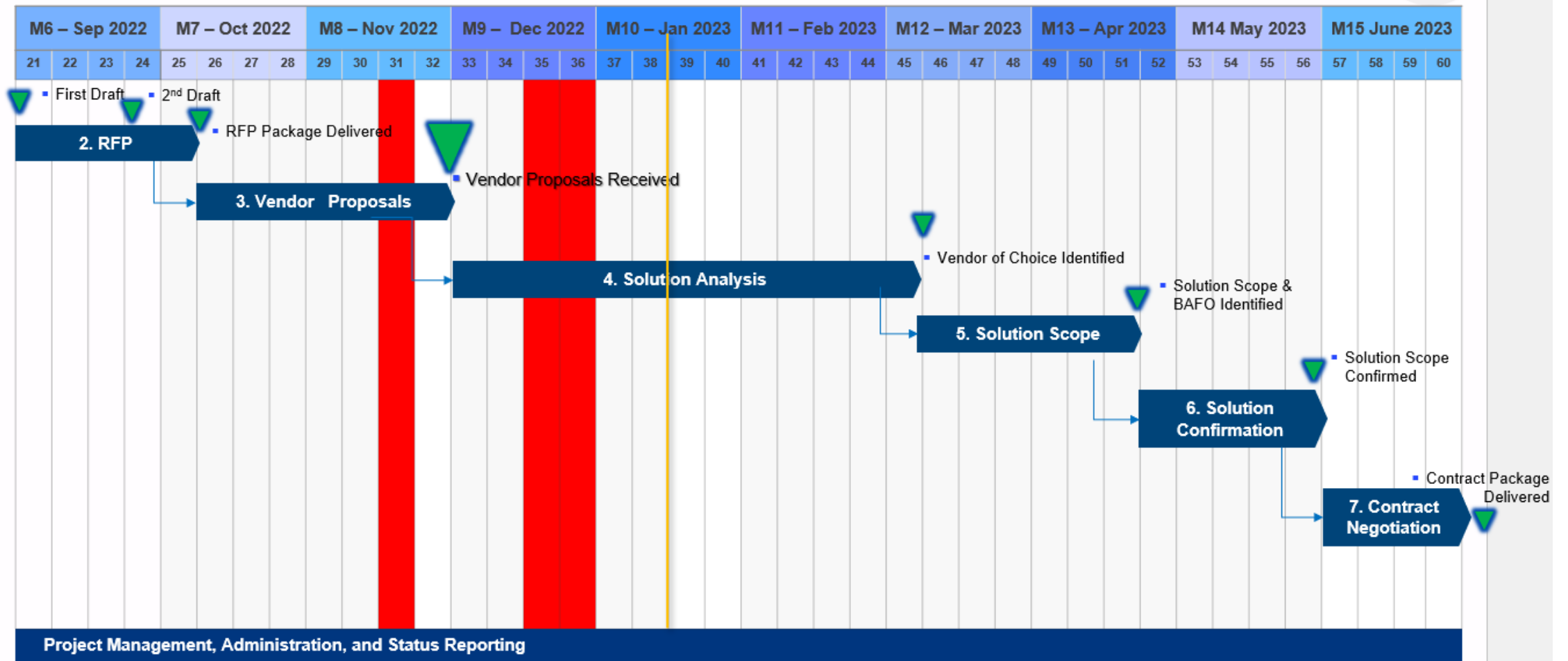
Senior Director of Finance for Utilities

Gretchen Stanford

Utilities Deputy Director of Customer
Connections



- 1. Does the Council Finance Committee support bringing an appropriation ordinance forward for the consideration of the full City Council to support the next phase of the modernization of the Utilities Customer Information System – Customer Self Service Portal?**



Project Management

- Managing project scope, installation plans, schedule and budget
- Minimizing project risks by proactively addressing issues as they arise
- Addressing staffing challenges for the Solution Provider and City

Quality Assurance

- Product testing and process validation
- Establishing clear service level expectations
- Ensuring project requirements are met within the initial project scope

Contract Review

- Outside Counsel will ensure that the City's and its ratepayers interests are front and center in the solutions agreements

Contractual Staffing

- Allow existing staff to focus on how the new solution will function after deployment
 - Ensure operational requirements are ready before go-live
- Allow training of some staff as the implementation proceeds
 - Informal trainers ready before go-live

Contractual employees will be trained to backfill the positions of staff working on the implementation to maintain current levels of customer service and operations

4 Customer Service Providers	\$288,000 / yr
1 Customer Experience Provider	\$64,000 / yr
1 Billing & Accounts Receivable Specialist	\$80,000 / yr
1 Field Service Lead	\$100,000 / yr
5 Information Technology Solution Providers	\$575,000 / yr
	<hr/>
	\$1,047,000 / yr

Implementation Project Management and Quality Assurance	\$1,500,000
Contract Review and Counsel	\$100,000
Contractual Implementation Staffing	<u>\$2,650,000</u>
	\$4,250,000

	Light & Power	Water	Wastewater	Stormwater
Available Reserves EOY 2021	\$41.4	\$41.3	\$19.1	\$14.5
Mid-year 2022 Appropriations	(\$26.1)	\$0.0	\$0.0	\$0.0
2023-24 BFO Use	(\$1.0)	(\$29.3)	(\$7.7)	(\$2.3)
2022 Revenues Above Budget	\$11.2	\$3.5	\$1.2	\$0.2
2022 Expenses Below Budget	\$1.9	\$7.4	\$1.8	\$2.2
Estimated Available Reserves	\$27.4	\$22.9	\$14.4	\$14.6
Amount Being Requested	(\$2.1)	(\$1.1)	(\$0.5)	(\$0.5)
Remaining Available Reserves (\$M)	\$25.3	\$21.8	\$13.9	\$14.1

- 1. Does the Council Finance Committee support bringing an appropriation ordinance forward for the consideration of the full City Council to support the next phase of the modernization of the Utilities Customer Information System – Customer Self Service Portal?**

COUNCIL FINANCE COMMITTEE AGENDA ITEM SUMMARY

Staff: Blaine Dunn
Chad Crager

Date: March 2, 2023

SUBJECT FOR DISCUSSION
Connexion – Capital Management

EXECUTIVE SUMMARY

The purpose of this item is to provide Council Finance Committee an update on Connexion's financial projections, highlight the timing of liquidity needs, and discuss a proposed resolution that will enable flexibility in the usage of funds to be raised in the fall of 2023 from a planned bond offering in combination with Light & Power.

GENERAL DIRECTION SOUGHT AND SPECIFIC QUESTIONS TO BE ANSWERED

- Does Council Finance Committee support the recommendation to bring forward a resolution to Council to reimburse Connexion for expenditures through a future bond offering?

BACKGROUND/DISCUSSION

Both Light and Power and Connexion anticipate needing to borrow money through bond offerings in 2023. The projects for Light and Power and Connexion each have different timelines, so it is expected expenditures for Connexion will occur before the issuance of additional bonds, and exhaust currently available funds. Reimbursement of expenditures with bond proceeds is allowed for soft costs. However, in order to reimburse expenditures incurred for capital costs, an official declaration by Council must be made.

Therefore, in order for the City to be able to use the proceeds from the issuance to reimburse Connexion for any expenditures, and at the same time maintain the tax-exempt status of the bonds, the Internal Revenue Service (Treasury Regulation 26 C.F.R. §1.150-2) requires the City Council adopt a Resolution. The Resolution represents the City's declared official intent to reimburse the applicable City funds for such expenditures with the proceeds from the issuance of the bonds.

The declaration of official intent through the Resolution complies with federal regulations. It also provides more flexibility to the City so it can better manage the capital expenditures related to the Projects. With a Resolution, the City can make the capital expenditure prior to issuing the bonds and later reimburse the applicable City fund with the proceeds from the issuance of the bonds.

FINANCIAL IMPACTS

Staff presented updated financial projections for Connexion at the January 10, 2023, Work Session. In that meeting, the capital project estimate was updated, reflecting a need to access approximately \$16 million additional capital to complete the network build-out and customer ramp-up by the end of 2024. An additional \$3 – \$5 million for excess operating expenses was also estimated to be needed.

These estimates remain unchanged. The table below highlights the original Business Plan capital assumptions, approved spending updates, project spending to date and the current project estimate.

Description	Business Plan and Approved Updates	01/31/2023 LTD Spent	Current Project Estimate thru Dec 2024
Network (Primarily AEG)	\$84M	\$107M	\$110M
Installation (On Trac, boring)	\$13M	\$17M	\$36M
Equipment & All Other	<u>\$12M</u>	<u>\$18M</u>	<u>\$12M</u>
Subtotal Business Plan	\$109M		
Contingency & Re-deploy – Sept. 2021	\$13M		
L&P Reserves Appropriated – Apr. 2022	<u>\$20M</u>		
Total Capital Budget/Estimate	\$142M	\$136M	\$158M

Connexion’s maximum funding need is expected by December 2024, with 2025 expected to be breakeven before the generation of excess cashflows that will be able to service the L&P reserve usage payback plus new bonding commitments. To date, Connexion has issued \$129.6 million of the \$150 million voter approved amount to support Connexion’s build. This leaves over \$20 million available for additional funding needs.

Connexion is contemplating the issuance of new bonds totaling approximately \$20 million (in a combined offering with Light & Power’s approximately \$40 million requirement). Highlighted below is the current estimate of the projected inflows and outflows for Connexion for the balance of 2023 and full year 2024 (with the assumption of completion of new bonding in the September / October timeframe.)

2023/2024 Inflows / Outflows	Total *
Revenue	\$43.6 M
Reserve Draws plus New Bonds	<u>\$22.8 M</u>
Total Inflows	\$66.4 M
OPEX / COGS	(\$22.3 M)
Debt Service – Existing Bonds	(\$18.8 M)
Debt Related - Draws & New Bonds	(\$2.6 M)
Capital Expenditure	<u>(\$21.3 M)</u>
Total Outflows	(\$64.9 M)
Net Surplus	\$1.5 M

* For 23 months February 2023 – December 2024

ATTACHMENTS

Attachment 1 – presentation slides



FORT COLLINS
connexion



Connexion - Capital Management: Council Finance Committee

March 2, 2023

1. Timing of Funding Need
2. Resolution for Council
3. Questions

Does Council Finance Committee support the recommendation to bring forward a resolution to Council to reimburse Connexion for expenditures through a future bond offering?

- At the January 10, 2023, Council Work Session, the need was identified for additional funding to complete the network buildout and customer ramp-up.
 - This outlook remains the same.
 - Approximately \$20 million additional funding is needed:
 - \$16 million for capital
 - \$4 million for operations
- December 2024 is timeframe for maximum need with 2025 projected as breakeven (revenues covering capital, operating expenses and debt payments).
 - Connexion will definitively exhaust the existing L&P reserve usage appropriation of \$20 million by June 2023 (and could be as early as April).
 - Timing of the Connexion needs prompts desire to act to preserve maximum flexibility with potential bond proceeds.

Description	Existing Connexion Bonds
Amount Issued	\$129.6 M *
Maturity - Year	2042
Payments	Semi-Annual in June and December
Rate / Yield-to-Maturity	4.1%
Avg. Annual Debt Service	\$6.7M
Max Annual Debt Service	\$10.2M
Earliest call date (Series A only: \$84.9M)	6/1/2028

*Current amount outstanding is \$128.4 M

- Connexion knows there will be an additional need for capital in the future
 - Current estimate is ~\$20M
- Light and Power will also need to issue debt later this year
 - Current estimate is ~\$40M
- Issuing Connexion and Light and Power debt at the same time is advantageous
 - Allows for cost of issuance savings
 - Larger issuance is more attractive in the market
 - Cuts down on recreating multiple documents for separate issuance

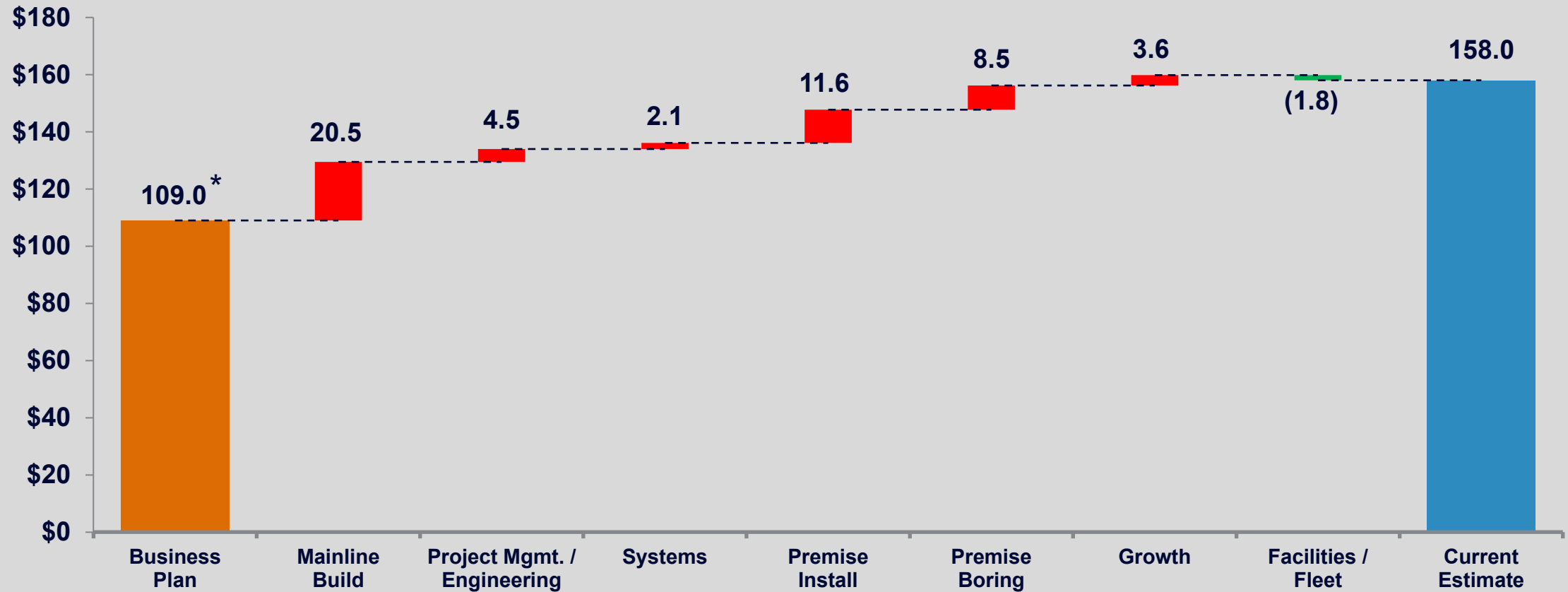
- Connexion will go negative before we are able to issue new debt
 - Connexion and Light and Power have different timelines for their needs
- Connexion can use debt proceeds to reimburse soft costs
- Adoption of resolution allows Connexion to also use proceeds to reimburse capital costs
 - Resolution declares official intent of the City to use proceeds for reimbursement
 - Allows Connexion to look back 60 days from adoption for reimbursement
 - Any capital costs after adoption can be reimbursed
 - Allows City to maintain tax exempt status on the issuance of bonds

Date*	Activity
Mar 21	Reimbursement Resolution to Council
Jun 1	Review bond ordinance with Council Finance Committee
Jun 20	First reading of bond ordinance
Jul 18	Second reading of bond ordinance
Aug 9 -11	Finalize ratings with Agencies
Aug 22	Receive ratings
Sep 8	Post POS
Sep 19	Sales of bonds
Sep 19	First reading of appropriation of bond proceeds
Oct 2	Receive funds from sale
Oct 3	Second reading of appropriation of bond proceeds

*All dates are subject to change

Appendix

Connexion Capital Project - \$M



* Does not include an additional \$18 million of contingency

Connexion - as of January 31, 2023 (\$M) - Preliminary, Unaudited

Inflows:

Bond Proceeds	\$ 142.2
L&P Reserve Draw	\$ 17.2
Operating Revenue	\$ 20.5
Interest	<u>\$ 6.9</u>
Total Revenue	<u>\$ 27.4</u>
Total Inflows	<u>\$ 186.8</u>

Outflows:

Debt/Interest Pymts	\$ (27.3)
Cost of Sales	\$ (2.9)
Operating Expenses	<u>\$ (19.0)</u>
Total Expense	\$ (21.9)
Capital Project	<u>\$ (136.3)</u>
Total Outflows	<u>\$ (185.5)</u>

Description	Business Plan and Approved Updates	01/31/2023 LTD Spent	Current Project Estimate thru Dec 2024
Network (Primarily AEG)	\$84M	\$107M	\$110M
Installation (On Trac, boring)	\$13M	\$17M	\$36M
Equipment & All Other	<u>\$12M</u>	<u>\$18M</u>	<u>\$12M</u>
Subtotal Business Plan	\$109M		
Contingency & Re-deploy – Sept. 2021	\$13M		
L&P Reserves Appropriated – Apr. 2022	<u>\$20M</u>		
Total Capital Budget/Estimate	\$142M	\$136M	\$158M

2023/2024 Inflows / Outflows	Total *
Revenue	\$43.6 M
Reserve Draws plus New Bonds	<u>\$22.8 M</u>
Total Inflows	\$66.4 M
OPEX / Cost of Goods Sold	(\$22.3 M)
Debt Service – Existing Bonds	(\$18.8 M)
Debt Related - Draws & New Bonds	(\$2.6 M)
Capital Expenditure	<u>(\$21.3 M)</u>
Total Outflows	(\$64.9 M)
Net Surplus	\$1.5 M

* For 23 months February 2023 – December 2024

COUNCIL FINANCE COMMITTEE AGENDA ITEM SUMMARY

Staff: Lawrence Pollack, Budget Director

Date: March 2, 2023

SUBJECT FOR DISCUSSION

Review of the 2023 Reappropriation Ordinance to appropriate prior year reserves.

EXECUTIVE SUMMARY

The purpose of this item is to reappropriate monies in 2023 that were previously authorized by City Council for expenditures in 2022 for various purposes. The authorized expenditures were not spent or could not be encumbered in 2022 because:

- There was not sufficient time to complete bidding in 2022 and therefore, there was no known vendor or binding contract as required to expend or encumber the monies; or
- The project for which the dollars were originally appropriated by Council could not be completed during 2022 and reappropriation of those dollars is necessary for completion of the project in 2023.

Additionally, there may have been sufficient unspent dollars previously appropriated in 2022 to carry on programs, services, and facility improvements in 2023 for those specific purposes.

In the above circumstances, the unexpended and/or unencumbered monies lapsed into individual fund balances at the end of 2022 and reflect no change in Council policies.

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

General Fund	\$602,754
Transit Fund	55,750
Transportation Fund	100,000
Water Fund	52,500
Broadband Fund	4,361,774
Data & Communications Fund	86,000
UT Customer Service & Administration Fund	170,848
Total	<u>\$5,429,626</u>

GENERAL DIRECTION SOUGHT AND SPECIFIC QUESTIONS TO BE ANSWERED

Does the Council Finance Committee support moving forward with the 2023 Reappropriation Ordinance on the Consent Agenda at the March 21, 2023 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 2023 Reappropriation requests are as follows, by fund:

GENERAL FUND

Police Services

1) K9 Vests - \$3,520

Purpose for funds: \$3,520 was donated by a resident for the purpose of buying a protective vest for a K9. This has not yet been purchased and should be reappropriated according to the intent of the gift.

Reason funds not expensed in 2022: The reason that the gift was not expensed in 2022 was because the dog that it was intended for needed to be returned to the breeder because of behavioral issues. Another K9 has been purchased and the vest will be purchased later in the year when the dog is full grown.

2) Northern Colorado Regional Communication Network (NCRCN) - \$300,000

Purpose for funds: The funds are being drawn from NCRCN (Northern Colorado Regional Communication Network) reserves, a restricted portion of the General Fund. These funds were designated for the maintenance and replacement of the radio towers and equipment on top of the hospital and on Tower Road by Horsetooth Rock.

Reason funds not expensed in 2022: Because of the complexity of the scope of the project, and conflicting priorities with other projects, the Information Services Division in Police Services is still in the process of developing the RFP to bid out the work. This project will commence in 2023.

City Manager's Office

3) Council High Performing Board - \$18,295

Purpose for funds: The previous City Council approved an offer for \$30,000 to support Council group and individual development. Strategies such as individual mentors/coaches and conferences are available with this funding. It can also be used for other training purposes, as well as participation with associations such as the Colorado Municipal League, National League of Cities, and Water Literate Leaders.

Reason funds not expensed in 2022: A portion of this funding was used in 2022; however, City Council did not fully utilize the available budget. A Council workshop in January of

this year outlined further training and development needs for Council in 2023. These funds will be used towards those additional opportunities.

4) DEI Principles of Community - \$8,000

Purpose for funds: A key deliverable identified by Council to advance the Equity and Inclusion priority was to develop Principles of Community for the organization to foster and enhance a sense of belonging for coworkers and the community we serve. This funding will create the principles of community which developed as a mission, vision, values refresh project. Work was partially completed in Q4 of 2022 after extensive staff engagement. The Communications Department is working on creating a new poster and communications to be shared city-wide in 2023.

Reason funds not expensed in 2022: Not all funds were expenses in 2022 as the city-wide roll out of the new Mission, Vision and Values (MVV) was planned for Q2 2023. Messaging and development of the outreach materials is still in progress and expected to be completed and ready for outreach by the end of Q2. These funds will be used to pay for the final printing of materials and promoting the new MVV across all departments in 2023.

5) Land Acknowledgement Funding - \$16,065

Purpose for funds: Land Acknowledgement funds have been used to build trust with the Fort Collins Native American community in a land-focused way. Having a strong relationship with a foundation of trust is a crucial first step before we can begin the process of creating a written land acknowledgement. For example, funds have been used to provide space for the Northern Colorado Intertribal Powwow Association (NCIPA) Powwow, space and supplies for NCIPA culture classes, and space and supplies for the NCIPA winter drive celebration.

Reason funds not expensed in 2022: It was crucial to establish a strong relationship of trust and reciprocity before beginning the process of creating a land acknowledgment. There was some hesitancy in the Native American community about creating a land acknowledgment without understanding the City's commitment to the Native community, to ensure that the land acknowledgment was not merely a performative action. Over the last year, we have established that relationship and we now have a solid basis to create a written land acknowledgement in 2023. Quarterly meetings have been set up with the Native American community for 2023, and we are also establishing a Native American Advisory Circle this year. These spaces will be the mechanism through which the land acknowledgment is created.

Parks

6) Park Planning & Development Special Project Support - \$5,600

Purpose for funds: Special project support funding was appropriated in 2020 for Park Planning & Development staff to conduct site planning and prepare cost estimates for potential donor funded projects, enabling donors to move forward with fundraising efforts. To date, multiple projects have been completed utilizing this funding source, including Veteran's Plaza improvements, Eastside Park improvements, Sugar Beet Park art "The Hand

that Feeds", a cyclo-cross training course in Rossborough Park, site planning for a pickleball complex, and a pledge from the mountain bike community to fund a feasibility study for a bike park as part of a GOCO grant.

Reason funds not expensed in 2022: Funding partnerships with potential donors are unpredictable. This funding enables the City to be responsive to potential donors when fundraising opportunities arise. The remaining funds will be used to complete projects currently underway.

Community Development & Neighborhood Services

7) Mediation and Restorative Justice Services - \$4,526

Purpose for funds: These funds were all donations made to support the Mediation and Restorative Justice programs. The programs were founded 22 years ago and provide community-based services to support residents in constructively facing conflict. Community Mediation is used to address all types of conflicts and supports citizens in resolving conflicts collaboratively. Youth (10-22) in our community can be referred to the Restorative Justice programs to take responsibility for, and help repair the harm of, crimes they have committed. Our team of over 50 trained volunteers makes these services free or low-cost and available for our community.

Planned uses for these donated funds include additional training and conferences for staff and volunteers; diversifying the Mediation and RJ volunteer pool; funding the RePay program where youth in the RJ programs who owe victim restitution can do community service to help pay the restitution.

Reason funds not expensed in 2022: In January 2022, two of the 4-person MRJ team left the organization so efforts were focused on maintaining core services, rather than pursuing special projects. New staff were hired in May 2022 and training, onboarding continued throughout much of the rest of the year. It is expected that these funds will be expended in 2023.

Social Sustainability

8) EV Credits - \$238,000

Purpose for funds: These funds address the cost differential between current Colorado Housing and Finance Authority requirements and the updated Building Code requirements for Electric Vehicle (EV) infrastructure for affordable developments. The program provides cost-sharing of these additional infrastructure requirements by providing credits of flat fees calculated per project based on eligible parking spaces.

Reason funds not expensed in 2022: The City did not receive any requests for EV infrastructure credits from qualifying projects in 2022. The parking standards in the Building Code that will be in place starting 2023 will allow all affordable housing projects to qualify for this credit. Staff expects the first request for a credit to be submitted Q1 2023.

Natural Areas

9) West Nile Virus - \$8,748

Purpose for funds: The West Nile Virus Program provides proactive mosquito management and seeks to reduce the risk of human contraction of West Nile Virus. The majority of the monies fund two contracts; a contract with Vector Disease Control International provides mosquito larvae control and mosquito trapping, while a second contract with Colorado State University provides for testing West Nile Virus presence. The remaining funds provide for community education through various forms of advertisement and outreach.

Reason funds not expensed in 2022: During the budget process of 2023-2024 full funding for the WNV Program was not restored, yet looking ahead, it became clear that the inflation-related contract costs for the fundamental, contracted elements of the program would significantly exceed the budgeted increase for 2023 and 2024. To plan for this short-fall, remaining outreach funds (approximately \$5000) were coupled with unanticipated reimbursement money from the Town of Berthoud (approximately \$3000) not spent with the intention to carry them over to address the 8% increase in contractor costs. Without carrying these funds forward, the contracted elements of the program are likely to exceed the total program budget by roughly \$2000.

TRANSIT FUND

Transfort/Dial-A-Ride

10) Poudre School District (PSD) & Transfort Collaboration Study - \$55,750

Purpose for funds: This funding allows for a study to determine areas of better collaboration for student transportation between Transfort and Poudre School District (PSD).

Reason funds not expensed in 2022: Staffing issues, contractor availability, as well as purchasing department capacity led to delays for this project until late November 2022. Staff currently has all of the work in place to sign a contract and begin work as soon as 2023 funding is confirmed. Multiple staff will be actively monitoring and guiding this work in 2023.

TRANSPORTATION FUND

Traffic

11) Neighborhood Traffic Mitigation Program Project Construction - \$100,000

Purpose for funds: Traffic in neighborhoods can affect the quality of life for residents, bicycles, pedestrians and drivers. The Neighborhood Traffic Mitigation Program is a collaborative effort between neighborhoods and City staff to implement traffic calming options. In 2022, Traffic received \$130,000 additional funding for medians and/or pedestrian

refuge islands, sidewalk curb extensions and traffic diverters in order to achieve a more "complete streets" approach to traffic calming. The offer included funding for professional (consulting) services and funding for the construction of traffic mitigation devices on neighborhood streets. Traffic is requesting \$100,000 to be re-appropriated from the 2022 budget to construct these mitigation improvements.

Reason funds not expensed in 2022: In 2022, evaluation of locations and public outreach was completed. Due to staffing changes and consultant availability, design of the mitigation improvements for Whedbee and Oak was not started until fall. Survey and design will be completed in the Spring of 2023 and the construction will start in the summer/fall.

WATER FUND

Utility Water Resources Division

12) Northern Integrated Supply Project (NISP) Response & Engagement - \$52,500

Purpose for funds: Since 2008, the City has developed and contributed science-based input to the various planning stages of the Northern Integrated Supply Project (NISP) project with the goal of minimizing adverse impacts on the Poudre River and the Fort Collins community. The City's efforts have resulted in positive changes to this project which are reflected in the NISP operations and mitigation plan. Funding from this 2022 offer is intended to provide technical consulting and engineering support to inform the City's engagement in future NISP planning efforts. Specifically, City staff will engage in NISP adaptive management and master planning stakeholder processes; however, additional technical and consulting support will be needed to achieve the desired outcomes. Funds from this offer would support: 1) water resources engineering and analysis to advise the NISP flow operations and ensure the proposed flow mitigation program is realized; 2) advisement for the development of NISP's proposed Master Plan and Adaptive Management Program; and 3) additional discipline-specific representation on technical advisory groups and input for project infrastructure proposed within the City limits.

Reason funds not expensed in 2022: The NISP project Record of Decision (ROD) was not issued until late 2022, which was later than NISP project participants anticipated. Because of this permitting delay and because staff at Northern Water were heavily involved in post-fire recovery from the 2020 East Troublesome Fire, Northern Water elected to postpone the Adaptive Management and River Master Planning discussions with stakeholders until after the ROD was released. Northern Water initiated conversations with potential project stakeholders, including City of Fort Collins, about the intended start of these planning efforts in early 2023. Funds from this budget offer will be used for the original intended purpose of developing science-based input with the assistance from technical and engineering consultants, on how the NISP project impacts should be managed, mitigated and monitored.

BROADBAND FUND

Broadband

13) Re-Deploy of Broadband Working Capital - \$4,361,774

Purpose for funds: Offer 63.1 encompassed the ramp up of Connexion core operations as the network build out was expected to be essentially complete by year-end 2022, and customer acquisition, servicing and network maintenance approached full targeted operating levels. This offer was for all 2022 ongoing expenditures which include personnel, operating costs, cost of goods sold (primarily internet and video content) and debt servicing requirements. This request seeks to reappropriate \$4.4 million in unspent 2022 funds into 2023 for completion of the primary network buildout, access to customer premises and continued customer installations.

Reason funds not expensed in 2022: Construction of the network, accessing commercial and residential multiple dwelling unit (MDU) accounts, and ramp-up of customer base has taken longer than expected due to supply chain cost increases, build-out complexity and installation labor shortage issues. These conditions have required appropriation of additional capital expenditures for the project by City Council in September 2021 and April 2022 totaling \$28 million. An additional \$5.4 million in unanticipated working capital savings (primarily from operating cost containment and interest income from the original bond proceeds) was reserved and targeted for re-deployment as part of the updated financing efforts. \$1.0 million of this amount was spent in 2022 on network buildout. This request seeks to reappropriate the remaining \$4.4 million from the \$5.4 million re-deployed amount to meet the increased capital requirements. This does not represent an increase in the capital budget estimate, just the formal transfer of reserved funds.

DATA AND COMMUNICATIONS FUND

Information Technology

14) Staff Augmentation for Network and Voice Operational Support - \$86,000

Purpose for funds: This request will fund additional hardware support and staff augmentation for Network and Voice support that will assist with the Webex rollout, voice enterprise support, Police Wi-Fi upgrades, and other enterprise network tasks and demands. These funds will allow the Information Technology (IT) department to contract with an experienced vendor to help manage operational and project workload. This will also allow time for IT to hire new Network/Voice personnel and get them up to speed, while not losing traction on enterprise support needs, project rollouts, and maintaining a proper work-life balance with an already overextended Network staff.

Reason funds not expensed in 2022: These funds were not expensed due to workload capacity, vacant positions, and expertise issues in the midst of the transition of Network and Voice operations between Connexion and the IT department that occurred in mid-2022. Upon transferring ownership of the Network and Voice operations, IT began evaluation of the current status of the operation and prioritized what needed most attention, which was delayed lifecycle switch replacement, ARPA-funded initiatives, and voice strategy which pushed the aforementioned initiatives and operational tasks to late 2022 and into 2023. IT has evaluated, rescope, and is currently posting the vacant Network positions to better

address the needs of the City's Network and Voice systems to keep up with service needs, project demands, upgrades, and expansion.

UTILITY CUSTOMER SERVICE AND ADMINISTRATION FUND

Utility Technology and Customer Service

15) Utilities Information Technology Minor Capital - \$170,848

Purpose for funds: The funds are requested for replacement of departmental firewalls for 1) the Customer Information System (CIS) Utility billing system hosted onsite at Platte River Power Authority (PRPA) and 2) the Utilities Advanced Meter Fort Collins (AMFC) system. The firewalls are currently end-of-life, and thus end-of-support, and need to be replaced.

Reason funds not expensed in 2022: The downside to the departmental firewalls is that they are discrete stand-alone installations built as a pair for redundancy. The number of these types of discrete firewall installs across the City creates a large management burden, as well as a large and potentially inefficient use of funds. IT was exploring a new concept in which these disparate firewalls could be combined into a single on-premise redundant virtual environment with the expectation that the new environment would be easier to manage, provide better redundancy, and ultimately be a more cost-effective solution. However, due to other work priorities, the research and analysis into this proposal was not able to be completed in 2022. The research into this new firewall architecture should be completed in 2023, and the funds for these firewalls could be applied towards this new firewall architecture. If the new firewall architecture proves to be unfeasible, the funds would still need to be applied to the purchase of discrete firewalls.

FINANCIAL/ECONOMIC IMPACTS

This Ordinance increases 2023 appropriations by \$5,429,626. A total of \$602,754 is requested for reappropriation from the General Fund, \$4,361,774 is requested from the Broadband Fund, and \$465,098 from other funds. Reappropriation requests represent amounts budgeted in 2022 that could not be encumbered at year-end. The appropriations are from prior year reserves.

ATTACHMENTS

PowerPoint presentation



2023 Reappropriation Ordinance

Page 68 of 75

Council Finance Committee Meeting – March 2, 2023

What does Reappropriation do?

- Appropriates funds from prior-year reserves into the 2023 budget for the same specific uses that were originally proposed and approved for 2022

What qualifies for Reappropriation?

- Funds that were originally appropriated (authorized by Council) in 2022 for a specific purpose, but were not fully expensed or encumbered by the end of the fiscal year
- The executive team has reviewed the reappropriation requests and concluded that all 2023 reappropriation items submitted are still high priorities to be completed

Amount by Fund being requested for Reappropriation:

General Fund	\$602,754
Transit Fund	55,750
Transportation Fund	100,000
Water Fund	52,500
Broadband Fund	4,361,774
Data & Communications Fund	86,000
UT Customer Service & Administration Fund	170,848
Total	<u>\$5,429,626</u>

GENERAL FUND:

#	Department	Request Name	Amount
1	Police Services - Office of the Chief	K9 Vests	\$3,520
2	Police Information Services	NCRCN (Northern Colorado Regional Communication Network)	\$300,000
3	City Manager's Office	Council High Performing Board	\$18,295
4	City Manager's Office	DEI Principles of Community	\$8,000
5	City Manager's Office	Land Acknowledgement Funding	\$16,065
6	Parks	Park Planning & Development Special Project Support	\$5,600
7	Comm Dev & Neighborhood Svcs	Mediation and Restorative Justice Services	\$4,526
8	Social Sustainability	EV Credits	\$238,000
9	Natural Areas	West Nile Virus	\$8,748
GENERAL FUND TOTAL			\$602,754

TRANSIT FUND:

# Department	Request Name	Amount
10 Transfort / Dial-a-Ride	PSD & Transfort Collaboration Study	\$55,750
TRANSIT FUND TOTAL		\$55,750

TRANSPORTATION FUND:

# Department	Request Name	Amount
11 Traffic	Neighborhood Traffic Mitigation Program Project Construction	\$100,000
TRANSPORTATION FUND TOTAL		\$100,000

WATER FUND:

# Department	Request Name	Amount
12 Ut Water Resources Div	Northern Integrated Supply Project (NISP) Response & Engagement	\$52,500
WATER FUND TOTAL		\$52,500

BROADBAND FUND:

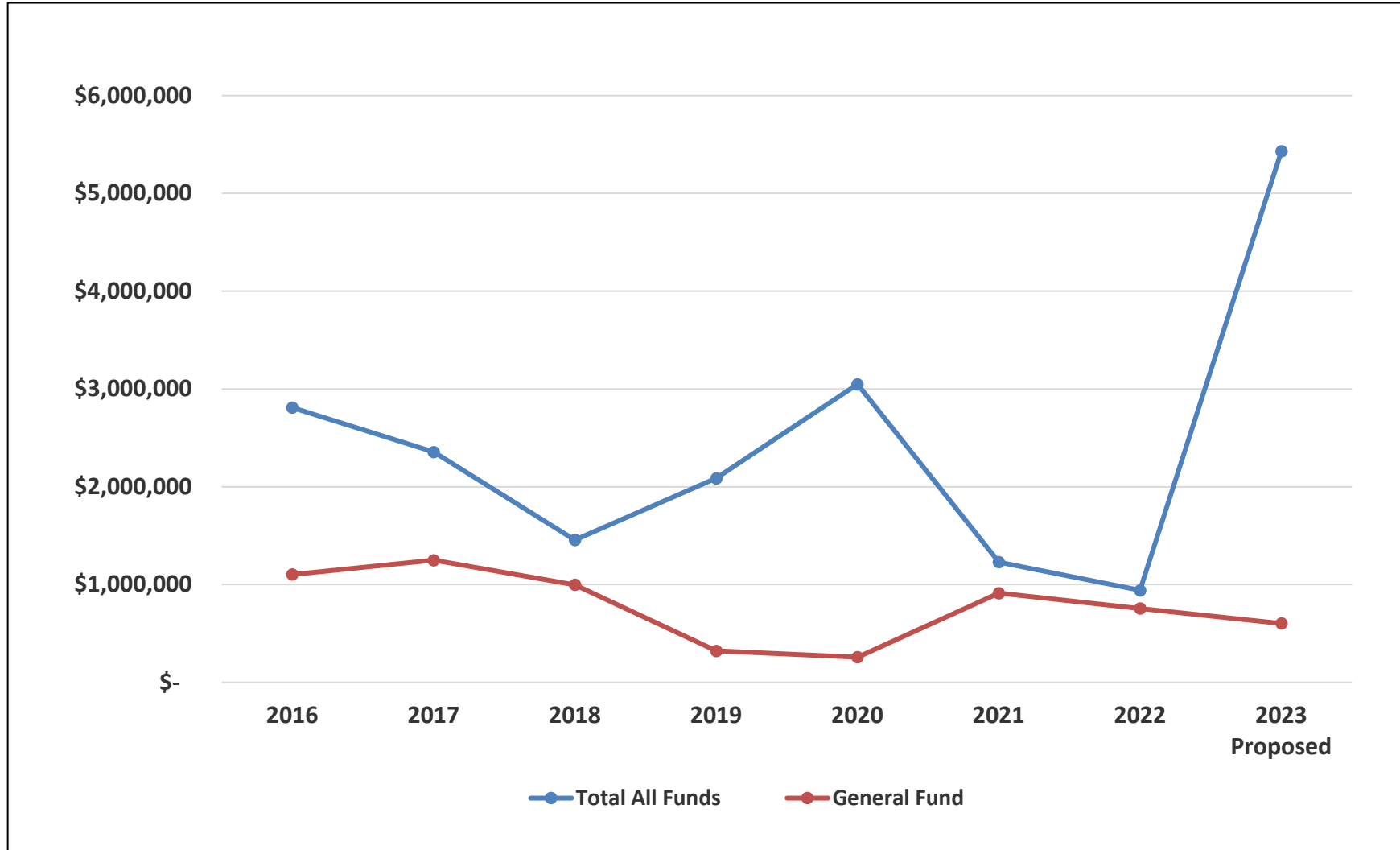
# Department	Request Name	Amount
13 Broadband	Re-Deploy of Broadband Working Capital	\$4,361,774
BROADBAND FUND TOTAL		\$4,361,774

DATA & COMMUNICATIONS FUND:

# Department	Request Name	Amount
14 Information Technology	Staff Augmentation for Network and Voice Operational Support	\$86,000
DATA & COMMUNICATIONS FUND TOTAL		\$86,000

UTILITY CUSTOMER SERVICE AND ADMINISTRATION FUND:

# Department	Request Name	Amount
15 Utility Tech. & Cust. Service	Utilities IT Minor Cap	\$170,848
605 - Utility Customer Service and Administration		\$170,848



Guidance Requested:

Does the Council Finance Committee support moving forward with the 2023 Reappropriation Ordinance on the Consent Agenda at the March 21, 2023 Council meeting?