Council Finance Committee & URA Finance Committee

Agenda Planning Calendar 2016

RVSD 09/15 mnb

Sep 19			
	Metro District Review	60 min	J. Birks
	Utility Rate Structures	45 min	L. Smith
	Clean-Up Ordinance	10 min	L. Pollack
URA			

Oct 17			
	Building Cost Stack	30 min	L. Kadrich M. Beckstead
	Capital Expansion Fees – Recommendation & Public Engagement	20 min	T. Smith
	Sales Tax Code Updates	30 min	T. Smith
	Sales Tax on L&P Pilots	10 min	T. Smith
	Foundation Creation	20 min	N. Johnson
URA			

Nov 21			
	Natural Areas – Financial Review	45 min	J. Stokes
	Broadband Alternative Financial Review	45 min	A. Gavaldon
	Financial Policy Updates	15 min	J. Voss
URA			

Dec 19			
	Future Utility Debt Requirements – Water & Stormwater	45 min	L. Smith
	Revenue Diversification Outreach Update	30 min	T. Smith
URA			

Future Council Finance Committee Topics:

Parking Garage Financing – QII 2017
Strategy Map Metrics Review – QI 2017

Future URA Committee Topics:

Finance Administration
215 N. Mason
2nd Floor
PO Box 580
Fort Collins, CO 80522

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AGENDA

Council Finance & Audit Committee
September 19, 2016
9:30 - 11:30 am
CIC Room - City Hall

Approval of the Minutes from the August 15, 2016 meeting

1. Metro District Review	60 minutes	J. Birks
Harmony and I-25 District Nos. 1-3 Service Plan		
Block 23 Metropolitan District Nos. 1 and 2 Service Plan		
2. Utility Rate Structure	45 minutes	L. Smith.
3. Clean-Up Ordinance	10 minutes	R. Rogers

OTHER BUSINESS

Finance Administration
215 N. Mason
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Fort Collins, CO 80522

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Council Audit & Finance Committee
Minutes
08/15/16
9:30 - 11:30 am
CIC Room

Council Attendees: Mayor Wade Troxell, Gerry Horak, Ross Cunniff

Staff: Darin Atteberry, Jeff Mihelich, Kelly DiMartino, Mike Beckstead, Chief Hutto, Kevin Gertig, Ann Turnquist, Jackie Thiel, Tiana Smith, Lawrence Pollack, John Voss, John Phelan, Andres Gavaldon, Travis Storin, Noelle Currell, Jackson Brockway, Carolyn Koontz

Others: Clancey Mullin, Consultant, Duncan Associates, Dale Adamy

Meeting started at 9:32 am

APPROVAL OF MINUTES
Mayor Troxell made a motion to approve the July 18, 2016 Council Finance Committee minutes. Gerry Horak made a second to the motion. The minutes were approved unanimously.

A. 2017/2018 Budget Strategic Issues
Mike Beckstead
Lawrence Pollack

EXECUTIVE SUMMARY
Review of how metrics have been used in the Budgeting for Outcomes (BFO) process and summarize recommended Offers that support key strategies and themes in the City Manager's Recommended Budget.

GENERAL DIRECTION SOUGHT AND SPECIFIC QUESTIONS TO BE ANSWERED
Information sharing and discussion.

Neighborhood Livability & Public Safety Gerry Horak asked; will all primary patrol officers have body cameras and tasers?
Chief Hutto responded; yes

Gerry Horak asked staff to identify in the budget areas where previously assigned funds are being used within the proposed budget.

Mike Beckstead responded; previously assigned GF reserves are used to support the police training facility design phase within the proposed budget and we will notate any other offers with the budget that are funded by previously assigned reserves.

Darin Atteberry asked; can we change the code compliance terminology to better reflect the spirit intended; quality neighborhoods, community policing side?
Mike Beckstead responded; we will fine tune the offer name.

Darin Atteberry requested that percentage changes be added as a point of reference to the chart that recapped Police and Poudre Fire Authority budgets over time.
Mike Beckstead responded; we will include.

City Asset and Infrastructure
Gerry Horak asked; have you thought about including maps to show geographic distribution.
Mike Beckstead responded; we will add maps and will include dots sized to amount being spent on each project.

Utility Assets and Infrastructure
Gerry Horak asked; was the increase in Stormwater capital predicted?
Mike Beckstead responded; yes, these projects were included within the CIP reviewed in April 2016 with CFC. In total approximately $80M is needed spread out over 15 years to support various Stormwater projects.

The budget includes a proposed rate increase in Stormwater to fund these and other projects.
Darin Atteberry added; this is the first rate increase in 12 - 14 yrs. - we don't take that lightly.
Conversation was about 2 things;

1) expedites a capital plan and makes those projects happen more quickly
2) intentional about trying to get those project funded as well - Stormwater fund stays in tact

Ross Cunniff asked about the difference between the fixed rate portion and the variable rate
Mike Beckstead responded; we will review Utility rate structure in detail at the September CFC meeting.

Kevin Gertig added
Utility Cost Comparison
Energy Efficiency – team is working on rebranding this to reflect Climate Action Goals
$12m of spending included - up $2m from last cycle - increase areas highlighted on slides
Business efficiency rebates - greenhouse gas

Jackie Theil added; being able to talk about how the other offers that impact our work on ozone and capture what offers are specifically about ozone

Darin Atteberry added; as we are making the presentations we need to articulate the value and address benefits /quantify climate direct programs including ozone reduction.

Mayor Wade Troxell asked; is there anything going into real time pricing - the ability to achieve that? A lot of the investment we are making right now as with utilities can lend itself to real time pricing. That will have as big or bigger impact on the things we are doing.
Kevin Gertig responded; smart grid manager - remap - we are working toward this. It is a multiyear approach and is part of our strategy.

B. <u>Capital Expansion Fee Update</u>

Tiana Smith, Revenue & Project Manager
Clancey Mullin, Consultant, Duncan Associates
Noelle Currell, Sr. Financial Analyst

EXECUTIVE SUMMARY

In the spring of 2016, staff initiated a comprehensive review of the Capital Improvement Expansion Fees that were first implemented in 1996 and then updated in 2013. The goal of the review was to ensure that the methodology implemented was still appropriate and also to update inputs to the fee structure to reflect the current level of service. To assist with the review, Finance staff contracted with Duncan Associates, a nationally recognized firm that specializes in impact fees.

GENERAL DIRECTION SOUGHT AND SPECIFIC QUESTIONS TO BE ANSWERED

1) Does Council Finance Committee have any comments or questions related to the draft study?

2) Should staff use construction costs or insured values for assessing building values that impact the fire, police and general government capital expansion fees, or a blend of the two?

BACKGROUND/DISCUSSION

Capital Improvement Expansion fees are used to require new developments to pay a proportionate share of infrastructure costs. The method of calculating the fees that the City of Fort Collins has used since 1996 is referred to as incremental expansion. This method works in the following manner:

- New development pays a fee based on current infrastructure costs – they essentially "buy in" to the current system.
- The revenues from the fees are then used to build new infrastructure to serve the new development and/or the increase in population that follows the development.

The City's Capital Improvement Expansion fees were originally prepared and adopted in 1996 and then updated in 2013. Direction was given to staff to update the fees every 3-5 years.
The fees included in the study are:

- Neighborhood Parks
- Community Parks
- Fire
- Police
- General Government

In 2013, the fees for police, fire and general government for commercial and industrial land use types were phased in over a 3-year period and updated annually for inflation according to the Denver-Boulder-Greeley Consumer Price Index and Denver Region Construction Cost Index. For residential land use types, the fees were updated in 2013 and have been updated annually for inflation according to the Denver-Boulder-Greeley Consumer Price Index and Denver Region Construction Cost Index.

Staff worked with the Duncan Associates to review the methodology and update the fees. The outcome of the study retains the basic methodology of incremental expansion and updates inputs from 2013 to reflect current asset info. The fees have all been updated based on today's current level of service and cost which factors in current capital assets for all fees.

In addition to the updates to current Level of Service, the study also provides two options for calculating fire, police and general government fees; one option which uses insured values to determine building values and a second option which uses construction costs to determine building values.

Mike Beckstead commented; Staff is looking to Council Finance for direction on which option to use in the calculation of the fees or a blend of both options. This is an update, we will come back in October based on feedback today and public outreach.

Methodology
CPI Consumer Price Index/ CCI Construction Cost Index
Current methodology has been used since 1996
Next census in 2020 - expecting to see numbers growing
Mike Beckstead added; fees are updated every 3 to 5 years - we are recommending staying with a 3-5 year cycle where we update fees if something significant occurs that would change the fees but no less than every 5 years.

Gerry Horak commented; we need to look at driving factors, not years. The driver is really information as the number of years is arbitrary. We should have a rationale.

Fees Overview
Ross Cunniff asked; does this include the change calculation for street capital expansion fee that was discussed in our work session?
Tiana Smith responded; not yet but we plan to include that.
Gerry Horak added; something to think about over time - if we have leased police substations they are not included but if we build they are included - impacts fees.

Cost of Construction Values
Two alternatives for fee updates were included, one based on the insured value of assets and one based on the current estimate of construction cost for each facility asset.
Mike Beckstead added; current construction cost estimates have a -dramatic impact on fees. An alternative could be to average the two together.

Gerry Horak asked; what is the current practice?
Tiana smith responded; insured value.
Gerry Horak commented; it would be good to have information on what our peer communities are doing.
Mike Beckstead responded; we can get that

Ross Cunniff commented; startling numbers to see these increases. Could we somehow quantify the impact of not charging the fees and what services would go away?
Mike Beckstead responded; that would be difficult.
Darin Atteberry asked; what role have these fees played in the past and have we had large surpluses?
Ross Cunniff added; when are we going to need to build the next fire station?

Parks Capital Expansion Fees
Community Parks - average cost per acre has increased

Fire Assets
6,7, 8,9 and 11 not included in 2012
Included as assets - discounted based on call volume

General Gov't. List also not included in 2012

Peer Cities - Comparative Fees
Fort Collins projected vs peer's current

3 themes we looked at:
1) Being very deliberate - deep dive into inputs
2) Wanted to focus on the impact to affordable housing
3) Taking a look at land values - that we are updating so we are assigning fees appropriately

New utility building is not considered General Government

Any thoughts on the 3 options?
Gerry Horak commented; more context would be helpful - stacking of fees - something that represents all of the fees and includes peer city data.
Tiana Smith responded; we have time scheduled to come back and review the cost stack in September.

Gerry Horak and Ross Cunniff commented; we need some more of the why;
Why are the fees going up /what are the specific drivers?
Mike Beckstead responded; we can add that.

Mayor Wade Troxell asked; why is the office / retail on the comparative slide so much higher?
Tiana Smith responded; we will look at that.

Mike Beckstead asked; any ideas on the thought of blending the two?
Ross Cunniff responded; I don't think we start there - construction costs - insured value is kind of a current practice.

Affordability
Darin Atteberry added; we will become more knowledgeable / objective and open about this as it becomes a big part of the dialog - the smarter we get on this topic - the better.
Talk with folks who do it for a living.

Next Step:
Will be back to CFC in October to report on outreach, fee refinements and address action items.
Council Adoption in November
January 1, 2017 implementation

C. Energy Efficiency Financing - Off Balance Sheet

Mike Beckstead, Chief Financial Officer
John Voss, Controller
John Phelan, Resource Conservation Manager

EXECUTIVE SUMMARY

The purpose of this item is to provide an update for transition planning of the capital funding for the Home Efficiency Loan Program (HELP).

Over 75 loans have been completed to date, used primarily for home efficiency upgrades and with a few solar and water projects. The energy loans, taken as a group, are estimated to be saving 10% of the carbon emissions of these homes. This equates to 1.2 tons avoided per household and 72 annual tons per year. The improvements are also providing utility bill savings, comfort improvements and health and safety benefits.

The approved outstanding loan balance of $1.6M is expected to be met in the 4th quarter of 2016. Staff is proposing to transition to a 3rd party loan model in partnership with Elevations Credit Union as quickly as possible. After demonstrating the interest and demand for home efficiency financing, the transition of the program to utilize 3rd party capital will allow for the scaling of the efficiency programs in alignment with the Energy Policy and Climate Action Plan.

GENERAL DIRECTION SOUGHT AND SPECIFIC QUESTIONS TO BE ANSWERED
Does Council have feedback regarding the proposed transition to provide capital funding and program administration through Elevations Credit Union for the Home Efficiency Loan Program?

Summary
Staff is proposing to establish a contractual agreement with Elevations Credit Union to partner on the provision of loans in support of the HELP. The agreement will include roles and responsibilities for the coordination of program processes between Elevations and Utilities, including the qualification of efficiency projects by Utilities, marketing and outreach and processes related to the loan loss reserve. The timeline of this effort is intended to provide for a transition without a gap in available funding for the HELP.

No formal action is required of Council in order to make this transition. Staff proposes to keep Council up to date with regular reporting.

John Phelan -
Elevations Credit Union was very responsive and currently provides similar loans in Boulder County –
Utilities would keep the eligibility and project measures
Servicing of these loans via utility billing
Easier for a credit union to offer this type of service - regulations are different

Since July of last year we have had a high pace of growth / participation

Ross Cunniff asked; what led to ramp up?
John Phelan responded; lower interest rates, a streamlined process and more outreach to contractors and customers.

3rd Party Financing
$1.6m in reserves will service 150 loans
$30-45m of capital required to hit target of 3,000-4,000 loans.

Inspection / approval
Ross Cunniff commented; We should split this off as a different program but not move the whole program. We should keep the loans that more traditional banks wouldn't be able to service.
Focus our program on the populations that are not able to other wise make improvements.
Label and market it differently but keep our current program in place to serve the underserviced.

Mike Beckstead commented; we started with let us make the loans and you keep it off of our balance sheet. Elevations Credit Union responded and they have an existing program. We have more detail to work through such as can we continue to service these as on-bill and do a monthly transfer.

John Phelan commented; regarding billing piece from a practicality perspective there are issues with having our billing system do that - potentially some legal implications in the cases of partial payment or non-payment. We are working with legal team on that question.

Mike Beckstead added; last piece is customer service - if you log on to Elevations website you can see complete detail; payment history, current balance etc. We cannot provide this level of information with our current systems.

Next Step: Staff will update Council on progress as needed.

Other Business:

Bond Financing Update
Completed auction on 8/2
Rate 1.61% - savings of $3.2m
There were 12- 13 bidders - tremendous interest
John Voss led the effort - documents signed at noon on August 15th - official closing
Ross Cunniff asked; given the level of enthusiasm, what other options do we have to do this same thing?
Mike Beckstead responded; we don't currently have any additional opportunities

Public Annual Financial Report (PAFR)
Distributed copies to Council Finance
Travis Storin and John led the effort to put this together
The PAFR is intended to provide a high level overview of the City's financial performance to the non-financial citizen. This report is in addition to the Comprehensive Annual Financial Report (CAFR) that is and will continue to be produced.
As much a marketing piece as financial -20 pages for non-financial types
Distributed to Council, Chamber of Commerce, DBA, Downtown Visitor's Bureau
Good vehicle to share; who is Fort Collins and our financially health
Submitted to GFOA – hoping to get same accreditation as CAFR (now on year 33 (check this…..sounds high I recall 28 or 29 years) of accreditation

Meeting adjourned at 11:27 am

COUNCIL FINANCE COMMITTEE
AGENDA ITEM SUMMARY

Staff: Josh Birks, Economic Health Office Director
Patrick Rowe, Redevelopment Program Coordinator

Date: September 19, 2016

SUBJECT FOR DISCUSSION Harmony and I-25 District Nos. 1-3 Service Plan

EXECUTIVE SUMMARY

The purpose of this item is to solicit Council Finance Committee input on the Harmony and I-25 District Nos. 1-3 Service Plan.

The intent of the proposed Harmony I-25 Metropolitan District Nos. 1-3 (jointly, the "Districts") is to provide public improvements that enable a 260 acre coordinated development project that will feature residential, retail, office, warehouse/flex space, and hotel components. The primary purpose of the Districts is to finance, construct, acquire, own, operate, and maintain those public improvements. This action establishes a preliminary framework service plan. **This approach provides limited authorization that allows the proposed Districts to move forward with a November ballot question, while preserving and calling for future review and consideration by the City.**

GENERAL DIRECTION SOUGHT AND SPECIFIC QUESTIONS TO BE ANSWERED

- Have we provided enough information for Council to make a determination on the proposed limited framework Harmony I-25 Service Plan?

BACKGROUND/DISCUSSION

Project Description

Post Modern Development (the "Developer") is in the early conceptual design stage of planning a large scale, coordinated, and phased development across a 260 acre site (the "Project"). The Project is located at the south-west corner of Harmony Road and I-25.

The development will include a variety of uses including residential, retail, office, warehouse/flex space, and hotel components. The Service Plan calls for the creation of three distinct districts for the purpose of phasing the project. The Districts are proposed primarily for the purpose of financing and constructing a variety of public improvements (specified below) that are necessary for the development of the site.

Service Plan Details:

- Proposed Improvements (all districts): Miscellaneous/Fill/Grading, Sanitary Sewer, Water Distribution, Storm Systems, Non-Potable Water, Streets, and Parks and Trail improvements.
- Estimated Cost of Improvements: $176,379,467 (District 1 $55,665,942; District 2 $54,209,092; District 3 $66,504,433).
- Proposed Land Use (Commercial/Residential): 63% of the project is proposed as commercial and 38% of the project is proposed as residential.

What is a Metropolitan District?
A metropolitan district (metro district) is a quasi-governmental entity and political subdivision of the state formed under Title 32 of the Colorado Revised Statutes. Metro districts are used to finance, construct, acquire, operate, and maintain public improvements. Often the public improvements are associated with a new development or a redevelopment project. Metro district financing is provided through its ability to levy property taxes and issue general obligation bonds (serviced through collected property taxes).

Formation of a metro district involves the following steps:
1. Municipal approval of a Service Plan at a Public Hearing.
2. Petition filed with District Court for an organizational (and TABOR – which may only occur at November general elections, or May elections of even years) election.
3. Upon a successful election, the District Court ratifies the formation.

City Metropolitan District Policy
On July 15th 2008, City Council adopted Resolution 2008-069, approving a Policy for Reviewing Proposed Service Plans for Title 32 Metropolitan Districts, (the "City Policy") setting forth criteria to be considered when a service plan is submitted for consideration (Attachment XX). As the policy states, it is "intended as a guide only … [and shall not] be construed to limit the discretion of City Council". Therefore, City Council can, at its discretion, approve a service plan that serves a purpose not anticipated by the City Policy.

The Developer has submitted a service plan for the District. The service plan provides a preliminary framework and limited authorization under which the District is authorized to proceed with additional organizational steps and a ballot question for this November's election. The District will have three years from approval of the service plan by City Council to prepare and obtain a service plan amendment. If the District does not successfully obtain a Service Plan Amendment, the City may opt to compel the District to dissolve by the remedies available to it under Section 31-7-701(3) C.R.S.

The City Policy contains a number of criteria for evaluating service plans. A full policy review of the Project will be conducted at the time of the service plan amendment. For the purpose of this limited service plan, the following policy criteria have been highlighted:

- **Development must be "predominantly commercial"; defined as no less than 90% non-residential.** The proposed Project is 63% commercial and 38% residential. This does not meet the standard set by the City Policy, but may be an appropriate mix for the project.
- **Max Mill Levy.** The current service plan does not authorize a mill levy. Any mill levy will require a service plan amendment that City council will consider for approval.
- **Max Debt Limit.** The current service plan does not authorize a mill levy. Any mill levy

will require a service plan amendment that City Council will consider for approval.

- **Multiple-District Structure.** The service plan specifies a three district structure for the purpose of phasing the Project, which is in keeping with the City Policy.

Unresolved Items / Additional Analysis to be Conducted at Service Plan Amendment

- **Land Use Compatibility**. Overall Development Plan and zoning level planning discussions should occur to ensure general Project compatibility.
- **Financial Review**. The City's independent consultant will conduct a full financial review of the proposal: assessing the need for public financing, the appropriateness of the proposed maximum mill levy and debt limit, and the underlying development assumptions and program (financial analysis based on submitted information is underway, but incomplete and will likely require further input from the applicant).
- **Engineering Review**. The City will also request a limited engineering review to confirm cost assumptions and overall feasibility from an engineering and constructability perspective (engineering review based on submitted information is underway, but incomplete and will likely require further input from the applicant).
- **Legal Review**. The City will provide a thorough legal review of the proposed service plan amendment, as was done for this proposed framework service plan.
- **Comprehensive City Policy Review (including staff assessment of public benefits)**. The City will provide a thorough review of the proposed service plan relative to the City's adopted policy concerning metropolitan districts, including a staff assessment of any public benefits from the proposed Districts.

District Limitations

Following approval and continuing until a service plan amendment is approved by City Council, the Districts will be limited to the following:

- It shall not undertake any activity except minimal administrative or ministerial activities required by state law to maintain the district.
- It shall not levy any tax or impose any fee.
- It shall not construct any public improvements.
- It shall not incur any debt.
- It shall not have the power of eminent domain without obtaining the prior written consent of City Council (note: this limitation will be carried forward with future service plan amendments).

The approval of the current form of the Service Plan does not obligate the City Council to approve the service plan amendment or any zoning, subdivision, planning, building permit or other land use matter for the owner of the real property within the District.

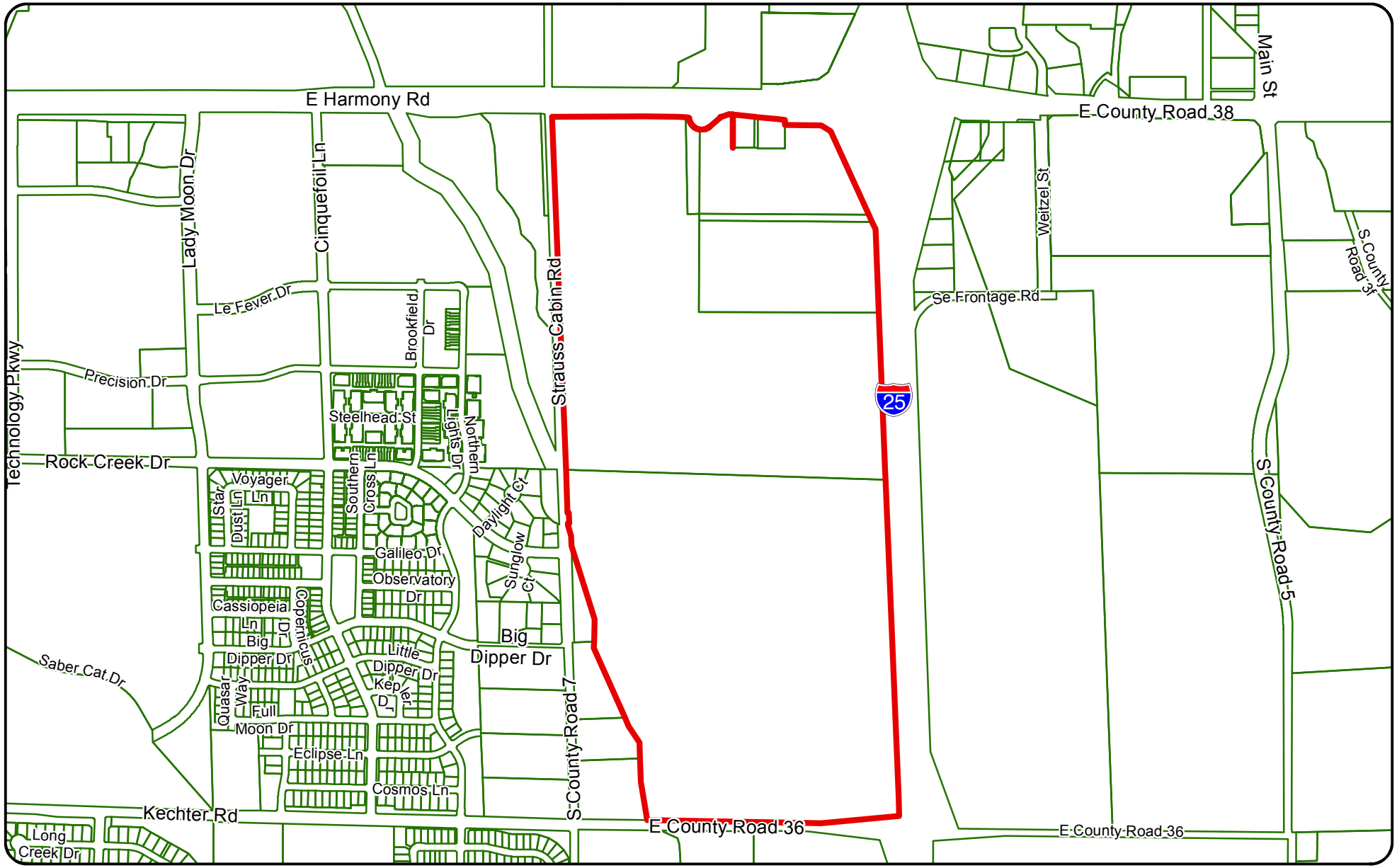
ATTACHMENTS

Location Map (Attachment 1)
Limited Framework Service Plan – Block 23 (Attachment 2)
City Metropolitan District Policy (Attachment 3)
Presentation (Attachment 4)

Harmony & I-25 Metropolitan District

City of Fort Collins

ATTACHMENT #1



CITY OF FORT COLLINS
GEOGRAPHIC INFORMATION SYSTEM MAP PRODUCTS

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N W E S

0 500 1,000 Feet

Site

Parcels

City of Fort Collins GIS

Printed: September 14, 2016

ATTACHMENT #2

CONSOLIDATED SERVICE PLAN

FOR

HARMONY I-25 METROPOLITAN DISTRICT NOS. 1-3

City of Fort Collins, Colorado

Prepared

by:

WHITE BEAR ANKELE TANAKA & WALDRON
2154 E. Commons Ave., Suite 200
Centennial, Colorado 80122

Submitted on
_____ __, 2016

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EXHIBIT A-1	Legal Description of Project Area Boundaries
EXHIBIT A-2	Legal Description of District No. 1
EXHIBIT A-3	Legal Description of District No. 2
EXHIBIT A-4	Legal Description of District No. 3
EXHIBIT B-1	Project Area Boundary Map
EXHIBIT B-2	District No. 1 Boundary Map
EXHIBIT B-3	District No. 2 Boundary Map
EXHIBIT B-4	District No. 3 Boundary Map
EXHIBIT C	Vicinity Map

I. INTRODUCTION

A. General Overview.

The Districts, which are intended to be independent units of local government separate and distinct from the City, are governed by this Service Plan which has been prepared in general accordance with the City Policy.. The Districts are needed to provide Public Improvements to the Project for the benefit of property owners within the Districts and other local development, and will result in enhanced benefits to existing and future business owners and residents of the City. The primary purpose of the Districts will be to finance the construction of these Public Improvements.

The Districts are being organized under a multiple-district structure. This Project has significant obstacles to overcome that necessitate phasing made possible through the formation of multiple districts. Initially, the presence of the Poudre River Flood Plain, which covers the eastern half of the site, will partially delay development until a suitable solution is found. Further, a significant portion of the site is comprised of ground water ponds as a result of gravel mining. Filling these ponds will be a substantial undertaking. Development of a site with considerable land use issues further highlights the importance of coordinated and phased development.

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As this Project includes over 260 acres of mixed-use products, it is anticipated to be built over an extended period of time, which will allow for a phased absorption of the Project and corresponding Public Improvements. Additionally, such structure assures proper coordination of the powers and authorities of the independent Districts and avoids confusion regarding the separate, but coordinated, purposes of the Districts that could arise if separate service plans were used. Under such structure, District No. 1, as a service and a financing district, is responsible for managing the construction and operation of the facilities and improvements needed for the Project, as well as contributing to the tax base needed to support the Financial Plan for capital improvements. District No. 2 and District No. 3, as the financing districts, are responsible for providing additional funding and tax base needed to support the Financial Plan for capital improvements. A multiple-district structure that features the operation of District No. 1, in part as the service district which owns and operates the public facilities throughout the Project, and the operation of District No. 1, District No. 2 and District No. 3, as financing districts that will generate the tax revenue sufficient to pay the costs of the capital improvements, is a configuration that will create several benefits. These benefits include, *inter alia*: (1) coordinated administration of construction and operation of Public Improvements, and delivery of those improvements in a timely manner; (2) maintenance of equitable mill levies and reasonable tax burdens on all similarly-situated areas of the Project through proper management of the financing and operation of the Public Improvements; and (3) assured compliance with state laws regarding taxation in a manner which permits the issuance of tax exempt Debt at the most favorable interest rates possible.

Currently, development of the Project is anticipated to proceed in phases. Each phase will require the extension of public services and facilities. The multiple district structure will assure that the construction and initial operation of each phase is primarily administered by a single board of directors consistent with a long-term construction and operations program. Use of

District No. 1 as the entity responsible for construction of each phase of the Public Improvements and for management of operations will facilitate a well-planned financing effort through all phases of construction and will assist in assuring coordinated extension of services.

The multiple district structure will also help assure that Public Improvements will be provided when they are needed, and not sooner. Appropriate development agreements between District No. 1 and the Developer of the Project will allow the postponement of financing for improvements which may not be needed until well into the future, thereby helping property owners avoid the long-term carrying costs associated with financing improvements too early. This, in turn, allows the full costs of Public Improvements to be allocated over the full build-out of the Project and helps avoid disproportionate cost burdens being imposed on the early phases of development.

Allocation of the responsibility for paying Debt for Public Improvements and capital costs will be managed through development of a unified financing plan for those improvements and through development of an integrated operating plan for long-term operations and maintenance. Use of District No. 1 as the service district, to manage these functions, will help assure that the phasing of the Public Improvements will occur as logical and necessary as to conform to development plans approved by the City and will help maintain reasonably uniform mill levies and fee structures throughout the coordinated construction, installation, acquisition, financing and operation of Public Improvements throughout the Project. Intergovernmental agreements among the Districts will assure that the roles and responsibilities of each District are clear in this coordinated development and financing plan.

This Service Plan provides a preliminary framework and limited authorization under which the Districts are authorized to proceed with an Organizational Election. Notwithstanding any provisions to the contrary contained herein, following the entry of court orders formally decreeing the Districts organized, and continuing until a Service Plan Amendment is approved by the City Council, the Districts shall not undertake any activity except minimal administrative or ministerial activities required by State law to maintain the Districts as lawfully existing political subdivisions of the State unless or until a Service Plan Amendment is approved by the City Council, in its sole discretion. Without limiting the generality of the foregoing, the Districts shall not levy any tax, impose any fee, construct any Public Improvements, enter into any contracts or agreements for the construction of any Public Improvements or for the procurement or provision of services or tangible property, or incur any Debt until the Service Plan Amendment is approved. The approval of this Service Plan does not obligate the City Council to approve the Service Plan Amendment or any zoning, subdivision, planning, building permit or other land use matter for the owners of the real property within the District. Any modification to the provisions of this paragraph shall be deemed to be material modifications to this Service Plan and shall require prior written approval by the City Council.

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B. Purpose and Intent.

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The Districts, which shall be independent units of local government separate and distinct from the City, is governed by this Service Plan. The Districts are needed to provide Public Improvements to the Project for the benefit of property owners and taxpayers within the Districts, and through its formation, will result in enhanced benefits to existing and future

business owners and/or residents of the City. The primary purposes of the Districts will be to finance, construct, acquire, own, operate and maintain the Public Improvements.

This Service Plan is submitted in accordance with Part 2 of the Special District Act, Section 32-1-201, *et seq.*, C.R.S. It defines the powers and authorities of the Districts and describes the limitations and restrictions placed thereon. The information provided in this Service Plan is preliminary in nature and subject to change as development within the Project evolves. As plans for development are refined and finalized, the same shall be included as part of an Approved Development Plan and related Infrastructure Preliminary Development Plan.

C. Need for the District.

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There are currently no other governmental entities, including the City, located in the immediate vicinity of the Districts that, at this time, can financially undertake the planning, design, acquisition, construction, installation, relocation, redevelopment, and financing of the Public Improvements needed for the Project. Formation of the Districts is therefore necessary in order for the Public Improvements required for the Project to be provided in the most economic manner possible.

D. Objective of the City Regarding District's Service Plan; Approval of Service Plan Amendment.

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The City's objective in approving the Service Plan for the Districts is to authorize the Districts to provide for the planning, design, acquisition, construction, installation, relocation and redevelopment of the Public Improvements from the proceeds of Debt to be issued by the Districts. A Financial Plan, which describes the Debt anticipated to be issued by the Districts, shall be submitted to the City as part of the Service Plan Amendment, as shall an Infrastructure Preliminary Development Plan. The City shall, under no circumstances, be responsible for the Debts of the Districts and the City's approval of this Service Plan shall in no way be interpreted as an agreement, whether tacit or otherwise, to be financially responsible for the Debt of the Districts or the construction of Public Improvements.

The City's approval of this Service Plan shall, under no circumstances, be interpreted as an agreement by the City that it will approve the Service Plan Amendment or that any particular provisions set forth in this Service Plan will be approved by the City in the Service Plan Amendment. The City's objective in approving this Service Plan is to allow the proposed Districts to proceed with the Organizational Election.

This Service Plan is intended to establish limitations applicable to the Districts and explicit financial constraints that are not to be violated under any circumstances. The primary purpose is to provide for the Public Improvements associated with the Project and regional improvements as necessary.

II. DEFINITIONS

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In this Service Plan, the following terms which appear in a capitalized format herein shall have the meanings indicated below, unless the context hereof clearly requires otherwise:

Approved Development Plan(s): means an Overall Development Plan ("ODP") as set forth in Section 2.3 of the City of Fort Collins Land Use Code, as amended pursuant to the City Code from time to time, which must include sufficient detail regarding Public Improvements necessary for facilitating development of one or more phases of the Project under the ODP and generally within the Service Area. It is anticipated that there may be multiple Overall Development Plans related to this Project.

Board or Boards: means the Board of Directors of any of the Districts, or the boards of directors of all of the Districts, in the aggregate.

Bond, Bonds or Debt: means bonds or other financial obligations for which a District has promised to impose an ad valorem property tax mill levy, and other legally available revenue, for payment. Such terms do not include intergovernmental agreements pledging the collection and payment of property taxes in connection with a service district and taxing district(s) structure, if applicable, and other contracts through which a District procures or provides services or tangible property.

City: means the City of Fort Collins, Colorado.

City Code: means the Code of the City of Fort Collins, the Fort Collins Land Use Code, and any regulations, rules, or policies promulgated thereunder, as the same may be amended from time to time.

City Council: means the City Council of the City of Fort Collins, Colorado.

Developer: means Harmony 25, LLC, a Colorado limited liability company and Harmony – McMurray, LLC.

District: means Harmony I-25 Metropolitan District No. 1, Harmony I-25 Metropolitan District No. 2, or Harmony I-25 Metropolitan District No. 3 individually.

District No. 1: means Harmony I-25 Metropolitan District No. 1.

District No. 2: means Harmony I-25 Metropolitan District No. 2.

District No. 3: means Harmony I-25 Metropolitan District No. 3.

Districts: means Harmony I-25 Metropolitan District No. 1, Harmony I-25 Metropolitan District No. 2, and Harmony I-25 Metropolitan District No. 3, collectively.

District Organization Date: means the date the order and decree for organization issued by the Larimer County District Court as required by law for the District or Districts is recorded with the Larimer County Clerk and Recorder.

External Financial Advisor: means a consultant that: (1) is qualified to advise Colorado governmental entities on matters relating to the issuance of securities by Colorado governmental entities including matters such as the pricing, sales and marketing of such securities and the procuring of bond ratings, credit enhancement and insurance in respect of such securities; (2)

shall be an underwriter, investment banker, or individual listed as a public finance advisor in the Bond Buyer's Municipal Market Place or, in the City's sole discretion, other recognized publication as a provider of financial projections; and (3) is not an officer, agent or employee of the Districts.

Financial Plan: means a Financial Plan, as the same is described in Section VI and which shall be included within the Service Plan Amendment. The Financial Plan shall be prepared by an External Financial Advisor or shall be accompanied by a letter of support from an External Financial Advisor. The Financial Plan shall describe (a) how the Public Improvements are to be financed; (b) how the Debt is expected to be incurred; and (c) the estimated operating revenue derived from property taxes for the first budget year through the year in which all District Debt is expected to be paid or defeased. This Financial Plan is intended to represent only one example of debt issuance and financing structure of the District, any variations or adjustments in the timing or implementation thereof shall not be interpreted as material modifications to this Service Plan.

Infrastructure Preliminary Development Plan(s): means the Infrastructure Preliminary Development Plans related to Public Improvements necessary for facilitating development of property in any Approved Development Plan and generally within the Service Area and as described in Section V.B., and which shall be included as part of the Service Plan Amendment. The Infrastructure Preliminary Development Plan shall include: (a) a preliminary list of the Public Improvements to be developed by the District; (b) an estimate of the cost of the Public Improvements; and (c) the map or maps showing the approximate location(s) of the Public Improvements. The Districts' implementation of this Infrastructure Preliminary Development Plan is subject to the Approved Development Plan and any change conditioned upon various external factors including, but not limited to, site conditions, engineering requirements, City, county or state requirements, land use conditions, and zoning limitations.

Maximum Debt Service Mill Levy: means the maximum mill levy the Districts are permitted to impose upon the taxable property within the Districts for payment of Debt, which shall be included in the Service Plan Amendment.

Maximum Debt Authorization: means the total Debt the Districts are permitted to issue, which shall be included in the Service Plan Amendment.

Maximum Debt Maturity Term: means the maximum term for a District Debt issuance, which shall be included in the Service Plan Amendment.

Organizational Election: means the initial election at which the Districts' organization, the initial slate of directors and associated terms of office for each director and debt and taxing authorization is voted upon pursuant to the requirements of TABOR.

Project: means the development or property commonly referred to as Harmony I-25.

Project Area Boundaries: means the boundaries of the area described in the Project Area Boundary Map and the legal description attached hereto as Exhibit A-1.

Project Area Boundary Map: means the map attached hereto as Exhibit B-1, describing the overall property that incorporates the Project.

Public Improvements: means a part or all of the improvements authorized to be planned, designed, acquired, constructed, installed, relocated, redeveloped and financed, specifically including related eligible costs for acquisition and administration, as authorized by the Special District Act, except as specifically limited in Section V below, to serve the future taxpayers and property owners of the Service Area as determined by the Board of the Districts in its discretion.

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Service Area: means the property within the Project Area Boundary Map after such property has been included within the Districts.

Service Plan: means this service plan for the Districts approved by the City Council, as the same may be amended from time to time, specifically including the Service Plan Amendment.

Service Plan Amendment: means an Amended and Restated Service Plan approved by the City Council, in its sole discretion, in accordance with applicable state law, the City Charter and City Code.

Special District Act or Act: means Article 1 of Title 32 of the Colorado Revised Statutes, as amended from time to time.

State: means the State of Colorado.

TABOR: means Article X, Section 20 of the Constitution of the State.

Vicinity Map: means a map of the regional area surrounding the Project, as attached hereto at Exhibit C.

III. BOUNDARIES

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The Project Area Boundaries includes approximately 261.33 acres. A legal description of the Project Area Boundaries is attached as Exhibit A-1. The Project Area Boundaries are divided into three (3) separate and distinct Districts (District No. 1, District No. 2, and District No. 3), legal descriptions for which are attached hereto as Exhibits A-2, A-3, and A-4. A Project Area Boundary Map is attached hereto as Exhibit B-1, and maps of District No.1, District No. 2, and District No. 3 are included as Exhibits B-2, B-3, and B-4, respectively. Finally, a Vicinity Map is attached hereto as Exhibit C. It is anticipated that the Districts' Boundaries may change from time to time as they undergo inclusions and exclusions pursuant to Section 32-1-401, et seq., C.R.S., and Section 32-1-501, et seq., C.R.S., ~~provided that any such inclusions or exclusions shall require the prior written approval of City Council~~subject to the limitations set forth in Article V below.

IV. PROPOSED LAND USE AND ASSESSED VALUATION

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The Service Area consists of approximately Two Million (2,000,000) square feet of commercial ~~land~~space. The Service Area further consists of approximately One Million Two Hundred Thousand (1,200,000) square feet of residential ~~land~~space. The current assessed valuation of the Service Area is approximately zero ($0.00) dollars for purposes of service plan

financial forecasting, and, at build out, is expected to be Two-Hundred Forty-One Million Twenty-Seven Thousand Eight-Hundred and Forty Dollars ($241,027,840).

Approval of this Service Plan by the City does not imply approval of the development of a specific area within the Districts, nor does it imply approval of the total site/floor area of commercial buildings or space which may be identified in this Service Plan or any of the exhibits attached thereto or any of the Public Improvements, unless the same is contained within an Approved Development Plan.

V. DESCRIPTION OF PROPOSED POWERS, IMPROVEMENTS AND SERVICES

A. Powers of the Districts and Service Plan Amendment.

Only after approval of the Service Plan Amendment shall the Districts have the power and authority to acquire, construct, install and operate and maintain the Public Improvements within and without the boundaries of the Districts as such power and authority is described in the Act, and other applicable statutes, common law and the State Constitution, subject to the limitations set forth herein.

If, after the Service Plan is approved, the State Legislature includes additional powers or grants new or broader powers for Title 32 districts by amendment of the Special District Act or otherwise, any or all such powers shall be deemed to be a part hereof and available to or exercised by the Districts. Such additional powers granted by the State shall not constitute a material modification of this Service Plan.~~As required by the City Code, the Service Plan Amendment must specifically enumerate and describe all powers the Districts will have hereunder as authorized in the Special District Act.~~

1. Operations and Maintenance. The purpose of the Districts is to plan for, design, acquire, construct, install, relocate, redevelop and finance the Public Improvements. The Districts shall dedicate the Public Improvements to the City or other appropriate jurisdiction or owners association in a manner consistent with the Approved Development Plan(s) and applicable provisions of the City Code. Those improvements that are not dedicated to the City or other appropriate jurisdiction or owners association may be maintained by the Districts.

2. Development Standards. The Districts will ensure that the Public Improvements are designed and constructed in accordance with the standards and specifications of the City, including the City Code and Approved Development Plan(s), and of other governmental entities having proper jurisdiction, as applicable. The District, directly or indirectly through the Developer, will obtain the City's approval of civil engineering plans and will obtain applicable permits for construction and installation of Public Improvements prior to performing such work..

3. Privately Placed Debt Limitation. Prior to the issuance of any privately placed Debt, the Districts shall obtain the certification of an External Financial Advisor substantially as follows:

> We are [I am] an External Financial Advisor within the meaning of the District's Service Plan.

We [I] certify that (1) the net effective interest rate (calculated as defined in Section 32-1-103(12), C.R.S.) to be borne by the District for the [insert the designation of the Debt] does not exceed a reasonable current [tax-exempt] [taxable] interest rate, using criteria deemed appropriate by us [me] and based upon our [my] analysis of comparable high yield securities; and (2) the structure of [insert designation of the Debt], including maturities and early redemption provisions, is reasonable considering the financial circumstances of the District.

4. Inclusion and Exclusion Limitation. The Districts shall be entitled to include within their boundaries any property within the Project Area Boundaries without prior approval of the City Council. The Districts shall also be entitled to exclude from their boundaries any property within the Project Area Boundaries so far as, within a reasonable time thereafter, the property is included within the boundaries of another District. All other Inclusions or exclusions shall require the prior approval of the City Council by written agreement with the District and, if approved, shall not constitute a material modification of this Service Plan

4.5. Maximum Debt Authorization. The amount of Debt authorized for issuance by the Districts (the "Maximum Debt Authorization") shall be set forth in the Service Plan Amendment. The District shall not issue or incur any Debt prior to the approval of a Service Plan Amendment.

~~5.~~6. Monies from Other Governmental Sources. The District shall not apply for, or accept, Conservation Trust Funds, Great Outdoors Colorado Funds, or other funds available from or through governmental or non-profit entities which the City is eligible to apply for, except pursuant to an intergovernmental agreement with the City. This Section shall not apply to specific ownership taxes which shall be distributed to and a revenue source for the Districts.

6.7. Consolidation Limitation. The Districts shall not file a request with any Court to consolidate with another Title 32 district without the prior written consent of the City Council.

7.8. Eminent Domain Limitation. The Districts shall not exercise its statutory power of eminent domain without first obtaining the prior written consent of theCity Council, which will only be allowed to facilitate the construction of Public Improvements pertinent to the Project. This restriction on the Eminent Domain power by the Districts is being exercised voluntarily and shall not be interpreted in any way as a limitation on the District's sovereign powers and shall not negatively affect the District's status as a political subdivision of the State of Colorado as allowed by Article 1, Title 32, Colorado Revised Statutes.

8.9. Service Plan Amendment. This Service Plan is general in nature and does not include specific detail in some instances because development plans have not been finalized. After the approval of the initial Approved Development Plan and upon application from the Districts, the City agrees to timely consider a Service Plan Amendment in accordance with the Special District Act, provided that the City Council shall be under no obligation to approve a

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Service Plan Amendment or to include any particular provisions in any Service Plan Amendment so approved. Any action of the Districts which violates the limitations set forth in this Service Plan shall be deemed to be a material modification to this Service Plan unless otherwise agreed by the City as provided for in Section IX of this Service Plan or otherwise expressly provided herein.

B. Infrastructure Preliminary Development Plan.

The current estimated costs of the Public Improvements are expected to be substantial and will be based upon requirements set forth in any Infrastructure Preliminary Development Plan. The Districts shall have authority to provide for the planning, design, acquisition, construction, installation, relocation, redevelopment, maintenance, and financing of the Public Improvements within and without the boundaries of the District, as the same are more specifically defined in any Infrastructure Preliminary Development Plan. The Infrastructure Preliminary Development Plan, including: (1) a list of the Public Improvements to be developed by the District; (2) an estimate of the cost of the Public Improvements; and (3) maps showing the approximate locations of the Public Improvements shall be consistent with any related Approved Development Plan and included as part of the Service Plan Amendment.

All of the Public Improvements will be designed in such a way as to ensure that the standards will be consistent with or exceed the standards of the City and shall be in accordance with the requirements of any related Approved Development Plan.

VI. FINANCIAL PLAN

A. General.

The Districts shall be authorized to provide for the planning, design, acquisition, construction, installation, relocation and/or redevelopment of the Public Improvements from its revenues and by and through the proceeds of Debt to be issued by the District, provided however, that the Districts shall not be authorized to issue any Debt until the time that the Service Plan Amendment is approved, in the City Council's sole discretion.

B. Elections.

The Districts will call an Organizational Election on the questions of organizing the Districts for an election to be held on November 8, 2016, electing the initial Board, and setting in place financial authorizations as required by TABOR. The election will be conducted as required by law.

VII. ANNUAL REPORT

A. General.

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The Districts shall be responsible for submitting an annual report with the City's Clerk not later than September 1st of each year for the year ending the preceding December 31 following the year of the Districts' Organization Date. The City may, in its sole discretion, waive this requirement in whole or in part.

B. Reporting of Significant Events.

Unless waived by the City, the annual report shall include the following:

1. A narrative summary of the progress of the Districts in implementing its service plan for the report year; and

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2. Except when exemption from audit has been granted for the report year under the Local Government Audit Law, the audited financial statements of the Districts for the report year including a statement of financial condition (i.e., balance sheet) as of December 31 of the report year and the statement of operations (i.e., revenues and expenditures) for the report year; and

3. Any other information deemed relevant by the City Council or deemed reasonably necessary by the City's Manager.

In the event the annual report is not timely received by the City's Clerk or is not fully responsive, notice of such default may be given to the Board of the District, at its last known address. The failure of the Districts to file the annual report within forty-five (45) days of the mailing of such default notice by the City's Clerk may constitute a material modification, at the discretion of the City.

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VIII. DISSOLUTION

If proceedings for an initial Service Plan Amendment, as contemplated herein, have not been ~~completed~~ initiated within three ~~-~~years from the date upon which this Service Plan was approved by the City Council, the City may opt to pursue the remedies available to it under Section 32-1-701(3) C.R.S., in order to compel the Districts to dissolve in a prompt and orderly manner. In such an event: 1) the limited purposes and powers of the Districts, as authorized herein, shall automatically terminate and be expressly limited to taking only those actions that are reasonably necessary to dissolve; 2) the Board of Directors will be deemed to have agreed with the City regarding its dissolution without an election pursuant to §32-1-704(3)(b), C.R.S.; and 3) the Districts shall take no action to contest or impede the dissolution of the Districts and shall affirmatively and diligently cooperate in securing the final dissolution of the Districts, and 4) subject to the statutory requirements of the Act, the Districts shall thereupon dissolve.

Upon an independent determination of the City Council that the purposes for which the Districts were created have been accomplished, the Districts agree to file a petition in Larimer County District Court for dissolution, pursuant to the applicable State statutes. In no event shall dissolution occur until the Districts have provided for the payment or discharge of all of its outstanding indebtedness and other financial obligations as required pursuant to State statutes, including operation and maintenance activities.

IX. MATERIAL MODIFICATIONS

Material modifications to this Service Plan may be made only in accordance with Section 32-1-207, C.R.S.

Departures from the Service Plan that constitute a material modification include without limitation:

~~1.~~ Actions or failures to act that create greater financial risk or burden;

~~2. and~~

1.

2. Performance of a service or function or acquisition of a major facility that is not closely related to a service, function or facility authorized in the Service Plan; and

3. Any other action or modification that is identified in this Service Plan as a material modification

X. SANCTIONS.

Should any of the Districts undertake any act prohibited under this Service Plan or fail to act as required by this Service Plan, and such act or failure to act ~~shall~~ constitutes a material modification to the Service Plan as set forth in §32-1-207, C.R.S., ~~and, as a result,~~ the City may impose one (1) or more of the following sanctions, as it deems appropriate**:**

1. Exercise any applicable remedy under the Act;

~~2. Withhold the issuance of any City permit, authorization, acceptance or other administrative approval, or withhold any cooperation, necessary for the Districts' development or construction or operation of improvements or provisions of services;~~

~~3.~~2. Exercise any legal remedy under the terms of any intergovernmental agreement under which the District is in default; or

~~4.~~3. Exercise any other legal remedy, including seeking injunctive relief against the District, to ensure compliance with the provisions of the Service Plan or applicable law.

XI. CONCLUSION

It is submitted that this Service Plan for the Districts, as required by Section 32-1-203(2), establishes that:

1. There is sufficient existing and projected need for organized service in the area to be serviced by the Districts;

2. The existing service in the area to be served by the Districts is inadequate for present and projected needs;

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3. The Districts are capable of providing economical and sufficient service to the area within their proposed boundaries; and

4. The area to be included in the Districts has, or will have, the financial ability to discharge the proposed indebtedness on a reasonable basis.

XII. RESOLUTION OF APPROVAL

The Districts agree to incorporate the City Council's resolution of approval, including any conditions on any such approval, into the Service Plan presented to the District Court for and in Larimer County, Colorado.

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EXHIBIT A-1

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Harmony I-25 Metropolitan District Nos. 1–3
Legal Description of Project Area Boundaries

EXHIBIT A-2

Harmony I-25 Metropolitan District No. 1
Legal Description

EXHIBIT A-3

Harmony I-25 Metropolitan District No. 2
Legal Description

EXHIBIT A-4

Harmony I-25 Metropolitan District No. 3
Legal Description

EXHIBIT B-1

Harmony I-25 Metropolitan District Nos. 1–3
Project Area Boundary Map

EXHIBIT B-2

Harmony I-25 Metropolitan District No. 1
Map

EXHIBIT B-3

Harmony I-25 Metropolitan District No. 2
Map

EXHIBIT B-4

Harmony I-25 Metropolitan District No. 3
Map

EXHIBIT C

Vicinity Map

ATTACHMENT #2

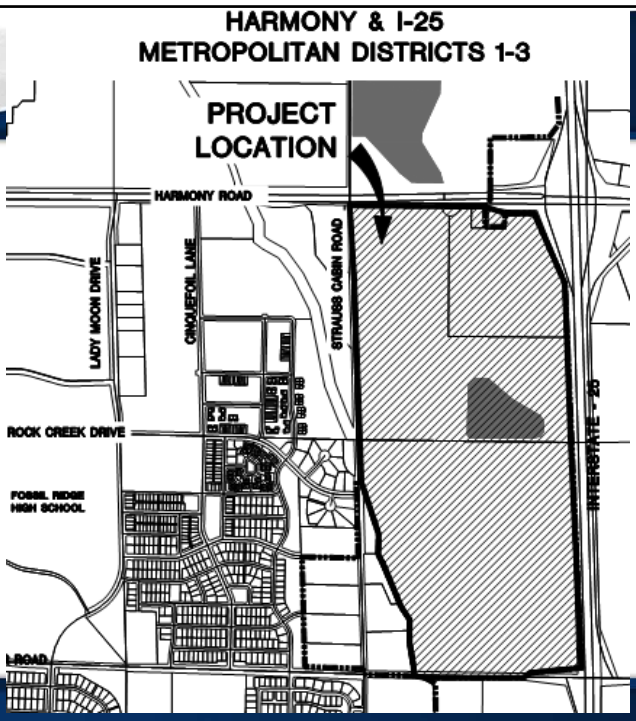
City of Fort Collins

Harmony I-25 – Council Finance Input

Have we provided enough information for Council to make a determination on the proposed <u>limited</u> Harmony I-25 Service Plan?

2

Location Map



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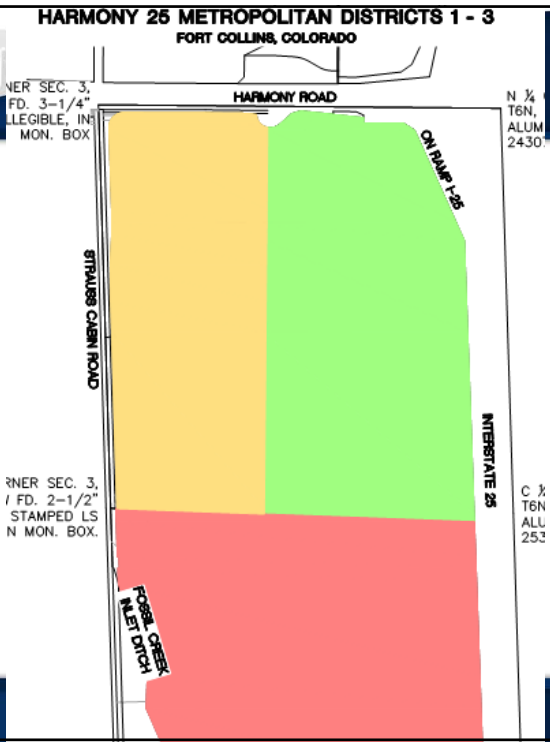
H25 Development Proposal

- 7-story mixed-use structure and parking structure (500 spaces).
- Retail, office, and residential uses.

4

City of Fort Collins

Site Map



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City of Fort Collins

H25 Service Plan

- Proposed Improvements (all districts): Miscellaneous/Fill/Grading, Sanitary Sewer, Water Distribution, Storm Systems, Non-Potable Water, Streets, and Parks and Trail improvements.
- Estimated Cost of Improvements: $176,379,467 (District 1 $55,665,942; District 2 $54,209,092; District 3 $66,504,433).
- Proposed Land Use (Commercial/Residential):
  - 63% commercial
  - 38% residential

6

Limited Authorization

Limited service plan:

- Not levy any tax or impose any fee.
- Not incur any debt.
- Not construct any Public Improvements.
- No activity except minimal administrative activities.
- Requires amendment within 3-years

…to allow plans to develop and unresolved questions to be addressed.

7

Next Steps

September 27th City Council consideration of limited framework service plan.

If approved…

- Land Use Compatibility Dialogue / Plans Maturity.
- Financial Review.
- Engineering Review.
- Legal Review.
- Comprehensive City Policy Review (including staff assessment of public benefits).

8

H25 – Council Finance Input

Have we provided enough information for Council to make a determination on the proposed limited H25 Service Plan?

9

Questions?

10

11

City of Fort Collins

What is a Metropolitan District?

- Quasi-Governmental entity with the authority to levy property taxes, issue debt, and fees/charges for services.
- Many uses, including construction and financing of public improvements.

12

What is a Metropolitan District?

Formation Steps:

- Service Plan Approval (City's role)
- Petition for organization filed with district court
- Organization election (and TABOR election – November, or May of even years)

Governance: Independent board.

13

COUNCIL FINANCE COMMITTEE
AGENDA ITEM SUMMARY

Staff: Josh Birks, Economic Health Office Director
Patrick Rowe, Redevelopment Program Coordinator

Date: September 19, 2016

SUBJECT FOR DISCUSSION Block 23 Metropolitan District Nos. 1 and 2 Service Plan

EXECUTIVE SUMMARY

The purpose of this item is to solicit Council Finance Committee input on the Block 23 Metropolitan District Nos. 1 and 2 Service Plan.

The intent of the proposed Block 23 Metropolitan District Nos. 1 and 2 (jointly, the "Districts") is to provide public improvements (primarily a parking structure) that facilitates and makes possible a mixed-use project on Block 23 generally in keeping with planning and community objectives for a development in downtown Fort Collins. The primary purpose of the Districts is to finance, construct, acquire, own, operate, and maintain those public improvements. This action establishes a preliminary framework service plan. **This approach provides limited authorization that allows the proposed Districts to move forward with a November ballot question, while preserving and calling for future review and consideration by the City**.

GENERAL DIRECTION SOUGHT AND SPECIFIC QUESTIONS TO BE ANSWERED

- Have we provided enough information for Council to make a determination on the proposed limited framework Block 23 Service Plan?

BACKGROUND/DISCUSSION

Project Description

Post Modern Development (the "Developer") is in the early stages of planning a mixed-use development on Block 23 in Downtown Fort Collins (the "Project"). Block 23 is located immediately north of the City's Planning and Building offices at 281 N. College Ave. The Project property spans approximately three quarters of block 23 and generally encompasses the entire block with the exception of the existing Old Town Flats project.

The development will include retail, office and residential components. As proposed at this early stage, the Project will include a seven (7) story mixed-use structure as well as a parking structure.

The Service Plan calls for the creation of two distinct districts for the purpose of distributing the costs associated with the public improvements between the residential and commercial components of the Project. The Districts are proposed primarily for the purpose of financing and constructing the parking structure, though the service plan includes other public improvements as well.

The parking structure is proposed to accommodate approximately 500 spaces, 250 of which are potentially available to the City for lease or purchase at commercially reasonable terms for parking. The remaining 250 spaces will be retained for the development's use.

Service Plan Details:

- Proposed Improvements (both districts): Potable water, Sewer, Storm Systems, Streets, Parking Structure, and Parks and Trail improvements.
- Estimated Cost of Improvements: $15,012,000 ($10,000,000 of which is estimated for a parking structure; after removing contingency, engineering, etc., the parking structure represents 90% of the estimated costs).
- Proposed Land Use (Commercial/Residential): 60.1% of the project is proposed as commercial and 39.9% of the project is proposed as residential.

What is a Metropolitan District?

A metropolitan district (metro district) is a quasi-governmental entity and political subdivision of the state formed under Title 32 of the Colorado Revised Statutes. Metro districts are used to finance, construct, acquire, operate, and maintain public improvements. Often the public improvements are associated with a new development or a redevelopment project. Metro district financing is provided through its ability to levy property taxes and issue general obligation bonds (serviced through collected property taxes).

Formation of a metro district involves the following steps:

1. Municipal approval of a Service Plan at a Public Hearing.
2. Petition filed with District Court for an organizational (and TABOR – which may only occur at November general elections, or May elections of even years) election.
3. Upon a successful election, the District Court ratifies the formation.

City Metropolitan District Policy

On July 15th 2008, City Council adopted Resolution 2008-069, approving a Policy for Reviewing Proposed Service Plans for Title 32 Metropolitan Districts, (the "City Policy") setting forth criteria to be considered when a service plan is submitted for consideration (Attachment XX). As the policy states, it is "intended as a guide only … [and shall not] be construed to limit the discretion of City Council". Therefore, City Council can, at its discretion, approve a service plan that serves a purpose not anticipated by the City Policy.

The Developer has submitted a service plan for the District. The service plan provides a preliminary framework and limited authorization under which the District is authorized to proceed with additional organizational steps and a ballot question for this November's election. The District will have three years from approval of the service plan by City Council to prepare and obtain a service plan amendment. If the District does not successfully obtain a Service Plan Amendment, the City may opt to compel the District to dissolve by the remedies available to it under Section 31-7-701(3) C.R.S.

The City Policy contains a number of criteria for evaluating service plans. A full policy review of the Project will be conducted at the time of the service plan amendment. For the purpose of this limited service plan, the following policy criteria have been highlighted:

- **Development must be "predominantly commercial"; defined as no less than 90% non-residential.** The development as proposed is 60.1% commercial and 39.9% residential. This does not meet the standard set by the City Policy, but is generally consistent with the type of development desired for downtown.
- **Max Mill Levy.** The current service plan does not authorize a mill levy. Any mill levy will require a service plan amendment that City Council will consider for approval.
- **Max Debt Limit.** The current service plan does not authorize a max debt limit. Any debt limit authorization will require a service plan amendment that City Council will consider for approval.
- **Multiple-District Structure.** The service plan specifies a two district structure for the purpose of equitably allocating costs between the residential and commercial components of the project.

Unresolved Items / Additional Analysis to be Conducted at Service Plan Amendment

- **Public Parking**. The applicant has indicated approximately 250 parking spaces may be available to the City for lease or purchase at commercially reasonable terms. To engage with the Developer on parking, the City must evaluate its parking needs at this particular location relative to parking plans and demand. Assuming parking needs are confirmed at this location, the City will need to assess the availability and strategy to underwrite the parking for lease or purchase.
- **Maturity of Plans**. To better understand and communicate the development project and potential resulting public benefits, staff recommends a further maturing of the development plans and additional City Planning Department conversations on the proposed development.
- **Financial Review**. The City's independent consultant will conduct a full financial review of the proposal: assessing the need for public financing, the appropriateness of the proposed maximum mill levy and debt limit, and the underlying development assumptions and program (financial analysis based on submitted information is underway, but incomplete and will likely require further input from the applicant).
- **Engineering Review**. The City will also request a limited engineering review to confirm cost assumptions and overall feasibility from an engineering and constructability perspective (engineering review based on submitted information is underway, but incomplete and will likely require further input from the applicant).
- **Legal Review**. The City will provide a thorough legal review of the proposed service plan amendment, as was done for this proposed framework service plan.
- **Comprehensive City Policy Review (including staff assessment of public benefits)**. The City will provide a thorough review of the proposed service plan relative to the City's adopted policy concerning metropolitan districts, including a staff assessment of any public benefits from the proposed Districts.

District Limitations

Following approval and continuing until a service plan amendment is approved by City Council, the Districts will be limited to the following:

- It shall not undertake any activity except minimal administrative or ministerial activities required by state law to maintain the district.
- It shall not levy any tax or impose any fee.
- It shall not construct any public improvements.
- It shall not incur any debt.
- It shall not have the power of eminent domain without obtaining the prior written consent of City Council (note: this limitation will be carried forward with future service plan amendments).

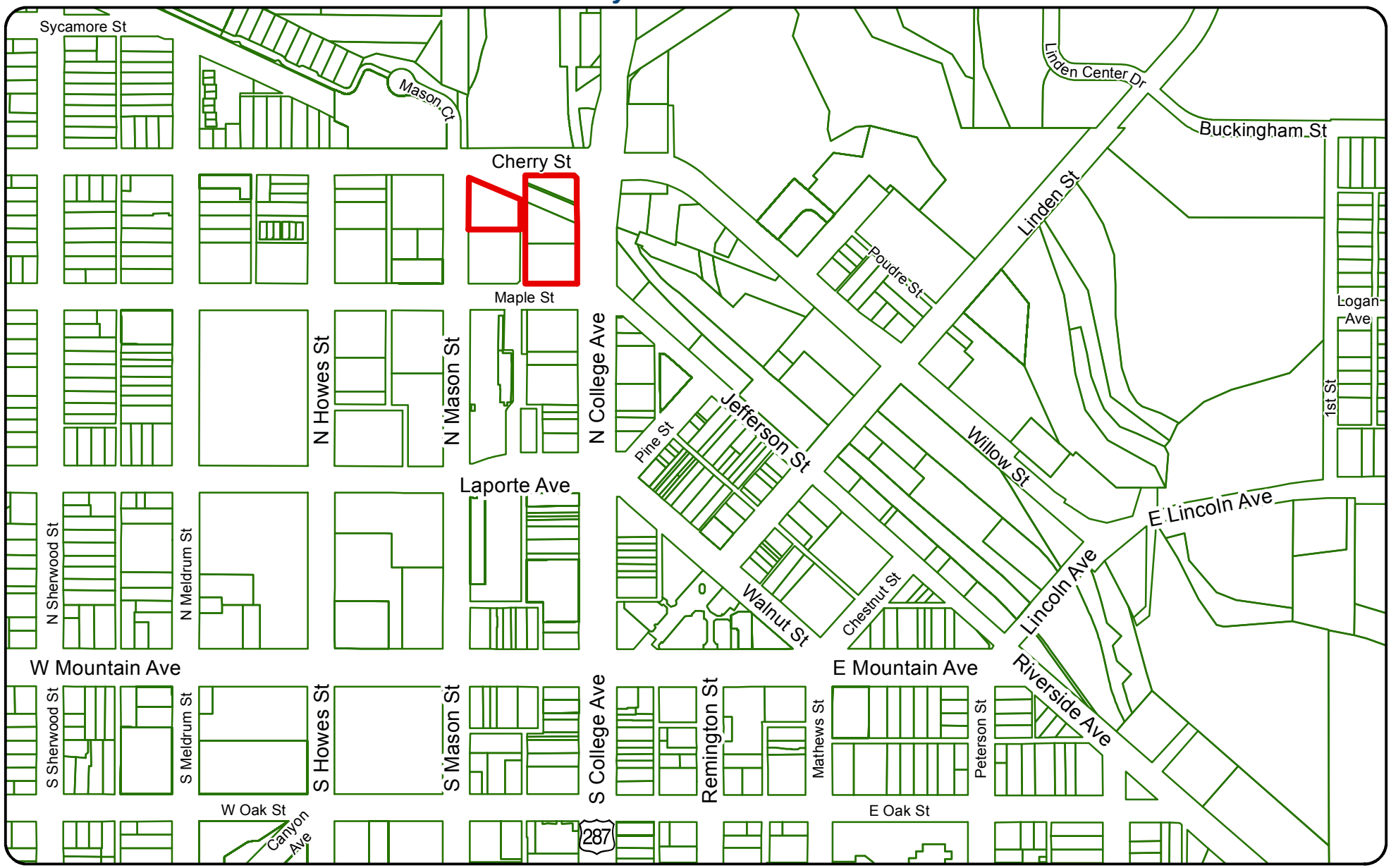
The approval of the current form of the Service Plan does not obligate the City Council to approve the service plan amendment or any zoning, subdivision, planning, building permit or other land use matter for the owner of the real property within the District.

ATTACHMENTS
Location Map (Attachment 1)
Limited Framework Service Plan – Block 23 (Attachment 2)
City Metropolitan District Policy (Attachment 3)
Presentation (Attachment 4)

Block 23 Metropolitan District

City of Fort Collins

ATTACHMENT #1



CITY OF FORT COLLINS
GEOGRAPHIC INFORMATION SYSTEM MAP PRODUCTS

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Printed: September 14, 2016

ATTACHMENT #2

CONSOLIDATED SERVICE PLAN

FOR

BLOCK 23 METROPOLITAN DISTRICT NOS. 1&2

City of Fort Collins, Colorado

Prepared

by:

WHITE BEAR ANKELE TANAKA & WALDRON
2154 E. Commons Ave., Suite 200
Centennial, Colorado 80122

Submitted on
_____ __, 2016

ATTACHMENT #2

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ATTACHMENT #2

LIST OF EXHIBITS

EXHIBIT A-1	Legal Description of Project Area Boundaries
EXHIBIT A-2	Legal Description of District No. 1
EXHIBIT A-3	Legal Description of District No. 2
EXHIBIT B-1	Project Area Boundary Map
EXHIBIT B-2	District No. 1 Boundary Map
EXHIBIT B-3	District No. 2 Boundary Map
EXHIBIT C	Vicinity Map

ATTACHMENT #2

I. INTRODUCTION

A. General Overview.

The Districts, which are intended to be independent units of local government separate and distinct from the City, are governed by this Service Plan which has been prepared in general accordance with the City Policy. The Districts are needed to provide Public Improvements to the Project for the benefit of property owners within the Districts and other local development, and will result in enhanced benefits to existing and future business owners and residents of the City. The primary purpose of the Districts will be to finance the construction of these Public Improvements.

The Districts are located entirely within the City and being organized under a multiple-district structure. As this Project will include a mix of residential and commercial uses a multiple-district structure will provide for an efficient structure to fairly distribute the costs of public improvements and ongoing operations and maintenance. A multiple-district structure will allow for equitable distribution of costs, while also providing for the proper coordination of the powers and authorities of the independent Districts and avoids confusion regarding the separate, but coordinated, purposes of the Districts that could arise if separate service plans were used. Under such structure, District No. 1, as a service and financing district, is responsible for managing the construction and operation of the facilities and improvements needed for the Project, as well as contributing to the tax base needed to support the Financial Plan for capital improvements. District No. 2, as a financing district, is responsible for contributing to the funding and tax base needed to support the Financial Plan for capital improvements. A multiple-district structure that features the operation of District No. 1, in part as a service district which owns and operates the public facilities throughout the Project, and the operation of District No. 2 as a financing district that will assist in generating the tax revenue sufficient to pay the costs of the capital improvements, is a configuration that will create several benefits. These benefits include, *inter alia*: (1) coordinated administration of construction and operation of Public Improvements, and delivery of those improvements in a timely manner; (2) maintenance of equitable mill levies and reasonable tax burdens on all similarly-situated areas of the Project through proper management of the financing and operation of the Public Improvements; and (3) assured compliance with state laws regarding taxation in a manner which permits the issuance of tax exempt Debt at the most favorable interest rates possible.

Allocation of the responsibility for paying Debt for Public Improvements and capital costs will be managed through development of a unified financing plan for those improvements and through development of an integrated operating plan for long-term operations and maintenance. Use of District No. 1 as the service district, to manage these functions, will help maintain reasonably uniform mill levies and fee structures throughout the coordinated construction, installation, acquisition, financing and operation of Public Improvements throughout the Project. Intergovernmental agreements among the Districts will assure that the roles and responsibilities of each District are clear in this coordinated development and financing plan.

This Service Plan provides a preliminary framework and limited authorization under which the Districts are authorized to proceed with an Organizational Election. Notwithstanding

any provisions to the contrary contained herein, following the entry of court orders formally decreeing the Districts organized, and continuing until a Service Plan Amendment is approved by the City Council, the Districts shall not undertake any activity except minimal administrative or ministerial activities required by State law to maintain the Districts as lawfully existing political subdivisions of the State unless or until a Service Plan Amendment is approved by the City Council, in its sole discretion. Without limiting the generality of the foregoing, the Districts shall not levy any tax, impose any fee, construct any Public Improvements, enter into any contracts or agreements for the construction of any Public Improvements or for the procurement or provision of services or tangible property, or incur any Debt until the Service Plan Amendment is approved. The approval of this Service Plan does not obligate the City Council to approve the Service Plan Amendment or any zoning, subdivision, planning, building permit or other land use matter for the owners of the real property within the Districts.

B. Purpose and Intent.

The Districts, which shall be independent units of local government separate and distinct from the City, is governed by this Service Plan. The Districts are needed to provide Public Improvements to the Project for the benefit of property owners and taxpayers within the Districts, and through its formation, will result in enhanced benefits to existing and future business owners and/or residents of the City. The primary purposes of the Districts will be to finance, construct, acquire, own, operate and maintain the Public Improvements.

This Service Plan is submitted in accordance with Part 2 of the Special District Act, Section 32-1-201, *et seq.*, C.R.S. It defines the powers and authorities of the Districts and describes the limitations and restrictions placed thereon. The information provided in this Service Plan is preliminary in nature and subject to change as development within the Project evolves. As plans for development are refined and finalized, the same shall be included as part of an Approved Development Plan.

C. Need for the District.

There are currently no other governmental entities, including the City, located in the immediate vicinity of the Districts that, at this time, can financially undertake the planning, design, acquisition, construction, installation, relocation, redevelopment, and financing of the Public Improvements needed for the Project. Formation of the Districts is therefore necessary in order for the Public Improvements required for the Project to be provided in the most economic manner possible.

D. Objective of the City Regarding District's Service Plan; Approval of Service Plan Amendment.

The City's objective in approving the Service Plan for the Districts is to authorize the Districts to provide for the planning, design, acquisition, construction, installation, relocation and redevelopment of the Public Improvements from the proceeds of Debt to be issued by the Districts. A Financial Plan, which describes the Debt anticipated to be issued by the Districts, shall be submitted to the City as part of the Service Plan Amendment, as shall an Infrastructure Preliminary Development Plan. The City shall, under no circumstances, be responsible for the

Debts of the Districts and the City's approval of this Service Plan shall in no way be interpreted as an agreement, whether tacit or otherwise, to be financially responsible for the Debt of the Districts or the construction of Public Improvements.

The City's approval of this Service Plan shall, under no circumstances, be interpreted as an agreement by the City that it will approve the Service Plan Amendment or that any particular provisions set forth in this Service Plan will be approved by the City in the Service Plan Amendment. The City's objective in approving this Service Plan is to allow the proposed Districts to proceed with the Organizational Election.

This Service Plan is intended to establish limitations applicable to the Districts and explicit financial constraints that are not to be violated under any circumstances. The primary purpose is to provide for the Public Improvements associated with the Project and regional improvements as necessary.

II. DEFINITIONS

In this Service Plan, the following terms which appear in a capitalized format herein shall have the meanings indicated below, unless the context hereof clearly requires otherwise:

Approved Development Plan: means a development plan or other land-use process authorized under the City Code that sufficiently identifies the Public Improvements necessary for facilitating development of the Project within the Service Area as approved by the City pursuant to the City Code, as ~~amended from~~amended from time to time.

Board or Boards: means the Board of Directors of any of the Districts, or the boards of directors of all of the Districts, in the aggregate.

Bond, Bonds or Debt: means bonds or other financial obligations for which a District has promised to impose an ad valorem property tax mill levy, and other legally available revenue, for payment. Such terms do not include intergovernmental agreements pledging the collection and payment of property taxes in connection with a service district and taxing district(s) structure, if applicable, and other contracts through which a District procures or provides services or tangible property.

City: means the City of Fort Collins, Colorado.

City Code: means the Code of the City of Fort Collins, the Fort Collins Land Use Code, and any regulations, rules, or policies promulgated thereunder, as the same may be amended from time to time.

City Council: means the City Council of the City of Fort Collins, Colorado.

Developer: means Preston Center 7, II, LLC, a Colorado limited liability company.

District: means Block 23 Metropolitan District No. 1 or Block 23 Metropolitan District No. 2, individually.

District No. 1: means Block 23 Metropolitan District No. 1.

District No. 2: means Block 23 Metropolitan District No. 2.

Districts: means Block 23 Metropolitan District No. 1 and Block 23 Metropolitan District No. 2, jointly.

District Organization Date: means the date the order and decree for organization issued by the Larimer County District Court as required by law for the District or Districts is recorded with the Larimer County Clerk and Recorder.

External Financial Advisor: means a consultant that: (1) is qualified to advise Colorado governmental entities on matters relating to the issuance of securities by Colorado governmental entities including matters such as the pricing, sales and marketing of such securities and the procuring of bond ratings, credit enhancement and insurance in respect of such securities; (2) shall be an underwriter, investment banker, or individual listed as a public finance advisor in the Bond Buyer's Municipal Market Place or, in the City's sole discretion, other recognized publication as a provider of financial projections; and (3) is not an officer, agent or employee of the Districts.

Financial Plan: means a Financial Plan, as the same is described in Section VI and which shall be included within the Service Plan Amendment. The Financial Plan shall be prepared by an External Financial Advisor or shall be accompanied by a letter of support from an External Financial Advisor. The Financial Plan shall describe (a) how the Public Improvements are to be financed; (b) how the Debt is expected to be incurred; and (c) the estimated operating revenue derived from property taxes for the first budget year through the year in which all District Debt is expected to be paid or defeased. This Financial Plan is intended to represent only one example of debt issuance and financing structure of the Districts, any variations or adjustments in the timing or implementation thereof shall not be interpreted as material modifications to this Service Plan.

Infrastructure Preliminary Development Plan: means the Infrastructure Preliminary Development Plan as described in Section V.B. and which shall be included as part of the Service Plan Amendment. The Infrastructure Preliminary Development Plan shall include: (a) a preliminary list of the Public Improvements to be developed by the District; (b) an estimate of the cost of the Public Improvements; and (c) the map or maps showing the approximate location(s) of the Public Improvements. The District's implementation of this Infrastructure Preliminary Development Plan is subject to the Approved Development Plan and any change conditioned upon various external factors including, but not limited to, site conditions, engineering requirements, City, county or state requirements, land use conditions, and zoning limitations.

Maximum Debt Service Mill Levy: means the maximum mill levy the Districts are permitted to impose upon the taxable property within the Districts for payment of Debt, which shall be included in the Service Plan Amendment.

Maximum Debt Authorization: means the total Debt the Districts are permitted to issue, which shall be included in the Service Plan Amendment.

Maximum Debt Maturity Term: means the maximum term for a District Debt issuance, which shall be included in the Service Plan Amendment.

Organizational Election: means the initial election at which the Districts' organization, the initial slate of directors and associated terms of office for each director and debt and taxing authorization is voted upon pursuant to the requirements of TABOR.

Project: means the development or property commonly referred to as Block 23.

Project Area Boundaries: means the boundaries of the area described in the Project Area Boundary Map and the legal description attached hereto as Exhibit A-1.

Project Area Boundary Map: means the map attached hereto as Exhibit B-1, describing the overall property that incorporates the Project.

Public Improvements: means a part or all of the improvements authorized to be planned, designed, acquired, constructed, installed, relocated, redeveloped and financed, specifically including related eligible costs for acquisition and administration, as authorized in Section V below, to serve the future taxpayers and property owners of the Service Area as determined by the Board of the Districts in its discretion.

Service Area: means the property within the Project Area Boundary Map after such property has been included within the Districts.

Service Plan: means this service plan for the Districts approved by the City Council, as the same may be amended from time to time, specifically including the Service Plan Amendment.

Service Plan Amendment: means an Amended and Restated Service Plan approved by the City Council in its sole discretion in accordance with applicable state law, the City Charter and City Code.

Special District Act or Act: means Article 1 of Title 32 of the Colorado Revised Statutes, as amended from time to time.

State: means the State of Colorado.

TABOR: means to Article X, Section 20 of the Constitution of the State.

Vicinity Map: means a map of the regional area surrounding the Project, as attached hereto at Exhibit C.

III. BOUNDARIES

The Project Area Boundaries includes approximately 4.36 acres. A legal description of the Project Area Boundaries is attached as Exhibit A-1. The Project Area Boundaries are divided into two (2) separate and distinct Districts (District No. 1 and District No. 2), legal descriptions for which are attached hereto as Exhibits A-2 and A-3, respectively. A Project Area Boundary

Map is attached hereto as Exhibit B-1, and maps of District No.1 and District No. 2 are included as Exhibits B-2 and B-3, respectively. Finally, a Vicinity Map is attached hereto as Exhibit C. It is anticipated that the Districts' Boundaries may change from time to time as they undergo inclusions and exclusions pursuant to Section 32-1-401, et seq., C.R.S., and Section 32-1-501, et seq., C.R.S., subject to the limitation set forth in Article V below. ~~provided that any such inclusions or exclusions shall require the prior written approval of City Council.~~

IV. PROPOSED LAND USE AND ASSESSED VALUATION

The Service Area consists of approximately 2.62 acres of commercial ~~land~~space. The Service Area further consists of approximately 1.74 acres of residential ~~land~~space. The current assessed valuation of the Service Area is approximately zero dollars ($0) for purposes of service plan financial forecasting, and, at build out, is expected to be Twenty Million Two Hundred Sixty Eight Thousand and Eighty Three Dollars ($20,268,083).

Approval of this Service Plan by the City does not imply approval of the development of a specific area within the Districts, nor does it imply approval of the total site/floor area of commercial buildings or space which may be identified in this Service Plan or any of the exhibits attached thereto or any of the Public Improvements, unless the same is contained within an Approved Development Plan.

V. DESCRIPTION OF PROPOSED POWERS, IMPROVEMENTS AND SERVICES

A. Powers of the Districts and Service Plan Amendment.

Only after approval of the Service Plan Amendment shall the Districts have the power and authority to acquire, construct and install the Public Improvements within and without the boundaries of the Districts as such power and authority is described in the Act, and other applicable statutes, common law and the State Constitution, subject to the limitations set forth herein.

If, after the Service Plan is approved, the State Legislature includes additional powers or grants new or broader powers for Title 32 districts by amendment of the Special District Act or otherwise, any or all such powers shall be deemed to be a part hereof and available to or exercised by the Districts. Such additional powers granted by the State shall not constitute a material modification of this Service Plan.~~As required by the City Code, the Service Plan Amendment must specifically enumerate and describe all powers the Districts will have hereunder as authorized in the Special District Act.~~

2.1. Operations and Maintenance. The purpose of the Districts is to plan for, design, acquire, construct, install, relocate, redevelop and finance the Public Improvements. The Districts shall dedicate the Public Improvements to the City or other appropriate jurisdiction or owners association in a manner consistent with the Approved Development Plan and applicable provisions of the City Code. Those improvements that are not dedicated to the City or other appropriate jurisdiction or owners association may be maintained by the Districts.

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3.2. Development Standards. The Districts will ensure that the Public Improvements are designed and constructed in accordance with the standards and specifications of the City, including the City Code and Approved Development Plan, and of other governmental entities having proper jurisdiction, as applicable. The Districts, directly or indirectly through the Developer, will obtain the City's approval of civil engineering plans and will obtain applicable permits for construction and installation of Public Improvements prior to performing such work.

3. Privately Placed Debt Limitation. Prior to the issuance of any privately placed Debt, the Districts shall obtain the certification of an External Financial Advisor substantially as follows:

> We are [I am] an External Financial Advisor within the meaning of the District's Service Plan.
>
> We [I] certify that (1) the net effective interest rate (calculated as defined in Section 32-1-103(12), C.R.S.) to be borne by the District for the [insert the designation of the Debt] does not exceed a reasonable current [tax-exempt] [taxable] interest rate, using criteria deemed appropriate by us [me] and based upon our [my] analysis of comparable high yield securities; and (2) the structure of [insert designation of the Debt], including maturities and early redemption provisions, is reasonable considering the financial circumstances of the Districts.

4. Inclusion and Exclusion Limitation. The Districts shall be entitled to include within their boundaries any property within the Project Area Boundaries without prior approval of the City Council. The Districts shall also be entitled to exclude from their boundaries any property within the Project Area Boundaries so far as, within a reasonable time thereafter, the property is included within the boundaries of another District. All other Inclusions or exclusions shall require the prior approval of the City Council by written agreement with the District and, if approved, shall not constitute a material modification of this Service Plan

5. Maximum Debt Authorization. The amount of Debt authorized for issuance by the Districts (the "Maximum Debt Authorization") shall be set forth in the Service Plan Amendment. The District shall not issue or incur any Debt prior to the approval of a Service Plan Amendment.

6. Monies from Other Governmental Sources. The District shall not apply for, or accept, Conservation Trust Funds, Great Outdoors Colorado Funds, or other funds available from or through governmental or non-profit entities which the City is eligible to apply for, except pursuant to an intergovernmental agreement with the City. This Section shall not apply to specific ownership taxes which shall be distributed to and a revenue source for the Districts.

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~~4.~~ Consolidation Limitation. The Districts shall not file a request with any Court to consolidate with another Title 32 district without the prior written consent of the City Council.

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4.~~2. Maximum Debt Authorization. The amount of Debt authorized for issuance by the Districts (the "Maximum Debt Authorization") shall be set forth in the Service Plan Amendment. The District shall not issue or incur any Debt prior to the approval of a Service Plan Amendment.~~

~~5. Monies from Other Governmental Sources. The District shall not apply for, or accept, Conservation Trust Funds, Great Outdoors Colorado Funds, or other funds available from or through governmental or non-profit entities which the City is eligible to apply for, except pursuant to an intergovernmental agreement with the City. This Section shall not apply to specific ownership taxes which shall be distributed to and a revenue source for the Districts. 6. Consolidation Limitation.~~

8. ~~The Districts shall not file a request with any Court to consolidate with another Title 32 district without the prior written consent of the City Council.7. Eminent Domain Limitation~~Eminent Domain Limitation. The Districts shall not exercise its statutory power of eminent domain without first obtaining the prior written consent of the City Council, which will only be allowed to facilitate the construction of Public Improvements pertinent to the Project. This restriction on the Eminent Domain power by the Districts is being exercised voluntarily and shall not be interpreted in any way as a limitation on the District's sovereign powers and shall not negatively affect the District's status as a political subdivision of the State of Colorado as allowed by Article 1, Title 32, Colorado Revised Statutes.

5.9. Service Plan Amendment Requirement. This Service Plan is general in nature and does not include specific detail in some instances because development plans have not been finalized. After the Project has received an Approved Development Plan and upon application from the Districts, the City agrees to timely consider a Service Plan Amendment in accordance with the Special District Act, provided that the City Council shall be under no obligation to approve a Service Plan Amendment or to include any particular provisions in any Service Plan so approved. Any action of the Districts which: (1) violates the limitations set forth in this Service Plan shall be deemed to be a material modification to this Service Plan unless otherwise agreed by the City as provided for in Section IX of this Service Plan or otherwise expressly provided herein.

B. Infrastructure Preliminary Development Plan.

The current estimated costs of the Public Improvements are expected to be substantial and will be based upon requirements set forth in the Approved Development Plan. The Districts shall have authority to provide for the planning, design, acquisition, construction, installation, relocation, redevelopment, maintenance, and financing of the Public Improvements within and without the boundaries of the Districts, as the same are more specifically defined in the Approved Development Plan. The Infrastructure Preliminary Development Plan, including: (1) a

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list of the Public Improvements to be developed by the District; (2) an estimate of the cost of the Public Improvements; and (3) maps showing the approximate locations of the Public Improvements shall be consistent with the Approved Development Plan and included as part of the Service Plan Amendment.

All of the Public Improvements will be designed in such a way as to ensure that the standards will be consistent with or exceed the standards of the City and shall be in accordance with the requirements of the Approved Development Plan.

VI. FINANCIAL PLAN

A. General.

The Districts shall be authorized to provide for the planning, design, acquisition, construction, installation, relocation and/or redevelopment of the Public Improvements from its revenues and by and through the proceeds of Debt to be issued by the Districts, provided however that the Districts shall not be authorized to issue any Debt until the time that the Service Plan Amendment is approved, in the City Council's sole discretion.

B. Elections.

The Districts will call an Organizational Election on the questions of organizing the Districts for an election to be held on November 8, 2016, electing the initial Board, and setting in place financial authorizations as required by TABOR. The election will be conducted as required by law.

VII. ANNUAL REPORT

A. General.

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The Districts shall be responsible for submitting an annual report with the City's Clerk not later than September 1st of each year for the year ending the preceding December 31 following the year of the District Organization Date. The City may, in its sole discretion, waive this requirement in whole or in part.

B. Reporting of Significant Events.

Unless waived by the City, the annual report shall include the following:

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1. A narrative summary of the progress of the Districts in implementing its service plan for the report year; and

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2. Except when exemption from audit has been granted for the report year under the Local Government Audit Law, the audited financial statements of the Districts for the report year including a statement of financial condition (i.e., balance sheet) as of December 31 of the report year and the statement of operations (i.e., revenues and expenditures) for the report year; and

3. Any other information deemed relevant by the City Council or deemed reasonably necessary by the City's Manager.

In the event the annual report is not timely received by the City's Clerk or is not fully responsive, notice of such default may be given to the Board of the Districts, at its last known address. The failure of the Districts to file the annual report within forty-five (45) days of the mailing of such default notice by the City's Clerk may constitute a material modification, at the discretion of the City.

VIII. DISSOLUTION

If proceedings for a Service Plan Amendment, as contemplated herein, have not been completed within three years from the date upon which this Service Plan was approved by the City Council, the City may opt to pursue the remedies available to it under Section 32-1-701(3) C.R.S., in order to compel the Districts to dissolve in a prompt and orderly manner. In such an event: 1) the limited purposes and powers of the Districts, as authorized herein, shall automatically terminate and be expressly limited to taking only those actions that are reasonably necessary to dissolve; 2) the Board of Directors will be deemed to have agreed with the City regarding its dissolution without an election pursuant to §32-1-704(3)(b), C.R.S.; and 3) the Districts shall take no action to contest or impede the dissolution of the Districts and shall affirmatively and diligently cooperate in securing the final dissolution of the Districts, and 4) subject to the statutory requirements of the Act, the Districts shall thereupon dissolve.

Upon an independent determination of the City Council that the purposes for which the Districts were created have been accomplished, the Districts agree to file a petition in Larimer County District Court for dissolution, pursuant to the applicable State statutes. In no event shall dissolution occur until the Districts have provided for the payment or discharge of all of its outstanding indebtedness and other financial obligations as required pursuant to State statutes, including operation and maintenance activities.

IX. MATERIAL MODIFICATIONS

Material modifications to this Service Plan may be made only in accordance with Section 32-1-207, C.R.S.

Departures from the Service Plan that constitute a material modification include without limitation:

~~2.~~1. Actions or failures to act that create greater financial risk or burden;

~~and~~

~~2.~~ Performance of a service or function or acquisition of a major facility that is not closely related to a service, function or facility authorized in the Service Plan; and

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1. 3.Any other action or modification that is identitifiedidentified in this Service Plan as a material modification.

X. SANCTIONS.

Should any of the Districts undertake any act prohibited under this Service Plan or fail to act as required by this Service Plan, and such act or failure to act shall constitutes a material modification to the Service Plan as set forth in §32-1-207, C.R.S.and, as a result, the City may impose one (1) or more of the following sanctions, as it deems appropriate:

2.1. Exercise any applicable remedy under the Act;

3. Withhold the issuance of any City permit, authorization, acceptance or other administrative approval, or withhold any cooperation, necessary for the Districts' development or construction or operation of improvements or provisions of services;

4.2. Exercise any legal remedy under the terms of any intergovernmental agreement under which the District is in default; or

5.3. Exercise any other legal remedy, including seeking injunctive relief against the District, to ensure compliance with the provisions of the Service Plan or applicable law.

XI. CONCLUSION

It is submitted that this Service Plan for the Districts, as required by Section 32-1-203(2), establishes that:

1. There is sufficient existing and projected need for organized service in the area to be serviced by the Districts;

2. The existing service in the area to be served by the Districts is inadequate for present and projected needs;

3. The Districts are capable of providing economical and sufficient service to the area within their proposed boundaries;

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ATTACHMENT #2

XII. RESOLUTION OF APPROVAL

The Districts agree to incorporate the City Council's resolution of approval, including any conditions on any such approval, into the Service Plan presented to the District Court for and in Larimer County, Colorado.

EXHIBIT A-1

Block 23 Metropolitan District Nos. 1&2
Legal Description of Project Area Boundaries

EXHIBIT A-2

Block 23 Metropolitan District No. 1
Legal Description

EXHIBIT A-3

Block 23 Metropolitan District No. 2
Legal Description

EXHIBIT B-1

Block 23 Metropolitan District Nos. 1&2
Project Area Boundary Map

EXHIBIT B-2

Block 23 Metropolitan District No. 1
Map

EXHIBIT B-3

Block 23 Metropolitan District No. 2
Map

EXHIBIT C

Vicinity Map

RESOLUTION 2008-069
OF THE COUNCIL OF THE CITY OF FORT COLLINS
ADOPTING A POLICY CONCERNING
APPROVAL OF METROPOLITAN DISTRICT SERVICE PLANS

WHEREAS, the Colorado Revised Statutes allow for the formation of a variety of entities to finance and operate public services and infrastructure; and

WHEREAS, a metropolitan district is one of the entities authorized by Article 1, Title 32 of the Colorado Revised Statues; and

WHEREAS, metropolitan districts have not historically been used within the City; and

WHEREAS, due to many factors, including escalating costs to construct public infrastructure and fiscally challenged government, Colorado developers have increasingly sought approval of metropolitan districts to assist in the costs of financing infrastructure, as shown by the growth of the creation of metropolitan districts from 295 in 1999 to 1052 today; and

WHEREAS, the Council has requested that staff investigate the merits of metropolitan districts and, if advisable, develop a policy concerning the formation of these entities within the City; and

WHEREAS, staff has, after discussions with interested citizens, consultants, developers and City Council over the last several months, developed a policy for reviewing proposed service plans for metropolitan districts, which policy is dated July 9, 2008, and attached hereto as Exhibit "A" and incorporated herein by this reference.

NOW THEREFORE, BE IT RESOLVED BY THE COUNCIL OF THE CITY OF FORT COLLINS that the City Council hereby adopts the Policy for Reviewing Proposed Service Plans for Title 32 Metropolitan Districts, City of Fort Collins, CO, dated July 9, 2008, to be used to evaluate requests for metropolitan districts within the City.

Passed and adopted at a regular meeting of the Council of the City of Fort Collins this 15th day of July A.D. 2008.

Mayor

ATTEST:

City Clerk

POLICY FOR REVIEWING PROPOSED

SERVICE PLANS FOR TITLE 32 METROPOLITAN DISTRICTS

CITY OF FORT COLLINS, CO

July 9, 2008

Introduction.

A. The City establishes the following as its Special District policy for (i) the review and approval or disapproval of Service Plans, including any amendment thereof, for the creation of a Metropolitan District ("District") pursuant to Title 32, Article 1 of the Colorado Revised Statutes (the "Act"); and (ii) for the regulation of those Districts. This Policy is intended as a guide only. Nothing in this document is intended, nor shall it be construed, to limit the discretion of City Council, which retains full discretion and authority regarding the terms and limitations of all District Service Plans

B. The City generally supports the formation of a District where it is demonstrated that a District is needed to provide public improvements to local development and will result in enhanced benefits to existing or future business owners and/or residents of the City and the District, whether such enhanced benefits are provided by the District or by the entity developing the District because the District exists to provide public improvements. A District may be permitted to conduct ongoing operations and maintenance activities where it can be demonstrated that having the District provide operations and maintenance is in the best interest of the City and the existing or future taxpayers of the District.

C. For a District whose primary revenue source is property taxes, and in the absence of special circumstances, District formation will not be favorably received where the future assessed value of all property within the District at full build-out is projected to be less than ten million dollars ($10,000,000). The ten million dollar assessed valuation threshold, for Districts whose primary revenue source is property taxes, will increase biennially after 2008 to adjust for increases in the Consumer Price Index for the Denver-Boulder-Greeley statistical region as prepared by the U.S. Bureau of Labor Statistics. Special circumstances and special cause must be demonstrated for exceptions to be granted.

D. All Districts and all persons or entities developing property within a District must comply with all provisions of the City Code and Land Use Code and all related standards.

E. The City generally supports the formation of a District where the projected use is primarily commercial. The City will not approve a Service Plan proposing a residential use only. However, mixed use may be considered as long as the Service Plan clearly identifies that the project is predominately commercial. "Predominately commercial" as used in this Policy shall mean that the assessed value derived from non-residential usage is no less than 90% of the assessed value of the entire project. The actual market value of the project may differ from the assessed value for the project.

F. A District, when properly structured, can enhance the quality of development in the City. The City is receptive to District formation as an instrument to provide competitive financing for projects, build better and enhanced infrastructure, and, where needed, create a quasi-governmental entity to provide essential improvements which are otherwise not available and could not be practically provided by the City or any other existing municipal or quasi-municipal entity, including existing special districts, within a reasonable time and on a comparable basis. It is not the intent of the City to create multiple entities which could be construed as "competing governments." Formation of a District will not be favorably received if the District will be used to fund basic infrastructure improvements normally required of new development.

Service Plans.

A. Any Service Plan submitted to the City for approval must comply with all state, federal and local laws and ordinances, including the Act.

B. The Service Plan must include all information required by the Act.

C. The Service Plan must enumerate and describe all powers requested on behalf of the District. Demonstration of the need or benefit of each power is required. Powers which are not clearly needed will not be approved in the Service Plan.

D. Any intergovernmental agreement which is required, or known at the time of formation of the District to likely be required, to fulfill the purposes of the District, must be described in the Service Plan, along with supporting rationale. The Service Plan must provide that execution of intergovernmental agreements which are likely to cause a substantial increase in the District's budget and are not described in the Service Plan will require the prior approval of City Council.

E. The Service Plan must include the description of any planned inclusion into, or exclusion of property from, the District's boundaries known at the time of the submittal of the Service Plan. The Service Plan must provide that inclusions or exclusions by the District that are not described in the Service Plan will require the prior approval of City Council.

F. The Service Plan must describe any planned extraterritorial service agreement. The Service Plan must provide that any extraterritorial service agreements by the District that are not described in the Service Plan will require the prior approval of City Council.

G. The Service Plan must contain language that prohibits the District from using powers of eminent domain. However, the City may choose to exercise its powers of eminent domain to construct public improvements within the District in which case the District and City will enter into an intergovernmental agreement concerning the public improvement and funding for the use of eminent domain.

H. The Service Plan must restrict the District's total mill levy authorization for both debt service and operations and maintenance to forty (40) mills (the "Maximum Mill Levy"), subject to adjustment as provided below. It is anticipated that a portion of the Maximum Mill Levy may be utilized by the District to fund operations and maintenance functions, including

customary administrative expenses incurred in operating the District such as accounting and legal expenses and otherwise complying with applicable reporting requirements. The District's Board of Directors will have full discretion to determine what portion of the Maximum Mill Levy may be levied for debt service and what portion for operations and maintenance. For example, a District levying 30 mills for debt service and 5 mills for operations would be in compliance, as would a District levying 20 millsfor debt service and 15 mills for operations. In both examples, the total mill levy of the Districts would be 35 mills, which is within the Maximum Mill Levy. The Maximum Mill Levy may be adjustable from the base year of 2008; provided, however, that in the event the method of calculating assessed valuation is changed after the base year of 2008, the mill levy limitation applicable to such debt may be increased or decreased to reflect those changes, the increases or decreases to be determined by the District Board in good faith (that determination to be binding and final), so that to the extent possible, the actual tax revenues generated by the District's mill levy, as adjusted, for changes occurring after January 1, 2008, are neither diminished nor enhanced as a result of the changes. For purposes of the foregoing, a change in the ratio of actual valuation to assessed valuation will be a change in the method of calculating assessed valuation.

I. The Service Plan must include Debt and operating financial projections prepared by an investment banking firm or financial advisor qualified to make such projections (the "Financial Plan"). The financial firm must be listed in the Bond Buyers Marketplace or, in the City's sole discretion, other recognized publication as a provider of financial projections. The Financial Plan must include debt issuance and service schedules and calculations establishing the District's projected maximum debt capacity (the "Total Debt Limitation") based on assumptions of (i) the projected interest rate on the debt to be issued by the District; (ii) the projected assessed valuation of the property within the District; and (iii) the projected rate of absorption of the assessed valuation within the District. These assumptions must use market-based, market-comparable valuation and absorption data and may use an annual inflation rate of three percent (3%) or the Consumer Price Index for the preceding 12 month period for the Denver-Boulder-Greeley statistical region as prepared by the U.S. Department of Labor Statistics, whichever is greater. The Total Debt Limitation set forth in the Service Plan must not exceed 100% of the projected maximum debt capacity as shown in the Financial Plan. The Financial Plan must also include foreseeable administrative and operation and maintenance costs.

J. If, after the Service Plan is approved, the State Legislature includes additional powers or grants new or broader powers for Districts by amendment of Part 10 of Article 1, Title 32, C.R.S., no such powers will be available to or exercised by an existing District without the prior approval of the City Council.

K. Every Service Plan must include, in addition to all materials, plans and reports required by the Act, an Infrastructure Preliminary Development Plan ("PDP"). This PDP must include, at a minimum, a map or maps, and construction drawings of such scale, detail and size as required by the Planning Department, providing an illustration of public improvements proposed to be built, acquired or financed by the District, along with a written narrative and description of those items and a general description of the District's proposed role with regard to the same. Due to the preliminary nature of the PDP, the Service Plan must indicate that the City's approval of the PDP shall not bind the City's reviewing and making land use approvals. Approval of the PDP must precede or be concurrent with approval of the Service Plan.

L. Development Fees must not be imposed by the District unless the Development Fees are identified with particularity in the Service Plan and the Financial Plan.

Bonded Indebtedness.

A. Original issuance of bonded indebtedness by the District prior to build-out is limited to that debt which can be sized, serviced and defeased with no more than the Maximum Mill Levy as described in Paragraph H of the Service Plans Section above.

B. The District will be limited to issuing new debt as provided in the Financial Plan. In the absence of evidence that development phasing will be of a duration that makes it impracticable to issue all debt within a fifteen-year period, or other special circumstances, the Service Plan must provide that all new debt will be issued within a period of fifteen (15) years from the date of the District's formation. Debt issued by the District will have a maximum maturity of thirty (30) years for each series of debt. The restrictions on issuance will not pertain to refundings, but the thirty-year maximum maturity does apply to refundings unless such refundings result in a net present value savings as set forth in Section 11-56-101, *et seq.*, C.R.S., and are otherwise permitted by law.

Multiple-District Structures.

A. It is the intent of the City that citizen/resident control of Districts is encouraged to occur as early as possible.

B. Multiple-District structures may be proposed in the following situations:

1. The projected absorption of the project and the public improvements to be financed are reasonably projected to occur over an extended period of time after the date of organization of the District.

2. The project has varying projected uses, such as residential and commercial. Service Plans proposing mixed use must, at a minimum, reflect that 90% of the assessed value is derived from non-residential usage. The actual market value of the project may differ greatly from the 90% assessed value for non-residential.

C. The Service Plan must fully describe the need, reasoning and mechanics if a Multiple-District structure is proposed.

Dissolution of District.

The Service Plan must provide for dissolution of the District, and all debts and financial obligations of the District must be defeased as well, no more than 40 years after the Service Plan is initially approved. Additionally, the Service Plan must provide that the District is obligated to obtain the approval of the City Council 20 years after organization of the District (and every ten (10) years thereafter) in order to continue providing operations and maintenance services; provided, however, that failure to obtain such approval shall not be considered a material modification unless such approval is not obtained forty-five (45) days after written notice to the District by the City of the need to request such approval.

Default of District.

A. In the event that a District fails to pay its debt when due or defaults in the performance of any obligation that has been agreed to between the District and the City, which obligation has been identified by the City in writing as a material obligation, and such default is continuing after the delivery of notice thereof to the District and the expiration of any cure periods, the District shall be precluded from issuing additional debt except refunding bonds issued to avoid or to cure a payment default, without the prior approval of the City Council.

B. In the event that a court of competent jurisdiction has made a final, unappealable determination that a District has defaulted on any of its financial obligations, the District will be precluded from issuing additional debt, except to refund or refinance a financial obligation for the purpose of avoiding or curing a default, without receiving written permission from the City Council following a public hearing on the matter.

C. In the event of a material modification of the Service Plan, the City and the electors of the District will be entitled to exercise their respective rights under the Act. Departures from the Service Plan that constitute a material modification include without limitation:

1. actions or failures to act that create greater financial risk or burden;

2. performance of a service or function or acquisition of a major facility that is not closely related to a service, function or facility authorized in the Service Plan; and

3. failure to perform a service or function or acquire a facility required by the Service Plan.

Actions that are not to be considered material modifications include without limitation changes in quantities of facilities or equipment, immaterial cost differences, and actions expressly authorized in the Service Plan. Following formation of the District, the District's Board of Directors may, from time to time, submit a letter to the City Manager, or designee, outlining the proposed actions of the District for which the Board of Directors is unclear as to whether a Service Plan amendment is required. The City Manager, or designee, will determine whether an amendment to the Service Plan is required under the provisions of this Policy and Section 32-1-207, C.R.S., and then provide a copy of the determination to the District's Board of Directors.

Annual Report.

A. The Service Plan must obligate the District to file an annual report not later than September 1 of each year with the City Clerk for the year ending the preceding December 31, the requirements of which may be waived in whole or in part by the City Council or the City Manager.

Unless waived by the City the Service Plan must require the annual report to include the following:

1. A narrative summary of the progress of the District in implementing its Service Plan for the report year;

2. Except when exemption from audit has been granted for the report year under the Local Government Audit Law, the audited financial statements of the District for the report year including a statement of financial condition (*i.e.*, balance sheet) as of December 31 of the report year and the statement of operations (*i.e.*, revenues and expenditures) for the report year;

3. Unless disclosed within a separate schedule to the financial statements, a summary of the capital expenditures incurred by the District in development of improvements in the report year;

4. Unless disclosed within a separate schedule to the financial statements, a summary of the financial obligations of the District at the end of the report year, including the amount of outstanding indebtedness, the amount and terms of any new District indebtedness or long-term obligations issued in the report year, the amount of payment or retirement of existing indebtedness of the District in the report year, the total assessed valuation of all taxable properties within the District as of January 1 of the report year and the current mill levy of the District pledged to debt retirement in the report year; and

5. Any other information deemed relevant by the City Council or deemed reasonably necessary by the City Manager.

B. In the event the annual report is not timely received by the City Clerk or is not fully responsive, notice of such default shall be given to the District Board at its last known address. The failure of the District to file the annual report within forty-five (45) days of the mailing of such default notice by the City Clerk may constitute a material modification of the Service Plan, at the discretion of the City.

Sanctions.

Should any District undertake any act which constitutes a material modification to the Service Plan, the City Council may impose one (1) or more of the following sanctions, as it deems appropriate:

1. Exercise any applicable remedy under the Act;

2. Withhold the issuance of any permit, authorization, acceptance or other administrative approval, or withhold any cooperation, necessary for the District's development or construction or operation of improvements or provision of services;

3. Exercise any legal remedy under the terms of any intergovernmental agreement under which the District is in default; or

4. Exercise any other legal remedy, including seeking injunctive relief against the District, to ensure compliance with the provisions of the Service Plan or applicable law.

Review and Approval Process.

A. Once the City Manager has established compliance with this Policy, the City Manager will, within a reasonable time, place before the City Council for its consideration a resolution approving the Service Plan. The resolution will be processed and governed by the City Charter and the City Code.

B. The proponents of the District must cause a notice of the public hearing at which the proposed resolution is to be considered by the City Council to be mailed by first class mail to the owners of record of all property within the proposed District and within any inclusion area specifically identified in the Service Plan, as such owners of record are listed on the records of the County Assessor. The mailed notice must be made at least ten (10) days prior to the public hearing on the resolution. The notice shall include the following:

1. A description of the general nature of the proposed services and public improvements to be provided by the District;

2. A description of the property to be included in the District and the inclusion area (if any), which description will be by street address, by reference to lots or blocks on any recorded subdivision plat thereof, or by metes and bounds if not subdivided, by tax identification number or by any other method reasonably calculated to apprise owners of the property to be included in the District;

3. The place at which a copy of the Service Plan may be examined;

4. The date, time and place of public hearing on the Service Plan;

5. A statement that all protests and objections must be submitted in writing to the City Manager at or prior to the public hearing, in order to be considered; and

6. A statement that all protests and objections to the District, as proposed, will be deemed to be waived unless presented in writing at the time and in the manner specified in this subsection.

C. The resolution will be conclusive of the City's determination on the Service Plan. No action or proceeding, at law or in equity, to review any acts or proceedings or to question the validity of the Council's determination pursuant to this Policy, whether based upon irregularities or jurisdictional defects, will be maintained unless commenced within 30 days after the adoption of the Council's ordinance, or else be thereafter perpetually barred. In the manner and to the extent provided in this Policy, City Council will maintain continuing jurisdiction over the operations and affairs of the District and will exercise its rights in relation thereto, as deemed appropriate by City Council, pursuant to the Act and as consistent with this Policy.

Fees.

With the submittal of a Service Plan, the entity proposing the District must also submit to the City Clerk the following amounts:

1. a non-refundable application fee not to exceed $2,000; and

2. a $10,000 deposit to reimburse the City for staff, legal, and consultant time.

A request for an amendment or modification to a Service Plan must be submitted to the City Clerk and be accompanied by the following:

1. a non-refundable application fee not to exceed $250; and

2. a $1,500 deposit to reimburse the City for staff, legal, and consultant time.

The City may draw against the deposits referred to above based upon then current hourly rates (including benefits) of employees working on the Service Plan and the applicable rates for legal and other consultants. If the reimbursed amount exceeds the deposit, the balance shall be due to the City immediately and prior to consideration of the Service Plan or amendment by the City Council. Any deposit amounts remaining upon Council consideration of the Service Plan or amendment will be returned. The purpose of staff, legal, and consultants' review is to provide the City Council with expert advice in considering the adequacy of the Service Plan and in forming a basis for adopting an ordinance approving, disapproving, or conditionally approving the Service Plan for the District. The fees set forth in this Section may be waived by City Council.

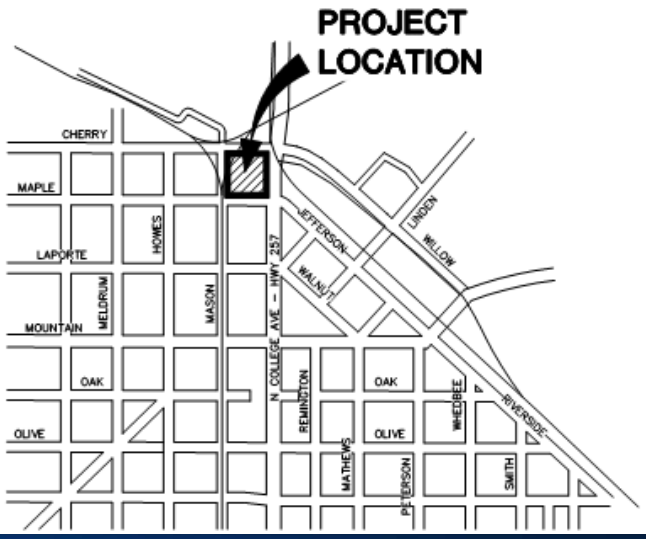
City of Fort Collins

Block 23 – Council Finance Input

Have we provided enough information for Council to make a determination on the proposed <u>limited</u> Block 23 Service Plan?

2

Location Map



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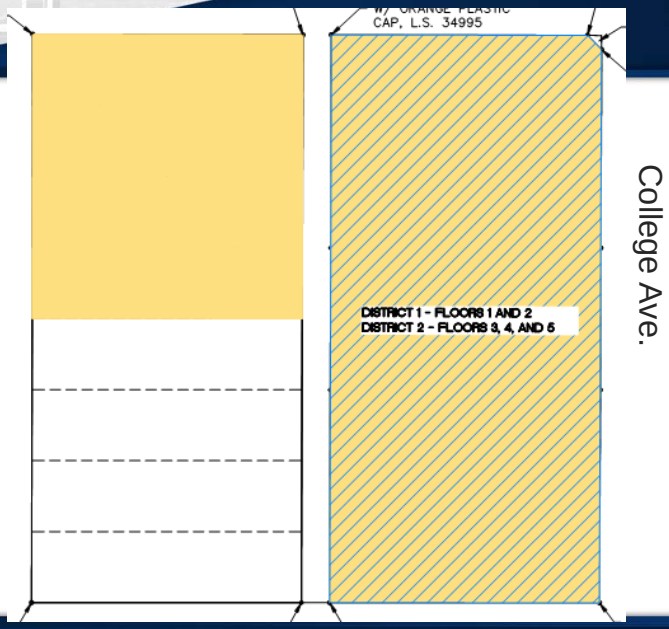
Block 23 Development Proposal

- 7-story mixed-use structure and parking structure (500 spaces).
- Retail, office, and residential uses.

4

Site Map



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What is a Metropolitan District?

- Quasi-Governmental entity with the authority to levy property taxes, issue debt, and fees/charges for services.
- Many uses, including construction and financing of public improvements.

6

What is a Metropolitan District?

Formation Steps:

- Service Plan Approval (City's role)
- Petition for organization filed with district court
- Organization election (and TABOR election – November, or May of even years)

Governance: Independent board.

Block 23 Service Plan

- Proposed Improvements (both districts): Potable water, Sewer, Storm Systems, Streets, Parking Structure, and Parks and Trail improvements.
- Estimated Cost of Improvements: $15,012,000 ($10,000,000 of which is estimated for a parking structure).
- Proposed Land Use (Commercial/Residential):
  - 60% commercial
  - 40% residential

Limited Authorization

Limited service plan:

- Not levy any tax or impose any fee.
- Not incur any debt.
- Not construct any Public Improvements.
- No activity except minimal administrative activities.
- Requires amendment within 3-years

…to allow plans to develop and unresolved questions to be addressed.

9

Next Steps

September 27th City Council consideration of limited framework service plan.

If approved…

- Public Parking Concept Development and Review.
- Financial Review.
- Engineering Review.
- Legal Review.
- Comprehensive City Policy Review (including staff assessment of public benefits).

10

Block 23 – Council Finance Input

Have we provided enough information for Council to make a determination on the proposed <u>limited</u> Block 23 Service Plan?

11

Questions?

12

13

WORK SESSION
AGENDA ITEM SUMMARY TEMPLATE

Staff: Lance Smith, Utilities Strategic Financial Director

SUBJECT FOR DISCUSSION – Residential Electric Rate Structure

EXECUTIVE SUMMARY

The purpose of this agenda item is to provide the Council Finance Committee with an overview of current electric rate structure methodologies and trends. The considerable interest in potential changes to our existing rate structures, particularly in the electric monthly charges, led staff to engage a utility rate consultant to provide an outside perspective and additional expertise on how the utility industry is addressing the current changes in the industry. This presentation is focused on the electric utility but many of the principles and considerations in designing rates are applicable to the water and wastewater utilities as well. The presentation and subsequent discussion will serve to provide the City Council and staff with some common footing for subsequent presentations and discussions.

Dawn Lund is a Vice President at Utility Financial Solutions (UFS). UFS is utilized by Platte River Power Authority and the City of Loveland for rate analysis, and has worked with Fort Collins Utilities in the past. Dawn and Mark Beauchamp, President of UFS, provide the annual rate making training that is provided through the American Public Power Authority (APPA) and are recognized authorities in rate design and current rate trends in the electric industry.

The presentation to begin the discussion will focus on the following:

- Current industry rate trends
- Current weaknesses of residential rate structures
- Distributed generation issues and rate structures
- Rates that promote financial stability
- Pros and cons of alternative rate structures
- Determining the role of a monthly customer charge

GENERAL DIRECTION SOUGHT AND SPECIFIC QUESTIONS TO BE ANSWERED

1. Does the Council Finance Committee have specific direction on residential electric rate structures that staff should explore beyond the current Time of Use pilot?

2. Does the Council Finance Committee have direction for the rate structures in place in any of the utilities?

BACKGROUND/DISCUSSION

The update to the Utilities Capital Improvement Plans in 2016 and the two prior discussions with the Council Finance Committee in April and June of 2016 have provided a long range perspective on the infrastructure needs of each utility. This long range planning will require rate adjustments in order to provide the necessary revenues for such improvements beginning in the 2017-18 Budget cycle. With any rate increase it is necessary to consider the impacts such an increase will have on the utility and the community. The Rate Ordinances are scheduled for First reading on November 1, 2016 and will include a thorough explanation of why the specific rate increases are being proposed for City Council consideration.

Considerable interest has been expressed by the City Council and community to consider alternative rate structures. Staff continues to do the due diligence necessary before presenting any alternative rate structures to the City Council. Specific recent considerations related to residential electric rates include:

1. Time of Use Pilot (TOU) – A year-long pilot study is concluding at the end of September that was designed to determine if a rate structure which charges more during the few hours each day that energy is most in demand and less during the remainder of the day. Results from this study and the customer survey will be presented at the January 24, 2017 Council Work Session.

2. Electric Vehicles (EV) – The current rate structure does not provide an incentive to promote EV adoption in our community. There have been requests for consideration of an "EV rate." This is a variation on the TOU rate structure. As the charging technology develops the trend has been to faster charging which requires significantly more electric capacity throughout the distribution system.

3. Distributed Storage – As battery technology evolves it may be possible to reduce the anticipated increase in distribution infrastructure and to reduce demand charges for energy during peak periods. A pilot study is being proposed in the 2017-18 City Manager's Recommended Budget to explore how this may be optimized in our community. While the study is focused on utility owned battery storage, consumer owned storage is certainly possible and how to compensate those customers for the use of their storage will become an industry concern in the near future.

4. Rate Affordability - Rate increases are not desired by anyone but the financial burden is particularly acute in lower income households. The current rate structure, while intended to promote energy conservation by charging more than the marginal cost to those residences that exceed the community average in energy use, may add to this burden by charging customers living in inefficient housing more than the cost to provide service to them.

5. Net Metering – With the deployment of the advanced metering infrastructure it became possible to do a monthly reconciliation for those residential accounts that have distributed solar generation. Adoption of distributed solar generation is an ongoing objective of the electric utility but it also poses a financial risk to the utility. The current fixed charge is not adequate to cover the fixed costs of providing electric service to residential customers. Some utilities have mitigated this risk by increasing their fixed charges or by having a higher fixed charge for Net Metering customers.

Utility rate design involves balancing a number of potentially competing objectives. Understanding these objectives and the balancing act rate design entails is crucial before changes are made to the existing rate structure. These objectives include:

1. Full cost recovery – any rate structure needs to provide adequate revenues to meet anticipated expenses

2. Fairness or Equity – each rate class should cover the cost of serving that rate class whenever possible; intra-class subsidies will occur to some extent but inter-class subsidies should be avoided

3. Revenue stability and predictability – confidence in anticipated revenues is necessary for major capital investment; weather and other unanticipated events can significantly affect revenues

4. Rate stability and predictability – economic development and community support for the utility require that rate adjustments are predictable

5. Simplicity – utility rates should provide an effective, understandable price signal to customers

6. Feasible – any rate structure needs to be administrable by the utility

7. Defendable – rates must meet legal restrictions

Utility rates will be discussed with City Council on several agendas in the coming months as shown in the table below.

Agenda Item	Forum	Date	Purpose
Electric Rate Trends	Council Finance Committee	9/19/2016	To provide some background information to the CFC on current trends
Raw Water Requirements and Cash-in-lieu	City Council Work Session	10/25/2016	To update the raw water requirements and the associated cash-in-lieu of water rights
2017 Rate Ordinances	City Council Regular Meeting	11/1/2016	To gain support and direction on the increases being proposed for 2017
Electric Capacity Fees	City Council Work Session	1/10/2017	To present a new methodology for calculating electric development charges

Conclusion

UFS will provide an opportunity for the CFC to discuss any rate structure ideas with an outside industry expert. Through this discussion and the subsequent agenda items an explanation of the need for the rate increases being proposed for 2017 will be provided to the City Council.

Understanding a Utility's Cost Structure and Impact on Current Rate Topics

Presentation by Utility Financial Solutions, LLC

Dawn Lund
Vice-President
Utility Financial Solutions
dlund@ufsweb.com

Hometown Connections® partner

UFS Utility Financial Solutions, LLC

Overview

- Introduction
- Cost of Service
- Rate Components
- Rate Design
  - Rate Structures
  - Design Challenges
- Rate Strategies

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UFS Utility Financial Solutions, LLC

Utility Financial Solutions, LLC

- International consulting firm providing cost of service and financial plans and services to utilities across the country, Canada, Guam and the Caribbean

- Instructors for cost of service and financial planning for APPA, speakers for organizations across the country, including AWWA.

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Cost of Service

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- Cost of service is:
  - A method to equitably allocate the revenue requirements of the utility among the various customer classes of service
  - *What revenues should I recoup from whom and how should I do it?*

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Three Important Objectives of COS

- Ensure rates recover costs to provide service to customers (Revenue Requirements)
  - Including depreciation and rate of return
- Defines optimal rate structure
  - Customer Charge
  - kWh Charge
  - Demand Charge
  - Power Cost Adjustment
- Reduce cross -subsidization

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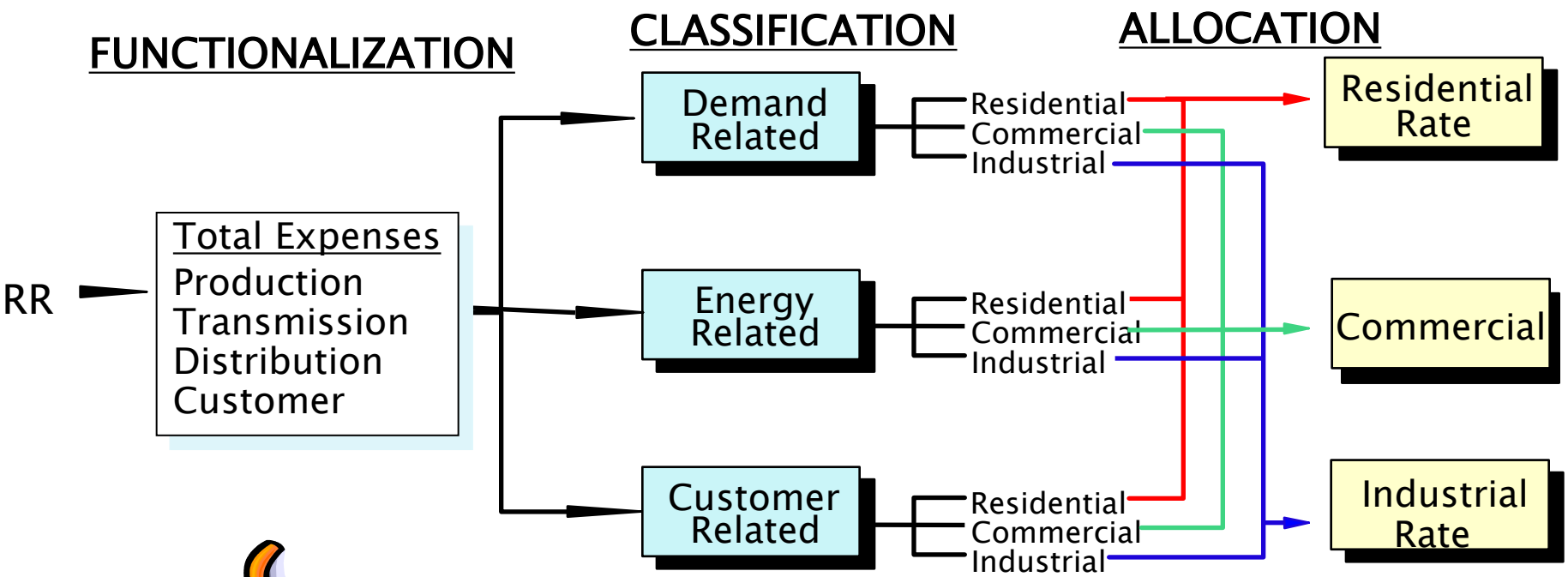
Electric Cost of Service Study



Note: Demand costs may be subcategorized between coincident peak and non-coincident peak demand

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Distribution Costs

- The cost to operate and maintain the distribution infrastructure
- Customers are served at different voltage levels:
  - Sub transmission – Customer avoids all the distribution system infrastructure
  - Primary Voltage – Customer owns transformer and service drop
  - Secondary Voltage – Uses all the infrastructure of the distribution system
- Distribution infrastructure is built to meet customer's non-coincident peak demands

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Customer Costs

- These costs do not vary with usage:
  - Meter operation, maintenance and replacement costs
  - Meter reading
  - Billing Costs
  - Customer Service
  - Portion of Distribution System (35-50%)

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Rate Components

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Residential Rate Components

- Consists of a fixed customer charge and variable charges which can include:
  - Energy
  - Demand
  - Coincident peak
  - Fuel cost adjustments
- Rates may vary by time of day or season

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Customer ~~Costs~~Charges

- These costs do not vary with usage:
  - Meter operation, maintenance and replacement costs
  - Meter reading
  - Billing Costs
  - Customer Service
  - Portion of Distribution System (35-50%)

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Typical Residential Cost Based Customer Charge

- Cost based residential customer charges:
  - Typical Municipal System – $10+
  - Rural Utilities – $15+
- Density of the service territory can affect the monthly customer charge

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Customer Charges

- Increasing customer charges helps stabilize revenues
  - Stable revenues improve the utility's financial strength which is considered in bond ratings
- Low income not the same as low use
  - *At most utilities, low income customers tend to be higher than average users. A higher customer charge may benefit low income depending on housing mix.*

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Rate Design Structures

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All Rate Designs have Positives and Negatives

- For each strategic objective and rate design under review, the Governing Board needs to understand the positives and negatives to make informed decisions and to reduce the chances of an unexpected result

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A Few Rate Design Options

- Flat Rate Structures – Easy to understand and administer
- Declining Block Rate Structures – Can create the most revenue stability
- Inclining Block Rate Structures –
  - Usually a 25% rate differential in blocks for customers to respond
- Distributed Energy Resources

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Declining Block Rates

- Declining block rates
  - Create more financial stability for the utility
  - Recover fixed customer charges quickly
- Declining block rates also
  - Do not generally reflect marginal costs of power production
  - Do not promote energy conservation
  - Reduce the savings to customers who implemented energy efficiency programs
  - Do not address social concern over impact on low use customers

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Inclining Block Rates

- Many inclining block rate structures shifted too much of the fixed cost recovery into latter blocks adversely impacting utility financial statements
  - Cannot cost justify large rate block differentials
  - Large differential may result in under-recovery of costs if customers respond
- Many utilities are modifying or flattening the rate steps

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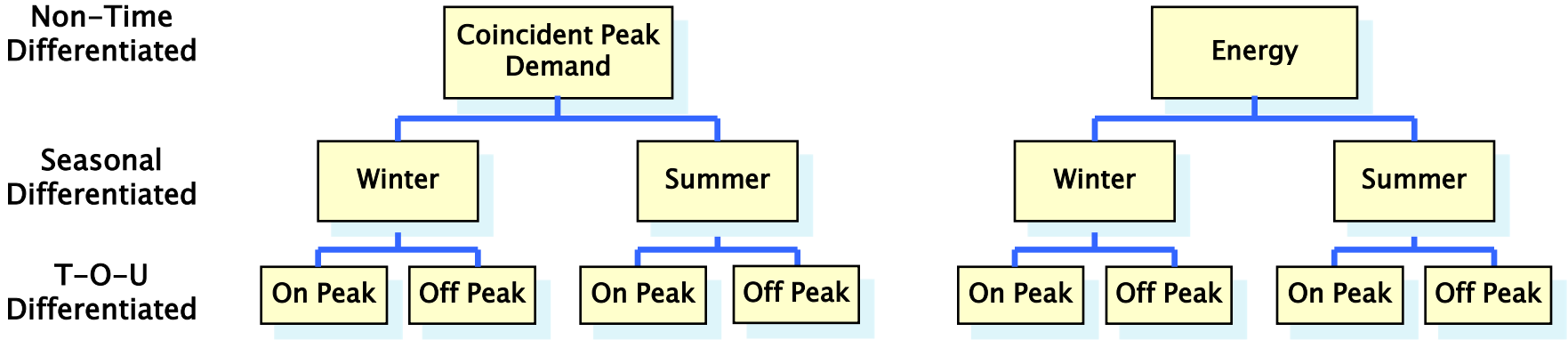
Time Differentiation Rate Design



- Seasonal
  - Winter
  - Summer
- Time of Use (TOU)
  - On peak
  - Off peak

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Criteria for Time Period Selection

- For Time of Day or Seasonal Periods
  - The number of periods should be feasible to administer
  - Hours and months having similar costs should be combined into groups
  - The periods chosen should be broad enough to allow for shift in loads

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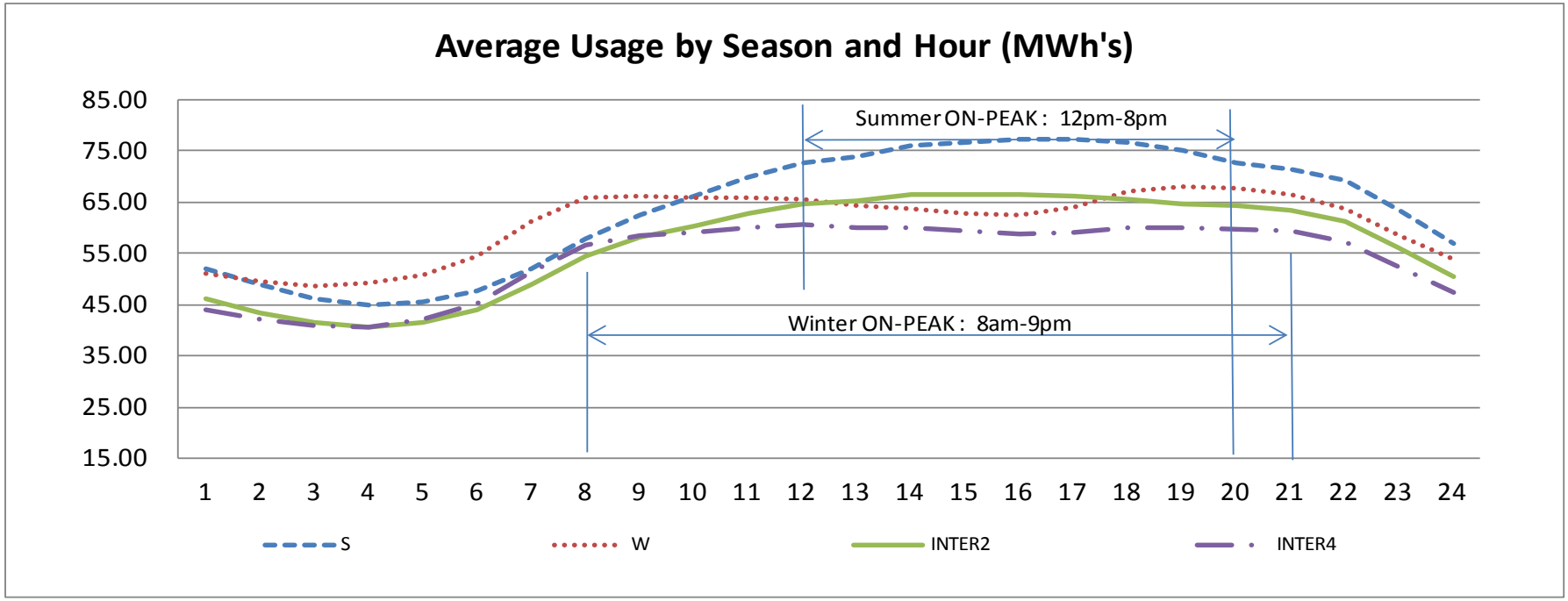
Time Period Selection



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Time of Day Differentiation

- Advantages
  - More closely tracks costs
  - Gives price signals brackets
- Disadvantages
  - Metering
  - Require more customer attention
  - Cost differential between time periods may not be large enough to off-set administration/billing costs

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Seasonal Differentiation

- Advantages
  - Generally tracks production or purchased power supply costs
  - Improved price signal
  - Generally simple to administer
- Disadvantages
  - Budget Billing option hides price signal

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Rate Design Challenges

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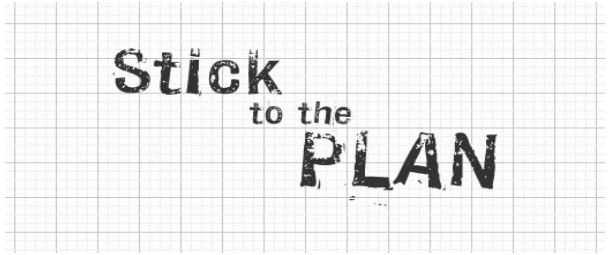
Correction of Customer Charges

- Correct during rate changes
- Revenue neutral rate adjustment when increases are not required
  - Customer charge increased
  - Energy charge decreased
- Set a plan to move in increments over time
- Look at impact by usage and dollar



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Correction of Customer Charges

Customer Class	Current Customer Charge	COS Customer Charge	Difference
Residential	$ 6.80	$ 16.83	$ 10.03
General Service	10.80	84.80	$ 74.00
Large Power	50.00	154.51	$ 104.51

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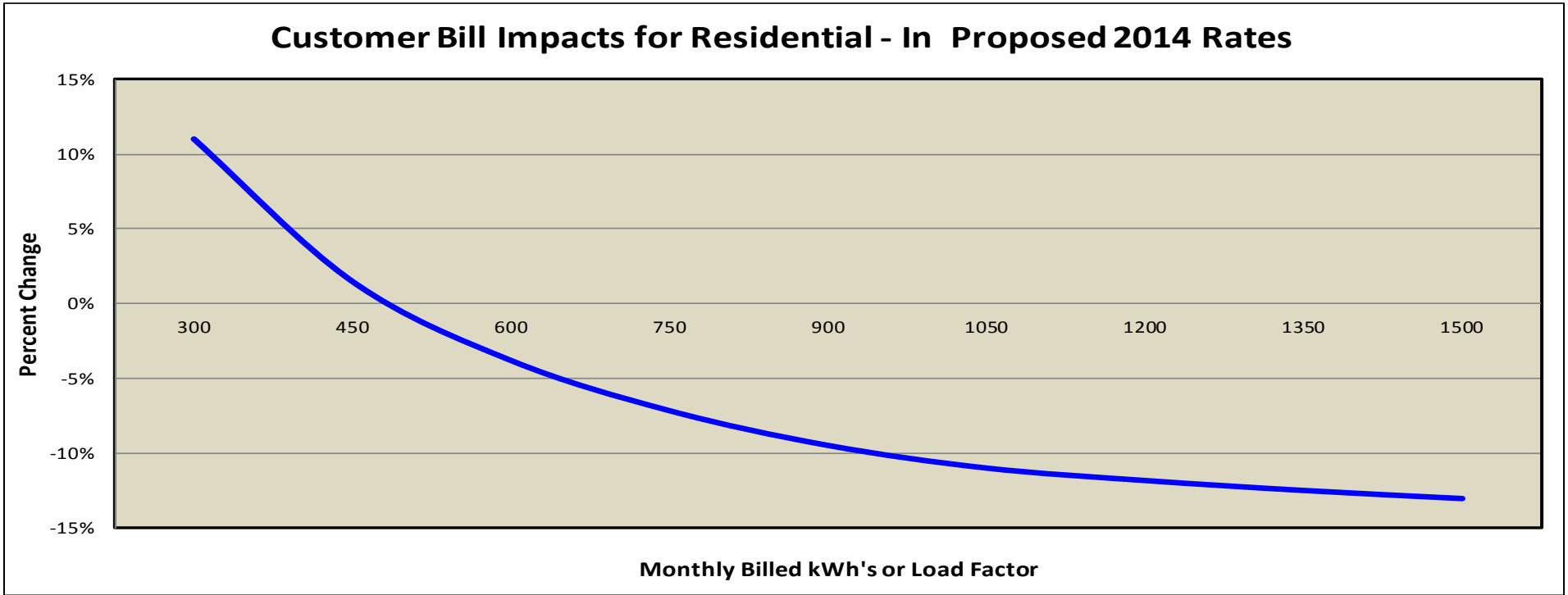
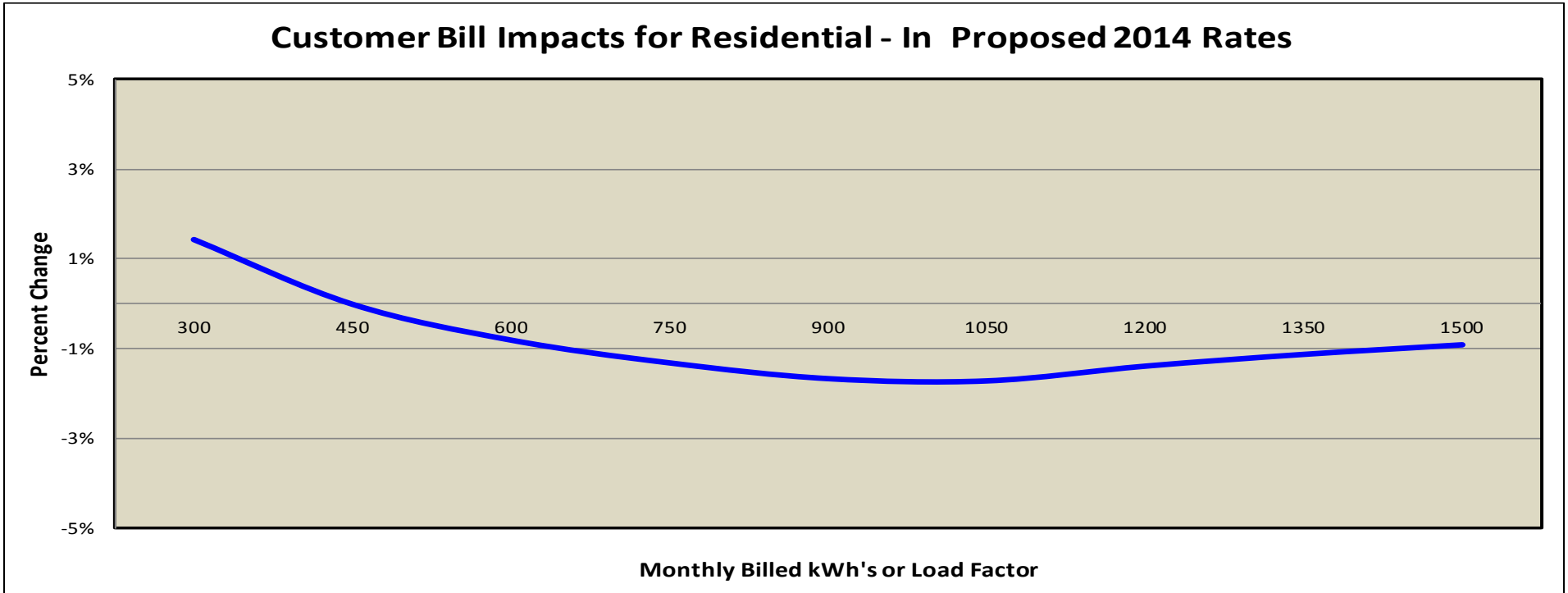
Current Rates			Proposed 2014 Rates			Cost of Service Rates		
Monthly Customer Charge:			**Monthly Customer Charge:**			**Monthly Customer Charge:**		
All Customers	$	6.80	All Customers	$	16.83	All Customers	$	16.83
Energy Charge:			**Energy Charge:**			**Energy Charge:**		
Winter Block 1 (0 - 1000 kWh)	$	0.0744	Winter Block 1 (0 - 1000 kWh)	$	0.0685	Winter	$	0.0750
Winter Block 2 (1001 - Excess kWh)	$	0.0700	Winter Block 2 (1000 - Excess kWh)	$	0.0685	Summer	$	0.0890
Summer Block 1 (0 - 1000 kWh)	$	0.0744	Summer Block 1 (0 - 1000 kWh)	$	0.0800			
Summer Block 2 (1001 - Excess kWh)	$	0.0700	Summer Block 2 (1000 - Excess kWh)	$	0.0800			
Fuel Adjustment(PCA) (0 - 0 kWh)	$	0.01862	Fuel Adjustment(PCA) (0 - 0 kWh)	$	-			
Revenues from Current Rates	$	4,597,848	**Revenues from Proposed Rates**	$	4,598,664	**COS Revenues**	$	4,915,075
Model Proof to Financial Statements		***0.23%***	**Percentage Change from Current**		0.02%			



Current Rates			Proposed 2014 Rates			Cost of Service Rates		
Monthly Customer Charge:			**Monthly Customer Charge:**			**Monthly Customer Charge:**		
All Customers	$	6.80	All Customers	$	8.30	All Customers	$	16.83
Energy Charge:			**Energy Charge:**			**Energy Charge:**		
Winter Block 1 (0 - 1000 kWh)	$	0.0744	Winter Block 1 (0 - 1000 kWh)	$	0.0880	Winter	$	0.0750
Winter Block 2 (1001 - Excess kWh)	$	0.0700	Winter Block 2 (1000 - Excess kWh)	$	0.0880	Summer	$	0.0890
Summer Block 1 (0 - 1000 kWh)	$	0.0744	Summer Block 1 (0 - 1000 kWh)	$	0.0930			
Summer Block 2 (1001 - Excess kWh)	$	0.0700	Summer Block 2 (1000 - Excess kWh)	$	0.0930			
Fuel Adjustment(PCA) (0 - 0 kWh)	$	0.01862	Fuel Adjustment(PCA) (0 - 0 kWh)	$	-			
Revenues from Current Rates	$	4,597,848	**Revenues from Proposed Rates**	$	4,598,313	**COS Revenues**	$	4,915,075
Model Proof to Financial Statements		***0.23%***	**Percentage Change from Current**		0.01%			



Issues with Net Metering

- Whenever subsidies occur, it will cause problems in the future.
  - Customer relied on the price signal to install the solar
  - At some point the subsidy will need to be removed
- Billing and Metering Options (Depend on metering and billing capabilities) for avoided cost recovery

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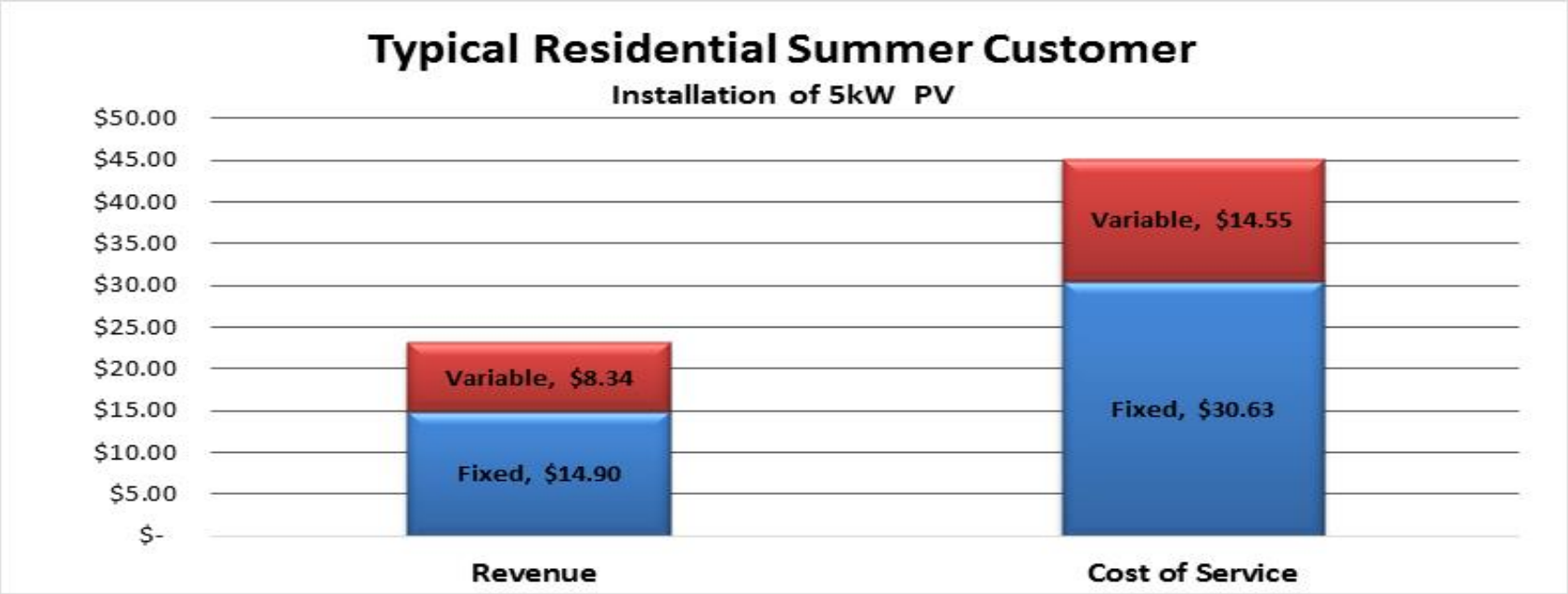
Revenue vs Revenue Requirements Net Metering



- *Comparison with Utility that Purchases Power Supply*
- PV unit installation – 5kW
- Midwest PV Unit – 2013 data
- PV production – 725 kWh
- Customers Peak Distribution Demand – Before PV – 5.16 kW; after PV 3.59 kW
- Customer Peak to System Demands – Before PV 2.11

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Net Metering Variations

- Net metering with additional charge for distribution recovery
  - Difference between what is taken off and what is pushed onto the distribution system is billed. (e.g. 1,000 taken, 600 pushed, 400 billed)
  - Additional charge for distribution under recovery
  - Can be negatively viewed by customer, “why am I paying more?’
- Buy all sell all (two meters)
  - Difference between what a household consumed and what was pushed back onto the distribution system is billed. (e.g. 1,000 taken, 600 pushed, 800 produced – solar metered separately)
  - House used 1,200 (1,000+800-600)
  - Billed retail at 1,200; credited avoided cost at 800
- Net Billing
  - Charge for what is taken off of the system and credit for w
    pushed back. (e.g. 1,000 taken, 600 pushed
  - Billed retail at 1,000 a[illegible]oided cost credit at 600

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Rate Strategies

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"Ideal" Rate Strategies

- Small periodic increases to keep up with inflation
  - 0-5% – inflationary
  - 5-9% – a few large industrials
  - Double digits = complaints
- Phase in large increases over time
- When possible, implement Increases in the transition month =Transparent
- Survey of local rates (positive and negative)
  - Structure apple to apples?

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UFS Utility Financial Solutions, LLC

Questions?

Dawn Lund
Vice-President
Utility Financial Solutions
231-218-9664

COUNCIL FINANCE COMMITTEE
AGENDA ITEM SUMMARY

Staff: Mike Beckstead and Lawrence Pollack

Date: September 19, 2016

SUBJECT FOR DISCUSSION

First Reading of Ordinances No. , 2016, Appropriating Prior Year Reserves and Unanticipated Revenue in Various City Funds and Authorizing the Transfer of Appropriated Amounts between Funds or Projects.

EXECUTIVE SUMMARY

The purpose of this Annual Budget Adjustment Ordinance 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 2016 annual budget appropriation. The unanticipated revenue is primarily from fees, charges, rents, contributions and grants that have been paid to City departments to offset specific expenses.

GENERAL DIRECTION SOUGHT

What questions do Council Finance Committee members have about the specific items included in the Annual Budget Adjustment Ordinance?

BACKGROUND/DISCUSSION

This Ordinance appropriates prior year reserves and unanticipated revenue in various City funds, and authorizes the transfer of appropriated amounts between funds. The City Charter permits the City Council to provide, by ordinance, for payment of any expense from prior year reserves. The Charter also permits the City Council to appropriate unanticipated revenue received as a result of rate or fee increases or new revenue sources. 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 intra-fund transfers which do not increase total 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 between Funds	TOTAL
General Fund	$1,194,410	$2,093,657	$0	$3,288,067
Sales & Use Tax Fund	0	2,137,074	0	2,137,074
Capital Projects Fund	121,591	0	0	121,591
Cemetery Fund	5,000	0	0	5,000
Conservation Trust Fund	220,000	0	0	220,000
Equipment Fund	123,200	0	0	123,200
Natural Areas Fund	20,000	0	1,068,537	1,088,537
Neighborhood Parkland Fund	92,458	0	0	92,458
Perpetual Care Fund	0	0	5,000	5,000
Storm Drainage Fund	19,556	0	0	19,556
Transit Services Fund	69,000	0	0	69,000
Transportation Fund	725,000	0	0	725,000
Transportation Fund (Snow Removal)	0	875,000	0	875,000
Water Fund	390,491	0	0	390,491
GRAND TOTAL	**$2,980,706**	**$5,105,731**	**$1,073,537**	**$9,159,974**

A. GENERAL FUND

1. Fort Collins Police Services (FCPS) has received revenue from various sources which are being requested for appropriation to cover the related expenditures. A listing of these items follows:

a. $7,000 – In 2016 Police received a grant award from the Internet Crimes Against Children from the U.S. Department of Justice, Office of Juvenile and Delinquency Prevention. The funding was used to offset some of the costs of programs to develop effective responses to technology-facilitated child sexual exploitation and Internet crimes against children.

b. $4,940 – 2016 Seatbelt Grant - In 2016, Fort Collins Police received a grant from the Colorado Department of Transportation for Seatbelt Enforcement. The grant paid for officers to work overtime to conduct enforcement activities.

c. $12,036 – 2016 High Visibility DUI Grant – In 2016, Fort Collins Police received grant funds from the Colorado Department of Transportation to pay for overtime for DUI enforcement during specific holiday time periods.

d. $7,788 – 2016 Law Enforcement Assistance Funds (LEAF) DUI Grant - In 2016, Fort Collins Police received grant funds from the Colorado Department of Transportation to pay for overtime for DUI enforcement.

e. $500 – 2016 Victim Assistance and Law Enforcement (VALE) Grant - In 2016, Fort Collins Police received grant funds from the Colorado Division of Criminal Justice, Department of Public Safety for a scholarship for travel expenses for victims' advocates.

f. $192,226 – Police Overtime and Straight Time Reimbursement - In 2016, Police Services received reimbursement from various entities for overtime expenses including: CSU football traffic control, Tour De Fat, Brew Fest and New West Fest. Additionally, in 2016 FCPS partnered with Larimer County to staff events at The Ranch.

g. $370,616 - Larimer County Share of CRISP Maintenance Costs - The IGA between The City of Fort Collins and Larimer County states that Larimer County will pay for 50% of the annual maintenance agreement for the Tiburon/CAD system. In prior years, the city only expensed half the contract cost, as that was the net expense to the City. Starting with 2015, the City recognized

the full expense for the contract, as well as the revenue from the county. This change was made after the adoption of the 2016 budget, therefore additional appropriation is requested to allow the City to pay the full amount.

h. $153,347 – Insurance Claim Proceeds - The FCPS received unanticipated revenue from insurance claims for three damaged vehicles.

FROM: Unanticipated Revenue (Internet Crimes Against Children Grant)	$7,000
FROM: Unanticipated Revenue (2016 Seatbelt Grant)	$4,940
FROM: Unanticipated Revenue (2016 High Visibility DUI Grant)	$12,036
FROM: Unanticipated Revenue (2016 LEAF DUI Grant)	$7,788
FROM: Unanticipated Revenue (2016 VALE Grant)	$500
FROM: Unanticipated Revenue (Miscellaneous Revenue)	$562,842
FROM: Unanticipated Revenue (Insurance Proceeds)	$153,347
FOR: Internet Crimes Against Children Grant	$7,000
FOR: Seatbelt Grant	$4,940
FOR: High Visibility DUI Grant	$12,036
FOR: LEAF DUI Grant	$7,788
FOR: VALE Grant	$500
FOR: Police Services	$192,226
FOR: Tiburon/CAD system	$370,616
FOR: Police Vehicle Purchases	$153,347

2. Operation Services is requesting funds for:

a. $36,125 – Energy Management - Funds were received as a lighting rebate from Platte River Power Authority and will be used for lighting upgrade projects this year.

b. $200,000 - Building Repair and Maintenance (BRM) Additional Revenue and Expense - Unanticipated revenue from work that was not planned in non-general fund departments.

FROM: Unanticipated Revenue (PRPA Grant)	$36,125
FROM: Unanticipated Revenue (BRM)	$200,000
FOR: Lighting Upgrade Projects	$36,125
FOR: Building Repair and Maintenance	$200,000

3. This request is to appropriate $699,126 to cover the payment of *2014* Manufacturing Equipment Use Tax rebates (MUTR) made in 2016 and $1,380,231 to cover the payment of *2015* MUTR made in 2016. In accordance with Chapter 25, Article II, Division 5, Manufacturing Equipment Use Tax Rebates were paid out in July 2016 for the 2014 rebate program and will be paid out for the 2015 rebate program later in 2016. 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)	$2,079,357
FOR: Manufacturing Use Tax Rebates	$2,079,357

4. This request appropriates insurance reimbursements for Parks infrastructure damaged by others during 2016 ($15,497) and the donation for the 4th of July celebration at City Park ($23,000).

FROM: Unanticipated Revenue	$38,497
FOR: Parks 4th of July celebration expense	$23,000
FOR: Repair and/or replacement of damaged infrastructure expense	$15,497

5. The Gardens on Spring Creek requests appropriations of unanticipated revenues from increased program activity such as the Spring Plant Sale and Youth Summer Camps, and increased donations due to the popularity of the Gardens. Appropriations are needed for the additional cost of expanded programs including staffing, supplies, credit card fees, etc.

FROM: Unanticipated Revenue	$52,000
FOR: Gardens on Spring Creek Programs and Operations	$52,000

6. 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 use test kit sales revenue for the purpose of restocking radon test kits.

FROM: Unanticipated Revenue (from radon kit sales)	$5,942
FOR: Radon Test Kits	$5,942

7. This request is intended to cover expenses related to land bank property maintenance needs for 2016. As expenses vary from year-to-year, funding is requested annually mid-year to cover these costs. Expenses for 2016 include general maintenance of properties, raw water and sewer expenses, and electricity.

FROM: Prior Year Reserves (Land Bank Reserve)	$14,300
FOR: Land Bank Expenses	$14,300

8. The Fort Collins Convention and Visitors Bureau (FCCVB) has been awarded an $87,764 grant from the Colorado Welcome Center through the State of Colorado. These funds will be disbursed by the State of Colorado and directed through the City of Fort Collins, pursuant to State of Colorado requirements, then paid to the FCCVB. The grant period will run from July 1, 2016 through June 30, 2017.

FROM: Unanticipated Revenue (grant)	$87,764
FOR: Fort Collins Convention and Visitors Bureau	$87,764

9. The City received two separate metropolitan district applications for its review and consideration. As per City policy, each application was accompanied by a non-refundable application fee of $2,000 and a deposit of $10,000 to be utilized for the reimbursement of staff, legal and consultant expenses. In order for the funds to be used as such they must be appropriated by City Council.

FROM: Unanticipated Revenue	$24,000
FOR: Fort Collins Convention and Visitors Bureau	$24,000

10. The Multicultural Community Retreat in 2016 will be hosted by the City of Fort Collins Social Sustainability Department, Colorado State University, Front Range Community College, Fort Collins Community Action Network (FCCAN), Poudre School District, Diversity Solutions Group, and community members. The City collected participant revenue for the retreat, which will partially offset event expenses.

FROM: Unanticipated Revenue	$1,590
FOR: Multicultural Community Retreat Expense	$1,590

B. SALES AND USE TAX FUND

1. The sales and use tax revenue received in 2015 was higher than projected and existing appropriations were not adequate to make the full transfer from the Sales and Use Tax Fund to the Capital Projects Fund for the one quarter cent Building on Basics tax, and to the Natural Areas Fund for the one quarter cent Natural Areas tax. Adjustments to other funds are not needed because the tax revenues are recorded directly into those funds. This item appropriates additional funds in the amount of $2,137,074 from prior year reserves for transfer from the Sales and Use Tax Fund to the Capital Projects Fund for the Building on Basics tax of $1,068,537, and for transfer to the Natural Areas Fund for the Natural Areas tax of $1,068,537.

FROM: Prior Year Reserves (Sales & Use Tax Fund)	$2,137,074
FOR: Transfer to Capital Projects Fund - Building on Basics	$1,068,537
FOR: Transfer to Natural Areas Fund	$1,068,537

C. CAPITAL PROJECTS FUND

1. As part of the Lincoln Avenue Improvements Project, additional funds have been received from two developers, Fort Collins Brewery and Buckingham Place 2nd filing, lots 1 & 2, as payment to construct the local street improvements for Lincoln Avenue adjacent to Fort Collins Brewery and Buckingham Place 2nd filing, lots 1 & 2.

FROM: Unanticipated Revenue (Contributions in Aid)	$101,057
FOR: Construction of local street improvements for Lincoln Ave. adjacent to Fort Collins Brewery and Buckingham Place 2nd filing, lots 1 & 2.	$101,057

2. As part of the North College Avenue Improvements Project, additional funds have been received from the property owner at 920 N. College Ave., as payment to construct the local street improvements for North College Avenue adjacent to 920 N. College Ave.

FROM: Unanticipated Revenue (Contributions in Aid)	$20,266
FOR: Construction of local street improvements for the North College Avenue adjacent to 920 N. College Ave.	$20,266

D. CEMETERY FUND

1. This request appropriates an increase in the transfer of Perpetual Care interest earnings to the Cemetery Fund due to interest earnings being slightly higher than anticipated in 2016. Perpetual Care interest earnings are transferred to the Cemetery Fund for cemetery maintenance.

FROM: Unanticipated Revenue (transfer from another fund)	$5,000
FOR: Cemetery Maintenance Expense	$5,000

E. CONSERVATION TRUST FUND

1. Additional 2016 lottery proceed revenue in the Conservation Trust Fund would be used for the construction of the Fossil Creek Trail segment between College and Shields. The project includes a tunnel under the BNSF railroad, several pedestrian bridges, and a trail segment that will provide a key connection between the Fossil Creek Trail at Cathy Fromme Prairie and the Mason Trail.

FROM: Unanticipated Revenue	$220,000
FOR: Trail Construction Expenses	$220,000

F. EQUIPMENT FUND

1. Appropriation of unanticipated grant revenue from the Regional Air Quality Council to purchase compressed Natural Gas vehicles: two semi-tractors, one tandem dump truck, and two Utility Line trucks. The total amount of grant funding is $123,200 with a 20% match covered by the departments' existing appropriations.

FROM: Unanticipated Revenue (grant)	$123,200
FROM: CNG Vehicles	$123,200

G. NATURAL AREAS FUND

1. The sales and use tax revenue received in 2015 was higher than projected and existing appropriations were not adequate to make the full transfer from the Sales and Use Tax Fund to the Natural Areas Fund for the one quarter cent Natural Areas tax. (See Sales & Use Tax Fund Item #1) This item appropriates funds in the amount of $1,068,537 transferred from the Sales and Use Tax Fund to the Natural Areas Fund for Land Conservation expenses.

FROM: Unanticipated Revenue (transfer from another fund)	$1,068,537
FOR: Natural Areas Expenses	$1,068,537

2. The City of Fort Collins Natural Areas Department has been awarded a grant of $10,000 from the History Colorado State Historical Fund. This grant supports the research, analysis, and preparation of a Historic Structure Assessment for Graves Camp near Graves Creek in the Soapstone Prairie Natural Area. The findings of the report will guide future restoration work and will enable the Natural Areas Department to seek additional funding to implement recommended improvements. This is a reimbursement type grant; revenue will be received upon submission of the final report.

FROM: Unanticipated Revenue (grant)	$10,000
FOR: Historic Structure Assessment for Graves Camp	$10,000

3. Appropriation of funds from the Downtown Business Association and the Community Foundation to support fundraising activities on behalf of the Poudre River Downtown Project, Phase I, kayak park. Fundraising is complete.

FROM: Unanticipated Revenue	$10,000
FOR: Poudre River Downtown Project, Phase I, kayak park	$10,000

H. NEIGHBORHOOD PARKLAND FUND

1. This request appropriates miscellaneous revenue from contributions, donations and intergovernmental funds received for Avery Park Improvements, Maple Hill Park and Side Hill Park.

FROM: Unanticipated Revenue (Transfer In)	$92,458
FOR: Avery Park, Maple Hill Park and Side Hill Park Expenses	$92,458

I. PERPETUAL CARE FUND

1. This request appropriates an increase in the transfer of Perpetual Care interest earnings to the

Cemetery Fund due to interest earnings being higher than anticipated in 2016. Perpetual Care interest earnings are transferred to the Cemetery Fund each for cemetery maintenance.

FROM: Unanticipated Revenue	$5,000
FOR: Transfer to Cemetery Fund	$5,000

J. STORM DRAINAGE FUND

1. The City of Fort Collins, the Colorado Department of Transportation (CDOT) and Woodward, Inc. entered into a mutually beneficial agreement to jointly fund the consulting services necessary to prepare and submit a Letter of Map Revision to the Federal Emergency Management Agency (FEMA) to revise the Poudre River floodplain from Lincoln Avenue to Lemay Avenue. This floodplain revision will account for and document floodplain impacts resulting from construction of the Woodward Business Campus/Homestead Natural Area, the Mulberry (State Highway 14) Street Widening and Bridge Replacement, the Lemay Pedestrian Trail/Bridge Re-alignment and the Lemay Avenue Overtopping Mitigation Improvements. The City is contracting with the engineering consultant and CDOT is reimbursing the City for CDOT's share ($19,556) of the consulting and FEMA review fees which totals $48,890.

FROM: Unanticipated Revenue (CDOT reimbursement)	$19,556
FOR: Consulting and FEMA fees for Poudre River Floodplain	$19,556

K. TRANSIT SERVICES FUND

1. Transfort has entered into an agreement with CSU to provide additional service for the Foothills Campus Shuttle. This request will fund the first half of the 2016-2017 school year.

FROM: Unanticipated Revenue (CSU)	$69,000
FOR: Foothills Campus Shuttle Bus Route Service	$69,000

L. TRANSPORTATION SERVICES FUND

1. As part of the Fort Collins Bike Share Program, Kaiser Permanente committed to sponsoring the program at $25,000 for one year, with the possibility of renewing for a second year. Kaiser Permanente is directing its sponsorship to Zagster, Inc. (bike share service provider) through the City. This $25,000 contribution will support three bike share stations, 13 bikes and helmets.

FROM: Unanticipated Revenue (grant)	$25,000
FOR: FC Bike Share Program	$25,000

2. The Planning, Development and Transportation Work for Others is a self-supported program for all "Work for Others" activities within Streets, Traffic and Engineering. Expenses are tracked and billed out to other city departments, Poudre School District, CSU, CDOT, Larimer County, developers and other public agencies. The original budget of $2,217,369 was an estimate based on scheduled projects. Additional unanticipated projects were added in 2016. In addition, the Streets Department is anticipating traffic control and patching projects for other departments similar to 2015. Additional appropriations of $700,000 will be used to cover labor, material and equipment costs that will be recovered upon completion of the various projects.

FROM: Unanticipated Revenue (WFO)	$700,000
FOR: Traffic Construction	$100,000
FOR: Streets WFO	$600,000

3. Due to the snow storms in January, February and March 2016, the 2016 snow budget has been depleted. There were five storms and approximately 47" of snow in this timeframe which required residential plowing for the first time since 2007. Extensive ice cutting was required because of the weather pattern. Warmer days, bitter cold nights, and waves of snow every few days caused ice to build up in gutters blocking drainage and causing ice dams and ice potholes. Clearing sidewalks and pedestrian access ramps also significantly impacted the snow removal budget with an increase of 62% from 2015. Downtown snow removal was performed five times requiring snow to be hauled off by trucking contractors. Additional funding of $875,000 will be used to provide snow removal services during the winter months of October through December 2016. This will cover labor, equipment and materials.

FROM: Prior Year Reserves	$875,000
FOR: Snow Removal	$875,000

M. WATER FUND

1. Water received $390,491 of additional revenue from the Parks Department for the Rigden Reservoir project that needs to be appropriated for Water Supply projects in 2016.

FROM: Unanticipated Revenue	$390,491
FOR: for Water Supply Projects	$390,491

FINANCIAL / ECONOMIC IMPACTS

This Ordinance increases total City 2016 appropriations by $9,159,974. Of that amount, this Ordinance increases General Fund 2016 appropriations by $3,288,067 including use of $2,093,657 in prior year reserves. Funding for the total City appropriations is $2,980,706 from unanticipated revenue, $5,105,731 from prior year reserves and $1,073,537 transferred from other funds.

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

Item #	Fund	Use	Amount
A3	General	Manufacturing Equipment Use Tax Rebate	$2,079,357
A7	General	Land Bank Property Maintenance	14,300
B1	Sales & Use Tax	Transfer of 2015 sales tax revenue for BOB & Natural Areas	2,137,074
K4	Transportation	Snow Removal	875,000
		Total Use of Prior Year Reserves:	**$5,105,731**

ATTACHMENTS

Attachment #1 – Presentation to City Council Finance Committee

Attachment #1

City of Fort Collins

2016 Annual Adjustment Ordinance

September 19, 2016

Mike Beckstead - CFO

The recommended 2016 Annual Adjustment Ordinance is intended to address:

- 2016 unanticipated revenues (e.g. grants)
- Appropriation of unassigned reserves to fund unanticipated expenditures associated with approved 2016 appropriations
- Should be routine and non-controversial
- Items approved by the ordinance need to be spent within the calendar year (i.e. by December 31, 2016)

City-wide Ordinance No. , 2016 increases total City 2016 appropriations by $9,159,974

- **This Ordinance increases General Fund 2016 appropriations by $3,288,067 including the use of $2,093,657 in prior year reserves**

- **Funding for the total City appropriations is:**
  - **$2,980,706 from additional revenue**
  - **$5,105,731 from prior year reserves**
  - **$1,073,537 transferred between funds**

2016 Annual Adjustment Ordinance Offer Summary

Funding	Unanticipated Revenue	Prior Year Reserves	Transfers between Funds	TOTAL
General Fund	$1,194,410	$2,093,657	$0	$3,288,067
Sales & Use Tax Fund	0	2,137,074	0	2,137,074
Capital Projects Fund	121,591	0	0	121,591
Cemetery Fund	5,000	0	0	5,000
Conservation Trust Fund	220,000	0	0	220,000
Equipment Fund	123,200	0	0	123,200
Natural Areas Fund	20,000	0	1,068,537	1,088,537
Neighborhood Parkland Fund	92,458	0	0	92,458
Perpetual Care Fund	0	0	5,000	5,000
Storm Drainage Fund	19,556	0	0	19,556
Transit Services Fund	69,000	0	0	69,000
Transportation Fund	725,000	0	0	725,000
Transportation Fund (Snow Removal)	0	875,000	0	875,000
Water Fund	390,491	0	0	390,491
GRAND TOTAL	**$2,980,706**	**$5,105,731**	**$1,073,537**	**$9,159,974**

2016 Annual Adjustment Ordinance
Larger Requested Amounts

Offer	General Fund	Sales & Use Tax Fund	Transpor-tation Fund	Other	TOTAL
• Manufacturing Equipment Use Tax Rebate	$2.1				$2.1
• Sales & Use Tax Fund - BOB & Natural Areas Transfer		2.1			2.1
• Traffic Construction - additional revenue from Work for Others (WFO)			0.7		0.7
• Snow Removal			0.9		0.9
Sub-Total	**$2.1**	**$2.1**	**$1.6**	**$0.0**	**$5.8**
All Other Recommended Items	1.2	-	0.0	2.1	3.4
TOTAL	**$3.3**	**$2.1**	**$1.6**	**$2.1**	**$9.2**

Questions