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AGENDA
Council Finance & Audit Committee
October 6, 2021
3:00 – 5:00 pm

222 Laporte - Colorado River Community Room
Zoom Meeting <https://zoom.us/j/8140111859>

Julie Pignataro; I conferred with the City Manager and the City Attorney and have determined that the Committee should conduct this meeting as a hybrid meeting allowing both in person and remote participation because meeting in person may not be prudent for some or all persons due to the current public health situation.

Approval of Minutes from the September 1, 2021 Council Finance Committee meeting.

- | | | |
|--|----------|---------|
| 1. Community Capital Improvement Plan (CCIP) Status Update | 45 mins. | B. Dunn |
| 2. GERP Review | 30 mins. | B. Dunn |

Other Business

Council Finance Committee
Agenda Planning Calendar 2021
RVSD 09/26/21 ts

Oct. 6th	2021		
	Community Capital Improvement Plan - (CCIP) Status Update	45 min	B. Dunn
	GERP Review	30 min	B. Dunn

Nov. 3rd	2021		
	Utility Long-term Financial and Capital Improvement Plan (part 1/2)	60 min	L. Smith
	Financial Policy Updates	30 min	B. Dunn
	Long Term Financial Plan	30 min	D. Lenz

Dec. 1st	2021		
	Utility Long-term Financial Plan and Capital Improvement Plan (part 2/2)	60 min	L. Smith
	Consideration of New Revenue Sources	30 min	J. Poznanovic G. Sawyer
	Front Range Financial Comparison	30 min	B. Dunn

Future Council Finance Committee Topics:

- 2022 Development Review and Capital Expansion Fee Updates
- Golf Debt Issuance
- Revenue Diversification



Finance Committee Meeting Minutes

September 1, 2021

2:30 – 5:30 pm

Hybrid Meeting - 222 Colorado River Community Room / Zoom

Council Attendees: Julie Pignataro, Kelly Ohlson, Emily Francis, Shiley Peel, Susan Gutowsky

Staff: Kelly DiMartino, Kyle Stannert, Travis Storin, Carrie Daggett, John Duval, Ryan Malarky, Tyler Marr, Seve Ghose, Jennifer Poznanovic, Nina Bodenhamer, Ken Mannon, Keith Hanson, Lawrence Pollack, Wendy Bricher, Claudia Menendez, Mike Calhoon, Kurt Friesen, Victoria Shaw, Matt Schaefer, Theresa Connor, Donnie Dustin, Lance Smith, Liesel Hans, Blane Dunn, Kelley Vodden, Jordan Granath, Cody Forst, Dave Lenz, Jo Cech, Zack Mozer, Greg Yeager, Erik Martin, Carolyn Koontz

Meeting called to order at 3:00 pm

Julie Pignataro; I conferred with the City Manager and the City Attorney and have determined that the Committee should conduct this meeting as a hybrid meeting allowing both in person and remote participation because meeting in person may not be prudent for some or all persons due to the current public health situation.

Approval of minutes from the August 11, 2021, Council Finance Committee Meeting. Emily Francis moved for approval of the minutes as presented. Kelly Ohlson seconded the motion. Minutes were approved unanimously via roll call by; Julie Pignataro, Kelly Ohlson and Emily Francis.

A. Council Priority: Equity in Taxation of Menstrual Product

Jennifer Poznanovic, Sr. Sales Tax & Revenue Manager

SUBJECT FOR DISCUSSION

Sales & Use Tax Exemption of Menstrual Care Products

EXECUTIVE SUMMARY

The purpose of this item is to discuss one of the 2021-2023 Council priorities - establishing a Sales and Use Tax Exemption of Menstrual Care Products.

GENERAL DIRECTION SOUGHT AND SPECIFIC QUESTIONS TO BE ANSWERED

- Does Council Finance Committee support the proposed sales and use tax exemption for menstrual care products?
- Does Council Finance Committee support the proposed engagement plan?

BACKGROUND/DISCUSSION

In July 2021, City Council formally adopted the 2021-2023 City Council Priorities. Within the High Performing Government Strategic Outcome, City Council aims to advance gender equity in City Sales Tax Code by establishing a sales and use tax exemption for menstrual care products. Effective January 2018 the State of Colorado provides a sales and use tax exemption for feminine hygiene products. Below are several examples of how these products are defined:

State of Colorado:

"Feminine hygiene products" means tampons, menstrual pads, and sanitary napkins, pantliners, menstrual sponges, and menstrual cups.

Denver:

"Feminine hygiene products" as "products that are designed to absorb or contain menstrual flow." Feminine hygiene products include, but are not limited to, tampons, menstrual pads, and sanitary napkins, pantliners, menstrual sponges and menstrual cups. Menstrual discs and menstrual underwear designed to hold menstrual flow are examples of new products on the market designed specifically for this purpose and would be included in the exempt details.

Products designed for incontinence and urine flow protection like diapers are not exempt from sales/use tax as feminine hygiene products, nor are grooming and general hygiene products, such as soaps, cleaning solutions, shampoo, toothpaste, mouthwash, antiperspirants, and suntan lotions.

Aurora:

"Menstrual care products" as "tampons, panty liners, menstrual cups, sanitary napkins, and other similar tangible personal property designed for hygiene in connection with the human menstrual cycle but does not include "grooming and hygiene products".

"Grooming and hygiene products" as "soaps and cleaning solutions, shampoo, toothpaste, mouthwash, antiperspirants, and suntan lotions and screens, regardless of whether the items meet the definition of "over-the-counter-drugs."

Proposed Fort Collins Exemption:

"Menstrual care products" shall mean tampons, panty liners, menstrual cups, sanitary napkins, and other similar tangible personal property designed for hygiene in connection with the human menstrual cycle but does not include "grooming and hygiene products".

"Grooming and hygiene products" shall mean soaps and cleaning solutions, shampoo, toothpaste, mouthwash, antiperspirants, and suntan lotions and screens.

Financial Impacts:

According to House Bill 17-1127 Final Fiscal Note, an estimated 27% of the state population are menstruating. In Fort Collins that would be an estimated menstruating population of 47,479 (based on 2020 population). On Average \$60 is spent on menstrual care products per menstruating person per year, which is an estimate revenue loss of \$110,000 per year.

Proposed Engagement:

Staff recommends upstream notification and outreach after adoption of a sales and use tax exemption on menstrual care products.

- Council discussion and first ordinance reading on October 5th
- Send letters to notify convenience stores, grocery stores, big box stores and online retailers that typically sell menstrual care products
- Effective 60 days from second reading to give businesses time to update their point of sales systems

- Press Release to notify residents

DISCUSSION / NEXT STEPS:

Kelly Ohlson; great presentation - I am good with this.

Emily Francis; this is great, and this is exactly what we wanted

Julie Pignataro; I am all for it - knock off a Council priority quickly
In 2018, was this even discussed at a city level?

Travis Storin; not aware of any previous discussion on this topic –

Julie Pignataro; Legal – calling it ‘personal property’ - I like the language that was chosen – I know some employers will buy this product and leave it in the restroom for their female employees.

John Duval; the use of personal property –it is a defined term in sales and use tax code – general term –distinguished between real property and personal property –things not related to land –consistent with the code - describing this type of products as a type of personal property that we will not tax

Emily Francis; what about when folks order through office supply companies?

John Duval; any purchase by any entity will not be taxed

Kelly Ohlson; I am a big believer in outreach when we are doing things – I like our approach to this – it is the right thing to do – let the public know – outreach is not one size fits all

RESULT:

- Does Council Finance Committee support the proposed sales and use tax exemption for menstrual care products?
- Does Council Finance Committee support the proposed engagement plan?

Council Finance Committee supports the proposed sales and use tax exemption for menstrual care products and the proposed engagement plan.

B. Civic Center Parking Structure – Real Estate Opportunity

Nina Bodenhamer, Director, City Give

Ken Manon, Director Operations Services

SUBJECT FOR DISCUSSION Tentative Purchase & Charitable Donation of Civic Center Condominiums

EXECUTIVE SUMMARY The purpose of this items is to discuss the tentative purchase by the City of the real property and improvements located at 144 N. Mason St., Units 1 through 8, Fort Collins, Colorado, 80524.

The City has negotiated a cash sale price for the property of \$975,000, substantially below the property's appraised market value of \$3,300,000.

The \$2,325,000 difference between the estimated market value in the Appraisal and the \$975,000 purchase price will be awarded as a charitable donation to the City.

The seller, Civic Center, LLC, provided the City with a written appraisal performed by CBRE, Inc. in July 2018 which estimates the market value of the property at \$3,300,000. An updated Appraisal is currently being performed as the Seller's responsibility and expense per IRS regulation.

GENERAL DIRECTION SOUGHT AND SPECIFIC QUESTIONS TO BE ANSWERED

Does Council Finance Committee support an Appropriation of \$975,000 from the General Government Capital Expansion Fund for the tentative purchase of the real property located at 144 N. Mason St., Units 1 through 8, Fort Collins, Colorado, 80524?

BACKGROUND/DISCUSSION

Since its inception in 2018, City Give has facilitated a range of donations of real property: from 26 acres of property toward the expansion of Two Trees Natural Areas to water shares; from mineral rights to five (5) acres adjacent Southridge Greens golf course.

The donation of real property is a tangible investment in the City's mission, values, and service to our residents. Asset-based giving requires strict adherence to IRS guidelines and depends on the staff determination if any potential donation is in the long-term best interests of taxpayers.

Civic Center Condominiums is a 15,629-square foot, urban office condominium building located at 144 North Mason, in Fort Collins, Colorado. Constructed in 2001, and renovated in 2014, the building consists of eight (8) individual commercial condominium units attached to the Civic Center Parking Garage. Units 1 and 2 are combined for occupancy by the Fort Collins Police Department. Units 4, 5, and 6 were combined and operated as an executive office suite facility with private offices and shared conference and reception areas.

Ownership of the Civic Center Condominiums provides the City with potential revenue sources as well as options for the expansion of City offices.

Per IRS requirements for the donation of real property above \$5,000, an Appraisal must be performed by the Seller within 60 days of the signed Purchase and Sale Agreement in order to substantiate the charitable gift.

At this time, a Purchase & Sale Agreement has not been finalized. However, if the final terms and current Appraisal satisfy staff's decision points, a closing date must be met no later than 10/15/2021. Hence, the need an Appropriation of \$975K from the General Government Capital Expansion for the tentative purchase.

Capital expansion fees are paid by new development to underwrite a proportionate share of infrastructure costs to "buy-in" to the level of service the City of Fort Collins provides for Fire, Police, General Government facilities, Neighborhood Parks and Community Parks.

The current General Government Capital Expansion Fund has a current balance of \$12M. Authorized expenditures include, but are not limited to, the cost of purchasing or leasing real property; construction, acquisition or expansion of capital improvements or assets.

DISCUSSION / NEXT STEPS:

Ken Mannon; The city has spent over \$60K per year in rent for Police D1 space in the building - they have been in this building for 10+ years

Nina Bodenhamer; \$975K - appropriation out of General Government Capital Expansion Fund
Current fund balance is approximately \$12M – this falls within the authorized expenditures
There is still an opportunity to walk away if the deal becomes unattractive / not viable.

Kelly Ohlson; it seems like there is more to this story - Are we going to have eyes on the appraisal? The deal makes sense to me – Let's make sure the appraisal passes the straight face test and is fair

Nina Bodenhamer; that is a huge concern – IRS rides herd very carefully because of that potential - we are talking about a property that will be appraised at \$3.3M with a large charitable contribution. Ken and his team reviewed an extensive appraisal that was done in 2018 by TBRE – was done by a gentleman who we have worked with on other charitable contributions - he understands the IRS law / guidelines as well as the city's vulnerability in that space – they have launched a new appraisal and we have accepted terms based on Ken and his team's review of the appraisal.

Kelly Ohlson; I just want to make sure we are trying to do the right thing. As long as the city staff will put eyes on it and make sure we are close.

Keith Hanson; we will enter into a purchase and sale agreements where there is a time frame for our due diligence - we will look at everything - I will review it from cover to cover - we have a good idea of the market – we will double check to make sure it conforms to what we need

Nina Bodenhamer; per IRS guidelines, the selling party initiates the appraisal – the City can't initiate or be a part of the appraisal.

Emily Francis; why didn't it go forward when it came to Council before?

Nina Bodenhamer; I think the seller approached the city in the past with different configurations, but I don't think it made it to Council before. This is the first time it has come forward to my knowledge under the charitable giving umbrella and as a deal whereby Keith and Ken were both interested in moving forward.

Ken Mannon; earlier he was trying to swap for water shares - It did not go to Council previously. He first approached Darin on this - reevaluating his assets (looking to retire some assets) which no longer fits his portfolio, and he is ready to get rid of it.

Emily Francis; How are we able to use the Governmental Capital Improvement Fund for this since it is not new development?

Travis Storin; the fees are collected from new development - the need to be used for expansion of governmental facilities but not necessarily newly development of governmental facilities. This is the overall structure of 'development pays its way in Fort Collins' we collect general government, fire, police and the two types of parks. That comment is really on how fee is generated not applied.

Nina Bodenhamer; It includes the cost of purchasing or leasing real property, construction, acquisition, or expansion of capital improvement. Those are the parameters of how the Capital Expansion Fund can be used.

Emily Francis; I am supportive – if this comes to Council, I would request that we put a requirement on the city that the space has to be leased by a nonprofit or a disadvantaged business added to the agreement if we move forward.

Nina Bodenhamer; Let me check into his – due to IRS contribution guidelines, I am not sure we can bolt it to a designated purpose. Needs to fall into general purpose for the IRS to recognize the charitable gift but let me have a conversation with Travis.

Emily Francis; the city can internally set its own policy for how we use the building - this is a perfect opportunity – we will acquire these spaces and we will earmark them for what we are hoping to do / serve

Ken Mannon; it will impact our repayment to the fund – impact the payback - if we keep spaces rented as they are our payback is 6 years but beyond that I would say fair game

Emily Francis; we could figure out how to do that - I understand it would take longer for a payback, but we have a commitment to our community

Julie Pignataro; It seems like a great deal – I am cautiously curious as to why he would be doing this Insight into why - retiring his portfolio but this is huge - can you give insight into why - tax kickbacks from this donation?

Nina Bodenhamer; it is about taxes – I sat down with their accounting team – it is a reflection of what their tax debt is for any given year – based on short- or long-term depreciation, capital gains - they can actually move that around for a period of 3 years. There is an incredible financial interest to take the tax deduction and what we see with donors is that they typically try to buckle them to a deal they are making where they take in a lot of cash –maybe he is making a sale on another property, so he is looking for a deduction to relieve his overall debit – it does seem enormous, but it does makes sense. We aren't responsible ultimately for what they do afterwards - our job is to certify the charitable contribution up to the 82 83 IRS filing then they apply it – that is not our responsibility – we just accept and certify the donation. It is often why these come up at certain times - They were looking at their tax debt - For that reason, the IRS doesn't like these types of deals that are structured in December.

Kelly Ohlson; choice between retail to offset the debt and to help legitimate appropriate non-profits – I am open to that - First consideration might be for city offices – if that is where they make sense – that location has had challenges due to geography – design – location – not a lot of foot traffic – a natural for appropriate offices – maybe we can write it in such a way to allow some flexibility – but seriously not pretending to benefit nonprofits

Emily Francis; if we need it for city office space – sure - Who are we leasing it to? What is our priority there? Affordable space is an issue and is really hard to come by

Nina Bodenhamer; overall portfolio of city leasing – I hear from nonprofits - who gets that cheap space - rumbling of city favorites - we would be wise to develop a large policy portfolio? The who and why and what rates so there is equity among nonprofits who want to step forward. I will work on that wording in terms of how we encourage a larger vision for that rental space to non-profits – who gets that space? What are the metrics? Is it the first person who knows about it and applies which doesn't seem like an equitable process – look at a process to triage that.

Kelly DiMartino; we did go through a process a couple years ago to really look at how we determine how we apply discounts to our nonprofit community - we do have a process and a rubric in place and this gives us an opportunity to continue to expand on that and provide a bit more equity and objectivity in how we are doing that so there is a rubric and some scoring in how we award those spaces.

GENERAL DIRECTION SOUGHT AND SPECIFIC QUESTIONS TO BE ANSWERED

Does Council Finance Committee support an Appropriation of \$975,000 from the General Government Capital Expansion Fund for the tentative purchase of the real property located at 144 N. Mason St., Units 1 through 8, Fort Collins, Colorado, 80524?

Result;

Travis Storin; I am hearing support for deal itself. We will schedule an appropriation for First Reading with the Council. We will incorporate in the agenda materials, an order of operations for city office facilities and for non-profit or disadvantaged enterprises. We will consult with the CAO on the best way to document and reflect those intentions. Some additional description around the appraisal selection process would be appreciated.

C. 2021 Annual Adjustment Ordinance

Lawrence Pollack, Budget Director

SUBJECT FOR DISCUSSION

First Reading of Ordinance No. 2021, Appropriating Unanticipated Revenue in Various City Funds.

First Reading of Ordinance No. 2021, Appropriating Prior Year Reserves in Various City Funds.

EXECUTIVE SUMMARY

The purpose of these Annual Adjustment Ordinances is to combine dedicated and unanticipated revenues or reserves that need to be appropriated before the end of the year to cover the related expenses that were not anticipated and therefore, not included in the 2021 annual budget appropriation. The unanticipated revenue is primarily from fees, charges, rents, contributions, donations, and grants that have been paid to City departments to offset specific expenses.

GENERAL DIRECTION SOUGHT AND SPECIFIC QUESTIONS TO BE ANSWERED

- What questions or feedback does the Council Finance Committee have on the 2021 Annual Adjustment Ordinance?
- Does the Council Finance Committee support moving forward with bringing the 2021 Annual Adjustment Ordinance to the full City Council?

BACKGROUND/DISCUSSION

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

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

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

Funding	Unanticipated Revenue	Prior Year Reserves	Transfers	TOTAL
General Fund	\$484,673	\$1,040,259	\$0	\$1,524,932
Capital Projects Fund	0	0	100,000	100,000
Transportation Services Fund	0	0	70,000	70,000
Self Insurance Fund	0	673,857	0	673,857
Golf Fund	350	0	0	350
Recreation Fund	2,000	0	0	2,000
GRAND TOTAL	\$487,023	\$1,714,116	\$170,000	\$2,371,139

A. GENERAL FUND

1. Emergency Management Performance Grant (EMPG) administrative transfer (to Non-lapsing)

Transfers the existing appropriations within the General Fund of \$130,000 to the Emergency Management Performance Grant (EMPG) business unit per City policy regarding accounting for grants.

FROM:	Previously appropriated expenses (lapsing business unit)	\$130,000
FOR:	Transfer to Non-lapsing Grant business unit in the same Fund	\$130,000

2. City Give, responsible for managing philanthropic activity benefitting City programs and services, has received philanthropic revenue from various sources for City programs and services within the General Fund. A listing of these items follows:

- a. \$20,000 – The Gardens on Spring Creek - Urban Agriculture Grant: The Friends of the Gardens on Spring Creek has received an Urban Agriculture grant award of \$20,000 from the American Public Gardens Association and the United States Botanic Garden. These funds are in support of the Community Garden Outreach Program developed and managed by The Gardens on Spring Creek, specifically for staffing and tools/supplies for the program.
- b. \$177 – Police Services - Police Explorers Program Support: The City Give program has received a donation in support of the Police Services Community & Special Services Department's Police Explorers program. Appropriating these funds will allow them to be spent to support the program, per the donor's request.
- c. \$3,253 – Neighborhood Services - Restorative Justice Services Program Support: The City Give program has received a donation in support of the Neighborhood Services Department's Restorative Justice Services program. Appropriating these funds will allow them to be spent on general program support, per the donor's request.
- d. \$2,000 – Parks, Forestry Division - Living Tree Memorial Program: The City Give program has received multiple donations in support of the Parks Department / Forestry Division's 'Living Tribute' tree planting program. Appropriating these funds will allow them to be spent on new tree plantings, per the donors' requests.
- e. \$2,700 – The Gardens on Spring Creek - Garden Bed Program Support: The City Give program has received multiple donations in support of the Gardens on Spring Creek 'Garden Bed' program. Appropriating these funds will allow them to be spent on that program, per the donors' request.

TOTAL APPROPRIATION

FROM:	Unanticipated Philanthropic Revenue (Urban Ag Grant)	\$20,000
FROM:	Unanticipated Philanthropic Revenue (Various Donations)	<u>\$8,130</u>
		\$28,130
FOR:	Community Garden Outreach Program	\$20,000
FOR:	Police Explorers Program	\$177
FOR:	Restorative Justice Services Program	\$3,253
FOR:	Living Tree Memorial Program	\$2,000
FOR:	Garden Bed Program Support	<u>\$2,700</u>
		\$28,130

3. Land Bank Operational Expenses

This request is intended to cover expenses related to the land bank property maintenance needs for 2021. Since expenses vary from year to year, funding is requested annually mid-year to cover these costs. Expenses in 2021 include general maintenance of properties, raw water and sewer expenses, electricity, repairs, and other as applicable.

FROM:	Prior Year Reserves (Land Bank reserve)	\$11,500
FOR:	Land Bank Expenses	\$11,500

4. Poudre Fire Authority Contribution to Emergency Operations Center Remodel

This item requests appropriation of Poudre Fire Authority's \$100,000 contribution towards the Emergency Operations Center (EOC) remodel. This is a requested use of reserves since the funds were deposited into City accounts late in 2020. The EOC is located in the municipal building at 215 North Mason St.

FROM:	Prior Year Reserves	\$100,000
FOR:	EOC remodel	\$100,000

5. Fort Collins Police Services (FCPS) has received revenue from various sources. A listing of these items follows:

- a. \$65,366 – 2021-22 BATTLE (Beat Auto Theft Through Law Enforcement) Grant: The BATTLE Grant is a state funded grant for overtime for officers to reduce auto theft and bring those who steal automobiles to justice. This grant pays for overtime on a reimbursable basis along with the purchase of two ALPR (Automatic License Plate Recognition) cameras systems.
- b. \$600,000 – Collective Bargaining Unit (CBU) - 2021 Salary & Benefit Increases: 2021 is the 3rd year of the City's current agreement with the Police Services Collective Bargaining Unit and the Fraternal Order of Police. Due to the timing of the negotiated calculation for these increases each year, the amount of the increase was not known when the 2021 Annual Budget was adopted. These prior year reserves in the General Fund will help fund these increases in 2021.
- c. \$8,370 – 2020-21 Click It or Ticket Grant: In October of 2020, Fort Collins Police Services was awarded a 'Click It or Ticket' grant from the Colorado Department of Transportation and the National Highway Traffic Safety Administration to pay for officers to work overtime to conduct enforcement activities.
- d. \$32,092 - Edward Byrne Memorial Justice Assistant Grant (JAG): The Edward Byrne Memorial Justice Assistance Grant (JAG) has been awarded to the City of Fort Collins to be used to fund overtime costs for officers who work at the Northern Colorado Drug Task Force. These funds are not shared with our partners and are exclusive to the City of Fort Collins, as City of Loveland and Larimer County have received their own respective grant awards.
- e. \$7,035 - 2020 Law Enforcement Assistance Fund (LEAF) Grant: In 2020, Fort Collins Police Services was awarded a grant from the Law Enforcement Assistance Fund (LEAF) to pay for overtime for DUI enforcement and the purchase of a Police Laser (LIDAR) Speed Gun.
- f. \$7,650 - 2021 Law Enforcement Assistance Fund (LEAF) Grant: In 2021, Fort Collins Police Services was awarded a grant from the Law Enforcement Assistance Fund (LEAF) to pay for overtime for DUI enforcement.
- g. \$58,658 – Peace Officer Mental Health (POMH) Support Program Grant: Colorado's Department of Local Affairs (DOLA) has awarded Fort Collins Police Services a Peace Officer Mental Health Support Program grant. The grant will be spent in line with the program purpose, to hire a contractual Mental Health Specialist who will assist with mental health programming to staff and serving in an advisory capacity to our mental health co-response team.
- h. \$66,543 – Police Records Request Fees and Other Miscellaneous Police Revenue: Fort Collins Police Services receives fee revenue from requests for Police reports and records. This request also includes other miscellaneous Police revenues.

- i. \$198,971 – Reimbursements for Police Overtime Worked at Events: Police Services help schedule security and traffic control for large events. Since these events are staffed by officers outside of their normal duties, officers are paid overtime. The organizations who requested officer presence and then billed for the costs of the officers' overtime. FCPS partners with Larimer County to staff events at The Ranch. Police receives reimbursement from Larimer County for officers' hours worked at Ranch events.
- j. \$8,556 – Contribution to Northern Colorado Drug Taskforce: As a part of the City of Fort Collins contribution to the Northern Colorado Drug Taskforce, any Drug Offender Surcharge or Court Ordered Restitution that is remitted from Larimer County Court to Fort Collins Police, is then passed along to the NCDTF. Any additional restitution that is collected by FCPS is additionally passed along to the NCDTF.
- k. \$4,664 - 2020-2021 State of Colorado Peace Officer Standards and Training (COPOST) Grant: COPOST provides funding to agencies for various Police trainings on a reimbursement basis. This is reimbursement for classes taken by officers within Fort Collins Police Services.

TOTAL APPROPRIATION

FROM: Unanticipated Revenue (2021-22 BATTLE Grant)	\$65,366
FROM: Prior Year Reserves (2021 CBU Assignment)	\$600,000
FROM: Unanticipated Revenue (2020-21 Click It or Ticket Grant)	\$8,370
FROM: Unanticipated Revenue ('JAG' Grant)	\$32,092
FROM: Prior Year Reserves (2020 LEAF Grant)	\$837
FROM: Unanticipated Revenue (2020 LEAF Grant)	\$6,198
FROM: Unanticipated Revenue (2021 LEAF Grant)	\$7,650
FROM: Unanticipated Revenue (POMH Grant)	\$58,658
FROM: Unanticipated Revenue (Records Fees & Miscellaneous Revenues)	\$66,543
FROM: Unanticipated Revenue (Overtime Reimbursement)	\$198,971
FROM: Unanticipated Revenue (LarCo Restitution & DOS Remittances)	\$8,556
FROM: Prior Year Reserves (2020-21 COPOST Grant)	\$2,085
FROM: Unanticipated Revenue (2020-21 COPOST Grant)	<u>\$2,579</u>
	\$1,057,905
FOR: Overtime pay and two (2) ALPRs	\$65,366
FOR: 2021 Collective Bargaining Unit salary & benefit increases	\$600,000
FOR: Overtime for additional seat belt enforcement	\$8,370
FOR: Overtime for Drug Task Force officers	\$32,092
FOR: Overtime for DUI enforcement and a LIDAR Speed Gun	\$14,685
FOR: Contractual Mental Health Specialist	\$58,658
FOR: Police Administration	\$66,543
FOR: Police Services Overtime Costs	\$198,971
FOR: Contribution to Northern Colorado Drug Task Force	\$8,556
FOR: Officer Training Classes	<u>\$4,664</u>
	\$1,057,905

6. Radon Kits

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

FROM: Unanticipated Revenue (radon kit sales)	\$1,560
FOR: Radon test kit purchase	\$1,560

7. Manufacturing Equipment Use Tax Rebate

Finance requests the appropriation of \$154,528 to cover the amount due for the 2020 Manufacturing Equipment Use Tax Rebate program as established in Chapter 25, Article II, Division 5, of the Municipal Code. The rebate program was established to encourage investment in new manufacturing equipment by local firms. Vendors have until December 31st of the following year to file for the rebate. This item appropriates the use tax funds to cover the payment of the rebates.

FROM:	Prior Year Reserves (Manufacturing Use Tax Rebate Assignment)	\$154,528
FOR:	Manufacturing Use Tax Rebates	\$154,528

8. Transfer to Transportation Services Fund for Sweeping Landfill Fees (refer to item D1)

Historically, the City did not pay tipping fees to Larimer County. Instead, a fee was paid through the Innovation Fund at the rate of \$5.27 per square yard for rubble and was not increased over time to match the fee increases changed at the landfill. By 2021, the tipping fee at the landfill for rubble had increased to \$20.35 per square yard. Streets is now paying the increased tipping fee and does not have the budget to offset the cost. The sweeping budget was already reduced by \$128K due to a reduction offer and is unable to absorb the higher fee.

FROM:	Prior Year Reserves	\$70,000
FOR:	Transfer to Transportation Services Fund	\$70,000

9. Transfer to Transportation Services Fund for Interest Rate Savings on 2019 COP

As part of the 2019-20 BFO cycle, the City budgeted for the principal & interest debt service payments to be made related to the Certificate of Participation (COP) issuance for the Interstate 25 & Prospect Road interchange and the Police Training Center. Once the COP issuance was eventually completed, the interest rates had moved in a favorable direction compared to the City's projections, resulting in savings compared to the budgeted debt service payments. These savings were accounted for in the 2020 Revision process, but the budget savings were recorded entirely within the General Fund. Since the City's Transportation Services Fund was also funding a portion of these debt service payments, that Fund should also have received a portion of the interest rate savings. This transfer will pass those savings to the Transportation Services Fund.

FROM:	Prior Year Reserves	\$101,309
FOR:	Transfer to Transportation Services Fund	\$101,309

B. COMMUNITY CAPITAL IMPROVEMENT PROJECTS FUND

1. Southeast Community Innovation Center & Pool administrative transfer (refer to item C1)

Administrative transfer of amount appropriated in the 2021 Ordinance #75. The amount should have been transferred from the Community Capital Improvement Program Fund to the Capital Projects Fund for this project. This step was inadvertently omitted in the Ordinance language, the purpose of the amount remains the same.

FROM:	Existing Appropriations	\$100,000
FOR:	Transfer to Capital Projects Fund	\$100,000

C. CAPITAL PROJECTS FUND

1. Southeast Community Innovation Center & Pool administrative transfer (refer to item B1)

Administrative transfer of amount appropriated in the 2021 Ordinance #75. The amount should have been transferred from the Community Capital Improvement Program Fund to the Capital Projects Fund for this project. This step was inadvertently omitted in the Ordinance language, the purpose of the amount remains the same.

FROM:	Transfer from Community Capital Improvement Projects Fund	\$100,000
FOR:	Southeast Community Innovation Center & Pool project	\$100,000

D. TRANSPORTATION SERVICES FUND

1. Sweeping Landfill Fees (refer to item A9)

Historically, the City did not pay tipping fees to Larimer County. Instead, a fee was paid through the Innovation Fund at the rate of \$5.27 per square yard for rubble and was not increased over time to match the fee increases changed at the landfill. By 2021, the tipping fee at the landfill for rubble had increased to \$20.35 per square yard. Streets is now paying the increased tipping fee and does not have the budget to offset the cost. The sweeping budget was already reduced by \$128K due to a reduction offer and is unable to absorb the higher fee.

FROM:	Transfer from General Fund Prior Year Reserves	\$70,000
FOR:	Sweeping Landfill Fees	\$70,000

E. SELF-INSURANCE FUND

1. Self Insurance Fund Insurance Premiums

Subsequent to the development of 2021 budget assumptions in spring 2020, the City's insurance premiums were dramatically increased for the 2020 and 2021 premium years. The drivers were conveyed to the Council Finance Committee in December 2020 as part of a 2020 supplemental appropriation, and the same conditions exist within the 2021 budget. Starting in 2022 the increase is fully realized within the 2022 Recommended Budget.

FROM:	Prior Year Reserves	\$673,857
FOR:	2021 Insurance Premiums Increase	\$673,857

F. GOLF FUND

1. City Give: Parks, Golf Division - Youth Golf Scholarship Fund

The City Give program, responsible for managing philanthropic activity benefitting City programs and services, has received a donation in support of the Parks Department / Golf Division's 'Youth Golf Scholarship Fund'. Appropriating these funds will allow them to be spent per the Scholarship Fund's objectives, and per the donor's request.

FROM:	Unanticipated Philanthropic Revenue (Donations)	\$350
FOR:	Youth Golf Scholarship Fund	\$350

G. RECREATION FUND

1. City Give: Recreation - Adaptive Recreation Opportunities Program Support and Equipment

The City Give program, responsible for managing philanthropic activity benefitting City programs and services, has received a donation in support of the Recreation Department's Adaptive Recreation Opportunities program. Appropriating these funds will allow them to be spent on program support and new equipment, per the donor's request.

FROM:	Unanticipated Philanthropic Revenue (Donations)	\$2,000
FOR:	Adaptive Recreations Opportunities Program Support and Equipment	\$2,000

FINANCIAL / ECONOMIC IMPACTS

This Ordinance increases total City 2021 appropriations by \$2,371,139. Of that amount, this Ordinance increases General Fund 2021 appropriations by \$1,524,932, including use of \$1,040,259 in prior year reserves. Funding for the total increase to City appropriations is \$487,023 from unanticipated revenue, \$1,714,116 from prior year reserves, and \$170,000 from transfers between Funds.

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

Item #	Fund	Use	Amount
A3	General	Land Bank Operational Expenses	11,500
A5	General	PFA Contribution to Emergency Operation Center Remodel	100,000
A6b	General	Collective Bargaining Unit - 2021 Salary & Benefit Increases	600,000
A6f	General	2020 Law Enforcement Assistance Fund (LEAF) Grant	837
A6l	General	2020-21 State of Colorado Peace Officer Standards and Training (COPOST) Grant	2,085
A8	General	Manufacturing Equipment Use Tax Rebate	154,528
A9	General	Transfer to Transportation Fund for Sweeping Landfill Fees (refer to item D1)	70,000
A10	General	Transfer to Transportation Services Fund for Interest Rate Savings on 2019 COP	101,309
E1	Self Insurance	Total Self Insurance Fund	673,857
Total Use of Prior Year Reserves:			1,714,116

DISCUSSION / NEXT STEPS;

GENERAL DIRECTION SOUGHT AND SPECIFIC QUESTIONS TO BE ANSWERED

- What questions or feedback does the Council Finance Committee have on the 2021 Annual Adjustment Ordinance?
- Does the Council Finance Committee support moving forward with bringing the 2021 Annual Adjustment Ordinance to the full City Council?

Julie Pignataro; how do grants fall under City Give? Are they considered philanthropic revenue even though we had to work for them?

Nina Bodenhamer; Under the City Give umbrella; all foundations / corporate / individual philanthropic organizations that give grants – Bloomberg is a foundation grant for example but State / Federal / Government grants do not fall under City Give they go to each department so that is the delineation – we asked for the right to create a non-lapsing unit – grants do fall under philanthropic revenue - unanticipated revenue

Julie Pignataro; I am fine to bring it forward – I know things are not boiling over like they were a year ago, but I do anticipate some of the police stuff could be seen as controversial – I want to make sure that when this comes (probably on the Consent calendar) we would need to be prepared to speak to the collective bargaining process and the donation of some of that money – to think about before this comes forward.

Kelly Ohlson; this is different from what we used to do with unappropriated money that just simply rolled over – Natural Areas didn't get the land deals that they wanted - unappropriated revenues from one year to the next

Travis Storin; different mechanism - both of which were in existence during previous tenures. What you are referring to is a spring reappropriation where we take the work of the prior year that for whatever reason or circumstance didn't get done and we ask Council to give us permission to keep doing this work. This is clean up – one good example is PFA's contribution to the Emergency Operations Center – that was a project which was completed last year but we didn't receive the funds until this year – so asking permission to apply funds to that project.

Kelly Ohlson; I didn't have any say into what went into his list, staff did
When is Council's opportunity to say for example the Christmas tree thing would fall into this year -
How come we never get input into this?

Travis Storin; we are still operating under a somewhat abnormal model with this one year / annual cycle. In a typical bi-annual cycle, we appropriate one year at a time, but the Council adopts a 2-year budget – the even numbered years are really second in sequence. During calendar year 2022, the Council will be presented with a 2023 -2024 biannual budget but it will only adopt 2023 and then during the calendar year 2023, we have a revision cycle for those types of emerging – whether it is a Council priority, or a staff surfaced need - we ask Council if they can go back and amend so that the second year will have additional resources for the xyz initiative. Supplemental appropriations can come forward at any time – for instance, if Council or staff initiated an appropriation to increase street sweeping frequency from 2-4 times per year – that is not on any kind of prescriptive cadence. This is a bulk thing – corrections for things that were not known when the budget was adopted.

Kelly Ohlson; to not have a chance for each Councilmember to list their 1-2 important priority things that we can all agree on - they should get that opportunity – it is not like hazardous materials drop off or pick up, or street sweeping, or Christmas tree recycling was ever controversial) We did not get that chance this year.

Travis Storin; your concern is noted – one of the challenges we have had as a staff – we are not necessarily accustomed to going from an election cycle directly into priorities and directly into a budget cycle

Kelly Ohlson; these things were in the budget year in and year out for the last 10-15 years – these 3 things were cuts because of Covid - we never got a change to see what we wanted to reinstate

Travis Storin; one of the key learnings last year with a scarcity-based budget, in the following year have a trigger point to reevaluate and resurface to Council – now that we know more about this year is there anything you would like to resurface?

Lawrence Pollack; items presented are not staff wish lists - recognized revenue that has come in through grants / donations / police overtime- real money that is coming it – we are just appropriating that
Use of reserves is like the Manufacturer's Use Tax – we collect that up front and then they request reimbursement. These are either cost overruns or unknown revenue in the form of grants or donations.

Travis Storin; the Police overtime is a great example – we don't assume within the Police budget that they are going to have overtime for traffic direction at churches, but the churches are obligated to pay the city for that. And, of course, once the officer works those hours we are obligated to pay that out, so it is sort of a wash from the city's perspective but legally speaking we have to appropriate the funds.

Kelly Ohlson; who pays the overhead for us to administer their second jobs?

Travis Storin; to my knowledge, we don't pass through any kind of overhead or administrative costs in the rates we charge but I don't know that to be factual and I would like to look into that.

Greg Yaeger; we have an Administrative Assistant who manages all off duty assignments and that doesn't matter if it is something we support as a Police Department or an outside hire program such as churches, CSU football and other types of events. All officers have uniforms and vehicles that are supplied by the city. They are paid for

their time. We price those to make sure we cover the expense of the personnel hours on the ground but nothing for the mileage on the vehicle or for the administrative assistant who facilitates the scheduling of those jobs/

Julie Pignataro; is that something if we should look into?

Greg Yaeger; we could factor that in - for some organizations that are required to have police personnel for their events it might be challenging as they are running on a pretty tight budget but there are some where increased costs would not be a hardship. It is a valid question, and I can talk with staff members

Julie Pignataro; we are getting a bit off the rails with this discussion - Kelly DiMartino, can you take note of this conversation?

Kelly DiMartino; note – perhaps Greg and I can meet offline and look at what the mix is of where those hours are coming from and would it make sense to add additional costs to cover those expenses.

Kelly Ohlson; I do and always have supported the adequate funding of the police. I find it curious that if the city pays for, facilitates, and administers second jobs for police officers. That is a separate issue for me, and I would like some follow up and clarification.

Greg Yaeger; the types of jobs that officers are eligible for – we have specific restrictions that they can't do this where alcohol is sold, etc. - we do not allow officers to use their city equipment or persona
A measure of positive control – would be deemed appropriate by our Council and residents

Emily Francis; we had a midyear adjustment where staff did bring a few things forward that helped our priorities kick off – are there a few items we could include in these adjustment / appropriations as we move forward with our regular budget which may be awhile to adopt. Some basic things we could fund to get going – (last time we funded a mobile home park handbook for example)

Lawrence Pollack; I think what you are referring to is – in the second year of the budget we have a revision process – it is not a BFO – it is truly meant to be revisions to the 2-year budget that Council adopted. These (usually just a few things) had to be requested by the city manager or by Council. If Council would like to take action on things this year – I would recommend that this ordinance is not the correct place to do that so that we have consistency – we track this from year to year - Another alternative would be the supplemental appropriations that Travis mentioned earlier which can come forward at any time of the year.

Travis Storin; the linkage I see is with this coming Tuesday's conversation around the 31 priorities – what you will see is that instead of seeking budget for 2022 budget, we are recommending acceleration into 2021 for some of the priorities. One of the items is the Minimum Wage Study which originally came forward as a \$150K budget offer for 2022 as there are funds to do it and we know this is a Council priority. If you are seeing any of the 31 priorities where you see an opportunity to resource that initiative now – you can say to staff – I would like to see an appropriation for this before the end of the year

Emily Francis; when we did that type of midyear appropriation previously, I don't think those things came from Council because I don't think we knew what was needed to move those things forward

Kelly DiMartino; I think we are confusing multiple processes and things have gotten a bit out of sequence I think I hear Councilmember Ohlson saying that we may have made some reductions based on what we thought would be very tight financials, but we now have flexibility and can restore some things – so are there some

things that we would want to restore early / turn back on? We do have some restore offers in next year's 1 year budget. The other side is new priorities and what is different is that because we have a 1-year budget, staff has brought those offers forward in response to what we have heard from Council. I think it is a sequencing thing and what I would suggest – if there are some things we want to either restore earlier, (like hazardous materials and street sweeping) I think we could add that to the priorities conversation next week at the Work Session. We can also discuss if you want to accelerate things that are in the 2022 proposed budget faster and then staff can respond accordingly. This discussion has been helpful for me as well – let's go back and do some visual mapping of what each of these processes are, what the purpose of them is and how we really accommodate what I am hearing you all ask for in terms of let's get a bit more flexibility to do things more quickly where we can.

Julie Pignataro; I think that is a great idea -to show a timeline including mid-year and adjustment ordinance?. How many different ones are there? What would an Adhoc one be called if we just inserted that somewhere?

Lawrence Pollack; we will put a visual together to clarify this

D. East Parks District Maintenance Facility

Kurt Friesen, Park Planning & Development Director
Mike Calhoon, Director of Parks
Victoria Shaw, Community Services FP&A Manager
Matt Schaefer, Senior Facilities Project Manager

EXECUTIVE SUMMARY

An additional appropriation of \$1.2M is needed for the East District Maintenance Facility, proposed near the intersection of Drake & Ziegler. The maintenance facility will house equipment and staff for the east park district, which includes multiple parks on the east side of the city. The additional appropriation is needed to fund necessary elements of the project, as well as to account for material cost escalations which are largely the result of COVID. Additional appropriations will come from dedicated park impact fees.

GENERAL DIRECTION SOUGHT AND SPECIFIC QUESTIONS TO BE ANSWERED

Does Council Finance Committee support an additional appropriation request to Council for the East Park District Maintenance Facility project?

BACKGROUND/DISCUSSION

Facility Location & Need

A new East District Maintenance Facility (EDMF) is proposed near the intersection of Drake & Ziegler. The facility will house Parks maintenance staff and equipment to serve a total of 8 parks located within the east park district. Parks within the district include Twin Silo, Stew Case, English Ranch, Harmony, Radiant, and the Archery Range. In addition, new parks including Bucking Horse Park, scheduled for completion in 2022 and East Community Park, will also be served by this facility.

Currently, maintenance staff and equipment for these parks is being housed in temporary facilities adjacent to the Fossil Creek Park maintenance facility, located in Fossil Creek Park. City staff are moving equipment and staff daily from this shop location to the east side of the city to provide maintenance in the east district. There is an immediate need for the new maintenance facility to relieve pressure on the facilities in Fossil Creek Park that was designed to accommodate only two crews. The Forestry Division has seen significant growth with an average of 1,500 trees per year being added to the existing 57,000 public tree inventory. One of the Forestry

teams will also work out of the EDMF to enhance the level of service and operational efficiencies gained by a precinct model.

In 2019, the City purchased the triangular shaped 3.1-acre parcel for the maintenance facility, located south of the Drake Water Reclamation Facility. This site was selected for the maintenance facility as it is conveniently located near the proposed East Community Park site and provides direct access to the other neighborhood parks and trails in the area, including Bucking Horse Park, a new neighborhood park planned for construction in 2022.

Community Outreach

Two neighborhood meetings have been conducted to date for the project. The first was held November 20, 2019, and the second on May 27, 2021. At both meetings, community members were provided opportunity to provide feedback on both the maintenance facility and a new neighborhood park proposed in the Bucking Horse neighborhood. Support for both projects was positive. The maintenance facility project was also reviewed and approved by the Planning & Zoning Board on April 20, 2021.

Appropriation History

A total of \$5.8M has been appropriated for the project to date. This includes \$0.75M from the Neighborhood Parkland Fund, and \$5.05M from the Community Parkland Fund. As outlined in Ordinance 58, approved in 2000, maintenance facilities are essential to the health and longevity of parks and must be included as part of the overall park building plan, with 20% of the cost being associated with neighborhood parks and 80% with community parks.

Budget Shortfall

Design of the facility has been underway for approximately one year. 100% construction documents and multiple cost estimates for the project have been prepared. An initial Guaranteed Maximum Price (GMP) was prepared in May 2021, which aligned with the available budget, but identified many necessary project elements as unfunded alternates. Additionally, significant cost escalations have taken place because of COVID. To deliver a complete project, an additional appropriation of \$1.2M is needed, as outlined:

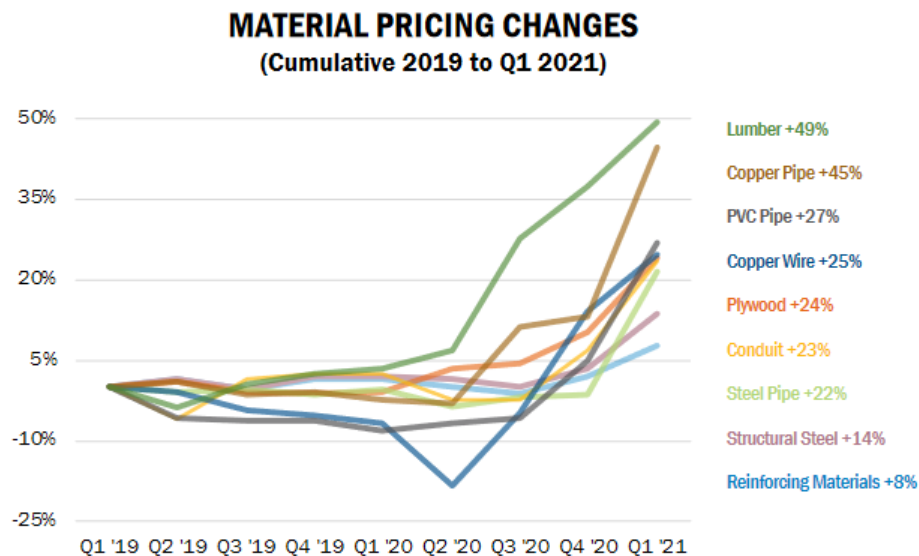
East District Maintenance Facility Project Cost Summary

Maintenance Facility Costs (\$M)	Original Budget	Current Projection	\$ Increase
Construction	\$ 4.00	\$ 4.77	\$ 0.77
Fees/Utilities/Furnishings	\$ 1.80	\$ 1.80	\$ 0.00
Land <i>(previously billed to East Community Park Project)</i>	\$ -	\$ 0.43	\$ 0.43
TOTAL	\$ 5.80	\$ 7.00	\$ 1.20

Of the \$1.2M total appropriation request, approximately \$800,000 is for construction, and the remaining amount is for reimbursement of the East Community Park account, from which funding was drawn to cover the cost of the land purchase (\$431,000), as the maintenance facility was originally planned to be on the park site. This appropriation will backfill the park account accordingly.

The total project cost represents a 20% increase over the 2020 estimate. This is in line with material pricing changes which have occurred since 2020. Raw material shortages and manufacturing issues contributed to sharp increases in building materials over the past year. The chart below illustrates the commodity level pricing

changes for non-residential projects in the Denver Metro Area from 2019 through Q1 of 2021. *Source: M.A. Mortenson*



This summary suggests an overall average material cost escalation of approximately 26%. Cost escalations of this magnitude are common in the market today and align with both Northern Colorado and Denver construction cost indices, where a 5% increase was observed in the first quarter of 2021. Primary drivers for these cost escalations include material shortages, skilled labor shortages, and an increase in transportation related expenses.

Financial Impacts

Staff proposes the additional funding be split between neighborhood and community park sources. \$640,000 is proposed to be added from the Neighborhood Parkland Fund and \$520,000 added from the Community Parkland/Capital Expansion fund. These funds are comprised of dedicated impact fees that can only be used for new park development, including new park maintenance facilities.

Typically, each fund is forecasted to generate approximately \$1.5M annually. Actual revenues vary and are driven by the pace and quantity of residential development occurring throughout the city. Based on normally forecasted revenue levels, the proposed additional appropriations could delay the development of both the next new neighborhood and community park by approximately 6 months.

Maintenance Facility Funding (\$M)	Original	Proposed	\$ Increase
Neighborhood Parkland	\$ 0.75	\$ 1.39	\$ 0.64
Community Parks Capital Impact	\$ 5.05	\$ 5.57	\$ 0.52
Total	\$ 5.80	\$ 6.96	\$ 1.16

Next Steps

City staff recommends bringing forward an appropriation request of an additional \$1.2M for the East District Maintenance Facility for City Council approval. Construction of the maintenance facility is anticipated to begin fall 2021 with the facility open in summer/fall 2022.

DISCUSSION / NEXT STEPS;

Julie Pignataro; great to see those solar panels. I really do not understand what is happening with the east community park money. What do they gain?

Kurt Friesen; we set up an account within capital projects that is called East Community Park and we have some money that we have appropriated into that account - we decided to use some of those funds to buy this piece of land for the maintenance facility. We did that because initially the facility was planned to be on the actual East Community Park site. We now have a new account called East District Maintenance Facility. After doing that, we need to backfill the account with those dollars so that the park project account can be whole. It is the same funding source, which is impact fees, it is more of an accounting exercise. The appropriation request is for \$1.2M but it is \$800K of new money and the remainder would backfill the park account with \$400K.

Travis Storin; one way to think about it is what happens without the \$400K – we would have shorted what would have been a fully intact East Community Park budget. The original appropriation was made under the assumption of it being a co located facility on the park site. Now that the facility is going to be on a separate land parcel we are asking to make the East Community Park fund whole.

Julie Pignataro; what will go into the park – the footprint where the center was to go?

Kurt Friesen; we will have more park - the footprint could be up to 3 acres.

Julie Pignataro; regarding the material pricing changes – I would like to see it go out farther. Will it keep going up – or go down or – long term trends would indicate that we are in a spike. Would it save us a ton of money if we waited 6 months, or do we think the prices are going to continue to increase?

Kurt Friesen; we had spirited debate about that very topic and the truth is that we don't know what the economy is going to do. In my past experience, I have not seen prices go down in Colorado, I have seen them plateau. The nature of the place where we live – desirable location. There is a lot of pressure on construction, and we are seeing a lot of building activity in the state. That tells me that we will probably not see a decline in prices. We have seen spike soften a bit because of the pandemic but we are not confident that waiting will save us money. We are worried about the steel costs and that would cancel out any savings in other areas. We want to move to securing the steel and then move forward with the rest of the project.

Travis Storin; this is inherently speculative – we are amidst a 2-year bubble around the overall supply chain of commodities - steel is in a price bubble that may be here to stay – with the pandemic last year we encountered the worst possible timing around the tariff policy at the international level for importing outside steel and the domestic mills have not caught up. I am personally most worried about steel over the 2-year stretch.

Julie Pignataro; does funding this building take funding from any other building project in the city?

Kurt Friesen; this project will be exclusively funded by park impact fees. 80% community park impact fees, 20% from neighborhood impact fees. It does have some impact on our ability to deliver on future parks. We generate approximately \$1.5m per year for each of those accounts. It varies based on the pace of development and number of permits pulled. If you figure \$500 \$600K from each of those accounts roughly maybe 6 months of possible delay for a neighborhood or community park.

Julie Pignataro; where this new facility is going - there was supposed to be a farm here if I remember correctly.

We had already purchased this land – is that correct?

Kurt Friesen; it is further east of that property and is right by the water treatment facility, so it is pushed up against the railroad tracks. The property that you are thinking of is immediately adjacent to the Bucking Horse Neighborhood which is where the Bucking Horse neighborhood park is going to be. We like the sight because it doesn't have a neighborhood right next to it. The detention pond is for the Bucking Horse community.

GENERAL DIRECTION SOUGHT AND SPECIFIC QUESTIONS TO BE ANSWERED

Does Council Finance Committee support an additional appropriation request to Council for the East Park District Maintenance Facility project?

RESULT:

Council Finance Committee members support an additional appropriation request to Council for the East Park District Maintenance Facility project.

E. Utilities Water Supply Requirements Cash-in-lieu Rate Increase

Donnie Dustin, Water Resources Manager

Lance Smith, Director of Finance, Planning & Analysis

Dr. Liesel Hans, Interim Deputy Director of Water Resources & Treatment

EXECUTIVE SUMMARY:

The Water Supply Requirements ("WSR") and its associated Cash-in-Lieu ("CIL") Fee generate the revenue used to ensure that adequate water supplies and associated infrastructure are available to reliably serve the water needs of development within the City of Fort Collins Utilities ("Utilities") water service area. Starting in 2017, the CIL is being reviewed at least every 2 years. Staff is proposing significant changes to the WSR volume calculations to improve the precision of how we estimate the water demand of development, which were presented at the May 11 City Council work session and will be considered for adoption on September 21. In addition, there have been significant cost increases to the Halligan Water Supply Project and other water rights required for providing reliable water supplies as growth continues. Unlike most other fees, the CIL fee increase is a function of unprecedented inflation in costs. Staff proposes the CIL fee be increased approximately 60% to \$68,200 per acre-foot of use at the tap to reflect these changes.

GENERAL DIRECTION SOUGHT:

What questions or feedback does the Council Finance Committee have regarding the proposed CIL fee change?

BACKGROUND:

Developing water supplies in Northern Colorado is complex, dynamic, and full of uncertainty. Climate change, increased competition, permitting issues, and changing growth make developing these supplies and assessing the cost to do so quite complex. The Utilities' Water Supply and Demand Management Policy provides guidance for addressing these uncertainties through multiple means like developing additional supplies (e.g., Halligan Water Supply Project, etc.), continued water conservation efforts, and adjusting the WSR and associated CIL fee as needed to reflect changes in costs. The purpose of this agenda item is to describe the proposed changes to the CIL fee.

Water Service Providers in Fort Collins:

Utilities water service area covers the central portion of Fort Collins. Utilities supplies water to approximately 75% of residents and businesses within the Fort Collins city limits. Water service in the surrounding areas is

provided by other water providers, mainly the East Larimer County (ECLO) and Fort Collins-Loveland (FCLWD) water districts (see **Attachment 1**). Each water service provider has their own drivers (source of supply, development patterns) that determine their WSR calculations and CIL fee. The proposed CIL fee changes only apply to the Utilities water service area.

Water Development Fees:

There are three water-related development fees assessed on development in the Utilities water service area. The first is the WSR and associated CIL fee which assesses the cost to provide reliable water resources for the new water demand. The second is the water plant investment fee (“PIF”) which assesses the cost of the treatment and distribution infrastructure required to process and transport the treated water. Lastly is the tap fee, which assesses the cost of the meter and connection to the new development. The focus of this agenda item is on the WSR and CIL fee.

Key Terms and Definitions:

The following are definitions of the WSR and CIL fee. A complete list of terms and definitions can be found in **Attachment 2**.

Developers, including greenfield development and redevelopment, must meet a Water Supply Requirement:

- **Water Supply Requirements (“WSR”):** A requirement for water service from Utilities. A WSR accounts for the additional water demand, defined in gallons or acre-feet of water, brought into the Utilities water service area by a new development or redevelopment. The developer satisfies a WSR by dedicating water rights or paying cash-in-lieu of water rights to Utilities. This provides the revenue to develop reliable water resources for the development, including water rights and associated infrastructure. WSRs are in line with the City’s approach that development pays for itself.
- **Cash-in-lieu (“CIL”) Fee:** A developer can meet a WSR by paying cash, instead of providing water rights. The CIL fee is based on the cost to meet future water needs and includes the expected cost to acquire water rights and associated infrastructure. The current cost is \$42,518 per 325,851 gallons (1 acre-foot) of use at the tap and the CIL fee is updated at least every two years.

Goals, Outcomes and Drivers:

The WSR and CIL fee help Utilities follow the City’s strategic plan object ENV 4.4: Provide a reliable, high-quality water supply, as well as guidance from the City’s Water Supply and Demand Management Policy, by assuring cash is collected to pay for additional infrastructure or water rights needed to increase the reliable yield of the Utilities’ water supply system. Utilities is responsible for ensuring our customers have enough water today and into the future, while upholding the City approach that development and redevelopment pay their own way. As the costs of acquiring and developing water resources have increased, the cost to secure water for the additional demand have increased too. Since 2018, there has been a significant increase in the costs to develop water supplies. This is not unique to Utilities – all water providers across the Front Range are facing a significant increase in costs. Most water providers are shifting to plan for populations much larger than previously expected, and at the same time, climate change is dramatically increasing the variability in water availability from year to year. Responsible water management is essential to meet the needs of Fort Collins today, and to maintain our quality of life into the future.

Water Supply Requirements (“WSR”):

Although not part of this agenda item, Staff is proposing significant changes to the WSR calculations to reflect water demands more granularly across varied types of development and to encourage efficient water use in new development. The key WSR changes include:

- Commercial WSR being based on business type and size versus just tap size
 - Better reflects actual use (higher use pays more; lower use pays less)
- Separating indoor and outdoor water needs
 - Incentivizes low water use landscapes
- Elimination of the Water Supply Factor from the WSR calculations
 - Recognizes that elements of the factor are represented in updated yield modeling
 - Reduces confusion for customers who increase their water allotment

The proposed WSR changes mentioned above were described in detail for the May 11, 2021, City Council Work Session (see link below for materials) and will be presented for action at the September 21, 2021, City Council regular meeting.

https://citydocs.fcgov.com/?cmd=convert&vid=72&docid=3524135&dt=AGENDA+ITEM&doc_download_date=MAY-11-2021&ITEM_NUMBER=03

Cash-in-Lieu (“CIL”) Fee:

Once the amount of water needed for a development is determined via the WSR calculations, the total cost can be calculated via the CIL fee (if the developer does not provide “wet” water rights, which most do not). In 2017, City Council adopted significant changes to the CIL fee methodology that became effective in 2018. Prior to that, the CIL fee had not been updated since 2001. With guidance from BBC Research & Consulting (specializing in utility fees and rates), the methodology adopted was a hybrid between incremental cost and equity buy-in approaches.

An incremental cost approach only considers the additional costs needed to increase its water supply system capacity to serve new development. An equity buy-in approach places an overall value on both the existing and future water supply system to determine the CIL fee. A hybrid combination of both these methods was used since adding capacity to the water supply system depends on the addition of storage (incremental costs) and use of the existing portfolio of water supplies (buy-in portion) to make the additional capacity. Each utility determines its approach based on its own unique factors. For example, East Larimer County Water District’s (ELCO) has more of an incremental approach, Fort Collins-Loveland Water District (FCLWD) has a hybrid approach, and the City of Greeley has a full equity buy-in approach.

The current CIL fee method calculates the cost to increase reliable yield as the sum of:

1. Cost of future infrastructure (e.g., Halligan Water Supply Project, etc.)
2. Cost of future water rights (e.g., local ditch shares)
3. Buy-in to existing water supplies

Using this methodology, the CIL fee was increased by 166% in 2017 (effective in 2018) after having not been updated since 2001. Staff committed to reviewing and updating the CIL at least every two years. A 24% increase was adopted in 2019 (effective in 2020). A standard inflationary 3% increase was adopted (with other Utility fees) in 2020 (effective in 2021).

Over the last few years, there have been significant increases to the expected costs of the Halligan Water Supply Project (“Halligan”) and the cost of local water rights. Halligan costs have increased due to permitting length and complexity, rising construction costs, mitigation needs and access issues. Also, the cost of water rights has increased as much as 22 percent *per year* due to competition for these dwindling resources and booming development across the Front Range. The following presents the three components that go into the CIL fee methodology.

1. Cost of future infrastructure (\$201.8M):

Adding storage to the Utilities water supply system (via the Halligan project) will help meet a majority of the projected future needs by storing existing and future water rights at times of surplus (e.g., wet years) for use in drought years when other water supplies are diminished. The Halligan cost used in the 2019 CIL fee update was \$74.1M. A Halligan cost update completed in late 2019 (after outreach on the updated CIL fee) projected a range of costs between \$100M and \$150M. A 30 percent design analysis of Halligan is currently being conducted (due for completion in early 2022). Early indications are that the costs will increase. Therefore, staff recommends using the upper portion of the 2019 cost analysis range (\$150M). For comparison, alternatives described in the permitting for the Halligan Water Supply Project are up to 4.5 times more expensive. In addition to Halligan, there are about \$5.2M of additional long-term infrastructure needs. Applying a standard 30% engineering contingency to these needs, the total estimated future infrastructure costs are \$201.8M.

2. Cost of future water rights (\$53.4M):

Although the Halligan project is expected to address most of the Utilities water supply needs, additional water rights are required to meet projected future demands. Utilities currently plans to acquire about 150-200 additional shares in the North Poudre Irrigation Company ("NPIC") and about 300 acre-feet of shares in other local ditch companies (referred to as the Southside Ditches or "SSD"). Costs for these shares have increased between 11-22% per year in recent years, roughly doubling their projected costs over the past five years. For example, North Poudre Irrigation Company shares have gone from \$88,000 to \$200,000 per share from 2017 to the present. Applying these market increases and a 30% contingency results in a total estimated future water right costs of \$53.4M.

3. Buy-in to Existing Water Supplies (\$264.7M):

New development will be buying into and benefitting from the existing water supply portfolio that includes valuable and reliable senior direct Poudre flow rights, Colorado-Big Thompson Project units and other Horsetooth Reservoir sources. Utilities' plan for generating new water supplies requires two main components: infrastructure and wet water. Building a new or larger "bucket" isn't valuable without water to store in that bucket. In some years our water rights yield more water than we use and therefore without storage we underutilize our portfolio. The majority of the 'wet water' used to generate additional supply to meet future demands will come from using the existing customers' water supply portfolio in conjunction with the additional storage. We currently model and estimate the amount to be about 2,645 acre-feet. BBC Research & Consulting estimated that the Utilities' water supply portfolio is worth about \$3.17B, or about \$100,100 per acre-foot of reliable yield. Applying this amount to the 2,645 acre-feet of water used from existing customers water supply portfolio, the value of use of the existing portfolio is estimated to be \$264.7M.

Factor of Safety (20%):

There are many uncertainties in developing water supplies and assessing future growth within the Utilities service area, including potential impacts of climate change, uncertainty in the ultimate costs of developing water supplies, the amount and type of development, etc. The current WSR calculations include a 1.92 water supply factor that among other things, included a 20 percent factor of safety that recognized these uncertainties. The 1.92 factor will be removed from the WSR calculations due to updated modeling that more accurately captures other variables included in the factor. This simplifies the calculation and makes it more transparent. Staff recommends the continuation of the 20 percent factor of safety by incorporating it into the CIL fee calculation instead of the WSR volume calculation. The continuation of this factor is justified considering the results of the 2019 Water Supply Vulnerability Study ("Study") conducted by Utilities, which identified numerous risks and uncertainties that have not yet been incorporated into our water supply planning. For example, the Study indicated a 20-35 percent reduction in water supply reliability from projected temperature increases alone, which suggests this factor could even be higher than 20 %

Proposed CIL fee:

Combining the components of the CIL fee methodology mentioned above, the following is the calculation for the proposed CIL fee:

\$201.8M: Cost of future infrastructure

\$53.4M: Cost of future water rights

\$264.7M: Buy-in to existing water supplies

\$519.9M: Total cost to increase reliability

$$\begin{aligned} & \frac{\text{Cost to Increase Reliability}}{\text{Increased Reliability}} \times \text{Factor of Safety} \\ &= \frac{\$519.9M}{9,150 \text{ AF}} \times 1.2 \\ &= \text{\textcolor{red}{\$68,200 /acre – foot}} \end{aligned}$$

This results in about a 60 percent increase to the current cost per acre-foot of use (at the tap) of \$42,518. The following table shows a comparison of the values used in the current and proposed CIL fee that briefly explains what is in the separate components and the rationale for the changes.

Component	Includes	Current	Proposed	Rationale
1. Cost of future infrastructure	Halligan estimate + other minor needs	\$98.9M	\$201.8M	Uses upper cost estimate for Halligan and increases contingency to correctly match the design phase
2. Cost of future water rights	NPIC and SSD shares needed in addition to Halligan	\$28.2M	\$53.4M	Reflect current market prices. NPIC shares have increased about 22% <i>per year</i> in recent years
3. Buy-in to existing portfolio	Estimate of portfolio value, and how much future demand will utilize	\$40.5M	\$264.7M	Corrects approach of basing value on least valuable water rights, and previous CIL fees. Total portfolio conservatively valued at \$3.17B.
Total		\$167.6M	\$519.9M	
<i>Factor of Safety</i>	Considers the uncertainty in water supply planning	1.2 (in WSR calculation)	1.2 (in CIL fee calculation)	New modeling captures much of what used to be in the 1.92 factor in the WSR calculation. Retains the longstanding 20% “factor of safety”.
Cost per acre-foot of use		~\$42,500*	~\$68,200	
* - The current CIL fee includes a standard inflationary 3% increase that was adopted in 2020 (effective in 2021) without adjustments to the CIL fee components.				

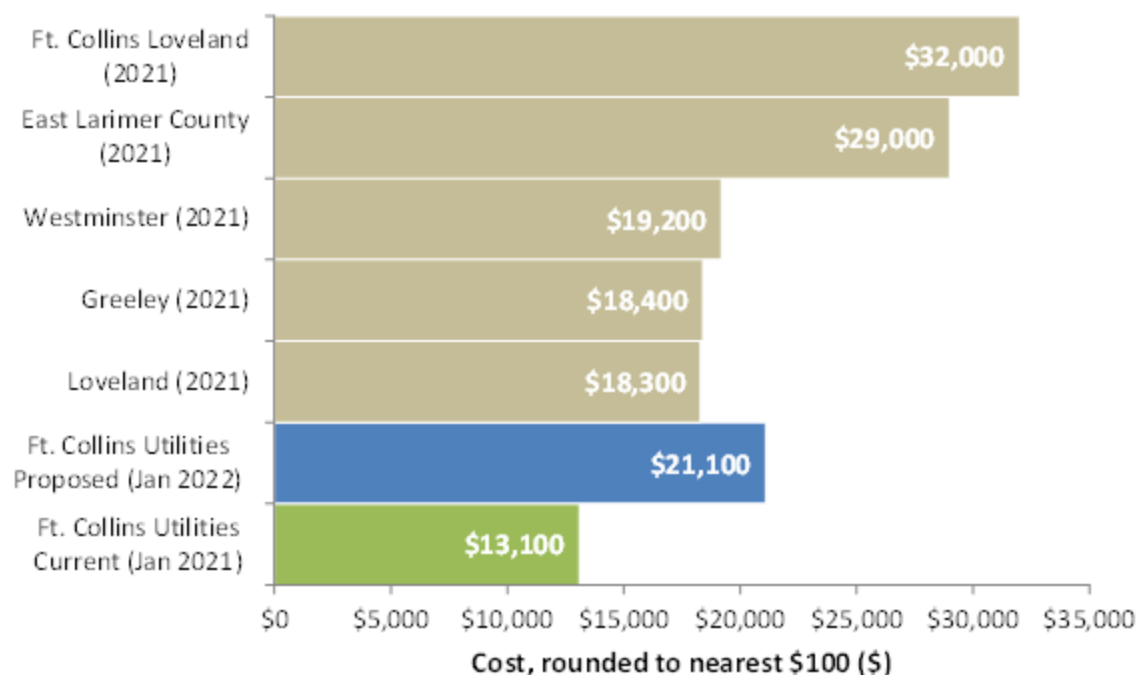
Excess Water Use (“EWU”) Surcharge Rate:

Some non-residential taps (only some commercial businesses and irrigation taps), specifically those installed after March 1984, have an allotment (annual volume of water in gallons) that is based upon the WSR that was satisfied at the time of development or redevelopment. Non-residential taps with allotments face the EWU surcharge if their annual water use exceeds their allotment, which is in addition to the standard water use rates. Customers can satisfy additional WSR to increase their allotments. The EWU surcharge provides revenue to purchase additional water supplies to account for the additional water demand over the allotment and therefore over the WSR satisfied for the property. As the EWU surcharge rate is based on the CIL fee, the EWU surcharge rate will also increase by about 60 percent from a rate of \$10.39 to \$16.67 per 1,000 gallons over the allotment. Utilities has programs to help customers mitigate the impact of these costs including facility audits, fixture rebates, the Landscape Water Budget program, the Xeriscape Incentive Program, and the Utilities’ Allotment Management Program, which provides eligible customers a temporary waiver from the EWU surcharges if they meet certain qualifications and submit an application detailing a project that demonstrates a long-term water reduction. Customers potentially impacted by the proposed CIL change have already been notified through outreach earlier this year.

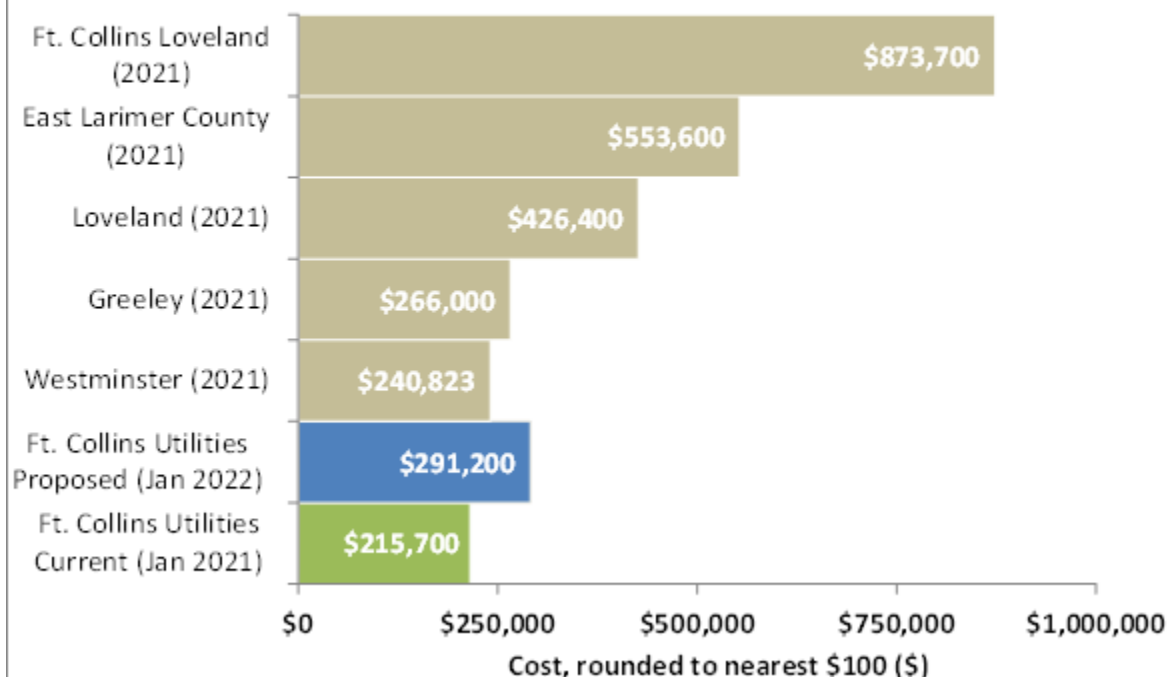
Development Impacts:

The following graphs show a comparison of the current (in green) and proposed (in blue) costs for different types of development, along with a comparison with other regional water providers. Note that the other water provider amounts are only estimates and are based on 2021 rates, not any expected increases for 2022. The first two graphs compare costs for typical single-family homes and typical multifamily developments, respectively. The last two graphs compare costs for use from a ¾-inch tap for a low water use entity (office space) and a high water use commercial entity (restaurant). Under the current system, both ¾-inch tap customers would pay the same amount even though there are large differences in water use. The updated WSR calculations provide more accurate assessment of the different water uses. Although future higher water use development (like restaurants) will see a significant cost increase from the proposed changes, these changes should result in allotments that are correctly sized and avoid those future customers from being charged EWU surcharge fees each year because of an undersized tap.

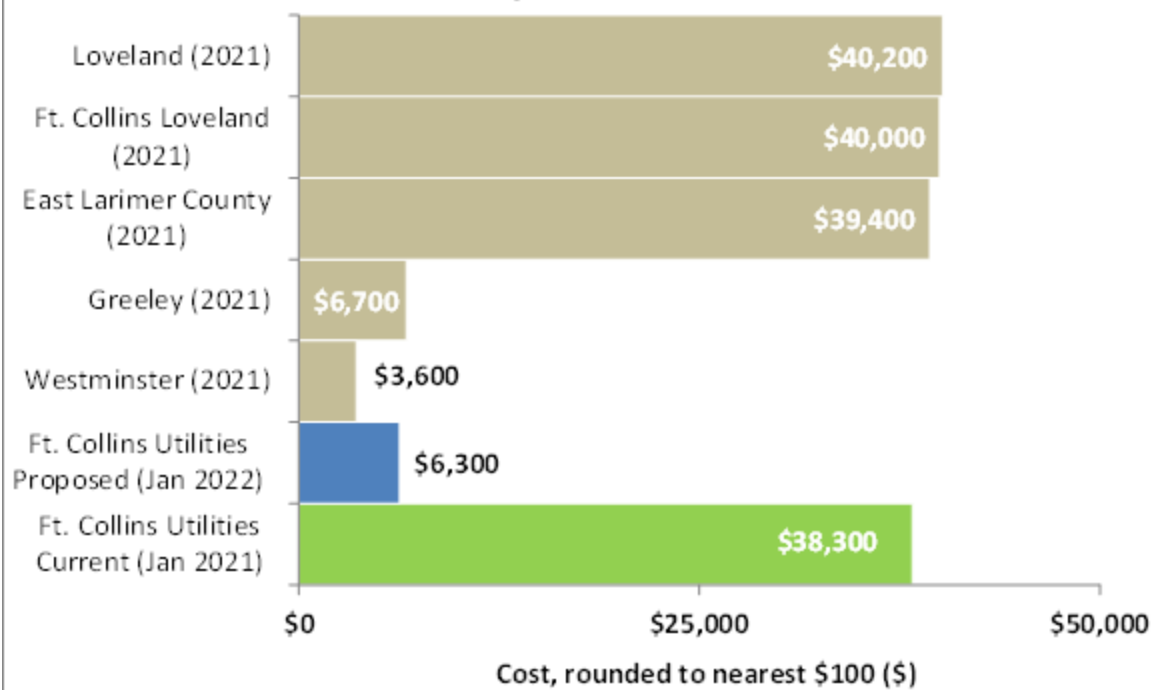
Water Supply Costs for a Typical Single Family Home in Northern Colorado



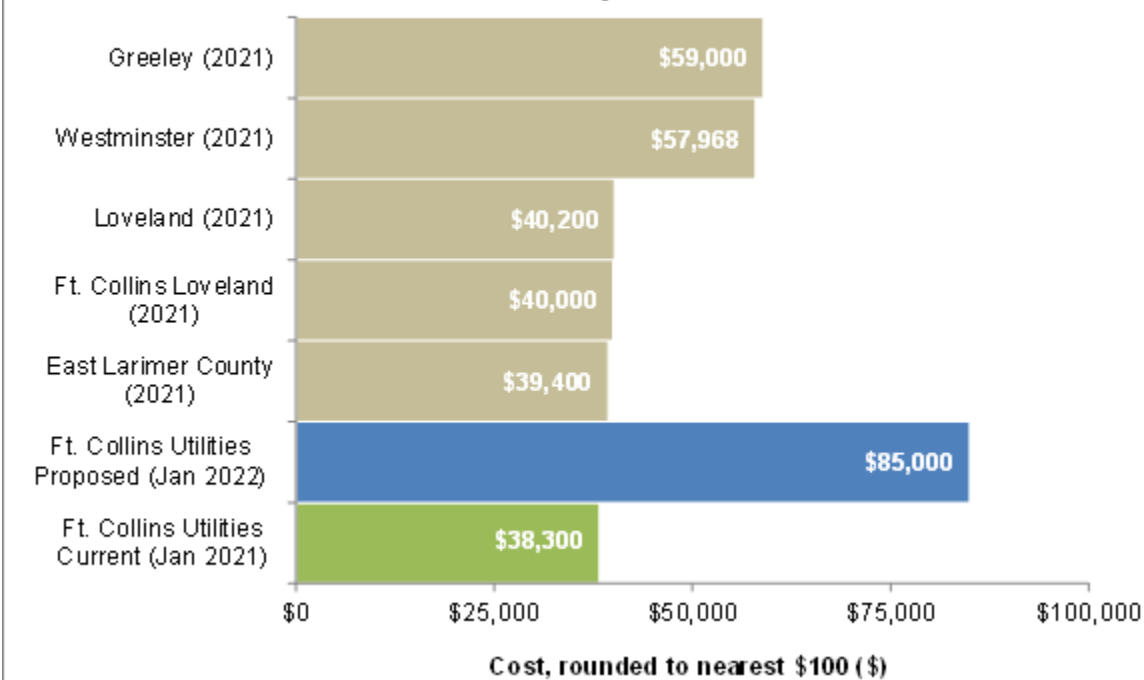
Water Supply Costs for Multi-Family Development in Northern Colorado



Water Supply Costs for 4,300 sqft Office or 3/4" Commercial Taps in Northern Colorado



Water Supply Costs for 2,800 sqft Restaurant or 3/4" Commercial Taps in Northern Colorado



Summary:

The proposed changes to the CIL fee reflect the unprecedented increasing costs of developing water supplies, while also addressing the uncertainty in doing so. This obtains the goal of generating adequate revenue to pay for developing reliable supplies for new development into the future, while assuring development pays its own way and avoids impacts to current customers. Although the CIL fee increase is significant, the WSR changes will help balance that out by being more reflective of actual water use and other changes will enable more opportunities for future development to lower their water use to minimize costs.

NEXT STEPS:

Staff will be conducting outreach to boards and commissions and stakeholders through October. Input from these entities will be shared when changes are proposed for adoption by City Council on November 2 and 16, 2021.

Staff will continue to review and adjust the CIL fee as part of the City's 2-year rates and fees adjustment cycle. Although the next update would be in 2023 (effective in 2024), staff may propose a mid-cycle adjustment depending on the outcome of the Halligan Water Supply Project 30 percent design analysis being conducted (due for completion in early 2022).

Staff is planning to update the Water Supply and Demand Management Policy ("Policy") in 2023-2024. This effort will integrate the potential impacts of climate change and other vulnerabilities (per the 2019 Water Supply Vulnerability Study) to determine new planning criteria around our water supply reliability (e.g., frequency of water restrictions, etc.). The Policy update will need to consider future water supply and conservation needs, which will likely result in revisions to the WSR and CIL fee.

DISCUSSION / NEXT STEPS:

Kelly Ohlson; a lot of great information – great presentation and graphics to explain
This has been a long time coming to get to fairness where those that benefit pay
Rate payers have been picking up the tab - might not go as far as I could like
Really good work and I am fully supportive of it

Emily Francis; question regarding standardizing tap size
Does this mean that some folks are paying for water they aren't using?

Donnie Dustin; that is part of the reason for the change - it is more equitable
Pay for the typical use for that type of business - Restaurant example- 2 commercial examples
If you look at the different providers you can see the ones that are basing it on tap size and the ones basing it on business type
¾ inch tap if it is a small office – they use a lot less
If you don't base it on the average use of that tap – if you are a small user you are going to pay a small amount

Emily Francis; so, for the ¾ inch tap that change is only for commercial

Donnie Dustin; correct
We are recognizing – depending on the type of commercial business it will vary the amount of water that is required

Emily Francis; so, this is just for how much we are charging for the water

How do we figure out how much development uses?

Donnie Dustin; How much should we be asking of new development?

How much water do they use? There was a Work Session on May 11th - on that total cost calculation and analysis. The amount we ask based on how much we see people using times this cost – total cost to a development to plug into our system.

Emily Francis; I remember we talked about how do we incentivize folks to build in a way that reflects our city's values (Xeriscape / less lawn / smaller homes)?

Donnie Dustin; I believe it is especially with separating irrigation taps – will be based on landscape types Gives the flexibility to developers to use less water intensive landscaping and reduce their costs.

Liesel Hans; what Donnie is talking about is definitely in play for commercial or multi-family development but where we hit a scope stop point was around single family type development and how do we help encourage there - you might have a small 3 bedroom home and a large 3 bedroom home – what really drives water use is more around occupancy which is largely correlated to number of bedrooms – we do have building code around fixture efficiencies but the landscape piece for a single family home is not part of the scope of the water supply requirement updates that you will see in a couple of weeks but it was flagged as one that we would love to pursue and put resources to which also aligns with Council priority around Xeriscape.

We did slightly tweak based on landscape size not lot size - Better matches the way people use water

Emily Francis; I would really like both of those things scoped

Liesel Hans; Driven by number of bedrooms Instead of overall square footage

Emily Francis; We want more diversity in housing, but we are not encouraging that in our structures of water supply or building - If we want to encourage housing diversity. Is it a good tradeoff for a developer to pay the extra to put in Xeriscape versus grass even if it reduces their cap size – does it reduce it enough? Is that a worthy trade off? Have you heard that during your outreach?

Liesel Hans; some other communities have tried to do that, and it does take incentivizing more than you think you should to get builders and developers to do it. The challenge is making the costs pencil out for the developers.

Emily Francis; I think it is good that they can get a reduced rate if they Xeriscape and I don't know if it pans out for them – I am curious to see if it is going to get us to our larger goals -when we think of the larger community goals – is it incentivizing what we are trying to do.

Regarding Halligan – is it still an extension or has it turned into a larger project?

Donnie Dustin; the Halligan project has been permitted at the same size for the last 8 plus years which is approximately 8,125 acre-feet - some project participants have dropped off, but the size has not changed

Theresa Connor; we are enlarging the size of the existing reservoir by the 8K acre-feet for a total of close to 15K acre-feet.

Emily Francis; I do think we are moving in a better direction

Julie Pignataro; just to confirm what we are talking about is only water for development fees – the developers can buy in lieu of bringing CBT water – the graphs are super helpful – I am still so perplexed - Why are houses less expensive? Where does this tie into housing costs?

Donnie Dustin; this would be a portion of a fee of all of the expenses that go into building a single-family home It would be over \$21K to go in – if you are building a new home – on top of all of the construction materials

Julie Pignataro; I have heard some concerns from housing developers regarding the fees – it is interesting to see it compared to other communities as we are by no means the most expensive and we were the least expensive up until this point

It would be a lot more expensive to build a restaurant – this isn't going to impact existing buildings – is that correct?

Donnie Dustin: that is correct – this is a development impact fee

Julie Pignataro; where would a brewery fit into all of this?

Liesel Hans; I believe a brewery falls into the as needed to be evaluated category
Not one way to calculate - we would assess it as it came in and specifically for that developer.

Julie Pignataro; the comparisons were super helpful. I had felt like we were undercharging - we are definitely on the right track – the math was great –

Emily Francis; this is a piece of the puzzle – large lot / small house – larger picture of land use code, water – as we are looking at land use code are we looking at smaller lots – are we also thinking about the water supply – getting the full picture of how this impacts the other dominos

Kelly Ohlson; If we get blowback on this – as a counterpoint - we have been dramatically undercharging for decades for our water - especially compared to other people in the region – more importantly are the fairness issues – proposed changes are much fairer to the existing rate payers – now we are trying to get closer to a fairer share payment of who should be paying for the water costs – those creating the need for development or existing rate payers

Theresa Connor; some of the confusion may lay in ELCO and Fort Collins / Loveland water districts – so much of our growth is happening in their districts

Travis Storin; great conversation – consensus support on bringing this forward - confirming that this needs to be adopted by Council on November 2nd and 16th

RESULT:

Council Finance Committee members support bringing this forward to the full Council.

Meeting adjourned at 5 pm

COUNCIL FINANCE COMMITTEE AGENDA ITEM SUMMARY

Staff: Blaine Dunn, Accounting Director

Date: October 6, 2021

SUBJECT FOR DISCUSSION

Community Capital Improvement Program

EXECUTIVE SUMMARY

The purpose of this item is to provide Council Finance Committee information on the Community Capital Improvement Program.

GENERAL DIRECTION SOUGHT AND SPECIFIC QUESTIONS TO BE ANSWERED

Inform and educate Council Finance Committee on Community Capital Improvement Program

Does Council Finance desire any additional information?

Does Council Finance support moving forward with an appropriation for Carnegie?

BACKGROUND/DISCUSSION

Fort Collins is fortunate to have a long history of voter-approved sales tax initiatives to fund major capital projects. Since 1973, these voter approved sales tax capital programs have supported efforts to build the city we know and love today.

The current initiative, Community Capital Improvement Program (CCIP), was approved in 2015. CCIP is a quarter cent (0.25%) tax which equates to 25-cents on a \$100 purchase. Over the 10-year period of the tax (2016-2025), CCIP was originally projected to collect \$83.3 million dollars. After the first five years, CCIP is now projected to collect \$88.6 million over the 10-year period.

City Council and the community went through an extensive process to determine the 17 projects that ultimately ended up on the ballot. This process started with a call for projects with the community and Council. The project list started with over \$500 million in projects identified. Through extensive high-touch community and stakeholder engagement, including multiple Council work sessions and a Council off site meeting, the list was narrowed down to its final form.

After the passage of the ballot measure, staff worked to determine the cadence of the various projects and programs approved by the voters. The cadence of how items would be funded was not part of the ballot language. All the projects and programs on the ballot are guaranteed, at a minimum, to get the amount approved by the voters. This happens through the BFO process each year and ties back to the original ballot amounts. Council can appropriate funds for the original 17 projects in a different manner than staff has outlined, based on funding availability. Once all

projects have been completed Council has the authority to appropriate residual funds for virtually any purpose. Below is a listing of projects with their total cost and current project status.

PROJECT LISTING

1 – Affordable Housing (\$4,000,000) – Ongoing

This was set up as a program to accumulate funds throughout the life of CCIP. Staff works with community partners and across departments to identify projects for development and rehabilitation in the affordable housing space. To date these funds have been utilized for project fee offsets in relation to affordable housing.

2 – Arterial Intersection Improvements (\$6,000,000) – Ongoing

This was set up as a program to accumulate funds and identify arterials in need of improvement. The goal of the program is to update major arterial intersections to improve safety and reduce congestion. To date the funding has improved the Vine and Shields intersection and the Horsetooth and College intersection. The next project that will be worked on is the College and Trilby intersection.

3 – Bicycle Infrastructure Improvements (\$5,000,000) – Ongoing

This program was built to align with the 2014 Bicycle Master Plan. The projects being completed include infrastructure improvements to enhance safety, provide wayfinding, and improve comfort and access for bicyclists. Completed projects include a protected bike lane on Mulberry, and the Laporte and Loomis intersection crossing.

4 – Bike/Pedestrian Grade Separated Crossing Fund (\$6,100,000) – Ongoing

This was set up as a program receiving funds in certain years to be used toward grade separated crossings. The funds will be used for construction of top priority crossings across arterial roadways. Current projects that will be utilizing these funds include: power trail over Harmony, Siphon overpass south of Harmony, and an underpass at Timberline north of Zephyr.

5 – Bus Stop Improvements ADA Upgrades (\$1,000,000) – Ongoing

This program receives annual appropriations set aside for bus stop upgrades. Part of the Safe Routes to Everywhere program, this project aligns with ADA accessibility to improve bus stops throughout the City. The improvement of these bus stops is a continuing project.

6 – Carnegie Building Renovation (\$2,343,000) – Scheduled

This project is currently scheduled to receive CCIP funding in 2024. The project will renovate the historic 1904 Carnegie library building to enhance its use as a community center.

7 – City Park Train (\$350,000) – Delayed

This project was to bring back the City Park train in a new and expanded location in City Park. The project has run into some additional challenges and is currently delayed while staff work through alternatives.

8 – Club Tico Renovation (\$250,000) – Completed

This project renovated Club Tico at City Park. The renovation included adding restrooms and a second story deck overlooking Sheldon Lake and City Park Pool.

9 – Poudre River Whitewater Park (\$4,494,000) – Completed

This project was for a new whitewater park east of Vine on the Poudre River. The whitewater park includes a viewing/picnic area and pedestrian bridge over the river. The work done lowered the river channel and improved flood mitigation.

10 – Gardens on Spring Creek Visitor’s Center Expansion (\$2,385,000) – Completed

This project renovated and expanded the Garden’s visitor center. The square footage of the visitor’s center doubled in size and added additional amenities for visitors and staff.

11 – Lincoln Avenue Bridge (\$5,721,000) – Completed

This project was for funding to design and construct right-of-way improvements to the west segment of Lincoln Avenue, including the Poudre River Bridge.

12 – Linden Street Renovation (\$3,521,000) – In Progress

This project will renovate Linden Street between Jefferson Street and Walnut Street. The design recommends transforming this section of Linden into a “convertible street,” which can be closed to vehicular and bicycle traffic and transformed into a pedestrian gathering space during special events. Construction was originally planned for 2020, but had been postponed to 2021 due to the coronavirus outbreak. In January 2021, the City announced that the bulk of the project will be postponed due to ongoing economic recovery efforts.

13 – Nature in the City (\$3,500,000) – Ongoing

This is a program to support projects that connect people and wildlife to high-quality habitat and diversity of experiences in nearby nature. Funds are transferred to the program on an annual basis and staff determines the best projects to apply funding towards.

14 – Pedestrian Sidewalk ADA Compliance (\$14,000,000) – Ongoing

This program is to implement compliance across the City’s pedestrian network. The projects selected help eliminate gaps in the network and improve ADA compliance. Projects completed to date include widening of the sidewalks on Drake and new sidewalks on South Timberline and Harmony roads. Upcoming projects include widening of the sidewalks on East Prospect.

15 – Southeast Community Center with Pool (\$18,811,000) – Scheduled

This project is scheduled to receive CCIP funding starting in 2022. The project will include the construction of a community center in southeast Fort Collins including a large outdoor leisure pool, water slide, and open swimming area.

16 – Transfort Bus Replacement (\$2,000,000) – Ongoing

This program is for replacement of buses during the lifetime of CCIP. Funds are leveraged to receive an 80% of federal and state grant funding.

17 – Willow Street Improvements (\$3,487,000) – Completed

This project completed the design and construction of improvements to Willow Street between College Avenue and Linden Street.

ATTACHMENTS

Attachment 1 - PowerPoint



Community Capital Improvement Program (CCIP)

- Blaine Dunn, Accounting Director

- October 6, 2021

- Inform and educate on Community Capital Improvement Program (CCIP)
- Answer questions on information presented

- Voter-approved taxes for capital projects date back to 1973
- Current 0.25% tax, CCIP runs from 2016-2025
- Composed of 17 different projects or initiatives
- Originally Projected to collect \$83.3 over 10 years
 - As of September 2021, projected to collected \$88.6 over 10 years

- Call for projects with Council and Community
- Started with \$500M of potential projects
- Worked with Council, Council Finance Committee and community to narrow down projects
 - High-touch community and stakeholder engagement to prioritize needs and desires
 - Community engagement including meetings and dot exercise for project selection
 - Multiple Council work sessions to refine project list
 - Council off-site discussion
 - Final Council work session to finalize list that would be referred to ballot
- Capital Construction that we would build, own, and operate had inflation factors added
- Certain projects were also identified for continuing operations and maintenance costs
- Process for potential 2025 renewal would begin in late 2023 / early 2024
 - Process from start to finish usually takes 18-24 months

Project	Year Started	Anticipated Year of Completion	2015 Project Cost (000's)	Project Cost + Infaltion + O&M (000's)*
1 - Affordable Housing	2016	2025	\$ 4,000	\$ 4,000
2 - Arterial Intersection	2016	2025	\$ 6,000	\$ 6,000
3 - Bicycle Infrasturcture Improvements	2016	2025	\$ 5,000	\$ 5,000
4 - Bike/Ped Grade Separated	2016	2024	\$ 6,000	\$ 6,100
5 - Bus Stop Improvements	2016	2025	\$ 1,000	\$ 1,000
6 - Carnegie Building Renovation		2024	\$ 1,700	\$ 2,343
7 - City Park Train	2016	2016	\$ 350	\$ 350
8 - Club Tico Renovation	2016	2017	\$ 250	\$ 250
9 - Poudre River Whitewater Park	2017	2018	\$ 4,000	\$ 4,494
10 - Gardens on Spring Creek	2018	2019	\$ 2,000	\$ 2,385
11 - Lincoln Ave Bridge	2016	2018	\$ 5,300	\$ 5,721
12 - Linden Street Renovation	2019	2021	\$ 300	\$ 3,521
13 - Nature in the City	2016	2025	\$ 3,000	\$ 3,500
14 - Pedestrian Sidewalk/ADA Compliance	2016	2025	\$ 14,000	\$ 14,000
15 - Southeast Community Center		2025	\$ 14,000	\$ 18,811
16 - Transfort Bus Replacement	2018	2025	\$ 2,000	\$ 2,000
17 - Willow Street Improvements	2018	2020	\$ 3,070	\$ 3,487
Total			\$ 71,970	\$ 82,962

*Toal amount approved by ballot

Ongoing programs; not individual projects

Denotes completed projects

- Once ballot passed, City had to determine cadence of budget for projects
 - The cadence of projects was not part of the ballot language
- All projects listed in the ballot language are guaranteed, at a minimum, to get the amount approved by voters
 - This process happens through BFO every year and ties to original ballot amounts
- Council is able to authorize additional amounts for the 17 original projects; based on available funds
 - CCIP has \$7.5M fund balance due to favorability in revenue
 - Can use this on ballot projects
- Upon completion of ballot programs/projects, Council can appropriate residual funds for virtually any purpose

Project	2015 Project Cost (000's)	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	Inflation	O & M	Project Cost + Inflation + O&M
1 - Affordable Housing Fund	\$ 4,000	200	250	250	400	400	500	500	500	500	500						\$ -	\$ -	\$ 4,000
2 - Arterial Intersection Improvements	\$ 6,000	350	350	400	400	400	400	400	800	1,200	1,300						\$ -	\$ -	\$ 6,000
3 - Bicycle Infrastructure Improvements	\$ 5,000	300	350	350	350	350	350	350	500	800	1,300						\$ -	\$ -	\$ 5,000
4 - Bike/Ped Grade Separated Crossing Fund	\$ 6,000	1,500	0	0	2,000	0	0	0	1,300	1,200	0	20	20	20	20	20	\$ -	\$ 100	\$ 6,100
5 - Bus Stop Improvements	\$ 1,000	100	100	100	100	100	100	100	100	100	100						\$ -	\$ -	\$ 1,000
6 - Carnegie Bldg Renovation	\$ 1,700	0	0	0	0	0	0	0	0	2,218	25	25	25	25	25		\$ 518	\$ 125	\$ 2,343
7 - City Park Train	\$ 350	350	0	0	0	0	0	0	0	0	0						\$ -	\$ -	\$ 350
8 - Club Tico Renovation	\$ 250	250	0	0	0	0	0	0	0	0	0						\$ -	\$ -	\$ 250
9 - Downtown Poudre River - Kayak Park	\$ 4,000	0	4,244	50	50	50	50	50	0	0	0						\$ 244	\$ 250	\$ 4,494
10 - Gardens on Spring Creek Visitor's Center	\$ 2,000	0	0	2,185	40	40	40	40	40	0	0						\$ 185	\$ 200	\$ 2,385
11 - Lincoln Ave. Bridge	\$ 5,300	2,730	2,811	36	36	36	36	36	0	0	0						\$ 241	\$ 180	\$ 5,721
12 - Linden St. Renovation	\$ 3,000	0	0	0	563	2,898	12	12	12	12	12						\$ 461	\$ 60	\$ 3,521
13 - Nature in the City	\$ 3,000	200	200	200	200	200	250	300	300	400	750	100	100	100	100	100	\$ -	\$ 500	\$ 3,500
14 - Pedestrian Sidewalk / ADA-Compliance	\$ 14,000	1,000	1,000	1,100	1,100	1,100	1,200	1,200	1,500	2,400	2,400						\$ -	\$ -	\$ 14,000
15 - SE Community Center with Pool	\$ 14,000	0	0	0	0	0	0	2,460	15,201	230	230	230	230	230			\$ 3,661	\$ 1,150	\$ 18,811
16 - Transfort Bus Fleet Replacement	\$ 2,000	0	0	500	0	0	0	500	0	0	1,000						\$ -	\$ -	\$ 2,000
17 - Willow Street Improvements	\$ 3,070	0	0	765	2,667	11	11	11	11	11	0						\$ 362	\$ 55	\$ 3,487
Inflation	\$ 80	\$ 405	\$ 250	\$ 360	\$ 398	\$ -	\$ 460	\$ 3,201	\$ 518	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 5,672		
Operations & Maintenance (O&M)	\$ -	\$ -	\$ 86	\$ 126	\$ 137	\$ 149	\$ 149	\$ 149	\$ 63	\$ 253	\$ 267	\$ 375	\$ 375	\$ 375	\$ 145	\$ 120		\$ 2,620	
Yearly Project Expenditure + Inflation + O&M	\$ 6,980	\$ 9,305	\$ 5,936	\$ 7,906	\$ 5,585	\$ 2,949	\$ 5,959	\$ 20,264	\$ 9,071	\$ 7,617	\$ 375	\$ 375	\$ 375	\$ 375	\$ 145	\$ 120			\$ 82,962
Projected Annual Revenue	\$ 7,426	\$ 7,615	\$ 7,808	\$ 8,006	\$ 8,209	\$ 8,418	\$ 8,631	\$ 8,850	\$ 9,075	\$ 9,306	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -			\$ 83,345

Project	Budget to Date	Spent to Date	Remaining Allocation within 10 Year Tax
1 - Affordable Housing	\$ 2,000,000	1,301,975	2,000,000
2 - Arterial Intersection	\$ 2,300,000	854,125	3,700,000
3 - Bicycle Infrastructure Improvements	\$ 2,050,000	1,623,819	2,950,000
4 - Bike/Ped Grade Separated	\$ 3,500,000	673,331	2,600,000
5 - Bus Stop Improvements	\$ 600,000	576,839	400,000
6 - Carnegie Building Renovation	\$ -	-	2,343,000
7 - City Park Train	\$ 350,000	203,796	-
8 - Club Tico Renovation	\$ 250,000	250,000	-
9 - Poudre River Whitewater Park	\$ 4,444,000	4,423,167	50,000
10 - Gardens on Spring Creek	\$ 2,305,000	2,178,937	80,000
11 - Lincoln Ave Bridge	\$ 5,685,000	5,336,221	36,000
12 - Linden Street Renovation	\$ 3,473,000	937,696	48,000
13 - Nature in the City	\$ 2,233,319	810,047	1,266,681
14 - Pedestrian Sidewalk/ADA Compliance	\$ 6,500,000	5,472,628	7,500,000
15 - Southeast Community Center	\$ -	-	18,811,000
16 - Transfor Bus Replacement	\$ 500,000	500,000	1,500,000
17 - Willow Street Improvements	\$ 3,454,000	3,330,229	33,000

Projects have not been started

Denotes completed projects

- Does Council Finance desire any additional information?

Backup

Community Capital Improvement Plan - Year End 2020 - \$15.3M

	2019	2020	Appropriated, Min. Policy, or Scheduled	Available but with some Constraints	Available for Nearly Any Purpose
Restricted					
Available for ballot projects	3.7	7.5	-	7.5	-
City Park Train	0.1	0.1	0.1	-	-
Club Tico Renovation	0.0	-	-	-	-
Gardens Visitor Center Expansion	0.2	-	-	-	-
Nature in the City	0.2	0.2	0.2	-	-
Affordable Housing Fund	0.8	0.4	0.4	-	-
Arterial Intersection Imprvmnt	0.6	1.2	1.2	-	-
Bicycle Infrastructure Imprvmnt	0.3	0.2	0.2	-	-
Bike/Ped Grade Separated Cross	3.1	1.9	1.9	-	-
Lincoln Avenue Bridge	0.3	0.3	0.3	-	-
Pedestrian Sidewalk - ADA	0.1	0.2	0.2	-	-
Transfort Bus Replacements	0.5	-	-	-	-
Willow Street Improvements	1.1	0.1	0.1	-	-
Linden Street Renovation	0.5	3.2	3.2		
Year End Total	\$ 11.5	\$ 15.3	\$ 7.8	\$ 7.5	\$ -

COUNCIL FINANCE COMMITTEE AGENDA ITEM SUMMARY

Staff: Blaine Dunn, Accounting Director

Date: October 6, 2021

SUBJECT FOR DISCUSSION

General Employee Retirement Plan Review

EXECUTIVE SUMMARY

The General Employee Retirement Plan “the Plan” was established in 1971 and was closed to new members in 1999. There are currently 3687 total members left in the Plan including active employees, terminated vested employees, and employees receiving a benefit. In 2020 the total pension liability was \$60.5M and the fiduciary net position for the Plan was \$51.4M, leaving a net pension liability of \$9.1M.

GENERAL DIRECTION SOUGHT AND SPECIFIC QUESTIONS TO BE ANSWERED

Inform and educate Council Finance Committee on the Plan

Does Council Finance desire any additional information?

BACKGROUND/DISCUSSION

The Plan is overseen by the General Employees Retirement Committee (GERC). The GERC is comprised of 6 members, 1 from financial services and 5 current or former employees covered by the Plan. The GERC administers the Plan including setting the investment policy and making any changes to assumptions used in the actuarial valuations. In 2020 the GERC decided to reduce the assumed rate of return from 6.25% to 6.00%. The 20-year average return for the plan is currently 6.3%.

In 2013 Council approved increasing the supplementary contribution to \$1.12M annually. This was to help reach full funding of the plan sooner than previously projected. It is currently estimated the plan will meet full funding by 2031. This is when the City supplemental contributions will end.

The current net pension liability of \$9.1M is the lowest amount the Plan has had since 2007. The current funding ratio of 85% is the highest the Plan has had since 2007 and compares favorably with other public sector plans. The Plan continues to be able to meet all obligations and overall is in a healthy financial status.

ATTACHMENTS

Attachment 1 - PowerPoint



General Employee Retirement Plan Review

- Blaine Dunn, Accounting Director

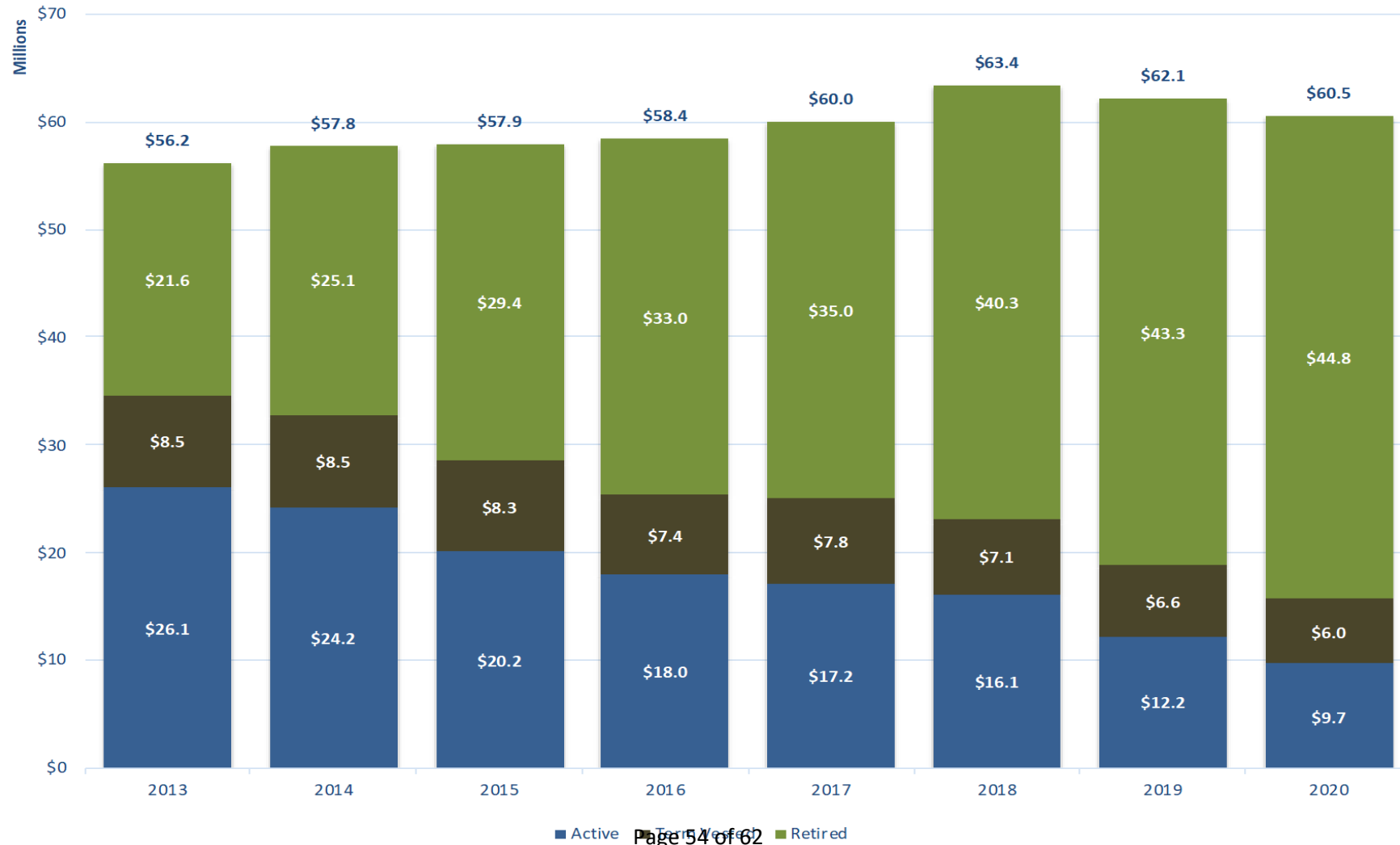
- October 6, 2021

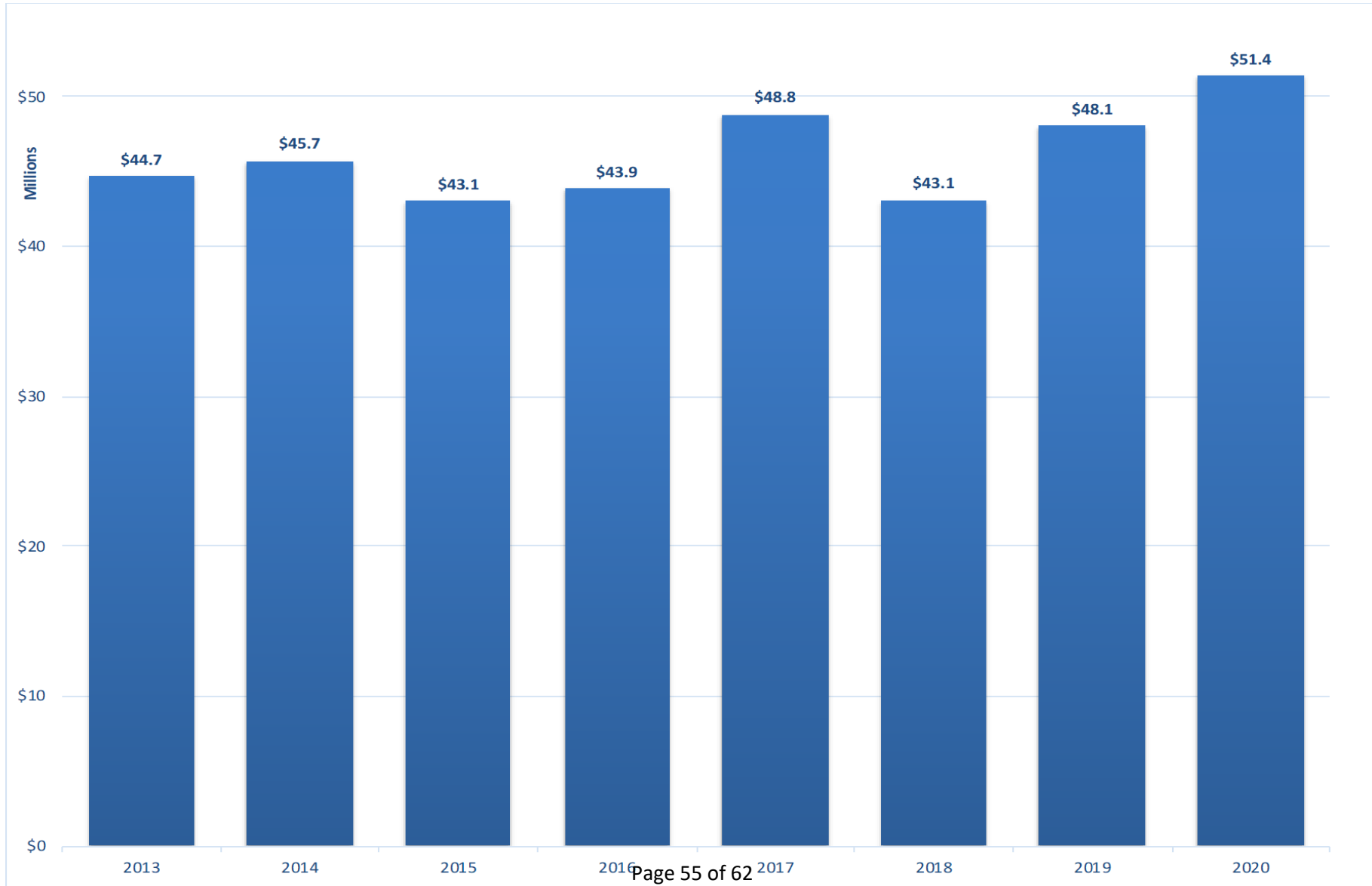
- Inform and educate on General Employee Retirement Plan (GERP)
- Answer questions on information presented

- Established January 1, 1971
- Closed to new members January 1, 1999
- Defined Benefit
 - Years of service
 - 1.5% per year
 - Average of highest 5 consecutive years
 - Example: 20 years x 1.5% x \$55,000 = \$16,500 benefit per year
- No COLA in retirement
- General Employees Retirement Committee (GERC)
 - Administers the Plan
 - Composed of 6 members (1 from Financial Services, 5 current or former employees in GERP)

- Investment Return
 - 7.5% through 2010
 - 6.8% 2011-2012 (\$3.7M increase to Net Pension Liability (NPL))
 - 6.5% beginning 2013 (\$1.6M increase to NPL)
 - 6.25% beginning 2018 (\$1.3M increase to NPL)
 - 6.00% beginning 2021 (\$1.3M increase to NPL)
- Mortality Tables
 - In 2010 updated to most recent actuarial industry standard (\$1.3M increase to NPL)
 - In 2014 applied generational scaling (\$830k increase to NPL)
 - In 2018 updated to most recent actuarial industry standard (\$2.8M increase to NPL)
 - In 2020 applied generation scaling (\$523k decrease to NPL)
- Increased Supplemental Contribution from City to \$1.12M annually in 2013

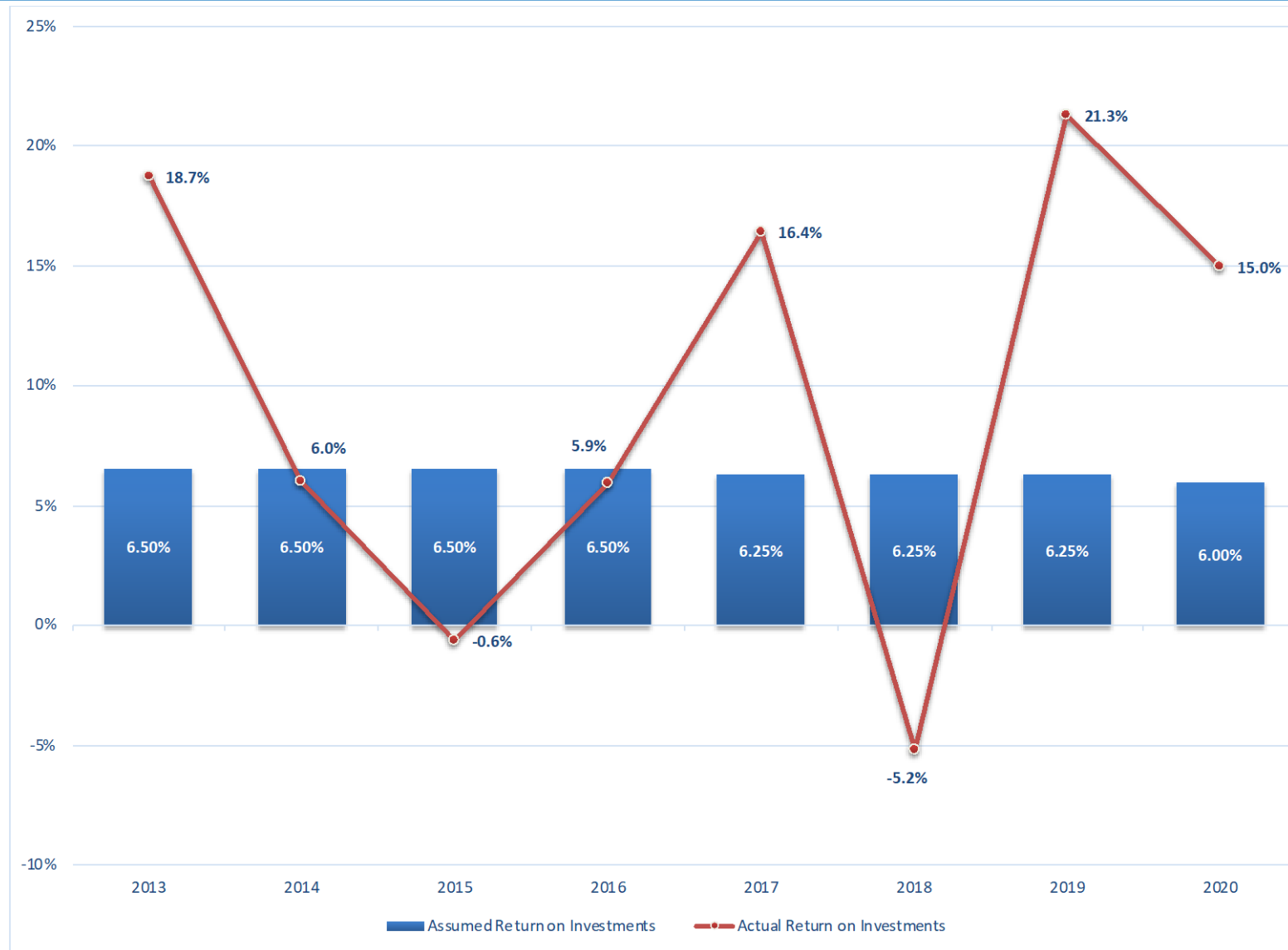
Year Ending	Actives	Terminated Vested	Retired / Beneficiary	Total
2020	34	64	270	368
2019	42	70	271	383
2018	57	78	257	392
2017	70	89	242	401
2016	78	94	238	410



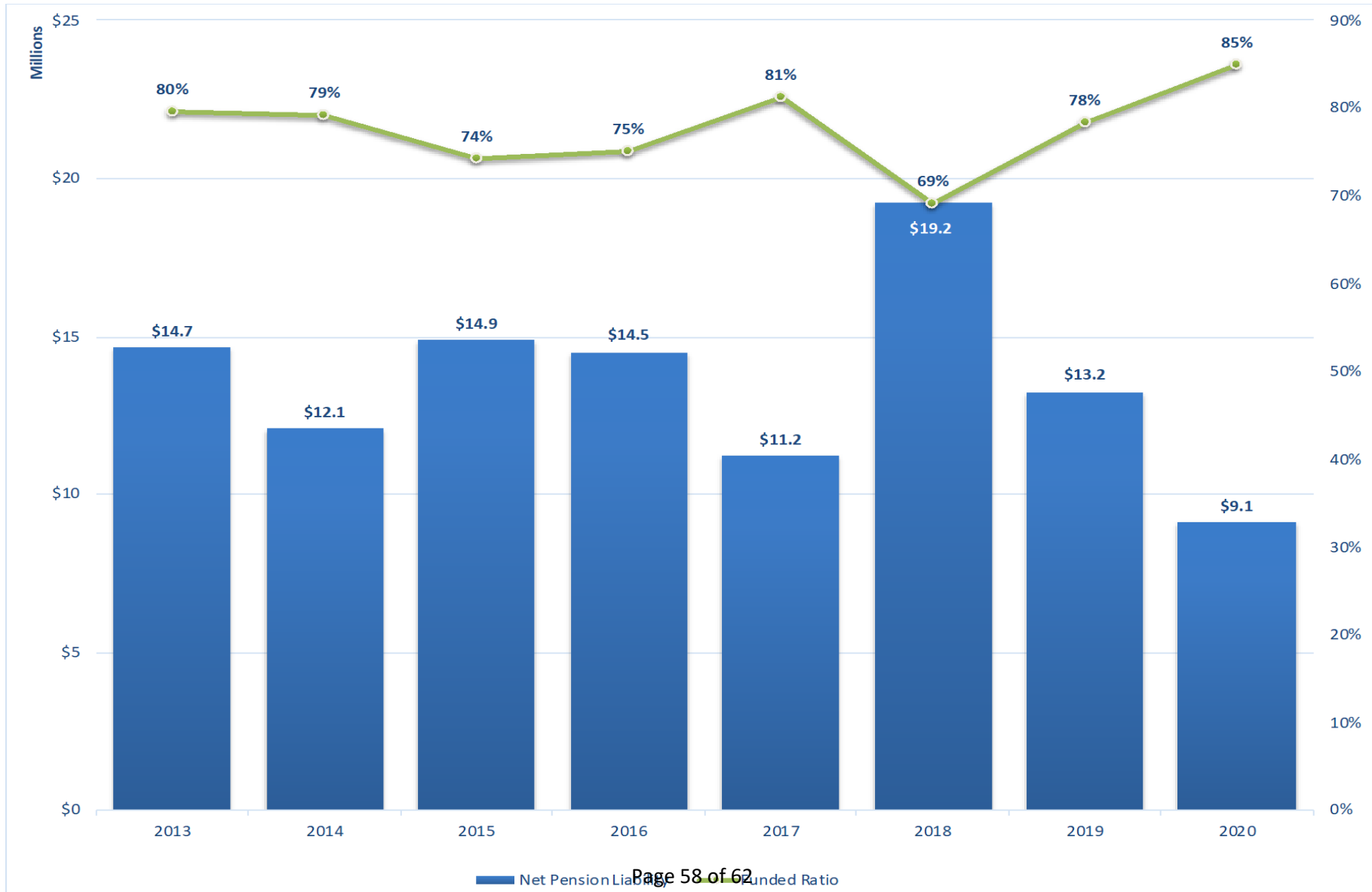


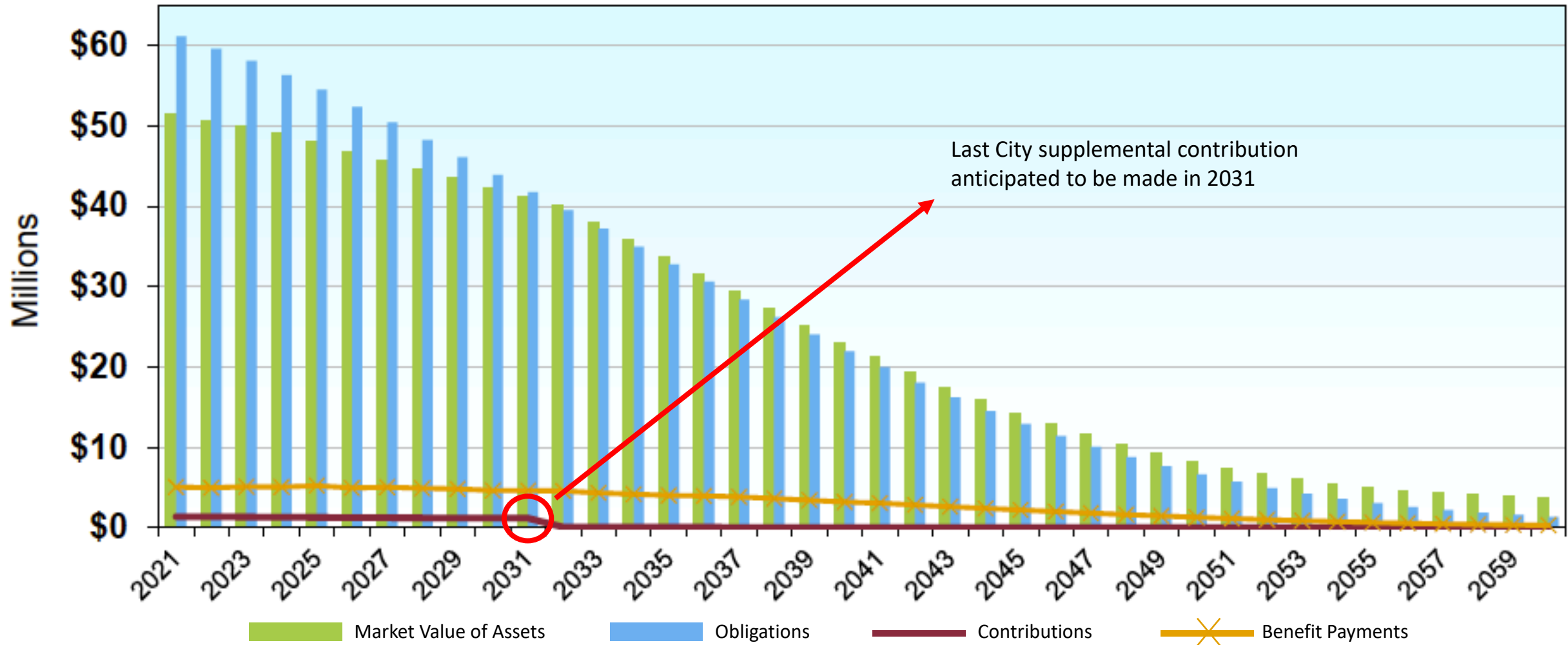
	Minimum	Target	Maximum
Mutual Funds			
Domestic	35%	45%	55%
International	5%	15%	25%
Fixed Income/Bonds	30%	40%	50%
Total		100%	

Current portfolio distribution in red (approximate)



20yr Average Annual Rate of Return – 6.3%





Assumes Market Value of Assets earns 6.0% per annum, and payroll contributions are 10.5% of compensation. Includes excess contributions of \$1,120,000 for 2021 - 2031.

- Net Pension Liability - \$9.1M
 - Lowest since 2007
- Funded Ratio – 85%
 - Highest since 2007; compares favorably with other public sector plans
- Full funding reached in 2031 with current assumptions
 - Supplemental contribution should end when full funding is reached

- GERC will be recommending changes to Plan document
 - Once changes are recommended, Plan will come to Council for adoption
- Changes will likely include:
 - Updates to the Plan to match recent federal legislation (SECURE Act)
 - Clean up of items related to administration of the Plan

- Does Finance Committee desire any additional information?