

Council Finance Committee & URA Finance Committee
Agenda Planning Calendar 2016
RVSD 09/21 mnb

Sep 30			
	Utility Rate Structures	45 min	L. Smith
	Clean-Up Ordinance	10 min	L. Pollack
URA			

Oct 17			
	Capital Expansion Fees/Street CEF/Code Cost Stack	60 min	T. Smith M. Backer
	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 Alternatives 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
	Xcel Franchise Agreement	30 min	A. Gavaldon
URA			

Future Council Finance Committee Topics:
Parking Garage Financing – QII 2017
Strategy Map Metrics Review – QI 2017

Future URA Committee Topics:



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AGENDA

Council Finance & Audit Committee - Additional Meeting

September 30, 2016

7:30 - 8:30 am

CIC Room - City Hall

- | | | |
|--------------------------------|------------|-----------|
| 1. Utility Rate Structure | 45 minutes | L. Smith |
| 2. Annual Adjustment Ordinance | 10 minutes | R. Rogers |

OTHER BUSINESS

**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



Overview

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



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.



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?*

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



Electric Cost of Service Study

FUNCTIONALIZATION

CLASSIFICATION

ALLOCATION

RR

Total Expenses
Production
Transmission
Distribution
Customer

Demand
Related

Residential
Commercial
Industrial

Residential
Rate

Energy
Related

Residential
Commercial
Industrial

Commercial

Customer
Related

Residential
Commercial
Industrial

Industrial
Rate

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



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%)



Rate Components



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



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%)



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



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.*



Rate Design Structures



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



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



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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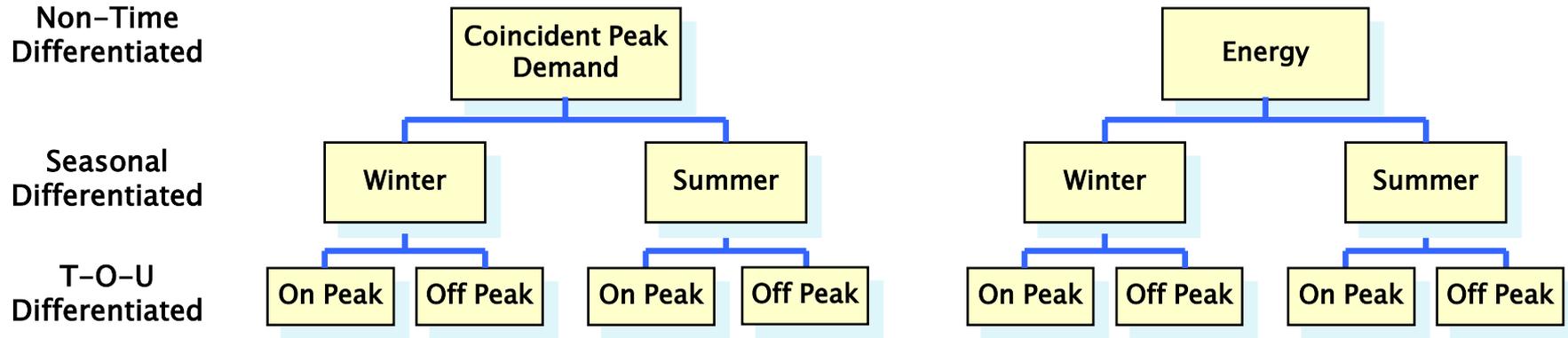
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Inclining Block Rates



- ▶ 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

Time Differentiation Rate Design



- Seasonal
 - Winter
 - Summer

- Time of Use (TOU)
 - On peak
 - Off peak

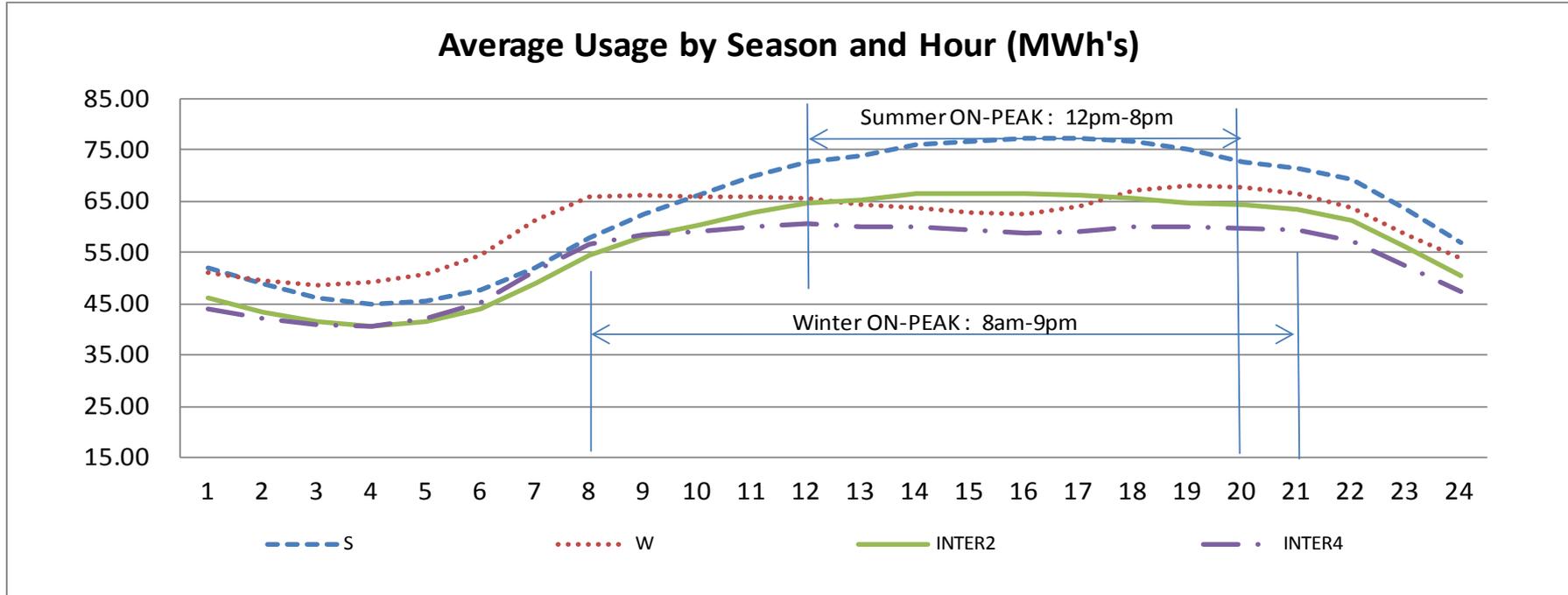


Criteria for Time Period Selection

- ▶ 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



Time Period Selection



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



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



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



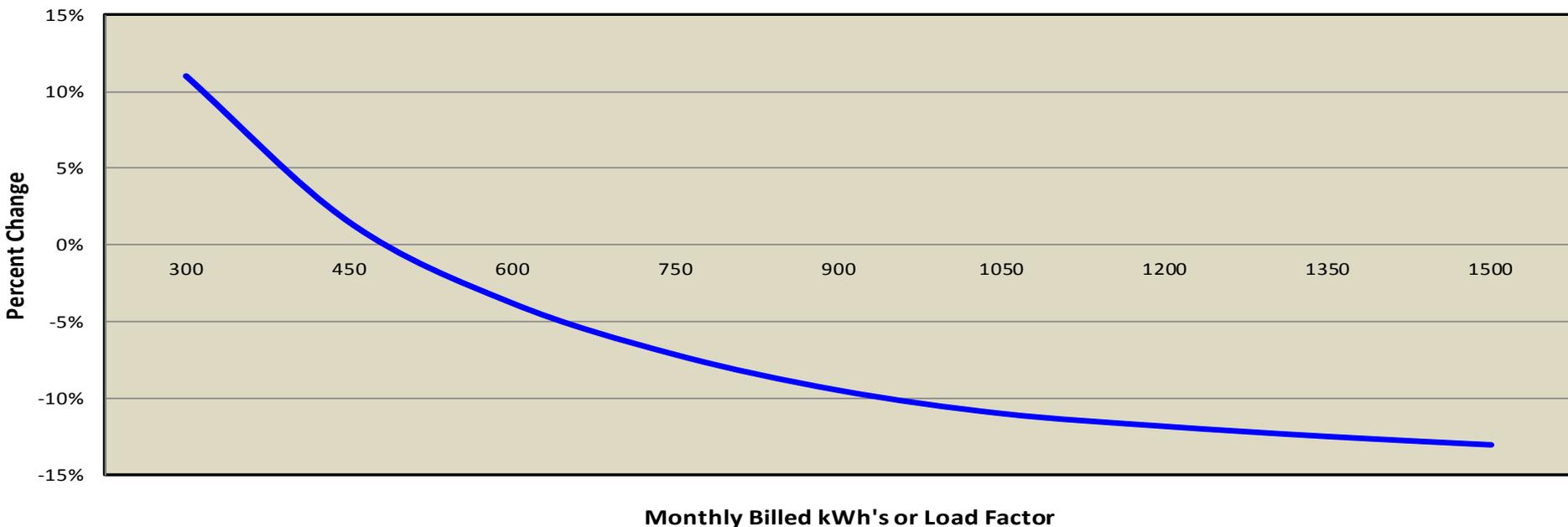
Correction of Customer Charges

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



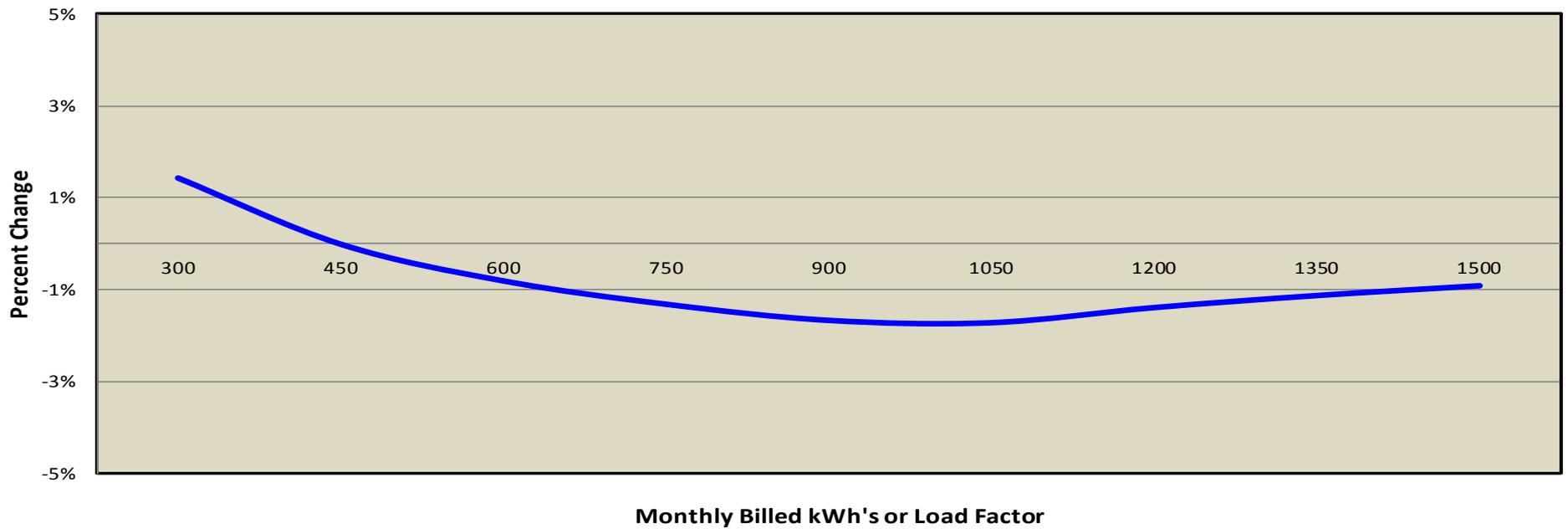
Current Rates		Proposed 2014 Rates		Cost of Service Rates	
Monthly Customer Charge:		Monthly Customer Charge:		Monthly Customer Charge:	
All Customers	\$ 6.80	All Customers	\$ 16.83	All Customers	\$ 16.83
Energy Charge:		Energy Charge:		Energy Charge:	
Winter Block 1 (0 - 1000 kWh)	\$ 0.0744	Winter Block 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
<i>Model Proof to Financial Statements</i>	0.23%	Percentage Change from Current	0.02%		

Customer Bill Impacts for Residential - In Proposed 2014 Rates



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
<i>Model Proof to Financial Statements</i>	0.23%	Percentage Change from Current	0.01%		

Customer Bill Impacts for Residential - In Proposed 2014 Rates

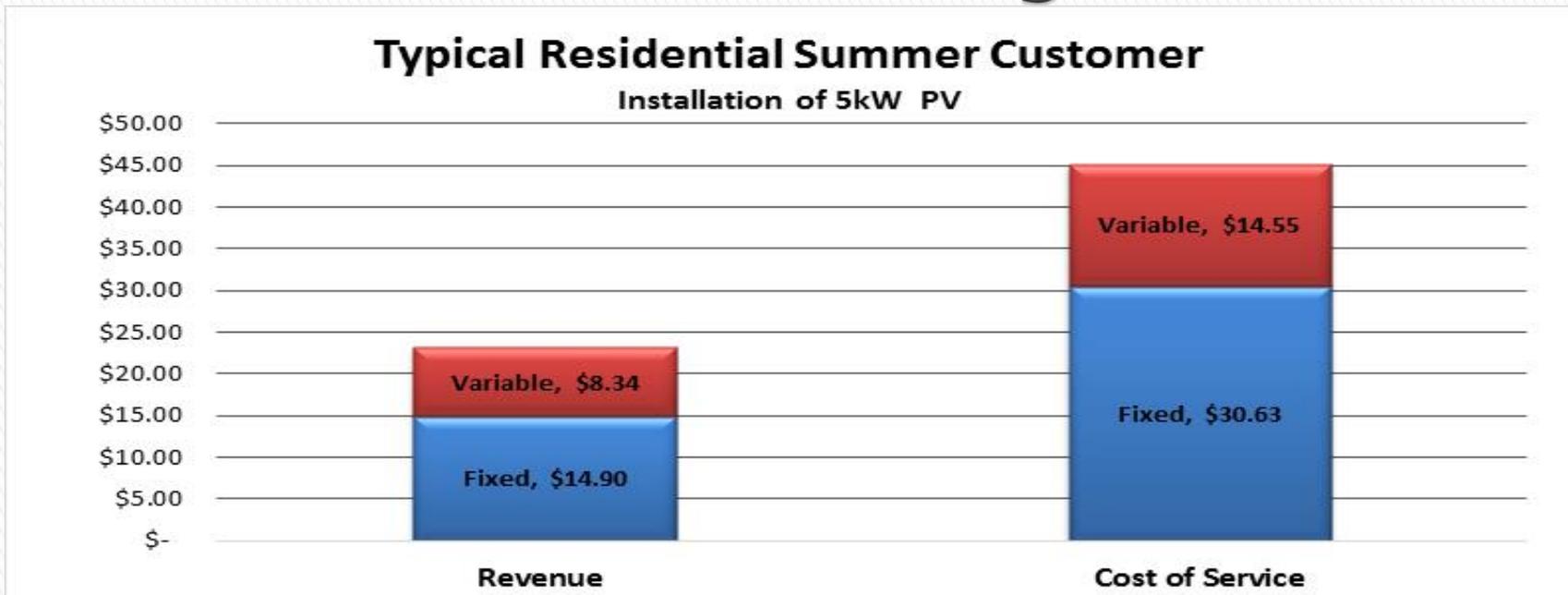


Issues with Net Metering

- ▶ 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



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



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 what is pushed back. (e.g. 1,000 taken, 600 pushed, 800 produced)
 - Billed retail at 1,000; credited avoided cost credit at 600



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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Utility Financial Solutions, LLC

Questions?



Dawn Lund
Vice-President
Utility Financial Solutions
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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 4 th 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

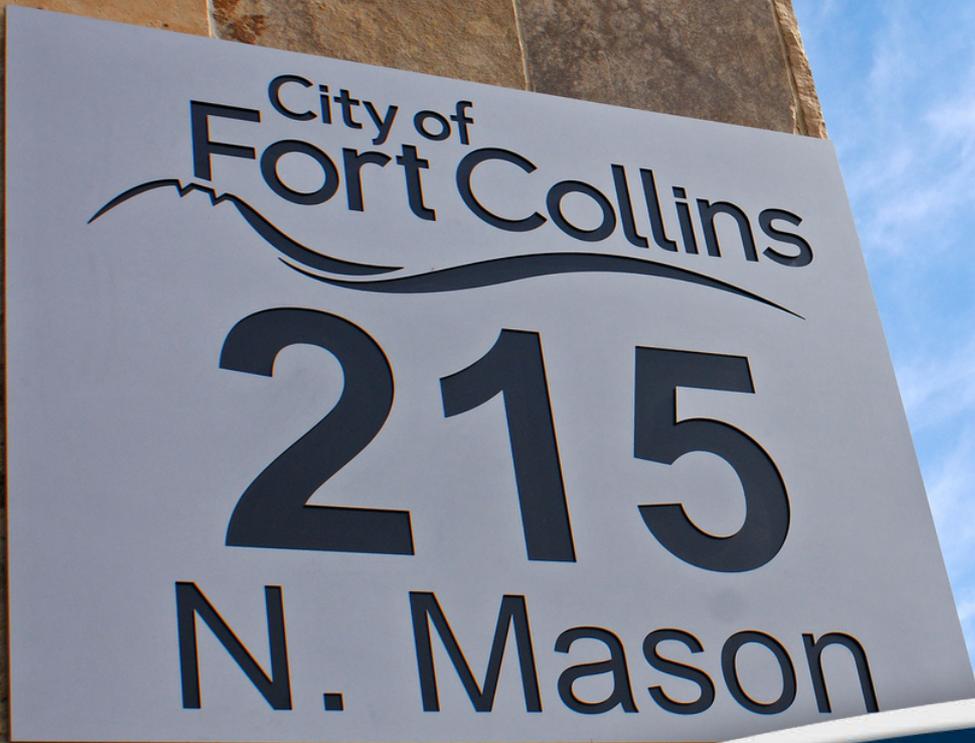
This Ordinance increases total City 2016 appropriations by \$9,159,974. Of that amount, this Ordinance increases General Fund 2016 appropriations by \$3,288,067 including use of \$2,093,657 in prior year reserves. Funding for the total City appropriations is \$2,980,706 from unanticipated revenue, \$5,105,731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



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	Transportation 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