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Council Audit & Finance Committee
Minutes
7/18/11
10:00 to 12:00
CIC Room

Council Attendees: Mayor Karen Weitkunat, Mayor Pro Tem Kelly Ohlson, Ben Manvel
Staff: Darin Atteberry, Josh Birks, John Voss, Lawrence Pollack, Mindy Pfeiger, Heather Shepherd, Steve Mason, Dan Coldiron
Others: Kevin Smith, McGladrey and Pullen; Kathy Cardona, Matt Robenalt, DDA; Anne Hutchison, Fort Collins Chamber of Commerce; members of the hotel community in Fort Collins

Approval of the Minutes from the June 2 and July 5, 2011 Meetings
Ben Manvel moved to approve both sets of minutes, and Mayor Karen Weitkunat seconded the motion. Minutes are unanimously approved.

Audit Findings/Report

Presenter: Kevin Smith of McGladrey and Pullen

Kevin reported that the City was given a 'clean' opinion by his firm, which is the highest level that can be achieved. He also stated that in their Federal Compliance Report, they noted couple small items as being out of compliance. This is listed in their findings on page 11. However, that does not have an impact on the clean opinion or on any federal funding the City may receive. Kevin stated that no significant deficiency or material weaknesses were found during their audit.

McGladrey and Pullen's Report to City Council, June 1, 2011 Summary:

- There are new GASB's -- 51, 53, 58; but none of these had an impact on the City's financial statements.
- There were no significant or unusual transactions to be reported.
- There were no journal entries or adjustments that had to be made during the audit.
- No disagreements with management or difficulties to disclose.

While there were a few control deficiencies, this did not rise to the level of any significant deficiency or material weaknesses.

The Finance Department will present their response to the audit findings at the next Council Finance Committee meeting.

Kelly Ohlson asked Kevin Smith how Fort Collins compares to other Cities regarding reporting and financial processes. Kevin said for an organization not to have any significant deficiencies is very good, and is somewhat uncommon for a city this size.

Darin Atteberry asked if there are any areas that may be a concern in the future, and Kevin responded that continuing to monitor federal grants is very important. Additionally, Kevin recommended that the City continue to demonstrate agreement and a willingness to correct any reported deficiencies.

Kelly Olson asked how the City gets the word out to staff and the public on the 'good ratings' status. John Voss said that the Finance Department sends a press release to the media. Kelly suggested also using additional ways of promoting this. Darin said he agrees that it is a good news item, and the City will work on promoting that over the next month.

Downtown Hotel

Presenter: Josh Birks

Update on the potential Downtown Hotel project following a Market Study.

Summary of findings:

- The City of Fort Collins and the Downtown Development Authority engaged a consulting team to complete a hotel market study in May 2010.
- An upscale branded boutique hotel with approximately 15,000 - 20,000 square feet of conference space was identified as the preferred scenario.
- To determine whether such a project would draw new meeting/convention business to Fort Collins, a survey of professional meeting planners was administered in late March /April of 2011.
- The majority of respondents, 67%, indicated they **do not** currently consider Fort Collins as a potential meeting destination.
- Reasons for not considering Fort Collins include:
 - Inadequate space in Fort Collins (cited by about one-third of respondents)
 - Distance from Denver and/or DIA (also cited by about one-third of respondents)
 - Groups already have other destinations in mind (noted by approximately 20% of respondents)
- For those survey respondents who do consider Fort Collins, the primary competitive advantages of Fort Collins are:
 - Northern Colorado location
 - Affordability
 - Overall atmosphere
 - Proximity to the University
- Quality of conference/meeting facilities and adequately sized meeting facilities were deemed most important.

Analysis of the Pros and Cons for a Downtown Hotel

Option	Pros	Cons
Market (7,500 SF)	<ul style="list-style-type: none"> Nominal Subsidy High Utilization Minimal Cost 	<ul style="list-style-type: none"> Does not enhance the meeting market Increased competition No destination quality
Orig. (15k to 20k SF)	<ul style="list-style-type: none"> Moderate Subsidy Targets majority of meetings Expands diversity of choices in Fort Collins for upscale/full service hotel facility Creates a new meeting destination downtown Will improve competitive position of Fort Collins to attract midsize meetings Enhances economic impact of hotel 	<ul style="list-style-type: none"> Moderate Subsidy Directly competes with existing space Generally similar in size to Marriot and Hilton
Stretch (25K to 30K SF)	<ul style="list-style-type: none"> Creates a new meeting destination downtown Potential for significant economic impact Allows Fort Collins to compete Statewide Flexibility - multiple events Creates a unique facility in Fort Collins 	<ul style="list-style-type: none"> High Subsidy (Potentially Operations) Nominal usage of additional space Significant Capital Cost

Josh Birks said at this time, the Economic Development Office recommends the following:

- A branded boutique hotel with a minimum of 15,000 to 20,000 square feet of conference space (inclusive of a ballroom and breakout rooms) is recommended by the survey result.
- Based on the general standard of 9 - 10 square feet per attendee, a 12,000 square foot ballroom could accommodate a maximum of 1200 attendees, which would be of sufficient size to meet most needs.
- As described during the risks/reward discussion, this scenario represents the most cost effective/least risk approach.
- With the benefits of the unique downtown location, the facility could potentially compete for events currently scheduled in Loveland or other locations and create new incremental business for Fort Collins and for the Downtown.
- Survey results indicate the vast majority of those who already consider Fort Collins for meetings would book more meetings in Fort Collins with the addition of a downtown alternative.

Josh Birks also said that the last time this topic was presented to this Committee, there was a request for the Committee to be able to participate in the RFP process. The following items are suggested for inclusion in the RFP:

Experience - demonstrated capability

Mgmt and operation - full service flag or equivalent

Land - Remington Site or other site with demonstrated control

Program - 180 rooms, meeting space min of 15000 SF, prefer larger space (balanced against the financial assistance to the project)

Financing - Private equity capacity—City would ask for a ‘good faith’ deposit.

Presentation of need—they present what they think the need or financial gap

Q and A:

Karen Weitkunat she does not support the idea of a downtown hotel because it places the taxpayers at a potential financial risk (since the City would be financing a portion of it). Also she states that it seems the suggested rate of \$180 for a room is too high for this area. She thinks that this is not the best answer if the idea is to increase the viability of the downtown, since Fort Collins is not a ‘destination’ and a hotel would not probably not be supported people wanting to come here for it.

Kelly Ohlson said it would be helpful to see data comparing the Marriott, Hilton, and the proposed Down Town hotel which compares space options, square footage, room rates, etc. Kelly also agrees that a downtown hotel would add to that part of the City but probably not be beneficial community wide.

Karen Weitkunat asked if the newly remodeled Lincoln center would contribute to the potential need for meeting space, etc. Darin Atteberry said that wouldn’t be the case. While it will be a great remodeled space, the use of the Lincoln center will remain for what it currently is/does.

Ben Manvel suggested that a ‘full service’ hotel could imply a meaning of higher priced, since one of the reasons people come to Fort Collins is affordability. If that is removed, people may easily go somewhere else. Ben states he is inclined to let this project wait indefinitely.

Darin states since the staff recommendation is to take it to the next step, it could be presented to the DDA board, however, at this time, the project doesn’t appear to have enough City Council support. Once the DDA board has also reviewed and discussed it, the topic can again be revisited at a later time.

Matt Robenalt wanted to clarify that this \$180 room rate amount is really the top end of a range of \$140 to \$180. Also he said that the average daily rate for all hotels is commonly significantly discounted.

North East All Hazard Region

The City was asked to be the fiscal agent for the NEAHR, which would entail providing them with assistance on processing grant paper work. The State would then reimburse the City.



Darin Atteberry said that it is good for the City to offer assistance and cooperate with other agencies when possible, however there may be staff time used, or other costs to the City, and so he advises being cautious and investigating expectations further.

The Council Finance Committee approves this action if City staff agrees that it will be possible to do without using a large amount of time or resources. Also, the City should ensure that there will be accountability for reporting back, and follow up on the process.

Rebate Program Follow Up

Kelly Ohlson said he wants to ensure that the widest range of people who are eligible for this program are reached through advertising and publicity. Specifically he would like the information listed with the Food Bank. At a future date, data comparing two or three months of similar rebate information with other cities will be compiled and distributed.

Investment Policy

This topic will be moved to the agenda for the August meeting.