



Finance Administration

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AGENDA
Council Finance & Audit Committee
March 19, 2018
10:00 am - noon
CIC Room - City Hall

Approval of Minutes from the February 8th Council Finance Committee meeting and the February 27th Special Council Finance Committee Meeting.

- | | | |
|--|------------|--------------|
| 1. City Fund Implementation | 30 minutes | M. Beckstead |
| 2. 2018 Reappropriation Review | 10 minutes | L. Pollack |
| 3. Vine/Lemay - Financing Alternatives | 25 minutes | C. Crager |
| 4. KFCG Expiration | 30 minutes | G. Sawyer |
| 5. Metro District Policy | 25 minutes | P. Rowe |

Council Finance Committee & URA Finance Committee
Agenda Planning Calendar 2018
RVSD 03/12/18 mnb

Mar 19th			
	City Fund Implementation	30 min	M. Beckstead N. Bodenhamer
	2018 Reappropriation Review	10 min	L. Pollack
	Vine/Lemay – Financing Alternatives	25 min	C. Crager M. Beckstead
	KFCG Expiration	30 min	G. Sawyer
	Metro District Policy	25 min	P. Rowe
URA			

April 16th			
	Oakridge Fee Waiver Request	20 min	S. Beck-Ferkiss
	DDA Credit Line Renewal	30 min	M. Robenalt
	Murphy Center Expansion Proposal	30 min.	J. Kozak-Thiel
URA	County IGA – URA TIF Evaluation Process	30 min	J. Birks

May 21st			
	BFO Assumption Review	30 min	L. Pollack
	Mulberry Annexation	30 min	C. Gloss
	2018 Reappropriation Review		L. Pollack
URA			

Jun 18th			
	Audit Company Selection in September	10 min	J. Voss
URA			

Future Council Finance Committee Topics:
Phase II Fee Discussions – Development Review Fees & Wet Utilities
KFCG Expiration
Audit Firm Selection - September

Future URA Committee Topics:
Annual URA District Updates - Anticipate memo format



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Finance Committee Minutes

02/12/18

10:00 am - noon

CIC Room - City Hall

Council Attendees: Mayor Wade Troxell, Ross Cunniff, Ken Summers

Staff: Darin Atteberry, Jeff Mihelich, Travis Storin, John Voss, John Duval, Andres Gavaldon, Lance Smith, Kevin Gertig, Tyler Marr, Mark Kempton, Joanne Cech, Kelly DiMartino, Andres Gavaldon, Jo, Zach Mozer, Interim Chief Terry Jones, Greg Yeager, Kevin Gertig, Lance Smith, Carol Workman, Carol Webb, John Voss

Others: Kevin Jones (Chamber of Commerce), Dale Adamy (Citizen), Eric Sutherland

Meeting called to order at 10:04 am

Ken Summers made a motion to approve the Minutes for the January 8th Council Finance Committee Meeting. Ross Cunniff seconded the motion. Minutes approved.

A. Utilities 2017 Capital Improvement Plans and Strategic Financial Plan Update for the Wastewater and Stormwater Utilities

Kevin Gertig, Utilities Executive Director

Lance Smith, Utilities Strategic Financial Director

EXECUTIVE SUMMARY

The purpose of this agenda item is to provide the Council Finance Committee with an overview of the planning processes underway within Fort Collins Utilities. This agenda item will focus on the Wastewater and Stormwater Enterprise Funds. The Light & Power and Water Enterprise Funds were presented for discussion last November. The 2017 Capital Improvement Plans (CIPs) and the 2017 Strategic Financial Plans are outlined. The resulting investment projections set the basis for beginning the 2019-20 Budgeting For Outcomes (BFO) cycle. The overall 10-year rate projections for all 4 utilities is also presented here and the impacts to the typical residential customer's bill.

GENERAL DIRECTION SOUGHT AND SPECIFIC QUESTIONS TO BE ANSWERED

1. Does the Council Finance Committee support the Utilities Strategic Financial Plan assumptions ahead of the 2019-20 BFO cycle? In particular, the projected rate increases necessary to meet anticipated revenue requirements?

2. How would the Council Finance Committee support including the need to issue debt in the Stormwater Enterprise Fund as part of the 2019-20 BFO cycle?

BACKGROUND/DISCUSSION

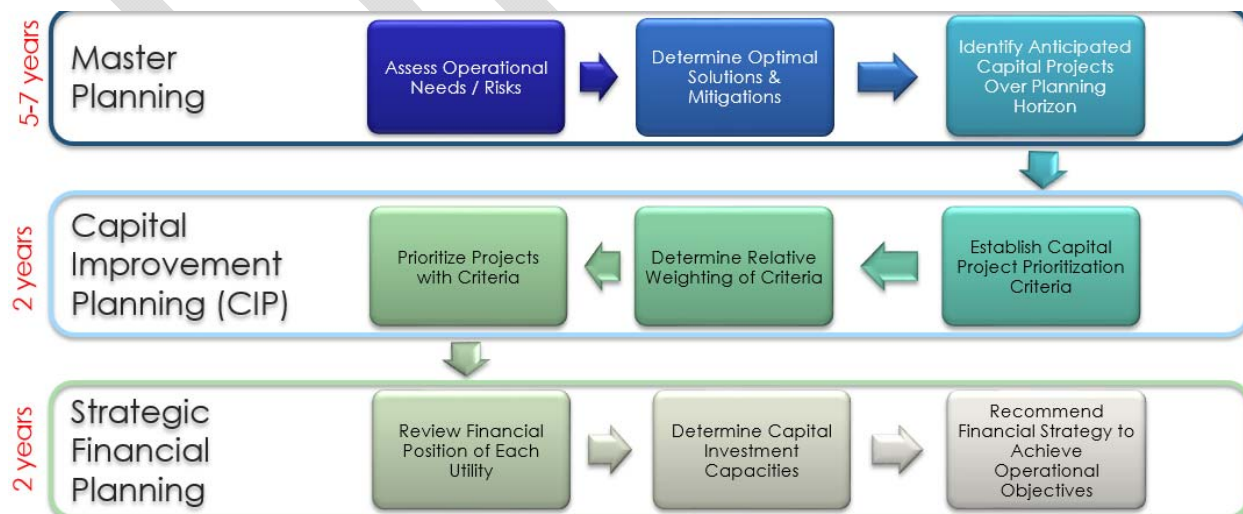
The financial health of each utility Enterprise Fund depends on active management of ongoing operating and maintenance expenses as well as planning for large capital expenditures. In some years it is expected that the capital investment alone may exceed the annual operating revenues for each Fund even before considering operating expenses. Thus, the capital investment required to maintain the current levels of service provided by each of the four utility services to the community requires a long planning horizon and consistent reevaluation and prioritization. Additionally, the expected operating and maintenance expenses must be forecasted and managed so that the financial sustainability of each utility is ensured while continuing to provide the levels of service expected without large rate increases being necessary in any given year.

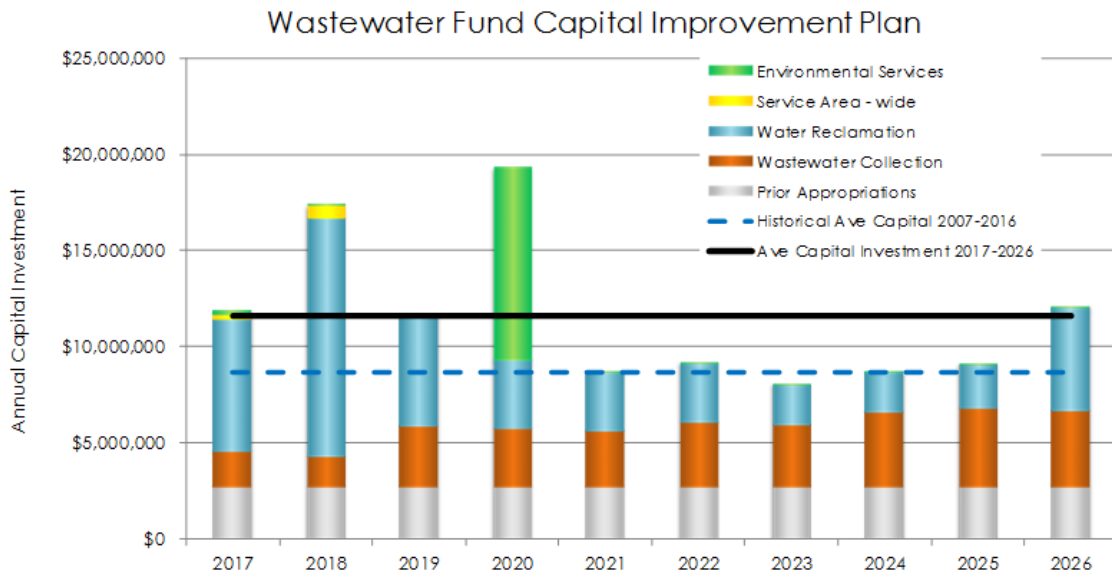
10 Year Capital Improvement Plans

The capital improvement planning process begins with periodically developing and updating Operational Master Plans for each utility. These plans assess current infrastructure for needs and risks and review expected growth and regulatory requirements. The Master Plans generate a list of recommended capital projects over the planning horizon which are then included in the Capital Improvement Plans. The Utility Asset Management program has developed a rigorous process to prioritize necessary capital investments that has been in place since 2014. This prioritized list includes the associated annual capital investment which becomes an input into the long term Strategic Financial Plan. This list is updated ahead of the two-year BFO process and prioritized using metrics intended to measure the levels of service that each utility is targeting to provide to the community. The financial position of each utility is also reviewed in this step with the output being a recommended path forward which may involve rate adjustments and future debt issuances in order to achieve the operational objectives and needs of each utility.

Wastewater CIP

The 10-year CIP for the Wastewater Fund consists of projects needed to provide adequate capacity to prevent backflows for new services, nutrient removal and other regulatory requirements, water quality lab improvements and system renewal of existing reclamation plant and sewage collection assets.





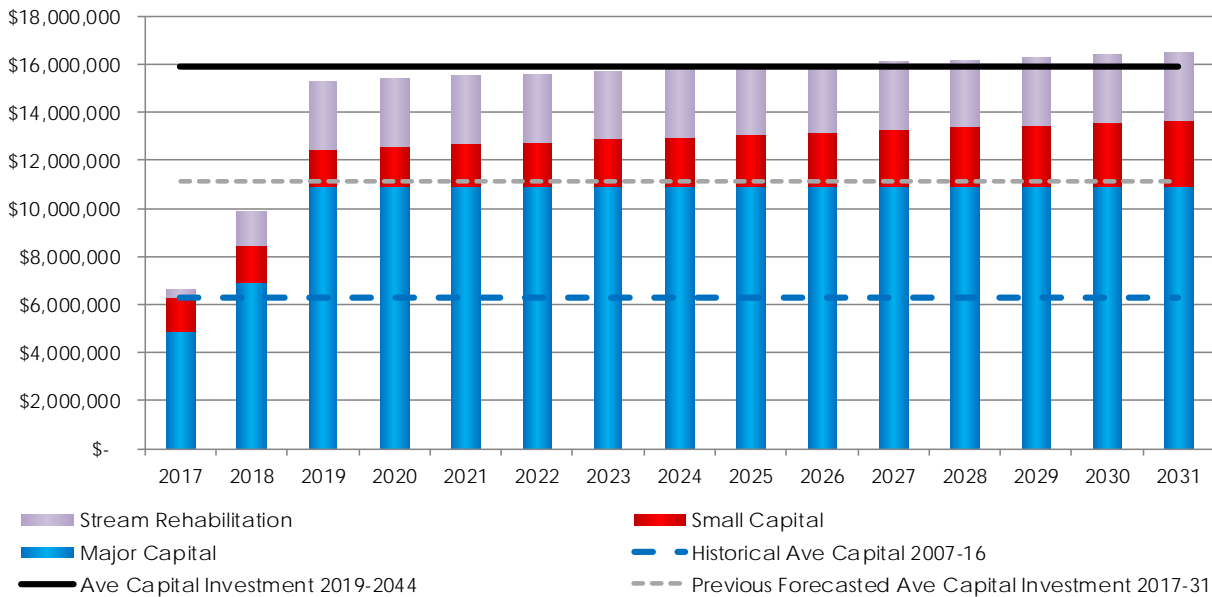
2017 Operating Revenue was \$24M

The 2018 CIP for Wastewater includes an increase in identified capital work over the 2016 CIP. A Master Plan is being finalized for the collection system pipes for the first time. This plan will include a condition assessment of every pipe segment in the service area which will be used to determine the sequence of renewal for these linear assets. The 2016 CIP identified \$60-80M as being needed to meet the new regulatory requirements for releasing water back into the river around nitrogen and phosphorous levels and the temperature of the water being re-introduced to the river. As the specifics of the regulations become more well defined it is expected that these costs could be less than this previous estimate by leveraging other improvements that are necessary to the reclamation facility between now and the next permitting process. The large anticipated need for Environmental Services in 2020 is associated with the need to address aging laboratory facilities and the possibility of realizing some savings by combining the Water Quality Lab and the Pollution Control Lab into a single building.

Stormwater CIP

The CIP for the Stormwater Fund includes new cost estimates for all of the anticipated projects. Updating the cost estimates, along with some preliminary design refinements to some of the project requirements, increased the anticipated capital investment needed to build out the Stormwater infrastructure from \$208M in the 2016 CIP to \$272M. Cost adjustments for stream restoration projects are also included in the model which now shows \$70M in stream restoration projects separate from the infrastructure projects. The CIP is now being proposed to be built over a 25-year period which as the graph below shows will still require investing almost 3 times as much each year in capital infrastructure than the previous decade's level of investment. It is shown below as being a levelized investment because the prioritization is not completed yet and the investments will require significant debt issuances to fund the major outfall projects that are still needed to complete the buildout.

504 - Stormwater Fund Capital Investment



Operating Expense, Revenue and Income Forecasts

Each utility collects operating revenues through monthly charges to its ratepayers. These revenues are used to operate and maintain each utility as well as for making capital investments in system renewal and improvements. Because operating expenses are expected to be recovered through monthly operating revenues it is first necessary to determine what the expected operating and maintenance (O&M) costs will be for each utility. The Strategic Financial Plan includes a section on O&M for each utility including a forecast of how much O&M can grow annually while meeting the expected capital investments.

Wastewater Operations

Wastewater O&M expenses have increased at a modest rate over the past decade just exceeding the long-term rate of inflation. This modest growth in expenses is forecasted to continue closer to the long-term rate of inflation as the two largest increases came from engineering costs that have been adjusted to market recently and administrative charges that will be held to the rate of inflation.

Operating revenues have grown significantly over the past decade through rate increases and growth putting this utility in a good financial position. Based on the projected revenue requirements for O&M and capital investment revenues are projected to remain essentially flat with some growth attributed to new customers within the defined service area.

The combination of operating revenues increasing at a faster rate than operating expenses has allowed this utility to make necessary capital improvements over the past decade and positions it well to meet the capital needs in the coming decade. The last time the outstanding debt for this utility was reviewed by a rating agency in early 2017, Fitch upgraded the rating on the outstanding 2009 issued debt to AAA from AA+.

Stormwater Operations

Stormwater O&M has grown at a faster rate than wastewater as more infrastructure is built requiring O&M. The financial forecast recognizes this but assumes that the growth can be managed to increase at a rate closer to the rate of inflation. Like Wastewater, the largest increases were seen in engineering and administrative charges.

Operating revenues have grown modestly over the past decade with the single 5.0% rate increase being in 2017. Based on the projected revenue requirements for O&M and capital investment revenues are projected to remain essentially flat with some growth attributed to new development.

The combination of operating revenues increasing very modestly and O&M increasing at a faster rate will over time reduce the operating income being generated for this utility. However, operating income is expected to remain strong over the coming decade as shown in the graph below.

Rate Adjustment and Debt Issuance Forecasts

Wastewater Rate and Debt Forecasts

Rate increases are not anticipated to be necessary over the coming decade although any significant change in the necessary capital investments or regulations may require modest adjustments to ensure adequate operating revenue is generated to support the system renewal investments and nutrient removal investments that will be required before the next operating permit is issued.

	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
Rate Increase	3.0%	3.0%	0.0%	0.0%	0-2%	0-2%	0-2%	0-2%	0-2%	0-2%
Debt Issuance \$M										
\$80-100M of capital work is expected to be needed between 2017 and 2026 in addition to the current capital appropriations										

Stormwater Rate and Debt Forecasts

With the strong operating income being generated every year in this utility only providing a third of the anticipated capital investment required to fully build out the infrastructure for the community over the next 25 years it will be necessary to issue significant debt to complete the remaining flood mitigation infrastructure. Significant rate increases could be implemented rather than, or in conjunction with, issuing debt, however, the capital needs are not ongoing capital needs. Rates are usually adjusted to fund ongoing operational and capital needs. There is significant debt capacity in this fund that operates with an operating margin above 40%. Increasing rates would increase the operating margin but not necessarily allow for the initial infrastructure to be built on an accelerated schedule because of the relative scale of the capital investment compared to the operating revenues. The anticipated levelized annual capital investment required to complete the initial build out over the next 25 years along with minor capital investments required on existing infrastructure is \$16M per year or 100% of the 2017 operating revenue. Infrastructure that is expected to last for at least 50 years into the future could be financed over that time period with those customers benefiting from the new investment paying

for its cost rather than increasing rates substantially. The table below shows the amount of debt that would need to be issued over the next decade to establish this 25 year build out schedule while adhering the financial boundary conditions of gradual, modest rate adjustments, positive operating income and a debt coverage ratio of at least 2.0.

	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
Rate Increase	5%	0%	0%	0.0%	0-3%	0-3%	0-3%	0-3%	0-3%	0-3%
Debt Issuance			\$30-35M				\$25-30M			

*\$272M of capital work is expected to be needed between 2019 and 2044.
\$70M of stream restoration work has also been identified here.

Overall Rate Impacts

L&P Rate and Debt Forecasts

In November 2017 the L&P and Water Funds were discussed with the Council Finance Committee and the following rate and debt issuances were presented. There have been no material changes to those two forecasts since that time. Based on the significantly higher CIP and the assumption that O&M expense growth is limited to the rate of inflation over the coming decade, it is expected that there will need to be two significant rate adjustments in 2019 and 2020 followed by a debt issuance in 2023.

	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
Rate Increase	3.5%	1.8%	5.0%	4.9%	2-3%	0-2%	0-2%	1-3%	1-3%	0-2%
Debt Issuance \$M							\$20.0			

\$165M of capital work is expected to be needed between 2017 and 2026 in addition to the current capital appropriations.

The issuance of debt for electric distribution infrastructure in 2023 will allow for the issuance of all debt prior to support the broadband initiative. It is expected that the increased operating revenue from the broadband initiative by 2023 will increase the debt capacity of this Fund and cover the debt service expense associated with the debt issued for the initiative.

Water Rate and Debt Forecasts

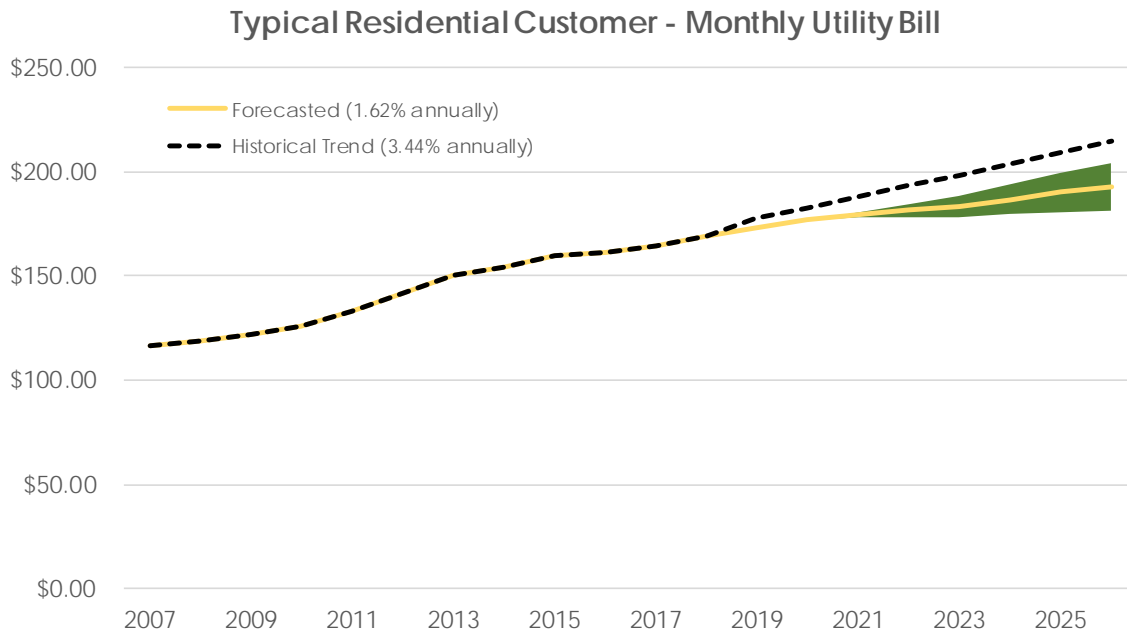
With the two significant rate increases in 2017 and 2018 along with the operating budget cuts that were included in the 2017-18 BFO cycle, minimal rate increases are forecasted for the coming decade however it will be necessary to issue debt in 2018 to fund some near term capital work and then again in 2022. These issuances are timed with the retirement of existing debt so that the annual debt service expense will remain at or below the current levels over the coming decade.

	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
Rate Increase	5%	5%	0-1%	0-1%	0-1%	0-2%	0-2%	1-3%	1-3%	1-3%
Debt Issuance \$M		\$5-8				\$21-25				

\$168M of capital work is expected to be needed between 2017 and 2026 in addition to the current capital appropriations

Overall Rate Impact

Based on the 10-year rate forecasts for each of the four utilities, the chart below summarizes the estimated rate impact to the average residential utility bill relative to the 2018 rates. Utility rates will continue to increase but based on the current projections from Platte River and the current CIPs for each of the utility funds it appears that rates will rise at a rate that is less than 2% annually in total over the coming decade.



Conclusion

As shown there will be a need for considerable capital investment in each of these utility services in the coming decade and beyond. This is not unexpected given the anticipated regulatory requirements of the wastewater utility and the need to complete the initial infrastructure build out for the Stormwater utility. The low utility rates and high level of customer satisfaction are the results of City Leadership, both past and present, showing tremendous foresight and commitment to these municipal services and to the planning, operational and customer focused efforts of City staff. This update to the Council Finance Committee is intended to maintain this tradition through a long-term Utilities Strategic Financial Plan ahead of the 2019-20 Budgeting For Outcomes process.

Discussion / Next Steps;

Wastewater; rate pressures - revenue growth at 5% - not much new revenue from growth
Will need a rate adjustment within the next 10 years - no new debt being issued

Mayor Troxell; what is going into the rate projections? There is energy content - is it just a pilot or are we thinking in operational terms?

Lance Smith; major effort there which was the bio gas - that is not funded at this point and we are not assuming that is happening

Jeff Mihelich; It is very much in a pilot phase - we hope it will be successful - waste energy opportunities that could impact rates.

Kevin Gertig; in our master plan we are looking at going to Class A Biosolids - we are currently Class B. There is some potential through some capital investments that we could get there - technology - we could have that bagged or available for residents to use for compost - definitely on our radar - we just don't have enough data yet - best practices as it related to biosolids – Track PN (Phosphorus and Nitrogen) that could be an output of a process for fertilizer – real benefits if we enhance our processes as it relates to our watershed including our overall sustainability. As we look into the future, we definitely need to take a look at our biosolids.

Mayor Troxell; thinking of more source energy - conversions - most things you would do in an energy audit thinking of more source energy - compost is a use - also with the waste shed – making compost - combined efforts there

Carol Webb; in our current Capital Improvement Plan – we have two areas that relate to what Mayor Troxell is asking; 1) food waste receiving stations has been scoped in the master plan out in 2023. 2) a sidestream treatment which was actually funded in the last budget cycle - we have roughly \$5M there will remove phosphorus from waste stream and then that can be turned into fertilizer that can be sold on the market.

Mayor Troxell; how are you calculating biogas?

Kevin Gertig; we currently have 4 digesters on site - we utilize some of that energy but not all to help maintain the temperature in the digesters on site - we have been doing this for 20 years - however, we still flare gas - we would like to get the Woodward project underway as that will reduce the flaring. We will be back to Council Finance hopefully soon to discuss this.

Mayor Troxell; what percentage is Fort Collins wastewater as it services the entire community?

Carol Webb; roughly half - ½... to Boxelder Sanitation and ¼ to South Fort Collins Sanitation District – give or take

Mayor Troxell; comparison based on what was just presented with respect to the others in terms of their rate structure and future?

Carol Webb; I can't speak to South Fort Collins but Boxelder is going under major improvements to meet some of these requirements - they have significantly raised rates to fund those as well as their plant investment fees. South Fort Collins has made improvements recently - every wastewater provider is gearing up to meet these stringent new requirements.

Ross Cunniff; does this include the impacts of the possible need to revamp the Mulberry waste treatment plant?

Kevin Gertig; it does not

Ross Cunniff; I believe we have estimates for that and I think it would be interesting to include that.

Kevin Gertig; that is really moving our f1 - we could do one of two things; we could either relocate Mulberry and consolidate which we originally looked at and did a cost benefit analysis and we ended up back at Mulberry - we have very preliminary data and will be looking into that. Carol and her staff - what they are expecting and what the requirements are - will come back to Council Finance and update you.

Darin Atteberry; to Ross' question, we have talked publicly about some very preliminary level numbers.

Carol Webb; that was based on new low flow in the Poudre - there are 2 projects that are proposed related to NISP

- 1) If they lower low flow that would impact our nutrient requirements – our high-level conceptual numbers which are included in the long term CIP
- 2 Relocating Mulberry's outfall below where the NISP participants would take their water - we have not calculated any conceptual cost on this.

Ross Cunniff; if we were to partner with – to help them keep water in the Poudre below our wastewater treatment plant - that would have an offsetting positive - More water in the river - Do we think that would cancel out the potential NISP?

Carol Webb; I don't know that

Ross Cunniff; It would be helpful to pencil out some numbers

Mayor Troxell; we need to look at that

Darin Atteberry; meeting on Wednesday to talk about process mostly. That is a question that I plan on asking them

Ross Cunniff; Some component of nitrates that flow into the river come from residential and agriculture runoff. Is that part of our overall regulatory burden?

Carol Webb; We have 2 permits for Wastewater treatment facilities and 1 for Stormwater – we do not have numeric limits on our Stormwater but we do have best management practice requirements and that is how we manage that – point sources are much easier to regulate - typically we see the biggest impact of that through Capital upgrade requirements at our treatment facilities and that is true across the nation.

Ross Cunniff; we could impact the other side by education for example on proper fertilizer - residential use and working with large ag interest to educate them on proper utilization and irrigation

Carol Webb; we do an annual education campaign - Utility Outreach group and we have targeted nutrient loading many times – everything from local landscaper to large scale commercial users.

Ross Cunniff; wastewater rates for residential are based on water use - Do we do anything to correct this formula based on lot size – some fraction goes to maintenance of the landscaping

Lance Smith; the rate structure is based on water use – based on winter quarter average which eliminates landscapes / irrigation

Ross Cuniff; the impact of gray water systems on wastewater stream - will that reduce our summer load for wastewater or change it in some way because of the processing of gray water?

Carol Webb; the typical adoption rate for gray water systems is pretty low – typical adoption rate would have a negligible impact - Even places where it has been highly promoted the adoption rate has been low - We have been talking developers of highly efficient developments about water use and how that might impact infrastructure - we had a meeting last week talking about these issues.

Ross Cuniff; do we audit installations of gray water systems to make sure they comply?

Carol Webb; we do not have local regulation yet on gray water - due to some water law complications that we have had - our planning code does allow for some of that but we don't currently have a way to monitor or inspect

Mayor Troxell; do you know of any gray water installations?

Carol Webb; I only know of one - our water conservation group has had lots of discussions on how we could get a local program going.

Ross Cuniff; biologicals are one contamination you have to worry about with biosolids. What do we do to analyze or treat? from wastewater you can get a concentration of heavy metals as example -

Carol Webb; We monitor all bio solids and we have strict permit guidelines around those - including where we apply it - active monitoring - we do a more exhaustive analysis 1-2 times per year

Ross Cuniff; requesting additional information about the monitoring and analysis

Ken Summers; What percentage of the population growth over last 10 years - how is that been dispersed among the sanitation districts?

Lance Smith; most of it has been outside our service area - our service area is the older portion of town growth has primarily been in the east and the south - we have seen some vertical growth - some greenfield development - but as we promoted water conservation - today we are not treating or selling any more water than we did a decade ago.

Ken Summers; I wanted to get more background and perspective - that is substantial - impressive statistic It would be interesting in addition to the other comparative analysis we do – to see how that compares with the matrixes you used earlier – interesting to understand the significance of that in comparison to what we are seeing in other communities - Sometimes we fail to tout the successes we do achieve - It is showing a legit positive to message to the community regarding their on-going conservation efforts - people are motivated and encouraged if they know what they are doing is making a difference.

Kevin Gertig; we will follow up with some statistics based on your input and interest - that is something we track very closely

Darin Atteberry; Lance, if there is way you could quantify the cost of deferred capital - we could say 'you save xx by conserving and this is the difference it makes' - quantify in a meaningful way for example; It means you don't have to expand the treatment plant.

STORMWATER

Lance Smith; we are recommending more of a debt approach instead of raising rates – we haven't issued debt since 2006 but we will need to issue debt in 2019 to fund capital projects and more in 2023 to cover some additional capital improvements. This fund generates approx. \$17M in annual operating revenues. Allow infrastructure to be built out and paid for over the next 25 years.

Darin Atteberry; last time we met talked about Magnolia outfall - I have since talked with Council Members one on one about Magnolia - Do we have a work session coming up on Stormwater? Important to talk about how Magnolia fits in here – worst case is approximately \$82M but there are possibly other options that could make the number go down significantly - it is game changer for this fund.

Lance Smith; It is in there at the \$82M level - we did extend the build out past 2044 - we do need to decide if this where we are going to be planning for. The Financial Plan only looks out over the next 10 years When we talked with Council in 2016 - when we had the \$207M of capital work – I said at that point maybe we could do this over 15 years – now we have updated the costs and we are now talking about over 25 years

Darin Atteberry; to summarize;

- 1) There is still work to be done with the Magnolia Project - preliminarily it is an \$82M project and it is factored in to numbers being presented.
- 2) You have extended the horizon of the capital bill from 15-25 years out which gets us to 2044. To do that you are assuming a rate increases - smaller dash lines starting in 2019 - not a radical 10-15 % rate increase rate like we were talking about previously -has that gone away?

Lance Smith; There are two strategies; We can either adjust rates up and bring in revenue but that still won't allow us to build this infrastructure any sooner. If we had a 10% rate adjustment, that is \$1.7M more than we are taking in currently. If you add \$2M a year to operating revenues it is not going to allow you to accelerate some of these major projects. We need \$270M for the capital work. Once we do get to this buildout - the rates this fund charges today are more than adequate to meet its ongoing operational needs. I think we should look at issuing debt and paying the debt off over the next 25 years.

Darin Atteberry; this is the largest project in history of this program

Kevin Gertig; we have a lot more work yet to do on Magnolia - some preliminary cost estimates for one option – one of the challenges we have as staff is to look at other avenues for the downtown area – this has been on the list for a long time but it is now prioritized - includes 370 houses

Ross Cuniff; when will preliminary analysis be ready? What is the glidepath of that analysis vs. the BFO process?

Matt Fater; for Magnolia - there is a budget item in the 2018 budget we are working on which includes funds to move forward with design - we have held off on that until we have the discussions about financing of these

efforts – if Council desires the next step would be to do an alternative analysis of that project and see how we can improve on what has already been done there.

Ross Cunniff; We are being asked if we support moving forward moving with a debt issuance.

Lance Smith; the analysis Matt mentioned won't be done ahead of BFO - intent isn't to get Council to authorize a debt issuance as part of BFO. We want to make you aware of projects that we would have to issue debt for that won't be seen in BFO.

Darin Atteberry; You would see it as a separate issuance question.

Ross Cunniff; What about the next cycle?

Matt Fater; for 19-20 would we launch more into detail design and construction in 2020 if the debt was issued.

Ross Cunniff; I think a Work Session will be needed for Council awareness. One would be the impact to rates although this is more modest than what we expected and the other is disruption of the construction project itself.

Darin Atteberry; I think there is diligence that needs to be conducted around whether or not this is the ultimate solution. By presenting this to Council - I think this is a worst-case scenario – a different less expensive option might not be as effective as mitigating property damage and loss.

Question for Matt Fater; are we adequately resourcing in the current BFO offer to conduct the appropriate level of alternatives analysis? If not, then the BFO offer would be additional money. One thing you should be aware of - the construction inflation on an \$82M project will be a lot of money - could be millions. As the team is recommending going from a 15 year to a 25-year sunset - this has a cost impact as well and it can be significant in a program this size. I think it is important for the Finance Committee to be aware of - I am not convinced that the Magnolia 11-foot pipe is the best solution.

Jeff Mihelich: When would be the best time to come back and have a work session with Council on alternatives? Could you estimate how far we are away from that?

Matt Fater: We do have money in the existing 2018 budget to move forward with that analysis. That work could be started right away. We have been holding off until we had this specific discussion. In regard to an alternative analysis, I would think we be ready to report back in 3-4 months.

Ross Cunniff; are there any other capital programs that were not contemplated in the previous Capital Plan (other than the Magnolia outfall)?

Matt Fater; most of the projects that are in that \$270M have been on the books for quite some time. Some have been brought to light over the last few years including the North College drainage improvement project that was discussed in a previous meeting. There are some projects like that have a more redevelopment focus that weren't in the original master plan in terms of flood risk. The other thing that happened in 2012 was the stream restoration project

Mayor Troxell; Does this contemplate enclaves and annexations?

Matt Fater; East Mulberry is included in our master plan and CIP for Stormwater

Darin Atteberry: How about I25 and Lemay which is not currently in the city jurisdiction but as an enclave could possibly be part of the city in the next 3 years.

Matt Fater; that is part of the Stormwater master plan and capital improvement plan. We are talking about major flood control type work which does not include curb and gutters. Large box culverts under Mulberry in the vicinity of the hotel and some of that area.

Lance Smith; We are working on bringing forward an offer in the 2019 - 2020 BFO process to include the total cost to the city for that annexation to include the curb and gutter piece. L&P and Streets

Ross Cunniff; do we have an estimate of the development rate in that area? I am wrestling with what the right timing is to bring in the Mulberry annexation. It is going to be very expensive.

Jeff Mihelich; BFO offer will analyze that as well including capital and the appropriate phasing

Mayor Troxell; thinking of Max -Mason Street - some of the multi-use buildings that are in the flood plain- first floors are flood proof -building in impervious surfaces - is there anything related to investment being made now to accommodate? It is a tradeoff between 11-foot pipe and thinking of investments being made now for Stormwater. How is that being captured?

Matt Fater; any new structure would need to meet flood plain regulations -what we are seeing is that there is still a significant amount of existing property that would be at risk including some roadways - some are predicted at 3-4 feet of water at intersections which would be a safety hazard. The risk and benefits to the new structures but there are many existing structures still at risk.

Kevin Gertig; as we go through this next iteration - limited area because of density - we are all very aware of – we need to seek Council input to make sure we are getting that right as we go into the next stage in design - we will make sure we are on target and cross check with you.

Lance Smith; what it means to the average customer – historically we have seen 3.4% increase per year based on the projections we have at this point -over the next decade things would increase about half of that – that gets to be under the long term inflation - In the next BFO cycle, we are talking about asking for a 5% rate increase in 2019 and another 5% in 2020 for the electric utility - no other rate increases in Water, Wastewater or Stormwater.

ACTION ITEM: Ross Cunniff; model that separately for people inside Fort Collins; Wastewater and Stormwater. And for people outside as it is a separate bill so it would be higher.

Darin Atteberry; 5% for 2019 and 2020 - if there is a way to smooth that out over a longer time frame. 5% is significant for many residential customers and for some of the businesses in town - I will be asking the questions as we go through the BFO process regarding an opportunity to smooth those out.

Lance Smith; those are mainly being driven by the need to generate positive operating income in L&P. In 2016 L&P had an operating loss of \$6.6M and in 2017 the preliminary results indicate just over \$7M operating lost.

Darin Atteberry; have we heard anything preliminary from PRPA?

Lance Smith; PRPA anticipating asking for 2% which is included in the 5% - Inversion for us / PRPA is unusual

Mayor Troxell; Would like to thank Carol Webb for her work in collaboration and as it relates to Fort Collins- if you ever need to engage City Council - it doesn't have to be the tri cities to get everyone together. We are always ready to come together to make that case.

B. Combined Regional Information Sharing Project (CRISP)

Carol Workman, Acting Information Services Director (Police Services)

Erik Martin, Financial Analyst II (Police Services)

EXECUTIVE SUMMARY

The Combined Regional Information Sharing Project (CRISP) is a regional partnership with other Larimer County public safety agencies. CRISP provides a reliable public safety software solution that allows regional agencies to share police and fire data, manage incident and provide for redundancy and continuity of operations as necessary. The current system is scheduled for replacement. The City of Loveland is interested in joining CRISP and this will increase the overall cost of the project. Staff is asking for an additional appropriation of \$1.98 million with the understanding that all but \$288K will be reimbursed from partner and member agencies.

GENERAL DIRECTION SOUGHT AND SPECIFIC QUESTIONS TO BE ANSWERED

- Does Council Finance support bringing an additional appropriation request to City Council for approval?
- If so, does Council Finance support an additional appropriation of \$1.98M and approval of the associated IGA.
- Does Council Finance support an exception to the competitive bid or proposal process to purchase the system from Tritech Software Systems?

BACKGROUND/DISCUSSION

The concept of CRISP began in 2003, when Fort Collins Police Services and Larimer County Sheriff's Office were seeking a public safety software system that would provide for a Computer Aided Dispatch (CAD), Records Management System (RMS) and Mobile Solution for their agencies. Both agencies agreed to share in the cost, use and management of the new software system and allow for other public safety agencies, known as "members" in the region to utilize the system.

For many years, CRISP has provided a critical infrastructure for many agencies in Larimer County and is relied upon daily for the operations of its members. The current software system needs to be replaced and initial funding was approved in BFO offer (29.39).

Since receiving funding approval, the City of Loveland has expressed interest in joining CRISP. The City of Loveland would be an equal partner in the system along with the City of Fort Collins and Larimer County. Each partner would share equally in the costs, use and management of the system.

The selected software vendor is Trittech Software Solutions and staff is also requesting approval for an exception to the competitive bid or proposal process to utilize this vendor. An updated IGA between the City, Larimer County, and the City of Loveland is being negotiated and the design and scope of the new system is in its final stages. With the addition of Loveland and other required project changes such as; hardware, implementation costs and interfaces, the project has grown in complexity, size and scope and additional funding is required.

Staff Recommendation

City staff is recommending approval for the additional appropriation including the Fort Collins additional funding of \$288K, the approval of the associated IGA and approval of an exception to the competitive bid or proposal process.

Financial Impact

\$3.43 million in funding was approved for the replacement of the CRISP system. The original costs were in anticipation of an equal sharing with Larimer County. With the addition of the City of Loveland, and other required scope changes, the new project costs are \$5.41 million.

The City of Fort Collins is the purchasing agent for the CRISP project and a request for an appropriation \$1.98 million is required for the project. Reimbursement and additional funding from partner and member agencies, leaves the Fort Collins specific funding needs at \$288K.

Current Project	\$5.41 million
<u>Original Project</u>	<u>\$3.43 million</u>
Net change/ask	\$1.98 million
Less reimbursements/funding	(\$1.69 million)
Fort Collins General Fund Impact	\$288K

Next Steps

City Council approval for the additional appropriation in the amount of \$1.98 million, including the Fort Collins specific funding of \$288K, the approval of the associated IGA and exception to the competitive bid or proposal process for Trittech Software Systems.

Discussion/ Next Steps

All reimbursed except for \$288K to come out of General Fund or TBD source.

Ross Cunniff; I understand the \$105K difference that is the additional software and software interfaces. I am still trying to understand how the cost went up \$500K for each of us to bring in Loveland as a partner. What is driving that?

Carol Workman; Loveland adds in over \$1M – we also had some scope misses – we added on a CRISP project manager

Ross Cunniff; scope misses - we underestimated the costs and the project requirements.
The hardware that you refer to - is that actual computer hardware or?

Carol Workman; It includes servers and any type of switches that were needed to run the operation.

Ross Cunniff; have we modeled in replacement costs for those and O&M for that

Carol Workman; we knew we would need to refresh our hardware - \$500K -

Ross Cunniff; This is shared access for hardware / software – who is responsible to maintain?

Carol Workman; our IT (3 PD systems analysts) would be responsible. Loveland and Larimer County will also have technical staff. We have SMEs - we share those resources who are the experts on computer aided dispatch.

Ross Cunniff; is there any centralized project management or coordination between the individual IT departments to make sure we don't step on each other's toes?

Carol Workman; they meet twice a month to discuss technical components to the system and to coordinate and keep everyone up to date.

Ross Cunniff; what kind of data is being managed - what type of access do the partner agencies have?
I am thinking of things like body camera video.

Carol Workman; they do have access to our calls, dispatch and crime reports - but not camera footage -

Darin Atteberry; you can do that now with the Sheriff's office – the data view that Ross is asking about - this system just adds more partners

ACTION ITEM: Ross Cunniff; can we see Loveland's evaluation of Tritech and why they decided not to go for competitive bid. That would be helpful as background data on why we don't need to do one - want to make sure that we don't create some self-perpetuating cycle.

Carol Workman; they did do a competitive bid for Tritech - We considered the cost of change - that would extend our project - once Loveland heard that we were moving to Tritech - one true county wide system - Tritech is very heavy in Colorado will could make it possible down the road to interface with other agencies in Colorado – they have over 25 agencies on Tritech - Longmont is on Tritech. We brought Tritech in multiple times to demo their system and our requirements.

Ross Cunniff; we are not talking about data that isn't otherwise accessible publicly – it is just a better way for our agencies to access it -to work together. It could be spun to say we are spending more money to expose our citizen's data and that is not what we are doing. We don't have that continuity of operations now - Loveland doesn't have plan - we could go to Loveland and continue

Ken Summers; I found the \$288K and the \$105K - What is our actual cost?

Carol Workman; our total costs are \$288K

Darin Atteberry; The question is - Does that come from General Fund reserves or does it come from underspend in Police? We are still working through that and will have that as we move forward.

C. Broadband Debt Issuance

Travis Storin, Accounting Director

EXECUTIVE SUMMARY

The purpose of this item is to clarify Broadband financing requirements based on several evolving assumptions that have developed since the feasibility financial model was developed in late 2016. Specifically:

- 1) The business plan was developed assuming a base case market share of 28.2%. Current implementation planning target market share is 45% to 50%. Additional market share requires additional capital to support the increased number of homes that will be connected to the system. A 50% market share would require connection to roughly an additional 12,000 premises at approximately \$600 per premise.
- 2) The business plan assumed build out within the Fort Collins City limits and expansion into the GMA as those areas were annexed into the City. Capital for the newly annexed areas is not included in the base case financial model. With the recent closure of the Mulberry enclave, a portion of this area could be annexed during construction. Additional capital would be needed to support buildout within any newly annexed Mulberry area.
- 3) The recent discussions concerning Montava development would also require additional capital to support build out within this GMA area.

Staff is exploring adding additional capital to provide some capacity to support the expansion of broadband within these areas. Any added capital would be designated only for use for one of these events. Assumptions for the cost of building out the network within City limits still anticipate a \$132M requirement.

Staff is seeking guidance from Council Finance to;

- 1) maintain the current estimate of \$132M for debt issuance and resolve additional capital needs later with a secondary offering as the need materializes or
- 2) increase the current estimate by \$8M-\$9M in anticipation of success with the market share goal, annexation or some combination of the three factors described above.

Basis for \$132M Funding

- **Market Share** **28.2%**
- **Residential Pricing** **\$50 - \$70 mo.**
- **Commercial Pricing** **\$70 – TBD mo.**
- **Passing Cost** **\$1,000 pass**
- **Drop Cost** **\$ 600 premise**
- **Service within City Limits Only**
- **Expand to GMA when annexed**

Capital Requirements

Capital & Working Capital Requirement	Dollars
Network Construction & Installation	\$ 87
Facility, Vehicles & Fixed Equipment, Back office	12
Fiber Drop, Powering, ONTs	6
Engineering, Design & Inspection	4
Capitalized Interest & Issuance Fees	13
Subtotal	\$ 122
Working Capital	10
Total Borrowing Requirement	\$ 132

Business Plan Anticipated Additional Capital Needs if Share or Service Area Expands

- **No Change to Base Assumptions Prior Page**

Current Considerations

- **Targeting Market Share of 45% to 50%**
 - Success for each 5% requires additional \$2M of capital
 - Plus capitalized interest coverage
- **Mulberry Annexation – closing the enclave in 2018**
 - Capital to support annexations may be required sooner
- **Montava Annexation – in development**
 - Capital to support project not included in base estimates

50% market share adds \$9M
(\$8.1M installation + \$.9M cap int)

Impact TBD

Target Market Share & New Annexation Potential Increases Capital Requirements

Option A:

- **Borrow funds if/when needed based on actual market share and annexation plans**
 - If borrow later, may not need capitalized interest – could pay directly from cashflow -

Option B:

- **Borrow additional \$8M + capitalized interest in anticipation of market share success and/or annexation requirements**
 - Capital would be internally restricted to only use for market share success or annexations
 - Provides immediate ability to meet capital needs without secondary borrowing

Requires Inclusion in Current Discussion with Underwriter

Discussion / Next steps

Darin Atteberry; key here is what we call success capital. We are prepared to meet the expectation of what was presented in the Business Plan. What has changed is the possibility of Mulberry, the possibility of Montava and a better take rate. First Reading with Council is scheduled for March 20th. We are contemplating this as a staff team right now and wanted to get your input.

Ken Summers; take rate is within reason based on other communities. How does the Mulberry / Montava factor into the anticipated overall take rate?

Travis Storin; expansion of our market - assumed the same level of market penetration - \$600 per premise drop cost - so this is essentially the capital for that drop cost.

Ken Summers; is an \$8-9M where you would need to capitalize interest
Could you service a 45-50% take rate with the current households with the \$132M

Travis Storin: we could not

Darin Atteberry; we would need the additional capital to cover the additional take rate.

Travis Storin; timing considerations - 2021 range - we would not the revenue to do this with free cash flows - in year 3 we will just start to get a full system's worth of revenue -

Travis Storin; \$150M was on the ballot - Build out - O&M

Ross Cuniff; when Darin first presented - Why would we not go for the entire \$150M?
Bond rates are low today but we would be paying capitalized interest over a longer period of time

Travis Storin; We didn't model this on the whole \$150M – the delta between \$132M and \$141M
Roughly \$3.5M over the life - term of 13-15 years. Several other variables which will be reviewed on the 27th
Breakeven point - rates would have to go up 160 - 190 basis points in the next 3 years.

Ross Cuniff; seems to make some sense to target a higher take rate and foot print
\$132M is absolutely necessary - interesting that \$141M comes close to splitting the difference -
Approach is from the bottom up if how we should approach this – Assuming you included Project growth
Mulberry enclave - How did you get to \$141.2M

Travis Storin: The \$8M difference in total issuance - roughly 12K new premises
Added market share is where the \$8.1M in additional installation costs come in – in all likelihood - we will get
some market share combination - Montava - Mulberry are timing type considerations - Not the full amount if all
3 were to happen on day 1.

Ross Cuniff; would it be helpful to contemplate lower rates if you pay the \$600 per premise - capital up front?
Would it be advantageous to the utility? Something to think about – discount on rate if they were willing to pay
the connection cost up front – this might make sense for businesses.

Travis Storin: I will refer that question to Mike when he gets back in the office.

Mayor Troxell; I appreciate the analysis and comparison to other communities - falls within reasonableness.

Ken Summers; better off to plan for 45-50 % take rate - that is realistic and we are going to need it eventually -
doing the \$141M

Ross Cuniff; bond markets are close to historical low - better to get in now and not wait for volatility

Travis Storin; rates up 500 basis points over the next few years for us to prefer bonding now than later

Meeting adjourned at 11:43 AM



Finance Administration

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Special Finance Committee Meeting Minutes

02/27/18

11 am - noon

CIC Room - City Hall

Council Attendees: Mayor Wade Troxell, Ross Cunniff, Ken Summers

Staff: Darin Atteberry, Mike Beckstead, Jeff Mihelich, Kevin Gertig, Carrie Daggett, Travis Storin, John Voss, John Duval, Andres Gavaldon, Lance Smith, Tyler Marr, Joanne Cech, Kelly DiMartino, Andres Gavaldon, Zach Mozer, Jennifer Poznanovic, SeonAh Kendall, Patrick Rowe, Allyssa Johnson, Blaine Dunn, Josh Birks

Others: James Manire, Tim Tilleson, Colin Garfield, Todd Parker, Kevin Brinkman, Kevin Jones (Chamber of Commerce), Dale Adamy (Citizen),

Meeting called to order at 11:04 am

A. 2018 Light & Power Revenue Bonds, Series A and B

Mike Beckstead, CFO

Travis Storin, Accounting Director

Lance Smith, Utilities Strategic Finance Director

James Manire, Bond Advisor

EXECUTIVE SUMMARY

Staff is preparing to bring forward ordinances for first reading on March 20th for the following:

- Issuance of 2018 Light & Power Revenue Bonds
- Defeasance of 2010 Light & Power Revenue Bonds
- Appropriation of proceeds for construction of a municipal retail broadband network

Subject to change and as currently structured, bonds will be issued in gross for \$141.9 million, which will cover issuance costs of \$0.9 million, establishment of a capitalized interest fund of \$13.8 million, and project proceeds of \$127.2 million.

Proceeds are split into separate tax-exempt and taxable series. Tax-exempt bonds have certain requirements to maintain their exempt status, including:

- A reasonable expectation to spend 85% of the exempt proceeds within a 3-year window
- A limitation on proceeds funding private use of up to 10%
- A limitation on "bad money", or the use of proceeds for working capital, of 5% of the issuance.

The bonds are structured with a 25-year maturity and allow for early redemption beginning in year 10, or mid-2028. Debt service at the currently contemplated terms is presented as follows:

Period Ending	Principal	Interest	Total Debt Service	Capitalized Interest Fund	Net Debt Service
12/01/2018		2,850,078.95	2,850,078.95	2,850,078.95	
12/01/2019		5,486,783.00	5,486,783.00	5,486,783.00	
12/01/2020		5,486,783.00	5,486,783.00	5,486,783.00	
12/01/2021		5,486,783.00	5,486,783.00		5,486,783.00
12/01/2022	1,460,000	5,486,783.00	6,946,783.00		6,946,783.00
12/01/2023	3,730,000	5,442,107.00	9,172,107.00		9,172,107.00
12/01/2024	4,355,000	5,318,271.00	9,673,271.00		9,673,271.00
12/01/2025	4,805,000	5,167,152.50	9,972,152.50		9,972,152.50
12/01/2026	5,120,000	4,993,211.50	10,113,211.50		10,113,211.50
12/01/2027	5,465,000	4,802,747.50	10,267,747.50		10,267,747.50
12/01/2028	5,590,000	4,587,973.00	10,177,973.00		10,177,973.00
12/01/2029	5,780,000	4,362,696.00	10,142,696.00		10,142,696.00
12/01/2030	6,155,000	4,123,982.00	10,278,982.00		10,278,982.00
12/01/2031	6,330,000	3,865,472.00	10,195,472.00		10,195,472.00
12/01/2032	6,605,000	3,562,400.00	10,167,400.00		10,167,400.00
12/01/2033	6,870,000	3,298,200.00	10,168,200.00		10,168,200.00
12/01/2034	7,140,000	3,023,400.00	10,163,400.00		10,163,400.00
12/01/2035	7,430,000	2,737,800.00	10,167,800.00		10,167,800.00
12/01/2036	7,725,000	2,440,600.00	10,165,600.00		10,165,600.00
12/01/2037	8,035,000	2,131,600.00	10,166,600.00		10,166,600.00
12/01/2038	8,355,000	1,810,200.00	10,165,200.00		10,165,200.00
12/01/2039	8,690,000	1,476,000.00	10,166,000.00		10,166,000.00
12/01/2040	9,035,000	1,128,400.00	10,163,400.00		10,163,400.00
12/01/2041	9,400,000	767,000.00	10,167,000.00		10,167,000.00
12/01/2042	9,775,000	391,000.00	10,166,000.00		10,166,000.00
	137,850,000	90,227,423.45	228,077,423.45	13,823,644.95	214,253,778.50

In addition, existing Light & Power bonds of \$5.3 million will be defeased by placing cash reserves into an irrevocable escrow account. Doing so will satisfy bond covenants limiting the ability to pledge net revenues toward the 2018 bond issuance.

Proceeds of the bonds will repay the \$1.8 million short-term loan made from the General Fund earlier in 2018. Defeasance of the 2010 bonds will forfeit approximately \$400,000 in Qualified Energy Conservation Bond subsidies, which will be repaid to Light and Power reserves from bond proceeds.

The bond ordinance will be brought forward as a parameters ordinance, allowing for a reasonable range of market scenarios in the weeks that elapse between second reading and pricing of the bonds.

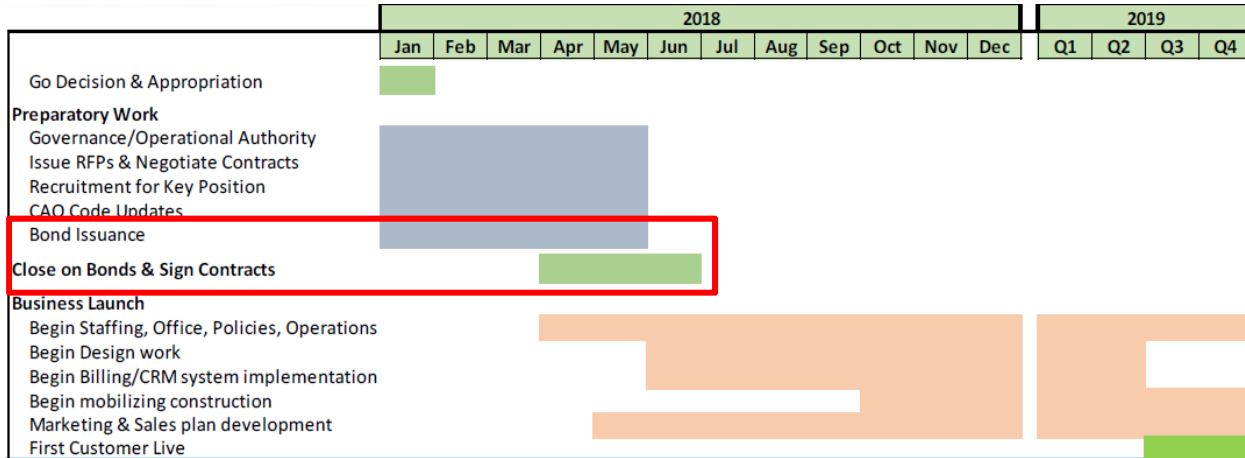
Staff recommends multiple external rating agencies to review the issuance in March and April, and pricing and distribution to take place in May after second reading of the ordinance April 3.

GENERAL DIRECTION SOUGHT AND SPECIFIC QUESTIONS TO BE ANSWERED

Does the Finance Committee support proceeding to first reading on March 20, 2018?

BACKGROUND/DISCUSSION

For reference, below is the broadband implementation timeline, including the milestones on bond issuance:



Within the bond issuance milestone above are the below key dates:

Completed:

12/28	RFP for Underwriting team
01/26	Underwriter selections
02/08	Initial drafts and due diligence: ordinances and prelim. official stmt.

In Progress:

02/27	Finance Committee
03/07; 03/08	Rating agency reviews (Fitch and S&P, respectively)
03/20; 04/03	First and second readings: bond ordinance, defeasance, and appropriation
04/15 ~ 04/27	On-site follow-up with S&P (date is TBD)
05/01	Post Official Statement online
05/15	Final Pricing
05/24	Projected closing and delivery of proceeds



Debt Issuance Process: Underwriting

- **Negotiated Sale and public offering** rather than Auction Method and/or private placement. Preferred method for large and complex bond issuances. Underwriters are selected in advance and partner on structure.
- **Syndicated Model:** City has selected three underwriters. One is awarded Senior Manager and the others co-manage. Syndicated model assists with pricing for City, risk management for underwritings
- **Criteria for selection were:** a) issuance cost most favorably to the City, b) willing to buy bonds with own capital, c) support of rating agency process, d) local retail presence, and e) ability to market.

Discussion / Next Steps;

Mike Beckstead; this is completely neutral to L&P - no adverse impact on L&P revenues, reserves or rates. We had 13 organizations responded to our RFP - we interviewed 4 - the city should be proud as high-level firms participated. Very robust and transparent process.

Mike Beckstead; Travis sent an email yesterday talking about the rating agency review – 30-40% of rating is management / leadership as opposed to financial - how L&P has been managed - we want to highlight next week - this is a big part of the rating - qualitative side - Fitch / S&P

Option we are exploring - retail only order period of 1-2 days – access before the institutional investors - - access and can yield benefits to the city – it is not w/out risk as it is one more day it is in the marketplace. Institutional buyers projected to make up 70% - Encourage as much retail as possible anticipate it will top out 10-30% range.

Ross Cunniff; enable retail - are we talking with investment advisors around the city to let their clients know of this option?

Travis Storin; that will be part of what the underwriters do – we will work with the senior underwriter and CPIO to have a little bit of a marketing campaign on how to buy bonds via retail channels. newspaper, etc.



Term Summary: Use of Proceeds

	Series 2018A (Tax-exempt)	Series 2018B (Taxable)	Total
Project Fund	\$87,433,000	31,562,000	\$118,995,000
Sequestered capital for annexations and/or market share	-	8,200,000	8,200,000
Capitalized Interest Fund	9,537,735	4,285,910	13,823,645
Cost of Issuance	580,267	277,090	857,357
Total	\$97,551,002	\$44,325,000	\$141,876,002

Ross Cunniff; Will sequestering be part of the ordinance?

ACTION ITEM:

Mike Beckstead; we haven't thought that through yet but we will and will come back with a recommendation.

When fully ramped up this will be \$10 - 10.2M of annual debt service

Rates have ticked up 50 basis points recently - volatility - 2-3 months before we issue -there could be more movement up or down



Term/Maturity Considerations

Staff recommends 25 year term with early redemption option at 10 years, whereas business case assumed 15 year term. Factors for consideration include:

- 1) Flexibility if market share is slow; annual debt service \$4-5M less
- 2) With market share, creates positive cashflow sooner that could be used for success or annexation
- 3) Helps with debt service coverage and satisfying additional bonds test in 2023

Expanding to 25 year term with call option maximizes flexibility



Impacts to L&P Debt Service Coverage

Measurement	Debt Service Coverage Ratio
Staff practice for Light & Power	2.00
Bond covenant	1.25
Rating Stress Test	1.29
Projected ratio for life of bonds*	3.65 ~ 5.50

*Assumes:

1. Rate increases previously presented in Light & Power long-term plan
2. 2023 bonding of \$20M at 10 years for electric system

Utilizes existing debt capacity through 2022, then Broadband revenues will cover



Assumptions Comparison

Measure	Business Plan	Current
Term	15 years	25 year w/ 10 yr. call
Yields (exempt/taxable)	4.0% / 5.0%	3.8% / 4.0%
Principal: Exempt / Taxable / Total	\$64.0M / \$58.0M / \$122.0M	\$39.8M / \$87.4M / \$127.2M
Full annual debt service	\$14.7M	\$10.2M
First cashflow positive year	Year 6	Year 5
Years to positive net cash	14 years	14 years

Mayor Troxell; comprehensive and well thought through - ready to go

Ken Summers; I agree

Ross Cunniff; ordinance and reserve 8.2 - I do have a bias toward wanting that - keep body informed.

Mike Beckstead; to confirm, if we want to activate the reserve we need to come back to Council.

Ross Cunniff; yes, come back to Council

Carrie Daggett; make sure and touch base with bond council regarding this -

Jim Manire; satisfy that as a policy matter - appropriation

Ken Summers; confirming tax exempt is 3.8% - taxable is 4%

Mike Beckstead; based on proposals we received about 3-4 weeks ago - I have a feeling it will be north of that but do not know by how much

Travis Storin; taxable side scales up - earliest maturities are 3.1% in 2022, latest maturities are 3.9% in 2031.

Ken Summers; 4.0 is 25-year term

Travis Storin; because taxables are more expensive we have them maturing faster - maturing in year 13 where the exempt go through year 25. So taxable are 4% over 13 years, while exempt are 3.8% over 25 years

Jim Manire; your staff in the due diligence, development, research and consulting has been strong and puts the city in a terrific position for this project – favorable position because of the ability to combine your finances with the electric utility -gives you market access for a project like this that a lot of communities in Colorado simply don't have. Well organized approach to the project and financing.

Darin Atteberry; we had consultants in the business planning process - best in industry - 3 years ago
Jim is part of Bond Council which is a great team including Sally, Dee, Lance, Mike and Travis.
Thank you for your professionalism and competency.

Ross Cuniff; this has been a very streamlined and well done approach. Excited to move forward and get this off the ground.

Ken Summers; positive effect - flexibility - makes sense

Jeff Mihelich; appreciate Council's willingness to going forward with success capital - allow us to expand.

Meeting adjourned at 11:31 am

COUNCIL FINANCE COMMITTEE AGENDA ITEM SUMMARY

Staff: Mike Beckstead
Nina Bodenhamer

Date: March 19, 2018

SUBJECT FOR DISCUSSION

Implementation of City Fund

EXECUTIVE SUMMARY

City Fund was initially reviewed at a work session in early 2017. Based on feedback and concerns from several influential local donors, staff paused the implementation, engaged a local resource with fund raising experience, and began socializing the project with local donors.

The approach to understanding feasibility included:

- Contracted Fundraising Expertise
- Community Listening to Access Charitable Perceptions & Capacity
- Internal Skill and Resource Scan

In this process, staff realized a significant opportunity exists to 1) improve the overall coordination and management of the large fund-raising events sponsored by the City, 2) improve the relationship management, appreciation and acknowledgement of key donors within the community, and 3) ultimately improve the City's ability to raise additional funds for critical projects.

GENERAL DIRECTION SOUGHT AND SPECIFIC QUESTIONS TO BE ANSWERED

Today's recommendations are a result of:

- A proof of concept and intent of City Fund with local donors and community shareholders to establish objectives, roles, measurements of success, and operational functions of City Fund.
- An audit of the current fundraising process across the City and across various partner organizations that currently support City fundraising.
- Collaboration with the Community Foundation of Northern Colorado. Components of the partnership include but are not limited to fee structures, fund models and oversight, and funding options. Future potential exists for collaborative fundraising and staffing requirements.
- Determination of an appropriate governance model, roles and responsibilities, operational parameters, and candidate selection of a Citizen Advisory Committee.

Recommendation: All future City fundraising activity for large projects should be coordinated and supported by City Fund to ensure consistency, standards and best practices, accountability to donors, and appropriate orchestration of funding requests.

BACKGROUND/DISCUSSION

The City Fund umbrella as a system-wide operational standards and protocols for charitable giving will focus on 3 primary activities:

1) Support and Strengthen Existing Charitable Fundraising & Community Relations

All major fund-raising activity of the City or on the City's behalf will be managed and coordinated by a Donor Relationship staff. The DR staff will be the go to resource for guidance and direction of all fund-raising activity, provide staff and external groups with guidance on donor desires, coordinate contact with a select group of key donors, have external fund raising groups sign an MOU outlining roles, responsibilities, etc. associated with fund raising. Long term, the goal is to fund the DR staff from an endowment fund in the City Fund Endowment item below.

2) Coordinate & Orchestrate CoFC Donor Relations

The DR staff will also actively work with local donors to understand their giving desires and channel fund-raising activities accordingly. City Fund will serve as a liaison between the philanthropic community, CoFC, Senior Leadership and CoFC Staff.

3) Build a City Fund Endowment

We heard from local donors & community partners: 1) Legacy gifts to the CoFC could be a viable, attractive philanthropic proposition; 2) However, in order to pursue an endowment, the CoFC must first "get its charitable house in order."

A City Fund Endowment would generate funds for City Fund staffing, and, ultimately, funds to be disbursed to the City by a Citizen Advisory Board. Per legal scope (and donor feedback), the Endowment would operate independently of City elected officials and leadership. Thus, the Endowment would be tied tightly via fund creation to the City Plan, Policy & Priorities.

Funds for an Endowment will be sought in tandem with all other City Fund charitable cultivation, and active development.

Finally, benefits of the Operational Investment:

- Elevate Fundraising Practices to CoFC Standards
- Improve Community Interface
- Increase the City's Capacity For Charitable Gifts

City Fund

March 19, 2018

nina

ROMONTIO BODENHAMER



City Fund

Citizen feedback after Q1 2017 work session

- Donors concerned & unclear on purpose
- Staff recognized need to socialize and clarify

Development Expertise retained July 2017

- Share intent, structure, workings of City Fund
- Internal Skill and Resource Scan
- Identify Barriers to Success

What Did We Learn?

CHARITABLE DONORS & COMMUNITY PARTNERS

- Appreciate the City of Fort Collins. Respect for the brand.
- Quick to praise the quality of life, range of amenities, and the cultivated sense of community.
- Express frustration in how the City conducts its charitable fundraising.
 - No uniform pathway for charitable giving.
 - Surprise at the lack of standards
 - Funding relationships vary across staff
 - The CoFC is unpredictable. No connection between gifts, sponsorship or charitable history.
 - “Hard to give to” the City of Fort Collins.



What Did We Learn?

CITY STAFF & VOLUNTEERS

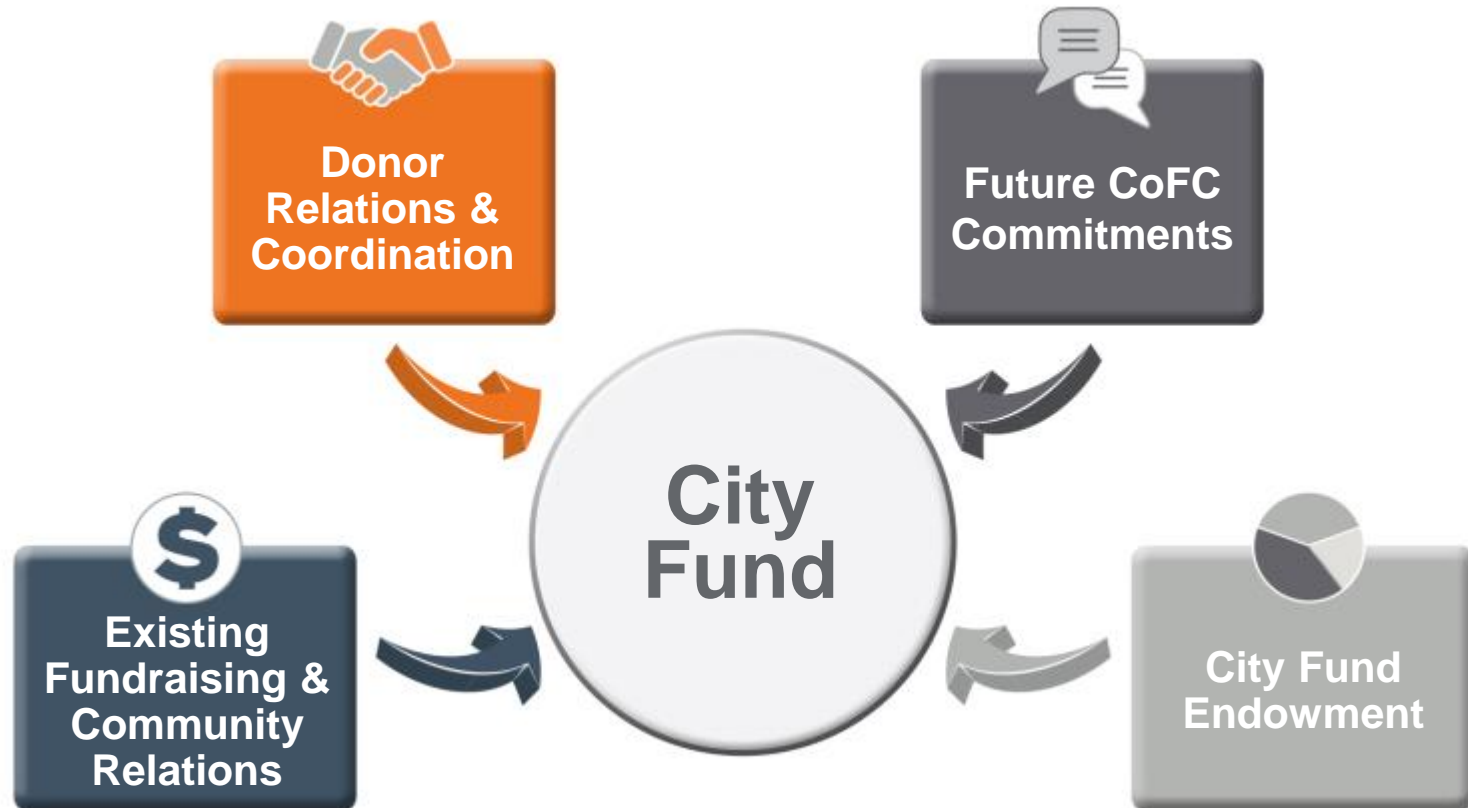
- Dedicated and passionate for their community projects
- Volunteers are an essential partnership
- Fundraising campaigns and efforts exist in departmental silos.
 - No formal guidelines, resources or coordination exist for fundraising.
 - Campaigns are a patchwork of willingness, necessity.
 - Express a range of “burn out” to “lack of appreciation” to frustration for their volunteerism.
 - Potential for fiscal and brand vulnerability.

Recommendations

Establish City Fund as system-wide operational standards and protocols for charitable giving.

- An umbrella for all CoFC Charitable Practices
 - **Donor Relations** –Key donors and citizen fund raisers
 - **Fundraising Coordination** – All major projects
 - **City Fund** –Ability to fund raise for select projects & endowment
- Benefits
 - Elevate Fundraising Practices to CoFC Standards
 - Improve Community Interface
 - Increase the City's Capacity For Charitable Gifts

How Does It Work?





Existing Fundraising & Community Relations

Current Fundraising

- No orchestrated donor cultivation, or stewardship between departments.
- Lack of cohesive oversight & annual review of capital grant agreements.
- Absence of fundraising professional development or leadership.

Future Fundraising

- Orchestrated, cohesive workflow of best fundraising practices, standards & philanthropic leadership.
- Catalog of charitable asks, awards and grant agreements.

Donor Relations & Coordination



Current Practices

- Short-term asks versus stewardship of long-term goals.
- Absence of coordinated relationships with the individual, corporate and foundation sector.
- Duplication and sporadic points of contact.

What Success Will Look Like

- Liaison between the philanthropic community and City Council, City Manager and Senior Leadership.
- Orchestrated relationships between the City's interests, relationships, and donor intent.
- Establish & maintain the CoFC as a reliable steward of public trust and charitable dollars.

Donor Relations & Coordination



Current Volunteers & Nonprofit Partners

- Potentially represent limited or self-interests, not necessarily those of the City.
- Generates enormous fiscal and brand vulnerability.
- Disjointed and Sporadic
- Lack of clarity and defined roles

Future Volunteers & Nonprofit Collaborations

- Defined Expectations
- Donor Orchestration
- Consistent Leadership & Guidance
- MOU to Guide Relationships & Expectations



Future FoCO Commitments

Current Philanthropic & Policy

- Based on Necessity
- Philanthropic Expectations Set By Funding Gaps
- Dated CoFC Policy Governing Gifts & Process

Future Philanthropic Commitments

- Informed Advisory for Leadership & Council
- Fundraising Feasibility & Charitable Landscape
- Projections for Needed Resources, Timelines & Community Capacity

City Fund Endowment



- Community Foundation of Northern Colo will serve as fiscal agent.
- A bridge between private, civic and philanthropic community interests.
- Not a private foundation, donor-directed fund or traditional grant-making organization.
- Mission directly tied to City Plan, Policy & Priorities, and City Fund Case Statement.
- Restricted & Unrestricted Funds, Non-Cash Gifts
- All Awards Directly to CoFC

City Fund Endowment



City Fund unrestricted endowment will underwrite City Fund Staffing. As the endowment grows, dollars in excess of staffing will be granted by the Board in response to proposals from City Staff.

Process for Awarding Unrestricted Dollars
Process for Selection and Approval of Board

Q2 2018
Q2 2018

Community Advisory Board

- 5-7 Passionate & Vetted Residents; Two-year Terms
- Diverse Community & Philanthropic Representation
- Will Open Doors, Support Fundraising

Inaugural Advisory Board

- Co-creators
- Recommended by City Fund Staff
- Finalize Duties & By-Laws
Participate in Defining Award Process

Community Foundation of Northern Colorado

Current Relationship

- Disjointed Interface
- Duplication of Efforts
- Partnership Terms Per Fund: Lack of Cohesion

As City Fund Fiscal Agent

- LOA Versus Signed Agreement
- City Fund Will Serve as Point of Contact
- Cohesive, Consistent Fund Support
- Fees Per Fund Per CFNC Schedule
- Will Have Seat on Community Advisory Board

City Fund Staffing

Responsible for the development and execution of goals, strategies, and activities of City Fund.

Coordination of philanthropic fundraising for CoFC.

Staffing 2018

- Via Contract with CoFC
- Limited Availability:
Approximately 1/3 FTE

Staffing 2019 -2020

- City Fund Director, (title TBD)
 - 2018 BFO Offer
- CoFC Contracted Employee
- 2021 Goal – Self Funding
 - Pursue Internal Fee for Service
 - I.e. CSU Advancement Team

How Do We Get There?

Internal Launch

- Enterprise-Wide Communication Q2
- Administrative Policy rewrite Q2
- First Quarterly Meeting of CoFC Fundraisers End Q2

External Launch

- Finalize LOA Between CFNC and CoFC End Q2
- Development of City Fund Brand & Materials End Q2
- Soft Public Launch End Q2
- CFNC's Annual Celebration of Philanthropy May 3rd
- Community Announcement Oct 2018
 - (year end giving)

City Fund

March 19, 2018

Great Communities are
Giving Communities.

City Fund 2019-2021



EXISTING FUNDRAISING & COMMUNITY RELATIONS

Actively supports and orchestrates existing CoFC fundraising efforts.

Identify & Engage Prospective Donors and Advisors

Donor Cultivation & Stewardship

- Gardens on Spring Creek
- One Offs I.e. City Park Train, Lincoln Center Chairs, Unsolicited Gifts
- 911 Memorial

Catalog Existing Grant Terms & Gift Obligations

Expand & Diversify Menu of Giving Platforms



DONOR RELATIONS & COORDINATION

A strategic, orchestrated spectrum of communication, engagement, and mission-specific cultivation.

- Community Foundation of Northern Colorado
- Individual Major Donors
- Foundations & Corporate Donors
- Liaison between philanthropic community, CoFC, Council, City Manager and Senior Leadership



CITY FUND ENDOWMENT

Operates & governed separately & independently from City Leadership and Elected Officials.

- Development of Citizen Board
- Active Fund Development
- Tied to City Plan, Policy & Priorities



FUTURE CoFC COMMITMENTS

Inform City Leader & Council Prior to Decision Point endeavors dependent on charitable dollars.

- Fundraising Feasibility
- Reasonable Expectations for Timeline, Staffing and Fundraising Costs
- Inform Public-Private Projects Dependent on Charitable Dollars



EXISTING FUNDRAISING & COMMUNITY RELATIONS

Actively supports and orchestrates existing CoFC fundraising efforts.

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**COUNCIL FINANCE COMMITTEE
AGENDA ITEM SUMMARY**

Staff: Mike Beckstead, CFO
Lawrence Pollack, Budget Director

Date: March 19, 2018

SUBJECT FOR DISCUSSION

Review of the 2018 Reappropriation Ordinance to appropriate prior year reserves.

EXECUTIVE SUMMARY

City Council authorized expenditures in 2017 for various purposes. The authorized expenditures were not spent or could not be encumbered in 2017 because:

- there was not sufficient time to complete bidding in 2017 and therefore, there was no known vendor or binding contract as required to expend or encumber the monies
- the project for which the dollars were originally appropriated by Council could not be completed during 2017 and reappropriation of those dollars is necessary for completion of the project in 2018
- to carry on programs, services, and facility improvements in 2018 with unspent dollars previously appropriated in 2017

In the above circumstances, the unexpended and/or unencumbered monies lapsed into individual fund balances at the end of 2017 and reflect no change in Council policies.

Monies reappropriated for each City fund by this Ordinance are as follows:

General Fund	\$997,185
Keep Fort Collins Great Fund	297,033
Transportation Fund	28,900
Light & Power Fund	100,000
Data & Communications Fund	<u>62,271</u>
TOTAL:	1,485,389

GENERAL DIRECTION SOUGHT AND SPECIFIC QUESTIONS TO BE ANSWERED

Does Council Finance Committee support moving forward with the 2018 Reappropriation Ordinance on the Consent Agenda at the April 3, 2018 Council meeting?

BACKGROUND/DISCUSSION

GENERAL FUND

Community Development & Neighborhood Services

1) Lincoln Corridor Plan Neighborhood Art Projects - \$177,707

Purpose for funds: These funds originally provided for the design and construction of a total of ten neighborhood infrastructure projects identified in the Lincoln Corridor Plan, mostly located within the Northside Neighborhoods (Buckingham, Andersonville, San Cristo/Via Lopez, and Alta Vista). Staff coordinated the design and implementation of the projects with a Neighborhood Advisory Committee comprised of neighborhood residents. Seven of the ten projects have been completed. The Streets Facility park has funding through a non-lapsing account and is being managed by Parks Planning. The remaining projects are related to neighborhood artwork. The completed community mural, on the Buckingham Park transformer cabinet was successful in bringing together residents from the northside neighborhoods and sharing historical perspective. The mural was an example of how time and thoughtful art can bring people together. This reappropriation will fund the remaining neighborhood art projects: neighborhood light poles, wayfinding signage, and sugar beet inspired playground equipment art piece.

Reason funds not expensed in 2017: Art projects are a multi-year effort, including public outreach, historical research, design, and construction of projects on varying timelines. At the direction of Council and executive leadership, staff worked extensively with a citizen Neighborhood Advisory Committee to ensure the projects meet the diverse needs and desires of the neighborhoods involved. For the remaining projects, this coordination, context sensitive design, and development of a public art approach takes time and care. Cultural Services will be taking the lead on the art projects and have partnered with artist Mario Miguel Echevarria to complete the remaining work.

2) Neighborhood Improvement & Community Building (Vibrant) Grant Fund - \$133,784

Purpose for funds: This funding was created to encourage and foster participation in the Neighborhood Connections program between the City and residents. It is intended to provide neighborhood groups with City resources for community-driven projects that enhance and strengthen their own neighborhoods. All projects are initiated, planned, and implemented by community members in partnership with the City. It supports reinvestment in older neighborhoods to stabilize them, to initiate restoration processes and to leverage funding when capital improvement or other work is already occurring. An integral component of this offer is a request for matching funds, labor or materials from applicants (encouraging donations and fundraising).

Reason funds not expensed in 2017: Projects are subjected to a thorough vetting process, and final selection of projects was not accomplished until much later in 2017 than was previously expected (due to staffing changes with Neighborhood Services). Once the projects were

selected, contracts were developed with the assistance of the City Attorneys. At this time, 100% of the original 2017 budgeted funds have been earmarked for neighborhood projects, but are still in contractual development with our City attorneys.

Municipal Court

3) Court-Appointed Defense Counsel Funding Request- \$19,060

Purpose for funds: In 2017, as required by state law, Chief Judge Lane ordered that court-appointed defense counsel be assigned to represent certain defendants on traffic and non-traffic misdemeanor cases. Defense counsel was appointed on over 400 cases in 2017. The fee paid for by the City for such representation is billed at the rate of \$75.00/hour up to a maximum of \$1,675.00 per case if the case does not go to trial or \$2,480.00 if the case goes to trial. We are requesting that a portion of the remaining funds from our 2017 budget be reappropriated into that account for 2018 to pay those bills.

Reason funds not expensed in 2017: Due to the complexity of and circumstances related to these cases, the Court has 17 outstanding appointments that started in 2017 and have not yet reached final dispositions. Therefore, the assigned defense attorneys have not yet presented the Court with bills and won't until the cases have been concluded. Several other appointments made on 2017 cases reached final disposition in early 2018. The Court was billed for those services in February of 2018.

Natural Areas

4) Instream Flow consulting services- \$18,698

Purpose for funds: The purpose of this offer is to fund water engineering consultant to work on instream flow related matters. Funds were used to evaluate existing agriculture diversion structures that result in "dry-up" locations on the Cache la Poudre River and also create movement barriers for aquatic species. Further, these diversions represent locations that need to bypass and measure water placed instream for environmental benefit. Funds have been used to participate in the reconstruction of the Fossil Creek Reservoir Inlet Ditch to create a fish passageway and to allow for environmental water to be bypassed and measured at the diversion. Funds were also used to evaluate and design fish and water passage at the Timnath Reservoir Inlet and to support the instream flow augmentation planning process.

Reason funds not expensed in 2017: The design of the Timnath Inlet is being finalized and permits needed to complete this construction project are in review. Funds remaining will be placed towards construction of the improvements. The City has received a grant from the Colorado Water Conservation Board for \$100,000 and construction costs are estimated at \$371,000. Natural Areas will contribute a portion of the construction costs and will continue to seek outside funding for the project. The project is anticipated to be constructed in the fall of 2018 if funding is secured.

Police Services

5) Police Regional Training Facility- \$381,783

Purpose for funds: These funds are budgeted to help pay for the design costs for the new Police Regional Training Facility. This request will also move these funds to a non-lapsing business unit since the project funds were loaded incorrectly into a lapsing business unit.

Reason funds not expensed in 2017: The funds requested for reappropriation are to continue the Police Regional Training Facility project. The original appropriation was a portion of the total project costs to cover the Design phase of the project. The first phase of the project has come in under budget and so the request is to reappropriation these funds back into the project budget as a whole while not changing the total project budget.

Currently the design team is working on the site layout for the new training facility site to include a 50-yard pistol range, a 1.4 mile driving track along with classrooms. The decision was made to allow the design firm to identify which footprint would work best in the general area previously designated, with the condition that the footprint will not exceed 44.608 acres. The design team should have a series of conceptual drawings by next week to review and agree upon final footprint. Once the footprint is designated, an amendment to the FAA will be submitted.

The scope has been affected by rising costs since 2015, however the budget will still provide for a facility which meets the initial needs of both cities. Construction is still anticipated to begin in early 2019 and be completed by November/December 2019.

Social Sustainability

6) Affordable Housing and HBA Programs- \$37,508 (plus an additional \$5,240 in KFCG totals \$42,748 for request)

Purpose for funds: The Affordable Housing Funds (AHF) are allocated annually through the competitive process to support critical affordable housing needs in the City of Fort Collins. All funds were awarded to housing programs or projects to further the goals identified in the City's Affordable Housing Strategic Plan. The Human Service Program Funds (HSP) and KFCG Enhancement for Human Services are allocated annually to local non-profit and human service agencies to meet the goals identified in the Social Sustainability Strategic Plan.

Reason funds not expensed in 2017: The \$34,611 AHF balance represents funds that have been committed to Habitat for Humanity, but not yet contracted. These are matching funds for federal grants requirements of the CDBG/HOME program. Under federal guidelines, this project cannot be contracted until the federal requirements have been met. Housing projects often span multiple years and are not contracted in the year they receive the initial allocation.

For the HSP amount of \$8,137: As of November 2017, three of the nonprofits had not completely spent their grant awards during the prior 12-month grant period, thus leaving

\$8,137 in combined unspent funds. It is very rare that the nonprofit partners do not spend all of their grant dollars. The three nonprofits that contributed to the \$8,137 all provided letters to the CDBG Commission explaining why their grant dollars were partially unspent. This reallocation request will move the \$8,137 into the current competitive grant evaluation process and the CDBG Commission will be able to grant those reallocated dollars to nonprofit programs for the October 2018-September 2019 grant cycle. The CDBG Commission is meeting on April 12 to make their funding recommendations.

7) Child Care Project- \$48,800

Purpose for funds: Childcare was identified in the top three issues for community workforce in the Talent 2.0 study. Working families in Fort Collins have endured stagnant wages, despite significant economy-wide income growth. Coupled with decreased access to affordable housing, the high cost of child care—which for an infant and toddler can equal the median rent/mortgage—contributes to the difficulty, often impossibility, of attaining a modest, yet adequate standard of living at all. Throughout the Fort Collins economy, women and others charged with care-taking roles face a decision to drop out of the workforce and enter into full-time family caregiving, a trend that exacerbates issues of stagnant household income and regional labor market shortages. Key needs include:

- High cost of quality childcare throughout the city/region for all Fort Collins residents (high cost childcare are often equal to or above the median Fort Collins rent/mortgage)
- Especially high cost of infant care due to insufficient supply
- Little to no access to childcare for vulnerable populations, including teen mothers and low-income populations
- Insufficient supply of certified childcare workers, fueled by low wages and high certification costs

A collaborative process with community partners identifying opportunities for this funding (expanding and increasing services, space, capacity and affordability of childcare in the Fort Collins community) began in 2017, and two potential options for spaces to expand childcare services in city-owned buildings emerged.

Reason funds not expensed in 2017: Staff was not able to finalize effective uses of the funding in 2017; although a collaborative group came together at the end of 2017 to identify potential uses of the funds. Two potential options for spaces to expand childcare services in city-owned buildings emerged in 2017. Conversations and project options are gathering momentum in early 2018. Anticipated use of funds in Q3-Q4 2018.

8) Horsetooth Waivers - \$179,845

Purpose for funds: Affordable Housing fee waivers are available for developments serving specified populations at Council's discretion. Council has acted by Ordinance #142 2017 to grant a fee waiver for Housing Catalyst's Village on Horsetooth community.

Reason funds not expensed in 2017: Because some of the waivable fees for the Village on Horsetooth were paid prior to the granting of the waiver, a determination of the best way to issue a refund or to provide a credit to offset fees still owed is underway. Additional time is needed to make sure the amounts waived are properly accounted for and settlement terms determined.

KEEP FORT COLLINS GREAT FUND

Community Development & Neighborhood Services

9) Historic Preservation Survey Grant Funds- \$15,000

Purpose for funds: As part of the Community Development Neighborhood Services Ongoing offer, the purpose of these funds is to provide the required match for grant requests from the State Historic Fund and Certified Local Government (CLG) grants for historic preservation survey. Ongoing survey is a requirement to retain federal certification as a CLG.

Reason funds not expensed in 2017: Grant matching funds are used principally for State Historic Fund and Certified Local Government (CLG) grants. Because of the lengthy lag in time between submission of a grant application and final contracting with the State when the funds are encumbered, monies allocated in one year will nearly always need to be re-appropriated in the following year. Meeting CLG requirements and Council's direction for increased survey of historic properties, these funds are allocated to a State Historic Fund grant for a survey of Midtown properties.

Economic Health

10) Workforce Planning- \$17,975

Purpose for funds: Talent 2.0 is a talent and workforce initiative that is an essential part to a healthy economy. Several partners provide services in this area; however, several gaps remain. In late 2016/early 2017, the regional partners got together to identify gaps and opportunities, which is known as Talent 2.0. Talent 2.0 is an action plan.

Reason funds not expensed in 2017: After completion of the Talent 2.0 work, a group of regional partners including: Chamber of Commerce (Loveland and Fort Collins), Larimer County, City of Loveland and Fort Collins, Northern Colorado Economic Alliance and the United Way of Larimer County formalized a regional working group. Talent 2.0 identified over 30 projects that could be tackled by the regional group. 2017 was spent working on the report, report roll out and prioritizing the 2018 projects. The working group has identified and prioritized eight projects. Funds will be spent on website development for "Your Place: Northern Colorado," the talent portal that will be a one-stop shop for resources, ambassador program, trailing spouse connections and recruitment services.

Environmental Services

11) CAP IFCC Funding- \$153,000

Purpose for funds: The Innovation and Pilot Projects Fund is intended to foster innovative and relevant approaches to the goals outlined in the City's Climate Action Plan (CAP) 2020 goals. Continued progress to achieve the CAP goals is considered a City Council Priority. The primary objective of this project fund is to engage the world class expertise and passion that exists in Fort Collins, as well as leveraging private sector investment to achieve the CAP goals. The fund is intended to provide seed money to local, externally managed, and

independent projects based on key impact areas to reduce greenhouse gas emissions that are scalable within the community and beyond. In 2017, the Innovate Fort Collins Challenge was the first round of competition to support the use of these funds. Five groups were awarded \$265,000 in funds and focused on energy, waste materials and transportation projects.

Reason funds not expended in 2017: The request for these funds was initially proposed to have a smaller portion in 2017 and larger amount for use in 2018. Because this was a newly developed competitive process, staff wanted to ensure a well vetted process was in place over the two years. The first competition round in 2017 awarded \$265,000 to five projects. The intention is to use this remaining funding will be to host another round of competition to focus on energy, waste materials, transportation and behavior change. Staff has evaluated the 2017 competitive process and included multiple process improvements including analysis by FC Lean staff, updated application materials and used a collaborative public event (Innovation Summit) to develop the Challenge Statements for the 2018 round of competition. Additionally, this project and its purpose is linked to 2017-2019 Council Priority for Environmental Health that prioritizes continued progress and acceleration toward achieving the Climate Action Plan Goals.

Natural Areas

12) NISP Analysis and Response - \$105,818

Purpose for funds: These funds are intended to support the City's effort and engagement with NISP (the Northern Integrated Supply Project) planning and permitting process. This process has been underway since 2008. The City's anticipated future engagement is likely to be extensive and will require these funds for technical and legal assistance.

Reason funds not expended in 2017: The federal permitting process for the Northern Integrated Supply Project is ongoing. While the release of Final Environmental Impact Statement (FEIS) was anticipated for 2017, it was not and thus these funds were not exhausted. The purpose of these funds is to support the City's response to the FEIS and to pursue best mechanisms possible to represent the City's river related assets and investments. The FEIS now likely to be released this summer (2018) and these funds will be used to support technical and legal external support throughout the process.

Social Sustainability

13) Affordable Housing and HBA Programs - \$5,240 (plus an additional \$37,508 in General Fund totals \$42,748 for request)

Please see description in #6 under General Fund.

TRANSPORTATION FUND

FC Moves

14) Travel Behavior Survey - \$28,900

Purpose for funds: This offer will be used to further develop a community-wide travel behavior survey program that collects comprehensive and accurate data on resident and employee multimodal travel. The first part of this effort was completed in 2017 with a Resident Travel Survey. A second part is planned for 2018 that will be an Employee Travel Survey. There were savings from the 2017 effort that will be used to bolster the 2018 employee focused effort.

Establishing this program will support data analysis of key transportation indicators such as Vehicle Miles Traveled (VMT), which is a critical input the greenhouse gas (GHG) calculations for the Climate Action Plan. The data provides a more comprehensive way of tracking mode shift, which the City uses in BFO metrics reporting.

Reason funds not expensed in 2017: The Resident Travel Survey cost less than expected. We are requesting the remaining 2017 funds be reappropriated into 2018 to help bolster the second half of this offer, the 2018 employee focused travel survey.

LIGHT & POWER FUND

Light & Power Operations Service Unit

15) Distributed Battery Pilot Program- \$100,000

Purpose for funds: Offer 5.26 funded a pilot battery storage demonstration project to determine distributed scale storage technologies, define engineering requirements for storage on the distribution grid, install a pilot battery and analyze the costs and benefits from the project. The offer was for a total of \$200,000 in funding (\$100k annually in 2017/18) for the multi-year project. The purpose of the Battery Storage Pilot is to understand and demonstrate how utilities infrastructure can interact with battery technologies, including financial and economic benefits to the utility and to residential and commercial customers. Utilities expect battery storage to be an essential component of long-term solutions for our clean energy goals. This targeted pilot will demonstrate a variety of technologies and use cases with modest resources in advance of future potential commitments to more comprehensive solutions.

Reason funds not expensed in 2017: Project implementation was delayed in 2017 due to two factors. The first related to staffing vacancies in Light & Power and Energy Services resulting in a delay in starting the project. The second was an extended project delivery discussion as a result of an unsolicited offer for services. An agreement was completed in March 2018 for the purchase of a battery, software license and consulting services for installation at the Utility Administration Building at 222 Laporte. The demonstration period for the project extends through the end of 2019.

DATA & COMMUNICATIONS FUND

Information Technology

16) Electronic Plan Review Implementation - \$62,271

Purpose for funds: The purpose of these funds is to continue the implementation of the Electronic Plan Review system for the Community Development and Neighborhood Services department that was approved by City Council on 7/19/16 per Ordinance #84. The system enables the City to provide electronic plan review as part of the building permit and development review process that includes streamlined processes for plan submittal, routing and review of construction/development plans, reduction of paper, automated online access of review comments, and overall greater efficiency of the review process.

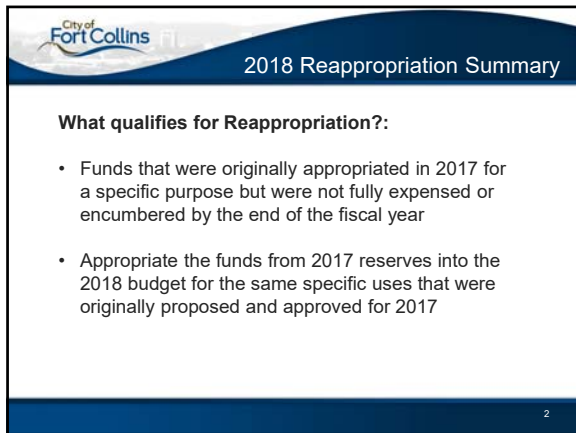
Reason funds not expensed in 2017: As originally stated in the Agenda Item Summary, this project initially proposed to have at least an 18-month timeline to complete due to the complexity of the system and technology implementation work involved. This item was reappropriated in 2017 for \$301,600. To date, approximately 60% of the funding has been expensed and \$141,365 is under contract for the ongoing consulting work to configure the plan review system and complete implementation in 2018. The requested funds will be used for the end user systems to procure the necessary hardware and minor software upgrades that will enable staff to process and review the large-scale electronic documents efficiently at their desks and in conference rooms (as stated in original scope of work).

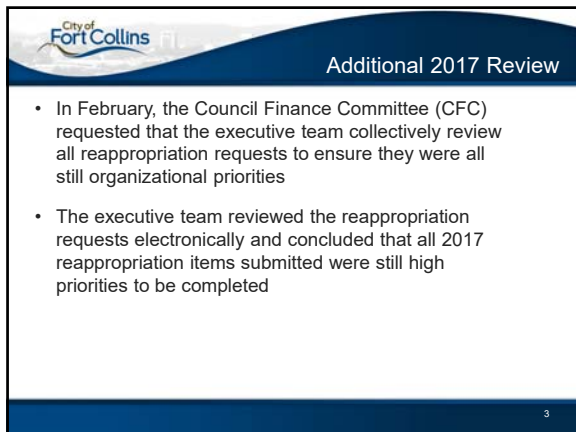
FINANCIAL/ECONOMIC IMPACTS

This Ordinance increases 2018 appropriations by \$1,485,389. A total of \$997,185 is requested for reappropriation in the General Fund, \$297,033 from the Keep Fort Collins Great Fund and \$191,171 is requested from various other City funds. Reappropriation requests represent amounts budgeted in 2017 that could not be encumbered at year-end. The appropriations are from 2017 prior year reserves.


ATTACHMENTS







City of Fort Collins	
2018 Reappropriation Summary	
Amount by Fund being requested for Reappropriation:	
General Fund	\$997,185
Keep Fort Collins Great Fund	\$297,033
Transportation Fund	\$28,900
Light & Power Fund	\$100,000
Data & Communications Fund	<u>\$62,271</u>
Total:	\$1,485,389




Reappropriation by Fund

GENERAL FUND:

#	Department	Request Name	Amount
1	Comm Dev & Neighborhood Svcs	Lincoln Corridor Plan Neighborhood Art Projects	\$177,707
2	Comm Dev & Neighborhood Svcs	Neighborhood Improvement & Community Building (Vibrant) Grant Fund	133,784
3	Municipal Court	Court-Appointed Defense Counsel Funding Request	19,060
4	Natural Areas	Instream Flow Consulting Services	18,698
5	Police Services - Office of the Chief	Police Regional Training Facility	381,783
6	Social Sustainability	Affordable Housing and HBA Programs	37,508
7	Social Sustainability	Child Care Project	48,800
8	Social Sustainability	Horsetooth Waivers	179,845
GENERAL FUND TOTAL			\$997,185

5



Reappropriation by Fund

KEEP FORT COLLINS GREAT FUND:

#	Department	Request Name	Amount
9	Comm Dev & Neighborhood Svcs	Historic Preservation Survey Grant Funds	\$15,000
10	Economic Health Office	Workforce Planning	17,975
11	Environmental Services	CAP IFCC Funding	153,000
12	Natural Areas	NISP Analysis and Response	105,818
13	Social Sustainability	Affordable Housing and HBA Programs	5,240
KEEP FORT COLLINS GREAT TOTAL			\$297,033

6

City of Fort Collins			
Reappropriation by Fund			
OTHER FUNDS:			
#	Department	Request Name	Amount
14	FC Moves	Travel Behavior Survey	\$28,900
15	L&P Operations Service Unit	Distributed Battery Pilot Program	100,000
16	Information Technology	Electronic Plan Review Implementation	62,271
OTHER FUNDS TOTAL			\$191,171
GRAND TOTAL			\$1,485,389

City of Fort Collins			
2018 Reappropriation Summary			
Guidance Requested:			
1) CFC feedback on the Reappropriation requests being presented			
2) CFC direction on putting Reappropriation on the Consent Agenda of the April 3 rd City Council meeting			

**COUNCIL FINANCE COMMITTEE
AGENDA ITEM SUMMARY**

**Staff: Chad Crager, Director of Infrastructure Services
Mike Beckstead, Chief Financial Officer**

Date: March 19, 2018

SUBJECT FOR DISCUSSION

Financing alternatives for the Lemay Avenue realignment project from Lincoln Avenue to Conifer Street. The project also includes a new intersection of Lemay Avenue and Suniga Road, the extension of Buckingham Street, and a grade separated crossing of the Burlington Northern Santa Fe (BNSF) Railway.

EXECUTIVE SUMMARY

The purpose of this item is to present and discuss potential financing alternatives for this high priority transportation capital improvement project. Staff is currently working on the 60% design, right-of-way acquisitions, and construction of the Phase One collaboration with the Utilities Department. The total project budget (design, right-of-way, and construction) is \$22 M.

Our current project funding includes: The Budgeting for Outcomes (BFO) process, the City's Transportation Capital Expansion Fee (TCEF), and Developer contributions for Local Street obligations; which totals approximately \$12 M in anticipated funding for the project. The additional funding needed for the project is \$10 M.

GENERAL DIRECTION SOUGHT AND SPECIFIC QUESTIONS TO BE ANSWERED

Staff is seeking direction regarding potential financing alternatives for the Construction Financing Plan. Completion of the Construction Financing Plan will allow staff to further refine the proposed construction schedule and potential project opening date.

Potential financing alternatives for the \$10 M funding gap are as follow:

- "Pay as We Go Option"
 - Save up and Build the Project in the Future
- Debt Financing Option – Bonding
 - Debt Finance and Interest Payments
- Debt Financing Option - Tolling
 - Debt Finance, Tolling System, and Interest Payments

Questions for the Council Finance Committee:

- Does the Council Finance Committee support constructing realigned Lemay Avenue by the end of 2020?
- What funding mechanism does the Council Finance Committee support for funding the final design and construction of realigned Lemay Avenue?

BACKGROUND/DISCUSSION

Realigned Lemay Avenue has been on the City's Master Street Plan since the 1980's. This project, along with the grade separation at the BNSF Railway, have been included in numerous Planning efforts over the past few decades.

The construction of this project will alleviate existing deficiencies and provide a "key" infrastructure asset for northeast Fort Collins. More specifically, this project will:

- Improve quality of life, access, and neighborhood livability for Andersonville, Buckingham, and Alta Vista
- Reduce accidents and congestion, and improve emergency services coverage by separating travel modes from BNSF Railway switching operations
- Improve air quality by reducing the emissions from idling vehicles, whereby aligning with the goals of the Climate Action Plan
- Provide multi-modal connectivity to the new Streets Park at the southwest corner of Vine and Lemay
- Reduce traffic volumes on Ninth Street

Over the past 2 years, staff has given many formal presentations and provided project information at City sponsored events; designed to encourage public participation and collect feedback. Staff is actively addressing community questions and working with nearby residents, business owners, landowners, and proposed development projects.

Summary of Public Engagement to Date:

- February 2016 - Public Open House (Streets Facility) 122 people signed in for the event
- February 2016 - Presentation to the Transportation Board
- May 2016 - Presentation to the Futures Committee
- May 2016 - Presentation to the Council Finance Committee
- August 2016 - Lincoln Neighborhood Ice Cream Social
- August 2016 – Council Work Session
- November 2016 - Presentation to Alta Vista residents
- September 2017 – Open House event for Alta Vista, Andersonville, and Buckingham residents at the Legacy Church (Ninth Street and San Cristo Street)
- October 2017 – Presentation at Council Work Session
- December 2017 – Fort Collins Area Chamber of Commerce (Local Legislative Affairs Committee)
- February 2018 – Fort Collins Sertoma Club
- Project website is available at: <http://www.fcgov.com/engineering/vine-lemay.php>

Staff will continue public outreach and engagement efforts with stakeholders in 2018, and broaden the discussion to include the North Fort Collins Business Association, City Boards and Commissions, etc.

ATTACHMENTS

Attachment #1 - Power Point Presentation



Vine and Lemay – Council Finance Committee
Chad Crager- Engineering

- Does the Council Finance Committee support constructing realigned Lemay Avenue by the end of 2020?
- What funding mechanism does the Council Finance Committee support for funding the final design and construction of realigned Lemay Avenue?

Problems to be Addressed



- Increasing Congestion and Delay (Train Switching and Vehicle Traffic)
- Historic Neighborhood Livability: Pedestrian Safety, Air Quality, and Connectivity Issues
- Reduce Traffic Along Ninth Street



- Phase 1 Construction - Roadway Embankment (North of Vine) and Dry Creek Box Culverts Complete in June 2018
- 60% Design Complete in June 2018
- Continued Public Outreach, Neighborhood Meetings, Community Engagement

Project Funding Options

TABLE A – Project Funding

Total Project Cost	\$22M*
BFO Offers (already appropriated in the 15/16 and 17/18 budgets)	\$ 2.0M
Transportation Capital Expansion Fee (TCEF) Contribution	\$ 10.0M**
Additional Funding Needed	\$10M

* Denotes 2017 Dollars (Will Inflate yearly with Material Cost Escalation starting in late 2018)

** \$10.0M (TCEF) includes \$1.4M of Phase 1 Construction

1. “Pay as We Go” Option –
(Save up and Build the Project in the Future)
2. Debt Financing Option –
Similar to Police Headquarters
3. Debt Financing Option –
Proposed Tolling System



- *Travel Demand Model* - Origin / Destination Information
- *Cost of Tolling* – Funding required for toll system
- *Toll Results* – Total revenue and diverted vehicle trips

Origin / Destination Information

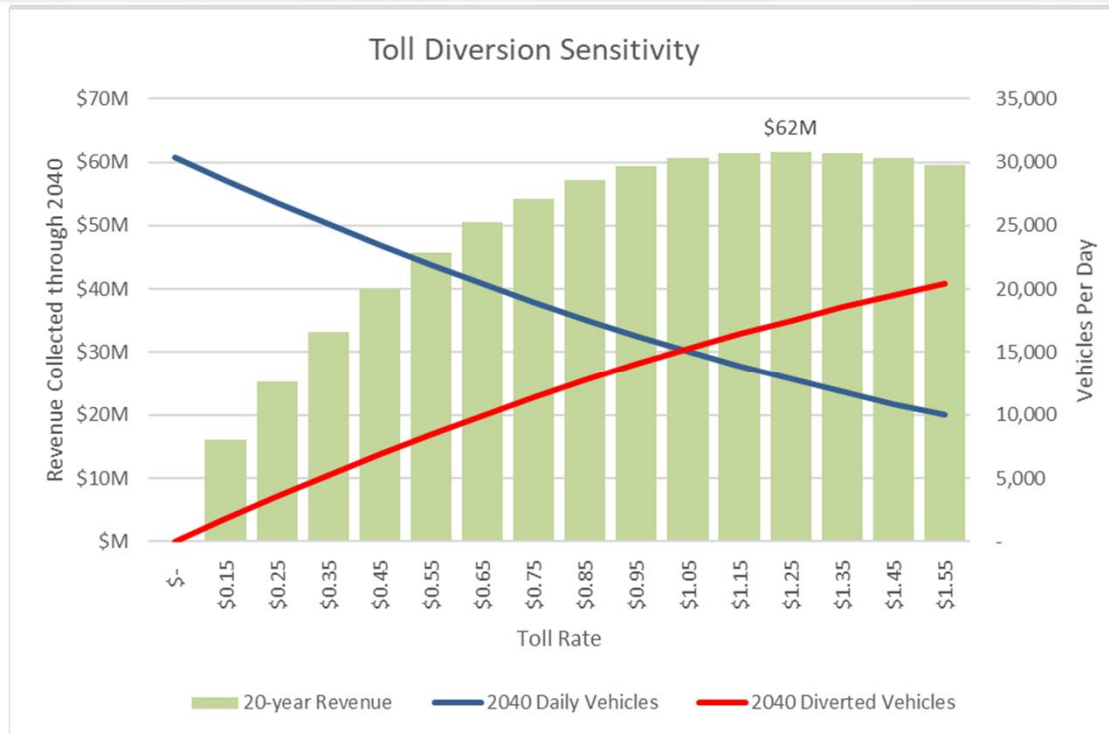
- Based Upon North Front Range Metropolitan Planning Organization (NFR-MPO) Travel Demand Model
- Realigned Lemay Volumes (Base Scenario without Tolling Diversion)

Year	Vehicles Per Day	Within City	Outside the City
2020	16,720	78%	22%
2030	26,610	81%	19%
2040	30,370	86%	14%

- \$4.6 M (P&I for Bond for Initial Capital Investment)
- \$9.0 M (Operations Cost for Collection) *varies by toll rate
- \$7.7 M (Maintenance Cost – Includes Lifecycle Replacement of Electronic System every 7 Years)
- **\$21.3 M (Total Toll System Cost over 20 Years)**

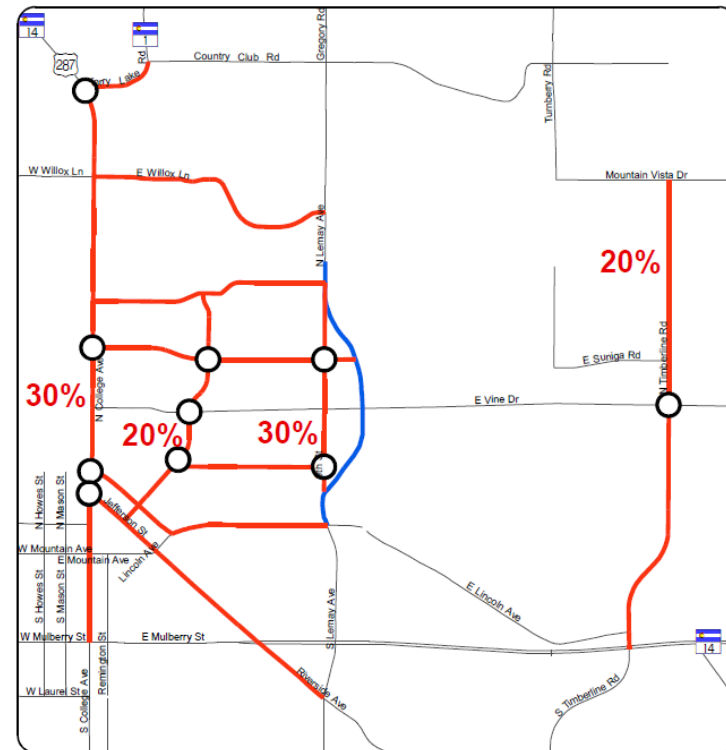


Tolling Diversion Rates



Tolling Results @ \$0.35 per trip

\$0.35 Toll Results in 2040*	
2040 Cumul. Revenue	\$ 35.4M
Capital Investment	(\$3.0M)
Debt Financing Costs	(\$1.6M)
Toll System O&M	(\$16.7M)
Net Cash Flow Toll	\$ 14.0M
\$10M Funding Gap Cost	(\$15.3M)
Total Cash Flow	(\$1.2M)
Total Vehicles Per Day	30,370
Vehicles Diverted	5,244



Project Funding Comparison

Pay As We Go Option

Potential Sources	Amount
Additional Funding Needed	\$13 M
Combination of Reserves, One-Time Funding, Budget Process	\$13 M

- Project Open Date 2023
- Net Cost to City \$13 M

Debt Finance - Bonding

Potential Sources	Amount
Additional Funding Needed	\$10 M
Debt Financing Cost	\$5 M

- Project Open Date 2020
- Net Cost to City \$15 M

Debt Finance - Tolling

Potential Sources	Amount
Additional Funding Needed	\$13 M
Debt Financing Cost, Toll System	\$7 M, \$17 M

- Project Open Date 2021
- Net Cost to City \$1.2 M
- Future Net Cost to Road Users \$35 M

- **I25/Prospect, Police Training, Vine/Lemay included here to provide complete potential capacity estimate**

(\$ millions)

	Alternative 1	Alternative 2
Capacity freed in 2019	(\$.4)	(\$.4)
Capacity needed with I25/Prospect*	1.3	1.3
Less Timnath share	(.2)	(.2)
Capacity needed with Training Facility	.7	.7
Capacity needed with Vine/Lemay	.8	.8
Capacity freed with Police HQ Refinance	-	(.8)
Capacity needed for all potential projects	\$2.2	\$1.4
Capacity needed for I25 & Police Training only	\$1.6	\$0.8

Options to Explore

- Refinance Police Building
- Longer maturities
- Partial cash funding from Reserves
- Interest Rates

*Given uncertainty on the timing of development, property owner contributions not included

Staff Will Continue to Explore Options and Optimal Collateral

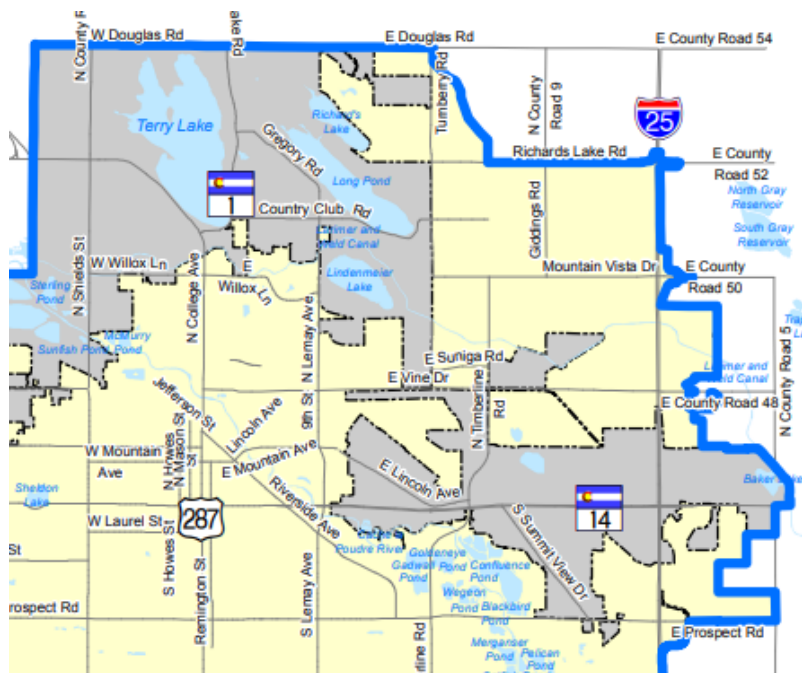
- Does the Council Finance Committee support constructing realigned Lemay Avenue by the end of 2020?
- What funding mechanism does the Council Finance Committee support for funding the final design and construction of realigned Lemay Avenue?

Thank You!



- Backup Slides

Origin / Destination Information



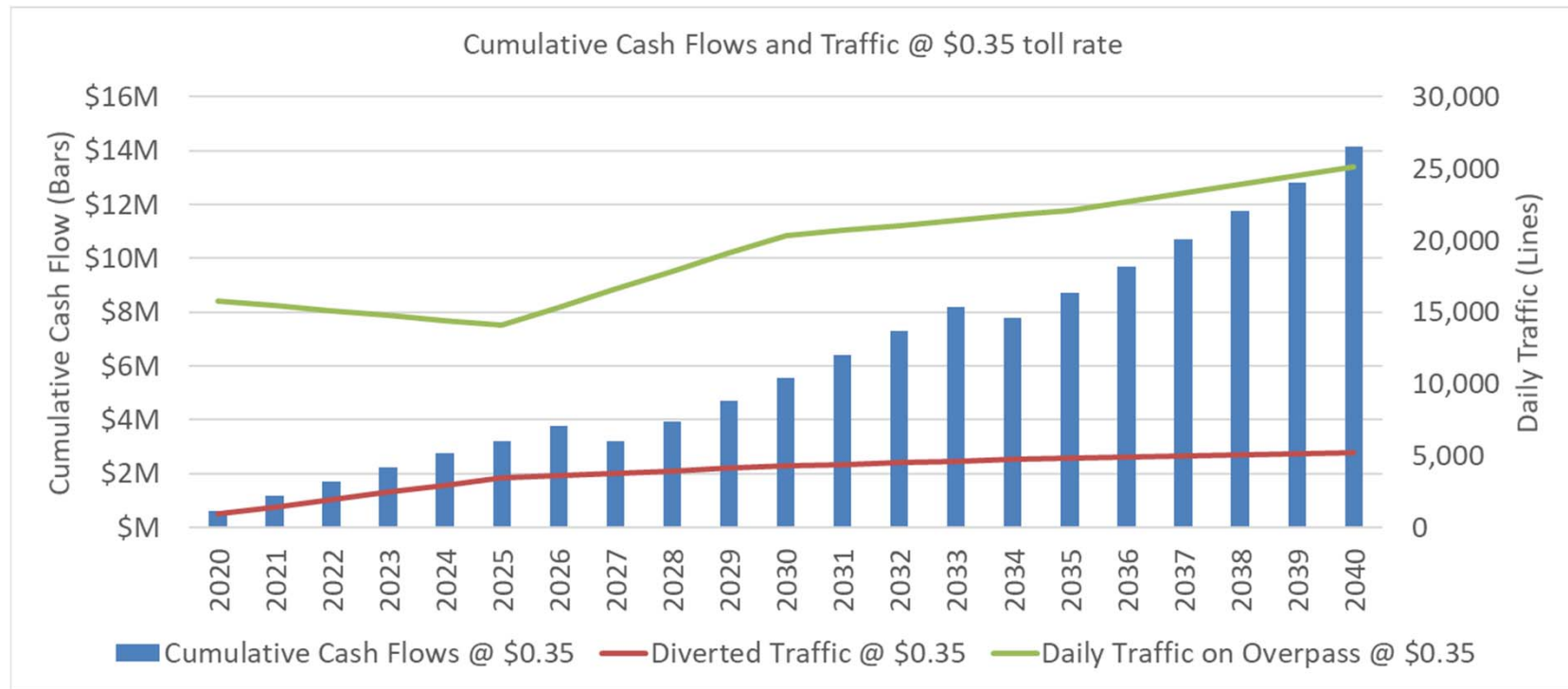
- Analysis and Trip Distribution for the Realigned Lemay Bridge:
 - City Development Prior to 1983 (2017: 26%) (2040: 26%)
 - City Development Post 1983 (2017: 52%) (2040: 60%)
 - Trips from Outside the City (2017: 22%) (2040: 14%)

Tolling Cash Flow @ \$0.35 Sensitivity

Baseline					
\$K	2020	2024	2029	2040	Total
P&I	\$ 231	\$ 231	\$ 231	\$ -	\$ 4,613
Maintenance*	200	217	241	303	7,706
Operations	350	320	424	558	8,997
Total Cost	781	768	895	861	21,315
Rev @ \$0.35	1,382	1,263	1,671	2,199	35,481
Net	\$ 601	\$ 494	\$ 775	\$ 1,338	\$14,166
Cumulative Cash	\$ 601	\$2,739	\$4,690	\$14,166	\$14,166
Total Vehicles (Daily)	16,720	17,379	23,200	30,374	
Thru Intersection	15,794	14,429	19,094	25,130	
Diverted	926	2,950	4,106	5,244	
Diversion Rate	6%	17%	18%	17%	

30% Diversion					
\$K	2020	2024	2029	2040	Total
P&I	\$ 231	\$ 231	\$ 231	\$ -	\$ 4,613
Maintenance*	200	217	241	303	7,706
Operations	334	268	351	465	7,561
Total Cost	765	716	823	768	19,880
Rev @ \$0.35	1,318	1,057	1,385	1,834	29,820
Net	\$ 553	\$ 341	\$ 562	\$1,066	\$9,940
Cumulative Cash	\$ 553	\$2,236	\$3,205	\$9,940	\$9,940
Total Vehicles (Daily)	16,720	17,379	23,200	30,374	
Thru Intersection	15,058	12,083	15,829	20,960	
Diverted	1,662	5,296	7,371	9,414	
Diversion Rate	10%	30%	32%	31%	

Tolling Cash Flow @ \$0.35 per trip



COUNCIL FINANCE COMMITTEE AGENDA ITEM SUMMARY

Staff: Ginny Sawyer, Peggy Streeter

Date: March 19, 2018

SUBJECT FOR DISCUSSION

Keep Fort Collins Great (KFCG) Expiration

EXECUTIVE SUMMARY

The Keep Fort Collins Great (KFCG) .85% dedicated tax will expire December 31, 2020. Following a Council Finance discussion in November 2017 and a Council work session in January 2018, staff has scheduled continued Council discussions and public outreach throughout 2018 to determine desired levels of service and potential funding mechanisms. April 2019 is the anticipated election for any potential ballot related funding mechanisms.

GENERAL DIRECTION SOUGHT AND SPECIFIC QUESTIONS TO BE ANSWERED

1. What level of funding and service should KFCG expiration/renewal efforts target?
2. What potential funding mechanisms should be pursued?
3. What should be the focus of the May Council Finance meeting?

BACKGROUND/DISCUSSION

Local Tax

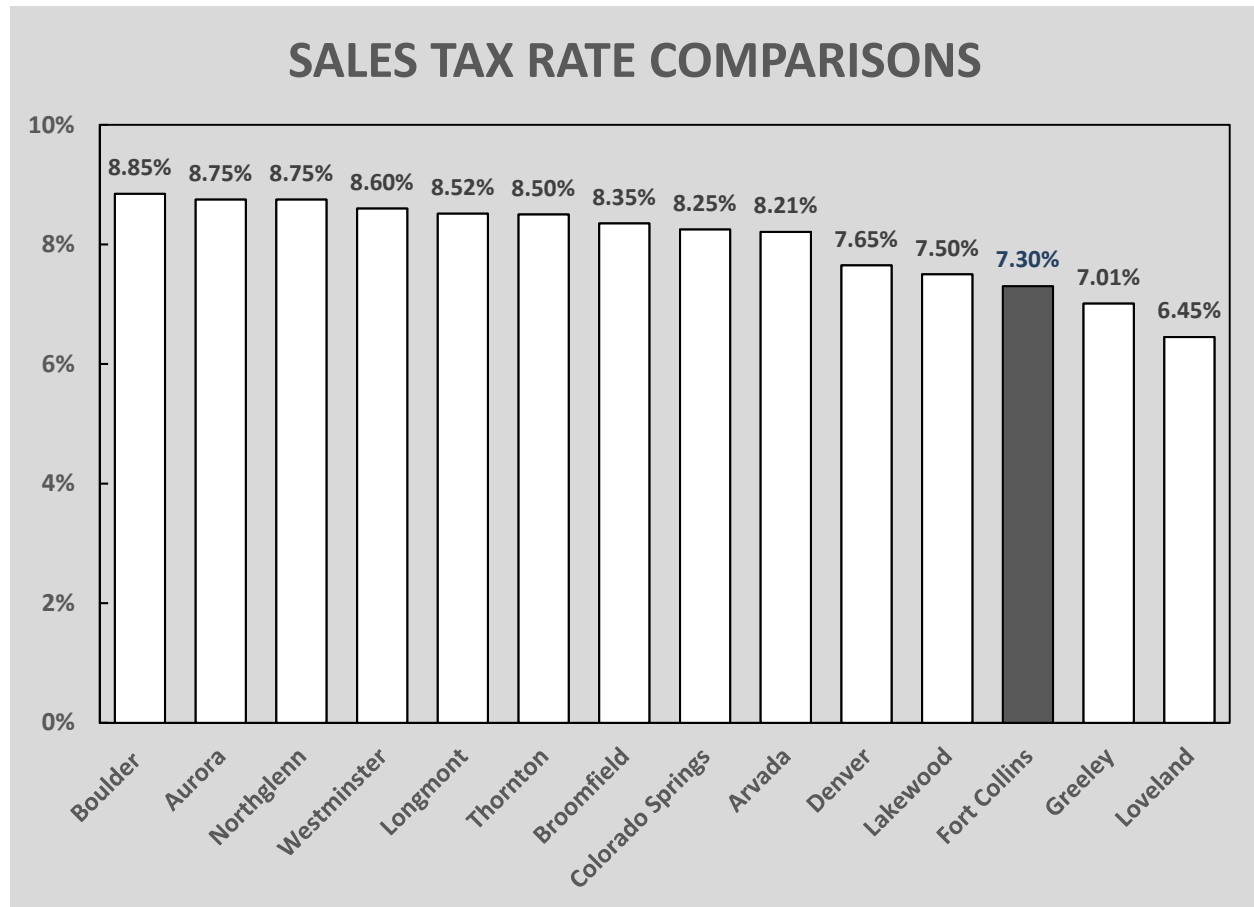
In 2008-2009 the City was experiencing significant revenue shortfalls. In response, a major initiative was launched to engage the public regarding level of services and identification of new revenue. In 2010, a .85% 10-year dedicated tax (KFCG) was passed by voters (60%). The revenues from this tax are, by ballot, distributed to the following areas:

33%	Street Maintenance and Repair
17%	Other Transportation Needs
17%	Police Services
11%	Parks and Recreation
11%	Other Community Priorities
11%	Poudre Fire Authority

The addition of KFCG brought the City total tax rate to 3.85%. The on-going general tax rate is 2.25% and has not changed in over 30 years. There are three dedicated ¼-cent taxes (Open Space, Street Maintenance, Community Capital) totaling .75% and the Keep Fort Collins Great .85% dedicated tax.

Groceries are not taxed on any of the dedicated taxes. They are only taxed at the 2.25% base rate. Prescription drugs are not taxed and if the purchase is made with food stamps the groceries are not taxed.

The total tax burden to residents remains at the lower end when compared regionally



The Numbers and the Impact

Since inception, the KFCG tax has resulted in the following revenue:

(\$ millions)							
	2011	2012	2013	2014	2015	2016	2017
Sales Tax	\$16.8	\$17.7	\$18.5	\$20.2	\$21.1	\$21.9	\$22.5
Use Tax	3.0	4.0	4.3	5.7	5.5	5.6	4.9
TOTAL	\$19.8	\$21.8	\$22.8	\$25.9	\$26.6	\$27.4	\$27.4

Spending by distribution area (2011-2016):

- Street Maintenance and Repair - \$48.8M
- Other Transportation Needs – \$15.8M
- Police Services - \$20.4M
- Parks and Recreation - \$14.3M
- Other Community Priorities - \$13.8M
- Poudre Fire Authority - \$14.4M

Each year Council and the community are provided a report detailing KFCG expenditures. All reports are available on-line and detail both the budget offer and the impact to services. The reports demonstrate both a continuity of existing levels of service with increased population and a responsiveness to community priorities including efforts to address low-income populations,

homelessness, affordable housing, ADA accessibility, parking, climate action, and economic health among others.

Funding Options

Despite numerous recent efforts to explore revenue diversification, the City's main mechanisms to generate revenue are taxes and fees. Below are three taxing scenarios. All three demonstrate scenarios that result in revenue equal to 2017 revenue utilizing a range of increase in base rate and varying amount of dedicated tax (use tax not included.).

A. Assumes groceries are taxed on entire base rate resulting in increase to General Fund (GF).

*The 3.75% total rate is \$600K above 2017 revenue.

This scenario assumes groceries are taxed on entire base rate.					
Base Rate Total (GF)	Base Rate Increase	Net Increase to GF(millions)	% dedicated	3-1/4 taxes	Total Tax Rate
2.25	0		0.85	0.75	3.85
2.5	0.25	7.7	0.56	0.75	3.81
2.75	0.5	15.5	0.27	0.75	3.77
3	0.75	23.2	0	0.75	3.75*

B. Assumes groceries only taxed at existing 2.25% base rate amount.

This scenario assumes groceries only taxed at existing base rate (2.25%) not on the addition.					
Base Rate Total (GF)	Base Rate Increase	Net Increase to GF (millions)	% Dedicated	3-1/4 taxes	Total Tax Rate
2.25	0		0.85	0.75	3.85
2.5	0.25	6.6	0.6	0.75	3.85
2.75	0.5	13.3	0.35	0.75	3.85
3	0.75	19.9	0.1	0.75	3.85
3.1	0.85	22.6	0	0.75	3.85

C. Removes all grocery tax. The 3.5% base rate is 600K above 2017 revenue.

This scenario removes groceries from all tax.					
Base Rate Total (GF)	Base Rate Increase	Net Increase/(Decrease) to GF (millions)	% dedicated	3-1/4 taxes	Total Tax Rate
2.25	0	(10M)	0.85	0.75	3.85
2.5	0.25	(3.3)	1.23	0.75	4.48
2.75	0.5	3.3	0.98	0.75	4.48
3	0.75	10	0.73	0.75	4.48
3.5	1.25	23.2	0.48	0.75	4.73

The following table shows the amount of tax increase needed to cover each area at 2017 service levels and revenues both with a tax on groceries and without.

Scenario	Streets	Other Transportation	Police	Fire	Parks	Other	Total
Grocery Exempt	0.28%	0.14%	0.14%	0.09%	0.09%	0.09%	0.85%
Grocery Taxable	0.24%	0.12%	0.12%	0.08%	0.08%	0.08%	0.73%

Outreach and Timeline

Staff anticipates engaging the public at an Involve/Collaborate level in conjunction with budget outreach. The budget year offers a unique opportunity to highlight offers that are funded with KFCG dollars in real time and engage the public on level of service and desired programs.

Targeting an April 2, 2019 election would require ballot referral by February 5, 2019 at the latest. Ideally, the majority of ballot development could occur prior to the 2018 holiday season and be finalized in January 2019.

This level of engagement, and this topic, are well-suited for forums and interactive engagement such as live polling and a telephone town hall. There will also be opportunities to utilize Council listening sessions and the online engagement platform Your|My|Our City.

ATTACHMENTS

PUBLIC ENGAGEMENT PLAN

PROJECT TITLE: KFCG EXPIRATION

OVERALL PUBLIC INVOLVEMENT LEVEL: COLLABORATE

BOTTOM LINE QUESTION:

What is the community's desired level of service and what are the preferred funding options to achieve that level of service?

KEY STAKEHOLDERS:

- Residents
- Boards and Commissions
- Downtown Business Association
- Downtown Development Authority
- Chamber of Commerce
- Limited-English proficiency
- Homeless and low-income families

TIMELINE: May 2018-April 2019

Phase 1: Inform/Involve

Timeframe: May-August

Key Messages:

- Education of what current level of resources provides and at what price
- Overview and analysis of City revenue/expenses
 - Base rate, which hasn't been increased since the 80's, hasn't kept up with the rate of community growth
 - Dedicated taxes have covered the base rate gaps in core services
 - House in order: Price of government, budgeting at 98% of staffing, utilizing underspend, streamlined budget process, strategy maps, 2018 cuts (street maintenance)

Tools and Techniques:

- Website
- OurCity Platform
- Graphs/Charts (General Fund & KFCG allocations, Sales tax rate comparisons, price of government chart)
- FAQs
- Public meetings
- Boards and Commissions
- Targeted outreach
- Budget Outreach

PHASE 2: Involve/Collaborate

Timeframe: August-November 2018

Key Messages:

- Seek questions regarding desired level of service, price of service, future funding of service
 - Is the City providing the right services?

- What, if any, services should be funded from dedicated tax renewal?
- What, if any, services should not be funded from dedicated tax renewal?
- Is the base tax rate appropriate or should it be adjusted?
- Impacts that “doing nothing” will have on the community
 - Community commitments (365 Transit)
- Test options for how we fill the gap
 - Cut more services; if so, which ones?
 - Add new revenue; if so, what type and amount?

Tools and Techniques:

- Website/surveying (Our City)
- Q & A Documents/FAQs
- Public meetings/Interactive Polling
- Community Issue Forum
- Boards and Commissions
- Targeted outreach
- Council Listening Sessions
- Telephone Town Hall
- City at a Glance
- City News
- Possible videos/bulletin boards
- Social Media/Spotlights

PHASE 3: Inform/Involve

Timeframe: November 2018-February 2019

Key Messages: These messages will be developed at a later date. They will be focused on potential ballot language if that is direction the project goes.

Tools and Techniques:

- Website/surveying
- Q & A Documents/FAQs
- Public meetings/Interactive Polling
- Boards and Commissions
- Targeted outreach
- Council Listening Sessions
- Any video resources/bulletin boards
- City News
- Social Media/Spotlights



Council Finance Committee March 19, 2018



Keep Fort Collins Great-Expiration
Ginny Sawyer and Peggy Streeter

1. What level of funding and service should KFCG expiration/renewal efforts target?
2. What potential funding mechanisms should be pursued?
3. What should be the focus of the May Council Finance meeting?

November 2017- Council Finance:

- Decreasing the overall tax rate should be a consideration.
- Consider funding Police, Fire, and Streets needs through the general ongoing sales tax.
- Have one transportation category not multiple.
- Identify additional services/programs for dedicated tax.
- Is a mill levy something to consider?

January 2018 - Council Work Session

- Focus initial work towards the March and May Council Finance Committee meeting.
- Remove KCFG items from the 6-month calendar.
- Develop a new public outreach plan and timeline.

Since 1980, on-going sales tax rate = 2.25%

Keep Fort Collins Great = .85% (2020)

Open Space = .25% (2030)

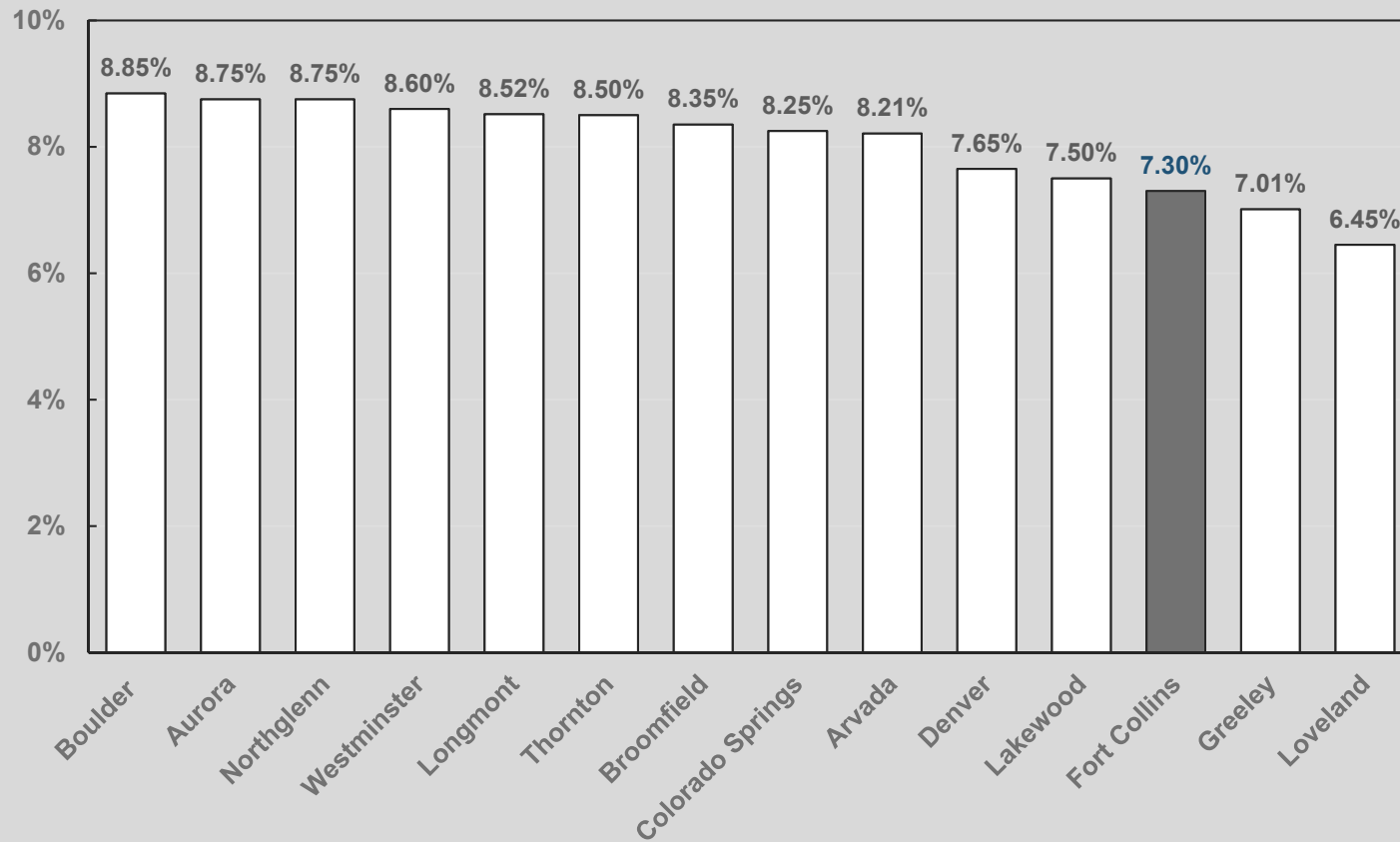
Street Maintenance = .25% (2025)

Community Capital Improvement = .25% (2025)

Total = 3.85%



SALES TAX RATE COMPARISONS



Breakdown and Spending by Area (2011-2016):

- 33% Street Maintenance and Repair - \$48.8M
 - 17% Other Transportation Needs - \$15.8M
 - 17% Police Services – \$20.4M
 - 11% Parks and Recreation – \$14.3M
 - 11% Poudre Fire Authority - \$13.8M
 - 11% Other Community Priorities – \$14.4M
-
- Annual reports of all expenditures available online

Starting Point Assumptions:

- Utilize taxing mechanisms
- Match 2017 revenues
- Consider balance of on-going and dedicated taxes
- Consider the impact of including or exempting groceries
- Did not account for use tax

Assumes groceries are taxed on entire base rate resulting in increase to General Fund (GF). *The 3.75% total rate is \$600K above 2017 revenue.

This scenario assumes groceries are taxed on entire base rate.

Base Rate Total (GF)	Base Rate Increase	Net Increase to GF (millions)	% dedicated	3-1/4 taxes	Total Tax Rate
2.25	0		0.85	0.75	3.85
2.50	0.25	7.7	0.56	0.75	3.81
2.75	0.50	15.5	0.27	0.75	3.77
3.0	0.75	23.2	0	0.75	3.75*

Assumes groceries only taxed at existing 2.25% base rate amount not on the addition.

This scenario assumes groceries only taxed at existing base rate (2.25%)

Base Rate Total (GF)	Base Rate Increase	Net Increase to GF (millions)	% Dedicated	3-1/4 taxes	Total Tax Rate
2.25	0		0.85	0.75	3.85
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2.75	0.50	13.3	0.35	0.75	3.85
3.0	0.75	19.9	0.1	0.75	3.85
3.1	0.85	22.6	0	0.75	3.85

Removes all grocery tax. The 3.5% base rate is 600K above 2017 revenue.

This scenario removes groceries from all tax.

Base Rate Total (GF)	Base Rate Increase	Net Increase/(Decrease) to GF (millions)	% dedicated	3-1/4 taxes	Total Tax Rate
2.25	0	(10)	0.85	0.75	3.85
2.50	0.25	(3.3)	1.23	0.75	4.48
2.75	0.50	3.3	0.98	0.75	4.48
3.0	0.75	10	0.73	0.75	4.48
3.5	1.25	23.2	0.48	0.75	4.73

Specific Distribution Taxing Needs - \$ 2017

	Streets	Other Transportation	Police	Fire	Parks	Other	Total
Grocery Exempt	0.28%	0.14%	0.14%	0.09%	0.09%	0.09%	0.85%
Grocery Taxable	0.24%	0.12%	0.12%	0.08%	0.08%	0.08%	0.73%

“What is the community’s desired level of service and what are the preferred funding options to achieve that level of service?”

Engagement Level: Collaborate

Timeline: May-Nov 2018

Target Election: April 2, 2019

Proposed Timeline

Mar	May	May-June	Aug-Nov	Jan 2019	Feb 5, 2019	April 2, 2019
CFC	CFC		Council	Council	Council referral	Election
Analysis and Narrative Development		Leverage Budget Outreach	Outreach & Proposal Development	Finalize Proposal		

1. What level of funding and service should KFCG expiration/renewal efforts target?
2. What potential funding mechanisms should be pursued?
3. What should be the focus of the May Council Finance meeting?

COUNCIL FINANCE COMMITTEE AGENDA ITEM SUMMARY

Staff: Patrick Rowe, Redevelopment Coordinator
Josh Birks, Economic Health Office Director
Tom Leeson, Community Development and Neighborhood Services Director

Date: March 19, 2018

SUBJECT FOR DISCUSSION

Metropolitan District Policy Discussion

EXECUTIVE SUMMARY

The purpose of this item is to review and consider changes to the City policy concerning Title 32 Metropolitan Districts to increase alignment with City goals and objectives and introduce other process improvements.

GENERAL DIRECTION SOUGHT AND SPECIFIC QUESTIONS TO BE ANSWERED

- Does the committee support the direction of the Metropolitan District draft policy?
- What input/direction does the committee have on the policy?

BACKGROUND/DISCUSSION

Metropolitan Districts (Districts) are an important public financing tool which can be used reasonably and judiciously in service of public outcomes and benefits. Outcomes range from the provisioning of missing and critical public infrastructure, to enabling sustainability outcomes (such as affordable housing, green improvements) and high quality smart growth (mixed-use, multimodal oriented, increased density, compelling public spaces, etc.).

As part of updating the 2008 policy, staff suggests revisions with the following goals:

- Incorporate the latest best practices and take account of legal changes – the current policy was adopted in 2008 and could benefit from updating;
- Introduce greater process rigor and qualitative criteria to improve screening and evaluation – the current policy offers little guidance on the meaning of “enhanced benefits” and how this should be assessed;
- Modify the policy to allow and account for residential uses – the current policy only allows for projects that are predominately commercial (greater than 90% by assessed value). Following the policy precludes residential outcomes that the City may wish to support, such as those that contribute to critical regional infrastructure improvements, affordable housing, green improvements, high quality smart growth, and other outcomes.

In understanding the purpose of the Metropolitan District Policy, it's important to note that the policy does not govern or limit, in any way, City Council's decision-making authority on District formation. However, it is an important guidance document for staff and the development community, and may have instructive value for Council. An updated Policy can provide clearer guidance on the public benefits the City is willing to consider a District for, and will inform how proposals are processed and evaluated.

Prior Council Work Sessions

City Council had two work sessions on Districts in 2017. The first was focused on providing basic information on the purpose and innerworkings of Districts. The second was focused on laying out concepts for potential revisions to the policy.

Out of these work sessions staff received many useful comments, some of which are summarized below:

- Reserve metro district use for “stretch outcomes” (outcomes that are hard to achieve). Affordable housing, in particular, resonated as a stretch outcome. Also, social equity was mentioned as an outcome of interest.
- Interest was expressed to preserve the prescriptive elements of the current policy.
- Lack of interest in using Districts to facilitate amenities (pools, golf courses, community centers, etc.).

Incorporating these comments, staff prepared the attached draft policy (Attachment X). The first section of the policy document, Policy Statements and Objectives, is the focus of this item, though the other sections are also important.

Note: The draft policy is a work in progress. Staff's aim was to include and flesh out the most important concepts. Additionally, staff proposes the use of a model service plan; many policy provisions will reside within this document, though staff attempted to highlight the most important of these provisions within the policy itself. The model service plan would be included as an attachment to the final policy document.

Proposed Key Policy Provisions

1. Limited Use. The City wishes to exact a high standard of use for Districts, thereby limiting their use. The policy makes it clear that an applicant is expected to deliver extraordinary benefits across multiple District outcome areas (Sustainability, Infrastructure, and High Quality/Smart Growth).
2. Residential Use. The current policy largely precludes residential uses (limiting District use to projects that are 90% or more commercial by assessed value). The revised policy allows residential use, but only if/when Districts are delivering extraordinary outcomes. In all cases, Council is the arbiter of this, however, with a revised policy the City communicates more clearly in what instances a residential district may be considered.
3. Evaluation Process. The draft policy better defines desired City outcomes and stipulates a

process whereby an interdisciplinary staff team will evaluate District proposals using a triple bottom line approach and against appropriate planning documents (City Plan, Strategic Plan, Climate Action Plan, and others).

4. Bias against Use for Basic Improvements. Both the prior and the draft policies speak to District use of basic improvements, and generally in similar terms. In both cases the City expresses a bias against use for basic improvements, except when funding such improvements is used to offset costs and enable extraordinary outcomes.
5. Mill Levy Maximum. The existing policy specifies a combined max mill levy rate of 40 mills for both debt service and operations and maintenance. Consistent with a majority of communities around the front range, the proposed policy increases the max to 50 mills.

Next Steps

Based on Council Finance feedback, staff will continue with policy and model service plan development with the intent to bring a complete draft to the June 26 Council Work Session.

ATTACHMENTS

Attachment 1, Draft Metropolitan Districts Policy

Attachment 2, Existing City Metropolitan Districts Policy

Attachment 3, Work Session Summary (November 28, 2017)

Attachment 4, Presentation

Fort Collins Metropolitan District Policy**Revised XXXX**

The purpose of this document is to provide guidance to staff, the development community and City Council in the consideration, review and processing of metropolitan district (District) requests. The approval of a District is at the sole discretion of City Council, which may reject, approve, or conditionally approve requests on a case-by-case basis. Nothing in this document is intended, nor shall it be construed, to limit the discretion of City Council, which retains full authority regarding the terms and limitations of all District Service Plans.

Section 1 – Policy Statements and Objectives**Section 2 – Evaluation Criteria****Section 3 – Review Process****Section 4 – Fees: Review and Processing****Section 1 – Policy Statements and Objectives**

The City of Fort Collins may consider the use of a District when it will deliver extraordinary public benefit that aligns with the goals and objectives of the City. The City will only consider Districts that provide extraordinary public benefit which could not be practically provided by the City or an existing public entity, within a reasonable time and on a comparable basis. It is not the intent of the City to create multiple entities which would be construed as competing or duplicative. District approval will be at Council's sole discretion and nothing in this document is intended, nor shall it be construed, to limit the discretion of City Council.

The City will evaluate a District proposal based on its ability to affect extraordinary development outcomes in the following areas:

1. Sustainability Outcomes. Affordable housing, sustainable design, multimodal transportation, water conservation, infill and redevelopment, community resiliency, energy efficiency, renewable energy, enhanced employment opportunities, economic vitality, and other sustainability outcomes.
2. Establish or Enhance Critical Public Infrastructure. Address key and significant infrastructure challenges, provide enhancements such as urban design elements, beautification, etc.
3. High Quality, Smart Growth. High quality design, walkable and pedestrian friendly, transit and multimodal oriented, use of quality construction materials, compelling public spaces, mixed-use (live, work, play integration), etc.

4. Strategic Priorities. Deliver on priorities specified by long term strategic planning documents (City Plan, Strategic Plan, Climate Action Plan, Affordable Housing Plan, Economic Health Office Plan, Sub-Area Plans, etc., as amended and updated);

Note: Development outcomes must be extraordinary and go beyond the basic requirements of development code.

Policy Statements:

- **Limited Use.** The City wishes to exact a high standard of use for Districts thereby limiting their use. An applicant project is expected to deliver extraordinary benefits across multiple City objectives.
- **Broad and Demonstrable Public Benefit.** Districts are expected to provide broad public benefit and the applicant will be asked to demonstrate and provide assurances of those benefits. The City will utilize Service Plans, Development Agreements, and other contractual agreements to document and enforce District commitments.
- **District Governance.** It is the intent of the City that owner/resident control of Districts occur as early as feasible. The City may consider authority structures to accommodate this. When feasible, the City will discourage the use of control districts (aka managing districts).
- **Eminent Domain NOT Authorized.** A District will not have the power to acquire property by eminent domain.
- **Basic and Non-Basic Public Improvements.** A District proposing to fund basic improvements will not be favorably received except when used to offset higher costs associated with extraordinary development outcomes (e.g., [include illustrative example]).
- **Minimum District Size.** A District proposed to have less than \$7 million in obligations will not be considered.
- **Model Service Plan.** To clearly communicate City requirements and streamline legal review, the City will require the use of its model service plan. With justification, the City may consider service plan deviations. The model service plan includes, but is not limited to the following key provisions:
 - **Maximum Mill Levy.** The maximum aggregate mill levy allowed is 50 mills, of which no more than 10 mills may be used for operations and maintenance. Increased mill levies may be considered for Districts that are predominately commercial in use. *Note: Mill levies may be adjusted to reflect changes in the method of calculating assessed value, or any constitutionally mandated tax credit, cut or abatement, so that actual tax revenues are neither diminished nor enhanced).*
 - **Debt Term Limit.** A District shall be allowed no more than forty (40) years for the levy and collection of taxes used to service debt [add exception for resident/owner extension & refundings].
 - **District Dissolution.** Perpetual Districts shall not be allowed except in cases where ongoing operations and maintenance are required. Except where ongoing operations and maintenance has been authorized, a District will be dissolved as soon as practical

upon: 1) the payment of all debt and obligations; and, 2) the completion of District development activity.

- **District Fees.** Impact fees, development fees, service fees, and any other fees must be identified with particularity in the District Service Plan. Impact and development fees must not be levied or collected against the end user – i.e., residents and/or non-developer owners.
- **Notice Requirements.** [In development – City is exploring options beyond the existing real estate disclosure requirements which are mandated by state statute].

Section 2 – Evaluation Criteria

To provide Council information and assessment consistent with this Policy, staff will review and report on District proposals in the following areas:

1. **Public Benefit Assessment and Triple Bottom Line Scan.** To comprehensively and consistently evaluate District proposals, an interdisciplinary staff team, inclusive of representatives from Planning, Economic Health, Sustainability, and other Departments as appropriate, will be formed. This team will rely on the City's Triple Bottom Line evaluation approach, and other means, to assess a District proposal consistent with this Policy and City Goals and Objectives more broadly.
2. **Financial Assessment.** All District proposals are required to submit a Financial Plan to the City for review. Utilizing the District Financial Plan, and other supporting information which may be necessary, the City will evaluate a District's debt capacity and servicing ability.

Additionally, should a District desire to utilize District funding for basic improvements, as determined by the City in its sole discretion, staff will assess the value of this benefit against the public benefits received in exchange.

3. **Policy Evaluation.** All proposals will be evaluated against this Policy and the City's Model Service Plan, with any areas of difference being evaluated and reported on.

Section 3 – Application Process

The application process is designed to provide early feedback to an applicant, adequate time for a comprehensive staff review, and the appropriate steps and meeting opportunities with decision makers.

1. **Pre-Application: Letter of Interest Submittal.** Applicant will provide City with a Letter of Interest and pre-application fee (refer to fees below). The Letter of Interest shall contain the following:
 - a. Summary narrative of the proposed development and District proposal.
 - b. Sketch plan showing: property location and boundaries, surrounding land uses, proposed use(s), proposed improvements (buildings, landscaping, parking/drive areas, water treatment/detention, drainage), existing natural features (water bodies,

- wetlands, large trees, wildlife, canals, irrigation ditches), utility line locations (if known), photographs (helpful but not required).
- c. Clear justification of why a District is needed.
 - d. Explanation of public benefits, making specific reference to District Policy and other relevant City documents.
 - e. District proposal and Service Plan specifics, including: District powers and purpose, District infrastructure and costs, mill levy rate (both debt and, operations and maintenance), term of district, and forecasted period of build-out, proposed timeline for formation, and current development status of project.
2. Preliminary Staff Meeting with Applicant. Based on an initial review of the Letter of Interest, staff will meet with the applicant to discuss District proposal, potential public benefits, initial staff feedback, the evaluation process, fees, and other application elements.
 3. Formal Application and Service Plan Submittal. Upon taking account of staff input, applicant may submit a formal application for consideration following the requirements specified in the City's District Application. (Note: The Review fee specified in the Fees section below is collected at the time of the full application submittal).
 4. Formal Staff Review. An interdisciplinary staff team will review the applicant submittal along with any follow-up documentation that is requested in order to assess the application according to this Policy and other appropriate City policy. Applicants should expect several rounds of feedback and review from City staff.
 5. Council Finance Committee Meeting. The Council Finance Committee will review all District proposals and provide feedback and recommendations.
 6. Council Work Session Meeting (optional). Based on the magnitude and complexity of the development project and District proposal, staff and or the Council Finance Committee may recommend a Council Work Session
 7. Council Regular Meeting. City Council meeting to consider Service Plan approval.

Section 4 – Fees

To offset administration and staff costs, the City charges the following fees associated with Districts:

- Letter of Intent Submittal Fee: \$2,500
- Full Review Submittal: \$7,500 City fee and \$7,500 deposit for 3rd party review costs. Additional deposit funds may be requested to cover 3rd party costs; unused deposit funds for 3rd party review will be returned to applicant.
- Additional Fees

- Non-model service plan fee: \$5,000 (non-model service plan to be determined by City, in its sole discretion)
- Service plan amendment fee: \$2,500
- Annual Operating District fee: [TBD]

DRAFT

**POLICY FOR REVIEWING PROPOSED
SERVICE PLANS FOR TITLE 32 METROPOLITAN DISTRICTS**

CITY OF FORT COLLINS, CO

July 9, 2008

Introduction.

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

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

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

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

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

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

Service Plans.

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

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

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

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

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

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

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

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

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

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

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

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

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

Bonded Indebtedness.

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

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

Multiple-District Structures.

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

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

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

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

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

Dissolution of District.

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

Default of District.

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

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

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

1. actions or failures to act that create greater financial risk or burden;
2. performance of a service or function or acquisition of a major facility that is not closely related to a service, function or facility authorized in the Service Plan; and
3. failure to perform a service or function or acquire a facility required by the Service Plan.

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

Annual Report.

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

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

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

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

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

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

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

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

Sanctions.

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

1. Exercise any applicable remedy under the Act;

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

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

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

Review and Approval Process.

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

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

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

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

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

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

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

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

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

Fees.

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

1. a non-refundable application fee not to exceed \$2,000; and
2. a \$10,000 deposit to reimburse the City for staff, legal, and consultant time.

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

1. a non-refundable application fee not to exceed \$250; and
2. a \$1,500 deposit to reimburse the City for staff, legal, and consultant time.

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

MEMORANDUM

DATE: November 30, 2017
TO: Mayor and City Council
THRU: Darin Atteberry, City Manager
Jeff Mihelich, Deputy City Manager
Jacqueline Kozak-Thiel, Chief Sustainability Officer
FROM: Patrick Rowe, Redevelopment Program Coordinator
Josh Birks, Economic Health Director
RE: Work Session Summary of Metro District Policy Discussion

During the discussion of the staff's proposed changes to the City of Fort Collins' existing Metropolitan District policy, Council offered the following feedback to staff:

- Reserve metro district use for stretch outcomes ("outcomes that are hard to achieve"). Affordable housing, in particular, resonated as a stretch outcome. Also, social equity was mentioned as an interested outcome.
Principle: highly selective use.
- Interest was expressed to preserve the prescriptive elements of the current policy. (Note: This is generally consistent with what was proposed; staff will improve communication on this point).
- Lack of interest in seeing metro districts to facilitate amenities (pools, golf courses, community center, etc).
- Concern about lack of specificity in outcomes.

Next Steps: Incorporate feedback from Council and return to a future Council Finance meeting or Work Session with a more fleshed out policy.

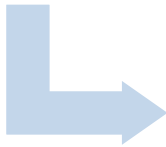


Metro District Policy Discussion
Josh Birks and Tom Leeson

- Does the committee support the direction of the Metropolitan Districts draft policy?
- What input/direction does the committee have on the policy?

10/24 Work
Session

- Foundational information on purpose and innerworkings



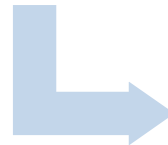
11/28 Work
Session

- Conceptual Policy Revisions



Today

- Working Draft Policy



Next Steps

November Work Session Takeaways

- Reserve for stretch outcomes (e.g., affordable housing)
- Preserve prescriptive elements
- Lack of interest in facilitating amenities (pools, golf courses, etc.)
- Benefits must be specifically defined

Policy Update – Areas of Focus

- Update to reflect best practices / legal changes
- Greater process rigor and qualitative criteria
- Enable stretch outcomes



Photo Credit: Congress for New Urbanism



- City Council is approving authority – irrespective of policy
- Policy informs market proposals, staff review and process, and can be instructive to Council

Key Policy Points

- Limited Use. High standards resulting in limited use.
- Residential Use. If/when Districts deliver stretch outcomes.
- Evaluation Process. Interdisciplinary staff team evaluation (triple bottom line, stretch development outcomes, policy adherence).



Key Policy Points

- Bias against Use for Basic Improvements. Except to enable extraordinary outcomes.
- Mill Levy Maximum. Increases the max to 50 mills (consistent with a majority of other communities).



June 26 Work Session

- Complete Policy Draft
- Model Service Plan
- Other?

- Does the committee support the direction of the Metropolitan Districts draft policy?
- What input/direction does the committee have on the policy?

