

Council Finance Committee & URA Finance Committee
Agenda Planning Calendar 2016
RVSD 10/10 mnb

Oct 17			
	Capital Expansion Fees/Street CEF/Code Cost Stack	45 min	T. Smith M. Baker
	Sales Tax Code Updates	30 min	T. Smith
	Sales Tax on L&P Pilots	15 min	T. Smith
	Foundation Creation	20 min	N. Johnson
URA			

Nov 21			
	Natural Areas – Financial Review	40 min	J. Stokes
	Broadband Alternatives Financial Review	40 min	A. Gavaldon
	Financial Policy Updates	15 min	J. Voss
URA	Lyric Theater Assistance	20 min	J. Birks

Dec 19			
	Future Utility Debt Requirements – Water & Stormwater	40 min	L. Smith
	Utility Plant Investment Fee Updates	40 min	L. Smith
	Xcel Franchise Agreement	20 min	A. Gavaldon
	Audit Findings Response Review	20 min	T. Storin
URA			

Jan TBD			
	Revenue Diversification Outreach Update	30 min	T. Smith
	Water – Raw Water Fee or CIL	30 min	C. Webb
URA			

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

Future URA Committee Topics:



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AGENDA
Council Finance & Audit Committee
October 17, 2016
9:30 - 11:30 am
CIC Room - City Hall

Approval of Minutes from the September 19th and September 30th meetings

- | | | |
|---|------------|------------------------------------|
| 1. Capital Expansion Fees/Street CEF/ Code Cost Stack | 45 minutes | T. Smith
M. Baker |
| 2. Sales Tax Code Updates | 30 minutes | T. Smith
P. Streeter
B. Dunn |
| 3. Sales Tax on L&P Pilots | 15 minutes | T. Smith |
| 4. Foundation Creation | 20 minutes | N. Johnson |

OTHER BUSINESS

CFC Meetings and other topics



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Council Audit & Finance Committee
Minutes
09/19/16
9:30 - 11:30 am
CIC Room

Council Attendees: Mayor Wade Troxell, Ross Cunniff

Staff: Darin Atteberry, Mike Beckstead, Laurie Kadrich, Lance Smith, Tiana Smith, John Voss, Rachel Rogers, Tom Leeson, Josh Birks, Patrick Rowe, John Duvall, Jackson Brockway, Tyler Marr, Carolyn Koontz

Others: Donald Taranto, TST Consulting Engineers, Dale Adamy, Citizen

Meeting called to order at 9:32 am

NOTE: Only the Metro Districts presentations were given due to schedule conflicts. Gerry Horak was not present so Utility Rate Review and Annual Year End Adjustment presentations were deferred and will be given during a special CFC session yet to be scheduled.

APPROVAL OF MINUTES

Ross Cunniff made a motion to approve the August 15, 2016 Council Finance Committee minutes. Mayor Troxell made a second to the motion. The minutes were approved unanimously.

Metro District Review - Block 23 Metropolitan District Nos. 1 and 2 Service Plan

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

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

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 with 500 parking spaces.

All powers must be granted by Council in the Service Plan

Formation steps;

Service Plan approval - (City’s role)

If approved - take a petition for organization to district court

Organizational election (coupled with TABOR election which restricts timing)

Last date in order to make this November’s election is 9/28

Governance - Independent Board

Block 23 Service Plan

- Proposed Improvements: 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). Parking Structure represents 90% of funds.
- Proposed Land Use (Commercial/Residential):
 - 60% commercial / 40% residential (deviation from City Policy)

What council is being asked to do at this time;

Difficult for staff to give a full appraisal that it would typically do so we are proposing that we take an approach similar to Foothills Mall where we brought forward a limited or Shell Service Plan which allowed for organizational election to take place and enables developers and partners to stay on schedule - then bring back required Service Plan amendment which will include details, proposed improvements and powers of the district

Policy that was adopted in 2008 provides some guidance for staff and Council on how to review Service Plans

Shell Plan doesn’t answer any of the questions - not being authorized at this time

No ability to levy tax – no way to generate revenue at this time

No debt is allowed to be issued

Cannot construct public improvements

Only activities that are allowed are minimal administrative activities which are needed in order to maintain the organization in good standing with the state.

Service Plan amendment must be **completed** within 3 years of Council's approval of the current Shell Service Plan. If an amendment is not brought forward within 3 years, the District automatically dissolved. We did this at Foothills to give time for the project to progress.

Next steps;

Council meeting review of -both Districts on 9/27

If Shell Service Plan is approved,

- We would continue to work with the developer to gain more understanding about land use and mix of use. Further advance discussion around parking - the 500 spaces includes approximately 250 surplus spaces - Some discussion regarding what the city's role may be as far as owning ,managing these spaces.
- Public Parking Concept Development and Review.
- Financial Review.
- Engineering Review.
- Legal Review.
- Comprehensive City Policy Review (including staff assessment of public benefits).

Approval of limited shell Service Plan is in no way a statement of support for any future Service Plan Amendment - this simply allows for the process to move forward, take advantage of timing for the November election.

Darin commented; it is important to understand that there has been a significant amount of work up to this point (staff time investment) - this was not done in a flip way - very thoughtful approach

Patrick Rowe added; staff recommendation - we do see value - this-block has been under-utilized for a period of time

Ross Cunniff commented; seems pretty straightforward - one thing that would useful for Council to have - more discussion about pros and cons of including this much residential. Think we would need explicit Council overwrite on that.

Mayor Troxell asked; are the train tracks in Block 23?

Patrick Rowe responded; the NW corner of Block 23 is rounded off by the train tracks and is the proposed location of the parking structure (use as a buffer).

Darin Atteberry commented; potential for public / private partnership with the parking structure. Potential leverage opportunity as there is a documented need we have been discussing for some time. Josh Birks responded: we see these as intertwined.

Darin Atteberry, Mayor Troxell and Russ Cunniff are ok with moving forward on Block 23.

Metro District Review - Harmony and I-25 District Nos. 1-3 Service Plan

Josh Birks, Economic Health Office Director

Patrick Rowe, Redevelopment Program Coordinator

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.

H25 Service Plan – much larger than Block 23

SW corner of Harmony and I25 - formerly gravel mining site - number of gravel mining ponds

260 acre coordinated development

- 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 (deviation from City Policy)

Strategy is the same but motivated by different unanswered questions (will highlight in a slide for Council)

Scale of this project warrants more time and in-depth study

Not to diminish the work the applicant has done – this is to make city staff more comfortable

Same next steps - Council to consider Shell Service Plan on the 27th

Resolving some of the land use issues

Continue financial engineering and legal review after Shell Service Plan is approved

One thing that is different is that the Harmony 25 Service Plan is to be **initiated** within the next 3 years not necessarily **completed** as is the case for Block 23 which recognizes the complexity as opposed to the Block 23 Service Plan.

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 be initiated in 3-years....to allow plans to develop and unresolved questions to be addressed.

Ross Cunniff commented; land use concerns are a big issue - different from our City Plan.

Josh Birks responded; approval by Council for Shell Service Plan is not an indication of any future preference or approval of land use

Mayor Troxell commented; a number of the improvements dealt with Stormwater

John Birks responded; that is another reason for the issue of standard being initiated not completed as there will be FEMA processes required in order to get a letter of map revision - that will have to happen – reuse the site in a meaningful way – gravel pits in the area with exposed water that need to be filled – this figures into why the standard is different as far as when this should begin

Ross Cunniff asked; is there land use code regarding wet land mitigation?

Josh Birks responded; we will address that and include in the AIS for the 27th

Mayor Troxell commented; since this is a gateway kind of project you may want to refresh what that means. Also as part of our natural area continuum - those are important perspectives to be clear about as well – I can see a project really enhancing those from current conditions

Mayor Troxell asked; did all of the things get sorted out with Timnath?

Josh Birks responded; the issues this committee has raised are the same issues that would be resolved ahead of any Service Plan amendment. Approval does not endorse and repurposed - we are simply enabling to take advantage of timing - waiting another year would be financial detrimental for the developer.

Darin Atteberry asked Don Taranto if this will be coordinated with Strauss Cabin Road.

Don Taranto responded; the coordination is happening between this and Straus Cabin Road - the technical review of the analysis is being taken care of - the actual effort of determining that can't be done until we know exactly how the district is being put together.

Mayor Troxell, Darin Atteberry and Ross Cunniff are ok to move forward.

Meeting adjourned



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Council Audit & Finance Committee
Minutes - Additional Meeting
09/30/16
7:30 - 8:30 am
CIC Room

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

Staff: Jeff Mihelich, Mike Beckstead, Kevin Gertig, Lance Smith, John Voss, Rachel Rogers, John Duval, Lawrence Pollack, Travis Storin, Randy Reuscher, Justin Fields and Carolyn Koontz

Others: Dawn Lund, Vice President at Utility Financial Solutions (UFS)

Meeting called to order at 7:34 am

A. Residential Electric Rate Structure

Lance Smith, Utilities Strategic Financial Director
Dawn Lund, Vice President, Utility Financial Solutions (UFS)

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.

Dawn Lund, Vice President, Utility Financial Solutions (UFS) presented via Webex;

Cost Of Service (COS) - 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?

3 Important Objectives of COS

Ensure rates recover costs to provide service to customers (Revenue Requirements)

- 1) Including depreciation and rate of return
- 2) Defines optimal rate structure
 - Customer Charge
 - kWh Charge
 - Demand Charge
 - Power Cost Adjustment
- 3) Reduce cross - subsidization

Residential Fixed Monthly Charge = Recoups things that do not vary with usage (meter reading, customer service, etc)

Variable Component = Usage / Volume

Note: Raising customer charge for low income customer is not the same as low use customer

Low income tend to use higher than average of 750kWh per month use across the county - low income users average 1000kWh - many times they don't have the energy efficiencies in place.

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 cost 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 of 800 pushed back

Net Billing

- Charge for what is taken off of the system and credit for what was pushed back at avoided cost credit.
- Billed retail at 1,000 and avoided cost credit at 600

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 apply to apples?
 - How do we compare to the neighboring utility?
Look at all components of rate structure / bill 750kWh per month - compare all charges
Divide to get to a per kWh charge - this is a clean way to compare rates

Ross Cunniff commented; I understand the cost recovery idea and that we have to be very careful that we are properly allocating costs and giving value to shareholders. In our municipally owned utility we have other policy objectives. There is the comment that if we are going to look at any adjustment of allocation of fixed charge for residential (this applies to water and electric) distribution of fixed costs vs variable costs. Do we have data on income levels and usage?

Lance Smith responded; we have American Community Survey which uses census block data but does not provide the granularity of the premise. We have looked at a correlation between energy use and income. There is a very slight correlation between income and use - we can't really say low income implies low or high use.

Gerry Horak commented; low income folks aren't using some of our programs - we don't want price signals that say it is ok to not be energy efficient - we want a long term solution – we want the structures in Fort Collins to be more energy efficient - spend more time trying to identify and help folks get more energy efficient - long term - next 50 years - how can we make a long term difference?

Ross Cunniff asked; when will we see the results of the tiered vs time of use study?

Lance Smith responded; we plan to have that data ready for the January 20th Working Session.

Ross Cunniff added; we need to find a way that we can skew future projects toward our low income population who do not have savings or perhaps the credit rating to participate in the on-bill financing program. We need to figure out how to enable their participation so they can increase their energy efficiency via better appliances, insulation, etc. On the pricing signal - we need to be very careful that we are not allocating all fixed costs to these folks.

Mike Beckstead responded; staff has heard loud and clear from Council that our on-bill (energy efficiency financing) financing is not really targeted to low income folks. We need to develop a new program and Lisa Rosintoski and John Phelan are working on that.

Gerry Horak added; two angles - subsidy of cost of your utility bill - the other is to make a systemic change in the system- I am much more interested in the systemic changes - make the structures more energy efficient .

Lance Smith commented; the challenge there is that 40% of the housing is rental property so you are talking about making an improvement to rental properties.

Gerry Horak responded; this could be viewed as a problem or as an opportunity. We can identify and work with these folks and companies - how do we work together to achieve this goal?

Ross Cunniff commented; we aren't going to change anything in the current rate structure but zooming out - we have other policy goals; we have carbon goals and our low income goals. What are the changes in our existing programs that will change the housing stock of Fort Collins for the better that will impact our carbon goals? What will the utilities do to help systemically so that low income people have more control over their spending?

Gerry Horak asked; where are we in evaluating our programs for water and electricity?

Mike Beckstead responded; we are currently developing an RFP to bring in an industry expert consultant to look at our programs.

Mayor Troxell commented; I agree that we need to get the systemic framework right - to move towards identifying and showing the true fixed cost which will lead in the way of the systemic because if you don't have solar, etc your overall bill will be higher. We need to be recovering our fixed costs. If we are driving more toward systems that are more distributed – not coming from the primary provider (pass through from Platte River) we need to have our structure right to cover those costs which will probably be going up since we will be providing more infrastructure to manage the distributed resources. Transparently capture the true fixed costs - we need to move in that direction (4x to what we are currently doing).

Dawn Lund commented; I want to clarify where the customer charge comes from - It is the fair way to recoup the fixed costs - it is not all of the fixed costs - that is determined by a minimum system analysis - we look at the infrastructure you have in place - what is the minimum system it would take to delivery 1 kWh? That portion is rolled into the customer charge - anything above that is considered demand (volume) related. Fixed costs which include; meter reading, billing / admin plus a portion of the distribution system which is about 30-50% of the infrastructure. The rest of the system that is built beyond that is because of their demand - that is the part to roll into the variable portion.

Mayor Troxell asked Dawn; what about the prosumer (who is producing)?

Dawn Lund responded; the producer is still connected to the system - we still absolutely have the costs for that customer. Volume

Ross Cunniff asked; have we looked at our codes to make sure that as size things based on the sum of typical usage and generation capacity - what is the actual logic behind this?

Another way to address some of the fixed cost - cost of new housing stock that is built with renewable energy in mind. Similar question on the water side - smaller tap size available for highly efficient water housing stock - if we could get some follow up on that later.

Mike Beckstead added; we are coming back with proposed rates for 2017 on November 1st for First Reading My sense from this dialog - slight increase in fixed charge - keep that in line - continue to look for ways to influence structures and code that have an impact on consumption and the usage of the energy.

Jeff Mihelich commented; I hear Council saying very clearly that reflective of our Road to 2020 goals 50 % of that goal is energy efficiency so we have to hit that very hard.

I will make sure that on the PDT side we will have the most energy efficiency codes in place as possible.

We can certainly invest in our utility infrastructure but not to the point where it gets too easy for people to increase their consumption

In theory -because there is less load - it could be better for us to do the investment into infrastructure now – because there will be less load out in future with longer term recovery.

Kevin Gertig added; it is imperative that we understand - a lot of conversations we have had a great system - legacy - but system is dated - if you look at an x y graph over time we are getting to the 30 year mark - over the next 5-8 years based on our master plan we are going to be investing.\$8M per year to maintain that - we need to be planning for the future - make sure the structure is going to get the efficiencies we want to do for our citizens long term. Customers have been blessed with a system that has been well engineered and has served them well but we still need to keep some investment there to maintain that.

Gerry Horak added; Council needs to see what happened before, what our plan is now and why this is going to make a difference. If we choose not to do it – that is our choice.

Kevin Gertig responded; we will provide that data (base rate - how we allocate)

Jeff Mihelich commented; If we do try to get to a more toward a distributed energy model - we do have the battery storage pilot coming up in the next year or two which could dramatically change how we delivery electricity in the community - we need to keep our eye on that.

Gerry Horak commented; not all utilities burden - Road to 2020 - general fund – looking into that – we shouldn't just scale programs to utility \$ - we should look at what makes sense overall.

B. Annual Adjustment Ordinance

Rachel Rogers
Lawrence Pollack

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

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

\$9.2M this year down from \$13.9M last year in appropriation ordinance

\$3M from addn. revenue - grants for Police

Grants - appropriate \$\$ which need to be spent within 2016

\$5.1M from prior year reserves going to pay for manufacturer use tax rebates and sales and use tax

\$875K Snow Removal

Gerry Horak asked; are we using some statistics regarding what we put in the budget for snow removal?

Probabilities - we have data for n# of years - we could come up with a pretty good estimate

What we put in there should be based on a simple model since we actually have data based on weather so then we would have a probability of where it is going to be.

Mike Beckstead responded; understand- we will work on it

Mayor Troxell asked: Is there a difference in incoming (sources)?

Mike Beckstead responded; our benefits costs were much more significant than we had anticipated - \$1.9M last year. We moved \$1.5M into a newly established parking fund. internal only - not decreased revenue, Internal accounting issue not a reduction in grant funds.

Mike Beckstead added; we have actually put in place some tracking and metrics for Grants now that we have a Grant Research resource. Metrics such as; how many are we applying for? how many are we winning ? what kind of grants are we winning?

Mayor Troxell responded; I am interested in that - basically new funds coming in - how is it performing and from what areas?

Travis Storin added; we will actually have a short report out on that topic at our October CFC (under Other Business).

Gerry Horak asked about timing of hires (FTEs) in Police and other areas in the budget.

Mike Beckstead responded; we will take a look at that on all of the FTEs - start date - will review to make sure timing of hires matches numbers (75% for this year).

Mike Beckstead added; this is scheduled to come forward to Council on October 18th as On Consent. If CFC is in agreement we will put that in the AIS and move forward.

Ross Cunniff commented; move forward

Meeting adjourned at 8:30 am

**COUNCIL FINANCE COMMITTEE
AGENDA ITEM SUMMARY**

**Staff: Tiana Smith, Revenue and Project Manager
Matt Baker, Street Oversizing Program Manager**

Date: October 17, 2016

SUBJECT FOR DISCUSSION Capital Expansion Fee Outreach Update and Fee Stack Presentation

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. At the same time, Engineering began an update to the Street Oversizing Fee Study, now known as the Transportation Capital Expansion Fee. Staff have worked together to integrate the messaging of these efforts and have been communicating to stakeholders throughout the community to seek feedback on the recommendations.

GENERAL DIRECTION SOUGHT AND SPECIFIC QUESTIONS TO BE ANSWERED

- 1) Does Council Finance Committee have any comments or questions related to the feedback from the community?
- 2) Does Council have any concerns or changes to be addressed before the Council Work Session scheduled for November 22, 2017?

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. Staff is recommending using the construction cost approach to calculating fees

For the Transportation Capital Expansion Fee, the City of Fort Collins retained TischlerBise, Inc. as a consultant to assist with the assessment of its existing Transportation Capital Expansion Fee Program (Street Oversizing Capital Expansion Fee Program).

The proposed changes to the program presented:

- Changing the name from "Street Oversizing" to "Transportation Capital Expansion Fee"
- Using Vehicle Miles Travelled (VMT) as the basis for determining impact, instead of trips generated.
- Transportation impact fees to be assessed by dwelling size instead of unit type, similar to how all other Capital Expansion fees are assessed. Capital Expansion Fees in general are perceived to affect the affordability of homes, and staff recognizes the sensitivity of fee increases.
- Simplify the transportation impact fee schedule from 43 categories of use to only a handful; Residential (by size of unit) and two broad categories for commercial and industrial.

Staff from both departments have worked together to communicate the recommendations from both studies to stakeholders in the community, presenting the fees from a comprehensive standpoint and showing the impact to the cost of construction and housing.

ATTACHMENTS

1. 2016 Capital Expansion Fee Update PowerPoint
2. Draft 2016 Capital Expansion Fee Study
3. Draft Transportation Capital Expansion Fee Study



10/17/16

**Capital Expansion Fees Outreach/
Fee Stack Update**

- Updates since August
- What We Heard
- Conclusions
- Fee Stack
- Recommendation
- Next Steps



- Worked with Facilities to ensure accuracy of cost/sq. ft.
- Began outreach to stakeholders
 - Worked with Graphics to “show” concept of capital expansion fees and total fee stack
 - Presented “Cost of Construction,” “Insured Values” and then a “Blended Approach”
 - Integrated Transportation Capital Expansion Fee into outreach efforts
- Parks Fees will be presented in Q1 due to additional work on cost estimates

Affordable Housing Board:

Meeting on 10-14-16, data will be available @ CFC on 10-17-16

Still to come:

- Building Review Board
- Board of Realtors
- DDA
- Postcard in October to Development Community
- Website live:

<http://www.fcgov.com/finance/capitalexpansion.php>

Economic Advisory Comm.

- ✓ In support of the higher cost of construction values
- ✓ Concerned about funding gap if we don't collect appropriate amount of fees

Chamber Leg. Legal Affairs

- ✓ Concerned about affordability of housing; felt that MF was getting hit higher than single family detached
- ✓ Concerned about cost of doing business in Fort Collins

Parks and Rec Board

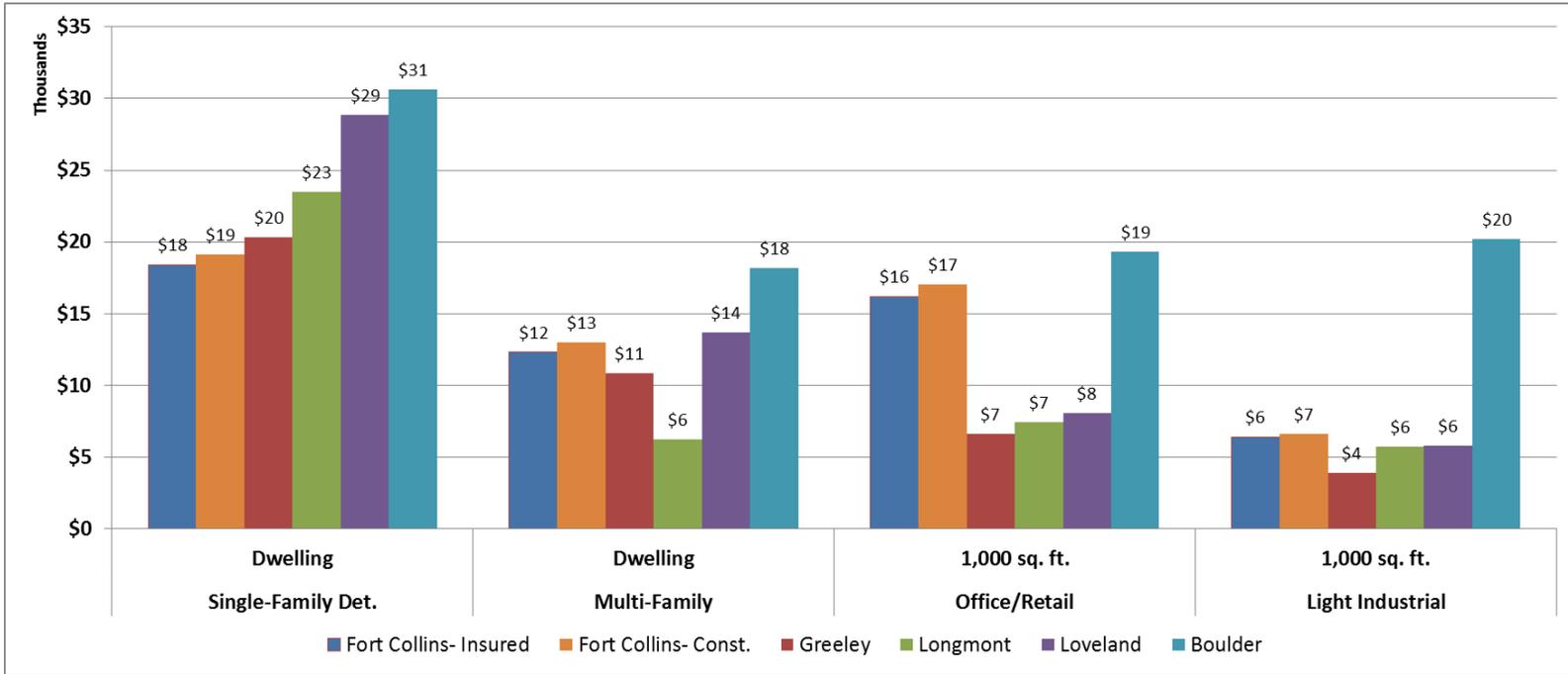
- ✓ Understood and ok to delay Parks fees
- ✓ Felt we need to better define "level of service" because it's a hard concept
- ✓ Suggested use of Community Capitals Framework to map impact of fees

Homebuilder's Association

- ✓ Need at least 6 months notice to implement fee changes
- ✓ General fund should pay for Gen Gov't facilities
- ✓ Disagree with how land value is assessed
- ✓ This is affecting housing affordability

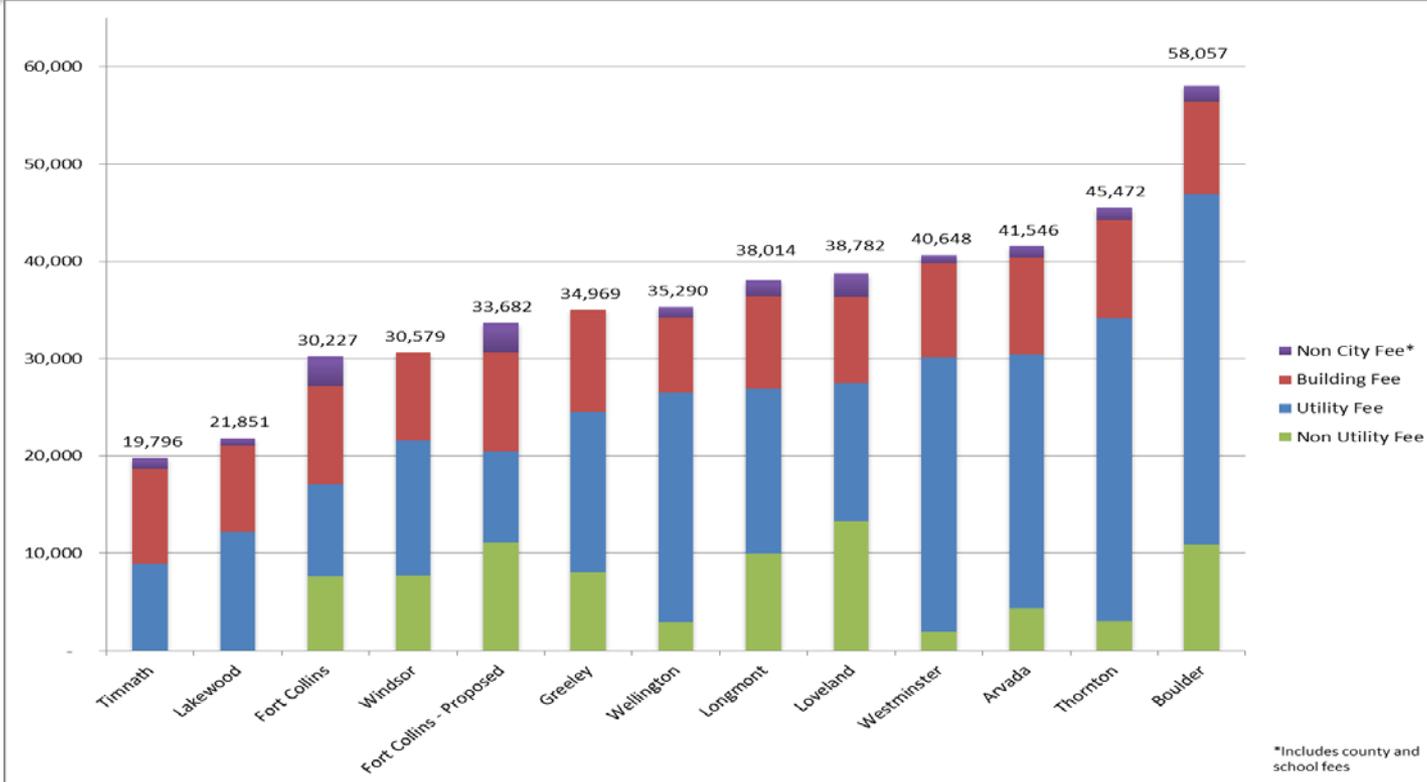
- Despite fee increases, as a percent of median sales price, fees have been steady in recent years
- EAC and Parks and Rec in support, concerned with impact to General Fund if not enough capital exp fees collected
- HBA, LLAC and Affordable Housing Board concerned with impact to housing affordability
- Parks Fees will be presented to Council in Q1

Peer Cities: Comparative Fees Fort Collins Projected vs Peer Current



Fort Collins Lowest for Single Family, Still Competitive Amongst Peer Cities In All Land Uses But Office/Retail

Total Fee Stack- Peer Cities For Median Home Price \$334K



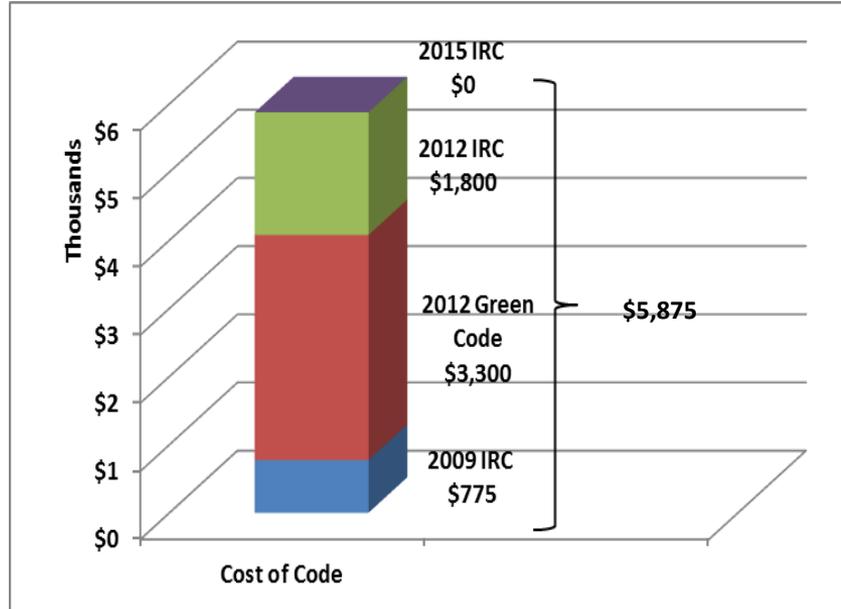
- Utility Fee Total
- Electricity charges
 - Water
 - Wastewater
 - Stormwater

- Building Fee Total
- Building permit fee
 - Plan review fee
 - City use tax
 - FF Permit Fee

- Non-Utility Fee Total
- Fire Cap Exp
 - General Gov Cap Exp
 - Park Cap Exp
 - Police Cap Exp
 - Transportation Cap Exp

- Non City Fee
- County use tax
 - PSD fee
 - County road fee

Fort Collins Cost of Code



2015 IRC: Currently being finalized, no significant cost changes expected

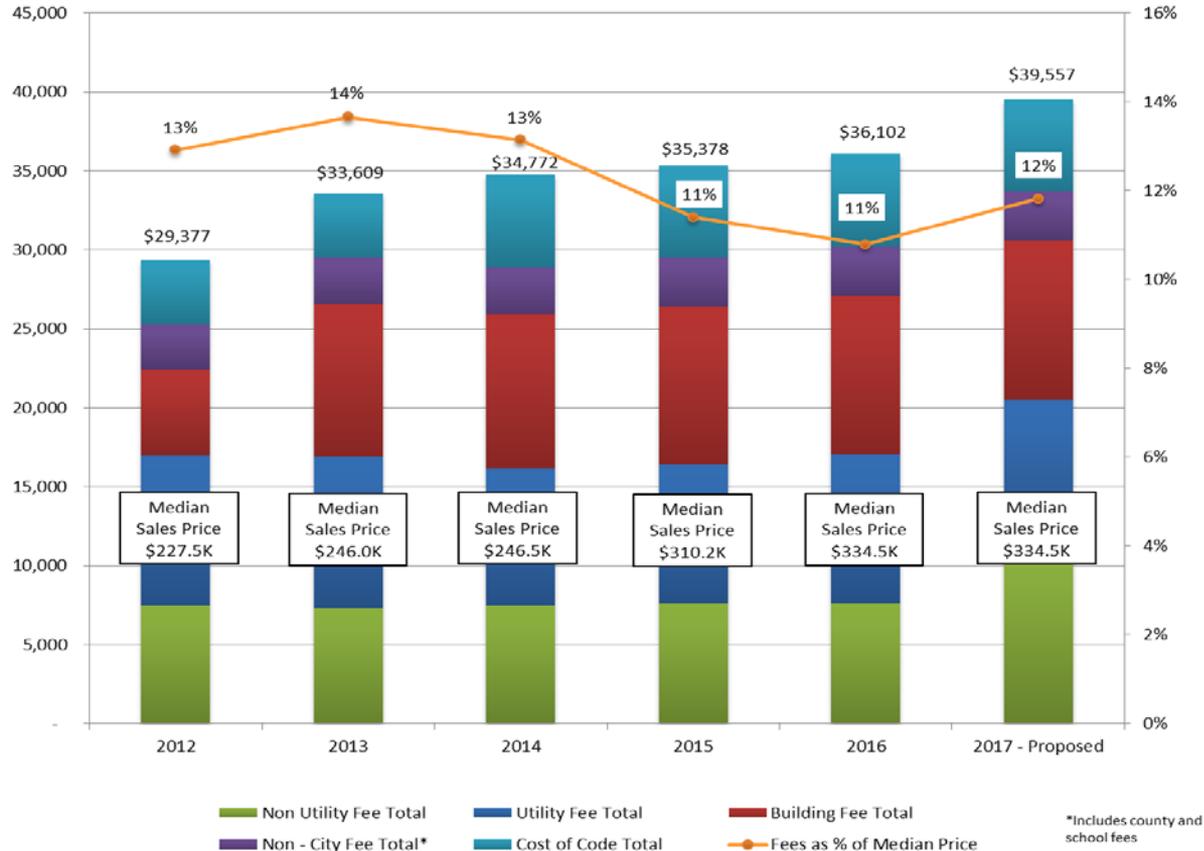
2012 IRC: Underfloor framing fire protection

2012 Green Code (Local Amendments): Resource, energy and water efficiencies, indoor environment quality, operations, maintenance and education

2009 IRC: Additional insulation required for electric heat homes

Fort Collins Fees Over Time

Avg. Median Sales



Fees Recommendation: Cost of Construction Values*

Land Use Type	Unit	N'hood Park	Comm. Park	Fire	Police	Gen. Gov't	Total	Transp.	Total w/Transp
Updated Fees									
Resid., up to 700 sf	Dwelling	\$1,106	\$1,311	\$502	\$236	\$574	\$1,312	\$2,247	\$3,559
Resid., 701-1,200 sf	Dwelling	\$1,480	\$1,755	\$679	\$319	\$774	\$1,772	\$3,804	\$5,576
Resid., 1,201-1,700 sf	Dwelling	\$1,616	\$1,916	\$739	\$347	\$845	\$1,931	\$4,936	\$6,867
Resid., 1,701-2,200 sf	Dwelling	\$1,633	\$1,936	\$751	\$352	\$858	\$1,961	\$5,831	\$7,792
Resid., over 2,200 sf	Dwelling	\$1,820	\$2,158	\$836	\$392	\$955	\$2,183	\$6,539	\$8,722
Commercial	1,000 sf	\$0	\$0	\$633	\$297	\$1,451	\$2,381	\$9,820	\$12,201
Office and Other Services		\$0	\$0	\$633	\$297	\$298	\$1,228	\$5,823	\$7,051
Industrial	1,000 sf	\$0	\$0	\$148	\$69	\$342	\$559	\$1,879	\$2,438
Change									
Resid., up to 700 sf	Dwelling	-\$156	\$242	\$230	\$99	\$253	\$582	\$342	\$1,506
Resid., 701-1,200 sf	Dwelling	-\$139	\$382	\$333	\$146	\$364	\$1,086	\$1,661	\$3,590
Resid., 1,201-1,700 sf	Dwelling	-\$172	\$400	\$355	\$155	\$393	\$1,131	\$1,824	\$3,858
Resid., 1,701-2,200 sf	Dwelling	-\$230	\$356	\$352	\$152	\$385	\$1,015	\$2,719	\$4,623
Resid., over 2,200 sf	Dwelling	-\$176	\$466	\$409	\$178	\$448	\$1,325	\$3,427	\$5,787
Commercial	1,000 sf	\$0	\$0	\$304	\$132	\$671	\$1,107	-\$2,110	\$104
Office and Other Services		\$0	\$0	\$304	\$132	\$671	\$667	-\$1,937	-\$164
Industrial	1,000 sf	\$0	\$0	\$70	\$29	\$159	\$258	\$749	\$1,265
Percent Change									
Resid., up to 700 sf	Dwelling	-12%	23%	85%	72%	79%	80%	18%	35%
Resid., 701-1,200 sf	Dwelling	-9%	28%	96%	84%	89%	91%	78%	82%
Resid., 1,201-1,700 sf	Dwelling	-10%	26%	92%	81%	87%	88%	59%	66%
Resid., 1,701-2,200 sf	Dwelling	-12%	23%	88%	76%	81%	83%	87%	86%
Resid., over 2,200 sf	Dwelling	-9%	28%	96%	83%	88%	90%	110%	105%
Commercial	1,000 sf	n/a	n/a	92%	80%	86%	87%	-18%	-8%
Office and Other Services		n/a	n/a	92%	-10%	-10%	24%	-25%	-19%
Industrial/Warehouse	1,000 sf	n/a	n/a	90%	73%	87%	86%	66%	70%

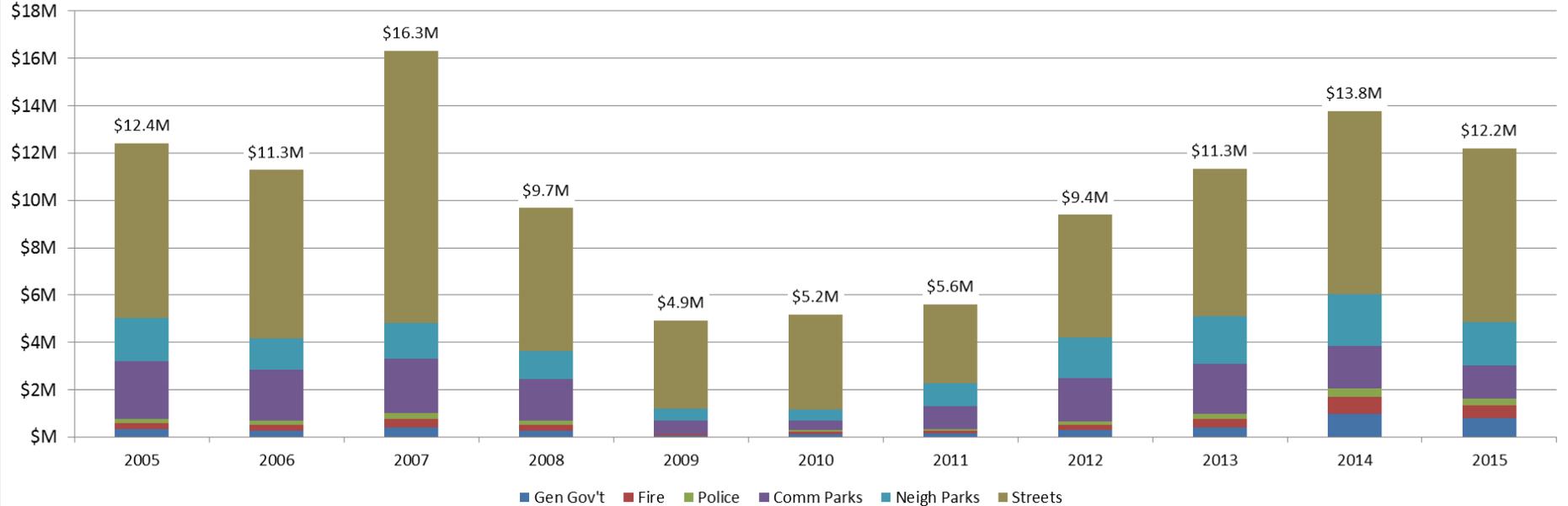
*Totals not inclusive of
Neighborhood or
Community Parks

- Complete Outreach- remainder of October
- Council Work Session- November 22, 2016
- Council 1st Reading – December 6th
- Council 2nd Reading- December 21st
- Jan 1, 2017 implementation

Thank You!

Backup

Capital Expansion Fees Historical Revenues



Fire Fee:

$$\frac{\text{Fire asset insured values (facilities, land, vehicles)} - \text{Debt}}{24 \text{ hour functional population}}$$

Police Fee:

$$\frac{\text{Police asset insured values (land, vehicles, 80\% of facilities)} - \text{Debt}}{24 \text{ hour functional population}}$$

General Government Fee:

$$\frac{\text{Insured Building Values} + \text{Land Value} + \text{Equipment Value}}{16 \text{ hour functional population}}$$

Parks Fees:

$$\frac{\text{Average Cost/Acre of last 3 Parks (adj. for inflation)}}{\text{Equivalent Single Family Detached Homes}}$$

- Neighborhood Parks Used:
 - Radiant (2013), Waters Way (2012), Registry (2012)
- Community Parks Used:
 - Southeast (2016), Spring Canyon (2006), Fossil Creek (2003)

**Simple calculation: If Numerator Increases, Fees Go UP
If Denominator Increases, Fees Go DOWN**

Transportation Capital Expansion Fee

Methodology Change Only Option is calculated on the City's Capital Improvement Plan and assumes funding for streets and intersection improvements at similar levels to the existing program.

Residential (per dwelling unit)						
<i>Square Feet of Finished Living Space</i>	<i>Avg Wkdy Veh Trip Ends</i>	<i>Trip Rate Adjustment</i>	<i>Trip Length Adjustment</i>	<i>Low-Range TCEF</i>	<i>Current Fees</i>	<i>Increase or Decrease</i>
900 or less	3.87	50%	110%	\$1,861	\$1,905	-\$44
901 to 1300	6.55	50%	110%	\$3,151	\$2,143	\$1,008
1301 to 1700	8.50	50%	110%	\$4,089	\$3,112	\$977
1701 to 2100	10.04	50%	110%	\$4,830	\$3,112	\$1,718
2101 or more	11.26	50%	110%	\$5,417	\$3,112	\$2,305
Nonresidential (per 1,000 square feet of floor area)						
<i>Development Type</i>	<i>Avg Wkdy Veh Trip Ends</i>	<i>Trip Rate Adjustment</i>	<i>Trip Length Adjustment</i>	<i>Low-Range TCEF</i>	<i>Current Fees</i>	<i>Increase or Decrease</i>
Commercial	42.70	33%	66%	\$8,135	\$11,930	-\$3,795
Office & Other Services	11.03	50%	100%	\$4,824	\$7,760	-\$2,936
Industrial	3.56	50%	100%	\$1,557	\$1,130	\$427

Transportation Capital Expansion Fee

Methodology Change Plus Option adds the proportionate cost attributable for mitigation of the impacts of new development of additional intersection turn lanes, signals, Bike, pedestrian, etc.

Residential (per dwelling unit)						
<i>Square Feet of Finished Living Space</i>	<i>Avg Wkdy Veh Trip Ends</i>	<i>Trip Rate Adjustment</i>	<i>Trip Length Adjustment</i>	<i>High-Range TCEF</i>	<i>Current Fees</i>	<i>Increase or Decrease</i>
900 or less	3.87	50%	110%	\$2,247	\$1,905	\$342
901 to 1300	6.55	50%	110%	\$3,804	\$2,143	\$1,661
1301 to 1700	8.50	50%	110%	\$4,936	\$3,112	\$1,824
1701 to 2100	10.04	50%	110%	\$5,831	\$3,112	\$2,719
2101 or more	11.26	50%	110%	\$6,539	\$3,112	\$3,427
Nonresidential (per 1,000 square feet of floor area)						
<i>Development Type</i>	<i>Avg Wkdy Veh Trip Ends</i>	<i>Trip Rate Adjustment</i>	<i>Trip Length Adjustment</i>	<i>High-Range TCEF</i>	<i>Current Fees</i>	<i>Increase or Decrease</i>
Commercial	42.70	33%	66%	\$9,820	\$11,930	-\$2,110
Office & Other Services	11.03	50%	100%	\$5,823	\$7,760	-\$1,937
Industrial	3.56	50%	100%	\$1,879	\$1,130	\$749

Integrate Transportation Capital Expansion Fee into Update

- “Street Oversizing” Capital Expansion Fee adopted in 1979
- Contracted with TischlerBise in 2016 to assess methodology and update fees

Transportation Capital Expansion Fee Recommended Changes

- Changing the name from “Street Oversizing” to “Transportation Capital Expansion Fee”
- Using Vehicle Miles Travelled (VMT) as the basis for determining impact, instead of trips generated.
- Simplify the transportation impact fee schedule from 43 categories of use to only a handful; Residential (by size of unit) and two broad categories for commercial and industrial.
- Increase fee to include additional improvements

Methodology Change Only Option

Calculated on the City's Capital Improvement Plan and assumes funding for streets and intersection improvements at similar levels to the existing program. Due to the methodology change, residential fees increase while commercial and industrial fees decrease.

Methodology Change Plus Option

Adds the proportionate cost attributable for mitigation of development impacts to new development of additional intersection turn lanes, signals, signal timing, and Advanced Traffic Management Systems, Bicycle, Pedestrian, and Transit improvements. Residential fees increase significantly, while commercial and industrial fees increase slightly.

Transportation Capital Expansion Fee

<i>Proportionate Share of Projected Revenue Over Ten Years</i>	<i>Residential Development</i>	<i>Nonresidential Development</i>
Current Fees	36%	64%
Proposed Fees	58%	42%

Capital Expansion Fee Totals Blended Approach

Land Use Type	Unit	N'hood Park	Comm. Park	Fire	Police	Gen. Gov't	Total	Transp.	Total w/ Transp
Updated Fees									
Resid., up to 700 sf	Dwelling	\$1,106	\$1,311	\$439	\$174	\$463	\$3,492	\$2,247	\$5,739
Resid., 701-1,200 sf	Dwelling	\$1,480	\$1,755	\$593	\$235	\$624	\$4,686	\$3,804	\$8,490
Resid., 1,201-1,700 sf	Dwelling	\$1,616	\$1,916	\$645	\$255	\$681	\$5,113	\$4,936	\$10,049
Resid., 1,701-2,200 sf	Dwelling	\$1,633	\$1,936	\$656	\$259	\$691	\$5,175	\$5,831	\$11,006
Resid., over 2,200 sf	Dwelling	\$1,820	\$2,158	\$730	\$288	\$769	\$5,765	\$6,539	\$12,304
Commercial	1,000 sf	\$0	\$0	\$553	\$219	\$1,169	\$1,941	\$9,820	\$11,761
Office and Other Services		\$0	\$0	\$553	\$219	\$1,169	\$1,941	\$5,823	\$7,764
Industrial	1,000 sf	\$0	\$0	\$129	\$51	\$276	\$456	\$1,879	\$2,335
Change									
Resid., up to 700 sf	Dwelling	-\$156	\$242	\$167	\$37	\$142	\$431	\$342	\$1,203
Resid., 701-1,200 sf	Dwelling	-\$139	\$382	\$247	\$62	\$214	\$765	\$1,661	\$3,191
Resid., 1,201-1,700 sf	Dwelling	-\$172	\$400	\$261	\$63	\$229	\$781	\$1,824	\$3,385
Resid., 1,701-2,200 sf	Dwelling	-\$230	\$356	\$257	\$59	\$218	\$660	\$2,719	\$4,039
Resid., over 2,200 sf	Dwelling	-\$176	\$466	\$303	\$74	\$262	\$929	\$3,427	\$5,285
Commercial	1,000 sf	\$0	\$0	\$224	\$54	\$389	\$667	-\$2,110	-\$777
Office and Other Services		\$0	\$0	\$224	\$54	\$389	\$667	-\$1,937	-\$604
Industrial	1,000 sf	\$0	\$0	\$51	\$11	\$93	\$155	\$749	\$1,058
Percent Change									
Resid., up to 700 sf	Dwelling	-12%	23%	61%	27%	44%	14%	18%	16%
Resid., 701-1,200 sf	Dwelling	-9%	28%	71%	36%	52%	20%	78%	40%
Resid., 1,201-1,700 sf	Dwelling	-10%	26%	68%	33%	51%	18%	59%	35%
Resid., 1,701-2,200 sf	Dwelling	-12%	23%	64%	30%	46%	15%	87%	44%
Resid., over 2,200 sf	Dwelling	-9%	28%	71%	35%	52%	19%	110%	55%
Commercial	1,000 sf	n/a	n/a	68%	32%	50%	52%	-18%	-11%
Office and Other Services		n/a	n/a	68%	32%	50%	52%	-25%	-14%
Industrial/Warehouse	1,000 sf	n/a	n/a	65%	28%	51%	51%	66%	63%

**COUNCIL FINANCE COMMITTEE
AGENDA ITEM SUMMARY**

Staff: Tiana Smith, Revenue and Project Manager

Date: October 17, 2016

SUBJECT FOR DISCUSSION Sales Tax Department Update on Municipal Code Change Recommendations

EXECUTIVE SUMMARY

The philosophy of the Sales Tax department is to be business friendly in its operations and to ensure that the processes in place are user-friendly and that taxpayers can remit taxes with ease.

For the administration of the City Rebate program, the intention is to help as many qualified, low-income, disabled and senior individuals in the community as possible.

In order to deliver on both of these objectives, the Sales Tax Department is recommending the following changes to City Code:

- Update definitions to allow more flexibility in the administration of the City Rebate Program
- Adopt definitions recommended by the Colorado Municipal League
- Align threshold amounts that set taxpayer filing frequency threshold amounts with the State of Colorado
- Allow additional option for determining taxable amounts for Building Permit reconciliation to provide more flexibility for contractors

GENERAL DIRECTION SOUGHT AND SPECIFIC QUESTIONS TO BE ANSWERED

- 1) Is Council Finance in support of the recommended changes?
- 2) Would Council Finance like to see a redline version of the code changes before presenting to Council in January of 2017?

BACKGROUND/DISCUSSION

Since early 2016, staff from Sales Tax and City Attorney's Office has worked with Colorado Municipal League on a state-wide effort to update sales tax definitions for consistency across the state and taxing jurisdictions. The City will adopt the majority of the recommended definitions and retain some that are relevant to the City of Fort Collins.

The Sales Tax department administers the City Rebate program, a rebate program that runs from August through October each year where low-income individuals can apply for a rebate for sales taxes paid on groceries and low-income, senior and/or disabled individuals can also apply for a

rebate on property taxes and sales taxes paid on their utility bill. While administering the City Rebate program, staff determined that code language prevented the eligibility of many otherwise qualified residents due to the way income, household and applicant were being defined. By clarifying these definitions, more low-income qualified individuals will be eligible for the rebate(s) in the future.

When contractors apply for a building permit, they pay a use tax deposit that is 3.85% of the material valuation (or 50% of the project valuation). Upon the issuance of the certificate of occupancy, the contractor must fill out a project cost report to reconcile the estimates versus the actual material costs to determine if more tax or a refund is due. Staff from Sales Tax staff met with Councilmember Campana regarding concerns with the current process for obtaining the actual material costs from contractors and the difficulty. Staff is presenting an additional option for determining the costs in order to allow more flexibility for contractors.

ATTACHMENTS

1. Sales Tax Clean-Up Powerpoint



Update Council Finance on recommended changes to City Code and improvements to City Rebate and Project Cost Report processes to be presented to Council in January, 2017

Purpose:

1. Adopt definitions recommended by CML
2. Allow more flexibility in the administration of the City Rebate program
3. Update City Code to align for consistency throughout Chapter 25

Definitions establish what we tax and how

- Consistency in definitions across the state for easier comparisons between communities
- Less confusing for citizens and entities that cross municipalities

City will retain definitions pertinent to Fort Collins (City Manager, Exempt Org)

City will not adopt definitions with TABOR implications

Other Definitions

- Food- will fix the reference to the federal statute

Definition of Household

- Current- Anyone living in a house, related or not
- Future- Only a household if resources are pooled

Definition of Income

- Current- Not clear what is included and excluded for determining income
- Future- Add clarity by referencing a line on the income tax return

Definition of Applicant

- Current- Qualify for rent/utility rebate if applicant or spouse is elderly/disabled
- Future- Qualify for rent/utility if **any** member of the household is elderly/disabled

- Ensure consistency in language throughout code; align sales and use tax section with lodging tax section
- Clean up language that's confusing for taxpayers
- Remove sections that are no longer relevant
- Still working on the redline of code with Legal
- **Can bring back to Council Finance, if desired, once complete**

Filing Frequency Changes

Purpose:

To be more business friendly and more closely align our filing frequency requirements with the State's.

Current Filing Frequency Requirements (Based on average amount remitted per month)

Monthly	\$50 +
Quarterly	\$25 - \$50
Annual	Less than \$25

Proposed Filing Frequency Requirements (Based on average amount remitted per month)

Monthly	\$300 +
Quarterly	\$25 - \$300
Annual	Less than \$25

Impact to Cash Flow:

Change per period:

	Monthly	Quarterly	Annual
Net Change	(\$87K)	\$299K	(\$149K)

Total Change:

	Monthly	Quarterly	Annual
Net Change	(\$1.05M)	\$1.2M	(\$149K)

Purpose:

To provide a simplified option for reconciling the tax due on construction projects requiring a building permit.

- **Use tax deposit paid when building permit issued**
 - Project valuation x 50% = material valuation
 - Material valuation x 3.85% = use tax deposit
- **Material reconciliation performed after certificate of occupancy issued**
 - Compare material valuation from permit to actual material cost
 - If actual material cost is higher, then additional tax due from contractor/owner
 - If actual material cost is lower, then refund paid to contractor/owner

Building Permit Reconciliation

- **Current procedures**
 - Affidavit obtained from subcontractor outlining actual material cost
 - Provide copies of material invoices if City of Fort Collins tax paid to the vendor
- **Proposed procedures**
 - Option given to contractor
 1. Obtain affidavits for subcontractors and use actual material cost
 2. Use 50/50 split on all subcontractors providing labor & material
 - Provide copies of material invoices if City of Fort Collins tax paid to the vendor

- Complete redline of code with Legal
- Return to Council Finance, if desired
- Bring to City Council for approval in January, 2017
- Project Cost Reports and Filing Frequency notifications and changes would be effective in February, 2017

**COUNCIL FINANCE COMMITTEE
AGENDA ITEM SUMMARY**

Staff: Tiana Smith, Revenue and Project Manager

Date: October 17, 2016

SUBJECT FOR DISCUSSION Taxability Decision of Electric PILOTs of Customer's Usage

EXECUTIVE SUMMARY

The Sales Tax department is recommending a change to the administrative policy at Utilities to being the collection and remittance of City sales tax on the PILOTs portion of customer's electric usage effective January 1, 2017.

GENERAL DIRECTION SOUGHT AND SPECIFIC QUESTIONS TO BE ANSWERED

Is Council Finance in support of changing the administrative policy at Utilities to begin to tax the PILOTs portion of the electric charges on customer's bills?

BACKGROUND/DISCUSSION

The current practice at Utilities is to not collect and remit City sales tax on the portion of PILOTs portion of customer's electric usage.

PILOTs are a charge assessed to electric customer for an estimate of the taxes and franchise fees that would be chargeable against the electric utility if it was privately owned. PILOTs at Utilities are currently 6% of the electric charges before taxes and are payable to the City's general fund.

The charge is taxable and Utilities does collect and pay county and state sales tax on PILOTs, however an administrative decision was made in the 1970s not to assess City sales tax.

The amount of revenue this would generate for the General Fund is projected to be \$553K over the next two years. Impacts for an average residential customer (700kWh) would be around \$0.16/month. For commercial customers this would range from \$1.16-\$5.62 depending on average demand.

ATTACHMENTS

1. Taxability of Utility Electric PILOTs powerpoint



Seeking direction on whether to begin taxing the PILOTs portion of the electric bill.

- Background
- History
- Rationale
- Bottom Line
- Average Impact



- PILOTs (payment in lieu of taxes)- a charge assessed to **electric** customers for an estimate of taxes and franchise fees that would be chargeable against the electric utility if it was privately owned.
- Currently 6% of all electric charges before taxes and payable to the General Fund
- Electric PILOTs projected for '17- \$7.08M, '18- \$7.3M
- Utility collects and pays county and state sales tax on PILOTs but is not collecting City sales tax

- Administrative Decision made in the 1970s to not assess sales tax to PILOTs portion of the electric bill
 - Rationale was not to tax a “tax”
- In 1980s, the State audited the City and determined PILOTs to be taxable
 - Ruled to not be a tax but rather a utility service charge, taxable by the State
- Issue of collecting City sales tax on the PILOTs portion of the electric bill has been revisited many times since the 80s
 - Administrative Decision has not been changed

- PILOTs *are* taxable; complies with TABOR
- Fairness to other taxpayers- Other utility providers currently pay City sales tax on their franchise fees
- A court decision determined PILOTs are not a tax but a component of the rates charged by the utility
- PILOTs are currently assessed to ALL electric customers, regardless of exempt status
- Utilities currently collect state and county sales tax on PILOTs

	2017	2018
Estimated PILOTS from Kwh sales	\$ 7,080,000	\$ 7,300,000
Tax collected on PILOTS	\$ 272,580	\$ 281,050
Sales Tax Distribution		
General Fund	\$ 159,300	\$ 164,250
KFCG	\$ 60,180	\$ 62,050
BOB 2.0	\$ 17,700	\$ 18,250
Natural Areas	\$ 17,700	\$ 18,250
Streets and Transportation	\$ 17,700	\$ 18,250
Total	\$ 272,580	\$ 281,050

The Collection/Remittance Of City Sales Tax on Electric PILOTS could total \$553K to General Fund over next 2 years

Average Impact to Customer Bill

	2017 w/ rate changes	PILOTs tax	Total
Residential Customer (700 kWh/month)	\$ 71.21	\$ 0.16	\$ 71.37
Commercial Customer (avg demand of 25kW)	\$ 502.35	\$ 1.16	\$ 503.51
Commercial Customer (avg demand of 100kW)	\$ 2,434.73	\$ 5.62	\$ 2,440.35

Seeking direction on whether to begin taxing the PILOTs portion of the electric bill.

**COUNCIL FINANCE COMMITTEE
AGENDA ITEM SUMMARY**

Staff: Nalo Johnson & Mike Beckstead

Date: 10/17/16

SUBJECT FOR DISCUSSION

City Foundation Consideration

EXECUTIVE SUMMARY

Presentation concludes an investigation into establishing a City of Fort Collins Foundation (tax-exempt non-profit). Three options are presented:

- Option 1: Create a City Fund underneath and a part of the Community Foundation of Northern Colorado's 501(c)3 status.
- Option 2: City establishes its own independent 501(c)3.
- Option 3: Formalize City's current donation acceptance process; remove any barriers that may exist in City Code and Administrative Policies; and make community more aware of the ability to donate to the City.

GENERAL DIRECTION SOUGHT AND SPECIFIC QUESTIONS TO BE ANSWERED

The three options are presented to the Council Finance Committee, along with details as to roles and responsibilities for each of the options, for their consideration.

BACKGROUND/DISCUSSION

- The City currently works with the Community Foundation of Northern Colorado on fundraising efforts on an as-needed basis.
- Article XX of the Colorado Constitution grants home rule cities the authority to receive donations and carry out the purposes of such gifts.
- Section 4.7 of the City's Administrative Policies details that donations to the City must be accepted by Council or the City Manager and can be used by the City only for the purposes as directed by the donor.

ATTACHMENTS

PowerPoint – City Foundation Presentation 10.17.16



Investigation into establishing a City Foundation
Dr. Nalo Johnson & Mike Beckstead – October 17, 2016

Why undertake this investigation?

- Perception that it is difficult to leave donations to the City
- Strategic benefits associated with the City's access to a non-profit

- Discussion with the CEO of the Community Foundation of Northern Colorado (CFNC)
- Discussion with CSU Foundation staff member with background in non-profit foundation management
- Literature review on municipal foundation models
 - No existing models where a municipal foundation is created to explicitly fund City-sanctioned projects
- Consultation with the City Attorney's Office

Option 1: City Fund at the CFNC

- City creates a City of Fort Collins Foundation (City Fund) underneath and a part of the Community Foundation of Northern Colorado's (CFNC) 501(c)3 status
- City Fund is established as a portfolio of funds
 - Each fundraising effort can create a unique fund within the City Fund
 - Portfolio can be a mix of **unrestricted funds** (flexibility to distribute grants within program scope), **endowments** (provides specific ongoing support) and **designated funds** (where donors designate their contribution towards a specific fund or fundraising effort)

Option 1: Roles and Responsibilities

City Fund

- Has no legal status
- Board Bylaws define scope of fund (governance & project selection)
- Board selected by Council?
- Board duties:
 - Approve Bylaws
 - Leads fundraising and marketing activities
 - Selects grant projects
 - Works with CFNC to disburse funds

CFNC

- City Fund operates under CFNC tax-exempt status
 - City Fund IRS financial reporting consolidated under CFNC 501(c)3
- CFNC acts as the City Fund's fiscal agent:
 - Collects a standard 1% annual fee for long-term funds of \$100,000+
 - Handles accounting and investments
 - Receipting, thanking and donor recognition
- Assists City Fund Board with marketing and fund development

Option 2: City establishes own 501(c)3

- City responsible for establishing an independent 501(c)3
- City responsible for maintaining and resourcing the foundation
 - Staffing, space, materials
 - Board selection and bylaws creation
 - Fundraising and marketing strategies
 - Project selection and fund disbursement
 - Financial accounting and IRS reporting
- *Potential to contract with the CFNC as fiscal agent*

City 501(c)3

- Legal entity
- Staff liaison to CFNC
 - Responsible for recording keeping (board minutes, Bylaws, etc.)
- Establish Articles of Incorporation and Bylaws (defining scope of fund)
- Obtain EIN (federal ID) and file with IRS for tax-exempt public charity status
 - File for state and local tax-exemption
- Board selected by Council?
- Board duties:
 - Approve Bylaws
 - Leads fundraising and marketing activities
 - Selects grant projects
 - Works with CFNC to disburse funds

CFNC (as fiscal agent)

- Contracted to do financial accounting and IRS reporting on behalf of the City 501(c)3
 - May require an additional cost than the standard 1% annual fee
- CFNC acts as the City 501(c)3 fiscal agent:
 - Handles accounting and investments
 - Receipting, thanking and donor recognition
- Assists City Fund Board with marketing and fund development

Option 3: Formalize current process & remove barriers

- CFNC currently plays a role for the City in fundraising and fund development for specific situations (Senior Center) and on an *ad hoc* basis (Kayak Park)
- Article XX of the Colorado Constitution grants home rule cities the authority to receive donations and carry out the purposes of such gifts
- Section 4.7 from the City's Administrative Policies details that donations to the City must be accepted by Council or the City Manager
 - An ordinance is presented to Council for the appropriation and states the donation will be used by the City only for the purposes directed by the donor

Option 3: Roles and Responsibilities

City

- Improve code to streamline donation acceptance
- Improve community awareness/perception of the ability to donate to the City
 - Donors' ability to make a tax-deductible donation directly to the City
- Create internal & external guides to help facilitate donation process:
 - Determine staff lead in fundraising/communication efforts
 - Accounting tracks/receipts donations
 - Ability to refund money if fundraising goals are not met

CFNC (as partner)

- Ability to partner with the City in fundraising efforts
- Ability to support volunteer citizen groups seeking to fundraise on behalf of the City (a role in which they currently play)

- If created, who controls the City of Fort Collins Foundation?
- Is it Council's responsibility to construct and maintain the Board?
- Resourcing and office support differs among options:
 - Option 1: City Fund at CFNC – *minimal*
 - Option 2: independent City 501(c)3 – *minimal but with a “start up” investment*
 - Option 3: strengthen current process - *minimal*
- Will a City of Fort Collins Foundation be seen as “double dipping” (tax dollars and charitable dollars)? Or as a way to increase funding opportunities for community priorities?
 - Without a precedent to follow, there is a potential to either hit a nerve with residents *or* determine an innovative best practice.

- City Administrative Policies allow for donation acceptance
 - Build community awareness of the ability to donate to the City
 - Remove any perceived barriers in our policy to accept donations
 - Establish internal Accounting policy for tracking and receipting
 - Establish internal guidance documents for fundraising efforts
 - Staff lead in fundraising/communication efforts, finance liaison
- CFNC currently acts as our non-profit partner when requested
 - Establish a clear process of how/when we utilize CFNC
 - Utilize as the fiscal agent for receipt of grant funds
 - Partner in fundraising strategy

- Grants Development Specialist (GDS) role filled in April 2015:
 - Develop and manage City's comprehensive grant program
 - [Managing participation in eCivis pilot through the Alliance for Innovation](#)
 - Increase internal capacity to identify/write competitive applications
 - Increase revenue for the City

2015

- 15 grants applied for
- 14 grants awarded
- \$20.9 million in Federal funds spent in 2015
- \$400,000 in new awards obtained subsequent to inception of the Grants Development program

Q1-Q3 2016 Year-to-Date

- 33 grants applied for
 - 5 Federal, 14 State, 14 Private Foundation
 - Some State grants are Federal pass-through funds (DOT, DOJ, Fish and Wildlife Service, FTA & Regional MPO)
- 12 grants awarded
 - 2 Federal, 8 State, 2 Private Foundation
 - Some State grants are Federal pass-through funds (DOT, DOJ)
- \$719,659 in new awards year-to-date

Considerations

- eCivis has greatly expanded the number of funding opportunities to consider (particularly among private foundation grants)
- Federal, State and Private Foundation funders have an equity focus
 - Seek to fund based on need
 - *Competitive applications will link City priority projects to areas of need in our community (underserved/underrepresented populations)*
- Funders seek to invest in innovation/replicable models
 - Cannot sell a project on ideas alone
 - *Need data/evidence to support our innovative practices*