Finance Administration
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AGENDA
Council Finance & Audit Committee
August 1, 2022
4:00 - 6:00 pm

Zoom Meeting https://zoom.us/j/8140111859

Approval of Minutes from the July 7, 2022, Council Finance Committee meeting.

1. Aquatics	45 mins.	S. Ghose L. Williams V. Shaw
2. Annual Financial Audit Results	25 mins.	B. Dunn
3. East Mulberry: Potential Annexation Lenses & Phasing	50 mins.	D. Lenz

Council Finance Committee

Agenda Planning Calendar 2022

RVSD 07/28/22 - ck

August 1st	2022		
	Aquatics	45 min	S. Ghose L. Williams V. Shaw
	Annual Financial Audit Results	25 min	B. Dunn
	East Mulberry: Potential Annexation Lenses & Phasing	50 min	D. Lenz

Sept. 1st	2022		
	Sustainable Revenue Update	70 min	G. Sawyer J. Poznanovic
	Annual Adjustment Ordinance	20 min	L. Pollack
	2021 Fund Balance Review	30 min	B. Dunn

Oct. 6th	2022		
	Hold: E. Mulberry Follow-ups	30 min	D. Lenz S. Tatman-Burruss
	2023 Utility Rate Increases	45 min	L. Smith
	Utilities Income-Qualified Assistance Program Structure	30 min	H. Young

Nov. 3rd	2022		
	General Employee Retirement Plan (GERP) Annual Report	30 min	B. Dunn
	Financial Policy Updates	30 min	B. Dunn

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Finance Committee Meeting Minutes
July 7, 2022, 4-6 pm
Zoom

Council Attendees:	Kelly Ohlson, Emily Francis (Acting Chair), Susan Gutowsky
Absent:	Julie Pignataro
Staff:	Kelly DiMartino, Travis Storin, Tyler Marr, Carrie Daggett, John Duval, Teresa Roche, Clay Frickey, Rachel Rogers, Jennifer Poznanovic, Nina Bodenhamer, Terri Runyan, Ginny Sawyer, Victoria Shaw, Gerry Paul, Sheena Freve, Blaine Dunn, Amanda Newton, Jo Cech, Lance Smith, Dave Lenz, Zack Mozer, Erik Martin, Carolyn Koontz
Others:	Jacy Marmaduke, Coloradoan Kevin Jones, Chamber Rachel Selby Jeff Byler, Manager, Pacific North Enterprises Tamara Seaver and Karlie Ogden, from Icenogle Seaver Pogue

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Meeting called to order at 4:00 pm

Approval of minutes from the June 2, 2022, Council Finance Committee Meeting. Kelly Ohlson moved for approval of the minutes as presented. Emily Francis seconded the motion. Minutes were approved unanimously via roll call by; Kelly Ohlson and Emily Francis.

A. Rudolph Farms - Metro District

Clay Frickey, Redevelopment Program Manager
John Duval, Deputy City Attorney

SUBJECT FOR DISCUSSION
Inclusion of Paradigm property into Rudolph Farm Metro District

EXECUTIVE SUMMARY
The purpose of this item is to consider the inclusion of the Paradigm property into the Rudolph Farm Metropolitan District (Metro District) located at Prospect and I-25. The developer of the Paradigm property is also seeking through the City's land use process to change the land use mix for the Paradigm property. This inclusion would allow the District to levy on the Paradigm property a Debt Service Mill Levy of 50 mills and an Operations and Maintenance Mill Levy of 20 mills, or a total of 70 mills, which property taxes would be used by the Metro District to fund the construction, operation and maintenance of public improvements. There is already levied on the Paradigm property by the I-25/Prospect Interchange Metro District a 10 mill levy to be

used to reimburse the City for a share of the City's funding of the recent CDOT improvements to the I-25/Prospect interchange. It is unclear what public improvements the Metro District would fund related to the Paradigm property.

GENERAL DIRECTION SOUGHT AND SPECIFIC QUESTIONS TO BE ANSWERED

Does the Council Finance Committee support the inclusion of the Paradigm property in the Metro District?

What additional information would be helpful when staff presents this item to City Council?

BACKGROUND/DISCUSSION

On March 6, 2018, City Council approved a series of resolutions related to the funding of interchange improvements at Prospect and I-25. These resolutions resulted in the following:

- Approval and authorization of a Binding Agreement pertaining to the development of Interstate Highway 25 and Prospect Road Interchange and a related Capital Pledge Agreement
- Approval of the I-25/Prospect Interchange Metro District covering all properties adjacent to the I-25/Prospect interchange
- Approval of the Rudolph Farms Metro District at the northeast corner of Prospect and I-25
- Approval of the Gateway at Prospect Metro District at the northwest corner of Prospect and I-25
- Approval of the SW Prospect I-25 Metro District at the southwest corner of Prospect and I-25

Approval of these agreements and Metro Districts resulted in the City, the Colorado Department of Transportation (CDOT), the owners of the parcels of private property at the four corners of the interchange (Property Owners) and the Town of Timnath sharing in the costs to fund improvements to the I-25/Prospect interchange to be built concurrently with the expansion of I-25. By rebuilding the I-25/Prospect interchange at the same time as the I-25 expansion, the project was able to realize efficiencies that resulted in $7 million in reduced project costs. This also accelerated the timeline for improvements to the interchange.

These actions also created the Metro Districts at each corner of the I-25/Prospect interchange with the exception of the southeast corner. The southeast corner of I-25/Prospect is known as the Paradigm property. The approved Metro Districts allow for funding of necessary infrastructure and public improvements to serve future development within the Districts. These Metro Districts pre-date the City's Metro District policy requiring public benefits from Metro Districts where more than 10% of the assessed value is residential.

These actions also created the I-25/Prospect Interchange Metro District (Interchange Metro District). All of the Property Owners' properties are included within the boundaries of the Interchange Metro District. The purpose of the Interchange Metro District is to generate tax and fee revenues from the Property Owners' properties to reimburse the City for the Property Owners' share of the costs to fund the CDOT improvements to the I-25/Prospect Interchange.

The estimated total project cost of the I-25/Prospect interchange improvements was $31 million. Of this, $24 million was for base design while the remaining $7 million represents the City's required urban design elements. CDOT shared in 50 percent of the base design portion, or $12 million. The remaining $19 million was split between the City, Property Owners, and Timnath at 43%, 43%, and 14%, respectively. Timnath's share is based on traffic studies with the City and Property Owners splitting the remaining costs.

Table 1

Partners Allocation of Costs (Millions)

Partners Share Allocation				
	Total	**Fort Collins**	**Property Owners**	**Timnath**
Overpass Cost	**$19.00**	**$8.25**	**$8.25**	**$2.50**
% Share Cost	*100%*	*43%*	*43%*	*13%*
Less ROW Credit	$0.50	$0.00	$0.50	$0.00
Less TCEF Credit	$1.40	$0.70	$0.70	$0.00
Debt Obligation	**$17.10**	**$7.55**	**$7.05**	**$2.50**
% Share Payments	*100%*	*44%*	*41%*	*15%*

On March 5, 2019, City Council adopted Ordinance No. 30, 2019, appropriating $19,099,945 to fund all non-CDOT costs associated with the I-25/Prospect interchange improvements. The City would seek repayment from the Property Owners within the District and from the Town of Timnath. The Binding Agreement requires each party highlighted in the table above to pay its share of the costs associated with the interchange improvements. The Capital Pledge Agreement outlines the terms of repayment for the Owners' Share of the project costs to be paid, in effect, through the Interchange Metro District.

The Capital Pledge Agreement identifies the sources of revenue from the Interchange Metro District that will be used to reimburse the City for the Property Owners' share of the costs. These revenue sources include:

- Imposition of a property tax mill levy of 10 mills on all taxable property within the Interchange Metro District
- 0.75% public improvement fee (PIF) on all retail purchases made within the Interchange Metro District, net of any reasonable administrative fees for collection by the City
- Impact fee collected at the time of issuance of a vertical building permit based on land use within the Interchange Metro District

Per the Capital Pledge Agreement, the Property Owners' share is payable on or before December 1 of each year in twenty equal installments of $479,000 beginning December 1, 2019. At the end each month, the property owners must remit any PIF or impact fees collected during the preceding month. In the event that the Property Owners are unable to pay $479,000 by December 1, the deficit accrues interest at a rate of 4.25%. The current deficit of the Property Owners' share is $958,622.

Rudolph Farms Background:

The Rudolph Farms property lies in three zone districts: General Commercial (CG), Industrial (I), and Urban Estate (UE). The Rudolph Farms Metro District Service Plan contemplates development that would conform to the permitted uses of those zone districts. Table 2 below shows the approved land use mix in the Rudolph Farms

Metro District Service Plan. The land use mix for Rudolph Farms in the I-25/Prospect Interchange Service Plan mirrors the land use mix shown in the Rudolph Farms Service Plan.

PNE Prospect Holdings LLC (PNE) acquired Rudolph Farms in 2021. PNE is looking to potentially acquire the Paradigm property for inclusion in the Rudolph Farms Metro District. In addition to including the Paradigm property, PNE contemplates changes to the land use mix and has two potential concepts in mind as per Table 2.

Table 2 – Rudolph Farms Land Use Mix Comparison

	Service Plan	Concept 1	Concept 2	% Change - Concept 1	% Change - Concept 2
Retail	107,850	121,904	127,900	13.03%	18.59%
Hotel (Rooms)	240	0	0	-100.00%	-100.00%
Convenience	5,350	0	0	-100.00%	-100.00%
Office	0	80,320	153,400	100.00%	100.00%
Industrial	831,150	440,500	300,500	-47.00%	-63.85%
Residential (Units)	60	563	685	838.33%	1041.67%
Self Storage	-	96,951	96,951	100.00%	100.00%

<u>Paradigm Background:</u>
On January 15, 2004, the Planning and Zoning Board approved the Paradigm Overall Development Plan (ODP). The purpose of an ODP is to establish general planning and development control parameters for projects that will be developed in phases with multiple submittals while allowing sufficient flexibility to permit detailed planning in subsequent submittals. The approved Paradigm ODP permits retail, drive-thru restaurant, hotel, convenience store with gas station, restaurant, office, and warehouse uses. The I-25/Prospect Interchange Metro District Service Plan contemplates Paradigm developing 114,000 square feet of retail and a 100-room hotel, mirroring the approved ODP.

In acquiring Paradigm, PNE looks to change the land use mix of Paradigm. On June 22, PNE met with City staff for a Preliminary Design Review about changing the land use mix for Paradigm. Preliminary Design Review is a pre-application meeting where City staff highlights potential issues with the proposed development prior to the applicant submitting a formal development application with the City. PNE proposes two hotels, two pad sites for fast casual restaurants, a convenience store, and a parcel for multi-family. There is not enough detail in the Preliminary Design Review application to compare the proposed land use mix with that approved in the Overall Development Plan and I-25/Prospect Interchange Service Plan.

<u>Inclusion of Paradigm property into Rudolph Farms Metro District:</u>
On June 7, 2022, legal counsel for PNE submitted a formal letter requesting inclusion of the Paradigm property into the Rudolph Farms Metro District. Per Section V(A)(4) of the Rudolph Farms Service Plan, inclusion of new property to the Metro District requires approval by City Council. Including Paradigm into the Rudolph Farms Metro District would allow the Metro District to issue bonds to fund public improvements required to serve the Paradigm property. The bonds would be repaid by placing a mill levy on the Paradigm property. The Rudolph Farms Service Plan projects the need for a Debt Service Mill Levy of 50 mills and an Operations and Maintenance Mill Levy of 20 mills, or a total of 70 mills. The inclusion of the Paradigm property into the Metro District would yield the following necessary updates to the Rudolph Farms Metro District:

- List of public improvements required to serve the Metro District inclusive of Paradigm
- Development summary
- Exhibits of public infrastructure required to serve Paradigm
- Financial plan

None of the amendments listed above require Council approval.

As mentioned above, Paradigm also contributes to the I-25/Prospect Interchange improvements. While the change in land use has little impact on the Rudolph Farms Metro District, these land use changes have more implications for the Interchange Metro District. The I-25/Prospect Interchange Service Plan contemplated the Paradigm property developing 114,000 square feet of retail and a 100-room hotel. The amended plans show two hotels, two pad sites for fast casual restaurants, a convenience store, and a parcel for multi-family. This presents some opportunities and potential risks for the City to collect the Property Owners' share of costs associated with the I-25/Prospect interchange improvements.

Opportunities:

- More feasible development plan – the updated development plans reflect updated development ideas to meet current market demand. Paradigm has sat vacant since approval of the ODP in 2004. This is an indication that the approved ODP is not well positioned to meet current market demands and may never come to fruition.
- Faster revenue generation – a more feasible development plan could yield faster revenue generation for the interchange improvements. There is already a sizable deficit for the Property Owners' share and this change to the land use mix could help the City recover some of its costs quicker.

Risks:

- Lower assessment rates – In Colorado, properties are taxed based on a percent of its assessed value. Commercial properties are taxed at 29% while residential properties are taxed at 7.15%. The updated plans for Paradigm would have 6.2 acres of residential uses. This means the residential component of Paradigm would need to have an assessed value four times that of a commercial property to yield the same revenue from the mill levy imposed by the Interchange Metro District.
- Lower PIF revenues – Another source of revenue in the Capital Pledge Agreement is the imposition of a 0.75% PIF on retail sales within the Interchange Metro District. Residential properties do not generate retail sales. By converting a portion of Paradigm property to residential from retail, the result will be less PIF revenue.

Without additional detail on how and when the Paradigm property might develop, it is uncertain how much the changes in Paradigm's land use mix will affect the City's ability to recover from the Property Owners their share of costs for the interchange improvements.

DISCUSSION / NEXT STEPS:

GENERAL DIRECTION SOUGHT AND SPECIFIC QUESTIONS TO BE ANSWERED

- Does the Council Finance Committee support the inclusion of the Paradigm property in the Metro District?
- What additional information would be helpful when staff presents this item to City Council?

Kelly Ohlson; the $8.5M for the private sector share – if they don't pay that off in 10 -15 years, the value of the $8.5M will be closer to $3-4M. Do we have any kind of interest payment or escalating written in? Why would we not build that in?

Clay Frickey, Yes, that is built in, there is a 4.25% interest rate - payments were scheduled to started in 2019 – property owners share – accrues interest – no payments received to date

Travis Storin; payment don't start until PIF (Public Investment Fund) revenue starts

Kelly Ohlson; maybe it makes sense to start the payments when their share of improvements is 90% finished

John Duval; as soon as they start having development and the Mill levy starts getting generated – the development will start receiving that money – whatever the Metro District gets off of the Mill levy on any development, on any included properties and as PIF starts getting generated and there are some impact fees they are to collect

Kelly Ohlson; What I am concerned about in the future is that the private sector writes better agreements for their benefit than we do for ours. In some cases, it could be 10 years after the improvements are built and that money is not worth nearly as much.

John Duval; they do start paying property tax right away from the metro district to the city under the agreement - when development starts interest accrues at 4.64% rate unless or until payments are made.

Kelly Ohlson; I am not going to support this, but I think staff is playing under the rules established so it is fair that you are bringing this to us. Is there a recommendation included?

Clay Frickey; no, we wanted to get Council Finance Committee's perspective before making a recommendation.

Kelly Ohlson; I am not supportive of metro districts in general. I view them as fatally flawed, generally scams and in many cases corrupt.

Emily Francis; in layman's terms – Paradigm Property has a current plan of what should go there (the original). Rudolph Farms wants to incorporate Paradigm into their metro district and at the same time change what is going into Paradigm.

Clay Frickey; that is correct – there is a lot of information and moving pieces – so please feel free to ask for clarity.

Emily Francis; since this was originally adopted by Council, we have updated our metro district policies, so I am not in favor of absorbing another property (Paradigm) into this without it having to come up to our current, updated standards. Based on that, I am not in favor as we have gone through a process of updating our standards to align with the outcomes we are trying to achieve. I would say that Paradigm could go through the process and apply for their own metro district, but I don't think it is appropriate to just absorb a property because Rudolph Farms is purchasing it and then also changing the land use quite dramatically (getting rid of open space).
Is it typical for the city to zone multifamily dwelling units so close to a gas station?

Clay Frickey; I would have to take a look and see where gas stations are located – I can think of a couple examples where this is the case - this is not common but also not unheard of.

ACTION ITEM:
Emily Francis; I can see that being appropriate in the 80's when we didn't have as much information about the negative health consequences of living so close to a gas station. As a side note, could we see if that is still allowed in our land use code?
If Rudolph Farms wants to buy this they would need to go through the whole process.

Kelly Ohlson; referencing an editorial in Denver Post -Sunday, May 1, 2022 (see link below)
https://www.denverpost.com/2022/04/28/metro-district-abuse-junior-bond-debt-house-bill-1363/

HB 1363 would have shut down one of the most egregious abuses of taxpayer dollars when developers issue a small tranche of debt on the bond market with unfavorable terms with above market interest and then buy the debt themselves so future homeowners will end up paying the developer for decades through their property taxes for a completely unnecessary load of bad debt. HB1363 is simple and only a small part of the reforms needed for a deeply flawed state law that allows private, for-profit developers to spend millions in taxpayer dollars with no oversight of the spending from publicly elected officials, the only people who determine how the money is spent and how it will be paid by taxpayers are the developers and their employees who have a financial stake in the venture. Millions of Coloradoans are paying off the debt incurred by these developers with no ability to see what the money was spent on or whether the project was priced in a reasonable fashion, let alone bid in a competitive way to assure a good use of taxpayer dollars……. for so many homeowners, it is too late to protect themselves from a predatory developer with free rein over their tax money, but HB1363 offers hope that future homeowners won't have to suffer. There is so much more reform that needs to happen. Metro district mill levies should be disclosed on all MLS listings and in sales offices for new developments. Those serving as quasi- judicial officials for metro districts should not be able to vote if they have a conflict of interest and the state should require metro districts competitively bid and publicly post all expenditures.

I am not going to be complicate in the metro district game until state level reforms are made.

Emily Francis; the process we have in place is not perfect and doesn't address all issues with metro districts but that is why it is important to have any new metro district go through the process.
For presenting to Council, with these more confusing and nuanced items, I think we really need to watch our reading level of information we present so that our residents can follow along. Not everyone knows about bonds and metro districts – thinking about the public and their understanding of what we are talking about.

B. Grocery Tax Rebate Program

Nina Bodenhamer, Director, City Give
Jennifer Poznanovic, Sr. Manager, Sales Tax & Revenue

EXECUTIVE SUMMARY

Established in 1972, the Grocery Tax Rebate is intended to provide financially insecure residents relief from City sales tax charged on purchased food. The program was expanded to include residents within the City's Growth Management Area in 2017.

Per a 2020 Performance & Program Evaluation, participation in Grocery Tax Rebate would benefit from:

- City-wide Centralization of Administration
- City-wide Coordination of Program Outreach
- Simplified Document and Income Verification
- Increased Alignment with Other City Benefit Programs

CURRENT STATE

In 2021, 1,800 Residents applied and received the Grocery Rebate Tax. 89% of applicants are repeat participants from the prior year.

- 2022 Annual Benefit: $69 Per Resident
- Eligibility: 50% Area Media Income

In spite of robust community outreach and investments in marketing, the Grocery Tax Rebate has historically lackluster enrollment.

Outreach and marketing efforts include but are not limited to:

- Spanish-language Translation of Outreach Materials and Application
- Direct mail, Community Promotion and Marketing
    - Community-wide Poster Distribution
    - Two (2) Ads Per Year, Coloradoan, Op-Ed
- 50+ Community Partners: Distribution of Applications & Promotion

GENERAL DIRECTION SOUGHT AND SPECIFIC QUESTIONS TO BE ANSWERED

Council input and the findings of the 2020 Performance & Program Evaluation affirm a commitment to:

- Increase Participation in Income-qualified Programs
- Reduce Barriers to Enrollment
- Realize the Potential of the City's Investment in Get FoCo
- Embed Best Practices & Resident Input

Adjusting the income eligibility from 50% AMI to 30% AMI would reduce the overall pool of applicants. However, would the increased ease in income verification result in a higher response rate?

BACKGROUND/DISCUSSION

Over the past years, revisions to the Code language which govern the Grocery Tax Rebate have been made to demonstrate responsiveness to resident input and program design:

- Revision to the Payment Definition to Allow Future Alternatives
- A Shift in Window of Service from Seasonal to Annual
- Adjusted Definition of "Households"
- Removed Federal Income Tax as the Sole Income Verification Source

Yet, the program continues to represent low participation rates. Four (4) options are presented with the rationale, risks and benefits of each:

- Option #1: Maintain Grocery Tax Rebate Income Eligibility at 50% AMI
  - Outstanding Benefit: An estimated resident pool of 18,000
  - Potential Risk: Income Tax Returns serve as the Sole Option for Income Verification: 30% - 50% AMI

- Option #2: Adjust Grocery Tax Rebate Income Eligibility to 30% AMI
  - Outstanding Benefit: Applicants Immediately Eligible for other City Benefits: Recreation, Spin Access, Reduced Cost Internet via Get FoCo
  - Potential Risk: A Reduced Participant Pool: 12,000 Eligible Residents

- Option #3: Adjust Grocery Tax Rebate Income Eligibility at 60% AMI
  - Outstanding Benefit: Income Verification Piggybacks on State Program
  - Potential Risk: Resident Familiarity with Low Energy Assistance Program (LEAP)

- Option #4: Adjust Grocery Tax Rebate Income Eligibility to 80% AMI
  - Via Household Addresses Linked to Affordable Housing Properties
  - Additional Financial, Technological and Operational Exploration Required

DISCUSSION / NEXT STEPS:

GENERAL DIRECTION SOUGHT AND SPECIFIC QUESTIONS TO BE ANSWERED
Council input and the findings of the 2020 Performance & Program Evaluation affirm a commitment to:
- Increase Participation in Income-qualified Programs
- Reduce Barriers to Enrollment
- Realize the Potential of the City's Investment in Get FoCo
- Embed Best Practices & Resident Input

Kelly Ohlson; I do prefer a higher number like 60% AMI. I have lived most of my life in that demographic so that is kind of a minimal number for me. I don't think we have put new taxes on food since the 80's. Can you confirm?

Travis Storin; yes, that is correct - Restaurant consumption is on the whole amount 3.85%

Kelly Ohlson; we are trying to balance that out - we get quite a bit of revenue from the base – I am interested in 60%.   I don't follow at all how we are going to verify that

Nina Bodenhamer; the success of the Get FoCo app depends on piggybacking – so we are using federal, state, or regional benefit programs. A resident who is participating in SNAP has an EBT card. They log into their account while they are at Get FoCo – take a snapshot of that screen and the verification of that account tied to the resident verification qualifies them at 30% AMI. With the 60% AMI option, that is also the standard for LEAP – so someone who qualifies for LEAP would receive a notice from the Colorado Low-income Energy Assistance Program - they upload the LEAP confirmation letter they received via email and when the text reader sees it and they are established at 60%.

The other option is Income Qualified Assistance Program (IQAP) for Fort Collins Utilities which also uses LEAP as a 3rd party verification/ qualifier. The LEAP letter opens the door to city benefits.
If they are enrolled in the reduced utility rate program, it is natural for them to enroll for the Grocery Store Rebate at the same time.

Kelly Ohlson; I am focused at the moment on Option 3. I am curious what staff would recommend.

Nina Bodenhamer; I am excited about the 60% AMI and my reason is for one it was illuminated by your and Emily's hard questions at Council. I love the challenge to come back with another pathway. My operational goal is to make the application process easy for residents and 60% accomplishes that Increasing the ceiling and making it easy, means we may have many more applicants that the current budget plans for.

Jen Poznanovic; I would say it really depends on what the Council is looking for - the income tax returns are a big barrier, and we aren't seeing as many families participate. Historically, over 80-90% are repeat applicants, over 50% are 65 and older so typically folks who have more time on their hands and are used to the process of giving us their tax return as part of the application process.

Kelly Ohlson; if this is the direction a majority of Council approves then it is up to us to prioritize the budget because we do bring in a lot of money from sales tax on food maybe some of the revenue from food goes back to those who need it the most.

Travis Storin; when I think about the 18,000 residents who are eligible for today's program relative to the 1,800 who participate - we can do a lot better than that (10%). We have really reached our limit on outreach – we have done everything we can in terms of promotion and awareness of this program, yet we still see low participation rates. I support the conclusion that the application verification process itself is creating barriers to participation. The more we can peg our programs to state and regional programs like LEAP then we are making it easier for our resident and expedites the process
30% AMI is easy street - 31-60% AMI tranches can be tricky but I think Option 3 is viable right out of the shoot and you can keep Option 4 in mind. Once we see the efficacy at 60% AMI the dollars do start to grow. It is a humble $100K program today and we want to daylight for Council's consideration that it would come at a cost to drive to substantially higher participation. I think we can manage that at 60% and that would be a good place to monitor to see if we could do 80%.

Emily Francis; when we send a rebate it is city funds, correct.

Nina Bodenhamer, yes

Emily Francis; I don't understand why we make people prove to us they are low income.
How much does it cost for us to administer this program?

Travis Storin; we have one staff member with a 25-hour part time schedule for 12 months.
$50K range – so relative to the $100K of benefits going out it is costly.

Nina Bodenhamer; the current benefit is $69 per resident. So, a single parent with 4 children would receive 5x $69 ($345)

Emily Francis; there are not a lot of people who would game the system for $60.
As a city, we say we want to reduce barriers, yet we are still going to make you prove that you are low income. It is just counter intuitive to me. If we don't have state and federal limitations on how we administer the program, and the funds then why are we putting that on ourselves?

Travis Storin; I assess a different risk around the potential for abuse – they are people who qualify technically because a business can run on a different tax return, etc. A person can qualify on the face of the form but can actually be a person who has means. I would worry that by having no qualification, we would open ourselves up to larger levels of abuse.

Emily Francis; I just doubt that there would be enough abuse that we would need to warrant the staff time to do this. Which will cost us more, the 20 people who abuse it or having full time staff work on it. I don't understand how we say we want to remove barriers and we have complete control of these programs, yet we are still going to make people prove they are low income. I just think it is something for us to think about and consider.
My other question is related to the grocery bag waiver – why can't we just follow the same guidelines at the register and not charge them sales tax on food.

Nina Bodenhamer; this has come up with our Get FoCo partners as well - we aren't there yet with the technology. To address your other question regarding income verification – your philosophical position is that we may not be there yet as a city, yet it is the same direction we were heading with the development of Get FoCo. How do we make it easiest for our residents, non-threatening, warm, responsive, and not a burden in terms of time? So, right now the benefit of the Get FoCo app in its entirety is that when a resident establishes a need – that is a gateway to a host of other programs not just the grocery tax rebate. We have the recreation discount which is a gateway to reduced cost childcare so there is a lot that happens once someone does establish need. The reason we designed this app was to reduce repetitive proving of income, to reduce the uncomfortable cultural barriers that we place on residents. We are moving in a positive direction – we have made this easy – if you were applying for the recreation discount, to apply for the grocery tax rebate program would simply be a click on a box because your income is already verified. We have this whole section to quick apply for a list of programs. If I quality for one then I qualify for all - so we are moving in this progression. In a future world, how else can that designation be used – for example the grocery tax - how do we create that space where we could eliminate the tax instead of rebating it?

Emily Francis; we spend so much time talking about how we operate to get to our goals – those processes aren't necessarily serving us – how do we get to the same end goal but in a different way. The 4 options are great, but they don't address the larger issue, the larger policy direction. So, with the 60% AMI – SNAP is one way but can be a pain to qualify for in the first place. I think it would be helpful to list all of the ways a person can qualify. During Covid with all the rent assistance,
If you were a case manager for someone you could provide a letter saying someone was being paid in cash.

Nina Bodenhamer; right now, in the app, we accept the SNAP EBT card, Women, Infants and Children (WIC) card, American Connectivity Program formerly Emergency Broadband Benefit (EBB), a PSD free or reduced lunch program letter, LINK the income qualified assistance program in our own utilities Medicaid – we are warming up to – cards have no expiration date so that represents a separate issue but is a simple approach, a letter from a provider from county, state, or other benefit programs. And SPIN (bike and scooter share) community access pass and their verification is at 30% AMI. Their verification is through their own platform which was created by Code for America.

Emily Francis; we need to think about other verifications that aren't tied to government.

Nina Bodenhamer; I accept that challenge

Emily Francis; we could do a pilot with the grocery food tax rebate and see how it goes

Kelly Ohlson; that is where I am at -I would be open to what you are suggesting - a pilot using the grocery store tax rebate- I like to have some recourse to go after the cheaters and eliminate them from the system.

Nina Bodenhamer; I do think they are some important gates
I would like to leave today with a recommendation for verification. We have a team in place with rebate. The 60% option still leverages the Get FoCo app. What does the success rate look like when we just make it easy on applicants? What if we relieved the income verification? How does that operationalize? I am looking for direction today on a percentage with our idea of 60% AMI

Kelly Ohlson; let's put this in some type of resolution because players on Council change. Then we have it in writing with our idea at 60% AMI for a certain time period if we need to go through one full cycle to evaluate how the system recommended by staff works. Staff could at the same time work on alternatives for us to consider – that way we don't waste a year of the new system and then take 9 months – that they happen concurrently – so we consider after we see how this works.

Emily Francis; I think that would be fine – so, 60% AMI and the language that Kelly said.
I appreciate your teams work so much and our language around this is going to be easy – making it easier for some people- we are forgetting a lot of people who it is not easier for

Nina Bodenhamer; it will be easy for households who know how to navigate public systems, have internet access. I would like to see us Increase participation in that space.

Susan Gutowsky; reference to the open system - I think with any system there are always folks who will game it – looking at all of the recovery money that was distributed - lots of money with very little oversight and lack of accountability. I don't know how you would spot the people who not playing fairly unless you have some sort of check, some way of verification. It would make me very uncomfortable to have an open system and trust everyone to be honest. Once you verify your income, it does open doors to other resources – it would benefit the city to have that done and don't think it would be a huge burden for those who want to apply. It is human nature across the board.

Travis Storin; summary

- Support for Option 3
- Fashioning this as a pilot and in parallel develop options that expand beyond the federal and state qualifications up to and including dropping the qualification entirely. We can capture that in the ordinance language that staff is continuing to study this and is not waiting for a year to start developing new programs
- Some reference to a timetable -appropriate amount of time to evaluate

Emily Francis; when this comes to Council, can you provide more information about the Medicaid part and other alternatives?

Kelly Ohlson; are these programs (Medicaid / SNAP for example) permanent? Do federal and state governments ever take people off these programs?

Nina Bodenhamer; the Medicaid card can be inactive - there is no date on the card, so you don't know if the card is active or not. SNAP / EBT – residents can log into their account, and it is an active account. Medicaid doesn't have that option.

Emily Francis; income verification for SNAP is done annually

Nina Bodenhamer; we haven't established what that cadence is yet for Get FoCo
Qualified last year - We can adjust when they were last verified and track when they have been active and what they have qualified for. LEAP / IQAP – what does that do to our overall cross pollination of these programs? Get FoCo a gateway to multiple city benefits

C. Capital Projects – Inflationary Impact (All Projects)

Sheena Frève, Senior Analyst, Financial Planning & Analysis
Gerry Paul, Director of Purchasing

EXECUTIVE SUMMARY

Inflation is currently at historically high levels, with the consumer price index (CPI) increasing by 8.6% from May 2021 to May 2022. Inflation in the construction industry is increasing at even faster pace, rising by 10% to 17% over the past year. Adding to the problem, the supply chain is experiencing pressure caused by higher costs and much longer lead times. The impact on the City can be seen in recent requests for supplemental appropriations for capital projects by Community Services, Planning, Development & Transportation, and Utilities.

The City anticipates continued pressure and has identified projects at risk due to inflation. The expectation is that most funding shortfalls will be addressed through the 2023/2024 budget process or through changes in scope, decreased levels of service, or delays impacting implementation and future projects. At the same time, inflation is offset by higher City revenues through increased sales tax receipts and investment income. Over the next five years, the Bipartisan Infrastructure Law will allocate billions of dollars to the state and local governments in Colorado. This may cause increased pressure on construction costs.

Some mitigating strategies are available through the competitive procurement process and by selecting the project delivery method that will result in the best outcomes. However, inflationary headwinds will continue to limit the City's ability to control rising construction costs. Staff are planning to establish an inflationary reserve as part of the 2023/2024 budget submittal.

GENERAL DIRECTION SOUGHT AND SPECIFIC QUESTIONS TO BE ANSWERED

- What questions does Council Finance Committee have regarding the impact of inflation on capital projects?

- What questions does Council Finance Committee have regarding methods of procurement and project delivery?

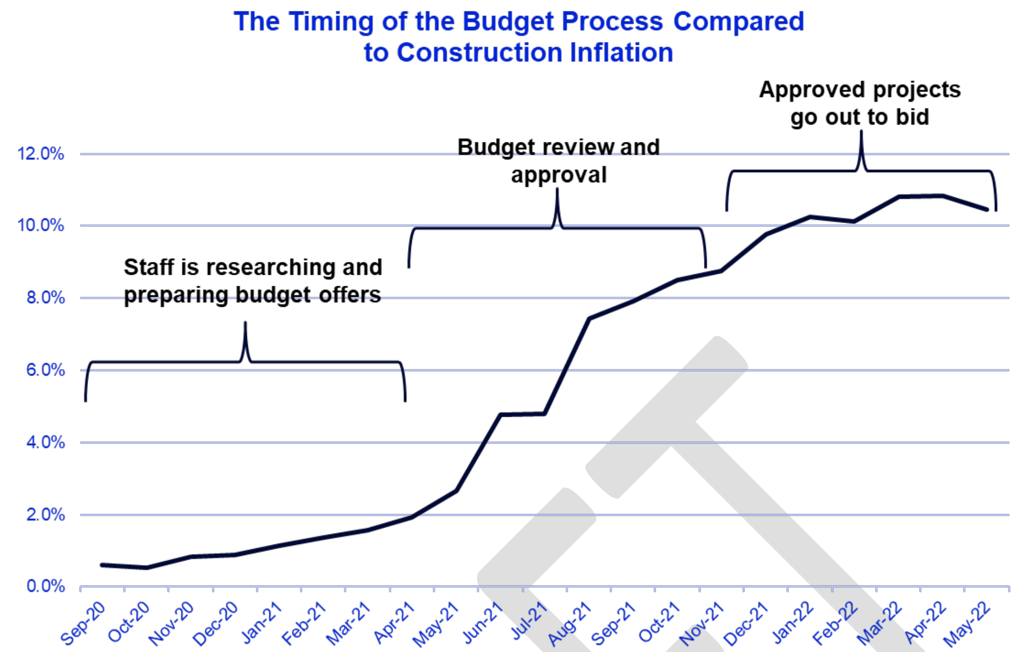
BACKGROUND/DISCUSSION

Inflation has risen by 8.6% from May 2021 to May 2022 according to the Consumer Price Index (CPI), the highest inflation rate since 1981 (Appendix I). Even so, inflation in the construction industry is rising at an even faster pace. The Engineering News-Record (ENR) construction cost index indicates that road and bridge construction has risen by 10% since May 2021 while construction on buildings has risen by 17% in the same period (Appendix II). This is confirmed by the 16% increase shown in the Colorado Construction Cost Index which tracks the costs of certain elements, such as asphalt and concrete, in projects bid and awarded by the Colorado Department of Transportation (Appendix III).

Several cost drivers are contributing to the rapid rise of inflation in the construction industry. Fuel is a major component of construction projects and gas prices have risen by 62% since June 2021 (Appendix IV). Labor costs as captured in the Employer Cost for Employee Compensation show a 4.8% increase for all civilian workers from March 2021 to March 2022 and a 6.2% increase for those in construction occupations (Appendix V). Right-of-Way (ROW) costs can be a major cost driver for projects requiring land or easements. ROW is driven by fair market value of real estate. Housing costs in Fort Collins have increased by 21% from the first quarter of 2021 to the first quarter of 2022, driving up the cost of ROW acquisitions (Appendix VI).

Adding to the inflationary pressure and contributing challenges of its own, the supply chain is under increasing strain. The Global Supply Chain Pressure Index (GSPCI), produced by the Federal Reserve Bank of New York, tracks the state of the global supply chain using surveys and data from the transportation and manufacturing sectors, including pricing, delivery times, and backlogs. The GSPCI indicates an historically high level of pressure on the supply chain and its authors submit that recent trends suggest a stabilization of pressures at these historically high levels (Appendix VII).

These developments have created challenges for the City's capital projects, particularly those that were budgeted during a period of low inflation. Budget offers for the 2022 fiscal year were researched and prepared beginning in the fall of 2020 until the submission deadline in April 2021. During this period, the ENR construction cost index indicated inflation was at or below 2%. Construction inflation climbed over 2% beginning in May 2021 as the budget review and approval process began. Projects cannot go out to bid until the budget has been approved in November. By that time, construction inflation had climbed to near 9%.



As part of the competitive purchasing process, the City can use a number of cost mitigation techniques, which are addressed in Attachment 2, to manage costs. However, throughout the procurement process, projects are subject to market conditions.

Several appropriated projects have come before Council Finance Committee in recent months requiring a supplemental appropriation due, in part, to inflation and supply chain issues. Those projects are listed below.

Inflation: Appropriated Projects Already Addressed

Project Description	Service Area	Original Budget	Budget Increase	Percentage Increase
East Park District Maintenance Facility	Community Services	$5,800,000	$1,200,000	21%
Southridge Golf Course Irrigation System Replacement	Community Services	$5,000,000	$1,200,000	24%
Linden Street	PDT	$3,861,000	$500,000	13%
South Timberline Corridor	PDT	$8,723,228	$2,148,000	25%
Vine/Lemay/BNSF Intersection	PDT	$28,723,630	$1,380,000	5%
Electric transformer replacement program	Utilities	$792,811	$1,432,000	181%
Grand Total To-Date		**$52,900,669**	**$7,860,000**	**14.8%**

Additional impacts on appropriated projects are expected (Appendix VIII). However, at this time it is anticipated that most affected projects will be addressed through the 2023/2024 budget process or by reducing the project scope or delaying other projects.

In the 2023/2024 budget cycle, inflation has created a high level of uncertainty for staff preparing budget offers. Capital project budget offers significantly impacted by inflation are listed below. Inflation escalators of 6 to 31% were built into many of these projects along with higher-than-average contingency, ranging from 15 to 25%. Some budget offers anticipate incorporating scope changes and value engineering to counter funding shortfalls.

2023/2024 Capital Project Budget Offers Impacted by Inflation

Service Area	Offer Name	Offer Total 2023	Offer Total 2024
Community Services	Recreational Trail Development	$2,495,510	$771,838
Community Services	Neighborhood Park Development	$3,777,107	$3,802,609
Community Services	Community Park Development	$757,026	$110,744
Community Services	Build Community Garden in Traverse Park	$140,000	$0
Community Services	9/11 Memorial at Spring Park	$300,000	$0
Community Services	CCIP - Southeast Community Center Construction	$15,201,000	$0
Judicial Services	Municipal Court Services - Court Remodel Option 1	$13,000,000	$0
Judicial Services	Municipal Court Services - Court Remodel Option 2	$21,000,000	$0
PDT	Power Trail at Harmony Road Grade-Separated Crossing and Trail Extension (Design and Construction)	$4,400,000	$0
PDT	Downtown Quiet Zone - Design of Wayside Horns	$500,000	$0
PDT	Siphon Bicycle/Pedestrian Overpass (Construction)	$1,500,000	$0
PDT	College and Trilby Intersection Improvements (Construction)	$3,870,000	$1,800,000
PDT	Turnberry Road and Suniga Road Extensions (30% Design)	$300,000	$0
PDT	Laporte Avenue Corridor Improvements (Construction)	$0	$1,572,500
PDT	Automated Wash Bay Facility Construction	$2,710,000	$0
PDT	Hoffman Mill Scale House Renovation	$250,000	$0
PDT	Americans With Disabilities Act (ADA) System Upgrades	$3,570,000	$0
Utility Services	Landfill Groundwater Remediation IGA	$650,000	$100,000
Utility Services	Utilities: Light & Power - Grid Integrated Water Heater Installations	$193,000	$655,000
Utility Services	Utilities: Light & Power - Direct Install Demand Response T-stat Replacement	$119,000	$185,000
Utility Services	Environmental Learning Center Flow Restoration Project	$2,089,196	$0
Utility Services	Utilities: Light & Power - Land Acquisition for New Electric Substation serving Northeast Fort Collins	$1,085,000	$0
Utility Services	Utilities: Light & Power - New Electric Substation serving Northeast Fort Collins	$300,000	$7,876,000
Utility Services	Utilities: Light & Power - Circuit 638 Extension and Circuit 608 Contingency	$465,000	$0
Utility Services	Utilities: Light & Power - Install Circuit 628	$0	$1,730,000
Utility Services	Utilities: Light & Power - Utility Network Migration & ADMS Enhancements	$830,000	$250,000
Utility Services	Utilities: Light & Power - Cable Handling Facility for Cut-To-Length Program	$0	$1,551,472
Utility Services	Utilities: Light & Power - System Relocations Due to Road, Intersection and Alley Improvements	$400,000	$400,000
Grand Total		**$79,901,839**	**$20,805,163**

Inflation, sometimes compounded by deferred maintenance, has also had an impact on budget offers for asset management projects (Appendix IX). Many ongoing asset management budget offers are insufficient to meet City needs. As a result, enhancement offers were submitted to achieve the desired replacement cycles and levels of service. In some cases, offers anticipate lowering the level of service if additional funds are not available. For example, the Street Maintenance program is only able to maintain roads every 21 years instead of every 16 years. Many offers have a 10 to 15% inflation cost escalator built into the project cost. Some offers have a 10 to 15% contingency on top of current pricing.

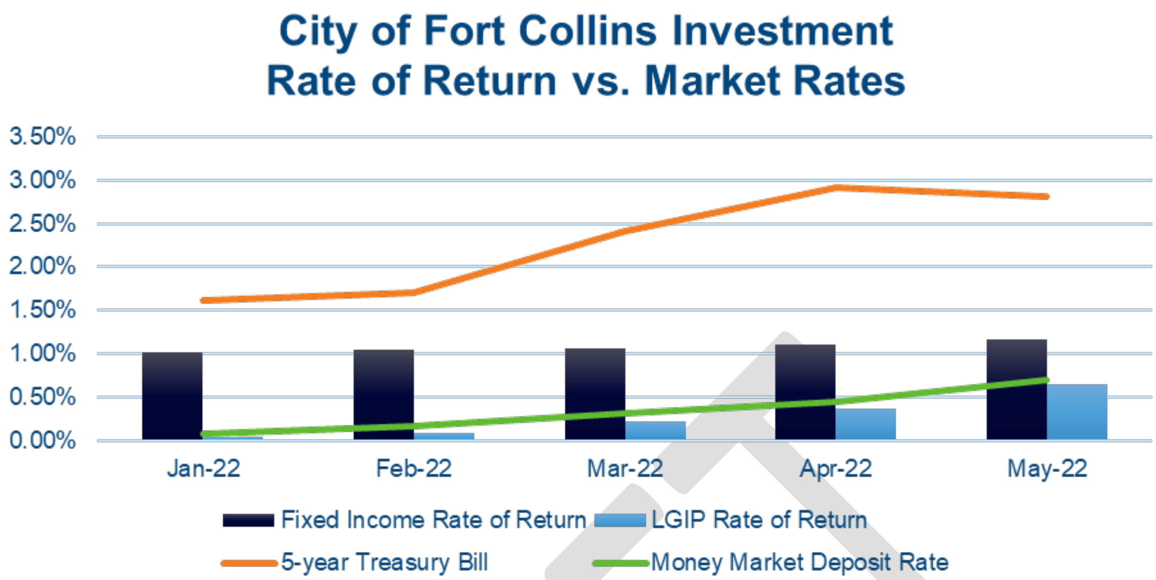
Long lead times for certain equipment have added another layer of volatility to the mix. Some equipment that previously was available off the shelf with travel time, arriving in a few weeks or a month, may now take thirty-five to sixty weeks. This is particularly challenging as buildings and equipment approach their end-of-life. On top of that, specific items, such as HVAC equipment are experiencing price increases of 25% to 300% and traffic signal pole pricing has increased by 90% this year.

While inflation has created many challenges for the City, it has also provided some offsets in the form of increased revenues. During times of positive inflation, inflation is always adding to the City's sales tax receipts. In other words, as the price of goods rise, total taxable sales rise. Within the past year, as inflation grew by 8.6%, about $5.5 million was added to the City's sales tax receipts that can be attributed to inflation, as detailed in the table below. That $5.5 million is about 4% of the $145.6 million collect from June 2021 through May 2022.

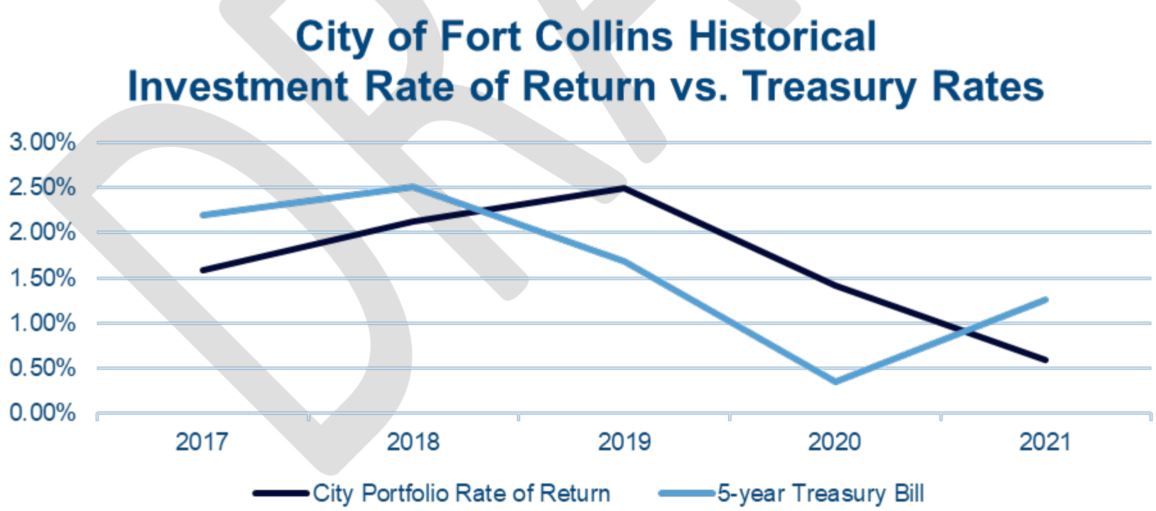
Inflation Increases Sales Tax Collections Over Time

Month	CPI % Change	Compounded Sales Tax Receipts Attributable to Inflation
June 2021	0.9%	$101,474
July 2021	0.5%	$176,142
August 2021	0.2%	$181,913
September 2021	0.3%	$236,912
October 2021	0.8%	$341,965
November 2021	0.5%	$382,878
December 2021	0.3%	$391,477
January 2022	0.8%	$655,559
February 2022	0.9%	$549,860
March 2022	1.3%	$651,070
April 2022	0.6%	$899,097
May 2022	1.1%	$935,185
Change May 2021-May 2022	**8.6%**	**$5,503,532**

Another way in which inflation increases City revenues is through investment income. While not as immediate an impact as sales tax receipts, as the Federal Reserve raises interest rates to combat inflation, the rate of return for the City's investment portfolio gradually increases as well, as shown in the chart below. The Federal Reserve has increased the interest rate three times in 2022 as a response to inflation: by 25 basis points on March 17th, 50 basis points on May 5th, and 75 basis points on June 16th. An increase of 50 basis points applied to the City's entire portfolio could ultimately result in an additional $3 million annualized. However, rising interest rates do not impact the City's entire portfolio immediately, but rather gradually over time.



The City's Local Government Investment Pool (LGIP) rate of return responds to rising interest rates relatively quickly, closely following the market rate for money market deposits. The fixed-income rate of return is slower to respond and tracks slightly behind the five-year treasury bill, as shown below. About 20% of the City's portfolio is in LGIP; 75% is fixed income, divided between agency bonds and corporate bonds; and the balance of 5% is held in cash reserves to address the City's day-to-day financial needs. Interest rate hikes this year have contributed to interest income that is 23% higher than budgeted year-to-date.



In the coming year, staff anticipate continued effects from inflation. On the positive side, rising interest rates may cool the housing market. This could mean that fair market value for right-of-way acquisition may stabilize.

At the same time, as the Bipartisan Infrastructure Law (BIL) rolls out over the next five years, the construction industry may experience continued pressure due to the influx of federal funds. The BIL provides billions in funding for road and bridge projects, public transportation, water infrastructure, the electric vehicle network, environmental remediation, and more. Formula funding available to Colorado and new and expanded competitive grant programs are shown in the tables below. With billions more in funding being awarded and distributed, projects may be bid up as federal funds are awarded to local governments throughout Colorado on the same timeline.

Formula Based Funding Colorado Expects to Receive from the BIL

Program	Amount (CO)	Notes
Federal Highway Formula Funding for Roads and Bridges	$4 Billion	29% increase
Formula Funding to reduce transportation related emissions	$86 million	
Promoting Resilient Operations for Transformative, Efficient, and Cost-saving Transportation (PROTECT) Program (Formula Based)	$98 million	New
FAST Act Transit Funding	$950 million	29% increase

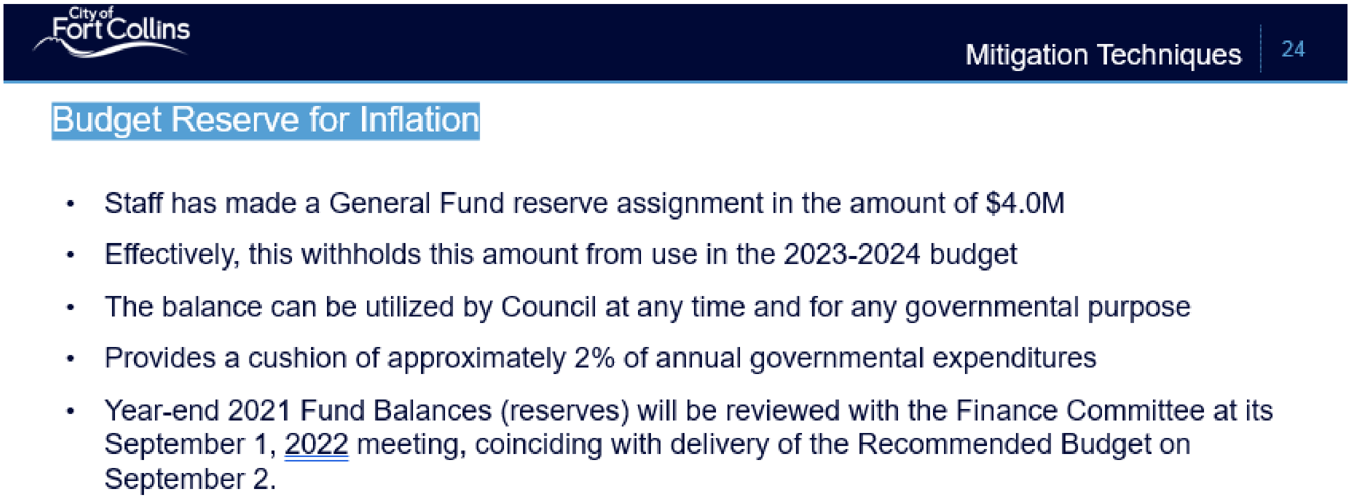
New and Expanded Competitive Grant Programs Included in the BIL

Program	Amount (National)	Notes
Federal Highway Administration (FHWA) competitive grants for nationally significant bridges and other bridges	$15.77 Billion	New
Rebuilding American Infrastructure with Sustainability and Equity (RAISE) Grants	$15 Billion	Expanded
Safe Streets for All	$6 Billion	New
Infrastructure for Rebuilding America (INFRA) Grant	$14 Billion	Expanded
Federal Transit Administration (FTA) Low and No Emission Bus Programs	$5.6 Billion	Expanded
FTA Buses + Bus Facilities Competitive Program	$2 Billion	Expanded
Capital Investment Grants (CIG) Program for high-capacity transit	$23 Billion	Expanded
MEGA Projects	$15 Billion	New
Promoting Resilient Operations for Transformative, Efficient, and Cost-saving Transportation (PROTECT) Program (Competitive)	$1.4 Billion	New
FTA All Station Accessibility Program	$1.75 Billion	New
Charging and fueling infrastructure discretionary grants	$2.5 Billion	New
FHWA Nationally Significant Federal Lands and Tribal Projects	$1.78 Billion	Expanded
Strengthening Mobility and Revolutionizing Transportation (SMART) Grant Program	$1 Billion	New

DISCUSSION / NEXT STEPS

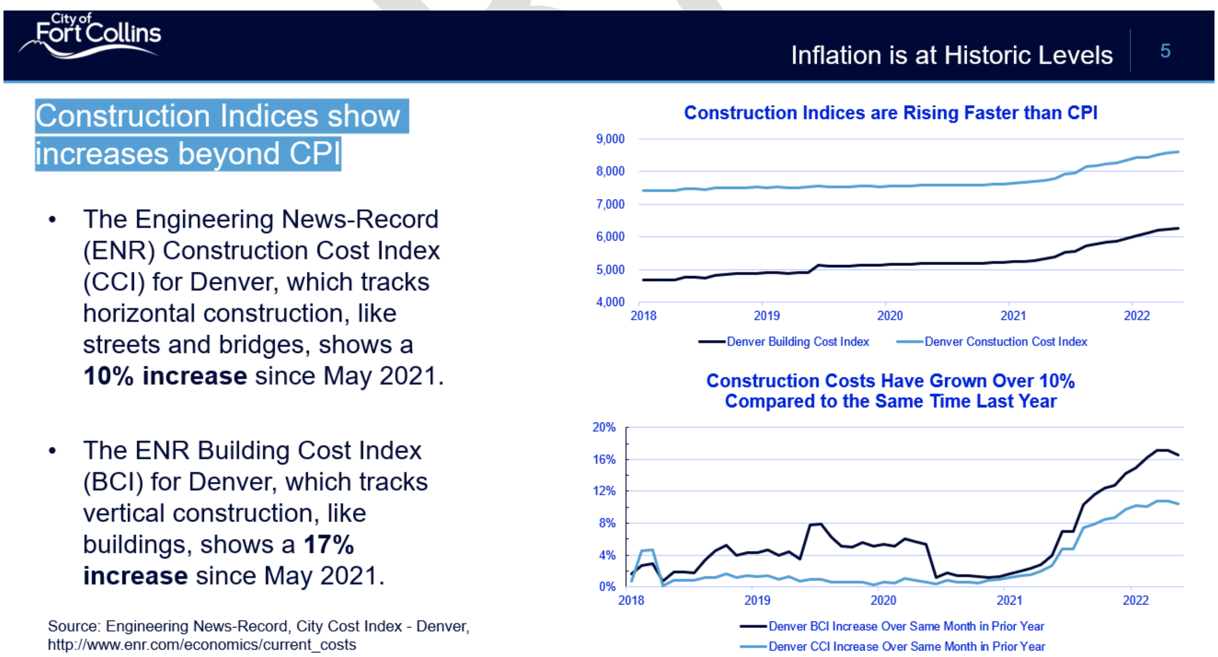
GENERAL DIRECTION SOUGHT AND SPECIFIC QUESTIONS TO BE ANSWERED

- What questions does Council Finance Committee have regarding the impact of inflation on capital projects?
- What questions does Council Finance Committee have regarding methods of procurement and project delivery?



Travis Storin; we are suggesting setting aside a General Fund reserve amount to serve as a cushion against inflation should any of our budget assumption prove to be incorrect - $4M (2%) withhold it from use in the 2023-2024 Budget

Kelly Ohlson; Slide #5 (see below)



I don't'

I like the specificity of the construction cost index both vertical and horizontal.
When we bring fees for capital adjustment fees and those relating to roads and building costs.
It doesn't fee Council has to approve those fees, but we should see fee increases brought forward that closely correspond to what the market is doing. I don't believe that has been refined enough in the past to the detriment of the city organization. It doesn't mean we pass the full amount of the fees, but we know the fee increases are based on the best data. We can make other decisions and staff can make other recommendations, but we need to be comparing apples to apples. Very clear and very concise

City of Fort Collins

More Project Impacts are Expected

13

Inflation: Appropriated Projects Anticipating Inflation Impact

Project Description	Service Area	Current Budget	Contract Type	Project Phase	Impact of Inflation
Buckinghorse Neighborhood Park	Community Services	$ 3,181,495	CM/GC	Breaking Ground end of June 2022.	Anticipating cost overruns that will be addressed during the 2023/24 budget process. Will also explore scope changes and value engineering.
Carnegie Center Renovation	Community Services	$ 4,845,820	CM/GC	Design near 20% and CM/GC Contractor on board.	Project costs rose, creating a shortfall, but the City was able to fill in the gap with grant funding.
Southeast Recreation/Community Center	Community Services	$ 17,561,000	CM/GC	Working to determine final site location and overall budget. Anticipating to post design RFP this fall of 2022.	Anticipating cost overrun of about $15 million beyond 2023/24 budget request, due in large part to scope changes. Final project cost dependent on stakeholder partnerships.
Laporte Bridges	PDT	$ 2,799,472	CM/GC	CM/GC Contract in place. Currently providing preconstruction services at 60% Design Documents.	Anticipated funding need of $2.8 million addressed through 2023/24 bridge program budget offers.
College and Trilby	PDT	$ 10,658,706	CM/GC	Draft RFP for CM/GC and 60% Design Documents.	Assumes Community Project grant funding. Anticipated funding need could be addressed with $3.8 million request from the general fund and $2 million from CCIP - Arterial Intersection funds in 2023/24 budget process.
Laporte Corridor	PDT	$ 3,127,500	Undetermined	Design near 30% Design Documents.	Anticipated funding need addressed by $1.6 million general fund request in 2023/24 budget process.
Siphon Bicycle/Pedestrian Overpass	PDT	$ 4,805,050	Design/ Bid/ Build	30% Schematic Design Documents	Pending 2023/24 MMOF grant award of $450,000. Anticipated funding need could be addressed by $450,000 request from the general fund and $600,000 from CCIP - Grade Separated Bicycle/Pedestrian Crossing funds in 2023/24 budget process.
Operations Services: Facilities Major/Minor Repair & Replacement	IES	$ 3,840,484	Various	Various Stages	Some repairs/replacements may be delayed until next year. Funding gap reflected in 2023/24 enhancement offer.
Streetlight Replacement	Utilities	$ 1,056,000	Performed In-House	Ongoing	LED conversion program may be extended.
Water Production Replacement Program (SCADA)	Utilities	$ 515,000	T&M-Fixed Pricing	Ongoing	Minor projects may be delayed.
Water Distribution System Replacement	Utilities	$ 1,000,000	T&M - Fixed Pricing	Ongoing	Reduction in pipe replaced in annual program.
Water Meter Replacement	Utilities	$ 850,000	Performed In-House	Ongoing	Meters may stay in service beyond normal cycle.
Water Reclamation Replacement	Utilities	$ 1,000,000	T&M+ Mark-Up - Fixed Pricing	Ongoing	Minor projects may be delayed.
Wastewater Collection System Replacement program	Utilities	$ 1,750,000	T&M+ Mark-Up - Fixed Pricing	Ongoing	Reduction in pipe replaced in annual program.
Cured in Place Pipe program	Utilities	$ 750,000	T&M - Fixed Pricing	Ongoing	Reduction in pipe lined in annual program.
Grand Total		**$ 57,740,527**			

Kelly Ohlson; Slide 13 (see above)

What does it mean by 'current budget? What is the date of current budget?

Travis Storin; theses appropriations are on a non -lapsing basis. Basically, they don't expire until the project is completed. I could see us adding a column to this table for 'year of origination' because it will vary

Kelly Ohlson; Would the current budget be from that date (date of origination)?

Travis Storin; these are the original amounts plus, any supplemental appropriations that have been done since then.

Kelly Ohlson; I might need some 1:1 time. In numerous places, it says the Impact of Inflation will be addressed in 2023-2024 Budget - not if Council has other priorities – it kind of assumes we will do what you recommend.

Travis Storin; meaning that staff is going to surface a request through the Budget. We are working through those executive dialogs right now in advance of delivery to Council. That is not a guarantee that staff would recommend it, let alone Council.

For the Southeast Recreation /Community Center – it says a $15M cost overrun for a $17.4M project Beyond the 2023-2024 Budget request due in large part to scope changes. We haven't approved a pool yet, right?

Travis Storin; no, the pool has not been approved. There is both a Finance Committee discussion and a Work Session scheduled. The Aquatics program as a dedicated topic is coming to the August 1st CFC and to an August 23rd Work Session. You are seeing very substantial expansion of the design and scope of that facility to the ballot measure that was approved in 2015.

Kelly Ohlson; the $15M doesn't mean we are going to go for it. I am assuming that amount does include a pool.

Travis Storin; it does include a pool and it is also predicated upon participation from community partners and the discussions staff is exploring with the school district and the university.

Kelly Ohlson; Operations Services; Facilities Major/Minor Repair and Replacement - we have always underfunded this in every budget I have participated in. Some repairs / replacements may be delayed until next year. At some point, come Council has to get serious about that. We continue to get further behind every year.

Travis Storin; that is a very close reflection of the very conversations we are having as a staff around asset management this year. Some of the conditions out there are bending and others are breaking. As an overall general theme, asset management is going to play a huge part in the 2023-24 Budget.

Kelly Ohlson; on the Utilities - they are Enterprise Funds – are we getting major reductions in revenue? Why are those being affected? Generally, utilities don't have to take a hit as their revenues are consistent and going up at 2-4% per year but there seems to be some things listed that are going to be delayed or cut.

Travis Storin; this slide is cost side display around what is currently appropriated by current or previous Councils. It is expense driven. To your point, utilities has a wider array of options.

Kelly Ohlson; is it inflation?

Lance Smith; so, revenues are strong in Utilities, but this is the cost side on the capital investments. We are seeing inflation just like the rest of the city. We will spend $1M in water distribution system replacement but because of inflation, we will get a little less done for that amount of money.

City of Fort Collins

Impact on 2023/2024 Budget Offers
14

2023/2024 Capital Project Budget Offers Impacted by Inflation

Service Area	Offer Name	Offer Total 2023	Offer Total 2024
Community Services	Recreational Trail Development	$2,495,510	$771,838
Community Services	Neighborhood Park Development	$3,777,107	$3,802,609
Community Services	Community Park Development	$757,026	$110,744
Community Services	Build Community Garden in Traverse Park	$140,000	$0
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Community Services	CCIP - Southeast Community Center Construction	$15,201,000	$0
Judicial Services	Municipal Court Services - Court Remodel Option 1	$13,000,000	$0
Judicial Services	Municipal Court Services - Court Remodel Option 2	$21,000,000	$0
PDT	Power Trail at Harmony Road Grade-Separated Crossing and Trail Extension (Design and Construction)	$4,400,000	$0
PDT	Downtown Quiet Zone - Design of Wayside Horns	$500,000	$0
PDT	Siphon Bicycle/Pedestrian Overpass (Construction)	$1,500,000	$0
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PDT	Turnberry Road and Suniga Road Extensions (30% Design)	$300,000	$0
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PDT	Automated Wash Bay Facility Construction	$2,710,000	$0
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Utility Services	Landfill Groundwater Remediation IGA	$650,000	$100,000
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Utility Services	Utilities: Light & Power - Cable Handling Facility for Cut-To-Length Program	$0	$1,551,472
Utility Services	Utilities: Light & Power - System Relocations Due to Road, Intersection and Alley Improvements	$400,000	$400,000
Grand Total		**$79,901,839**	**$20,805,163**

Impact of Inflation on 2023/24 Capital Project Budget Offers

- Inflation has created a high level of uncertainty.
- Many capital projects requested above average contingency, often from 15-25%.
- Inflation escalators were built into many projects, ranging from 6% to 31%.
- Some offers anticipate incorporating scope changes and value engineering to counter funding shortfalls.

Kelly Ohlson; Slide 14 (see above)
Are these in the budget that you will be bringing to us in a few months?

Travis Storin; these are offers under consideration for the 2023-224 Budget. The expectation is that for capital projects, it reflects their best estimate of cost inclusive of the inflationary environment.

We are alerting Council to some of the pressures we are facing. The inflation and the upward pressure that each of these projects are experiencing and that is baked into the offers essentially drives a higher sticker price than the offer would otherwise and necessitates other trade-offs. Essentially fewer projects or examining other ongoing programs because we have a fairly fixed amount of revenue that is assumed in the budget at this point in time. This is just a flag for your general awareness of a pressure that we are experiencing.

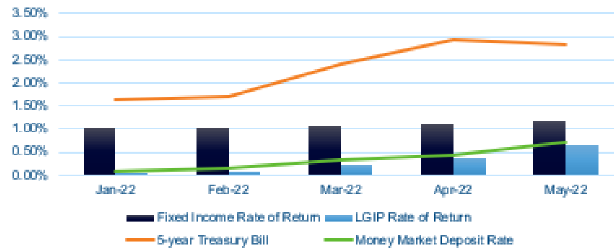
Rising Interest Rates

- The Federal Reserve has raised the interest rate to combat inflation:

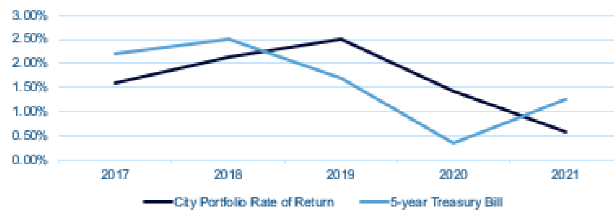
March 17	25 basis points
May 5	50 basis points
June 16	75 basis points

- Over time, this will lead to a higher yield on investments. The City's Local Government Investment Pool (LGIP) responds to changing market conditions more quickly than the rest of the portfolio.
- Interest rate hikes this year have contributed to interest income that is 23% higher than budgeted year-to-date.

City of Fort Collins Investment Rate of Return vs. Market Rates



City of Fort Collins Historical Investment Rate of Return vs. Treasury Rates



Kelly Ohlson; Slide 17 (see above) interest income is 23% higher than budgeted year to date. What does that mean in real dollars?

Sheena Freve; we budgeted $1.4M YTD and we have received $1.7M YTD so it is $300K over budget

Design/Bid/Build (DBB)

- Traditional method for delivering capital projects
- Sequential process with design completed by City or Consultant based on time & materials
- Construction bid awarded to lowest responsive and responsible Contractor
- Construction contractor "owns" delivery including risk
- City "owns" design

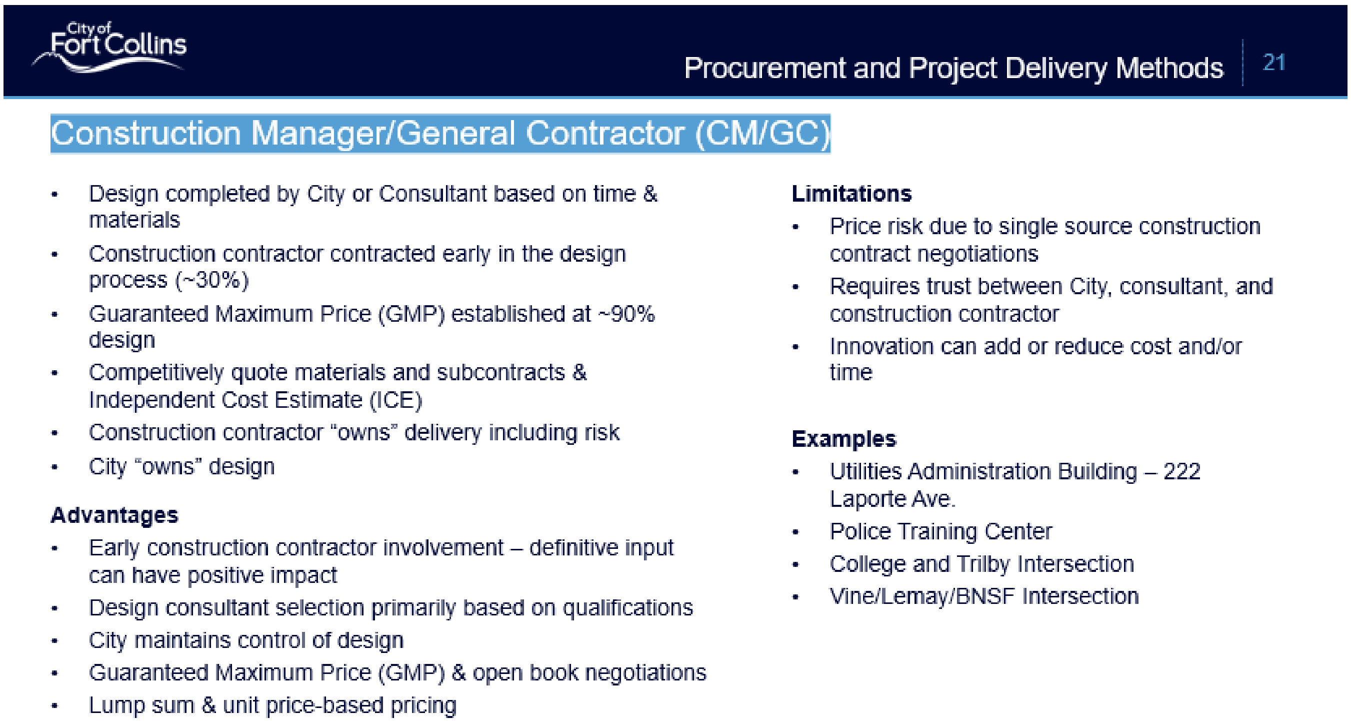
Advantages
- Design consultant selection primarily based on qualifications
- City maintains control of design
- Market based selection of construction contractors with competitive pricing
- Firm-fixed price construction contract

Limitations
- No contractor input during design may negatively impact cost
- Linear process may extend time
- Low bid may lead to delays, poor quality, and other adverse outcomes
- Changes in scope subject to change orders

Examples
- Timberline Underpass for Trail System
- Siphon Overpass for Trail System
- Concrete Maintenance Phases I, II, III
- Transfort Bus Stop Upgrades

Kelly Ohlson; examples on slide 20 (see above) How often do we go back and evaluate so we know which process is the best? Do we use a rating system? What did we learn from this? So that we learn which process is the best. Do we do anything in hindsight?

Gerry Paul; Our engineering group does a really good job of that. Lessons learned after major projects. I don't know that we have institutionalized that around the city. A good point to follow- up on. We don't have a formal rating system. It is more of a lesson learned approach.



Kelly Ohlson; Slide 21 (see above) Examples listed – those would be good ones to cut off – to develop some kind of process for the future. I didn't say that every project we do for the rest of eternity just the projects that make sense to do.
What lessons did we learn in general?

City of Fort Collins

Procurement and Project Delivery Methods | 23

Procurement and Project Delivery Methods

Distinguishing Factors	Design/Bid/Build	CM/GC	Design/Build	APDS
Early Supplier Involvement		X	X	X
Complexity & Innovation		X	X	X
City "Owned" Design Risk	X	X		X
City "Owned" Construction Risk				X
Construction Contractor Selection Primarily Price Based	X			
Firm-Fixed Price Cost	X			
Guaranteed Maximum Price (GMP)		X	X	
Open Book Financials		X	X	X

Kelly Ohlson; Slide 23 (see above) We have a column titled Design / Build but no slide.

Gerry Paul; I apologize as I did not include it in the presentation. It is in the AIS – we rarely use that method, so we didn't include it in the presentation. Under that principal, you have a lot less control of the design.

Emily Francis; for the Aquatic topic, is that just the Southeast Recreation center or aquatics as a whole?

Travis Storin; the item is intended to address only the Southeast Recreation center.

Emily Francis; I am concerned about specifically focusing on one pool instead of looking at the broader picture when we have a lot of pools to fund. That is a lot of dollars over budget. We need to stop considering it in a vacuum and look at all – overall aquatics.

We keep delaying maintenance and now we are at an issue with parks. I think we need to stop kicking the can down the road. We need to start addressing a lot of these issues and stop delaying the projects especially because they are only getting more expensive. While the city has had increased revenue, our costs are going up. We need to look at what do we can trim. Operations and maintenance of these things is an essential service to the city. I think we cannot continue doing this and look at what things do we need to stop doing in order to provide essential services. I am not sure how we measure success in our programs. I know we have our Strategic Plan and some metrics. I am not sure how accurate and helpful those metrics are and whether they actually tell a story of what success for the city is. How we cut things that don't serve us anymore.

Travis Storin; we do rely heavily on our measurements both the ones in the Strategic Plan as well as our Strategic Maps underneath the Strategic Plan with some 400 different measurements. If a given program is not meeting the desired outcome – we ought to consider that program and whether it continues to exist. Historically we have not done a great job with a 'stop doing 'list. We need to have an earnest stop doing list In the face of cost pressures.

Emily Francis; with over 400 indicators you can link any project to anything – when you look at the picture of what is success – What are the core goals the city is trying to advance and how is our programming achieving that? I think we have a lot of data, but I am not sure how we are using that to advance – we need a stop doing list – things are changing – probably a bigger discussion

Kelly Ohlson; we create an evaluation process not only for individual projects (some number per year). We don't have that many Lemay Vine overpasses type projects. Then micro to that, I would like senior management to evaluate - maybe one design build is working much better than the other, so it is not just what one department likes or is comfortable with. There is so much interesting, good, and well-presented information in this. Could at least the slides be sent to out to the whole Council?

Travis Storin; this entire packet goes out in the Thursday Council packet. It may a decent idea, if Kelly DiMartino agrees to call it out in Monday's Leadership Planning Team minutes and just point people to the slide numbers you are referring to – we could also include them in some of the presentation materials when the budget is delivered to Council.

OTHER BUSIESS;
Travis Storin; One other business item for your consideration. Last week when we shared the budget preview, one of the slides was Revisions to our Utilities Rate Increases. Those are due to come forward for adoption in November. I wanted to extend the opportunity to the committee if you would like to spend any agenda time on that this fall (October or November timeframe).

Emily Francis; they are rather high

Travis Storin; yes, all four utilities did go up and most predominately in L&P on the wholesale purchase power Agreement with PRPA. The wet utilities are also going up versus what we previously communicated to you.

Kelly Ohlson; yes, Council Finance can ask all of the tough questions.

Emily Francis; have the rates changed since our last presentation?

Lance Smith; it has changed because of this inflation - much of what is being supported by those rate increases is not ongoing operational costs but it is anticipated capital projects, so this inflation is driving the higher rate increases.

Travis Storin; I believe we talked about this in December for what we were projecting in the Long-Term Utility Capital Plan and so we have done a June update to projected increases for 2023-24. That is what I wanted to alert you to

Emily Francis; I think it would be helpful to add it over time

Meeting Adjourned at 6:15 pm

COUNCIL FINANCE COMMITTEE
AGENDA ITEM SUMMARY

Staff: Seve Ghose, Director, Community Services Area
LeAnn Williams, Director, Recreation Department

Date: July 25, 2022

SUBJECT FOR DISCUSSION: Aquatics System and Southeast Community Center

EXECUTIVE SUMMARY

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

GENERAL DIRECTION SOUGHT AND SPECIFIC QUESTIONS TO BE ANSWERED

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

- OPTION #1: Build the Southeast Community Center with only the core amenities required to meet the ballot language. This configuration would require an outdoor leisure pool and innovation piece and be located at Fossil Creek Park. This option does not require any partnerships.

- OPTION #2: Meet the ballot language for the Southeast Community Center and address most significant overall aquatics systems needs with the addition of indoor leisure aquatics and 10 indoor lap lanes. This option requires partnerships with Poudre School District and Poudre River Public Library District to be feasible.

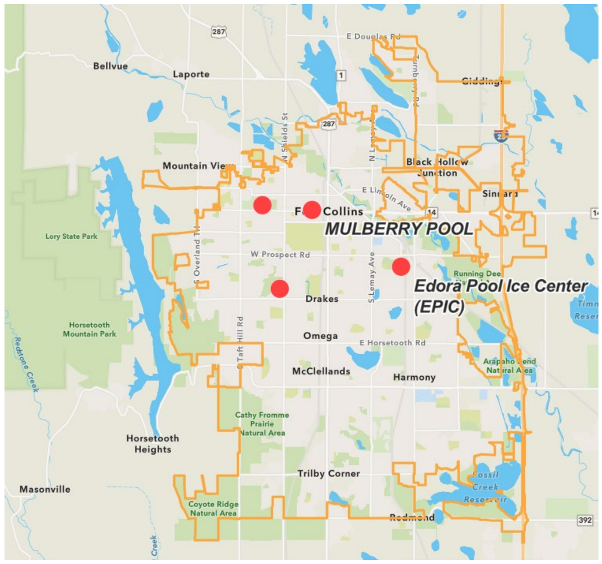
- OPTION #3: Meet the ballot language for the Southeast Community Center, address the most significant overall aquatics and recreation systems needs with the addition of indoor leisure aquatics,10 indoor lap lanes, and a full-service community recreation center. This option requires partnerships with Poudre School District and Poudre River Public Library District to be feasible.

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

BACKGROUND/DISCUSSION

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

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



Regarding amenities, the existing system includes:

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

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

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

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

1. Build the Southeast Community Center with only the core amenities required to meet the ballot language.
    - This configuration would require an outdoor leisure pool and innovation piece and be located at Fossil Creek Park.
    - This option does not require any partnerships.
    - Estimated project budget cost is $13.35M+
    - Estimated operation costs are $1M/year with cost recovery from programming of 40%

2. Meet the ballot language for the Southeast Community Center and address most significant overall aquatics systems gaps
    - This option would add indoor leisure aquatics and 10 indoor lap lanes in addition to meeting the ballot language.
    - This option requires partnerships with Poudre School District and Poudre River Public Library District to be feasible.
    - Estimated construction costs are $42.95M+
    - Estimated operation costs are $1.7M/year with cost recovery from programming of 47%

3. Meet the ballot language for the Southeast Community Center, address the most significant overall aquatics system gaps, and build a full service recreation facility
    - This configuration would add indoor leisure aquatics, 8-10 indoor lap lanes, and a full-service community recreation center in addition to the ballot language.
    - This option requires partnerships with Poudre School District and Poudre River Public Library District to be feasible.
    - Estimated construction costs are $56.6M+
    - Estimated operation costs are $1.7M/year with cost recovery from programming of 77%

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

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

NEXT STEPS

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

ATTACHMENTS:

1. PowerPoint Presentation (PDF)

City of Fort Collins

Aquatics Update – Southeast Community Recreation and Innovation Center and Aquatics Build-out

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

08/01/2022

Strategic Plan

Culture and Recreation:

- 2.4. Maintain and enhance the current culture, recreation and parks systems
- 2.5. Plan, design and implement citywide park, recreation and trail improvements.

Parks & Recreation Master Plan

Actions Identified in Plan:

- Provide recreational amenities according to level of service standards
- Ensure facilities and programs continue to respond to changing user needs

Budget

Enhancement Offer:

- 34.2 Mulberry Pool

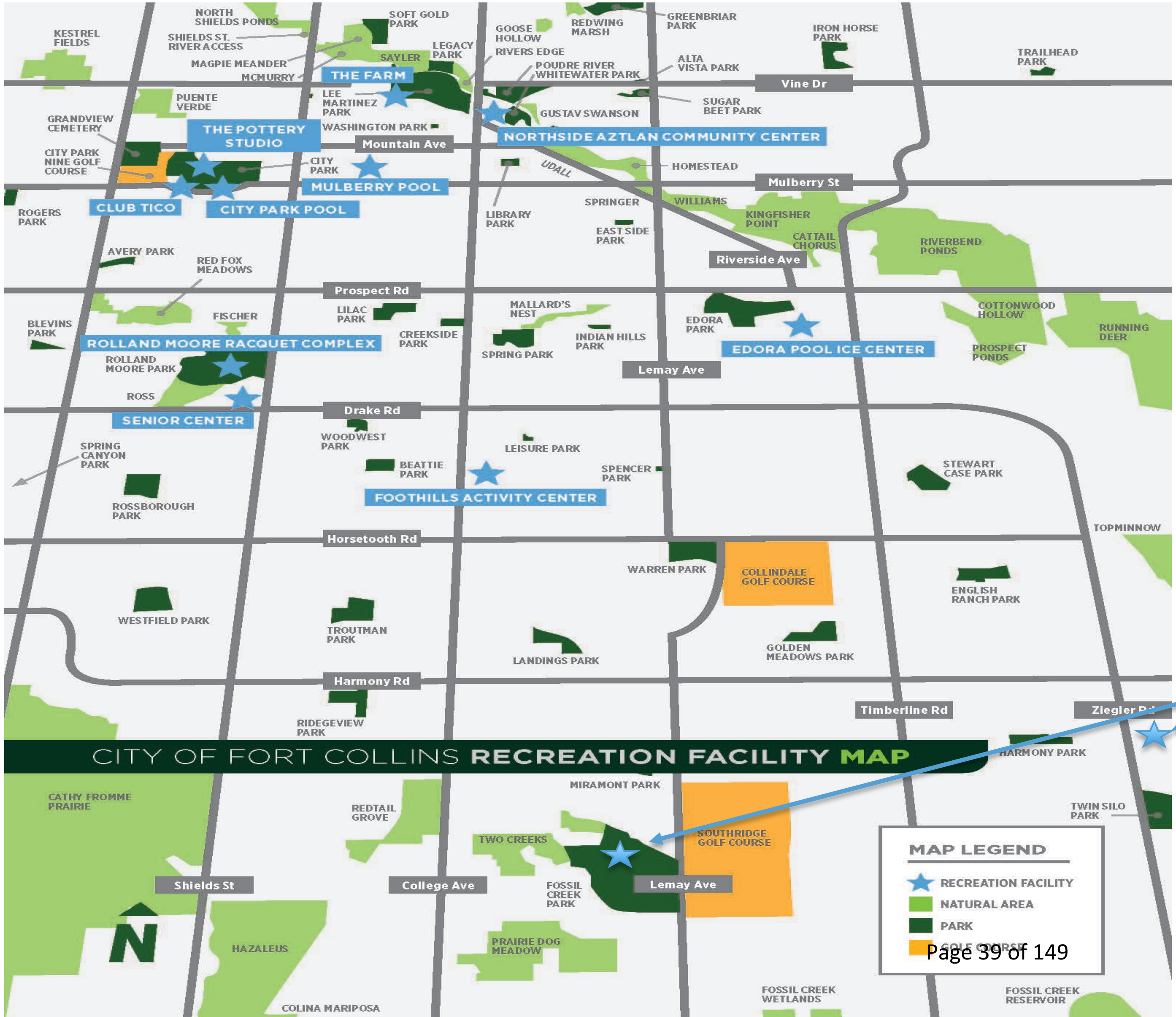
Enhancement Offer:

- 43.18 CCIP Fund
- 43.21 CCIP O&M

- What feedback do council finance committee members have on the potential options for amenities at the SE community center?

- Current Aquatic and Recreation Facility Operations
- Aquatic Study and Council Work Session Recap
- Aquatic Build-out Recommendation
  - Mulberry Pool
  - Southeast Facility
- Southeast Community Recreation & Innovation Center

Overview of Existing Aquatic Facilities



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

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

CITY OF FORT COLLINS POOL LOCATIONS

- Need for aquatic amenities in the southeast quadrant of the city
- Need for 6-8 additional training (lap) lanes
- Need for additional recreation water
- Opportunity for partnership to meet community need

- Fair Share Approach
- Leverage the existing user group relationships to support additional facilities and amenities
- Additional investment in Mulberry pool not suggested

Feedback from Council Work Session

- Fair Share Approach
- Leverage the existing user group relationships to support additional facilities and amenities
- Additional investment in Mulberry pool not suggested

Staff Recommendation

- Partner with Poudre School District and Poudre River Library District to build Southeast Community Recreation & Innovation Center

  Pursue partnership with CSU for potential Mulberry replacement
- Replace Mulberry Pool with indoor training and leisure aquatics

  Consider future capital tax or when partnership opportunity with CSU presents itself in alignment with City need.

Aquatic Study Findings Recap

- Need for aquatic amenities in the southeast quadrant of the city
- Need for 6-8 additional training (lap) lanes
- Need for additional recreation water
- Opportunity for partnership to meet community need

Staff Recommendation

- Southeast Community Recreation & Innovation Center (SCRIC) – ensure it has ballot-required outdoor leisure. Add both indoor training lanes and indoor leisure aquatics.
- Build 10 training lanes at SCRIC

  Replace Mulberry Pool with new indoor training lanes
- Build indoor & outdoor leisure/recreation water at SCRIC

  Replace Mulberry Pool with indoor recreation/leisure aquatics
- Partner with Poudre School District and Poudre River Library District to build SCRIC.

  Pursue partnership with CSU for potential Mulberry replacement

Current Operations
- Operating at limited hours due to staffing shortages with Customer Service Reps/Clerical Aides
- BFO Offer to replace current HVAC to keep Mulberry operational for next 5+ years - $500K

Staff Recommendations
- Move forward with BFO offer to keep Mulberry operational
- Consider future capital tax or when partnership opportunity with CSU presents itself in alignment with City need.
    - ~$30-40 Million total cost; carve-out w/in CCIP
    - Indoor leisure
    - Indoor lap lanes
    - Possibly add outdoor lap lanes and leisure – community input needed

Capital Funding Options

43.18 CCIP Fund

- 2023-2024 BFO offer:15 Million

Other potential funding

- 11 Million CCIP Interest + Sales Tax Surplus
- Bond/COP

Facility Capital Cost

$15M - $54M

Depends upon scope of facility

Operations and Maintenance Funding

2023-2024 BFO offers and beyond

Ops Services

2024: 1 FTE Aquatic Tech
2025: ~$550,000

Recreation - 43.21 CCIP O&M

2024: $758,170
2025: $1,029,932

- General Fund Subsidy is very conservative
- Revenue projections conservative – based upon fees and rental prices today
- Fees and partner cost share will offset O&M to City
    - Will increase cost recovery
    - Will reduce general fund subsidy
- 2024-2028 – CCIP O&M funding will reduce general fund O&M ask by $230,000 each year
- Full O&M 2029 and beyond
- Current O&M Recreation BFO offer is based upon largest facility (option 6)

Fossil Creek Park

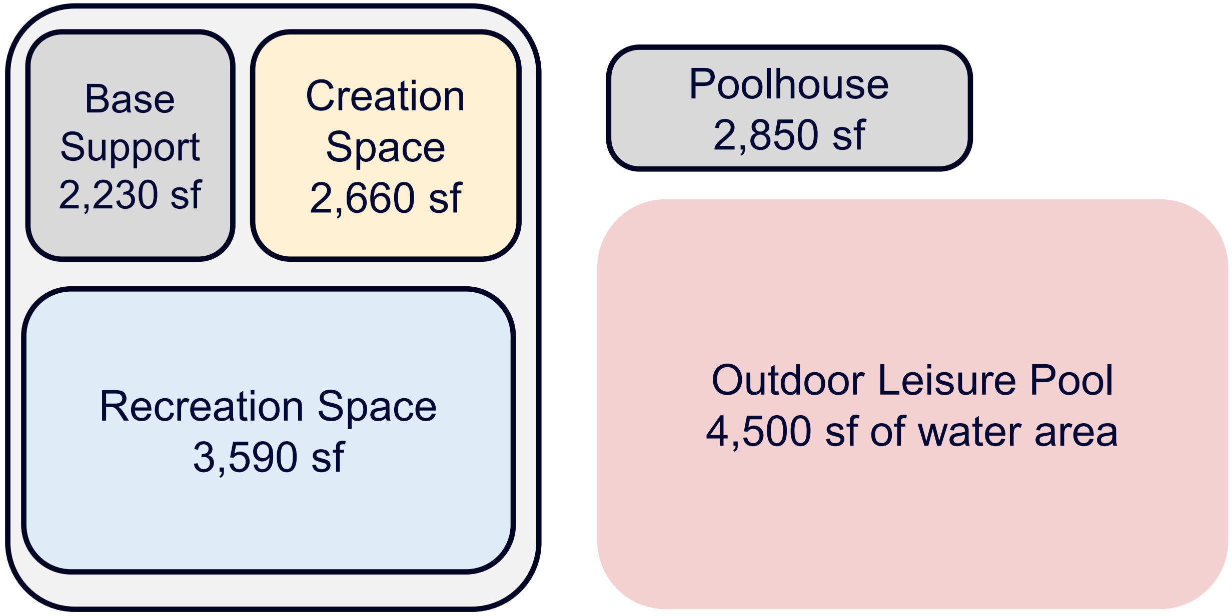
- Identified in 2013 feasibility study
- Small footprint for a one-story facility
- Parking lot expansion
- Could support base project and possibly a larger facility
- No opportunity for partners at this site
- Land has been identified as ideal for a pickleball complex

Land adjacent to Fossil Ridge High School

- Identified in 2013 feasibility study as best option
- Large acreage
- Could support large and/or co-located facilities
- Requires partnership with Poudre School District
- City staff preferred site
- Opportunity to co-locate with Poudre River Library District

Option 1: Base Project

Base Ballot Defined Project



Program and Cost Summary

Community Activity/Innovation Center $4,750,000
Base Support
Creation Space
Multi-activity Gymnasium (half of a MS gym)

Outdoor Pool Complex $7,500,000
Outdoor Leisure Pool
Poolhouse

Site Costs $1,100,000

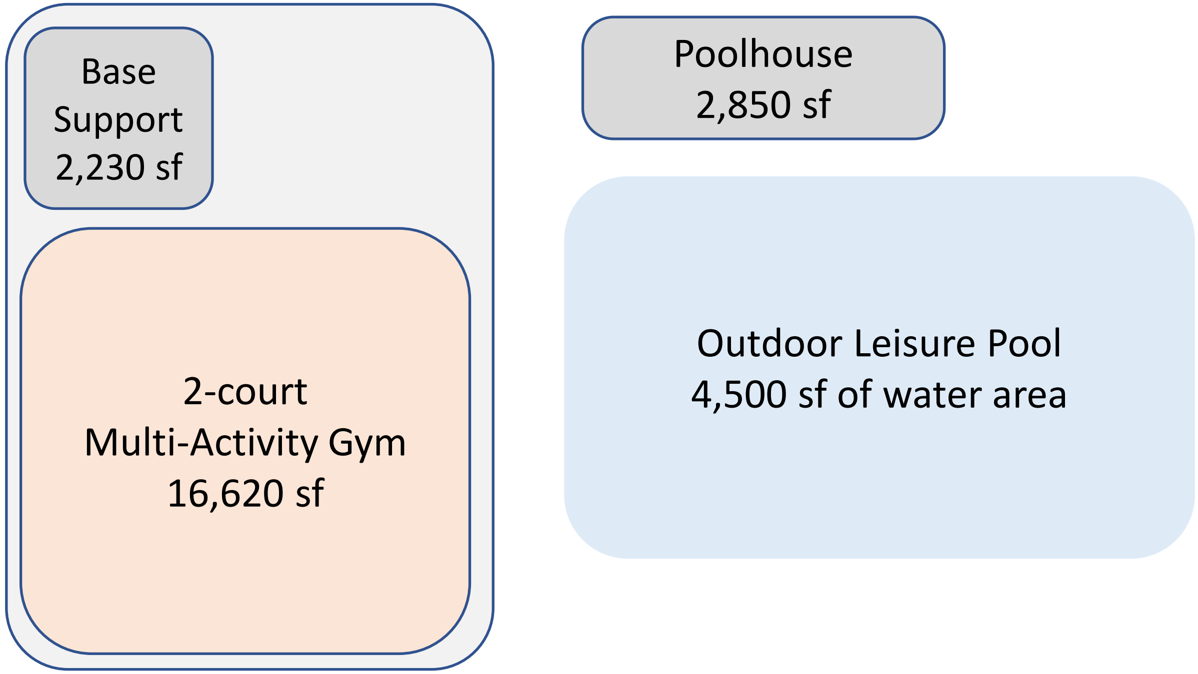
Total Project Budget $13,350,000

Annual Operating Expenses	$988,394
Annual Projected Revenue	$394,689
Difference (GF Subsidy)	**($593,389)**
Cost Recovery	**40% (Direct & Indirect)**

This option does not address the gaps identified in the aquatics study.

Option 2: Base Project +

Recreational Gymnasium + Outdoor Pool Complex



This option does not address the gaps identified in the aquatics study.

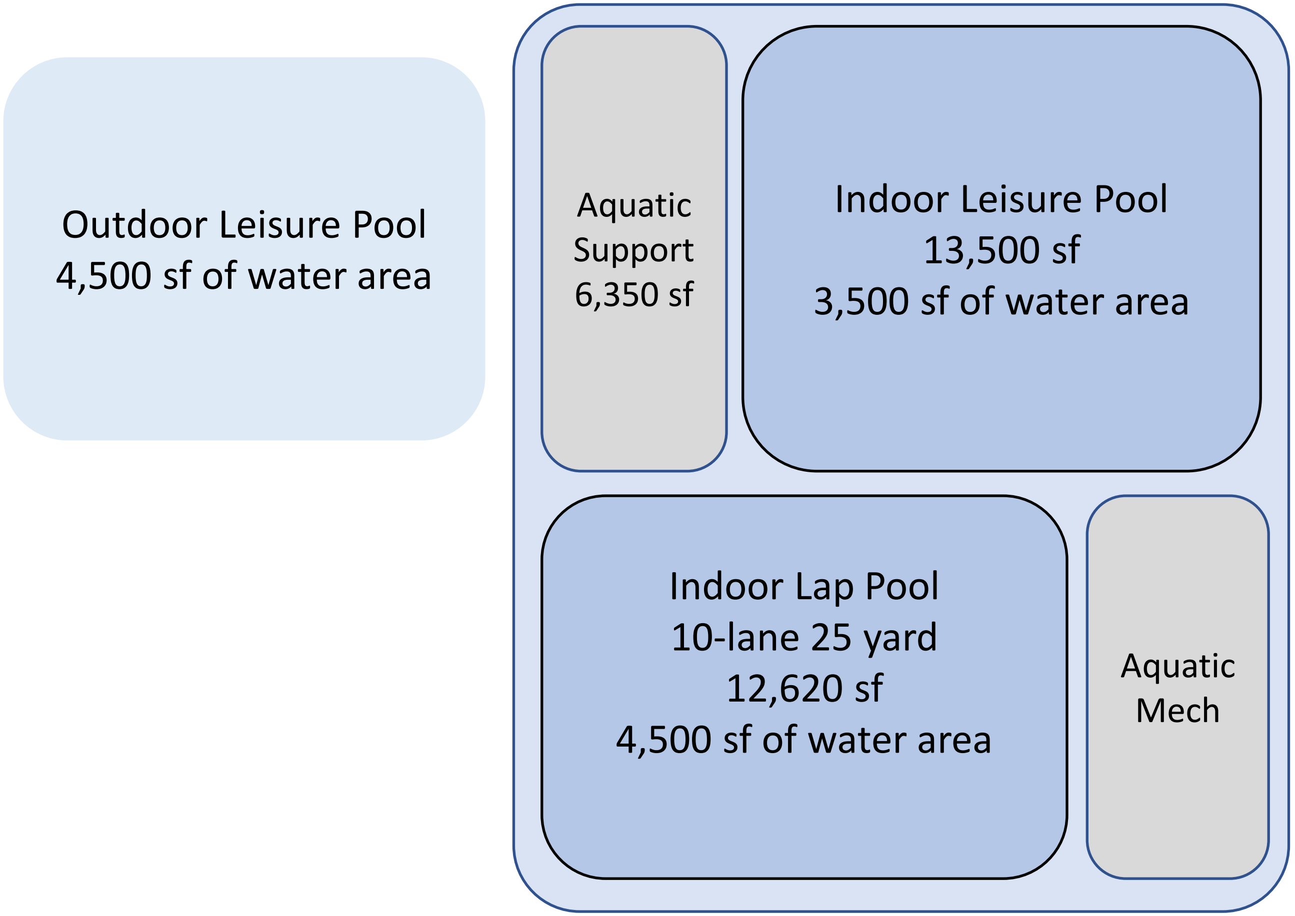
Program and Cost Summary

Recreational Gymnasium	
Base Support	
Multi-Activity Gym	
Activity Center Building	**$12,530,000**
Outdoor Pool Complex	**$7,500,000**
Site Costs	$1,370,000
Total Project Budget	**$21,400,000**

Annual Operating Expenses	**$1,011,643**
Annual Projected Revenue	**$545,829**
Difference (GF Subsidy)	**($465,814)**
Cost Recovery	**54% (Direct & Indirect)**

Option 3: Indoor Aquatic Center

Indoor & Outdoor Aquatic Center



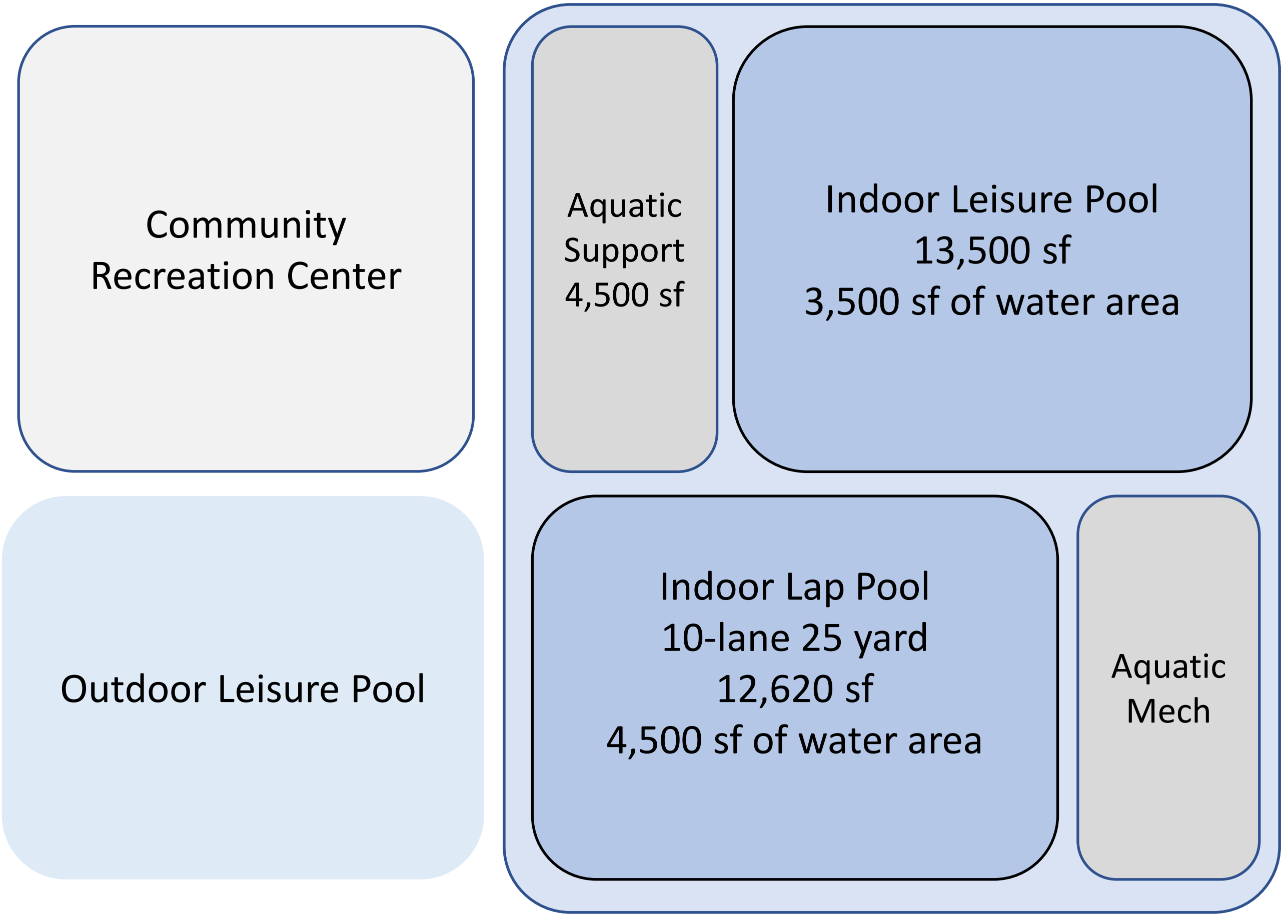
Program and Cost Summary

Base Building Support	**$4,500,000**
Indoor Aquatic Center	
Indoor Leisure Pool	$13,850,000
Indoor 10-lane 25 yd Lap Pool	$15,700,000
Outdoor Aquatic Center	$6,100,000
Outdoor Leisure Pool	
Site Costs	$2,800,000
Total Project Budget	**$42,950,000**

Annual Operating Expenses	**$1,709,898**
Annual Projected Revenue	**$809,619**
Difference (GF Subsidy)	**($900,279)**
Cost Recovery 47% (Direct & Indirect)	

Option 4: Indoor Rec & Aquatic Center

Community Activity Center + Aquatics Center



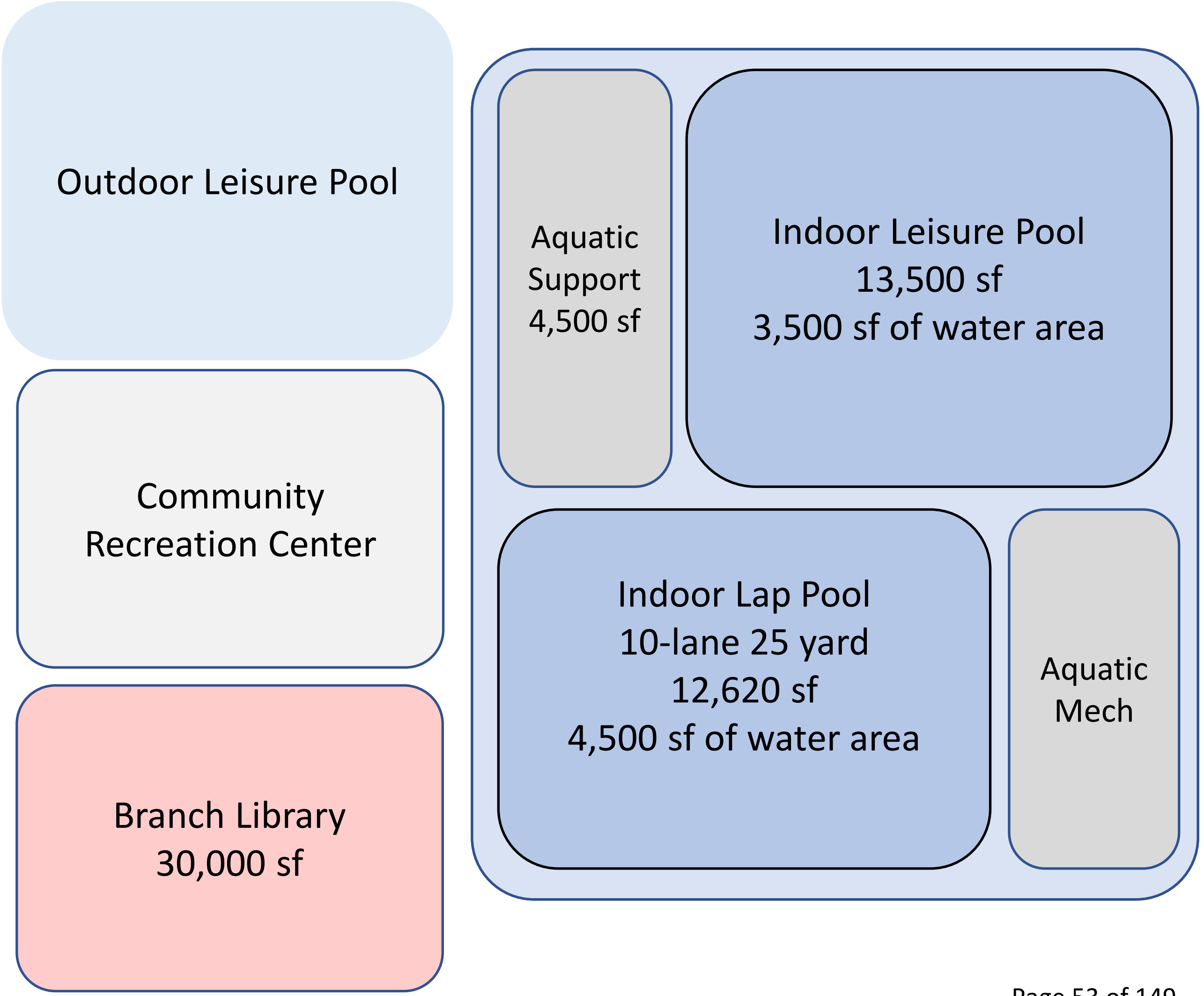
Program and Cost Summary

Community Recreation Center	$17,550,000
Indoor Aquatic Center	
Indoor Leisure Pool	$13,850,000
Indoor 10-lane 25 yd Lap Pool	$15,700,000
Outdoor Aquatic Center (without poolhouse)	$6,500,000
Site Costs	$3,000,000
Total Project Budget	**$56,600,000**

Annual Operating Expenses	**$1,890,011**
Annual Projected Revenue	**$1,453,172**
Difference GF Subsidy	**($436,839)**
Cost Recovery 77% (Direct & Indirect)	

Option 5: Indoor Rec & Aquatic Center

Community Activity Center + Aquatics Center



Program and Cost Summary

Community Recreation Center	$17,550,000
Indoor Aquatic Center	
Indoor Leisure Pool	$13,850,000
Indoor 10-lane 25 yd Lap Pool	$15,700,000
Outdoor Aquatic Center (without poolhouse)	$6,500,000
Site Costs (shared with PRLD)	$3,000,000
Branch Library (PRLD pays)	18,750,000
***Total Project Budget**	**$75,350,000**

Annual Operating Expenses	**$1,890,011**
Annual Projected Revenue	**$1,453,172**
Difference GF Subsidy	**($436,839) Cost**

Recovery 77% (Direct & Indirect)

***City Cost approximately $55,000,000**

****Will see some operational savings with Library share**

Options to consider

Ballot Language

- Ballot Language only
- Includes:
  - Outdoor leisure aquatics
  - Innovation piece

  No partnership with PSD or PRLD

  Would have to be built at Fossil Creek Park

Ballot Language + Partners + Address Aquatic Gaps

- Ballot Language +
- Indoor leisure aquatics and 10 lap lanes (PSD partnership)
- Library (partner with PRLD)
- PSD partnership for land and aquatics
- Phase in community recreation center

Ballot Language + Partners + Community Recreation Center

- Ballot Language +
- Indoor leisure aquatics and 8-10 lap lanes (PSD partnership)
- Library (partner with PRLD)
- Community Recreation Center

- What feedback do council finance committee members have on the potential options for amenities at the SE community center?

- What feedback do council finance committee members have on continuing to pursue a potential partnership with PSD and PRLD?

COUNCIL FINANCE COMMITTEE
AGENDA ITEM SUMMARY

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

Date: August 1, 2021

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

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

NOTE: The Annual Comprehensive Financial Report has been sent to the printer, but the printing has not yet been completed. We will get hard copies distributed as soon as they are available, for those requesting one. A copy of the report can be found online here: https://www.fcgov.com/finance/files/2021_City_of_Fort_Collins_ACFR_GAGAS.pdf

GENERAL DIRECTION SOUGHT AND SPECIFIC QUESTIONS TO BE ANSWERED
Staff seeks input on areas of priority or concern, other than those established in this Report to the City Council, for matters of recordkeeping and/or the City's internal control environment.

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

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

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

Other Findings (Attachment 2, pages 5-6):
Other findings/deficiencies identified by the auditors but not rising to the level of a significant deficiency can be found in the Report to the City Council. Staff will provide a written response to the audit findings at a fourth quarter Council Finance Committee meeting.

ATTACHMENTS
1. PowerPoint Presentation
2. Report to the City Council
3. Single Audit Compliance Report

CITY OF FORT COLLINS

Presentation to the Council Finance Committee

Christopher J. Telli, CPA
Anna Thigpen, CPA
Haley King, CPA

FORVIS Team

Christopher J. Telli, CPA
Partner

Anna Thigpen, CPA
Director

Haley King, CPA
Senior Associate

FORVIS

Scope

- **Financial Statement Audit Under GAGAS**
- **Single Audit under Uniform Guidance**
    - Federal Transit Cluster
    - Coronavirus Relief Fund

Change in format of Opinions

- Opinion(s) are now listed first
- Expanded description of
  - Responsibilities of management
  - Auditor responsibilities with clear statement of auditor's communication requirements
- States requirements for both management and auditor in considering going concern

Financial Statement Opinion

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City as of December 31, 2021, and the respective changes in financial position, and, where applicable, cash flows thereof and the respective budgetary comparisons for the General Fund (Consolidated), the Transportation Services Fund, and the Urban Renewal Authority Fund (Consolidated) for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Responsibilities under US Generally Accepted Auditing Standards (GAAS) (Includes Generally Accepted Government Auditing Standards)

Auditors are Responsible for (in accordance with GAAS):

- Exercise professional judgment and maintain professional skepticism
- Identify and assess risks of material misstatement of the financial statements and design and perform further audit procedures responsive to those risks
- Obtain an understanding of internal controls in order to design appropriate audit procedures, but not for the purpose of providing an opinion of internal controls
- Evaluate appropriateness of accounting policies used and reasonableness of significant accounting estimates made by management as well as overall presentation in the financial statements
- Conclude whether in our judgment, there are conditions or events, considered in the aggregate that raise substantial doubt about the City's ability to continue as a going concern for 12 months beyond the financial statement date
- Communication to those charged with governance regarding planned scope and timing of the audit, significant audit findings, and certain internal control-related matters identified during the audit

Management is Responsible for:

- Preparation and fair presentation of the financial statements
- Design, implementation and maintenance of internal control relevant to the preparation and fair presentation of the financial statements
- Evaluate whether there are conditions or events, considered in the aggregate that raise substantial doubt about the City's ability to continue as a going concern for 12 months beyond the financial statement date

FORVIS

Responsibilities under Uniform Guidance

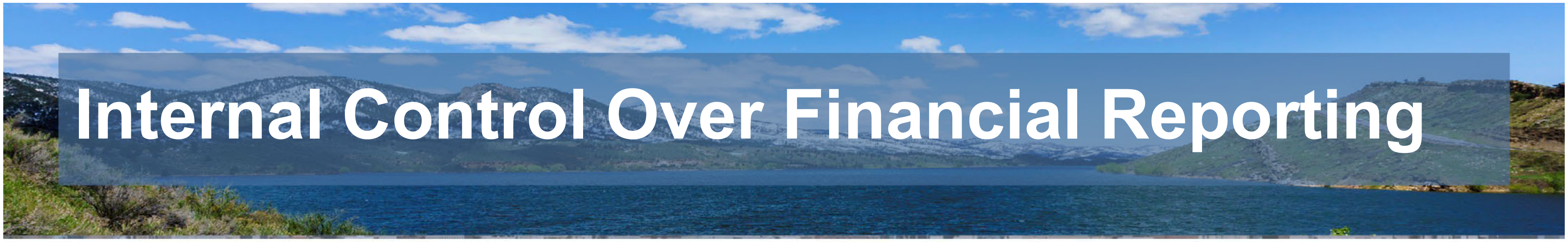
Auditor Responsibilities (in accordance with Uniform Guidance)

Exercise professional judgment and maintain professional skepticism throughout the audit

Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the City’s compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances

Obtain an understanding of the City’s internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance

Communication with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit



Internal Control Over Financial Reporting

- A *deficiency* in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis.

- A *significant deficiency* is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

- A *material weakness is* a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented or detected and corrected on a timely basis.

- We observed the following matters that we consider to be deficiencies.

Internal Control Over Financial Reporting

Deficiencies reported in 2021-Proposed Audit Adjustments

- Proposed entries to grants receivable included
  - Deficiency: Additional year-end accruals and the reversal of an accrual that was inadvertently recorded twice. Net adjustment of $2 million. Management elected to record this entry.
  - Reclassification of revenue to deferred inflows as receipt was not received within 60 days of year-end: $251,000 proposed audit adjustment in the General Fund for which management elected not to record and a $567,000 proposed audit adjustment in the Capital Projects Fund which management elected to record.
  - Recommendation: We recommend the City create an account structure to facilitate the separate identification of grants-related accounts. The creation of these accounts should facilitate the identification of certain items not received within the availability period.
- Retainage payable
  - Deficiency: The retainage payable amount included in the Net Investment in Capital Assets (NICA) calculation was decreasing total NICA when it should have been increasing NICA. Management elected to post an adjustment in the amount for approximately $7.5M.
  - Recommendation: The City should ensure that all required components are appropriately included in the NICA calculation.

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Internal Control Over Financial Reporting

Deficiencies reported in 2021-Proposed Audit Adjustments

- Capital Assets
    - Deficiency: During testing of capital asset additions, we identified instances in which items were erroneously recorded capital asset additions, including:
        - Water rights erroneously recorded twice for $675,000
        - Operating expenses under the Shuttered Venue Operators Grant (SVOG) were erroneously recorded as construction in process $504,000
    - Recommendation: Capital asset policies and procedures should be followed to ensure that additions are appropriate and represent a capitalizable cost

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Internal Control Over Financial Reporting

Deficiencies reported in 2021

- Escrow Account Reconciliations
  - Deficiency: The City continues to review and reconcile various escrow accounts and while some progress was made towards reconciling long-outstanding items, due to staffing restraints the City was unable to fully reconcile these accounts.
  - Recommendation: The City should ensure escrow accounts are properly reconciled and adjusted, as necessary, and maintain appropriate documentation of the reconciliation process and determination to adjust escrow accounts.
- Purchasing Card Policies
  - Deficiency: During the 2020 audit we identified certain processes within the purchasing card policies and procedures were not being completed such as random audits.
  - Recommendation: An evaluation as to the importance of the random audits and possible revision to the purchasing card policies and procedures has not been performed, and therefore we again recommend a review of purchasing card policies and procedures. Purchasing cards are an area of higher fraud risk and controls should be strengthened to mitigate inherent risks with purchasing cards. Adequate policies and procedures are an important part of these controls.

Internal Control Over Financial Reporting

Deficiencies reported in 2021

- Grants Account Structure

  - Deficiency: The City does not currently utilize an account structure that allows for separate identification of different classifications of accounts receivable such as trade accounts receivable and grants receivable, and related deferred inflows. This also creates a risk of not being able to properly identify federal expenditures on the Schedule of Expenditures of Federal Awards (SEFA)

  - Recommendation: The City should create an account structure to facilitate the separate identification of grants-related accounts. The creation of these accounts should facilitate the identification of certain items not received within the availability period

Internal Control Over Financial Reporting

Deficiencies reported in 2021

- Information Technology

  - Deficiency: A periodic review of users with remote access should be completed periodically and documented to provide management with the opportunity to verify ongoing need, and to remove access for terminated users that were not otherwise caught in the normal termination process. A periodic review has not been performed for a number of years.

  - Recommendation: The City should ensure periodic user access reviews are performed.

  - Deficiency: There is no formal change management policy for in-house application development.

  - Recommendation: The City should adopt and document a change management policy to provide a uniform process that aides in preventing unauthorized or untested changes, updates, or patches being applied to production systems.

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Internal Control Over Financial Reporting

Deficiencies reported in 2021

- Single Audit
    - Deficiency: During testing of the Coronavirus Relief Fund (CRF), we identified the City passed funds through to a subrecipient with a different year-end than the City. The subrecipient's single audit report was not available until after the City's year-end and had not been reviewed by the City. While no findings were issued to the subrecipient in their single audit report, the City is responsible for ensuring that entities subject to a single audit have complied with the single audit requirements. In addition, we noted the subrecipient improperly excluded the City's pass-through funds on their SEFA.
    - Recommendation: The City should ensure their subrecipient monitoring policies are sufficient to ensure subrecipient audits with a different FYE than the City are appropriately and timely reviewed.


Questions?
FORVIS


Thank you!
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Haley King, CPA // Senior Associate // haley.king@FORIVS.com // 303.861.4545
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Honorable Mayor and Members of
City Council and City Manager
City of Fort Collins, Colorado
Fort Collins, Colorado

As part of our audits of the financial statements and compliance of the City of Fort Collins, Colorado (the City) as of and for the year ended December 31, 2021, we wish to communicate the following to you.

AUDIT SCOPE AND RESULTS

Auditor's Responsibility Under Auditing Standards Generally Accepted in the United States of America and the Standards Applicable to Financial Audits Contained in *Government Auditing Standards* Issued by the Comptroller General of the United States and U.S. Office of Management and Budget (OMB) Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance)

An audit performed in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States and U.S. Office of Management and Budget (OMB) *Uniform Guidance* is designed to obtain reasonable, rather than absolute, assurance about the financial statements and about whether noncompliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on a major federal program occurred. In performing auditing procedures, we establish scopes of audit tests in relation to the financial statements taken as a whole. Our engagement does not include a detailed audit of every transaction. Our contract more specifically describes our responsibilities.

These standards require communication of significant matters related to the financial statement and compliance audits that are relevant to the responsibilities of those charged with governance in overseeing the financial reporting process. Such matters are communicated in the remainder of this letter or have previously been communicated during other phases of the audit. The standards do not require the auditor to design procedures for the purpose of identifying other matters to be communicated with those charged with governance.

Audits of the financial statements and compliance do not relieve management or those charged with governance of their responsibilities. Our contract more specifically describes your responsibilities.

Qualitative Aspects of Significant Accounting Policies and Practices

Significant Accounting Policies

The City's significant accounting policies are described in Note 1 of the audited financial statements.

Alternative Accounting Treatments

We had discussions with management regarding alternative accounting treatments within accounting principles generally accepted in the United States of America for policies and practices for material items, including recognition, measurement, and disclosure considerations related to the accounting for specific transactions as well as general accounting policies, as follows:

- Modified approach for infrastructure – City streets

Management Judgments and Accounting Estimates

Accounting estimates are an integral part of financial statement preparation by management, based on its judgments. The following areas involve significant estimates for which we are prepared to discuss management's estimation process and our procedures for testing the reasonableness of those estimates:

- Self-insurance reserves (IBNR)
- Net pension liability
- Fair value of investments
- Allowances for accounts, grants and notes receivable
- Depreciable lives of capital assets

Significant Unusual Transactions

- No matters are reportable

Financial Statement Disclosures

The following areas involve particularly sensitive financial statement disclosures for which we are prepared to discuss the issues involved and related judgments made in formulating those disclosures:

- Revenue recognition
- Investments
- Long-term debt

Audit Adjustments

During the course of any audit, an auditor may propose adjustments to financial statement amounts. Management evaluates our proposals and records those adjustments which, in its judgment, are required to prevent the financial statements from being materially misstated. A misstatement is a difference between the amount, classification, presentation, or disclosure of a reported financial statement item and that which is required for the item to be presented fairly in accordance with the applicable financial reporting framework. Some adjustments proposed were not recorded because their aggregate effect is not currently material; however, they involve areas in which adjustments in the future could be material, individually or in the aggregate.

Areas in which adjustments were proposed include:

- Grants receivable entries totaling approximately $3.5 million to adjust for the following:
    - Additional year-end accruals
    - Reversal of an accrual recorded in error twice
    - Reclassification of revenue to deferred inflows as receipt was not received within 60 days of year-end

- Adjustment to retainage payable amounts within the Net Investment in Capital Assets calculation to properly reflect the retainage payable liability

Proposed Audit Adjustments Not Recorded

- Attached is a summary of uncorrected misstatements we aggregated during the current engagement and pertaining to the latest period presented that were determined by management to be immaterial, both individually and in the aggregate, but more than trivial to the financial statements as a whole
- We would like to call your attention to the fact that although these uncorrected misstatements, individually and in the aggregate, were deemed to be immaterial to the current year financial statements, it is possible that the impact these uncorrected misstatements, or matters underlying these uncorrected misstatements, could potentially cause future-period financial statements to be materially misstated

Auditor’s Judgments About the Quality of the City’s Accounting Principles

During the course of the audit, we made the following observations regarding the City’s application of accounting principles:

- No matters are reportable

Disagreements with Management

The following matters involved disagreements which if not satisfactorily resolved would have caused a modified auditor’s opinion on the financial statements:

- No matters are reportable

Consultation with Other Accountants

During our audit, we became aware that management had consulted with other accountants about the following auditing or accounting matters:

- No matters are reportable

Significant Issues Discussed with Management

Prior to Retention

During our discussion with management prior to our engagement, the following issues regarding application of accounting principles or auditing standards were discussed:

- No matters are reportable

During the Audit Process

During the audit process, the following issues were discussed or were the subject of correspondence with management:

- No matters are reportable

Difficulties Encountered in Performing the Audit

Our audit requires cooperative effort between management and the audit team. During our audit, we found significant difficulties in working effectively on the following matters:

- No matters are reportable

Other Material Communications

Listed below are other material communications between management and us related to the audit:

- Management representation letter (attached)
- We orally communicated to management other deficiencies in internal control identified during our audit that are not considered material weaknesses or significant deficiencies

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit of the financial statements of the City of Fort Collins, Colorado (the City) as of and for the year ended December 31, 2021 in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, we considered the City's internal control over financial reporting (internal control) as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified.

A deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis.

A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that material misstatements of the City's financial statements will not be prevented or detected and corrected on a timely basis.

A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

We observed the following matters that we consider to be deficiencies.

Deficiencies

We observed other matters that we consider to be deficiencies that we communicated to management orally.

Grants Receivable and Grants Account Structure

During grants receivable testing, we identified instances in which receipts were received later than the availability period of 60 days and were not reclassified from revenue to deferred inflows. In addition, the City does not currently utilize an account structure that allows for separate identification of different classifications of accounts receivable such as trade accounts receivable and grants receivable, and related deferred inflows. This also creates a risk of not being able to properly identify federal expenditures on the Schedule of Expenditures of Federal Awards (SEFA). An audit adjustment of approximately $2 million was identified during our testing of the SEFA.

We recommend the City create an account structure to facilitate the separate identification of grants-related accounts. The creation of these accounts should facilitate the identification of certain items not received within the availability period.

Capital Assets

During testing of capital asset additions, we identified numerous errors of items erroneously recorded as capital asset additions, including:

- Water rights were erroneously recorded twice
- Operating expenses under the Shuttered Venue Operators Grant were erroneously recorded as construction in process

We recommend capital asset policies and procedures be followed to ensure that additions are appropriate and represent a capitalizable cost.

Escrow Account Reconciliations

The City continues to review and reconcile various escrow accounts and while some progress was made towards reconciling long-outstanding items, due to staffing restraints the City was unable to fully reconcile these accounts. The City should ensure escrow accounts are properly reconciled and adjusted, as necessary, and maintain appropriate documentation of the reconciliation process and determination to adjust escrow accounts.

Purchasing Card Policies

During the 2020 audit we identified certain processes within the purchasing card policies and procedures were not being completed such as random audits. An evaluation as to the importance of the random audits and possible revision to the purchasing card policies and procedures has not been performed, and therefore we again recommend a review of purchasing card policies and procedures. Purchasing cards are an area of higher fraud risk and controls should be strengthened to mitigate inherent risks with purchasing cards. Adequate policies and procedures are an important part of these controls.

Information Technology

A periodic review of users with remote access should be completed periodically and documented to provide management with the opportunity to verify ongoing need, and to remove access for terminated users that were not otherwise caught in the normal termination process. A periodic review has not been performed for a number of years.

There is no formal change management policy for in-house application development. The City should adopt and document a change management policy to provide a uniform process that aides in preventing unauthorized or untested changes, updates, or patches being applied to production systems.

INTERNAL CONTROL OVER COMPLIANCE

In planning and performing our audit, we considered the City's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis.

A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis.

A significant deficiency in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

We observed the following matter that we consider to be a deficiency.

Deficiency

During testing of the Coronavirus Relief Fund, we identified the City passed funds through to a subrecipient with a different year-end than the City. The subrecipient's single audit report was not available until after the City's year-end and had not been reviewed by the City. While no findings were issued to the subrecipient in their single audit report, the City is responsible for ensuring that entities subject to a single audit have complied with the single audit requirements. In addition, we noted the subrecipient improperly excluded the City's pass-through funds on their Schedule of Expenditures of Federal Awards (SEFA).

The City should ensure their subrecipient monitoring policies are sufficient to ensure subrecipient audits with a different fiscal year-end than the City are appropriately and timely reviewed.

We observed matters that we consider to be deficiencies that we communicated to management orally.

OTHER MATTERS

Although not considered material weaknesses, significant deficiencies, or deficiencies in internal control over financial reporting, we observed the following matters and offer these comments and suggestions with respect to matters which came to our attention during the course of the audit of the financial statements. Our audit procedures are designed primarily to enable us to form an opinion on the financial statements and, therefore, may not bring to light all weaknesses in policies and procedures that may exist. However, these matters are offered as constructive suggestions for the consideration of management as part of the ongoing process of modifying and improving financial and administrative practices and procedures. We can discuss these matters further at your convenience and may provide implementation assistance for changes or improvements.

Future Accounting Pronouncements

GASB Statement No. 87, Leases (GASB 87)

In response to the challenges arising from COVID-19, on May 7, 2020 GASB approved Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*. All statements and implementation guides with a current effective date of reporting periods beginning after June 15, 2018, and later have a one-year postponement. This change was effective immediately. Early application was still encouraged.

GASB Statement 87, *Leases* is effective for the City for the year ending December 31, 2022.

GASB Statement No. 96, Subscription-Based Information Technology Arrangements

This Statement addresses the accounting for the costs related to cloud computing agreements. The standard defines a subscription-based information technology arrangements (SBITA), establishes that a SBITA would result in a right-to-use (RTU) asset and a corresponding liability, provides capitalization criteria, and requires new note disclosures. The statement's language and concepts closely mirror the lease guidance provided in Statement 87, *Leases*.

GASB Statement 96, *Subscription-Based Information Technology Arrangements* is effective for the Authority for the year ending December 31, 2023. Early application is encouraged.

* * * * *

This communication is intended solely for the information and use of management, City Council, others within the City, and is not intended to be and should not be used by anyone other than these specified parties.

FORVIS, LLP

July 25, 2022

City of Fort Collins

ATTACHMENT

This analysis and the attached "Schedule of Uncorrected Misstatements (Adjustments Passed)" reflect the effects on the financial statements if the uncorrected misstatements identified were corrected.

Governmental Activities (Government-Wide Statements)

QUANTITATIVE ANALYSIS

	Before Misstatements	Misstatements	Subsequent to Misstatements	% Change
Total Assets & Deferred Outflows	1,338,164,536	(503,915)	1,337,660,621	-0.04%
Total Liabilities & Deferred Inflows	(146,972,186)		(146,972,186)	
Total Net Position	(1,191,756,798)	503,915	(1,191,252,883)	-0.04%
General Revenues & Transfers	(239,196,275)		(239,196,275)	
Net Program Revenues/ Expenses	189,293,481	70,265	189,363,746	0.04%
Change in Net Position	(49,902,794)	70,265	(49,832,529)	-0.14%

Client: City of Fort Collins
Period Ending: December 31, 2021

Governmental Activities (Government-Wide Statements)

SCHEDULE OF UNCORRECTED MISSTATEMENTS (ADJUSTMENTS PASSED)

Description	Financial Statement Line Item	Factual (F), Judgmental (J) or Projected (P)	Assets DR (CR)	Liabilities DR (CR)	General Revenues & Transfers DR (CR)	Net Program Revenues/ Expenses DR (CR)	Net Position DR (CR)	Net Effect on Following Year: Change in Net Position DR (CR)	Net Effect on Following Year: Net Position DR (CR)
To post turnaround effect adjusting depreciation expense being understated in FY20 to reflect 2015 busses added to capital assets in FY21 that were in CIP prior.		F	0	0	0	(433,650)	433,650	0	0
	Change in Net Position					(433,650)			
	Net Position						433,650		
To remove governmental capital assets additions incorrectly added in 2021 related to SVOG.		F	(503,915)	0	0	503,915	0	(503,915)	503,915
	Expense		0			503,915			503,915
	Capital assets		(503,915)					(503,915)	
Total passed adjustments			(503,915)	0	0	70,265	433,650	(503,915)	503,915

Impact on Change in Net Position	**70,265**
Impact on Net Position	**503,915**

City of Fort Collins

ATTACHMENT

This analysis and the attached "Schedule of Uncorrected Misstatements (Adjustments Passed)" reflect the effects on the financial statements if the uncorrected misstatements identified were corrected.

Business Type Activities (Government-Wide Statements)

QUANTITATIVE ANALYSIS

	Before Misstatements	Misstatements	Subsequent to Misstatements	% Change
Total Assets	1,103,904,686		1,103,904,686	
Non-Current Assets & Deferred Outflows	852,239,223	(675,000)	851,564,223	-0.08%
Current Liabilities	(36,111,908)		(36,111,908)	
Non-Current Liabilities & Deferred Inflows	(166,974,290)		(166,974,290)	
Current Ratio	30.57		30.57	
Total Assets & Deferred Outflows	1,104,751,834	(675,000)	1,104,076,834	-0.06%
Total Liabilities & Deferred Inflows	(203,086,198)		(203,086,198)	
Total Net Position	(901,665,636)	675,000	(900,990,636)	-0.07%
General Revenues & Transfers	2,134,330		2,134,330	
Net Program Revenues/ Expenses	(16,357,815)	675,000	(15,682,815)	-4.13%
Change in Net Position	(14,223,485)	675,000	(13,548,485)	-4.75%

Client: City of Fort Collins
Period Ending: December 31, 2021

Governmental Activities (Government-Wide Statements)

SCHEDULE OF UNCORRECTED MISSTATEMENTS (ADJUSTMENTS PASSED)

			Assets & Deferred Outflows		Liabilities & Deferred Inflows					Net Effect on Following Year	
Description	Financial Statement Line Item	Factual (F), Judgmental (J) or Projected (P)	*Current* DR (CR)	*Noncurrent* DR (CR)	*Current* DR (CR)	*Noncurrent* DR (CR)	General Revenues & Transfers DR (CR)	Net Program Revenues/ Expenses DR (CR)	Net Position DR (CR)	*Change in Net Position* DR (CR)	*Net Position* DR (CR)
To adjust for water rights which were recorded twice.		F	0	(675,000)	0	0	0	675,000	0	(675,000)	675,000
	Expenses						0	675,000		0	675,000
	Capital assets (nondepreciable)			(675,000)						(675,000)	
Total passed adjustments			0	(675,000)	0	0	0	675,000	0	(675,000)	675,000

Impact on Change in Net Position	**675,000**
Impact on Net Position	**675,000**

City of Fort Collins

ATTACHMENT

This analysis and the attached "Schedule of Uncorrected Misstatements (Adjustments Passed)" reflect the effects on the financial statements if the uncorrected misstatements identified were corrected.

General Fund

QUANTITATIVE ANALYSIS

	Before Misstatements	Misstatements	Subsequent to Misstatements	% Change
Total Assets & Deferred Outflows	134,521,812		134,521,812	
Total Liabilities & Deferred Inflows	(47,254,299)	(251,023)	(47,505,322)	0.53%
Total Fund Balance	(87,267,513)	251,023	(87,016,490)	-0.29%
Revenues	(203,095,335)	251,023	(202,844,312)	-0.12%
Expenditures	148,470,182		148,470,182	
Change in Fund Balance	(23,834,536)	251,023	(23,583,513)	-1.05%

Client: City of Fort Collins

Period Ending: December 31, 2021

General Fund

SCHEDULE OF UNCORRECTED MISSTATEMENTS (ADJUSTMENTS PASSED)

Description	Financial Statement Line Item	Factual (F), Judgmental (J) or Projected (P)	Assets & Deferred Outflows DR (CR)	Liabilities & Deferred Inflows DR (CR)	Revenues DR (CR)	Expenditures DR (CR)	Fund Balance DR (CR)	Net Effect on Following Year: *Change in Fund Balance* DR (CR)	Net Effect on Following Year: *Fund Balance* DR (CR)
Passed adjustment to reflect revenue accrual which was not received within the 60 day available policy.		F	0	(251,023)	251,023	0	0	(251,023)	251,023
	Intergovernmental revenue				251,023			(251,023)	251,023
	Deferred inflow			(251,023)					
Total passed adjustments			0	(251,023)	251,023	0	0	(251,023)	251,023

Impact on Change in Fund Balanc	**251,023**
Impact on Fund Balance	**251,023**

City of Fort Collins

ATTACHMENT

This analysis and the attached "Schedule of Uncorrected Misstatements (Adjustments Passed)" reflect the effects on the financial statements if the uncorrected misstatements identified were corrected.

Water

QUANTITATIVE ANALYSIS

	Before Misstatements	Misstatements	Subsequent to Misstatements	% Change
Current Assets	96,231,609		96,231,609	
Non-Current Assets & Deferred Outflows	261,546,395	(845,169)	260,701,226	-0.32%
Current Liabilities	(11,916,270)		(11,916,270)	
Non-Current Liabilities & Deferred Inflows	(1,992,176)		(1,992,176)	
Current Ratio	8.076		8.076	
Total Assets & Deferred Outflows	357,778,004	(845,169)	356,932,835	-0.24%
Total Liabilities & Deferred Inflows	(13,908,446)		(13,908,446)	
Total Net Position	(343,869,558)	845,169	(343,024,389)	-0.25%
Operating Revenues	(33,960,674)	845,169	(33,115,505)	-2.49%
Operating Expenses	33,831,672		33,831,672	
Nonoperating (Revenues) Exp	214,921		214,921	
Change in Net Position	(4,935,199)	845,169	(4,090,030)	-17.13%

Client: City of Fort Collins
Period Ending: December 31, 2021

Water

SCHEDULE OF UNCORRECTED MISSTATEMENTS (ADJUSTMENTS PASSED)

Description	Financial Statement Line Item	Factual (F), Judgmental (J) or Projected (P)	Assets & Deferred Outflows *Current* DR (CR)	Assets & Deferred Outflows *Noncurrent* DR (CR)	Liabilities & Deferred Inflows *Current* DR (CR)	Liabilities & Deferred Inflows *Noncurrent* DR (CR)	Operating Revenues DR (CR)	Operating Expenses DR (CR)	Nonoperating (Revenues) Exp DR (CR)	Net Position DR (CR)	Net Effect on Following Year *Change in Net Position* DR (CR)	Net Effect on Following Year *Net Position* DR (CR)
To adjust for water rights which were recorded twice.		F	`	(675,000)	0	0	675,000	0	0	0	(675,000)	675,000
	Operating expense						675,000				(675,000)	675,000
	Land, water rights, other			(675,000)								
Extrapolated error related to water rights recorded twice		P	0	(170,169)	0	0	170,169	0	0	0	0	0
	Operating expense						170,169					
	Land, water rights, other			(170,169)								
Total passed adjustments			0	(845,169)	0	0	845,169	0	0	0	(675,000)	675,000

Impact on Change in Net Position	**845,169**
Impact on Net Position	**845,169**

Representation of:
City of Fort Collins
215 North Mason Street, 2nd Floor
P.O. Box 580
Fort Collins, Colorado 80522

Provided to:
FORVIS, LLP
Certified Public Accountants
1801 California Street, Suite 2900
Denver, Colorado 80202

The undersigned ("We") are providing this letter in connection with FORVIS' audit(s) of our financial statements as of and for the year ended December 31, 2021 and your audit of our compliance with requirements applicable to each of our major federal awards programs as of and for the year ended December 31, 2021.

Our representations are current and effective as of the date of FORVIS' report June 29, 2022 except for items 26 b through u as to which the date is July 25, 2022.

Our engagement with FORVIS is based on our contract for services dated: November 30, 2021.

Our Responsibility and Consideration of Material Matters

We confirm that we are responsible for the fair presentation of the financial statements subject to FORVIS' report in conformity with accounting principles generally accepted in the United States of America.

We are also responsible for adopting sound accounting policies; establishing and maintaining effective internal control over financial reporting, operations, and compliance; and preventing and detecting fraud.

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement. An omission or misstatement that is monetarily small in amount could be considered material as a result of qualitative factors.

Confirmation of Matters Specific to the Subject Matter of FORVIS' Report

We confirm, to the best of our knowledge and belief, the following:

1. We have fulfilled our responsibilities, as set out in the terms of our contract, for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America.

2. We acknowledge our responsibility for the design, implementation, and maintenance of:

    a. Internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

    b. Internal control to prevent and detect fraud.

3. We have everything we need to keep our books and records.

4. We have provided you with:

   a. Access to all information of which we are aware that is relevant to the preparation and fair presentation of the financial statements, such as records, documentation, and other matters.

   b. Additional information that you have requested from us for the purpose of the audit.

   c. Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.

   d. All minutes of meetings of the governing body held through the date of this letter or summaries of actions of recent meetings for which minutes have not yet been prepared. All unsigned copies of minutes provided to you are copies of our original minutes approved by the governing body, if applicable, and maintained as part of our records.

   e. All significant contracts and grants.

5. All transactions have been recorded in the accounting records and are reflected in the financial statements.

6. We have informed you of all current risks of a material amount that are not adequately prevented or detected by our procedures with respect to:

   a. Misappropriation of assets.

   b. Misrepresented or misstated assets, deferred outflows of resources, liabilities, deferred inflows of resources, or net position.

7. We believe the effects of the uncorrected financial statement misstatements summarized in the attached schedule are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

8. We have no knowledge of any known or suspected fraudulent financial reporting or misappropriation of assets involving:

   a. Management or employees who have significant roles in internal control, or

   b. Others, where activities of others could have a material effect on the financial statements.

9. We have no knowledge of any allegations of fraud or suspected fraud affecting the entity received in communications from employees, customers, regulators, suppliers, or others.

10. We have assessed the risk that the financial statements may be materially misstated as a result of fraud and disclosed to you any such risk identified.

11. We have disclosed to you the identity of all of the entity's related parties and all the related-party relationships of which we are aware. The entity has not entered into any new agreements with a related party or modified terms related to an existing related-party transaction during the year under audit, or as of the date of this letter. Further, we do not have any existing or ongoing agreements with related parties that are still in effect as of the date of this letter.

    We understand that the term related party refers to an affiliate, management and members of their immediate families, component units, and any other party with which the entity may deal if the entity can significantly influence, or be influenced by, the management or operating policies of the other. The term affiliate refers to a party that directly or indirectly controls, or is controlled by, or is under common control with, the entity.

12. We are not aware of any side agreements or other arrangements (either written or oral) that are in place.

13. Except as reflected in the financial statements, there are no:

    a. Plans or intentions that may materially affect carrying values or classifications of assets and liabilities.

    b. Material transactions omitted or improperly recorded in the financial records.

    c. Material gain/loss contingencies requiring accrual or disclosure, including those arising from environmental remediation obligations.

    d. Events occurring subsequent to the statement of net position date through the date of this letter requiring adjustment or disclosure in the financial statements.

    e. Agreements to purchase assets previously sold.

    f. Restrictions on cash balances or compensating balance agreements.

    g. Guarantees, whether written or oral, under which the entity is contingently liable.

14. We have disclosed to you all known instances of noncompliance or suspected noncompliance with laws and regulations whose effects should be considered when preparing financial statements.

15. We have no reason to believe the entity owes any penalties or payments under the Employer Shared Responsibility Provisions of the *Patient Protection and Affordable Care Act* nor have we received any correspondence from the IRS or other agencies indicating such payments may be due.

16. We have disclosed to you all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements. The effects of all known actual or possible litigation and claims have been accounted for and disclosed in accordance with accounting principles generally accepted in the United States of America.

17. Adequate provisions and allowances have been accrued for any material losses from:

    a. Uncollectible receivables.

    b. Reducing obsolete or excess inventories to estimated net realizable value.

    c. Sales commitments, including those unable to be fulfilled.

    d. Purchase commitments in excess of normal requirements or above prevailing market prices.

18. Except as disclosed in the financial statements, the entity has:

    a. Satisfactory title to all recorded assets, and they are not subject to any liens, pledges, or other encumbrances.

b. Complied with all aspects of contractual and grant agreements, for which noncompliance would materially affect the financial statements.

19. The financial statements disclose all significant estimates and material concentrations known to us. Significant estimates are estimates at the statement of net position date that could change materially within the next year. Concentrations refer to volumes of business, revenues, available sources of supply, or markets for which events could occur that would significantly disrupt normal finances within the next year. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.

20. The fair values of financial and nonfinancial assets and liabilities, if any, recognized in the financial statements or disclosed in the notes thereto are reasonable estimates based on the methods and assumptions used. The methods and significant assumptions used result in measurements of fair value appropriate for financial statement recognition and disclosure purposes and have been applied consistently from period to period, taking into account any changes in circumstances. The significant assumptions appropriately reflect market participant assumptions.

21. Except as has been previously disclosed to FORVIS, we have not been designated as a potentially responsible party (PRP or equivalent status) by the Environmental Protection Agency (EPA) or other cognizant regulatory agency with authority to enforce environmental laws and regulations.

22. With respect to any nonattest services you have provided us during the year, including the drafting of the schedule of expenditures of federal awards and the auditee portion of the Form SF-SAC (Data Collection Form) through the Federal Audit Clearinghouse:

    a. We have designated a qualified management-level individual to be responsible and accountable for overseeing the nonattest services.

    b. We have established and monitored the performance of the nonattest services to ensure they meet our objectives.

    c. We have made any and all decisions involving management functions with respect to the nonattest services and accept full responsibility for such decisions.

    d. We have evaluated the adequacy of the services performed and any findings that resulted.

    e. We have received the deliverables from you and have stored these deliverables in information systems controlled by us. We have taken responsibility for maintaining internal control over these deliverables.

23. We have notified you of any instances of noncompliance with applicable disclosure requirements of the SEC Rule 15c2-12 and applicable state laws.

24. With regard to deposit and investment activities:

    a. All deposit, repurchase and reverse repurchase agreements, and investment transactions have been made in accordance with legal and contractual requirements.

    b. Disclosures of deposit and investment balances and risks in the financial statements are consistent with our understanding of the applicable laws regarding enforceability of any pledges of collateral.

    c. We understand that your audit does not represent an opinion regarding the enforceability of any collateral pledges.

25. As an entity subject to *Government Auditing Standards*:

    a. We acknowledge that we are responsible for compliance with applicable laws, regulations, and provisions of contracts and grant agreements.

    b. We have identified and disclosed to you all laws, regulations, and provisions of contracts and grant agreements that have a direct and material effect on the determination of amounts in our financial statements or other financial data significant to the audit objectives.

    c. We have identified and disclosed to you any violations or possible violations of laws, regulations, and provisions of contracts and grant agreements whose effects should be considered for recognition and/or disclosure in the financial statements or for your reporting on noncompliance.

    d. We have taken or will take timely and appropriate steps to remedy any fraud, abuse, illegal acts, or violations of provisions of contracts or grant agreements that you or other auditors report.

    e. We have a process to track the status of audit findings and recommendations.

    f. We have identified to you any previous financial audits, attestation engagements, performance audits, or other studies related to the objectives of your audit and the corrective actions taken to address any significant findings and recommendations made in such audits, attestation engagements, or other studies.

    g. We have provided our views on any findings, conclusions, and recommendations, as well as our planned corrective actions with respect thereto, to you for inclusion in the findings and recommendations referred to in your report on internal control over financial reporting and on compliance and other matters based on your audit of the financial statements performed in accordance with *Government Auditing Standards.*

26. With regard to federal awards programs:

    a. We have identified in the schedule of expenditures of federal awards all assistance provided (either directly or passed through other entities) by federal agencies in the form of grants, contracts, loans, loan guarantees, property, cooperative agreements, interest subsidies, commodities, insurance, direct appropriations, or in any other form.

    b. We have disclosed to you all contracts or other agreements with service organizations, and we have disclosed to you all communications from the service organizations relating to noncompliance at the service organizations.

    c. We have identified the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* regarding activities allowed or unallowed; allowable costs/cost principles; cash management; eligibility; equipment and real property management; matching, level of effort, earmarking; period of performance of federal funds; procurement and suspension and debarment; program income; reporting; subrecipient monitoring; and special tests and provisions that are applicable to each of our federal awards programs. We have identified to you our interpretation of any applicable compliance requirements subject to varying interpretations.

    d. We are responsible for complying, and have complied, with the requirements of Uniform Guidance.

e. We are responsible to understand and comply with the requirements of federal statutes, regulations, and the terms and conditions of federal awards related to each of our federal awards programs and have disclosed to you any and all instances of noncompliance with those requirements occurring during the period of your audit or subsequent thereto to the date of this letter of which we are aware. Except for any instances of noncompliance we have disclosed to you, we believe the entity has complied with all applicable compliance requirements.

f. We are responsible for the design, implementation, and maintenance of internal controls over compliance that provide reasonable assurance we have administered each of our federal awards programs in compliance with federal statutes, regulations, and the terms and conditions of the federal awards.

g. We have made available to you all federal awards (including amendments, if any) and any other correspondence or documentation relevant to each of our federal awards programs and to our compliance with applicable requirements of those programs.

h. The information presented in federal awards program financial reports and claims for advances and reimbursements is supported by the books and records from which our financial statements have been prepared.

i. The costs charged to federal awards are in accordance with applicable cost principles.

j. The reports provided to you related to federal awards programs are true copies of reports submitted or electronically transmitted to the federal awarding agency, the applicable payment system or pass-through entity in the case of a subrecipient.

k. Amounts claimed or used for matching were determined in accordance with Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) regarding cost principles.

l. We have monitored any subrecipients to determine that they have expended federal awards in accordance with federal statutes, regulations, and the terms and conditions of the subaward and have met the audit and other requirements of the Uniform Guidance.

m. We have taken appropriate corrective action on a timely basis after receipt of any subrecipient's auditor's report that identified findings and questioned costs pertaining to federal awards programs passed through to the subrecipient by us.

n. We have considered the results of any subrecipient's audits received and made any necessary adjustments to our books and records.

o. We have disclosed to you any communications from federal awarding agencies and pass-through entities concerning possible noncompliance with the applicable compliance requirements for each of our federal awards programs, including any communications received from the end of the period of your audit through the date of this letter.

p. We have identified to you any previous compliance audits, attestation engagements, and internal or external monitoring related to the objectives of your compliance audit, including findings received and corrective actions taken to address any significant findings and recommendations made in such audits, attestation engagements, or other monitoring.

q. Except as described in the schedule of findings and questioned costs, we are in agreement with the findings contained therein and our views regarding any disagreements with such findings are consistent, as of the date of this letter, with the description thereof in that schedule.

r. We are responsible for taking corrective action on any audit findings and have developed a corrective action plan that meets the requirements of Uniform Guidance.

s. The summary schedule of prior audit findings correctly states the status of all audit findings of the prior audit's schedule of findings and questioned costs and any uncorrected open findings included in the prior audit's summary schedule of prior audit findings as of the date of this letter.

t. The reporting package does not contain any protected personally identifiable information.

u. No changes have been made in internal control over compliance or other factors that might significantly affect internal control, including any corrective action we have taken regarding significant deficiencies or material weaknesses in internal control over compliance subsequent to the period covered by the auditor's report.

27. The supplementary information required by the Governmental Accounting Standards Board, consisting of management's discussion and analysis, modified approach to infrastructure, and pension and other postemployment benefits information, has been prepared and is measured and presented in conformity with the applicable GASB pronouncements, and we acknowledge our responsibility for the information. The information contained therein is based on all facts, decisions, and conditions currently known to us and is measured using the same methods and assumptions as were used in the preparation of the financial statements. We believe the significant assumptions underlying the measurement and/or presentation of the information are reasonable and appropriate. There has been no change from the preceding period in the methods of measurement and presentation.

28. With regard to supplementary information:

a. We acknowledge our responsibility for the presentation of the supplementary information in accordance with the applicable criteria.

b. We believe the supplementary information is fairly presented, both in form and content, in accordance with the applicable criteria.

c. The methods of measurement and presentation of the supplementary information are unchanged from those used in the prior period.

d. We believe the significant assumptions or interpretations underlying the measurement and/or presentation of the supplementary information are reasonable and appropriate.

e. If the supplementary information is not presented with the audited financial statements, we acknowledge we will make the audited financial statements readily available to intended users of the supplementary information no later than the date such information and the related auditor's report are issued.

29. With regard to other information that is presented in the form of our annual comprehensive financial report:

a. We confirm that the Annual Comprehensive Financial Report comprises the annual report for the entity.

b. We have provided you with the final draft of the annual report.

c. Due care has been exercised in the preparation of the introduction and statistical sections of the City's Annual Comprehensive Financial Report and we are not aware of any information contained in those sections of the Annual Comprehensive Financial Report that is inconsistent with information contained in the financial statements and notes thereto.

30. We assert that remediation related to the Bobcat Ridge Natural Area Disposal Site was completed prior to December 31, 2021. Furthermore, the Colorado Department of Public Health and Environment has accepted the City's request for No Further Action, dated March 22, 2022.

31. The City has complied with all debt covenants.

32. We believe we are in compliance with the requirements of the Taxpayers Bill of Rights (TABOR).

33. We agree with the findings of specialists in evaluating the accuracy of actuarial valuations and have adequately considered the qualification of the specialists in determining the amounts and disclosures used in the financial statements and underlying accounting records. We did not give or cause any instructions to be given to the specialists with respect to the values or amounts derived in an attempt to bias their work, and we are not otherwise aware of any matters that have had impact on the independence or objectivity of the specialists.

34. We acknowledge the current economic volatility presents difficult circumstances and challenges for our industry. Entities are potentially facing declines in the fair values of investments and other assets, declines in the volume of business, constraints on liquidity, difficulty obtaining financing, etc. We understand the values of the assets and liabilities recorded in the financial statements could change rapidly, resulting in material future adjustments to asset values, allowances for accounts and notes receivable, net realizable value of inventory, etc., that could negatively impact the entity's ability to meet debt covenants or maintain sufficient liquidity.

    We acknowledge that you have no responsibility for future changes caused by the current economic environment and the resulting impact on the entity's financial statements. Further, management and governance are solely responsible for all aspects of managing the entity, including questioning the quality and valuation of investments, inventory, and other assets; reviewing allowances for uncollectible amounts; evaluating capital needs and liquidity plans; etc.

DocuSigned by:
Kelly DiMartino
0B86D5871D89400...

Kelly DiMartino, City Manager
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DocuSigned by:
Travis Storin
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Blaine Dunn, Accounting Director
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City of Fort Collins

Single Audit Report

Year Ended December 31, 2021

City of Fort Collins
December 31, 2021

Contents

Schedule of Expenditures of Federal Awards 1

Notes to Schedule of Expenditures of Federal Awards 4

Report on Internal Control Over Financial Reporting
and on Compliance and Other Matters Based on an Audit
of Financial Statements Performed in Accordance with
***Government Auditing Standards* – Independent Auditor's Report 5**

Report on Compliance for Each Major Federal
Program; Report on Internal Control Over Compliance;
and Report on Schedule of Expenditures of Federal
Awards Required by the Uniform Guidance –
Independent Auditor's Report 7

Schedule of Findings and Questioned Costs 11

Status of Prior Audit Findings 15

City of Fort Collins

Schedule of Expenditures of Federal Awards

Year Ended December 31, 2021

Federal Grantor/ Pass-Through Grantor/Program Title	Direct/Pass-Through	Pass-Through Entity	Project/Grant (FAIN) No. Pass-Through Entity Identifying Number	Federal Assistance Listing	Pass-Through to Subrecipients	Federal Expenditures
Department of Housing and Urban Development						
CDBG Entitlements Grants Cluster						
Community Development Block Grants/Entitlement Grants						
Grant Year 2017 / 2018	Direct	N/A	B-17-MC-08-0008	14.218	$ 5,000	$ 5,000
Grant Year 2019 / 2020	Direct	N/A	B-19-MC-08-0008	14.218	816,282	816,282
Grant Year 2020 / 2021	Direct	N/A	B-20-MC-08-0008	14.218	455,324	619,677
Grant Year 2021 / 2022	Direct	N/A	B-21-MC-08-0008	14.218	60,718	98,856
COVID-19 Community Development Block Grant	Direct	N/A	B-20-MW-08-0008	14.218	599,223	599,223
Total CDBG Entitlement Grants Cluster					1,936,547	2,139,038
Home Investment Partnerships Program						
Grant Year 2017 / 2018	Direct	N/A	M-17-MC 08-0209	14.239	10,000	10,000
Grant Year 2018 / 2019	Direct	N/A	M-18-MC 08-0209	14.239	114,819	114,819
Grant Year 2019 / 2020	Direct	N/A	M-19-MC 08-0209	14.239	642,205	642,205
Grant year 2020 / 2021	Direct	N/A	M-20-MC 08-0209	14.239	96,711	144,422
Grant year 2021 / 2022			M-21-MC-08-0209	14.239	-	28,745
Subtotal					863,735	940,191
Total Department of Housing and Urban Development					2,800,282	3,079,229
Department of the Interior						
Bureau of Reclamation						
WaterSMART (Sustaining and Manage America's Resources for Tomorrow)	Direct	N/A	R19AP00169	15.507	-	54,656
Total Department of the Interior					-	54,656
Department of Justice						
Missing Children's Assistance	Pass-Through	City of Colorado Springs	2018-MC-FX-K027	16.543	-	5,929
Crime Victim Assistance Program	Pass-Through	Colorado Department of Public Safety	2020-VA-21-440-8	16.575	-	23,143
Edward Byrne Memorial Justice Assistance Grant Program	Pass-Through	Larimer County	2018-DJ-BX-0704	16.738	-	32,092
Total Department of Justice					-	61,164

City of Fort Collins
Schedule of Expenditures of Federal Awards (continued)
Year Ended December 31, 2021

Federal Grantor/ Pass-Through Grantor/Program Title	Direct/Pass-Through	Pass-Through Entity	Project/Grant (FAIN) No. Pass-Through Entity Identifying Number	Federal Assistance Listing	Pass-Through to Subrecipients	Federal Expenditures
Department of Transportation						
Highway Planning and Construction Cluster						
Highway Planning and Construction	Pass-Through	Colorado Department of Transportation	SAR M455-127 (23025)	20.205	-	311,695
Highway Planning and Construction	Pass-Through	Colorado Department of Transportation	STU M455-129 (23047)	20.205	-	15,486
Highway Planning and Construction	Pass-Through	Colorado Department of Transportation	ACQ M455-088 (16525)	20.205	-	2,730
Highway Planning and Construction	Pass-Through	Colorado Department of Transportation	STU M455-118 (20615)	20.205	-	90,000
Highway Planning and Construction	Pass-Through	Colorado Department of Transportation	SHO M455-124 (21966)	20.205	-	191,711
Highway Planning and Construction	Pass-Through	Colorado Department of Transportation	BRO M455-121 (20825)	20.205	-	45,449
Highway Planning and Construction	Pass-Through	Colorado Department of Transportation	SHO C060-086 (21964)	20.205	-	348,156
Total Highway Planning and Construction Cluster					-	1,005,227
Federal Transit Cluster						
COVID-19 Federal Transit Formula Grants	Direct	N/A	CO-2020-019-01	20.507	-	588,099
Federal Transit Formula Grants	Direct	N/A	CO-2020-020-00	20.507	-	1,558,978
Federal Transit Formula Grants	Direct	N/A	CO-2020-026-00	20.507	-	950,000
COVID-19 Federal Transit Formula Grants	Direct	N/A	CO-2021-031	20.507	-	1,462,874
Federal Transit Formula Grants	Direct	N/A	1138-2021-3	20.507	-	2,214,027
Federal Transit Formula Grants	Direct	N/A	CO-2021-006-00	20.507	-	165,807
Buses and Bus Facilities Formula, Competitive, and Low or No Emissions Programs	Direct	N/A	CO-2019-020-00	20.526	-	527,319
Buses and Bus Facilities Formula, Competitive, and Low or No Emissions Programs	Direct	N/A	CO-2020-013-00	20.526	-	440,906
Buses and Bus Facilities Formula, Competitive, and Low or No Emissions Programs	Direct	N/A	CO-2019-020-02	20.526	-	709,026
Buses and Bus Facilities Formula, Competitive, and Low or No Emissions Programs	Direct	N/A	CO-2020-002-02	20.526	-	542,986
Buses and Bus Facilities Formula, Competitive, and Low or No Emissions Programs	Direct	N/A	1138-2020-5	20.526	-	117,558
Total Federal Transit Cluster					-	9,277,580
Highway Safety Cluster						
National Priority Safety Programs	Pass-Through	Colorado Department of Transportation	21NHTSA405B.0602 PO 411026011	20.616	-	5,415
Total Highway Safety Cluster					-	5,415
Total Department of Transportation					-	10,288,222

City of Fort Collins

Schedule of Expenditures of Federal Awards (continued)

Year Ended December 31, 2021

Federal Grantor/ Pass-Through Grantor/Program Title	Direct/Pass-Through	Pass-Through Entity	Project/Grant (FAIN) No. Pass-Through Entity Identifying Number	Federal Assistance Listing	Pass-Through to Subrecipients	Federal Expenditures
Department of the Treasury						
COVID-19 Coronavirus Relief Fund	Pass-Through	Department of Local Affairs	CVRF CM-030	21.019	176,484	669,954
COVID-19 Coronavirus State and Local Fiscal Recovery Funds	Direct	N/A	N/A	21.027	-	263,199
Total Department of Treasury					176,484	933,153
Small Business Administration						
COVID-19 Shuttered Venue Operators Grant Program	Direct	N/A	SBAHQ21SV008061	59.075	-	503,915
Total Small Business Administration					-	503,915
Environmental Protection Agency						
State Environmental Justice Cooperative Agreement Program	Direct	N/A	95820412	66.312	-	1,325
Total Environmental Protection Agency					-	1,325
Department of Energy						
State Energy Program	Pass-Through	Colorado Department of Energy	DE-EE0007470	81.041	-	718,359
					-	718,359
Federal Emergency Management Agency (FEMA)						
Emergency Management Performance Grants	Pass-Through	CO Dept. of Public Safety Division of Homeland Security and Emergency Management	21EM-22-62	97.042	-	65,000
Total FEMA					-	65,000
Total Expenditures of Federal Awards					$ 2,976,766	$ 15,705,023

City of Fort Collins

Notes to Schedule of Expenditures of Federal Awards

Year Ended December 31, 2021

Notes to Schedule

1. The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of the City of Fort Collins (the City) under programs of the federal government for the year ended December 31, 2021. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because this Schedule presents only a selected portion of the operations of the City, it is not intended to and does not present the financial position, changes in net position or cash flows of the City.

2. Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Uniform Guidance or other applicable regulatory guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through identifying numbers are presented where available. The City has elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

3. The federal loan program listed subsequently is administered directly by the City, and balances and transactions relating to these programs are included in City's basic financial statements. Loans outstanding at the beginning of the year and loans made during the year are included in the federal expenditures presented in the Schedule. The balance of loans outstanding at December 31, 2021, consists of:

Assistance Listing Number	Program Name	Outstanding Balance at December 31, 2021
81.041	State Energy Program	$ 550,157

FORVIS

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Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Independent Auditor's Report

Honorable Mayor and Members of City Council
City of Fort Collins
Fort Collins, Colorado

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of City of Fort Collins (the City), as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated July 25, 2022.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Honorable Mayor and Members of City Council
City of Fort Collins

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

FORVIS, LLP

Denver, Colorado
July 25, 2022

FORVIS

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Report on Compliance for Each Major Federal Program, Report on Internal Control Over Compliance, and Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

Independent Auditor's Report

Honorable Mayor and Members of City Council
City of Fort Collins
Fort Collins, Colorado

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the City of Fort Collins (the City) compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended December 31, 2021. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the City complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2021.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the "Auditor's Responsibilities for the Audit of Compliance" section of our report.

We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the City's compliance with the compliance requirements referred to above.

Honorable Mayor and Members of City Council
City of Fort Collins

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the City's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the City's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the City's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the City's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the City's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Honorable Mayor and Members of City Council
City of Fort Collins

Report on Internal Control Over Compliance

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the "Auditor's Responsibilities for the Audit of Compliance" section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of the City, as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon dated July 25, 2022, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

FORVIS, LLP

Denver, Colorado
July 25, 2022

City of Fort Collins
Schedule of Findings and Questioned Costs
Year Ended December 31, 2021

Summary of Auditor's Results

Financial Statements

1. The type of report the auditor issued on whether the financial statements audited were prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) was (were):

☒ Unmodified ☐ Qualified ☐ Adverse ☐ Disclaimer

2. Internal control over financial reporting:

Material weakness(es) identified?	☐ Yes	☒ No
Significant deficiency(ies) identified?	☐ Yes	☒ None reported
Noncompliance material to the financial statements noted?	☐ Yes	☒ No

Federal Awards

3. Internal Control over major federal awards programs:

Material weakness(es) identified?	☐ Yes	☒ No
Significant deficiency(ies) identified?	☐ Yes	☒ None reported

4. Type of auditor's report issued on compliance for major federal award program(s):

☒ Unmodified ☐ Qualified ☐ Adverse ☐ Disclaimed

5. Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	☐ Yes	☒ No

6. Identification of major programs:

Assistance Listing Number	Name of Federal Program or Cluster
21.019	Coronavirus Relief Fund
20.500, 20.526, 20.507	Federal Transit Cluster

City of Fort Collins

Schedule of Findings and Questioned Costs (continued)

Year Ended December 31, 2021

7. The threshold to distinguish between Type A and Type B programs was $750,000.

9. Auditee qualified as low-risk auditee? ☒ Yes ☐ No

City of Fort Collins

Schedule of Findings and Questioned Costs (continued)

Year Ended December 31, 2021

Financial Statement Findings

Reference Number	Finding
	No matters are reportable.

City of Fort Collins

Schedule of Findings and Questioned Costs (continued)

Year Ended December 31, 2021

Federal Award Findings and Questioned Costs#

Reference Number	Finding
	No matters are reportable.

City of Fort Collins
Status of Prior Audit Findings
Year Ended December 31, 2021

Reference Number	Summary of Finding	Status

No matters are reportable.

COUNCIL FINANCE COMMITTEE
AGENDA ITEM SUMMARY

Staff: Dave Lenz

Date: August 1, 2022

SUBJECT FOR DISCUSSION
East Mulberry: Potential Annexation Lenses and Phasing

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

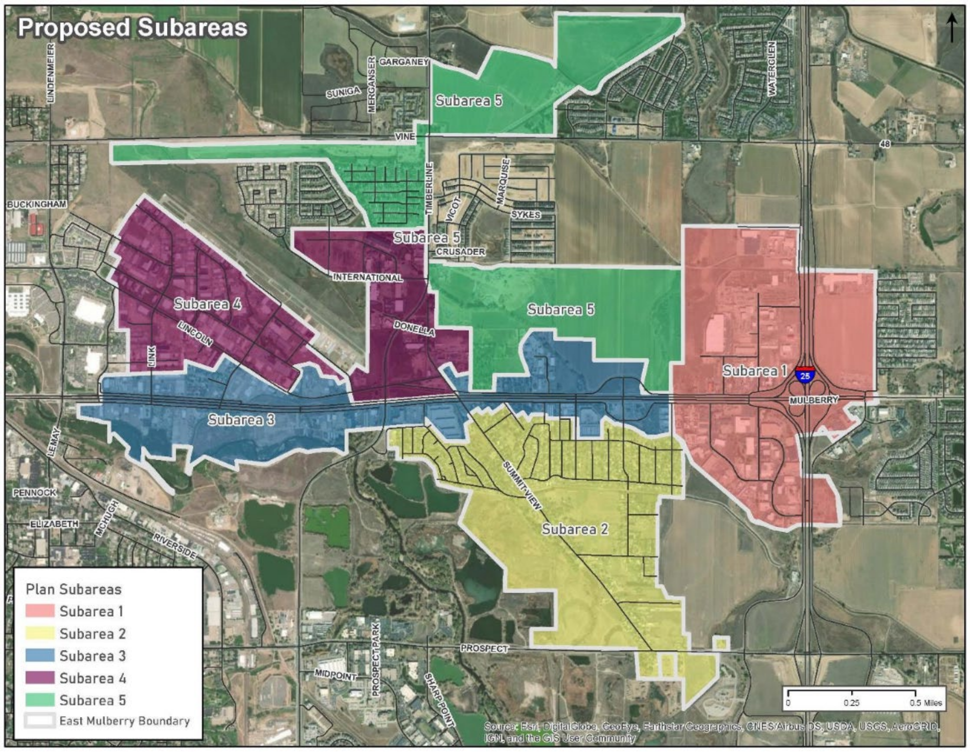
These phasing lenses have been utilized to create alternative five potential annexation scenarios. The financial implications of these scenarios have been modeled utilizing a fiscal impact modeling tool. Separate analysis has been performed for both the Governmental and Utility sectors of the City organization.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

GENERAL DIRECTION SOUGHT AND SPECIFIC QUESTIONS TO BE ANSWERED

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

BACKGROUND/DISCUSSION

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



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

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

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

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

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

Scenario 1 – Economic Opportunity – 20 yrs.				
($M)	Gov't.	Utility	Total	Avg. / Yr.
Revenue	$215	$242	$458	$23
Expense	($263)	($325)	($589)	($29)
Margin	($48)	($83)	($131)	($7)

Scenario 2 – Residential Enhancement – 20 yrs.				
($M)	Gov't.	Utility	Total	Avg. / Yr.
Revenue	$122	$121	$243	$12
Expense	($127)	($231)	($358)	($18)
Margin	($5)	($110)	($115)	($6)

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

Scenario 4 – Fiscal Health for City – 20y rs.				
($M)	Gov't.	Utility	Total	Avg. / Yr.
Revenue	$82	$77	$160	$8
Expense	($116)	($199)	($315)	($16)
Margin	($34)	($122)	($155)	($8)

Scenario 5 – Community Gateway – 20 yrs.				
($M)	Gov't.	Utility	Total	Avg. / Yr.
Revenue	$108	$102	$209	$10
Expense	($142)	($217)	($360)	($18)
Margin	($34)	($115)	($151)	($8)

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

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

Funding Considerations

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

Next steps

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

ATTACHMENTS

Attachment 1 – presentation slides

City of Fort Collins

East Mulberry: Potential Annexation Lenses & Phasing

Council Finance Committee

Dave Lenz

August 1, 2022

1. Analysis Approach
2. Phasing Lenses
3. Scenarios / Comparisons
4. Considerations and Takeaways
5. Questions

1 - Limit all annexation within enclave
- Would require an IGA update

2 - Annex individual properties as they develop
- Status quo, reactive approach

3 - Annex portions of enclave in phases
- Manage timing and sequencing of smaller annexations

4 - Annex entire enclave

Based on precedent from previous annexations, a phased approach is recommended to evaluate potential annexation options and approaches.

- Allows for allocation of resources over time
- Allows time for potential revenue generation ahead of other phases
- Allows for better community engagement ahead of each phase

Fiscal Impact Model

Annexation Area

Jobs + Households

= Persons Served

Revenues

Operating:
- Governmental
  - Property Tax
  - Sales/Use Tax
  - Fees/Permits/Charges for Services
- Utilities
  - Rate/fee revenue

Capital:
- Governmental
  - CEF
  - TCEF
- Utilities:
  - PIFs

Expenses

Operating:
- Governmental
  - Full suite of governmental services
- Utilities
  - L&P, Stormwater and Broadband

Capital:
- Governmental
  - Specific identified projects (Parks)
- Utilities:
  - L&P – connectivity including acquisition costs from existing providers (PVREA/Xcel)
  - Broadband – Buildout
  - Stormwater – specific identified projects

Net Fiscal Impacts (Margin)

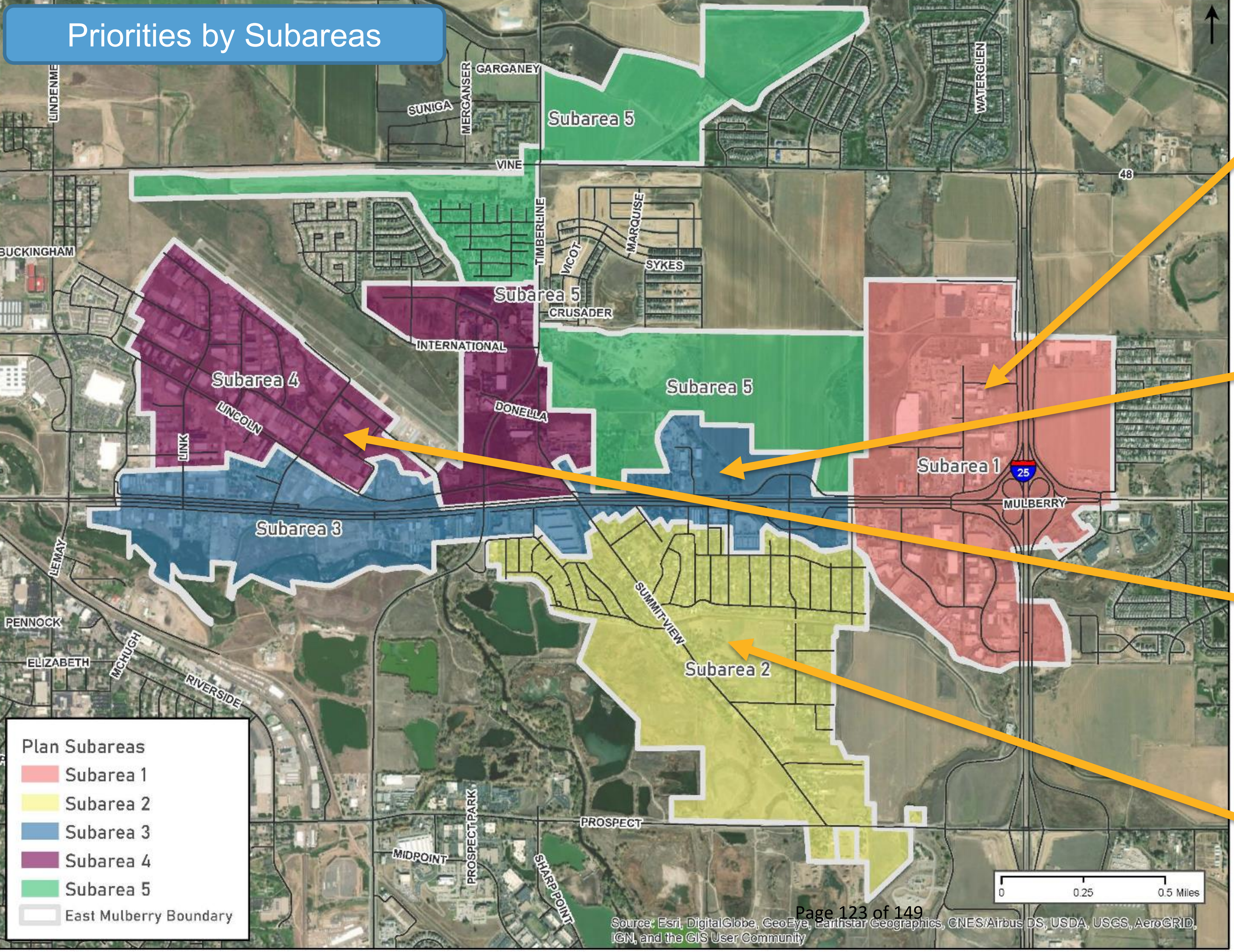
Operating:
- Governmental
  - Annual Net Fiscal Impacts
  - Total Net Fiscal Impacts
- Utilities
  - Annual Net Fiscal Impacts
  - Total Net Fiscal Impacts

Capital:
- Governmental
  - Total Net Fiscal Impacts
- Utilities
  - Total Net Fiscal Impacts

Financial Analysis Framework

- Separate analysis is provided for Governmental and Utilities.
- A Combined summary for total City-wide impact is provided.
- Expenses and revenues are calculated within the subarea designations
- Constant $ assumed (no rate, revenue or cost inflation is included in presented figures)
- 20-year timeframe for the five Scenario comparisons:
    - Summarized into 5-yr increments:
    - Immediate, Short Term, Medium Term and Long Term
- A Longer-Term Alternative timeframe (35 yrs.) analysis is also included
- Additional operating costs, capital and asset management requirements will fall outside the twenty-year timeframe.

Priorities by Subareas



Safety

- I-25 and East Mulberry consistently noted as an area where business success is partially impeded by safety issues not adequately addressed by current law enforcement efforts
- actively requested to be annexed early to mitigate law enforcement deficiencies

Aesthetics/Transportation

- Aesthetic improvements along the East Mulberry frontage
- Hwy is dangerous to access by all transportation modes

Stormwater Improvements

- The service-area/Industrial park southwest of the old airport and directly east of Home Depot and Walmart is severely affected by stormwater infrastructure deficiencies and flooding related to Dry Creek

Housing and Transit

- Mechanisms for affordable housing preservation can be utilized in these neighborhoods
- Investments in transportation mobility on key corridors (e.g., Summit View)

Phasing Lenses

Each lens focuses on one priority area. Other priority areas are still present but might be delayed or resourced differently.

Economic Opportunity

Emphasizes economic development and vitality in the area

Residential Enhancement

Emphasizes connectivity, utilities, and other social priorities

Environmental & Hazard Protection

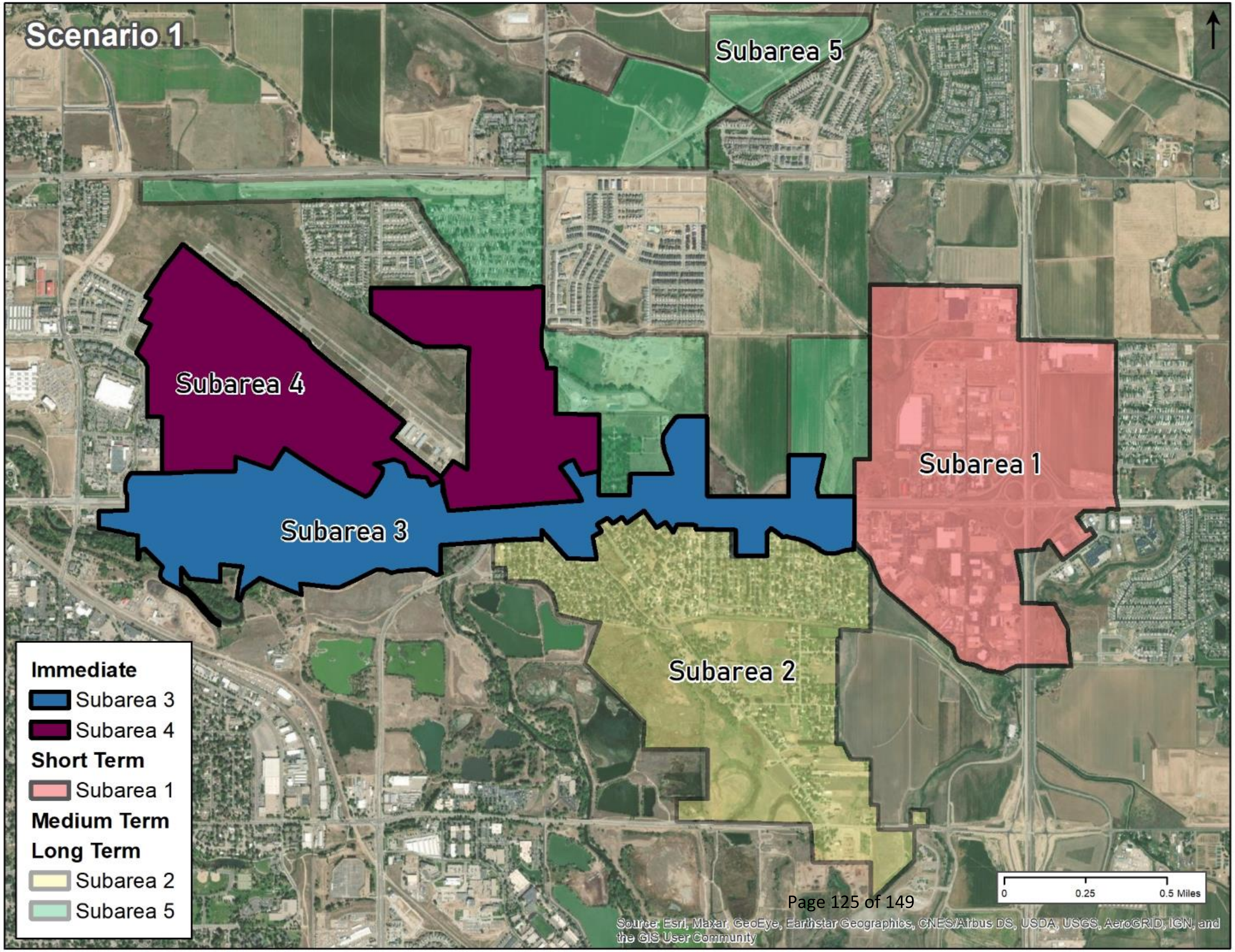
Emphasizes environmental buffers, flood mitigation

Fiscal Health for City

Emphasizes fiscal impact to City of annexation, including existing priorities, risks, and timing

Community Gateway

Emphasizes improvements and reinvestment potential for the Mulberry Corridor, including the highway and frontage roads



Economic Opportunity

Economically-Focused Phasing Option

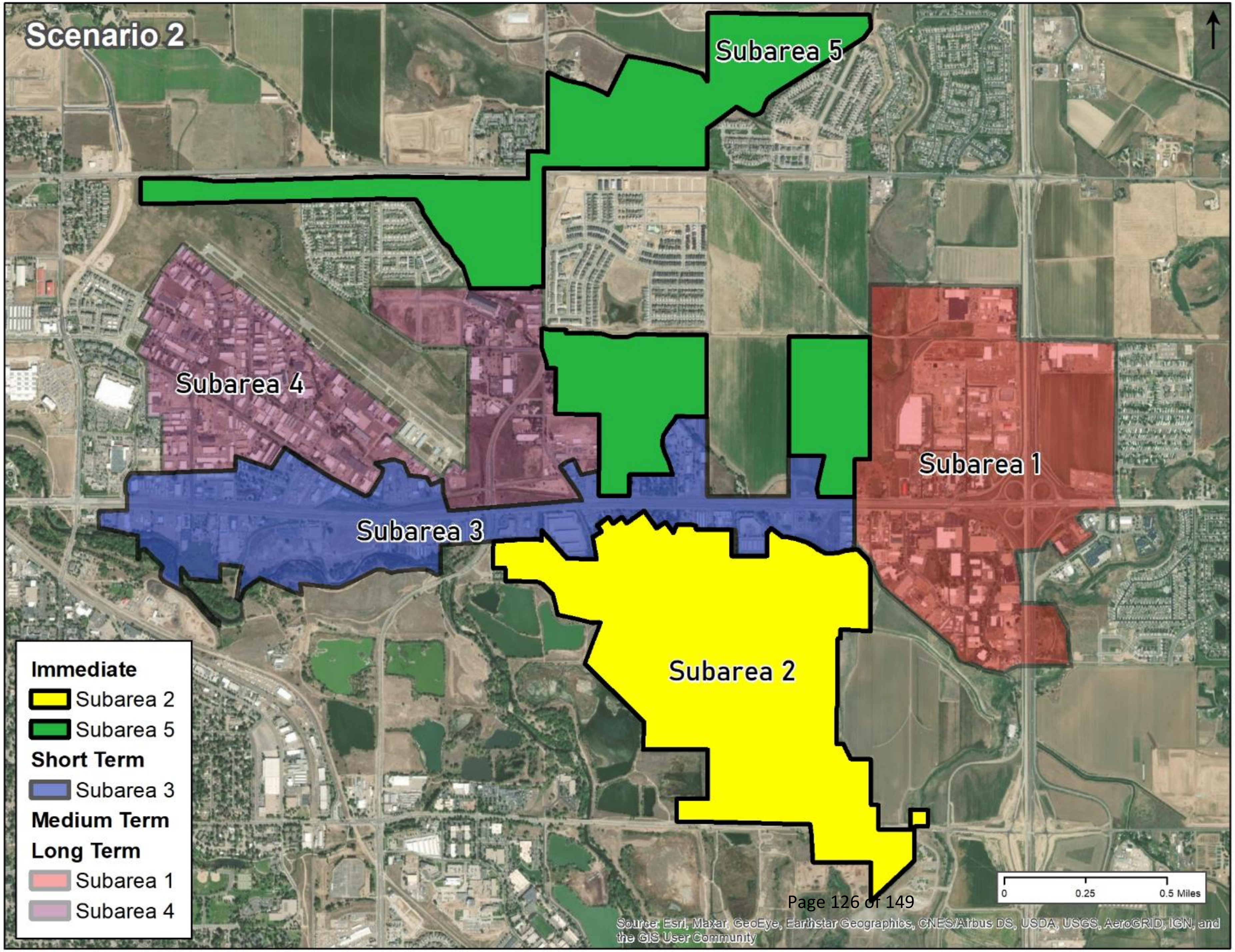
- Prioritize the annexation of properties with potential for new industrial and service commercial uses

Phasing Assumptions

- Prioritizes the annexation of undeveloped industrial land
- Prioritizes stormwater improvements to benefit subareas 1, 4, and 5 to create potential for new or renewed development.

Considerations

- Maximizes potential for new business attraction through undeveloped land at the I-25/Mulberry interchange and at the airpark
- Prioritizes support opportunities for existing businesses from city programs and through improvements to support existing areas



Residential Enhancement

Socially/Residential-Focused Scenario

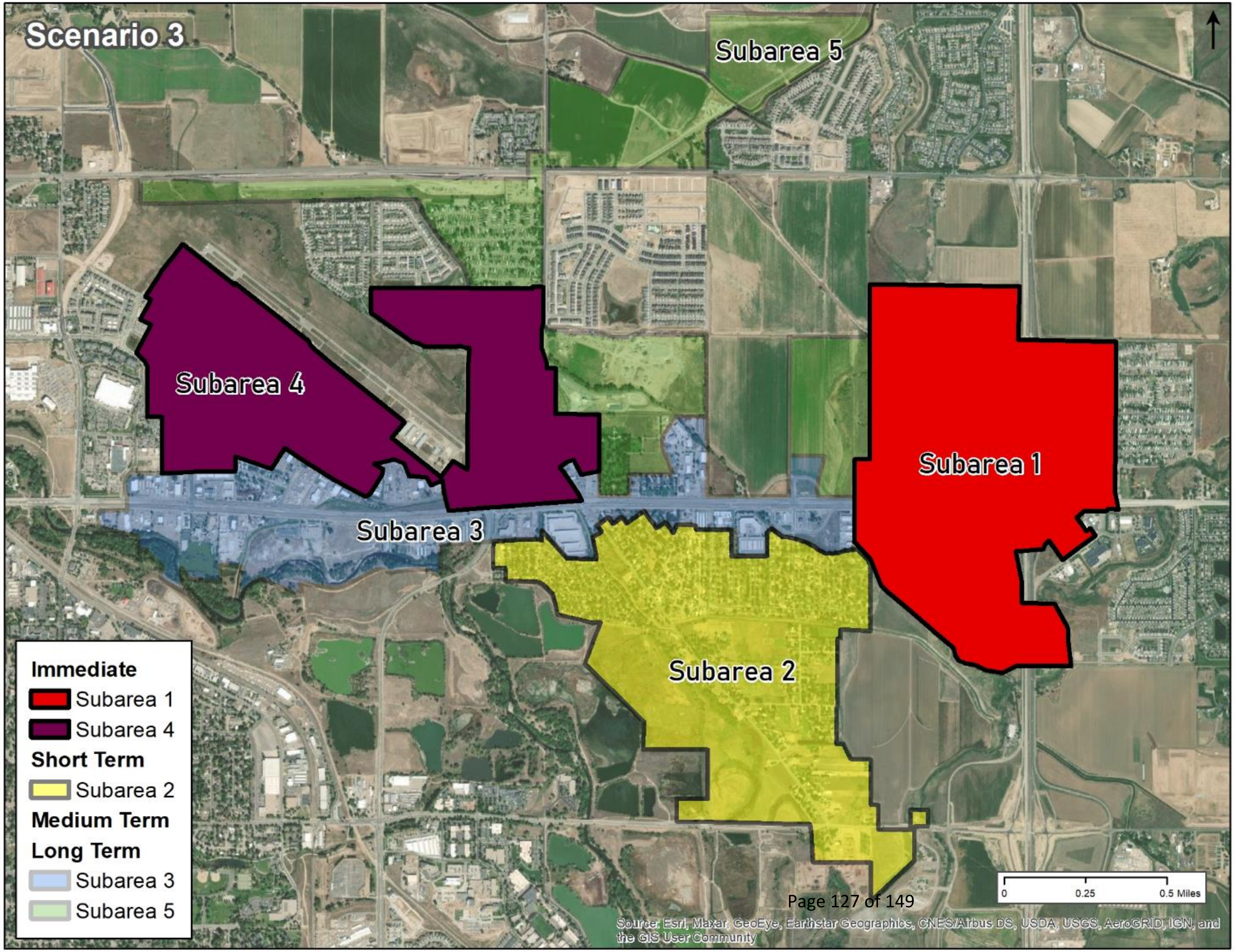
- Prioritizes the annexation of existing residential neighborhoods and improving their quality of services and infrastructure.

Phasing Assumptions

- Prioritizes annexation from the south (Subarea 2) and north (Subarea 5) with Subarea 3 annexation to improve access.
- Prioritizes utilities' investments to existing and new residential areas

Considerations

- Addresses the interests and concerns of the largest number of potential residents
- Could trigger the need for additional investments in stormwater and road improvements.
- May choose to address inequities in service levels and quality of infrastructure



Environment & Hazard Protection

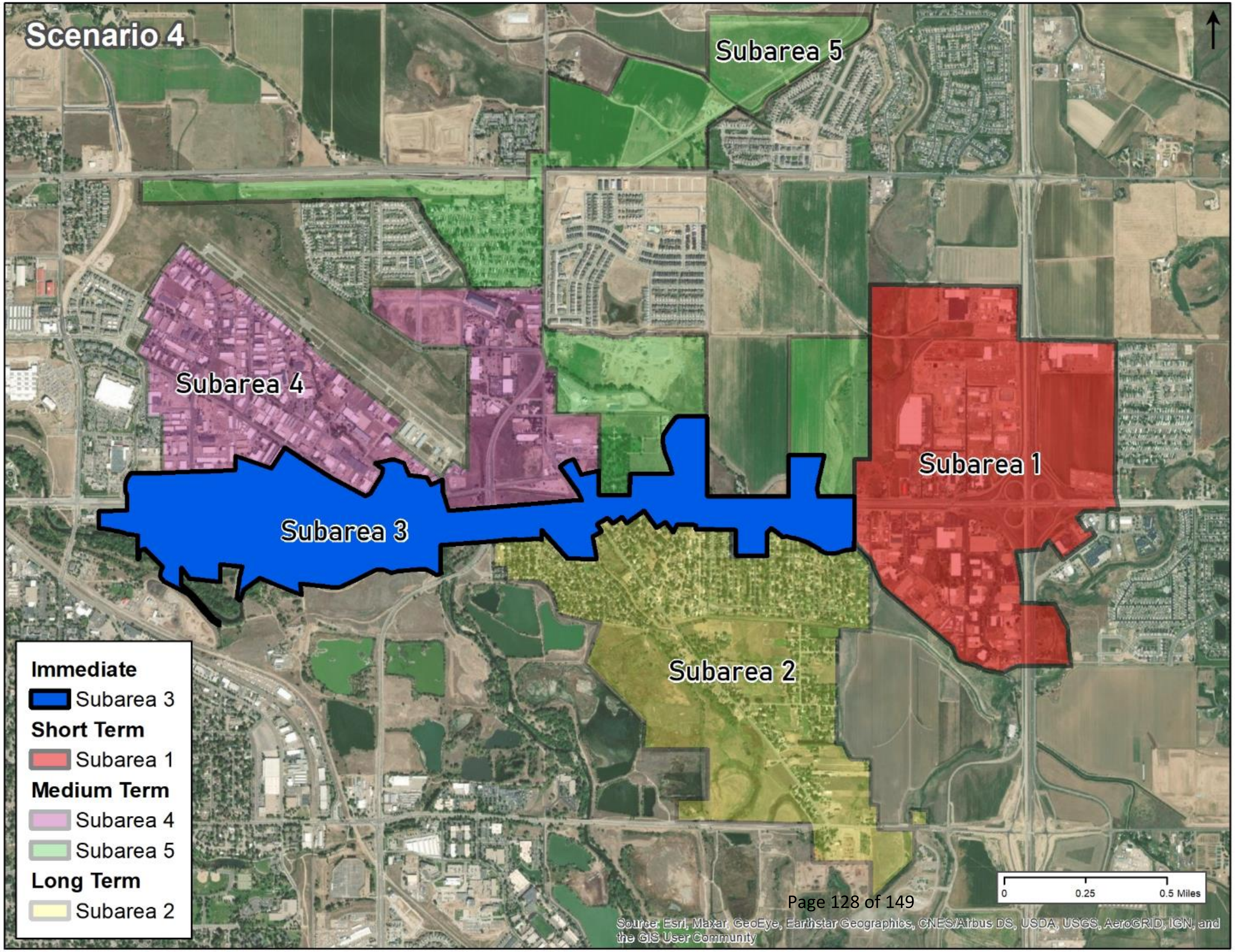
- Prioritize the annexation of areas that need improvements to address environmental and hazard concerns.

Phasing Assumptions

- Prioritize annexation of Subareas 1, 2, and 4 to address stormwater issues
- Assumes faster business development activity in Subareas 1 and 4.

Considerations

- Addresses hazard concerns and liabilities
- Greater upfront investment and doesn't maximize potential for new residential development to support improvement costs



Fiscal Health for City

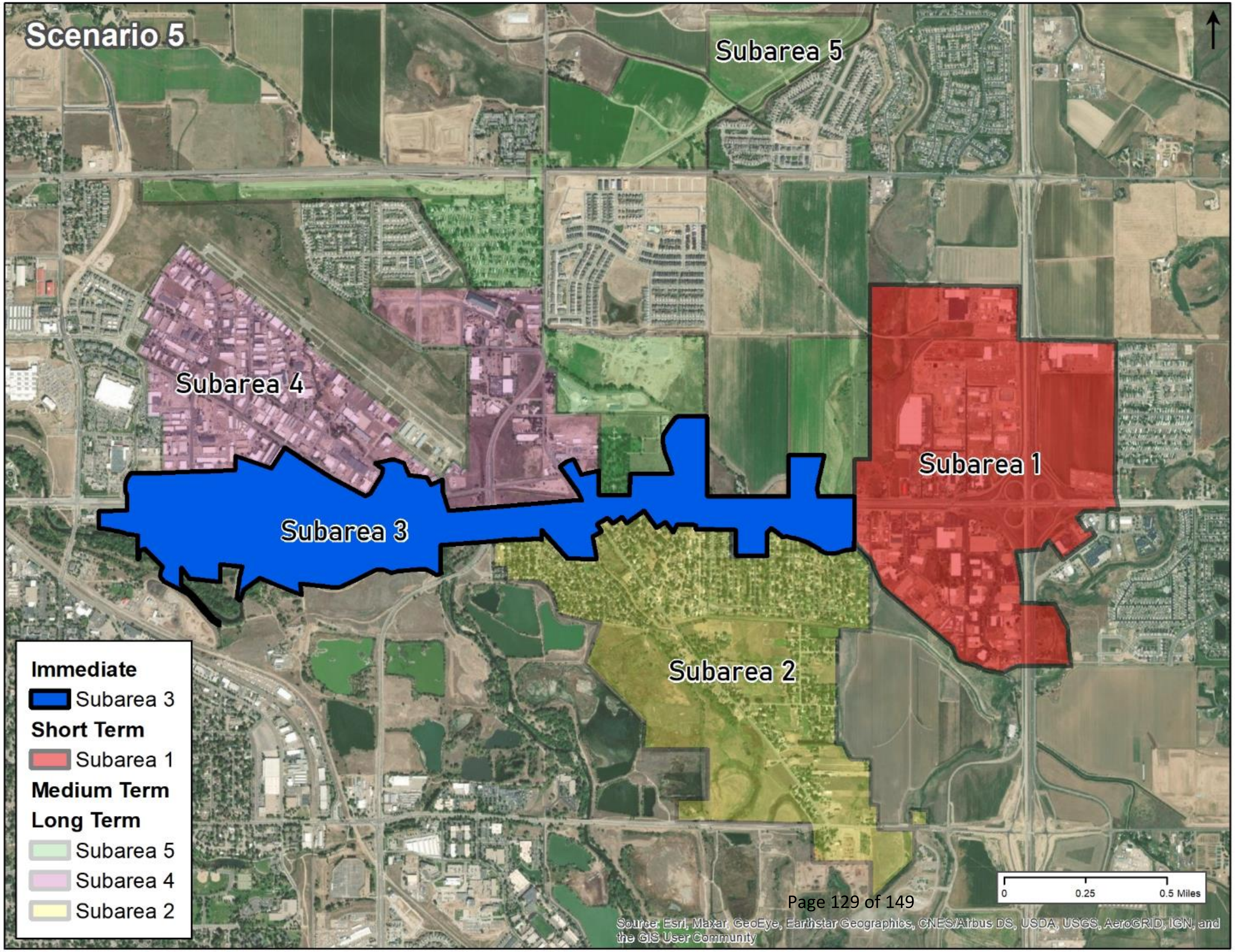
- Prioritize the annexation of property/subareas that will generate revenues for capital and/or on-going improvements in near term

Phasing Assumptions

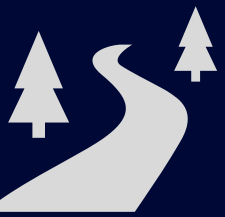
- Prioritize annexation of Subarea 3 and 1 to maximize utility service and tax revenue
- Light and Power (along with Broadband) built on schedule that maximizes leverage with other potential service extensions

Considerations

- increases property tax and sales tax growth (indirect from new residents)
- Increases opportunity to recoup capital expenditures
- City fiscal constraints may contribute to longer timeframes in addressing interests and concerns of area residents



Community Gateway



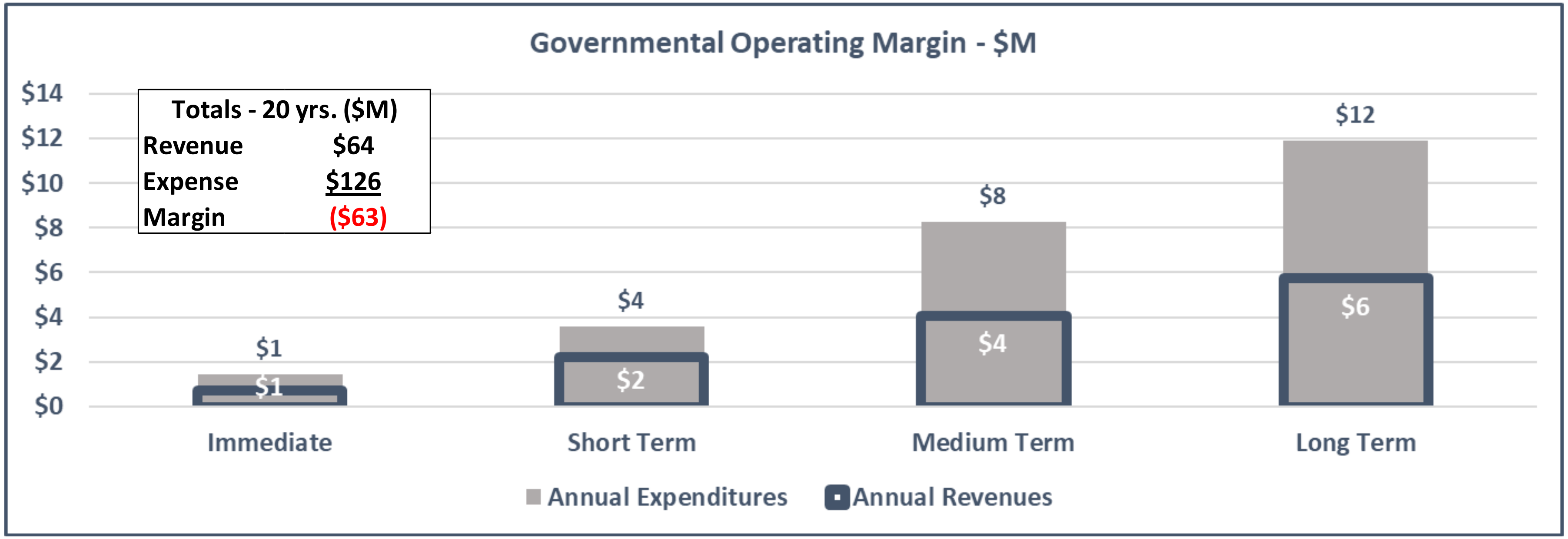
Phasing Assumptions

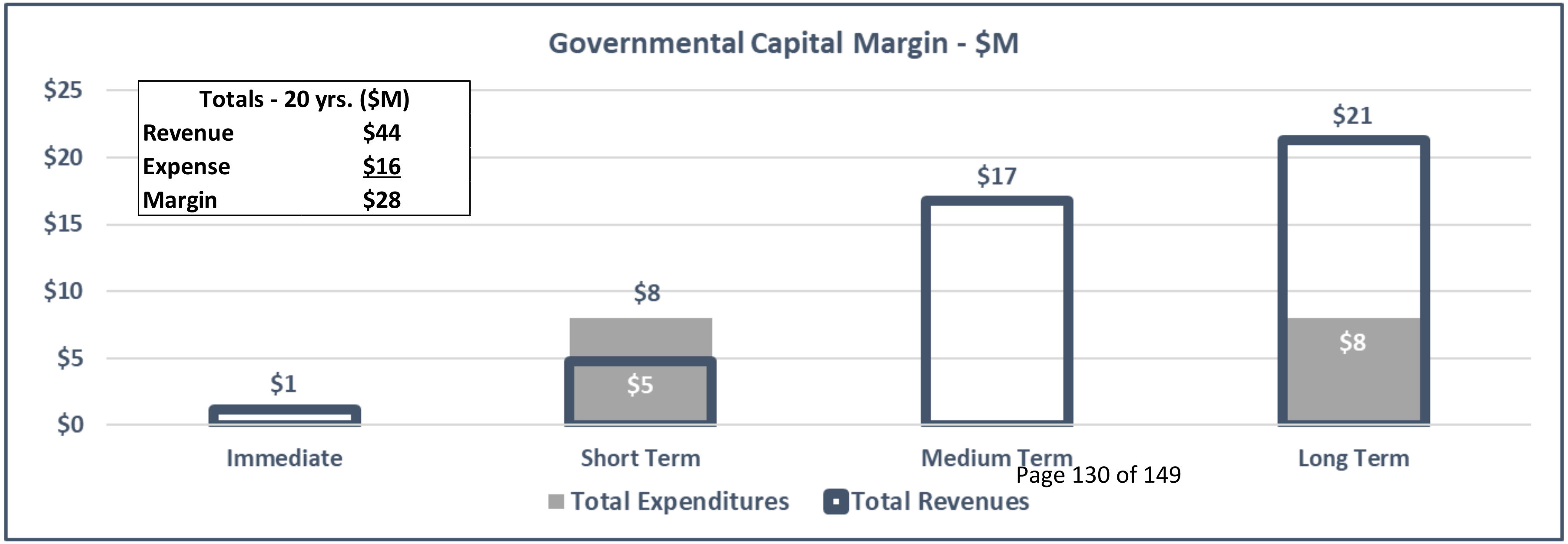
- Prioritizes annexation of Subarea 3 and focus on central portion of Subarea 1

Considerations

- Could lead to improvements along major city gateway due to L&P & Broadband investments upfront
- Provides more control over the Mulberry Street in the short term, including sign code and other Land Use Code standards
- Is likely to stimulate commercial infill and redevelopment of underutilized sites
- Addresses health and safety concerns in the Subareas 1 and 3.
- Could require some upfront stormwater investment
- May address some of area resident concerns over time, especially related to multi-modal access along E Mulberry
- Improved residential neighborhood access to the E Mulberry travel corridor is delayed

Scenario 5 (Community Gateway): Governmental Fiscal Impacts



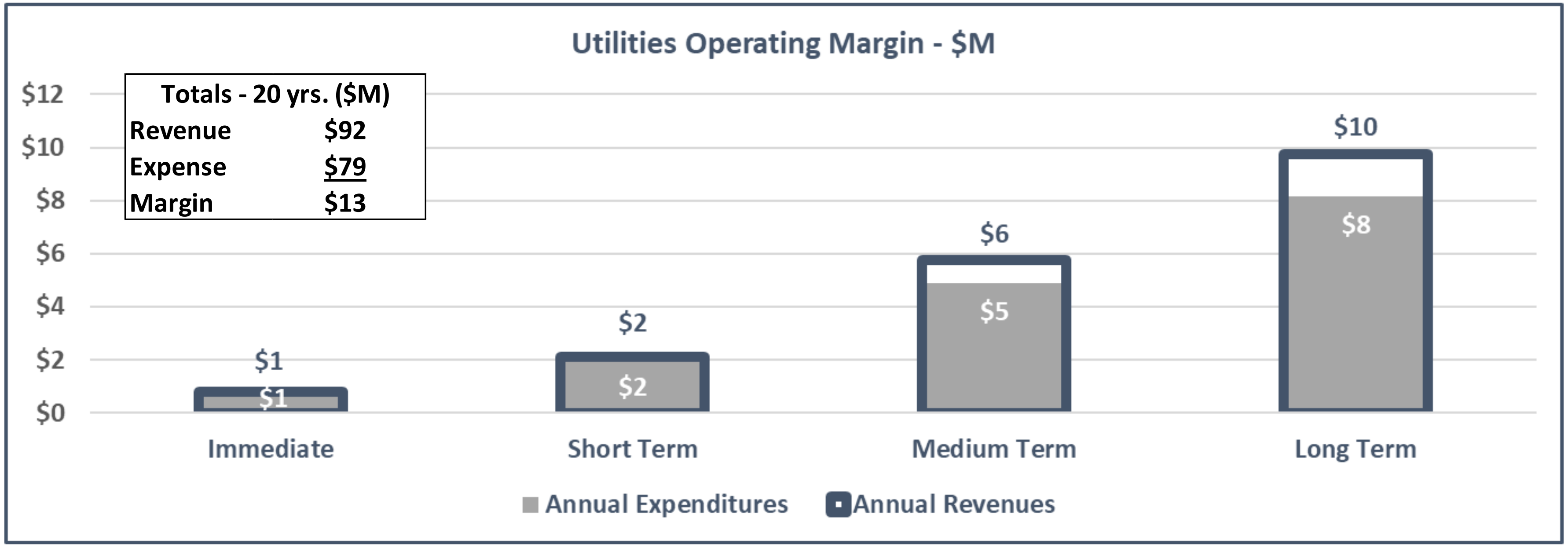


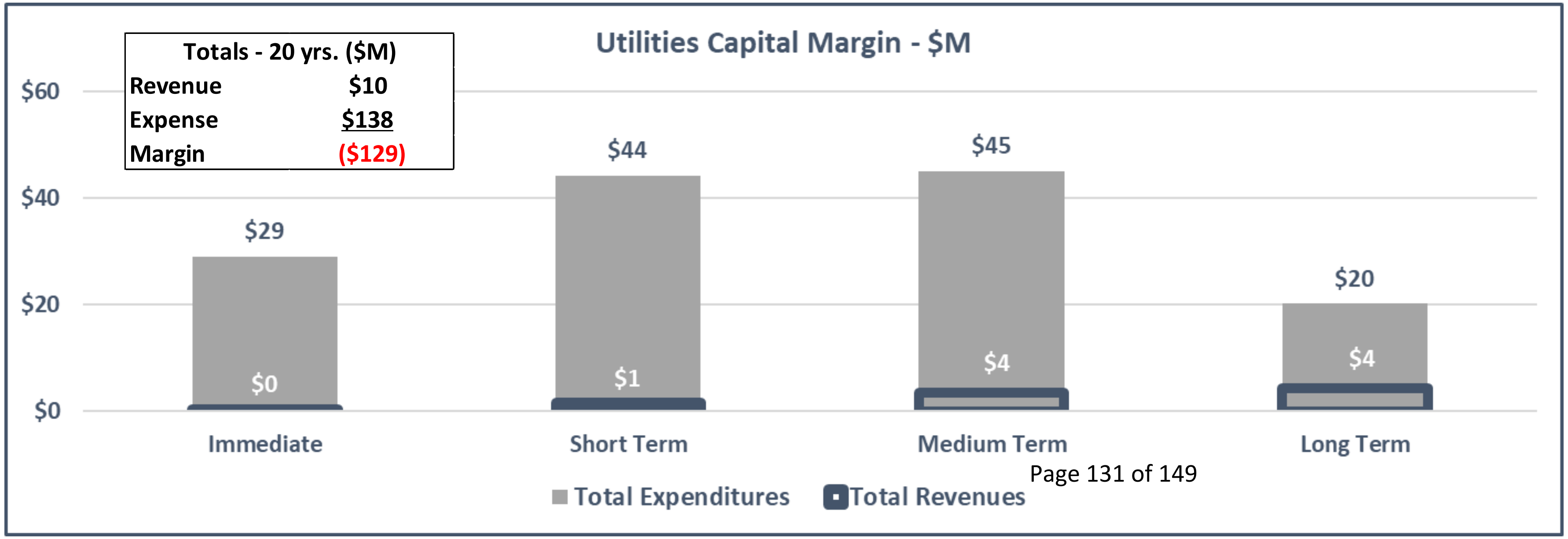
Operating:

- Average operating revenue, expense and margin compared to the other scenarios
- Residential areas delayed with the focus on E. Mulberry business corridor

Capital:

- Average level of capital revenue from extended residential development timeframes





Utilities Operating Assumptions

- Includes operating costs of infrastructure after takeover from PVREA to Light & Power
- Cost recovery through rate adjustments within the area

Utilities Capital Assumptions

- Assumes moderate upfront investment in electrical infrastructure and moves that to the second phase of annexation
- Assumes new development attraction due to upfront electrical infrastructure investments

Scenario Comparison: 20-year Combined Impact

Scenario 1 – Economic Opportunity – 20 yrs.

($M)	Gov't.	Utility	Total	Avg. / Yr.
Revenue	$215	$242	$458	$23
Expense	($263)	($325)	($589)	($29)
Margin	($48)	($83)	($131)	($7)

Scenario 2 – Residential Enhancement – 20 yrs.

($M)	Gov't.	Utility	Total	Avg. / Yr.
Revenue	$122	$121	$243	$12
Expense	($127)	($231)	($358)	($18)
Margin	($5)	($110)	($115)	($6)

Scenario 3 – Env. & Hazard Protection – 20 yrs.

($M)	Gov't.	Utility	Total	Avg. / Yr.
Revenue	$118	$131	$249	$12
Expense	($180)	($240)	($420)	($21)
Margin	($62)	($109)	($171)	($9)

Scenario 4 – Fiscal Health for City – 20 yrs.

($M)	Gov't.	Utility	Total	Avg. / Yr.
Revenue	$82	$77	$160	$8
Expense	($116)	($199)	($315)	($16)
Margin	($34)	($122)	($155)	($8)

Scenario 5 – Community Gateway – 20 yrs.

($M)	Gov't.	Utility	Total	Avg. / Yr.
Revenue	$108	$102	$209	$10
Expense	($142)	($217)	($360)	($18)
Margin	($34)	($115)	($151)	($8)

Scenario 5 – Gateway Community

Baseline:

Extend Baseline analysis timeframe to 35 years

Maintain annexation phasing sequencing, timing and development horizon

Accelerated Absorption:

Maintain annexation sequencing

Accelerate timing and development horizon

Slower Absorption:

Maintain Annexation sequencing

Delay timing

Extend development horizon

Scenario 5 – Community Gateway – 35 years

Accelerated Absorption

($M)	Gov't.	Utility	Total – 35 yrs.	Avg. / Yr.
Revenue	$306	$404	$710	$20
Expense	($449)	($554)	($1,003)	($29)
Margin	($143)	($150)	($293)	($8)

Baseline

($M)	Gov't.	Utility	Total – 35 yrs.	Avg. / Yr.
Revenue	$267	$322	$589	$17
Expense	($377)	($466)	($843)	($24)
Margin	($110)	($144)	($254)	($7)

Slower Absorption

($M)	Gov't.	Utility	Total – 35 yrs.	Avg. / Yr.
Revenue	$215	$240	$455	$13
Expense	($305)	($380)	($685)	($20)
Margin	($90)	($140)	($230)	($7)

Governmental and Utility sectors will each require additional funding to pursue potential annexation

Governmental:

- No specific identified source available to fund requirements
- Council priorities / existing needs
- Ongoing revenue diversification discussions and BFO constraints
- Alternative funding mechanisms will continue to be investigated

Utilities:

- Capital and operating costs to be recovered through rate adjustments
- Requirements to pay existing providers for stranded assets or lost margins
- Question of how to share the burden between new and existing customers

March/April:	Council Work Sessions Review East Mulberry Goals/Ideas & Scenario Framework Annexation background and Growth Management Area
August:	Council Finance Committee Potential Annexation Lenses and Phasing
October:	Council Finance Committee - Tentative Touchpoint / Follow-up
November:	Council Work Session East Mulberry Plan Discussion / Financial Update
Jan / Feb ‘23:	Council Work Session Draft East Mulberry Plan / Refined Potential Annexation Assumptions

Key Take-Aways

Phased approach to potential annexation is recommended

Identification of source(s) of funding to cover funding gap is imperative and must be balanced against existing needs and priorities

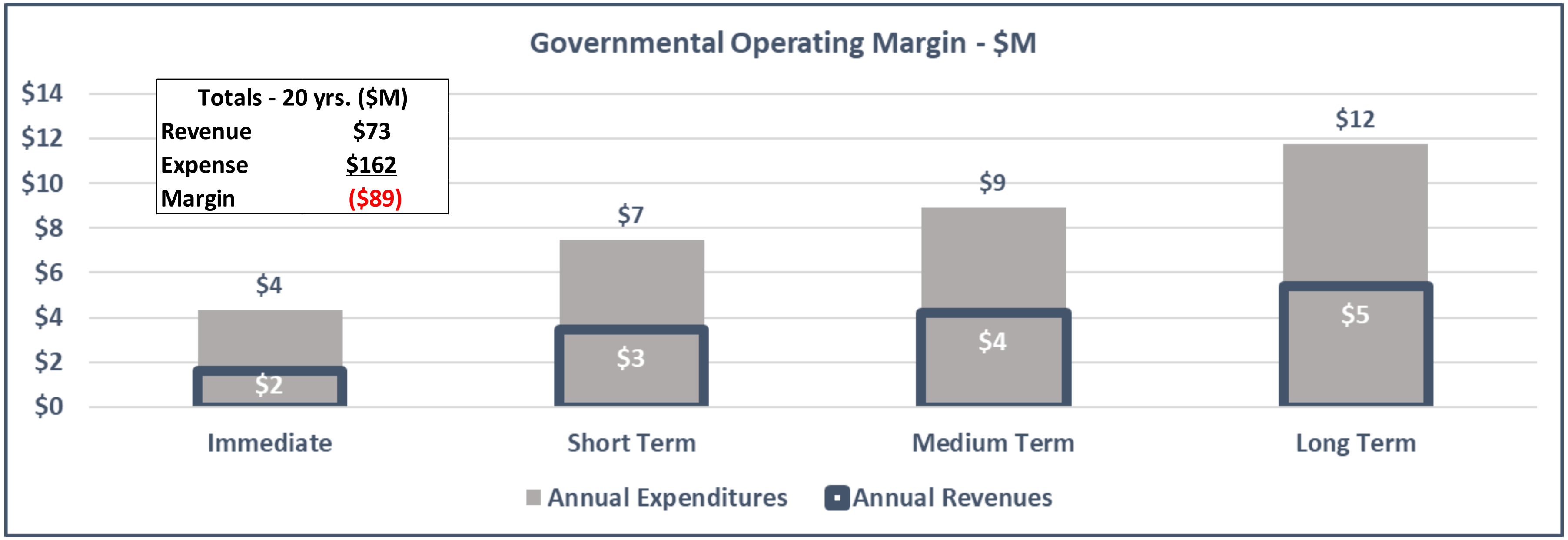
Timing of growth in development related revenues and expenses will remain a key uncertainty

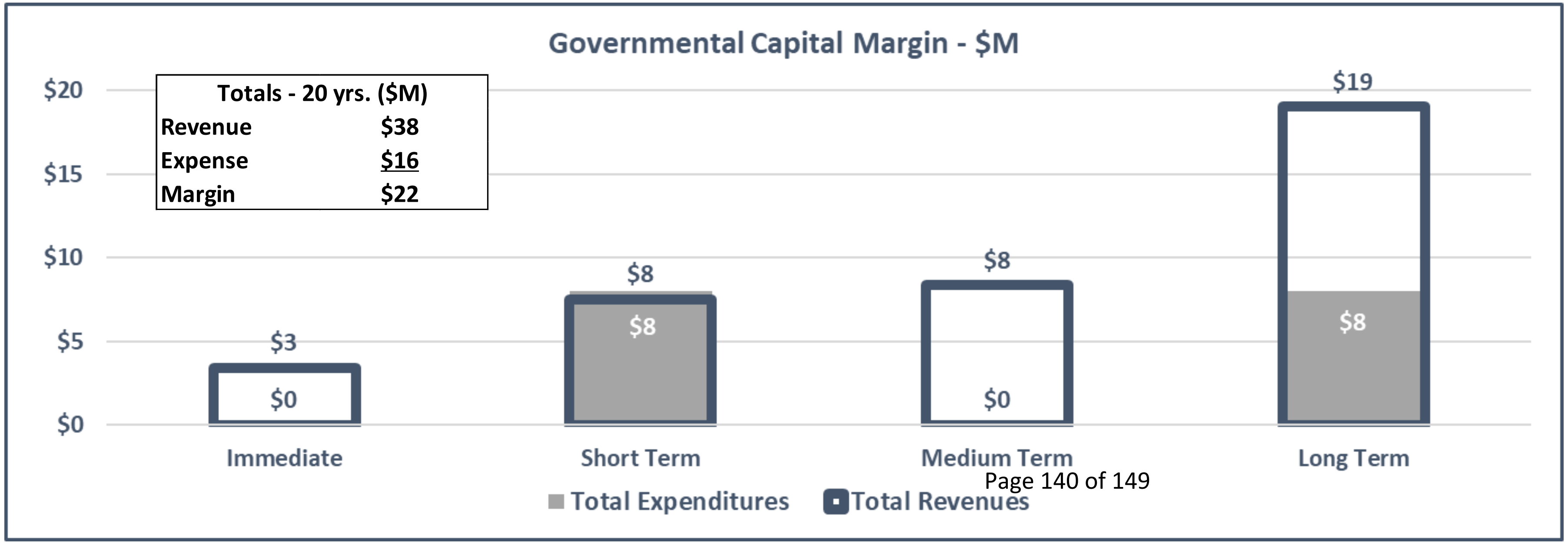
1. What aspects of each scenario would Council like to prioritize to further refine toward a potential future annexation scenario?

2. What questions remain for Council regarding potential annexation phasing and timing?

APPENDIX

Scenario 1 (Economic Opportunity): Governmental Fiscal Impacts





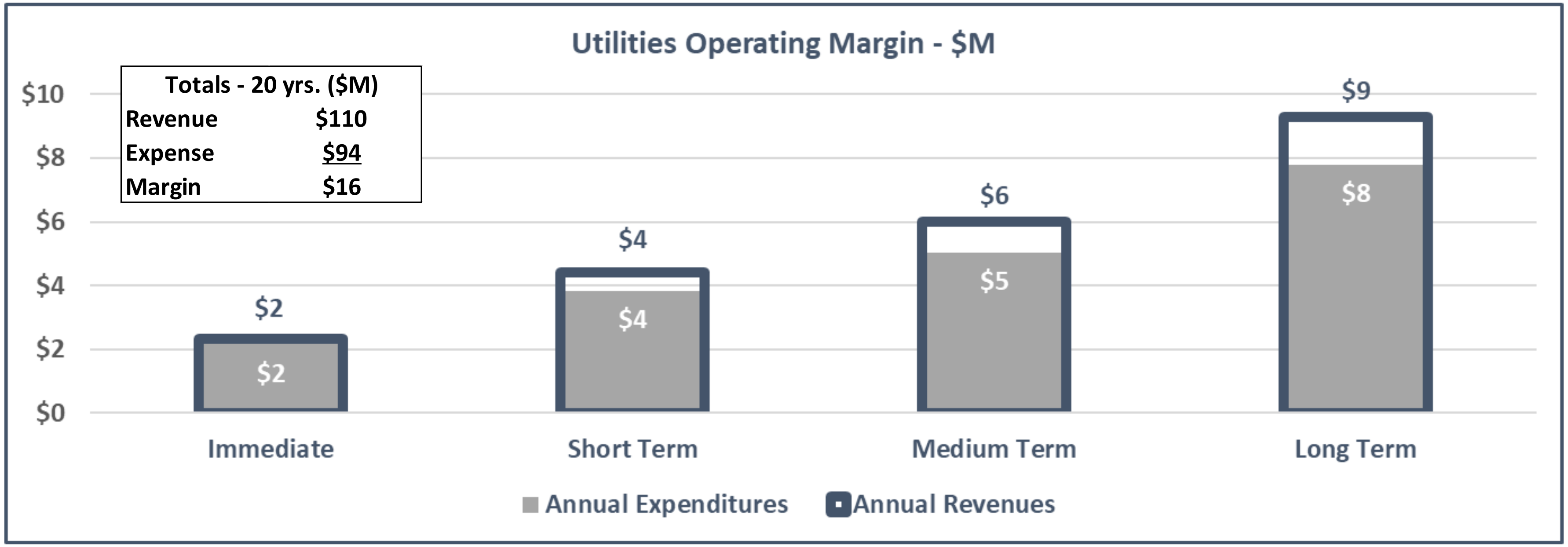
Operating:

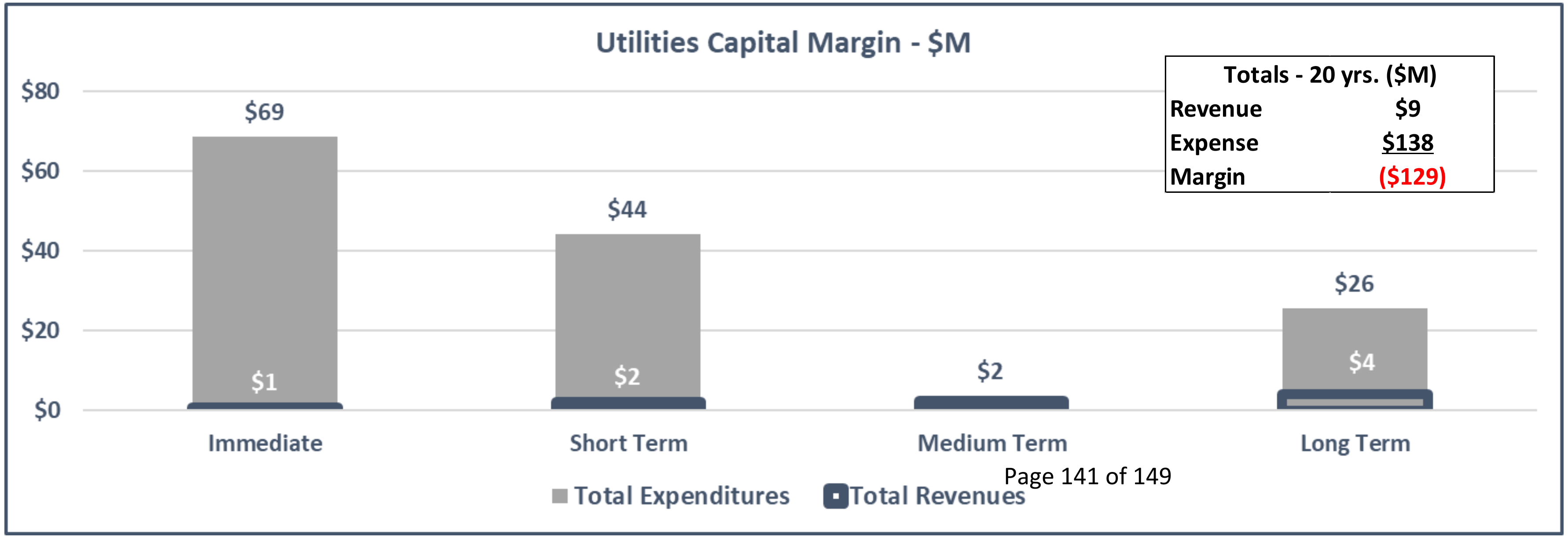
- Quicker ramp up of services in established areas leads to quicker expense build-up (police, streets/traffic, other)
- Revenues build up from existing residents & businesses
- Large negative margin

Capital:

- Includes investments in new parks keyed to resident increases over time
- Revenue increases delayed with later residential development timeframe

Scenario 1 (Economic Opportunity): Utilities Fiscal Impacts

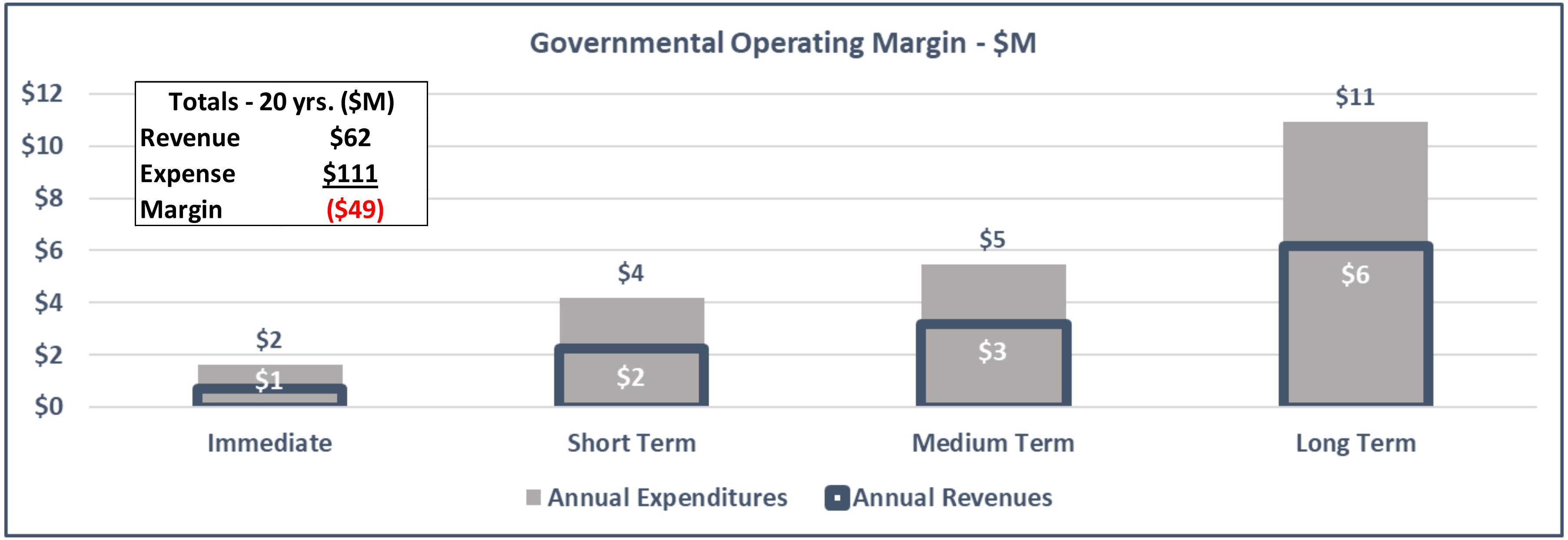


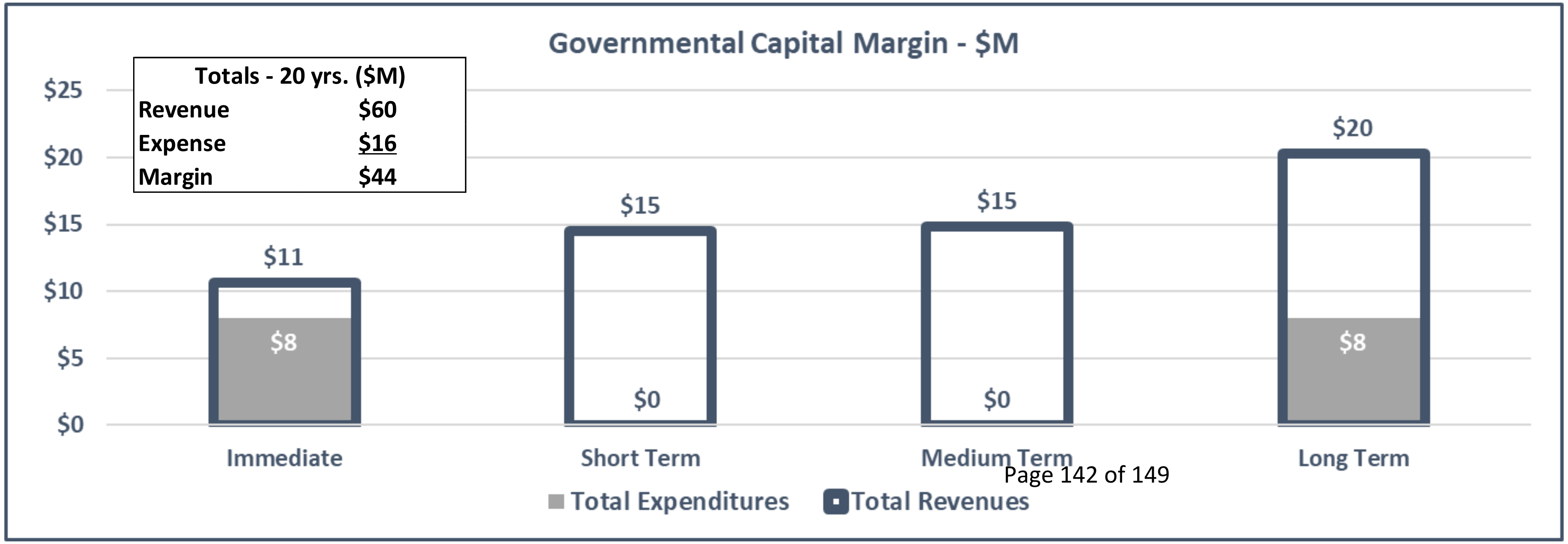


Operating:
- Assumes current rate structure applied to all customers
- Assumes similar operating cost structure to current averages

Capital:
- Front loads capital investment by bringing L&P & broadband infrastructure through the E Mulberry corridor
- Allows City to collect PIFs for new development
- Acquisition costs (loss of revenues or stranded investments) to be recouped through rate adjustments

Scenario 2 (Residential Enhancement): Governmental Fiscal Impacts





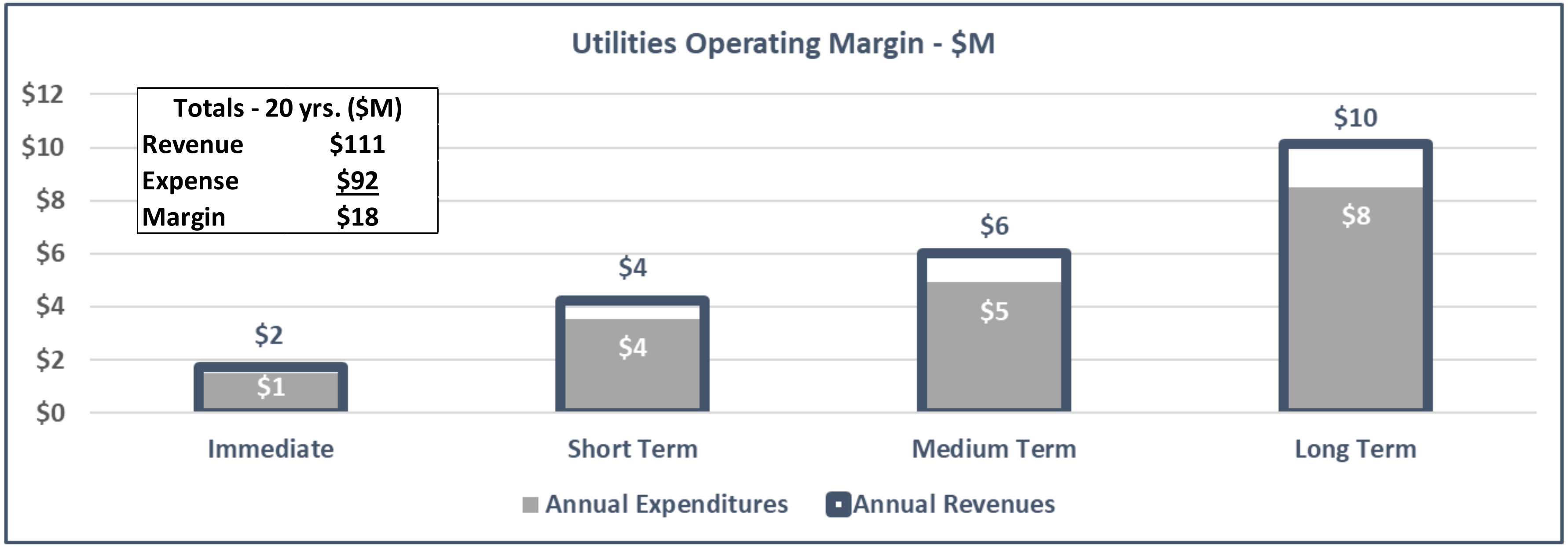
Operating:

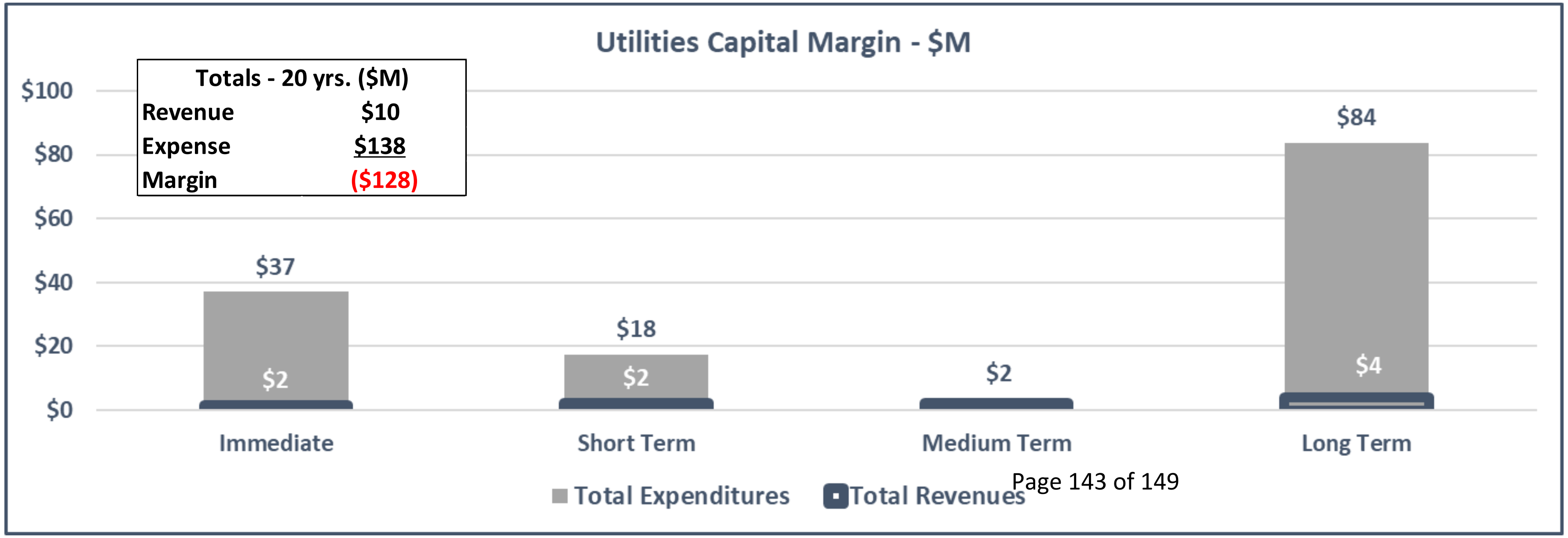
- Slower ramp up of services in established areas leads to slower expense build-up (police, streets/traffic, other)
- Revenues build up slower from existing residents & businesses
- Relatively smaller negative margin

Capital:

- Accelerated new residential development provides highest level of capital revenue from subarea 5

Scenario 2 (Residential Enhancement): Utilities Fiscal Impacts





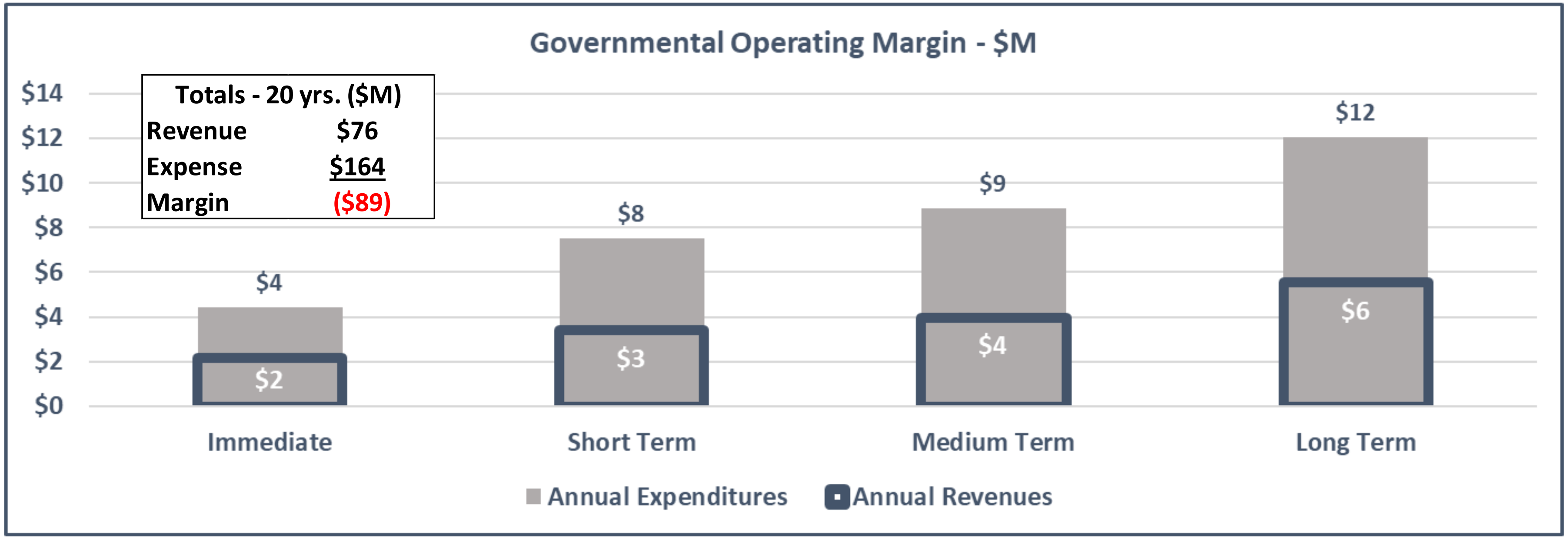
Operating

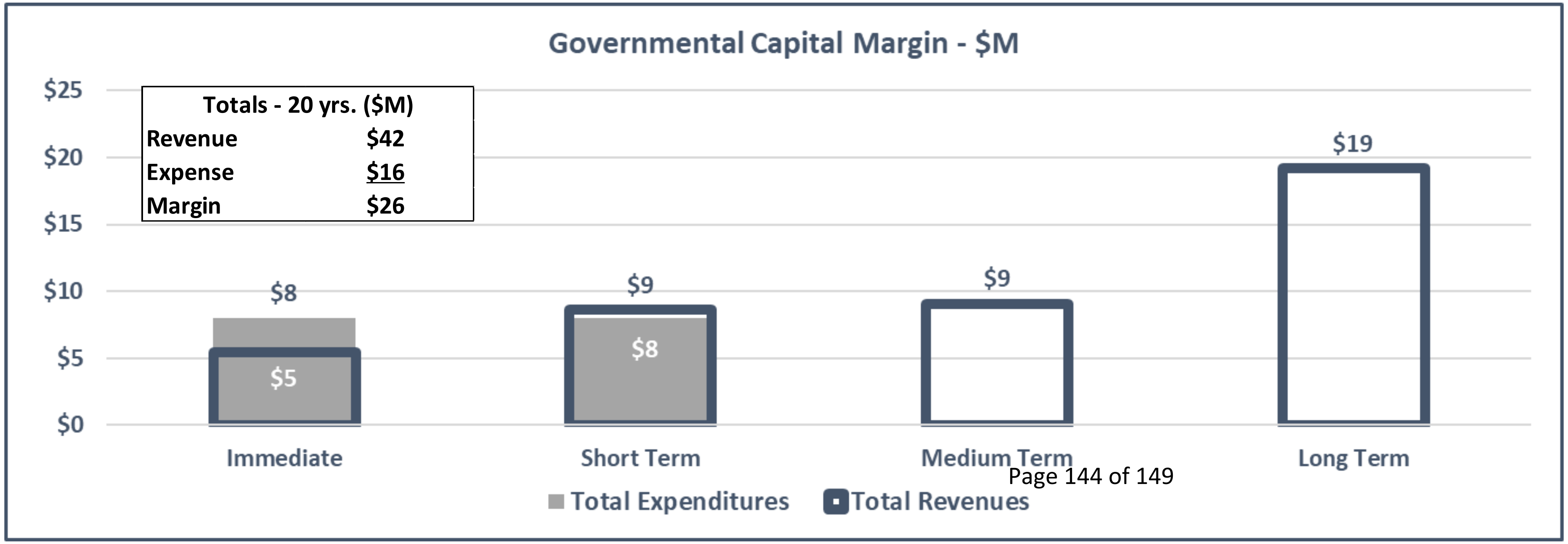
- Similar annual operating margins as in Scenario 1

Capital

- Assumes moderate upfront investment for acquisition of existing electrical infrastructure
- Assumes little new development in existing residential areas
- Assumes large investment in L&P and broadband internet in last phase (subareas 1 and 4)
- Development PIFs increase with earlier residential buildout

Scenario 3 (Environment & Hazard Protection): Governmental Fiscal Impacts





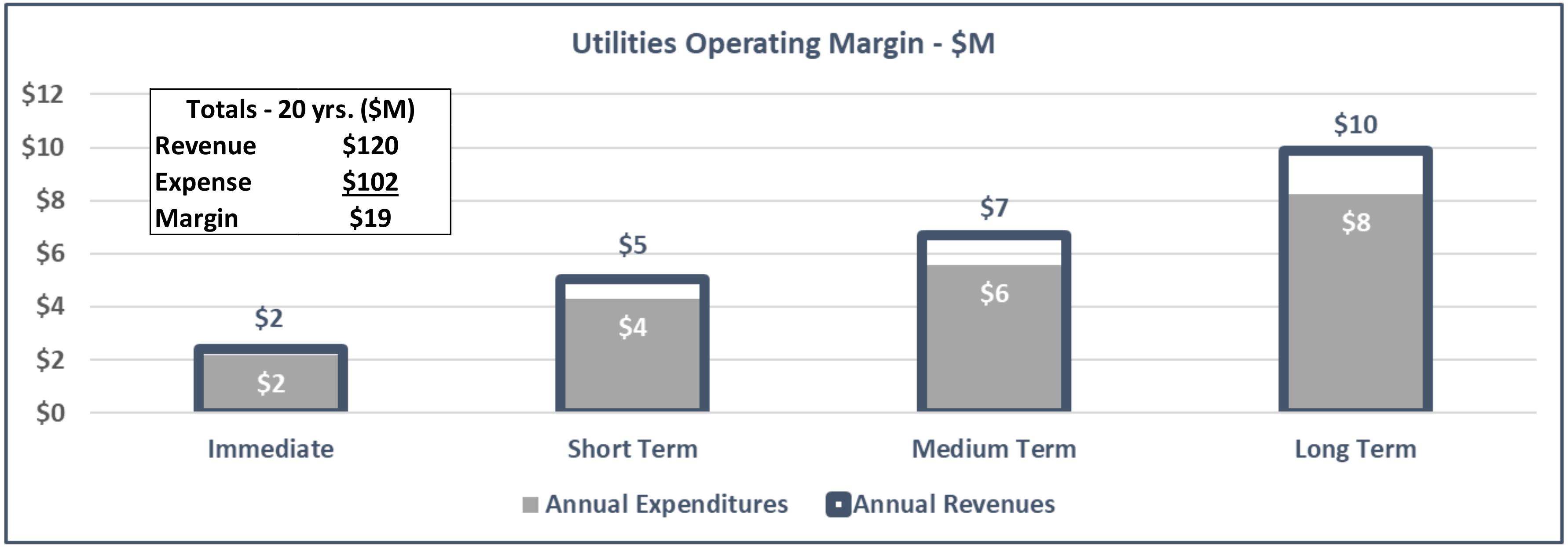
Capital

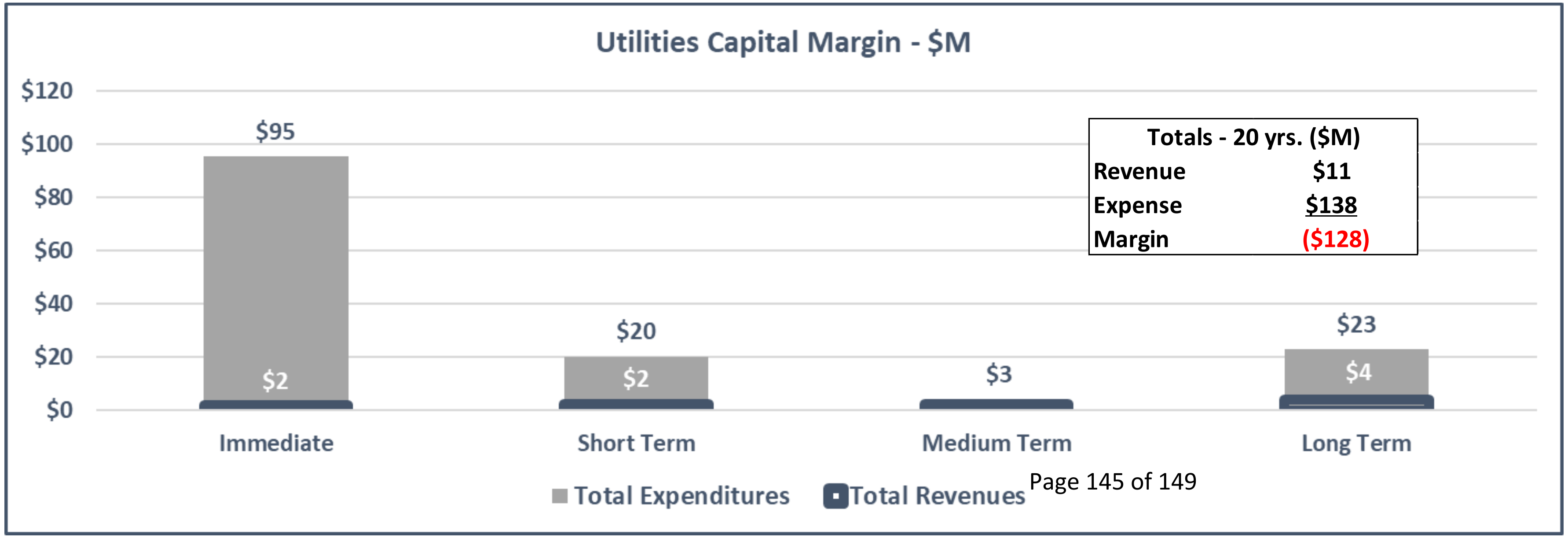
- Similar to Scenario 1, quicker ramp up of services in established areas leads to quicker expense build-up (police, streets/traffic, other)
- Revenues build up from existing residents & businesses
- Large negative margin

Capital

- Accelerated park development
- Similar development profile to Scenario 1 provides delayed revenue increase

Scenario 3 (Environmental & Hazard Protection): Utilities Fiscal Impacts





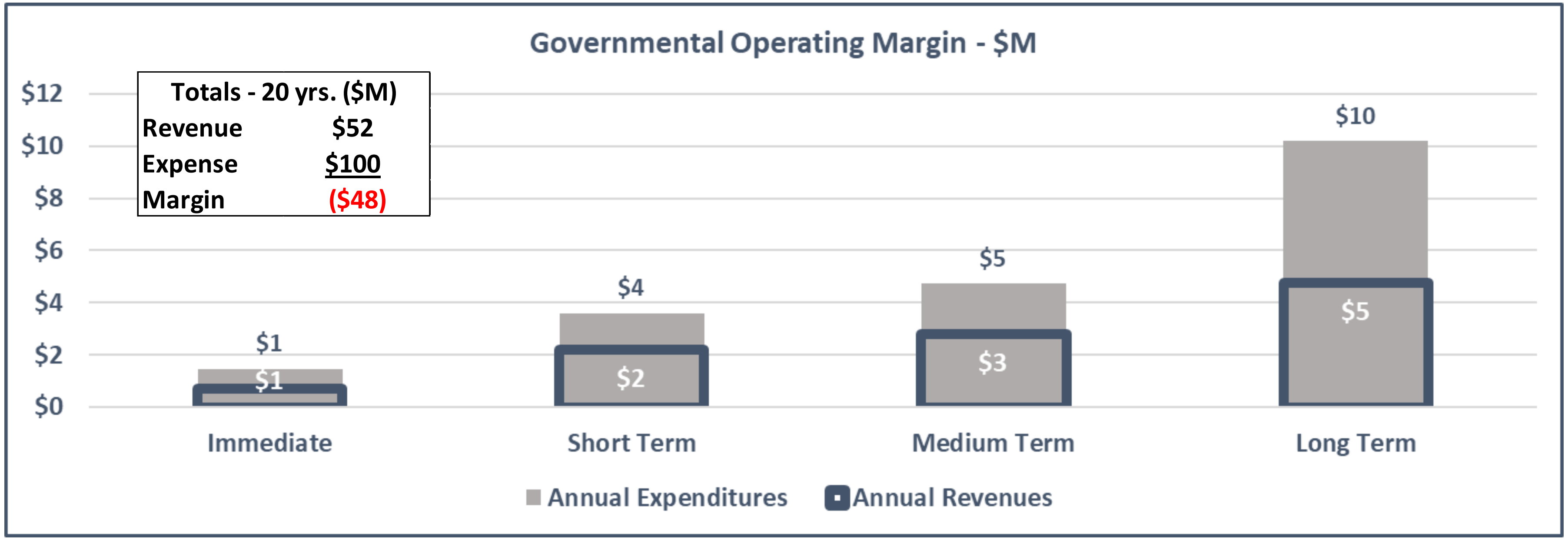
Operating

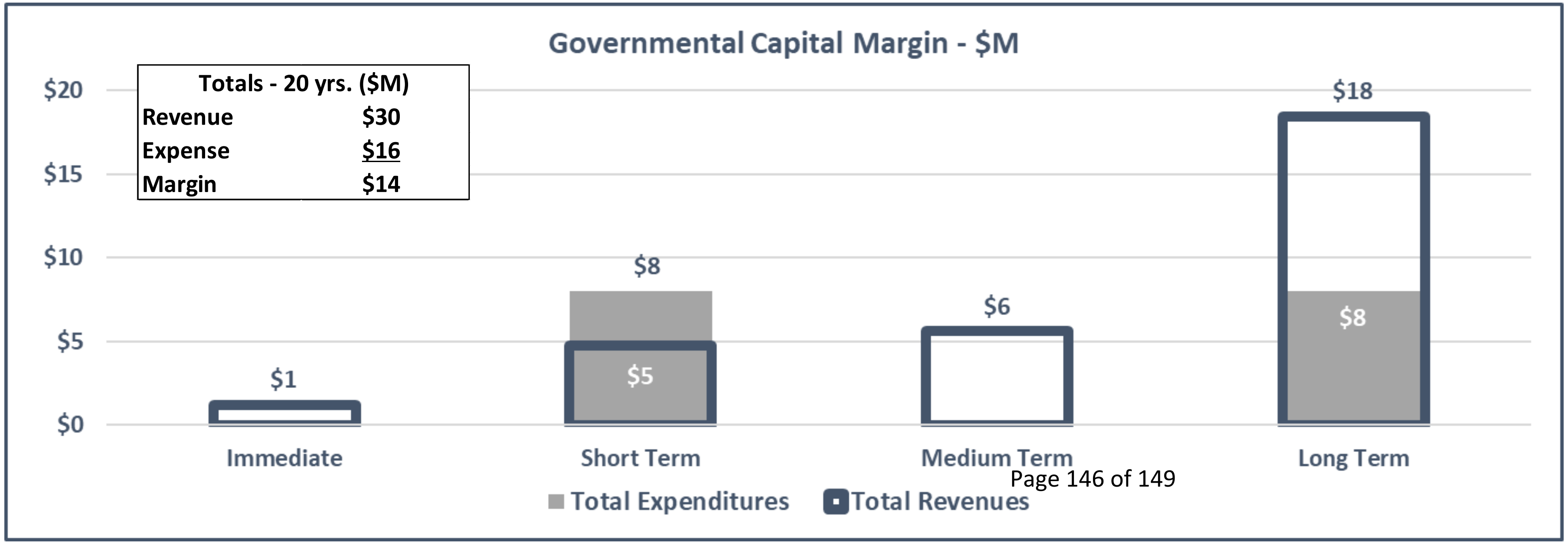
- Highest total operating margins from bringing on existing business customers early

Capital

- Assumes significant upfront investment in infrastructure to get new L&P and broadband service out to businesses within the I-25 gateway area
- New development revenues spurred by these upfront investments

Scenario 4 (Fiscal Health for City): Governmental Fiscal Impacts





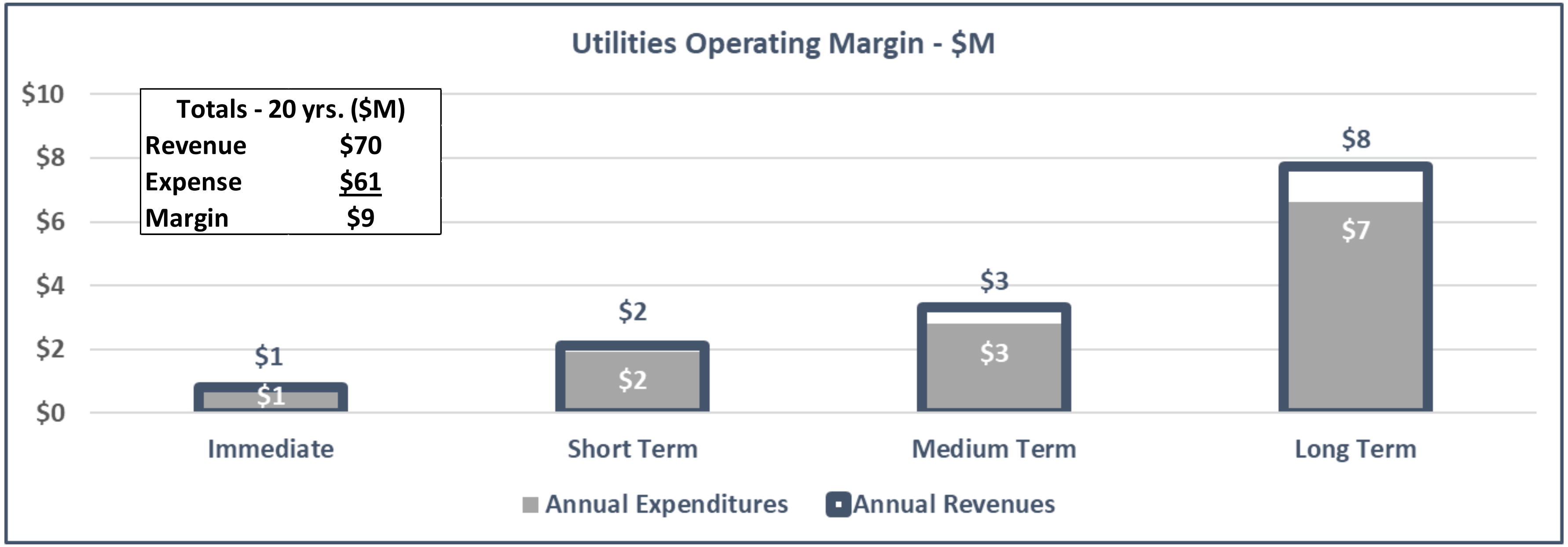
Operating:

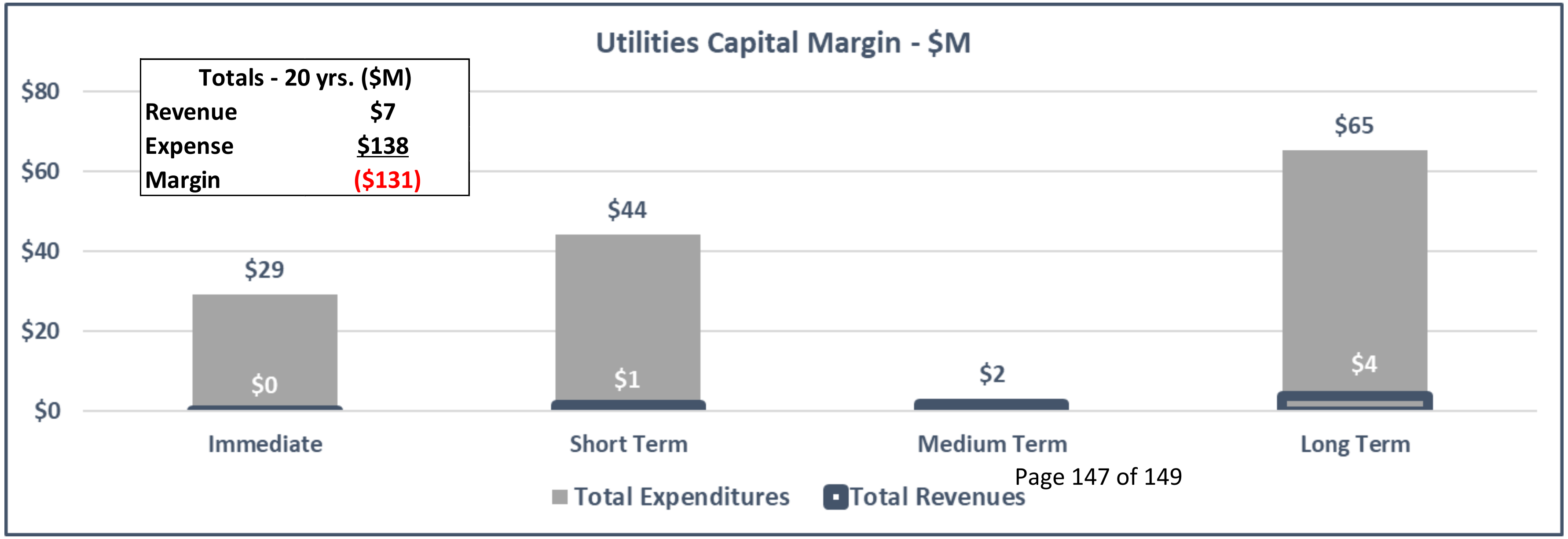
- Lowest level expense levels, with slower ramp up of services in established areas, leads to slower expense build-up (police, streets/traffic, other). Revenues build up slower from existing residents & businesses
- Relatively smaller negative margin (similar to Scenario 2)

Capital:

- Lowest level of capital revenue from extended development timeframes

Scenario 4 (Fiscal Health for City): Utilities Fiscal Impacts





Operating

- Lowest total operating margin from bringing on customers slowly

Capital

- Initial Infrastructure focused along the E Mulberry corridor
- Similar capital profile to Scenario 2

Scenario Comparison: Governmental Fiscal Impacts

Operating Margin ($M)					
	Immediate	Short Term	Medium Term	Long Term	Total – 20 Yrs.
Scenario 1 – Economic Opportunity	($13)	($20)	($23)	($32)	($89)
Scenario 2 – Residential Enhancement	($4)	($10)	($11)	($24)	($49)
Scenario 3 – Env. & Hazard Protection	($12)	($20)	($24)	($32)	($89)
Scenario 4 – Fiscal Health for City	($4)	($7)	($10)	($27)	($48)
Scenario 5 – Gateway Community	($4)	($7)	($21)	($31)	($63)

Capital Margin ($M)					
	Immediate	Short Term	Medium Term	Long Term	Total – 20 Yrs.
Scenario 1 – Economic Opportunity	$3	($0)	$8	$11	$22
Scenario 2 – Residential Enhancement	$3	$15	$15	$12	$44
Scenario 3 – Env. & Hazard Protection	($3)	$1	$9	$19	$26
Scenario 4 – Fiscal Health for City	$1	($3)	$6	$10	$14
Scenario 5 – Gateway Community	$1	($3)	$17	$13	$28

Scenario Comparison: Utilities Fiscal Impacts

Operating Margin ($M)					
	Immediate	Short Term	Medium Term	Long Term	Total – 20 Yrs.
Scenario 1 – Economic Opportunity	$1	$3	$5	$7	$16
Scenario 2 – Residential Enhancement	$1	$3	$5	$8	$18
Scenario 3 – Env. & Hazard Protection	$1	$4	$6	$8	$19
Scenario 4 – Fiscal Health for City	$0	$1	$3	$6	$9
Scenario 5 – Gateway Community	$0	$1	$4	$8	$13

Capital Margin ($M)					
	Immediate	Short Term	Medium Term	Long Term	Total – 20 Yrs.
Scenario 1 – Economic Opportunity	($68)	($42)	$2	($22)	($129)
Scenario 2 – Residential Enhancement	($36)	($15)	$2	($80)	($128)
Scenario 3 – Env. & Hazard Protection	($94)	($18)	$3	($19)	($128)
Scenario 4 – Fiscal Health for City	($29)	($43)	$2	($61)	($131)
Scenario 5 – Gateway Community	($29)	($43)	($42)	($16)	($129)