



Finance Administration

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AGENDA

Council Finance & Audit Committee

May 21, 2018

10:00 am - noon

CIC Room - City Hall

Approval of Minutes from the April 16th Council Finance Committee Meeting.

- | | | |
|-------------------------------------|------------|------------|
| 1. BFO Assumption Review | 40 minutes | L. Pollack |
| 2. Mulberry Annexation | 30 minutes | C. Gloss |
| 3. KFCG Expiration | 25 minutes | G. Sawyer |
| 4. Utility Mid Cycle Appropriations | 25 minutes | L. Smith |

Council Finance Committee & URA Finance Committee
Agenda Planning Calendar 2018
RVSD 05/17 ck

| | | | |
|----------------------------|----------------------------------|--------|------------|
| May 21st | | | |
| | BFO Assumption Review | 40 min | L. Pollack |
| | Mulberry Annexation | 30 min | C. Gloss |
| | KFCG Expiration | 25 min | G. Sawyer |
| | Utility Mid Cycle Appropriations | 25 min | L. Smith |
| URA | | | |

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|-----------------|---|--------|--------------|
| Jun 18th | | | |
| | Thrive | 30 min | J. Birks |
| | Historical Mid Cycle Appropriation Review | 20 min | M. Beckstead |
| | Waterfield Metro District Request | 30 min | J. Birks |
| URA | | | |

| | | | |
|-----------------|----------------------|--|-----------|
| Jul 16th | | | |
| | Audit Results Review | | T. Storin |
| | | | |
| | | | |
| URA | | | |

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|-----------------|--|--|--|
| Aug 20th | | | |
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| URA | | | |

Future Council Finance Committee Topics:

Phase II Fee Discussions – Development Review Fees & Wet Utilities
Audit Firm Selection - September

Future URA Committee Topics:

Annual URA District Updates - Anticipate memo format
County IGA - URA TIF Evaluation Process



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Finance Committee Meeting Minutes

04/16/18

10 am - noon

CIC Room - City Hall

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

Staff: Darin Atteberry, Mike Beckstead, Travis Storin, Carrie Daggett, John Duval, Rachel Springob, Noelle Currell, Laurie Kadrich, Tim Kemp, Chad Crager, Kyle Lambrecht, Daniel Woodward, Martina Wilkinson, Kelly DiMartino, Wendy Williams, Andres Gavaldon, Joanne Cech, Lawrence Pollack, Zach Mozer, Jennifer Poznanovic, Jackie Thiel, Sue Beck-Ferkiss, Beth Sowder

Others: Matt Robenalt and Kristy Klenk, DDA Staff
Kevin Jones, Chamber of Commerce, Dale Adamy, Citizen
David Rout, Executive Director of Homeless Gear

Meeting called to order at 10:05 am by Mayor Troxell.

Minutes approval for March 19, 2018 Council Finance Committee Meeting. Ross Cunniff made a motion to approve the minutes and Ken Summers seconded the motion. The minutes from the March 19th Council Finance Committee meeting were approved unanimously.

A. DDA Credit Line Renewal

Matt Robenalt, Executive Director, Downtown Development Authority
Kristy Klenk, Finance Coordinator, Downtown Development Authority

EXECUTIVE SUMMARY

The current LOC established in 2012 by the City on behalf of the DDA is scheduled to expire at the end of 2018. The City and DDA began taking steps earlier this year to renew this debt instrument with First National Bank for another six-year term, as it will be needed by the DDA to execute its projects and programs beginning in budget year 2019.

GENERAL DIRECTION SOUGHT AND SPECIFIC QUESTIONS TO BE ANSWERED

Does Council Finance recommend bringing the City's renewal of the bank authorized Line of Credit, on behalf of the DDA, to Council?

BACKGROUND/DISCUSSION

The DDA Act (C.R.S. 31-25-801, as amended) has inherent processes that require the City and the DDA to work collaboratively to achieve the purpose of the legislation. Among these expected collaborations is the process for

financing DDA activities. In 2012, Council adopted Ordinance No. 089, 2012 and the City and DDA established a line of credit (LOC) with First National Bank to satisfy the statutory requirement to generate proceeds from debt to be used by the DDA to execute its projects and programs and implement the DDA's Plan of Development. The tax increment revenues created each year by the private investment that has occurred downtown is used to pay off the debt.

The current LOC is scheduled to expire at the end of 2018. The City and DDA began taking steps earlier this year to renew this debt instrument with First National Bank for another six-year term, as it will be needed by the DDA to execute its projects and programs beginning in budget year 2019.

Additionally, in 2012, Council approved Resolution 2012-081 and the DDA and City created an intergovernmental agreement ("IGA") that established the process by which the two organizations would:

- initiate requests for a draw from the LOC
- verify tax increment revenue cash available to repay the debt
- account for the loan proceeds released from the LOC, and
- execute repayment with tax increment within 7 days of the initial LOC draw

The Second IGA Governing a Line of Credit for Financing Downtown Development Authority Projects and Programs is also requested for approval by City Council to reflect the terms of the renewed LOC.

Terms of LOC Renewal

The renewed LOC will function and operate identically to the LOC established in 2012 in the following ways:

- For the seven (7) day maximum period when there may be outstanding debt, the interest rate is set at Wall Street Journal (WSJ) Prime, which is currently 4.5%
- Annual fee \$750

The changes or differences with the renewed LOC are:

- Maximum draw amount increased to \$5,000,000, which is an increase over the maximum draw amount of \$1,000,000 in the 2012 LOC. The City desires this increased amount as it will reduce the number of draws required to support DDA activities, and eliminate redundancy for City, DDA and bank staff to execute multiple draws.
- Minimum finance charge increased to \$350 per draw, which is an increase from the minimum charge of \$250 in the 2012 LOC.
- Maturity date is December 31, 2024, for an effective LOC operating period of six (6) years.

The Promissory Note & Agreement from First National Bank is attached. Also attached is the draft Second IGA Governing a Line of Credit for Financing Downtown Development Authority Projects and Programs.

Benefits and Impacts of the LOC

When the DDA and City began using the LOC financing approach in 2012, it provided benefits and positive impacts over the much more expensive forms of financing such as issuance of traditional revenue bonds or private-placement financing with banks and other investors. Using the LOC approach to finance DDA projects and programs results in a significantly shorter period of time in which the City debt incurs interest. This means that more funding is available to invest directly into projects and programs in the downtown, and less is spent on finance fees and interest expenses.

Staff analyzed the savings from this approach during the term 2012-2018 of the original LOC against that of the other forms of traditional financing used by the City and DDA during the same time period. The financial savings is significant. Since 2012, the LOC total interest and financing fees for \$8,700,887 of principal debt was \$7,250. In contrast, the total interest and finance fees for the City/DDA traditional financing approach using certificates of participation and private placement bonds for \$15,279,063 of principal debt was \$3,412,065.

Other benefits and positive impacts using the LOC include:

- Strong expression of fiduciary stewardship of public funds
- Recognition that investment of tax increment funds, derived from property tax assessments of overlapping tax entities, creates positive growth in assessed value and thereby increased the value of the property tax base for all overlapping entities. (83% of the DDA tax increment comes from tax entities other than the City such as Larimer County and Poudre School District)
- Funding partnerships of the DDA undertaken with the City and private sector have no cost of capital charges assessed to the projects
- Every draw made on the LOC is paid off within seven (7) days, which means no effect at the end of the calendar year on the City's fund balance or City Comprehensive Annual Financial Report

Next Steps & Key Dates

The following key dates outline the remaining steps in the schedule to implement the LOC renewal:

| | |
|---------|---|
| 4/12/18 | DDA Board of Directors Resolution Recommending to the Fort Collins City Council the Renewal of a Line of Credit, and adoption of Second IGA Governing a Line of Credit for Financing Downtown Development Authority Projects and Programs |
| 5/15/18 | City Council 1st reading of Ordinance approving LOC renewal, and Resolution to approve Second IGA Governing a Line of Credit for Financing Downtown Development Authority Projects and Programs |
| 6/5/18 | City Council 2 nd Reading of Ordinance approving LOC |

Discussion / Next Steps:

Intent to increase draw amount to \$5m to reduce number of steps repeated - simplify process

Ross Cunniff; support of concept - questions that would be helpful for Council to know the answers to - What was the original reason for limiting the draw to \$1m?

Matt Robenalt; That was the need at that time - in 2012 the DDA was subject to the share back with overlapping entities – as a result we saw a reduction in revenues of 68% - we were operating on a very limited amount of funding so the need was not there for that amount.

ACTION ITEM: Ross Cunniff; you refer to the Capital Improvement Plan as a driver – is that your document? If so, is this a document you could share?

Matt Robenalt; The DDA has an internal multi-year Capital Improvement Plan that we operate with which includes alley investments, enhanced alleyways, etc. – I would be happy to share this with you for your reference. The DDA created it in 2015 and it has been consistently updated and funds allocated each February.

Ross Cuniff; are there any requirements or common practices with respect to a RFP process for selecting lenders? Does the City have or should it have a policy? What is the industry practice?

Mike Beckstead; I would like to confirm but I believe we did an RFP back in 2012 when we first did this.

Matt Robenalt; we received 3 proposals from different banks and First National offered the best terms.

Travis Storin; it is part of the exiting banking services contract that the City has with First National Bank. We work with purchasing to confirm the agreement is broad enough to cover the line of credit.

Ross Cuniff; we recently passed a resolution allowing a bid free renewal of a contract - would that be prudent in this case to do this On Consent - common practice? Not opposed to going with the same people.

Mike Beckstead; Yes, the general practice is to go with an RFP - We did this when we first set this up - we were in a situation with great customer service and an active contract we already had with FNB with the ability to integrate into an existing contract - We could have done an RFP -

Travis Storin; 2012 - cost of capital with FNB was a prevailing factor - other respondents

Ross Cuniff; If you can articulate the benefits to the city and to the DDA of not doing an RFP as an exception to our process - we should bring this forward to Council

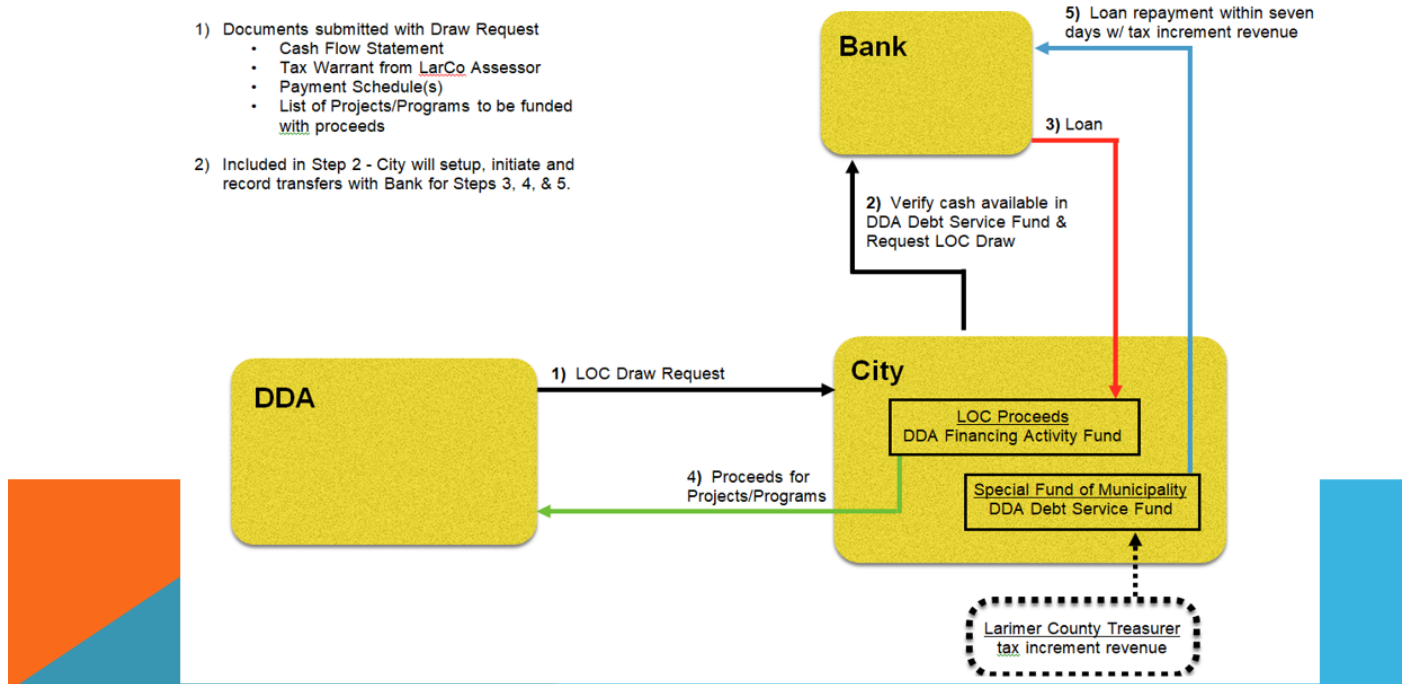
Mike Beckstead; this is not a service that a bank makes much money on but is done more out of good community service on the part of FNB to do to support the community and the Downtown Development Agency - I don't think the outcome would be any different – we will include with the AIS.

Ken Summers: I am good with this

Mike Beckstead; we wanted to make sure the Council Finance Committee sees this. I am hearing let's bring it forward with the right justification in the AIS. (exception to RFP process)

The flow chart below explains how this works - DDA collects increment into special fund - DDA initiates a draw on line of credit – staff validates – bank loans based on draw – city loans – the following week we pay back the credit - very little risk to the bank as funds are already sitting in the bank – it is a debt obligation when we draw on the line of the credit

DDA/City Line of Credit Flowchart



Mayor Troxell; if anything deviated from the flowchart (above) - would we be alerted about it?

Mike Beckstead; it really can't deviate from it - the very first step in the process is the DDA initiating a draw and they do that through the city for CFO review / signature - we are fully integrated and we work very closely with Matt and Kristy to make this happen.

Mayor Troxell; ok with me

B. East Prospect Improvements

Chad Crager, Director of Infrastructure Services

Tim Kemp, Interim Capital Projects Manager

Kyle Lambrecht, Transportation Capital Expansion Fee Program Manager

SUBJECT FOR DISCUSSION

East Prospect Road Improvements Project: Sharp Point Drive to Interstate-25 West Frontage Road.

EXECUTIVE SUMMARY

The purpose of this item is to present and discuss the East Prospect Road Improvements Project from Sharp Point Drive to the Interstate 25 (I-25) western frontage road. This project will improve this section of East Prospect Road to a four-lane arterial as identified in the City's Master Street Plan. This project will coordinate

with the Colorado Department of Transportation (CDOT) on the I-25 and Prospect Road Interchange improvements which is planned to begin construction in 2019.

GENERAL DIRECTION SOUGHT AND SPECIFIC QUESTIONS TO BE ANSWERED

Staff is seeking support from the Council Finance Committee to initiate the project utilizing Transportation Capital Expansion Fee (TCEF) funds. Initiating the project will allow staff to coordinate the design with CDOT's Prospect Road and I-25 Interchange design.

Question for the Council Finance Committee:

Does the Council Finance Committee support appropriating Prior Year Reserves in the Transportation Capital Expansion Fee Fund to initiate the design phase of the project?

BACKGROUND/DISCUSSION

Prospect Road is one of four major east-west arterial roadways that link the city to I-25. Prospect Road also serves as the signed entrance for Colorado State University from the interstate. Its current two-lane roadway configuration between Sharp Point Drive and the interstate frequently experiences congestion at peak periods of travel.

Through previous planning efforts, City staff identified the need to enhance this section of Prospect Road to a four-lane arterial roadway. The following summarizes design and construction improvements with this goal in mind:

1995

- Funds identified to improve Prospect Road between the Poudre River Bridge and Summit View Drive in the "Choices 95 Capital Projects" tax initiative

2002-2005

- Roadway design project initiated; designing a four-lane arterial roadway cross-section which minimized impacts to surrounding City of Fort Collins Natural Areas
- Property interests acquired adjacent to City Natural Areas to accommodate the four-lane arterial roadway design

2006

- Prospect Road between the Poudre River Bridge and Summit View Drive reconstructed to a two-lane arterial roadway
- New bridge spanning the overflow path of the Poudre River bridge constructed; width accommodates a future four-lane arterial roadway

2016

- Two Boxelder Creek bridges reconstructed; widths accommodate a future four-lane arterial roadway

Fort Collins and the Northern Colorado region is experiencing significant growth. Currently, Prospect Road east of Sharp Point Drive serves over 21,000 vehicles per day. This amount of traffic typically warrants a four-lane arterial roadway. Proposed developments surrounding the Prospect Road and I-25 interchange will further emphasize the need to add capacity to the existing transportation network.

In 2018, CDOT initiated a project to widen I-25 to three lanes in each direction from SH 14 to SH 402, including reconstructing the interchange at I-25 and Prospect Road. CDOT's decision to improve the interchange served

as the impetus for City staff to revisit a project which would add capacity to East Prospect Road between Sharp Point and I-25's western frontage road. CDOT's interchange design does not include widening the Prospect Road / Frontage Road intersection to a four-lane roadway. It is important that this intersection is designed with a four-lane section of Prospect Road since it will serve as the primary ingress / egress point for multiple developments west of I-25. The design of this intersection would be included in the City's project.

Staff has identified \$600,000 in Transportation Capital Expansion Fee (TCEF) Funds to initiate the design phase of the project. Staff has identified the following project goals:

- Minimize impact to adjacent Natural Areas by utilizing existing right-of-way
- Minimize impacts to nearby residents and businesses
- Improve safety for multi-modal travel
- Reduce congestion for vehicle travel (improves air quality and supports the City's Climate Action Plan goals)
- Coordinate the design with CDOT's interchange improvements
- Coordinate the design with proposed developments west of the interchange

CDOT anticipates the construction of the interchange to be completed in 2021. Staff is submitting an offer in the 2019/2020 BFO Process to enable construction of the project, with the goal to complete the Prospect Road improvements prior to the completion of the CDOT interchange. The 2019/2020 BFO offer will consist of \$1,400,000 of additional TCEF Funds and \$2,000,000 of Keep Fort Collins Great Funds.

Staff has initiated outreach efforts, presenting the possibility of this project as part of an overall staff report, to the Transportation Board in January 2018. If the project is supported, staff will develop a project specific communication and outreach plan. Staff will prioritize discussions with both the Land Conservation Stewardship and Natural Resources Advisory Boards; with the intent to introduce the project and gather feedback/concerns in the summer of 2018. Staff will also continue discussions with the Transportation Board, anticipating a follow-up project update in the summer of 2018. Concurrently, staff will look to gather feedback from the Bicycle Advisory Committee as well as broadening discussions with adjacent property owners and the public.

Discussion / Next Steps:

Trip Data - increase is huge - 40k trips projected by 2040

Development will probably happen more quickly due to intersection upgrade

Total project cost is \$4m - we are going forward with a BFO offer for construction

Mayor Troxell; why this and why now? What economies are gained by tying it in with CDOT?

Chad Crager; CDOT - Master Street Plan - they currently intend to take it back down to 2 lanes at the interchange with Frontage Road - if we can coordinate with them now in their design then they won't be building embankments to narrow the road down which we would then have to redo at a later date. Instead of CDOT narrowing it down - we can coordinate with them to construct to the desired width so we aren't reconstructing in the future. Our goal is to do it all at once so when the interchange is open everything will be open from the interchange to the west.

ACTION ITEM: Mayor Troxell: have you estimated what that cost savings would be to CDOT or to us? The economies of doing it now.

Tim Kemp; we need to follow up on that Mayor - we will follow up by tomorrow.

Mayor Troxell; Where Summit View comes in - that is a safety issue - so how will that be improved? Geometry - curb and gutter - improvements related to the ingress and egress?

Tim Kemp; yes, that was looked at in detail 2006 and we do have some of that history that we could go back to. Looking at any possibility of aligning Hageman's driveway to the intersection would be very helpful - if we could eliminate some of that skew and make it more perpendicular. - We plan to improve that intersection and rebuild the traffic signal system there.

Darin Atteberry; One of the big questions related to this is that it was not a project that was ever communicated during the I25 interchange project - it wasn't communicated to Council - it is on the Master Street Plan - it almost feels like this is just an extension of I25 / Prospect but we didn't know or hear about this before. We should talk about the process - why wasn't this included in the conversation over the last couple years? If Council chose not to move forward with this improvement - but did choose to move forward with the major I25 project what would be the cost of delaying this and not tying it to I25? implications? There are some concerns that there was no process around this project. This is a new project besides being on the Master Street Plan. If we phase this and do the interchange and then do this later - what are some of those costs?

Laurie Kadrich; Rick and I discussed this early on when CDOT first started talking about the I25 / Prospect interchange- it was a deliberate decision not to include it - because we were building that partnership with the property owners and we didn't want to add more costs to the interchange or cloud the issue - we have had this on the back burner through the whole discussion - we could have had a separate parallel process for this so it wouldn't be involved in the negotiations with the property owners or with Timnath and so the Council wasn't surprised by this. We wouldn't want to have 3 phases of construction if CDOT chose not to go forward. There was a period of time when we didn't know if we were going to see these improvements done but we could have identified a parallel project and had those conversations - should have messaged earlier and more often.

Darin Atteberry; 2 projects; interchange and corridor improvements - some stickiness because we didn't do that Are you asking for street oversizing or reserves?

Chad Crager; for this project we have identified \$2m from TCEF (formerly Street Oversizing) to fund approximately half and then we would ask for the other \$2m from KFCG funds as part of the BFO process.

Darin Atteberry: Do you believe this is a higher priority project that others that would compete for KFCG dollars?

Chad Crager; We would need to coordinate within our Service Area but from an engineering perspective, yes

Ross Cuniff; When does CDOT put shovels in the dirt for this project?

Chad Crager; Starting construction in June of 2019 and work is scheduled to be completed in late spring of 2021

Ross Cuniff; how long does it usually take to design a stretch of road like this?

Tim Kemp; this stretch of road - the design piece would be 6-9 months and then about half way through that we would start the right of way acquisition phase which will take approximately 12 months.

Mayor Troxell; I thought you said there wouldn't be a right of way need.

Chad Crager; there is no right of way need in the tan area - the area east of the natural area - there is private property on the north side - we would need to acquire property to do this project

Mayor Troxell; is that included in the \$4m?

Tim Kemp; yes

Ross Cuniff; assume it would be 4 lanes for the 40k trips - right now people will take alternative routes based on the condition of the road -and will switch back to Prospect once it becomes wider

Martina Wilkinson; 40k average daily trips comes from the metro travel demand model and it does assume the build out to 4 lanes.

Ross Cuniff; it doesn't seem impossible if we incorporate the design and building funds in the BFO cycle process for us to meet the CDOT schedule

Chad Crager; while we would appreciate having the \$600k now we could have a more aggressive schedule if we needed to.

Ross Cuniff; not only was Council surprised to see this come forward but it feels like 'out of budget appropriations' are starting to creep up and I don't hear a reason why the \$600k couldn't be included in the BFO competitive process so we have the opportunity to review this against all other priorities.

Laurie Kadrich; typically, our TCEF (used to be called Street Oversizing) traditionally doesn't come through the BFO process - they are standalone appropriations driven by the intent - the ability to fund certain projects within. We have been talking with Mike regarding a possible different way to do the traffic impact funds - development driven project - we would prioritize - no competition for the dollars but we can do this however you like

Ross Cuniff; my preference would be to include this in the BFO timing - there are several projects on the list - I'm still not supportive of moving this forward at this time.

Mayor Troxell; 2-4 lanes - you also mention that from Summit View east there is no sidewalk connectivity and you also showed trails. Can you talk about connectivity across I25 to the Poudre River Trail and how that combination of enhancements will improve aspects including multimodal?

Chad Crager; there is an adjacent trail which starts on the north side of Prospect at the bridge that was built in 2006 and continues east on the south side of Prospect - at Summit View there are no sidewalks on either side of the roadway but there is a small stretch of bike trail. The Prospect bridge over I25 will include wide sidewalks and buffered bike lanes so bikers and pedestrians will be able to go over I25. We plan to connect to the bike lanes and sidewalks that CDOT is constructing - this would provide connectivity for Prospect Road specifically.

Mayor Troxell; Poudre River Trail - the redo of the bridge at I25 will connect to Greeley that is the last gap, right?

Chad Crager; That is correct - CDOT is reconstructing the bridge over the Poudre River and it will accommodate a new trail underneath - I believe on the south side

Ross Cunniff; the other bicycle friendly river crossing is to the west of the bridge - access off of Prospect onto the Poudre River trail on the south side of the river. I would like to compare this to the other transportation projects and needs that are out there - I think we could address that part by being a bit more deliberate.

Chad Crager; the Poudre School District is working with the property owners now so that when they build the high school and stadium it will include local improvements on that side of Prospect Road which will include bike lanes and sidewalks. CDOT improvements on the north side will meet our standards

Laurie Kadrach; school district property was part of the 7th Amendment to the Timnath agreement - with Mayor's permission / staff recommendation for them to de-annex and go in to the Timnath growth management area – there have been discussions between PSD and Timnath regarding that de annexation - that actually would be helpful in terms of the streets there because right now the city owns -half of the road is in the city limits and half of Prospect is Timnath - GMA – would be helpful to have the full roadway in one jurisdiction or the other.

Ken Summers; good project - I've heard forever that Prospect is going to be widened to 4 lanes - the current 21k vehicle volume today would justify 4 lanes - we knew that it would be widened - \$4m for over a mile sounds like a great deal - why not now and why not this? The traffic today demands it and because coordinating the planning with the interchange we are already committed to - I can't imagine having a new interchange and having it funnel down to 2 lanes - people would be in an uproar because of the issues that would create - I would be happy for city to be ahead of the game - to me that is a good process. I appreciate Laurie's comments relative to the BFO process.

ACTION ITEM: Ross Cunniff; is there a way to a rough estimate of the unfunded design amount for the Master Street Plan by tomorrow?

ACTION ITEM: Mayor Troxell; From my perspective, the connectivity is a huge part of this project - seeing more of a comprehensive way that will be positively impact on both sides - bridge to somewhere - on the multimodal side too

Darin Atteberry; I agree with Ken - our guiding document is the Master Street Plan. Our recommendation will be that you do move forward with the engineering dollars and let this project compete with other projects as we go through the 2019-2020 BFO process - I think we are on the right path - if another higher priority - a concern I am hearing from Council members is this came as a surprise and we can't have that - that shouldn't hurt the project - if we could rewind and do it over we would do it differently but we would probably be here at this same point with the same recommendation as we are now. Ross, to your point, you will get to have that prioritization conversation in the budget discussion.

Tim Kemp; request for clarification from Ross Cunniff on the unfunded design amount being requested

Ross Cunniff; take the number of undesigned street miles in our Master Street Plan and multiply it by the dollar per lane mile or street mile design cost and that should be our unfunded design cost estimate.

c. Oakridge Fee Waiver (Reimbursement) Request

Sue Beck-Ferkiss, Social Policy and Housing Programs Manager

SUBJECT FOR DISCUSSION

Affordable Housing Fee Waiver Request for Oakridge Crossing, a senior affordable community.

EXECUTIVE SUMMARY

Oakridge Crossing, LLLP has requested that certain development and capital improvement expansion fees be waived for qualifying units at Oakridge Crossing an affordable senior community. In March 2013, City Council limited the types of projects for which fee waivers may be requested and made these waivers discretionary. Eligible projects are those constructed for homeless or disabled persons, or for households whose income falls at or below 30% of the area median income of all City residents. Oakridge Crossing LLLP is requesting fee waivers in the amount of \$90,923 for the 13 qualifying units at Oakridge Crossing.

GENERAL DIRECTION SOUGHT AND SPECIFIC QUESTIONS TO BE ANSWERED

1. Does the Council Finance Committee (CFC) support granting the fee waiver request?
2. If CFC desires the Capital Expansion Fees to be backfilled, should this funding come from the General Fund or the Affordable Housing Capital Fund or from both?

BACKGROUND/DISCUSSION

Oakridge Crossing LLLP is seeking the waiver of certain development and capital improvement expansion fees for Oakridge Crossing, an affordable housing project as allowed by City Code and the Land Use Code. Oakridge Crossing is currently under construction and will deliver 110 age-restricted income restricted units, of which 13 will be targeted to households making no more than 30% of the area median income (AMI). The request from Oakridge Crossing LLLP is attached as attachment 1.

Fee Waiver history:

For many years, the City provided affordable housing fee waivers for some building permit fees, development review fees and some capital expansion fees as an incentive to encourage the development of affordable housing.

- In March 2013, City Council amended its policies on fee waivers for affordable housing to allow for more discretion in determining the kinds of housing projects for which City fees should be waived.
- This was after a large waiver was granted.
- By adopting Ordinance No. 37, 2013, City Council limited eligibility of fee waivers to the local housing authority and limited what types of units would qualify for fee waivers. Only projects that are constructed for homeless or disabled persons, or for households whose income is no greater than 30% of the area median income of all City residents qualify.
- Furthermore, waivers were made discretionary by City Council upon a determination that the proposed waiver will not jeopardize the financial interests of the City or the timely construction of the capital improvements to be funded by the fees for which a waiver is sought.
- This policy was changed by City Council in 2017 so that any developer providing qualifying units is eligible to seek discretionary fee waivers.

Current Request:

Oakridge Crossing is a 110-unit affordable housing community being constructed at 4786 McMurry Avenue in Fort Collins. See attachment 2 for map of location. The developer is Oakridge Crossing LLLP. Of the 110 total units, 13 units, equaling 11.8% of the total development, will be dedicated to households making no more than 30% AMI. Oakridge Crossing LLLP is seeking the waiver of certain fees for those 13 qualifying units. The total fees for this \$22m project are in excess of \$770,500. The request is for 11.8% of eligible fees, \$90,923, to be waived. Of that amount, \$79,913 are for capital expansion fees. In this case, the request is to refund fees already fully paid.

The 2017 income limits published by the U. S. Department of Housing and Urban Development for 30% of the Fort Collins AMI is \$16,150 for a household of 1 and \$24,600 for a household of 4. (2018 income limits have not been published yet). Households at this income level are some of the City's most vulnerable residents. These qualifying units at Oakridge Crossing fit the definition and are eligible for fee waivers as established by City Code, and the Land Use Code.

The City has established affordable housing production goals in the 2015-2019 Affordable Housing Strategic Plan (Plan). The need for financial support for these goals to be met is also stated in the Plan. The annual production goal for this 5-year plan is 188 units. This project will deliver 110 units which is 59% of the City's annual goal. Since the City does not develop housing, development partners are relied upon to bring this necessary housing product to the community. This project will increase the inventory of affordable rental units which is one of the strategies listed in the Plan.

It is recommended that any capital expansion fees waived be subject to backfill by the City to reimburse city departments for fees if this waiver is granted, as has been the City's custom to date. Traditionally backfill of capital expansion fees occurred and has come from General Fund reserves. Alternatively, funds for this request could come from the Affordable Housing Capital Fund that was approved by the voters as part of the City Capital Improvements Program. This fund will accumulate \$4 million over ten years. The current balance in this fund is: \$597,500.

Board and staff support:

- The Affordable Housing Board supports this waiver request. The City's waiver policy has greatly limited the types of projects that qualify for waivers. This policy recognizes that households earning no more than 30% AMI cannot afford market rate housing in our City at this time. The average rent is currently over \$1,200 a month. A one-person household at 30% AMI would need to pay 89% of their income to pay the average rent. A four-person household would need to pay 59% of their income to afford the average market rate. Ideally, renters would never pay more than 30% of their income on housing. Developers need public subsidy to produce housing that this demographic can afford.
- Staff also supports granting this waiver request.

Discussion / Next Steps:

This request is ready to be presented to Council after this committee's review.

100 affordable units - 13 units of which will qualify for fee waivers - 11.8% of overall development.

We are providing a BFO offer that would give you the anticipated / projected needs over 2 years.

Ross Cunniff: I like the characterization of this as a fee rebate because it is not coming out of impact fees - a fee waiver says you don't have to pay in to the fee

Mike Beckstead: we are going to clarify that in the BFO offer

Ross Cunniff: I appreciate the BFO conversation. How do we work toward stabilizing our budget with respect to these types of requests? How do we decide if there a policy discussion we should have on when to use (example Affordable Housing fund) good timing during budgeting cycle to have a put the meat on the policy conversations?

I do support granting the fee rebate in this case. -How much money do we have in the affordable housing fund now? What other projects have we identified?

Sue Beck-Ferkiss; We currently have \$575K - so, in addition to backfill for fee waivers, the direction Council provided would be a new program called Direct Subsidy for projects that are close to completion but need a little assistance to get to market quicker or to reach lower demographics.

Ross Cunniff: I am in favor of this moving forward - my preference would be from the Affordable Housing Fund
Mayor Troxell; I support

Ken Summers: I support

Sue Beck-Ferkiss; Is the direction that the entire amount should come from the capital fund?

Response - Yes - \$575K available in fund now

D. Murphy Center Expansion Proposal

Beth Sowder, Social Sustainability Department Director

David Rout, Homeless Gear/Murphy Center Director

SUBJECT FOR DISCUSSION

Murphy Center Expansion of Hours/Operations Proposal

EXECUTIVE SUMMARY

The purpose of this item is to present to Council Finance Committee a proposal to fund the expansion of operational hours at the Murphy Center in a phased approach. This proposal includes:

1. **Phase One** June 1, 2018 through December 31, 2018 – expanded hours to include Saturday mornings year-round and expansion of weekday evenings during winter months.
2. **Phase Two** January 1, 2019 through April 30, 2019 - Continuation of expanded weekday and Saturday morning hours.
3. **Phase Three** May 1, 2019 through December 31, 2019 – Options to include year-round Saturday morning hours and expanded weekday evening hours either year-round or only during winter months.
4. **Phase Four** January 1, 2020 through December 31, 2020 – Same options as Phase Three.

GENERAL DIRECTION SOUGHT AND SPECIFIC QUESTIONS TO BE ANSWERED

1. Does Council Finance Committee support this proposal going to City Council for 2018 funding and through the Budgeting for Outcomes process for 2019-2020 funding consideration?
2. Does Council Finance Committee have any questions or concerns about the phased approach to this proposal, planned services, or anticipated outcomes?

BACKGROUND/DISCUSSION

Background

During the spring of 2017, in response to concerns over disruptive behaviors in the downtown area, City Council considered options related to the “Appropriate Use of Public Spaces” ordinance. During that discussion, concerns were raised by community members about the perceived lack of availability of locker/storage space for people experiencing homelessness. Ultimately, Council decided not to fund a proposal for lockers at the Fort Collins Mennonite Fellowship. The Murphy Center approached the City with a tentative proposal to expand the Murphy Center’s operational hours during cold-weather months. This potential proposal seemed like a win-win option since it would provide a more comprehensive continuum of services at the Murphy Center, not only limited to accessing lockers but access to additional services as well. City Council responded positively to this and requested that staff work further with the Murphy Center to provide a proposal to bring to Council Finance Committee and then City Council.

Homeless Gear, the operating manager of the Murphy Center, consulted with the building owner and the four-agency Murphy Center Partner Council. The Partner Council, comprised of representatives from Homeless Gear, Catholic Charities, Neighbor to Neighbor, and SummitStone Health Partners, supports and advises on issues pertaining to the long-term vision of the facility. They are in support of this proposal.

Proposal Overview

The Murphy Center is a one-stop-shop of services for people who are homeless or at-risk of becoming homeless in Larimer County. Some 20 agencies provide 40 services at this one location.

This operational expansion of the Murphy Center’s hours and services was developed in response to City Council’s desire to not only expand locker access for people experiencing homelessness, but to also expand access to a system of services designed to help people escape homelessness. This proposed expansion would:

- Accomplish the goal of providing expanded access to lockers and services
- Provide a significant return on investment
- Increase the Murphy Center’s operating hours by 63% during cold-weather months
- Allow staff and volunteers to engage with individuals and families who do not/cannot access the Murphy Center during daytime hours
- Increase on-site case-management capacity
- Fill numerous gaps under the umbrella of expansion

The proposal has four phases:

Phase One – June 1, 2018 through December 31, 2018 - \$55,180

- Immediate expansion of hours to include Saturday mornings, 8:30 a.m. to 11:30 a.m.
- Immediate expansion of case-management capacity
- An expansion of weekday hours – from 8 am to 5 pm presently to 8 am to 10 pm – in November and December 2018

Phase Two – January 1, 2019 through April 30, 2019 - \$55,250

- Continuation of expanded weekday hours, Saturday morning hours, and expanded case-management capacity (note: April 30 is the end of the cold-weather season)

Review Results – Near the conclusion of phase two (after one full cold-weather season), the Murphy Center recommends a review conducted with City staff to assess the results of Phases One and Two to determine:

- a) If the results justify a continuation of the projects, and
- b) If so, which phase three option should move forward?

The Murphy Center will work with City staff to identify and produce the needed metrics for this review.

Phase Three – May 1, 2019 through December 31, 2019 - Option A \$50,550 or Option B \$88,600

- **Option A:** Continuation of Saturday morning hours and expanded case-management capacity, but expanded weekday hours only in November and December 2019 (cold-weather months)
- **Option B:** Continuation of expanded weekday hours, Saturday morning hours, and case-management capacity (maintains weekday hours for entire year, rather than only during cold-weather months)

Phase Four – January 1, 2020 through December 31, 2020 – Option A \$105,800 or Option B \$143,850

- **Option A:** Continuation of Saturday morning hours and expanded case-management capacity, but expanded weekday hours only during cold-weather months (January through April, November and December 2020)
- **Option B:** Continuation of expanded weekday hours, Saturday morning hours, and expanded case-management capacity (maintain weekday hours for the entire year, rather than only during cold-weather months)

The proposed expansion would require staff additions and a realignment of existing resources at the Murphy Center (see attached proposal for details). Additionally, the following proposed services will be provided by the Murphy Center, Homeless Gear and some partner agencies:

1. Intensive, Housing-focused Case Management
 - a. The Murphy Center's mission is to help people escape or avoid homelessness and contribute meaningfully to our community's plan to make homelessness rare, short-lived and non-recurring. The case manager would help individuals and families secure and maintain housing and, as a result, help move the needle on the issue of homelessness and reduce the utilization of costly community resources (emergency services, jail costs, and medical expenses).
2. Warming/Day Shelter – this proposed expansion would provide a warm, safe space for guests on Saturday mornings year-round and weekday evenings during (at least) cold-weather months
 - a. This expansion would fill the gap of the warming center system (now only filled by churches 4 evenings per week). As a result, it would reduce the likelihood of exposure-related deaths or illnesses among people experiencing homelessness and reduce the use of costly community resources. It would also provide consistency to clients who might not otherwise know where to seek temporary, evening shelter.
3. Core Services – the Murphy Center would provide access to lockers, mail, laundry, showers, food, survival gear, computers and phones during the expanded hours.
 - a. This proposed expansion would provide (at least seasonally) 28 additional hours of locker access per week. Importantly, it will provide access to seven other core services (listed above), greatly increasing the return on investment.
4. Volunteer Support – Volunteers perform numerous functions at the Murphy Center, including the delivery of many core services, and they also serve as support coaches helping with job or housing searches, computer skills, obtaining identification, etc.
 - a. Support Coaches have proven invaluable in delivering task-oriented services to guests, under the guidance of on-site Case Managers. The expansion hours will provide more volunteer opportunities.

5. Other Agency/Program Activities – Numerous agencies have expressed interest in providing services during evening or weekend hours at the Murphy Center possibly including: housing classes, employment services, and substance-abuse and/or mental health groups.
6. Year-round Expansion – depending on the results of the cold-weather season expansion, this proposal includes an option to maintain expanded hours year-round.

Results

Homeless Gear and the Murphy Center expect that this expansion (not including the potential year-round expansion of evening hours) would produce the following annual outputs and outcomes:

- More than 750 additional hours of access to warming centers and core services
- More than 5,000 guest interactions
- 4,000 additional shower slots (15 men's and 10 women's slots per evening)
- 2,500 hours of volunteer support
- Intensive case management for at least 20 individuals (at a time) who are chronically homeless or recently exited from chronic homelessness. It is expected that the new case manager will help at least 10 individuals – all high-utilizers of costly community services – escape homelessness during the funding period.

An important note to consider: When Homeless Gear assumed management of the Murphy Center, several donors and grantors provided short-term, gap funding to help the Murphy Center re-stabilize operations. Some of those short-term commitments expired or will expire in 2017 or 2018. The Murphy Center must prioritize funding for existing operations above this expansion proposal. In that context, the Murphy Center has requested the City to increase its commitment through the Budgeting for Outcomes process (within the Social Sustainability Department's "Homelessness Initiatives" budget offer) from \$50,000 per year to \$100,000 per year. It would be difficult to administer an expansion of the Murphy Center – Phases Three and Four, in particular – without that support for current operations.

Discussion / Next Steps;

Murphy Center - what makes it efficient is all agencies come together in one location to provide comprehensive, collaborative services

Proposal is about more than just lockers -

- Expanded access to lockers and other services

- Adding case management capacity - flex hours - evenings and weekends

- Expand hours to include Saturday mornings 8:30 - 11:30 am

- Open M- F until 10 pm - during winter months

Mayor Troxell; this is quite a comprehensive proposal in response to Council - I appreciate this full proposal for on-going services - You have involved a lot of the other providers - Where is Homeward 2020 in all of this?

David Rout: They have been involved in the some of the initial discussions about this - we sought their feedback on this proposal so they have had input - they are supportive – the case management expansion would likely be directed toward some of their clients in the Housing First initiative.

Jackie Thiel; how is this particular project not in isolation? How do we connect this to services and to existing hub infrastructure we have and to professional staffing? Case Management is one of the top priorities that Homeward 2020 has identified through the data management. How are we creating pathways out of

homelessness is to make sure you have the dedicated support at a hub like Murphy Center to support them? If you are coming in for lockers - there are many other services available.

Mayor Troxell: lockers weren't a best practice – in this larger context how does that change?

David Rout; we had some serious reservations about outdoor lockers – accessibility 24x7 - couldn't be done for the price that was on the table based on our experience of managing lockers it is time consuming - there is a lot that goes into it - it is important to have locker services available in the context of a broader plan.

Mayor Troxell: 160 clients per day - is 300 on-going clients a workable number? trying to relate it to our annual point in time - who we are serving

David Rout; We have at 339 on our report currently who have been homeless for 6 months or longer and have a robust set of needs - we are nowhere near the case management capacity we need to serve these folks –

Ross Cuniff: when we originally budgeted the locker program - we were budgeting \$10K
I think this does make sense - it is an emerging need - I do support moving this forward at least for Phase I and probably for Phase 2 - when do you need to know? could we put Phase 2 in later through our BFO process?

Jackie Thiel; that is our plan - we wanted to give you the whole context - everything beyond Phase 1 is in the BFO process - Phase I would be an outside of BFO project

Ross Cuniff; is there a public outreach planned for the expansion?

David Rout; Tom Austin, the Murphy Center Director who is here and I will be doing the outreach

Ross Cuniff; Murphy Center internally driven - this is not a huge change in the Murphy Center's scope

David Rout; What we are proposing a more controlled closing of the Murphy Center - If I was a business in the area I would prefer this as opposed to the way it operates now.

Ross Cuniff; I appreciate the detail - this is well thought out -

Mayor Troxell; has there been any effort to look for funding partners?

David Rout; not at this point but as we move forward -

Mayor Troxell; I think Fort Collins is not as a funding agency in a holistic sense. Our goal is to work in partnership with other funding partners - adds into the buy in and support - we have a lot of generosity within our community - what you have proposed is more comprehensive with wrap arounds - thinking more comprehensively - I really appreciate everything you have done to move this forward.

Beth Sowder; while this proposal does fund case management it wouldn't fund other partners who may come on board or have expressed interest - SummitStone - Neighbor to Neighbor - there would be some match as far as service providers

Mayor Troxell; in time this proposal will in fact leverage 2-3x - a much stronger agreement

Jackie Theil; we did have that conversation- this Phase 1 funding will be a great catalyst for Murphy Center – conversations to engage other potential funding partners. Also regarding outreach - as we were talking about the warming centers have been decentralized - some churches have chosen not to participate due to impact of the neighborhoods - taking some of the warming centers out of the neighborhoods and into the Murphy Center.

Ken Summers: perceived need - access to locker space - we are talking about 3 hours on Saturday - Was there any thought to being more - same amount needed for 118 hours for a budget \$55K Then we expand that a little bit more in the January - April Phase - costing us \$168 dollars per hour to have these services available (including lockers). Is there a better approach? Basic issue - are we preparing for services that may not be needed - The issue that came forward for lockers - people who are working and need a secure place to store their belongings -

David Rout; I haven't seen any data that the need for that one thing (lockers) is so compelling. The phased/ tiered approach will allow us to in Phase 1 to see who is coming in and what services they are pursuing? I didn't want to commit to being open additional hours year-round without the data to support the need. There is a potentially scalable approach after the 2nd Phase - maybe we extend hours to 6-7 pm not 10 pm All would be based on what we see in the data.

Jackie Thiel; the need around folks who are trying to work - how do we support them in evenings or weekends - connecting the lockers in isolation - what we have been seeing from the Homeward 2020 approach - some of them are working and are not having access to housing assistance etc. because they need this support in off hours.

David Rout; The per hour costs - case manager is a full-time person - 2,000 hours per year - some of their time would be in in the extended hours and other would be spent out in the community coordinating.

Ken Summers; is the \$100K + for Phases 1 and 2 an ask for city support or is that a projected budget?

Beth Sowder: The ask if for city support for Phase 1 and 2. Then looking for more matched funding to offset. Only Phase 1 would not compete in the BFO process.

One of the primary differences from the locker only proposal – total of 20 - \$100 per person This is 200 people per day - \$2 per person - my simplistic way - cost benefit - because of the added services - greater in this proposal than the other

Beth Sowder; the \$10K was one time to fund the actual lockers and then there was \$300-500 for ongoing operations.

Darin Atteberry: a bit confusing as you are almost presenting this as if it is a done deal - Are you asking Council Finance if they support Phase 1 for \$55k of ongoing money? Is Phase 2 an additional \$55k?

David Rout; it is additional

Option A \$105k a year of additional dollars

Option B \$144k year of ongoing dollars

Jackie Theil; Council asked for an expedited approach - that would be a one-time funding for this year

Ross Cuniff; Do you know what funding / budget source would fund this one-time appropriation?

Darin Atteberry; it would have to be out of one-time General Fund dollars. Mayor Troxell, Ken Summers and Gerry Horak all asked "Are there others who can help fund this in Phase 1?"

Ken Summers: what is the role in our Foundation down the road? This is the sort of the thing that would be more a Fort Collins Foundation fund

Jackie Thiel; Phase 1 could start June 1st - we would be bringing this to Council quickly but there is flexibility there as well

Mayor Troxell; This would require an ELT fund input / discussion

Ross Cuniff; week day expansion - leadership team can look at status of fund sources and put add it to the agenda

Darin Atteberry; you mentioned that you have not yet done outreach in the surrounding neighborhoods

Ross Cuniff; I would ask that the city be the partner in Phase 2 – expanded scope of services provided by Murphy Center

Mayor Troxell; Recognize the need to continually try to put this in the terms of the outcomes - are we tracking that? Includes more wrap around services and getting closer to housing first initiatives. We expect to see a trend in a direction that is meeting those Homeward 2020 kind of objectives.

Jackie Theil; we have a work session scheduled for October which will be the annual report for the Housing First initiative - it will give a great overview of the data - we will have a daily point in time tracking input and outcomes.

Darin Atteberry; we learned a great deal through the locker process - the problem that we were trying to solve – do you believe this is consistent with that original intent /request?

Jackie Thiel; Yes - the locker quantity wasn't an issue but access hours were an issue for our working clients – connect to pathways out of homelessness - really listening to other community members regarding location and staffing

OTHER BUSINESS:

Utility Billing System



Previous plan

- Utilities planned \$7M+ for new billing system; appropriated \$2.3M in 2018, planned on appropriating the remainder in 2019
- Broadband assumed a separate billing system was required

What we learned

- Issued RFP and several responses provided an integrated solution that will support current utility and broadband needs.
- Evaluating integrated proposal in April & May

Implications

- If integrated solution works, we'll need to accelerate utility funding
- 2018 appropriation to be brought forward from the four existing utilities

Desire to give Council Finance as much notice as possible about an out of cycle budget process

Utility Billing system - with an expectation that we would come back in 2019

Broadband at the same time we had about .5M - There wasn't a billing system to handle all 5 utilities

2 of the respondents have the capability to provide an integrated solution to support all 5 utilities/

If we find that system does meet our requirement - we would want to have an agreement in place mid 2018

We will need all of the money appropriated so we can sign a contract to provide a billing system for all 5 utilities

Billing system up and running if one of the pacing items for Broadband in order to delivering service to our

customers - one of the items that needs to be put in place by the time we are offering service by Q3 of 2019 - I

think there is a high probability that one of these two organizations will have a system that meets our needs -

together we will go sign a single contract to satisfy the install a billing system to satisfy the needs of all 5 utilities

Very quick fast discussion - Clearly would be more expensive to have two separate billing systems.

We plan on the billing folks and customer services folks to be integrated in handling customer questions for all 5 utilities.

Mayor Troxell; what is the anticipated cost for an integrated system?

Mike Beckstead; \$7M for the 4 utilities alone- we had .5M budgeted for Broadband.

We are reducing the timeframe - trying to do this in 12-14 months

We are looking at this over a 10-year life with on-going maintenance -

One is a \$3M cost the other is a \$6M cost just for the software and the implementation - licensing

Lower than we were anticipating for the 4 utilities - we are in preliminary discussions with these two companies.

Ross Cunniff; how do you plan to structure? As a loan to or rebate from the Broadband utility to repay / make whole the other 4 utilities?

Mike Beckstead; intent would be to add the prorated share - When we do the bonds - if the appropriation goes through - that will be the Broadband portion of the funding need

All 5 utilities would provide a prorated share based on number of clients serviced
Base case consists of 18,000 residential and 3,500 commercial accounts

Mike Beckstead; our approach has been that we have spent a good amount of time writing business requirements – started at 3300 range – we brought that down to 1700 for the five utilities that must be met by this system. We put together scripts and demonstration expectations for the vendors to come in and show us how they would handle the business requirements. We are approaching this in a very deliberate, quantitative way.

Mayor Troxell; I like your comprehensive approach.

Meeting adjourned at noon.

COUNCIL FINANCE COMMITTEE AGENDA ITEM SUMMARY

Staff: Mike Beckstead, Jennifer Poznanovic, Teresa Roche

Date: May 21, 2018

SUBJECT FOR DISCUSSION

2018 BFO Assumptions for funding availability, salary adjustments, changes to benefits costs, full-time hourly position conversions, large bonded capital projects, and broadband allocation methodology.

EXECUTIVE SUMMARY

In 2018 the City will again use Budgeting for Outcomes (BFO) to prepare the City Manager's Recommended Budget for 2019-20. Key assumptions are established at the beginning of the process and reviewed with the Council Finance Committee.

1. **Funding Sources:** The sales and use tax forecast is an important revenue stream necessary to support ongoing costs. General Fund sales and use tax is allocated across all seven Outcomes, while the voter approved dedicated tax forecasts are allocated to specific Outcomes where applicable Offers can utilize that as a funding source, per ballot language requirements. Available reserves can also be used to fund Offers; typically for one-time types of expenses.

2. **Salaries:** Employee average salary adjustments are entered in to the budgeting tool and are then applied to the current 2018 salaries of staff to calculate the salary costs for employees in 2019-20.

3. **Benefits:** Employee benefit cost changes are entered in to the budgeting tool and are then used to calculate total benefit costs for employees in 2019-20.

4. **Full-time Hourlies:** The employment category of full-time hourly is being eliminated and those positions being eliminated, modified to other types of hourly positions, or being converted into classified positions. The plan is for all the previous full-time hourly positions to be addressed in this budget cycle.

5. **Large bonded capital project Offers:** To provide transparency to the community, Offers for 3 large bonded capital projects will be submitted for the 2019-20 Budget. Those projects are 1) the I-25/Prospect Interchange, 2) the Police Training Facility and 3) the Vine/Lemay Grade Separated Crossing.

6. **Broadband Offer and Allocations:** An Offer for the Operations and Maintenance of the new Broadband Utility will be submitted for the 2019-20 Budget. Regarding allocations, various costs like the compensation for the City Manager and City Attorney are allocated based on City Code and administrative policies. The creation of a new Broadband Utility will impact the current allocation methodology in the future.

GENERAL DIRECTION SOUGHT AND SPECIFIC QUESTIONS TO BE ANSWERED

- 1) What questions does CFC have about these 2018 BFO assumptions?
- 2) Is CFC supportive of these assumptions?

BACKGROUND/DISCUSSION

All background information is contained in the attachments and will be discussed in detail during the meeting.

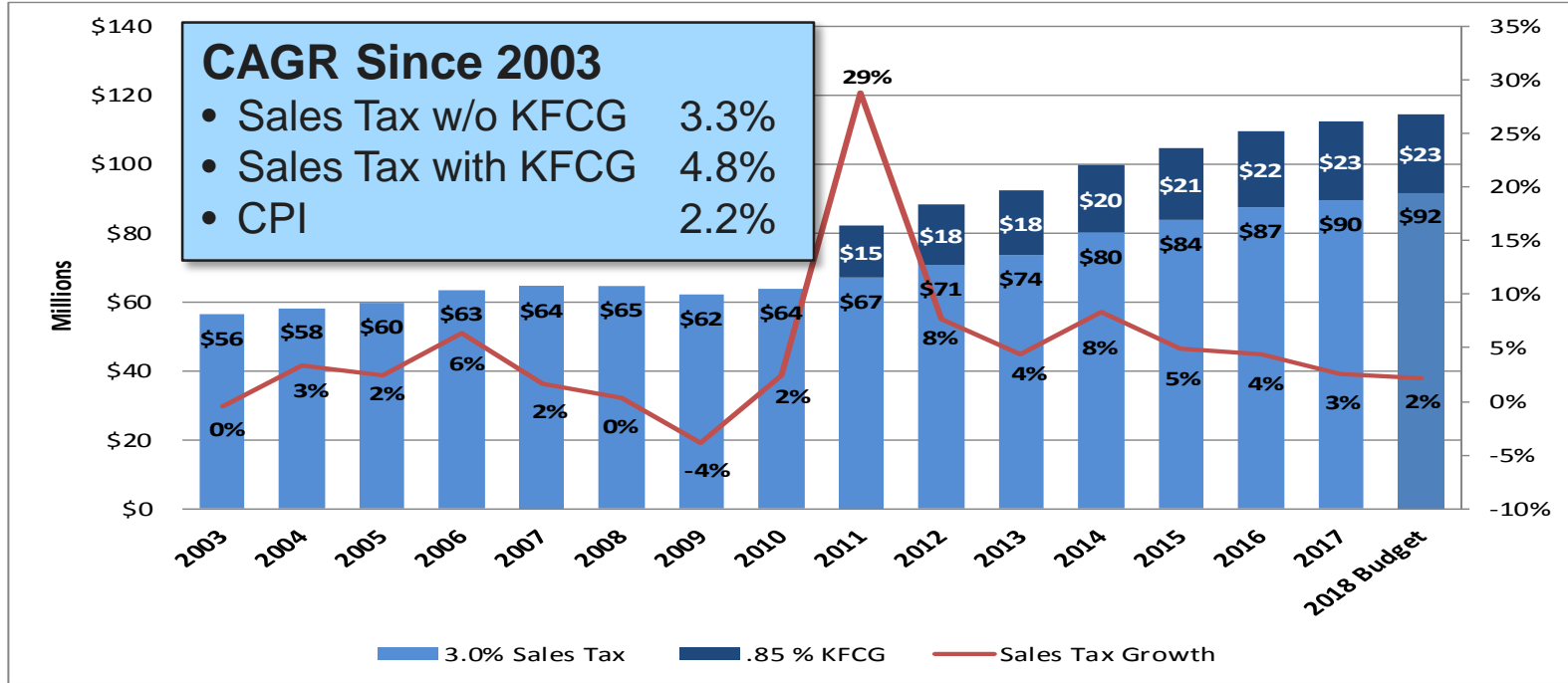
ATTACHMENTS

Attachment 1 – Presentation



**Assumptions for the 2019-20 Budget
Council Finance Committee - May 21, 2018**

- **Funding sources: major taxes and reserves**
- **Employee average salary & benefit cost changes**
- **Addressing full-time hourly positions**
- **Large bonded capital project Offers**
- **Broadband Offer and allocation methodology**



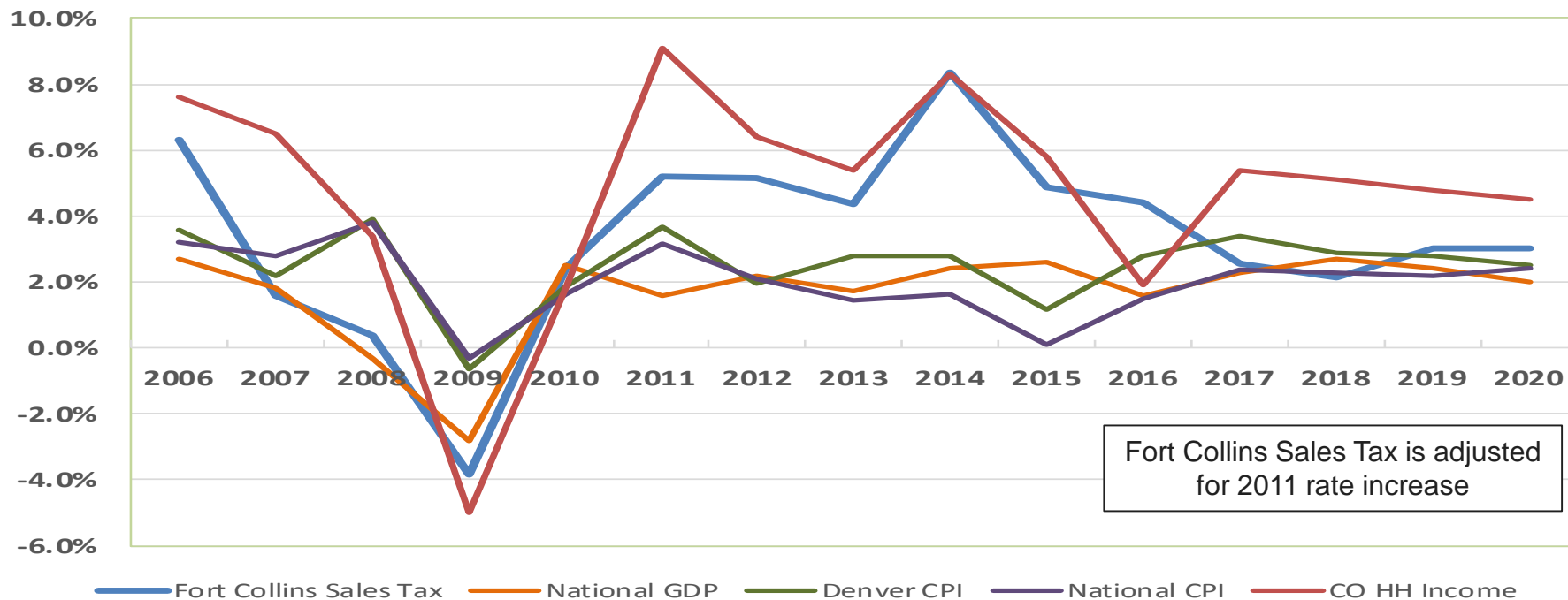
Sales Tax Revenue Growth is Generally in the 2-6% Range

| 2019 | 2020 |
|-----------|-----------|
| 3% Growth | 3% Growth |

*Maintain General Fund contingency assignment of \$3.4M

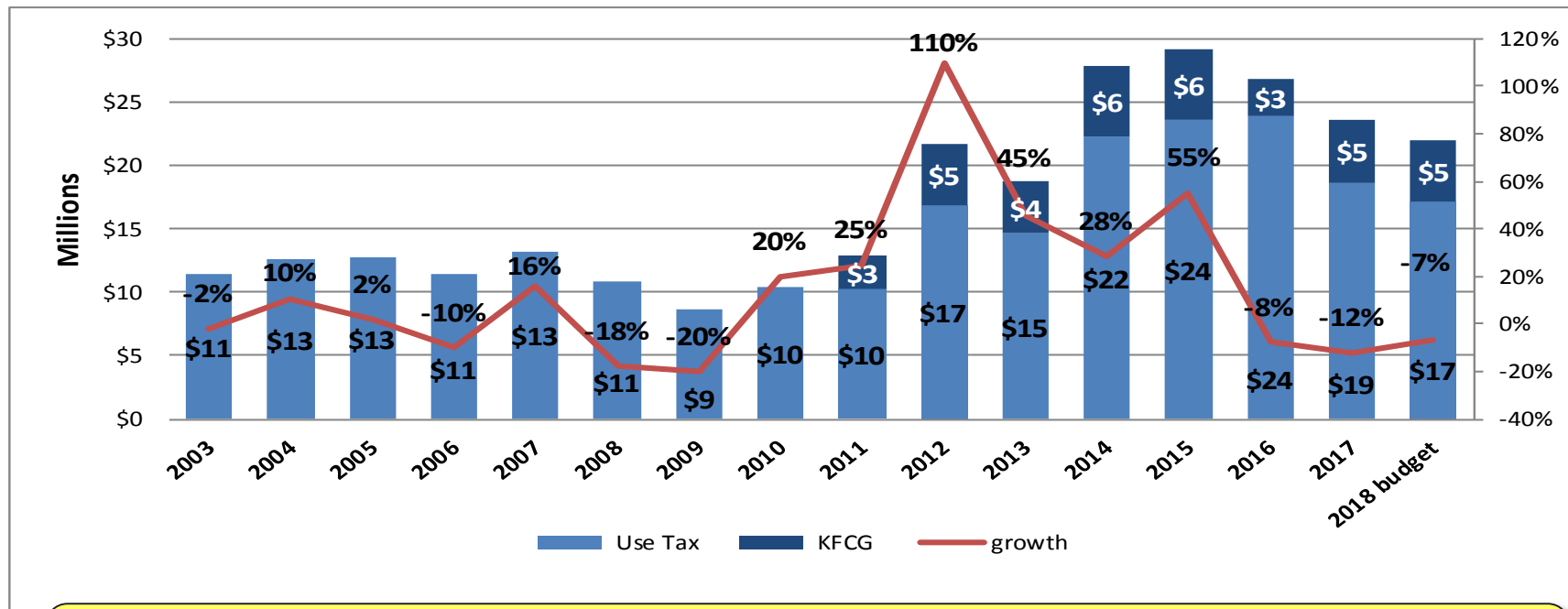
- **Historically Fort Collins Sales Tax follows the same trend as US GDP, Colorado Personal Income, US CPI and Denver-Aurora-Lakewood CPI**
 - US Gross Domestic Product (GDP) forecast showing growth, but slowing slightly
 - Colorado Personal Income projections show growth, but slowing slightly
 - Consumer Price Index expected growth, but slowing slightly
- **Colorado forecast indicates a slow decrease in retail sales projections**
- **Although Economists are not always accurate in their predictions, some see a downturn in the near future**

Sales Tax Projections 2019-20



**National GDP and Denver-Aurora-Lakewood CPI
Projections for 2019-2020 Show Gradual Downturn**

Use Tax History



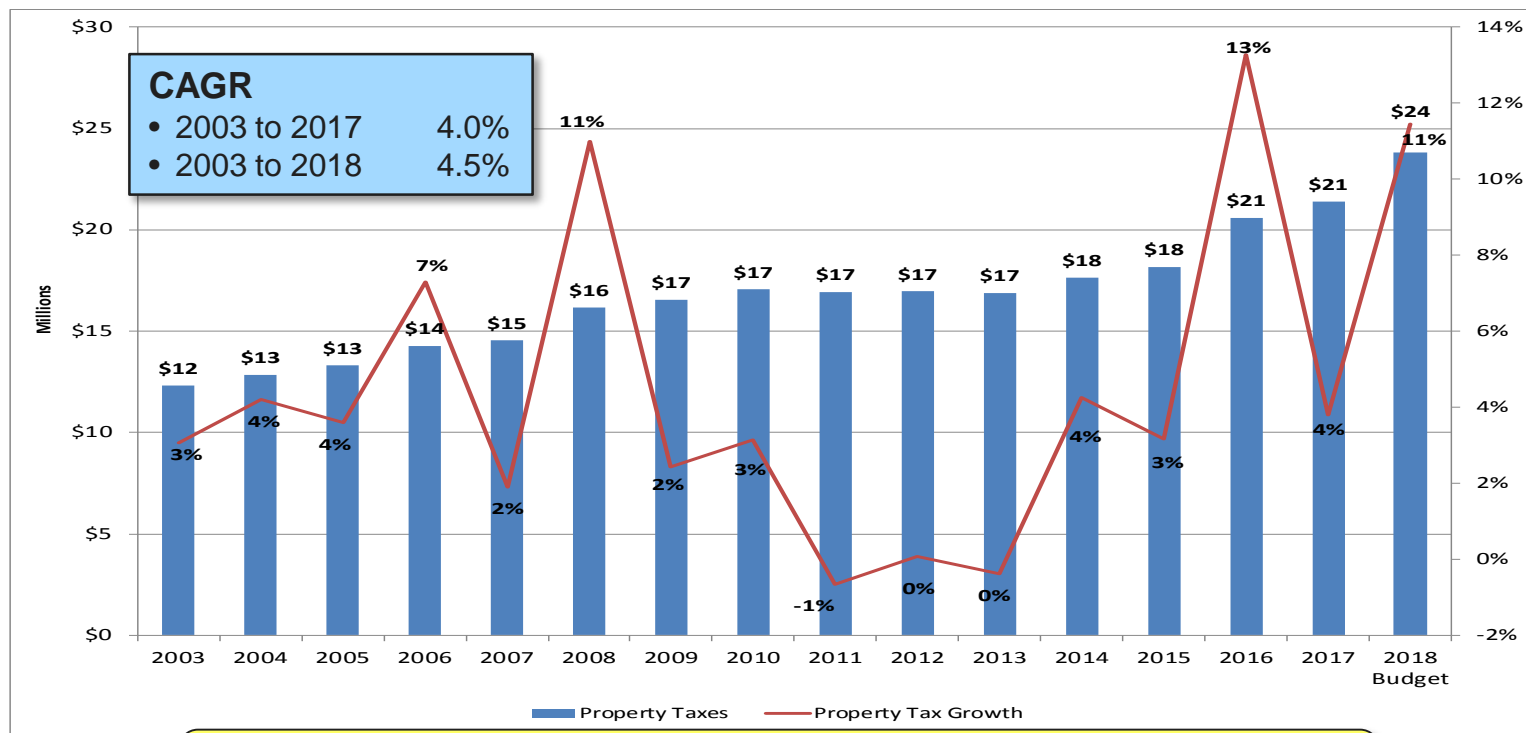
Use Tax is Volatile and Difficult to Forecast. Driven Largely by Development and Business Investment and is Projected to Slow, but Continue to Grow, in 2018

| 2019 | 2020 |
|-------|-------|
| \$21M | \$20M |

*Maintain General Fund contingency assignment of \$3.4M

- **Residential project growth expected to continue while non-residential projects are more in question**
 - Industrial market is not as strong as expected
 - Office/retail market has softened
- **Use tax on building permits growing, but slowing slightly**

Property Tax History



After being flat since 2008, Property Taxes have grown significantly over the past couple years

Property Tax Recommendation

| 2019 | 2020 |
|------|------|
| 2% | 5% |

- **Recommendation is based on discussions with the Larimer County Assessor's Office**
- **PFA receives 67% of the city's portion of property tax via an IGA**

- **Keep Fort Collins Great (Preliminary Fund Balances*)**

| | 2017 Ending Balance | Prior Year Appropriations | 2018 Estimated Ending Available Balance | 2018 Requested Re- appropriation | 2018 Budget Expenses | 2018 Budget Revenue | 2018 Estimated Uncommitted KFCG Fund Balance |
|----------------------------|------------------------|------------------------------|---|--|-------------------------|------------------------|---|
| Street Maintenance | \$3.6 | (\$1.4) | \$2.2 | \$0.0 | (\$10.6) | \$9.2 | \$0.8 |
| Other Transportation | \$1.8 | (\$0.9) | \$0.9 | (\$0.2) | (\$5.2) | \$4.8 | \$0.3 |
| Police Services | \$3.7 | \$0.0 | \$3.7 | (\$0.0) | (\$5.8) | \$4.8 | \$2.6 |
| Fire Protection | \$0.2 | \$0.0 | \$0.2 | \$0.0 | (\$2.9) | \$3.1 | \$0.4 |
| Parks & Recreation | \$1.5 | (\$0.2) | \$1.3 | (\$0.5) | (\$3.2) | \$3.1 | \$0.8 |
| Other Community Priorities | \$1.8 | \$0.0 | \$1.8 | (\$0.9) | (\$3.5) | \$3.1 | \$0.4 |
| | \$12.7 | (\$2.5) | \$10.2 | (\$1.6) | (\$31.3) | \$28.0 | \$5.3 |

- **General Fund (Estimated available fund balances not yet available**

- As in the 2017-18 Budget, a contingency set aside is recommended
- The amount for the 2019-20 Budget is \$3.4M, which is the difference between 3% sales tax growth and no growth

- **Employers Council survey data showed merit increases for City behind since 2015 with 1% difference in 2018**
- **Local Consumer Price Index (CPI) of 3.7% is also a more than a full percentage point above City's merit increase**
- **Very low local unemployment rate (2.5%) continues to put wage pressure growth on local employers**
- **Multiple Linear Regression analysis projected a range of a 3.25%-3.70% increase for 2019 and 3.1%-3.55% increase for 2020**

- **Based on forecasted economic indicators and concern regarding competitive position relative to peers, the City Manager is including a:**
- **3.5% merit increase in recommended 2019 budget:**
 - City did not have an opportunity to adjust to market in 2018
 - Regression analysis range median is 3.5%
 - Helps keep up with stronger local CPI rate
- **3.0% merit increase in recommended 2020 budget:**
 - GDP and CPI projects an economic slowdown between 2019 and 2020
 - More conservative in light of analysis projecting an upcoming slowdown
 - Multiple sources reporting 3% is becoming the new norm for merit increases

| Fort Collins | Plan Design | Premium Single (13%) | Premium Spouse (29%) | Premium Children (29%) | Premium Family (29%) | Cost/Claim Share | Consumer Choice |
|--------------|-------------|----------------------|----------------------|------------------------|----------------------|------------------|-----------------|
| Public | + | In Market | - 6% | - 5% | - 4% | In Market | - |
| Private | + | + 8% - 12% | + 5% | + 4% | + 4% | In Market | - |

Medical – Increase Employer Cost

- 2019: 2.5%
- 2020: 5%

Dental – Increase Employer Cost

- 2019: No increase
- 2020: 3%

Increase to City Budget:

- 2019: \$650K
- 2020: \$1.2M

Employee Premium Increases determined Q3

*Assumes 3.5% Annual Enrollment

| 2014 | 2015 | 2016 | 2017/2018 | 2019 Anticipated |
|---|--|---|--|--|
| Began accounting for hourly and implemented ACA | 205 total full-time hourly + additional thru ACA reporting | <p>157 full time hourly positions identified for recommended conversions</p> <p>2017-2018: 25 positions converted</p> | <p>Stopped hiring full-time hourly and began phasing out positions</p> <p>Created long-term seasonal as a new classification</p> <p>Identified final conversion requests</p> | <p>80 Conversions for a total of 105 hourly full time conversions; plan is to do a competitive posting for majority of these</p> <p>29 Long-term seasonal</p> <p>71 Total full-time positions phased out by January 2019</p> |

Positions provide ongoing and critical service requirements

- **In order to continue providing ongoing and critical service requirements and realign employment classifications, the City Manager is including an estimated cost of \$350k in core offers for:**
 - 80 Conversions
 - 29 Long-Term Seasonal

*Presumes all sunsets occur by January 2019

Capital Projects with Debt Service

- **I-25/Prospect Interchange – approximately Fort Collins debt = \$17M**
 - Debt service estimated at \$1.3M
 - Less: \$200k annual contribution from Timnath
 - Less: \$400k repurposed debt service with parking structure debt retired
 - Net new debt service estimated at \$700k
- **Police Training Facility – approximately Fort Collins debt = \$8.5M**
 - Debt service estimated at \$700k per year
- **Vine/Lemay Grade Separated Crossing – approximately Fort Collins debt = \$10M**
 - Debt service estimated at \$800k per year
- **Proposed ‘stair step’ into ongoing payments**
 - 2019: 1/3 ongoing & 2/3 1-time funding
 - 2020: 2/3 ongoing & 1/3 1-time funding
 - 2021 forward: entire debt service funded by ongoing revenue

- **Broadband capital under separate appropriation**
- **2019-20 Offer for Operations and Maintenance to be included in BFO**
 - Will be visible on the Economic Health drilling platform for transparency to the community

Cost Allocations – Code

- City Manager
- City Attorney
- Code established in 1970
- Code established in 1968

Cost Allocations – Administrative

- Attorneys
- General Fund
- Information Technology
- Utility – Customer Service & Administration
- CAO allocation based on estimated work
- % Total Budget for funds without GF support for CMO, HR, Finance
- Headcount based for applications & infrastructure
- Estimates vary by area – allocates costs common to all utilities carried in CSA fund

Allocations – City Manager & City Attorney

Cost Allocations – Current Code

- City Manager
- City Attorney

City Manager Recommendation:

- Long standing allocation appears to be accurate over time at 60%
- Broadband will require additional time from City Manager with direct reporting relationship
- Recommend reducing Electric to 30% and allocating 10% to Broadband

City Attorney Recommendation:

- Long standing allocation appears to be accurate over time at 40%
- Recommend no change to the City Attorney cost allocation
- Broadband will support .35 Attorney FTE's within 2019/2020 budget

Current

| | City Manager | City Attorney |
|--------------------|--------------|---------------|
| General Government | 40% | 60% |
| Electric Utility | 40% | 20% |
| Water Utility | 20% | 20% |

Proposed

| | City Manager | City Attorney |
|--------------------|--------------|---------------|
| General Government | 40% | 60% |
| Broadband | 10% | 0% |
| Electric Utility | 30% | 20% |
| Water Utility | 20% | 20% |

Change to City Managers Cost Allocation will Require Council Action

Allocations – City Attorney

| | 2019-2020 | | | | | | |
|--------------------|-------------|----------|-------|------------|------------|--------------|-----------|
| | Non Utility | Electric | Water | Wastewater | Stormwater | Utility CS&A | Broadband |
| City Attorney | 60% | 20% | 20% | | | | |
| Sr. Asst City Atty | 50% | | | | | 40% | 10% |
| Asst City Atty | 10% | | 65% | 15% | 10% | | |
| Asst City Atty | | 40% | | | | 40% | 20% |
| Paralegal | 25% | 10% | 40% | 5% | 5% | 10% | 5% |

- CAO recommendation on attorney costs within Utilities
- Attorney staffing costs are included in the 2019/20 budget detail
- In addition, \$45k of outside legal costs also included in broadband

Attorney Costs Included Based on CAO Estimates of Work for 2019/20

General Fund Allocation:

- Allocates Finance, HR, General Government costs to funds that do not receive GF funding
- Funds that receive GF funding do not receive an allocation.
- Allocations adjust for transfer, pilots, purchased power, capital costs, etc. – focus on operating costs
- 2019 and 2020 allocation to broadband budgeted at \$82k & \$84k respectively

IT Allocation:

- Allocates IT costs for Application and Infrastructure support based on departmental headcount
- 2019 and 2020 allocation to broadband budgeted at \$50k & \$51k respectively

Broadband GF & IT Allocation Based on the Standard Methodology & Calculation

CSA Allocation to Broadband:

- BB in startup mode for 2019 & 2020 – brings resources for direct costs, little revenue until late 2020,
- BB will pay for what is used in 2019/2020, revisit allocation in 2021/22 based on actual data/usage
- BB CSA allocation includes
 - Customer Service & Connections
 - Utility IT
 - Utility Finance
 - Building costs & maintenance
- CSA allocation to BB estimated at \$175k and \$310k for 2019 & 2020 respectively

During Start-Up BB will Fund Additional Costs, Reevaluate in 2020

Back-up Slides

| | Year | Fort Collins Sales Tax | National GDP | Colorado GDP | Fort Collins GDP | Denver CPI | National CPI | Fort Collins Income | Colorado Income |
|--------------------|-------|---------------------------|-----------------|-----------------|---------------------|------------|-----------------|------------------------|--------------------|
| Historical Data | 2010 | 2.40% | 2.5% | 0.6% | 3.8% | 1.87% | 1.64% | 1.80% | 1.80% |
| | 2011 | 5.21% | 1.6% | 1.4% | 1.2% | 3.69% | 3.14% | 7.10% | 9.10% |
| | 2012 | 5.14% | 2.2% | 2.1% | 4.1% | 1.94% | 2.08% | 6.30% | 6.40% |
| | 2013 | 4.36% | 1.7% | 3.2% | 6.6% | 2.77% | 1.46% | 5.70% | 5.40% |
| | 2014 | 8.37% | 2.4% | 4.8% | -0.6% | 2.78% | 1.61% | 8.10% | 8.30% |
| | 2015 | 4.87% | 2.6% | 3.4% | 2.9% | 1.18% | 0.10% | 6.60% | 5.80% |
| | 2016 | 4.39% | 1.6% | 1.1% | 3.8% | 2.77% | 1.49% | 4.00% | 1.90% |
| Projections | 2017* | 2.56% | 2.3% | | | 3.39% | 2.37% | | 5.40% |
| | 2018 | 2.13% | 2.7% | | | 2.90% | 2.30% | | 5.10% |
| | 2019 | 3.00% | 2.4% | | | 2.80% | 2.20% | | 4.80% |
| | 2020 | 3.00% | 2.0% | | | 2.50% | 2.40% | | 4.50% |

What We Know in 2018

- There are concerns a recession is likely to hit before 2020
- GDP and Personal Income at National and State level expected to grow slightly
- Historical one year lag in Fort Collins from impact in previous recessions; diversified economy = insulation
- Population & CPI provides a degree of insulation
- Per policy- reserves built since 2010 to lessen impact of a downturn

**Historically, the City Forecasts Conservatively.....
90% Confidence of Achieving the Forecast**

Objectives:

1. Provide an update on analysis and recommendations for total compensation and the hourly project
1. Insure transparency in 2019-2020 budget

Outline of Topics:

Compensation:

- Recap forecast methodology
- Highlights from final analysis
- Recommendation for 2019-2020
- Follow up on March questions

Benefits:

- Recap market and competitive position
- Update progress on 2019-2020 considerations

Hourly Project

- High-level summary of progress
- Recommendation for 2019-2020

Compensation Forecast Methodology

Quantitative Analysis

- Review economic factors
- Review actual salary to market data

Qualitative Analysis

- Outreach to peer cities to gather salary budget data

Indexes and Source Data Analyzed

- Employers Council (EC)
- Consumer Price Index (CPI) – Local and National
- Real GDP Growth Rate
- Employment Cost Index (ECI) Salaries and Wages
- Fort Collins Unemployment Rate

Promotion:

A promotion is a change to a position in a higher pay grade within the City. A promotion can only occur if the employee applies and is selected for a vacant position in a higher pay grade.

- 2017: 142 promotions
- Budget Impact: Destination position is already budgeted as higher level

Reclassification:

A reclassification is when there is a substantive change in the duties and responsibilities of a job due to changes in the organization, type of work, staffing requirements, and technology. A reclassification moves the job to a higher pay grade.

- 2017: 50 reclassifications
- Salary Impact: \$201,192
 - \$93,454 cost-neutral and offset by cost reductions
 - \$107,738 not cost-neutral and represents ~0.1% of salary budget

Compensation Policies (effective July 2018):

- Pay policies and procedures that support the City's compensation philosophy
- Establish boundaries to maintain integrity and ensure consistency in pay strategies
- Minimize exceptions and provide flexibility for Service Areas to make decisions with Human Resources guidance and support
- Facilitate horizontal analysis and alignment
- Ensure fiscal accountability

What Does 'Market' Mean for Benefits?

Public v. Private

Industry

Population

Location

Health Plans

Plan Design

Full or Self
Insured

- HMO
- PPO
- POS
- HDHP

Premiums

Employer

Employee

Budget

Revenue
vs.
Expense

Update on 2019 – 2020 Considerations

- Total Compensation Committee work with CBU completed in early June
- RFP completed for Pre-65 Retiree Medical Plan:
 - Offered as a secondary fully insured plan
 - Offers retiree coverage for those employees who elect this plan and have 20 years of employment and are over age 55
 - Only Kaiser Permanente submitted bid
 - UMR/United Healthcare not wanting to mix a self-funded plan with a fully insured
 - Cigna and Anthem declined
 - Currently modeling plan design and premiums
 - Reviewing risk and liability
- HUB modeling a High Deductible Health Care Plan with a Health Savings Account

Total Compensation = 25% of City Operating Budget

- 2018 Budget Allocation and Pay Increases
 - Budget for 2018 = 2.5% of projected base salaries
 - Average Pay Increase: 2.42%
- 2018 Medical Employer Premium per Employee Per Year (PEPY) = \$11,364

2015 – 2018 Salary Budget Comparison

| | 2015 | 2016 | 2017 | 2018 |
|-----------------------|------|------|------|------|
| National ¹ | 3.0% | 3.0% | 3.0% | 3.1% |
| Colorado ² | 3.0% | 3.0% | 3.0% | 3.2% |
| Colorado Peer Cities | 2.8% | 3.0% | 3.0% | 3.5% |
| | | | | |
| City of Fort Collins | 2.0% | 2.0% | 2.5% | 2.5% |

¹ Source: WorldatWork Salary Budget Surveys

² Source: Employers Council Average Salary & Range Projections Surveys

2019 – 2020 Preliminary Assumptions: 3.0% – 3.5%

Based on forecasted economic indicators and concern regarding competitive position relative to peers

2016 - 2017 Medical & Rx Summary

- **2016 Total Plan Costs:** \$21.9M; Per Employee Per Month: \$1,076
- **2017 Total Plan Costs:** \$21.0M; Per Employee Per Month: \$1,006
 - **6.5% Decrease due to:**
 - Membership
 - Large Claimants Reduced
 - Rx Savings ~\$700K - \$1M
 - Increase in Generic Utilization
 - Overall Good Year
- **Benefits' Fund Balance above Policy Minimum**

COUNCIL FINANCE COMMITTEE AGENDA ITEM SUMMARY

Staff: Laurie Kadrich, Planning, Development & Transportation Director
Tom Leeson, Community Development & Neighborhood Services Director
Cameron Gloss, Planning Manager

Date: May 21, 2018

SUBJECT FOR DISCUSSION East Mulberry Corridor Annexation Analysis

EXECUTIVE SUMMARY

Creation of the East Mulberry Enclave early this summer will set the wheels in motion to create a detailed, up-to-date cost and revenue analysis that will assist City Council when it considers the East Mulberry Enclave Annexation as early as July 2021. The Annexation Analysis will build upon cursory work completed in 2002 during creation of the City and County's jointly adopted East Mulberry Corridor Plan. In addition to costs and revenues, staff will be working with Larimer County and area stakeholders to understand options for phasing in the enclave annexation over time, provision of incentives to businesses and residents, and the transfer of services from the County to the City.

GENERAL DIRECTION SOUGHT AND SPECIFIC QUESTIONS TO BE ANSWERED

1. Are there critical elements missing from scope of the proposed annexation analysis?
2. Is the proposed 2020 timing of the annexation analysis correct?

BACKGROUND/DISCUSSION

Three parcels located east of I-25 and north of East Mulberry (SH 14) have been co-joined into one annexation request referred to as the East Gateway annexation. The projected City Council schedule has the effective date of the annexation ordinance as July of this year.

Approval of the East Gateway Annexation would result in complete encirclement of unincorporated Larimer County land by properties within the City's jurisdiction. This last annexation, which, along with a string of annexations beginning in 1977, creates the East Mulberry Enclave.

Based on the anticipated schedule, the earliest date that a future City Council could consider a potential East Mulberry Enclave Annexation would be July 13, 2021. Under the governing State statute and IGA with Larimer County, the Council would be required to consider the enclave annexation, but is not obligated to annex the area into the City's jurisdiction.

Annexation Analysis Scope

Staff has submitted a budget request for the 2019-2020 Budgeting for Outcomes (BFO) cycle that includes an in-depth analysis of the cost to provide essential municipal services to the area, potential revenues, and ways to provide procedural, regulatory and monetary incentives to area property owners as land is developed within the City. The area comes with a series of challenges to provide essential municipal services, including:

- Police services
- Storm drainage
- Street Infrastructure
- Electric service
- Parks and trails
- Land Use and Development Planning

This new strategy builds upon the Annexation Assessment completed during the City and County's joint East Mulberry Corridor Plan (2002) and will likely include a potential annexation phasing plan that considers the most logical transfer of urban services over an extended period. Phasing may be similar to the approach used with the Southwest Enclave Annexation, which was annexed in four phases over a seven-year period.

The following is a status report on the services within the Enclave Area:

Police Services

The East Mulberry Corridor has some of the highest Larimer County Sheriff's Department call load. The County serves all calls east of 1300 East Mulberry Street and the City west. As the City expands its police services to annexed areas, the usual result is a substantial increase in the level of police protection in the form of improved emergency response times, more frequent patrol service, better crime prevention, home security inspection programs, and traffic enforcement. There are substantial City/County differences in both the amount of resources provided and the area of law enforcement jurisdiction. The number of law enforcement officers per capita for the County is 0.8 officers per 1,000 people. It is significantly lower than the goal of the City's goal of 1.5 officers per 1,000 people.

Storm Drainage

The City of Fort Collins Poudre River floodplain regulations are more restrictive than Larimer County's FEMA-based regulations. The primary difference is the City's floodway definition of 0.1 foot rise in floodwater elevation for the 500- year product corridor discharge versus the County's .5 foot rise. The City also prohibits these improvements within the floodway or product corridor: modifications for development, fill, new development, residential/commercial uses, building additions, remodels, redevelopment of existing developed areas, and any floatable materials. In contrast, the County's two floodway restrictions are: no use can limit or restrict the

flow capacity of the floodway or channel of the main stream or a tributary to the main stream, and no storage of materials or equipment.

Recent improvements to the Boxelder Drainage and properties upstream of the Cooper Slough and Airpark have greatly improved conditions in the East Mulberry Area.

Currently there are very few storm water facilities, such as pipes and inlets, within the area.

Required drainage improvements on future roads will most likely consist of:

- New street cross sections with curb, gutter and sidewalk, and storm drain piping facilities that would convey flows to the Poudre River
- Storm drain piping and channels along major and minor arterial streets
- Roadway and area inlets
- Pipe culverts and box/bridge structures to convey flows under roadways

Street Infrastructure

When an existing development is annexed, and its streets do not conform to the City's street design standards, there is no requirement that its streets be immediately reconstructed to current design standards. The City will provide the same level of maintenance services as the County provided prior to annexation. This usually includes minor surface maintenance, such as crack sealing and pothole filling, but does not include asphalt overlays, nor total street reconstruction at the City's expense. In some cases, the streets are privately maintained by designation on the plat of the subdivision and are the responsibility of a homeowner's association. In this case the street maintenance will continue to be the responsibility of the association.

The City will test a street's structural strength to determine if it meets City standards. If the street meets standards and is also safe for bicycles and pedestrians and has proper drainage, then the City would take over all maintenance responsibilities. If it does not meet City standards, the property owners would need to fund the necessary improvements, which could include drainage, safety, and structural improvements, before the City will accept the street for perpetual maintenance. Thus, the City will not upgrade a street in an existing development without participation from affected property owners, usually through the use of a special improvement district.

The City will also review a street to assess the need for sidewalks, curbs and gutters. Safety for bicyclists and pedestrians is considered on a case-by-case basis. If safety is not an issue and proper water drainage is provided, curbs, gutters and sidewalks can be delayed until they are needed. When these improvements are needed, the property owners are expected to pay for them. There will be ample opportunity for public input and comments before any decisions are made to upgrade streets.

With many of the streets within the areas substandard to City specification, certain infrastructure costs, namely street upgrades to existing subdivisions, will be the responsibility of the existing residents or businesses. The Special Improvement District (SID) will likely be the mechanism to fund street and road construction. Formation of a SID may be initiated by a petition filed with the City that has been signed by the owners of property to be assessed for more than 50% of the total costs of the proposed improvements. Prior to or upon annexation, the County could provide

assistance for the formation of a SID; alternatively, the City could provide assistance at any time after annexation.

Electric Service

Conversion from PVREA to City electric utility service is done at no cost to the customer. PVREA rates are lower than City rates due to a Colorado law, the Service Rights Fee Act, which requires former PVREA customers to pay a 25% surcharge on monthly City electric utility bills for a period of ten years.

Electric conversion for the East Mulberry Area represents a substantial City infrastructure investment and will be a major cost to the City relative to the other urban services

Parks and Trails

The City 's Parks and Recreation Policy Plan (PRPP) standard for park provision is 7 acres per 1,000 residents, with 2.5 acres allocated to neighborhood parks and 4.5 acres allocated to community parks. A neighborhood park should generally occur in every square mile and be within 1/3 mile of the residences that they are intended to serve. Proximity or co-location with a school is preferred. According to these standards, there is a shortage of neighborhood park space. The PRPP recommends developing 3 parks in the general area – 1 located between SH 14 and Vine Drive (east of Timberline Road), and 2 mini-parks. It also recommends several on-street trails along Lincoln Avenue, East Mulberry Street and Summit View Drive. This will amply serve existing and future residents. The PRPP and this plan also recommend several on-street trails along Lincoln Avenue, East Mulberry Street and Summit View Drive. These on-street trails are intended to connect to the citywide park system's proposed off-street trail network. Trails are planned along the edge of the natural buffer areas of Cooper Slough, Lake Canal, Dry Creek Channel improvements and along Timberline Road. These trails create an integrated system that will serve residents of the study area as well as other area residents. The off-street trail system provides a connection from local residential and commercial areas to other neighborhoods, the Poudre River Trail, local parks and natural areas and other on-street and off-street trail systems.

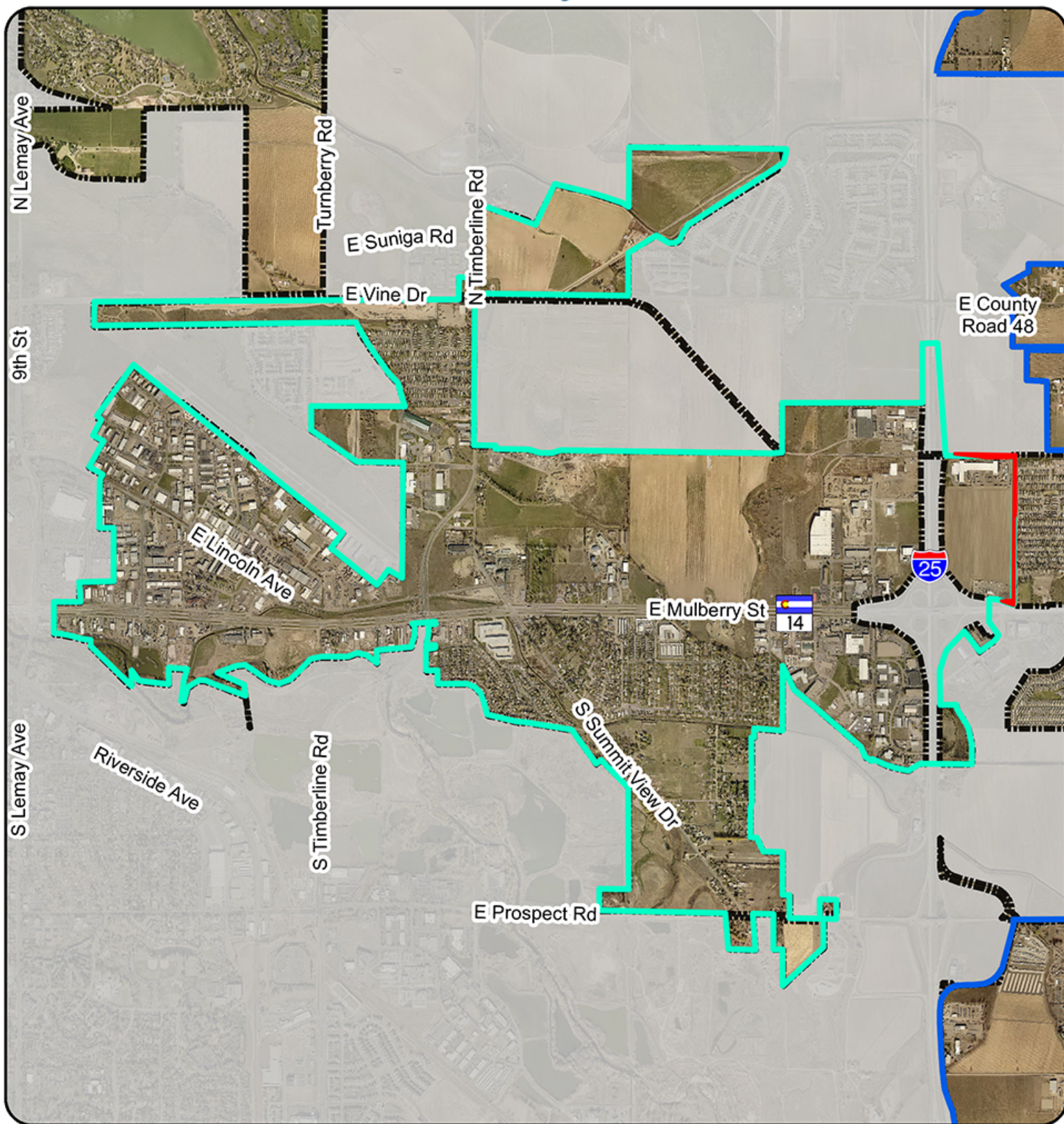
ATTACHMENTS

Attachment 1 – East Mulberry Enclave Area Map

Attachment 2 – East Mulberry Corridor Annexation Assessment – Appendix G of the East Mulberry Corridor Plan

City of Fort Collins

East Mulberry Enclave

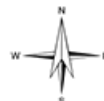


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- East Gateway Annexation
- Growth Management Area
- East Mulberry Enclave
- City Limits - Area

Scale 1:28,443



City of
Fort Collins
GIS

Printed: May 16, 2018

G. Annexation Assessment

The following assessment looks at the potential impacts of annexation to existing study area residents and businesses.

Residential Taxes

Property Taxes

Property taxes may or may not increase for existing County residents after annexation into the City. Most residents would pay slightly more in property taxes. For the most part, the difference in mill levy collection is a 9.797 levy on City residents (covering, in part, fire protection) versus a 9.301 mill levy on County residents for fire protection. Levies on residents outside the City for special assessments (e.g. street maintenance by a homeowners association) would likely continue and would not be eliminated upon annexation into the City.

The following is a more detailed breakdown of mill levy collections by tax authority for real property assessed at \$110,000 for 2001 property taxes:

Table G-1
Typical City Resident Property Taxes

| Levy | Tax Authority | Amount |
|--------|---|-----------|
| 41.679 | Poudre R-1 General Fund | \$ 419.50 |
| 22.461 | Larimer County | \$ 226.07 |
| 10.044 | Poudre R-1 Bond Payment | \$ 101.09 |
| 9.797 | Fort Collins | \$ 98.61 |
| 2.167 | Poudre Health Services | \$ 21.81 |
| 1.000 | No. Colorado Water Conservancy District | \$ 10.07 |
| 0.142 | Larimer County Pest Control District | \$ 1.43 |
| 87.29 | TOTAL | \$878.58 |

Table G-2
Typical East Mulberry Resident Property Taxes

| Levy | Tax Authority | Amount |
|--------|---------------------------------------|-----------|
| 41.679 | Poudre R-1 General Fund | \$ 419.50 |
| 22.461 | Larimer County | \$ 226.07 |
| 10.044 | Poudre R-1 Bond Payment | \$ 101.09 |
| 09.301 | Poudre Valley Fire Authority | \$ 93.61 |
| 02.167 | Poudre Health Services | \$ 21.81 |
| 01.000 | N Colorado Water Conservancy District | \$ 10.07 |
| 00.142 | Larimer County Pest Control District | \$ 1.43 |
| 86.794 | TOTAL | \$873.58 |

Sales Taxes

Residents outside city limits currently pay 3.7% in sales tax to the County and State for items purchased in the County. For items purchased within the City, County residents are exempt from City sales tax only for cars and delivered goods. If a County property annexes into the City, the residents would begin paying City sales tax on these items. City sales tax is also charged on electric utility usage. For example, a \$100 purchase would require a payment of \$3.00 in sales taxes on top of \$3.70 charged by the state and county.

Business Taxes

Property Taxes

Proportionally, the difference between City and County property taxes is the same as described in the residential section above. Businesses, both inside and outside city limits, pay a higher assessment rate than residential property owners. The assessment rate on nonresidential property is fixed at 29%, compared to the 2001 residential assessment rate of 9.15%. Using the example described above, a typical business assessed at \$110,000 would pay 2001 property taxes of \$2,785 inside city limits, and \$2,769 outside city limits.

Sales and Use Taxes

The County and State collect 0.80% and 2.9%, respectively. The County portion of the tax is comprised of an Open Space Tax (0.25% in effect until 12/31/2018), new Court House Tax (0.20% in effect until Year 2013), Jail Expansion Tax (0.20% in effect initially until buildings are paid for, then 0.17% for operations and maintenance until Year 2015), and County Fairgrounds Tax (0.15% in effect until 12/31/2020).

Of the City's 3.0% sales tax, 2.25% is the base rate. The base rate is used to fund general government services like police, transportation and administration. Three one-quarter cent dedicated taxes were approved by City voters to be used specifically for streets and transportation, community enhancement projects and natural areas and parks. The three quarter-cent taxes will expire on 12-31-2005. The total tax consumers pay within city limits is 6.70%.

Lodging Taxes

Another impact of annexation would be the collection of a City lodging tax. Lodging tax is imposed on the following activities: leasing, rental or furnishing of any room or other accommodation in any hotel, apartment-hotel, motel, guesthouse, trailer court, guest ranch, mobile home, automobile camp or any such similar place. The tax rate for lodging is 3%. Combined with the sales tax, the total tax rate for lodging in the city limits is 9.7%.

Other Taxes

The City also collects a 2.25% tax for food for home consumption. This is the only tax charged on food with some exceptions (e.g. prepared food or food for immediate consumption). Neither the County nor the State collects a tax for food for home consumption.

Utility Fees

After annexation, properties that receive City utilities would be charged the appropriate utility user fee rates. In cases where a property was already receiving City utilities, the utility user rate would decrease since the City charges higher fees for “out-of-city” utility services.

The City manages stormwater drainage as a utility. All properties within the City are billed on a monthly basis for stormwater drainage operation and maintenance and stormwater capital improvement costs. The purpose of this monthly fee is to cover the costs to construct, repair, and maintain stormwater drainage improvements, protecting properties from flooding to the level of the 100-year storm.

A potential project anticipated to be funded in part by stormwater fees is the *Dry Creek Flood Control Project Plan*. The project is designed to eliminate the threat of a 100-year flood on Dry Creek. The City and County would share in the project costs, with existing City stormwater fees providing approximately 50% of the costs. County property owners would provide the other 50% in the form of a new County Stormwater Utility. Within the study area, this Utility would include properties north of SH 14 and east of Timberline Road. County Stormwater Utility rates are expected to average about \$9.00 per month for single family residences and about \$55.00 per month for commercial and industrial properties. Individual rates will vary, since the amount paid by each property will be dependent on the size of the property, the amount of impervious area on the property, and if the property is located in the floodplain.

Participation in City Government

Residents of an annexed area will be able to increase their participation in City government. Presently, County residents can voice their opinions at public hearings but cannot vote in City elections. After annexation, the now City residents can vote in scheduled and special City elections, thereby having a political voice in important decisions made by the City.

Annexation Impacts for Larimer County

The *Larimer County Master Plan* identifies two fundamental types of land uses; they are rural and urban. The County has encouraged urban uses to develop inside city limits where services can be efficiently provided. Larimer County, even before the 1997 adoption of the *Larimer*

County Master Plan, determined that the County would not attempt to create urban level intensities and densities of land use that would or could compete with existing urban centers. Larimer County chose not to conduct land use business in that manner.

Since 1980, the County has voluntarily entered agreements with towns and cities as to how urban level growth would occur. The County's basic premise is that urban level uses, urban level densities and intensities belong inside city limits where tools are available to serve the growth. As a statutory county, the County is limited in the breath and scope of the services it can provide. By agreement with the cities, the County requires annexation before development (defined as division of property or rezoning) if the property is eligible for annexation. If the property is not eligible for annexation, the County applies urban level standards to the development, and also requires an agreement with the developer to annex as soon as the property is eligible. The County's goal is to have properties in designated GMAs annexed as soon as possible.

In GMAs, the County will assist in annexation processes by providing SID services, if requested by the area property owners, to correct infrastructure deficiencies such as poor drainage or inadequate roads. After improvements are completed, the property owners may often wish to annex, because the County is not prepared to maintain the infrastructure. The County has not created a large storm drainage department and the county road maintenance division is designed by staffing and equipment to primarily maintain rural county roads. The County directs the demand to the appropriate service provider rather than expensively duplicating competing services. The County has utilized the *Larimer County and City of Fort Collins Intergovernmental Agreement for the Fort Collins Growth Management Area*, the *Larimer County Master Plan* and the *Larimer County Land Use Code* as effective tools to work together with cities for annexation of areas to existing communities.

COUNCIL FINANCE COMMITTEE AGENDA ITEM SUMMARY

Staff: Ginny Sawyer, Peggy Streeter

Date: May 21, 2018

SUBJECT FOR DISCUSSION

Keep Fort Collins Great (KFCG) Sunset

EXECUTIVE SUMMARY

The Keep Fort Collins Great (KFCG) .85% dedicated tax will sunset December 31, 2020. April 2019 is the anticipated election for any potential ballot related funding mechanisms.

If the desire is to replace KFCG funds in full this can be achieved through a dedicated tax, an increase to the on-going base rate, or a combination of each of these. If the base rate is increased it can be done either with or without taxing groceries.

If the desire is to NOT replace KFCG revenue in full then reduced levels of service from the general fund will need to be identified.

GENERAL QUESTIONS

- Tax/Revenue Threshold: Either overall tax rate or targeted revenue amounts?
- Dedicated tax, increased base rate, combination?
- If base rate increase, tax on groceries or no tax on groceries?
- Timeline and Process: Education, Outreach, Full Council discussion - on track?

BACKGROUND/DISCUSSION

Local Tax

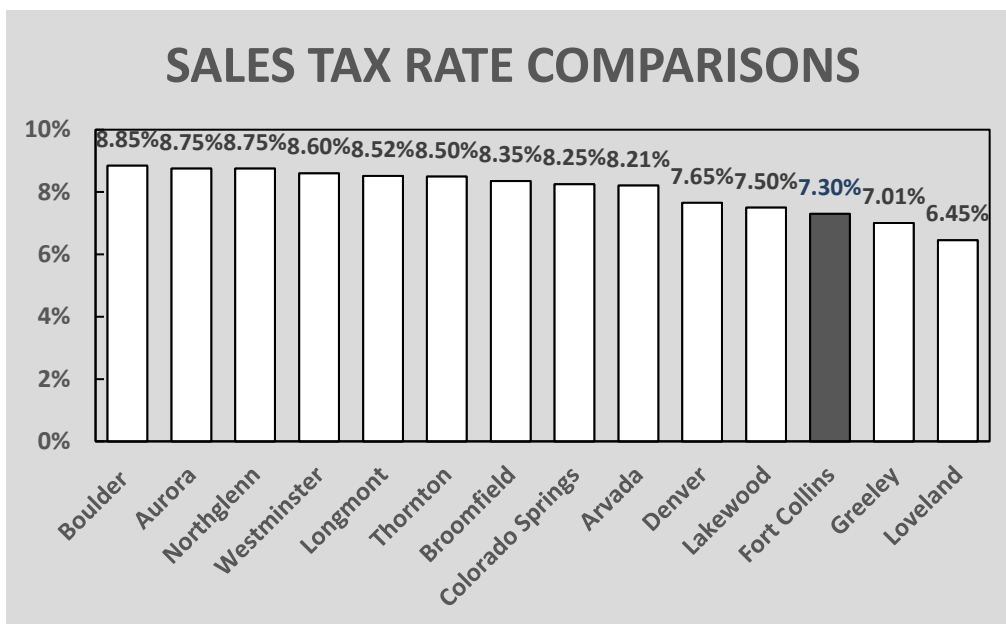
In 2008-2009 the City was experiencing significant revenue shortfalls. In response, a major initiative was launched to engage the public regarding level of services and identification of new revenue. In 2010, a .85% 10-year dedicated tax (KFCG) was passed by voters (60%). The revenues from this tax are,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

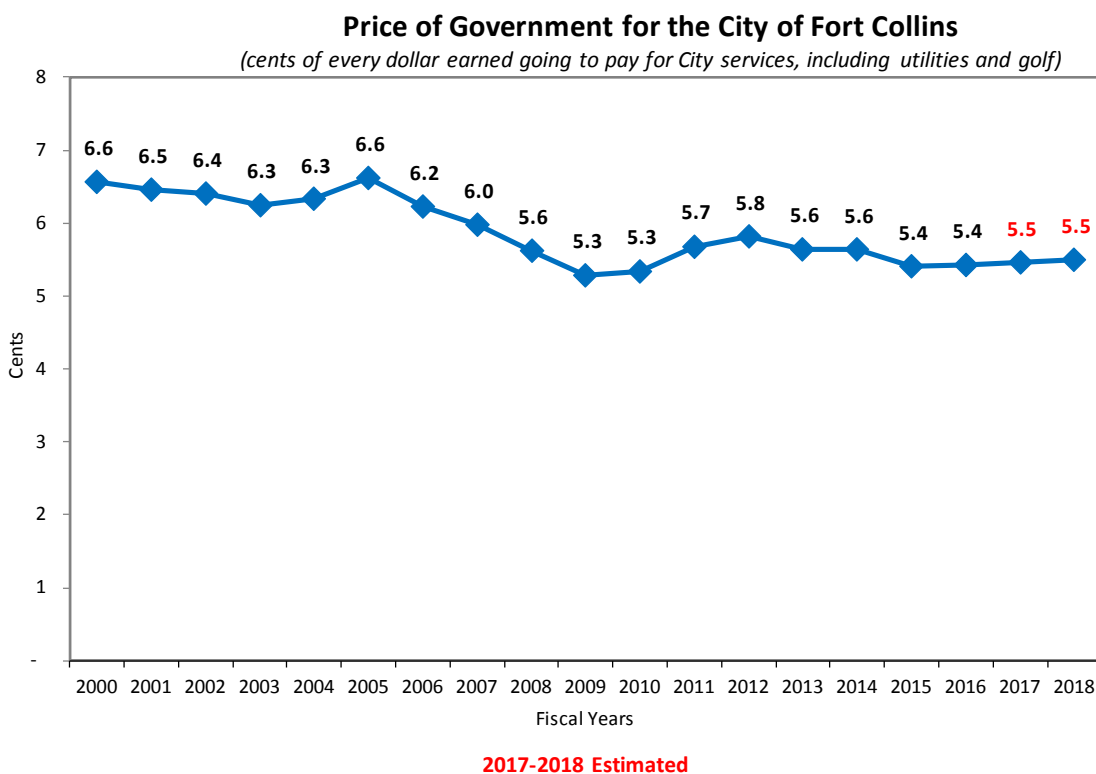
The addition of KFCG brought the City total tax rate to 3.85%. The on-going general tax rate is 2.25% and has not changed in over 30 years. There are three dedicated ¼-cent taxes (Open Space, Street Maintenance, Community Capital) totaling .75% and the Keep Fort Collins Great .85% dedicated tax.

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 Fort Collins “Price of Government” has also remained stable:



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

Funding Examples

Generating \$23M in revenue:

- 0.75% tax increase with groceries (~\$18.75 month/per household)
- 0.85% tax increase no tax on groceries (~\$18.33 month/per household)

Generating \$17M (2017 KFCG revenue for Streets, Police, and Fire):

- 0.55% increase with groceries (~\$13.75 month/ per household)
- 0.65% increase no tax on groceries (~\$14 month/ per household)

Outreach and Timeline

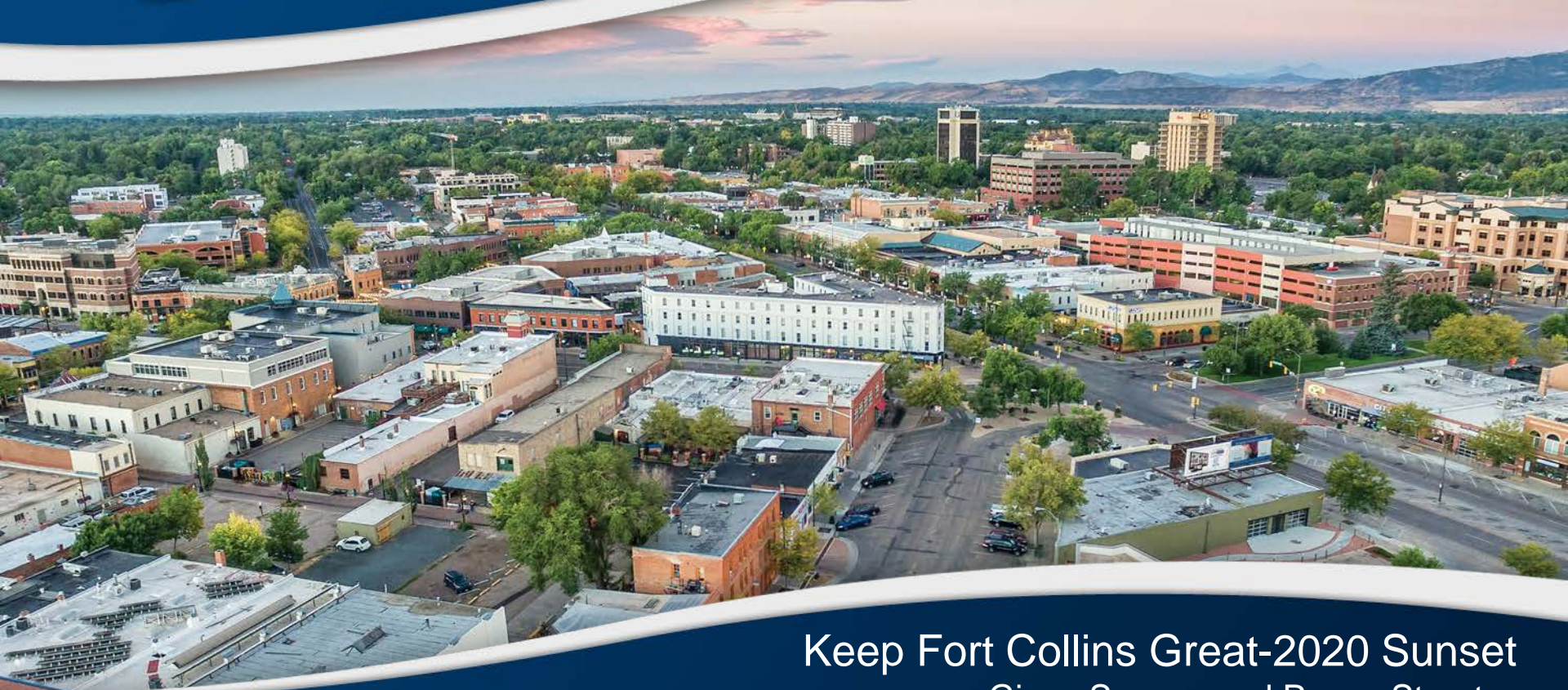
A focus group of 15 CityWork Alumni was recently convened to discuss the KFCG sunset. Key themes and discussion points included:

- Appreciation of City services and tax needed to provide.
- Use the term “sunset” not renewal or expiration.
- 3.85 should be the base rate-maintain stability and get away from lots of small dedicated taxes.
- Need to balance stable funding for service with affordability. Greater risk of not being affordable than of being a mediocre City.
- When communicating message will need to be clear on services. Provide choices rather than open-ended questions. Utilize Council, BFO teams, and City Plan Ambassadors.
- Absolutely need to maintain this revenue to be a resilient community.
- Consider: increase in lodging tax?

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.



Keep Fort Collins Great-2020 Sunset
Ginny Sawyer and Peggy Streeter

KFCG revenue can be replaced in full or at another amount with:

1. Base rate increase - with or without taxing groceries
2. Dedicated tax
3. Combination of both

If the desire is to NOT replace KFCG revenue in full then reduced levels of service from the general fund will need to be identified.

Collections to Date

| (\$ 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 |

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

Generating \$23M annually (current KFCG without Use Tax)

| | % Needed | Monthly Impact | Total Tax |
|-------------------|----------|----------------|-----------|
| With Groceries | 0.75% | \$18.75 | 3.75% |
| Without Groceries | 0.85% | \$18.33 | 3.85% |

Generating \$17M annually
(2017 KFCG revenue for Streets, Police, and Fire):

| | % Needed | Monthly Impact | Total Tax | General Fund Reduction |
|-------------------|----------|----------------|-----------|------------------------|
| With Groceries | 0.55% | \$13.75 | 3.55% | \$5.5M |
| Without Groceries | 0.65% | \$14.00 | 3.65% | \$5.3M |

What is the community's desired level of service?

- *Same? Less? Different?*

What are the preferred funding options to achieve that level of service?

- *Dedicated tax? Increase base rate? If base rate, tax groceries or not?*

Engagement Level: Collaborate

Timeline: May-Nov 2018

Target Election: April 2, 2019

Proposed Timeline

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

- Threshold: Either overall tax rate or targeted revenue amounts?
- Dedicated tax, increased base rate, combination?
- If base rate increase, tax on groceries or no tax on groceries?
- Timeline and Process: Education, Outreach, Full Council discussion

COUNCIL FINANCE COMMITTEE AGENDA ITEM SUMMARY

Staff: Lance Smith, Director, FP&A - Utilities
Tim McCollough, Deputy Director, Utilities - Light & Power

SUBJECT FOR DISCUSSION – Light & Power Mid-year Appropriation Request

EXECUTIVE SUMMARY

The purpose of this agenda item is to provide the Council Finance Committee with an overview of a mid-year appropriation request that Utilities intends to bring before Council in June 2018. The appropriation consists of a request for \$1.3M for the Water Treatment Facility underground circuit and a request for \$0.71M for the addition of circuits to meet customer demands in the East Harmony Industrial Park and the Southwest residential area of Fort Collins.

The project areas can be viewed here: <https://arcg.is/1Of1HL>

GENERAL DIRECTION SOUGHT AND SPECIFIC QUESTIONS TO BE ANSWERED

1. Does the Council Finance Committee support the Light & Power mid-year appropriation request?

BACKGROUND/DISCUSSION

Water Treatment Facility

The Water Treatment Facility was annexed into the City to allow Fort Collins Light & Power to provide electric service to the facility. Offer 6.26 in the 2017/18 Budget appropriated \$1.3M in the Water Fund for this purpose. An identical appropriation is now needed in the Light & Power Fund so the infrastructure built to the facility is owned and maintained by Light & Power and not the Water Fund. Unanticipated revenues in the Light & Power (501) Fund will be provided by billing the Water Fund for actual charges associated with providing the necessary infrastructure to serve the facility.

East Harmony Industrial Park

Light & Power has capacity contracts with three large industrial customers in the East Harmony Industrial Park area. The earliest of these capacity contracts were signed in 1977.

| Customer | Capacity Contract Amount [MVA] |
|-----------------|---------------------------------------|
| Customer #1 | 20.0 |
| Customer #2 | 27.2 |
| Customer #3 | 10.6 |
| Total | 57.8 |

Although there are contracts in place for 57.8 MVA of electric capacity, Light & Power has installed only 37.5 MVA of capacity to date. This has been adequate to meet demands by these customers historically. In 2017 due to load growth, the customer load in this industrial complex exceeded the installed circuit capacity. In addition, these customers have indicated additional load growth projections through 2021. These historic loads and future load projections are detailed in Table 1.

Two additional circuits are needed now to fulfill the capacity obligations in this area. These circuits were not anticipated in 2018 in the Light & Power Capital Improvement Plan (CIP) and need to be accelerated and constructed in 2018 to meet the customer requests. There are currently available prior appropriations to fund one of the two circuits. An additional appropriation of \$0.48M is required from Reserves to fund the second of the two required circuits.

As these are already established capacity contracts, Light & Power will not charge new Plant Improvement Fees (PIFs) to build the infrastructure.

Table 1: East Harmony Industrial Park Load and Circuit Capacity

| Circuit Number | Current Installed Capacity | 2016 Loads | 2017 Loads | 2018 Loads (Projected) | 2019 Loads (Projected) | 2021 Loads (Projected) | Future Capacity |
|----------------|----------------------------|---------------|---------------|------------------------|------------------------|------------------------|-----------------|
| 502 | 6,000 | 5,923 | 6,403 | 6,523 | 6,643 | 6,883 | 6,000 |
| 516 | 6,000 | 5,066 | 6,411 | 7,411 | 7,411 | 7,411 | 6,000 |
| 522 | 6,000 | 6,655 | 6,128 | 6,258 | 6,388 | 6,648 | 6,000 |
| 532 | 6,000 | 5,459 | 6,545 | 7,545 | 7,545 | 7,545 | 6,000 |
| 536 | 1,500 | 1,305 | 4,043 | 4,279 | 4,515 | 4,987 | - |
| 542 | 6,000 | 5,317 | 5,176 | 5,373 | 5,570 | 5,964 | 6,000 |
| 562 | 6,000 | 5,640 | 4,761 | 4,997 | 5,233 | 5,705 | 6,000 |
| 552 | | | | | | | 6,000 |
| 572 | | | | | | | 6,000 |
| Total | 37,500 | 35,365 | 39,467 | 42,386 | 43,305 | 45,143 | 48,000 |

Light & Power has been constructing new underground duct banks to the East Harmony Industrial Complex in 2017 and 2018 in anticipation of these future circuit needs.

Southwest Residential Circuit

Recent residential load growth in the southwest area of Fort Collins is creating overload conditions on the existing circuits out of the substations serving this area. Four existing circuits serving this area were loaded to 100%, 112%, 97% and 112% during the peak summer season in 2017.

Constructing a new circuit (828) to serve this area will provide load relief to the existing circuits. This project was planned for construction in 2017, but the original budget estimates in the 2016 20-year Capital Improvement Plan underestimated the costs of this circuit. Design is now complete and an additional appropriation is necessary to complete the circuit. The original budget was identified as \$0.26M and final design estimates the construction to cost \$0.49M. An additional \$0.23M is needed to complete the project.

Reserve Balance

| | |
|----------------------------------|---------|
| Available Reserves | \$9.5M |
| Anticipated Revenue | \$1.3M |
| Available | \$10.8M |
| Less: | |
| 2010 Bond Defeasance | \$4.0M |
| Billing System | \$1.6M |
| Available | \$5.2M |
| Less Requested: | |
| Water Treatment Facility | \$1.30M |
| East Harmony Industrial Park | \$0.48M |
| Southwest Residential Circuit | \$0.23M |
| Remaining Available Fund Balance | \$3.2M |

Conclusion

Light & Power is seeking support from Council Finance Committee for a mid-year appropriation request to be brought to City Council in June 2018 to accommodate these additional circuits during the 2018 construction season.