



**Finance Administration**  
215 N. Mason  
2<sup>nd</sup> Floor  
PO Box 580  
Fort Collins, CO 80522  
**970.221.6788**  
970.221.6782 - fax  
[fcgov.com](http://fcgov.com)

**Council Audit & Finance Committee**  
**Minutes**  
**2/27/12**  
10:00 to 12:00

**Council Attendees:** Mayor Karen Weitkunat, Ben Manvel  
**City Staff Attendees:** Darin Atteberry, John Voss, Mike Beckstead, Steve Mason, Josh Birks, Megan Bolin, Patty Bigner, John Phelan, Jessica Ping-Small, Brian Janonis, Heather Shepherd

**Others:**

**Approval of the January 23rd Minutes.**

Ben Manvel moved to approve the minutes and Mayor Karen Weitkunat seconded the motion. The January minutes are approved.

**Efficiency Financing Program**

With this program customers would be able to request a loan to upgrade or make their home more energy efficient, and repayment of the loan would be via their Electricity bill. John Phelan said this would be part of a suite of programs designed to address specific barriers.

Summary:

- Increase the number of residential efficiency and renewable energy projects by addressing the up-front cost barrier via on-bill financing
  - Simple application and approval processes
  - Finance 100% of project cost (\$1k to \$15k)
  - Repayment of loans on the utility bill

Scope

- Define financing as part of Utilities' services (this would require council approval and some rewording of City Code Section 26).
- Single family and townhomes (up to typical six-plex)
- It is for both owner occupied and rental properties but the owner is applicant
- Project types
  - Energy efficiency (e.g. insulation, furnace, AC, windows)
  - Water supply line replacement/repair
  - Renewable energy, solar PV and wind
- Replace existing Zero Interest Loan Program (Zilch Loans)

- Direct program expenses should be recovered fees and interest rates

Karen asked if the City could require a loan applicant to improve or fix other items that would affect this loan item as well. (i.e. having no insulation which would affect how photovoltaic cells function, etc.) John Phelan stated that, as of now, the City does not require that.

Committee members suggested that for larger projects such as a loan installing photovoltaic panels, the City could include checklist of other efficiencies to be completed by the homeowner first.

For rental properties:

- Owner is applicant and note holder
- Tenants may make payments depending on lease type and if utility account is in tenant's name
- Requires notification and consent by tenant

Committee recommends that the Utilities Department obtain feedback from the Landlord Association, regarding the notification and consent requirement for the tenant of a rental property.

Qualifications Include:

- Applicant qualification
  - Varies with loan amount and credit score (2 tiers)
  - Loan amount: \$1,000 to \$15,000
  - Term: 3 to 10 years
  - Interest: prime plus 2%
  - Application fee (\$25)
  - Origination fee (\$150)

Next Steps

- Council Meeting March 20---*However, Mike Beckstead said more discussion with Council may be needed so the March 20<sup>th</sup> date may not work.*
  - Adopt Chapter 26 code language
- Finalize testing of billing system
- Document/finalize internal business processes and 3rd party resources
- Document accounting procedures
- Integrate financing options with existing Home Efficiency Program outreach and marketing plans
- Goal to launch by June 1, 2012.

The Council Finance Committee members suggest that the Utilities staff prepare a synopsis of questions and responses covered in this meeting for the City Council members whenever the topic is scheduled for Council discussion.

## **Section 108 Loan Program**

Megan Bolin and Josh Birks presented an update and gave the following staff recommended approach to using this program.

### **History:**

- **December 2010** - City Council passed Resolution to submit an application to the U.S. Department of Housing and Urban Development (HUD) for a \$5 million economic development loan pool.
- **August 2011** - HUD approves City's request.
- **October 2011** - Information presented to the Council Finance Committee.

### **Program Highlights**

- Only existing businesses that can prove profitability will be considered for a loan.
- Loan structures will be negotiated on a case-by-case basis to balance the needs of the applicant and the City's security requirements.
- Loans may be used for working capital, machinery/equipment, land/building acquisition, and new construction/renovation.
- Project/activity funded must comply with HUD regulations.
- City bears risk if a loan defaults; if there are no loan proceeds to repay HUD, the City's CDBG fund is the repayment source.
- Working capital loans carry a higher risk and will require a higher level of collateral and securitization.
- One job must be created for every \$35,000 loaned.
- Loan minimum = \$250,000; maximum = \$2,000,000.

Ben Manvel asked if another reserve fund would be needed to pay HUD if a loan is defaulted. He asked if the City could use general fund money for the program or add it as a Budgeting for Outcomes offer. Mike Beckstead said City staff will investigate this component of offering the Loans.

Josh Birks said the sequence for loan review is that it would go to the LRC committee for approval, then to the CDBG Commission, then to the Council Finance Committee.

## **Internet Sales Tax History and Update**

Jessica Ping-Small summarized the City's policy on Internet Sales Tax. She said that internet sales are not exempt from tax as commonly thought; however, current legislation does not require online retailers to collect the tax due to the burden on the retailer to comply with so many different tax rates and codes.



The City of Fort Collins is collecting tax from online sales when nexus exists. The term Nexus means 'to have a presence in or be engaged in business within a taxing jurisdiction.' So stores like Target, Wal-Mart, Best Buy, etc. would have to remit sales tax from their online sales as well as physical stores.

Darin Atteberry asked for data on how much the City does collect from these types of stores.

The Sales Tax department states that Fort Collins has lost an estimated \$15 million in internet sales tax over the last 6 years. 2011

Jessica stated that there is currently legislation called The Marketplace Fairness Act which is the first of its' kind that could potentially benefit Colorado Taxing Jurisdictions. The State would collect online taxes and divide it out among the various Cities.