Finance Administration
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AGENDA

Council Finance & Audit Committee
June 18, 2018
10:00 am - noon
CIC Room - City Hall

Approval of Minutes from the May 21st Council Finance Committee Meeting.

1. Thrive / Waterfield Metro District Request	30 minutes	J. Birks
2. Historical Mid Cycle Appropriation Review	20 minutes	M. Beckstead
3. CEF Update	15 minutes	J. Poznanovic
4. Parking Sensor Project	30 minutes	D. Klingner
5. CFC Auditor Selection	15 minutes	T. Storin

Council Finance Committee

Agenda Planning Calendar 2018

RVSD 06/12/18 mnb

Jun 18th			
	Thrive / Waterfield Metro District Request	30 min	J. Birks
	Historical Mid Cycle Appropriation Review	20 min	M. Beckstead
	CEF Update	15 min	J. Poznanovic
	Parking Sensor Project	30 min	D. Klingner
	CFC Auditor Selection	15 min	T. Storin

Jul 16th			
	Audit Results Review	20 min	T. Storin
	HR Benefits Discussion	30 min	T. Roche

Aug 20th			
	Metro District Requests - 3	60 min	J. Birks

Sep 17th			

Future Council Finance Committee Topics:

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

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Finance Committee Meeting Minutes
05/21/18
10 am - noon
CIC Room - City Hall

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

Staff: Kelly DiMartino, Mike Beckstead, Carrie Daggett, John Duval, Ginny Sawyer, Travis Storin, Jennifer Poznanovic, Peggy Streeter, Teresa Roche, Chris Martinez, Jamie Heckman, Steve Engemoen, Tyler Marr, Kevin Gertig, Lance Smith, Tim McCollough Andres Gavaldon, Jo Cech, Zach Mozer, Katie Ricketts, Laurie Kadrich, Cameron Gloss, Tom Leeson, Lawrence Pollack, John Voss, Rachel Springob

Others: Jim Sampsel (HUB International), Kevin Jones, Chamber of Commerce, Dale Adamy, Citizen

Meeting called to order at 10:01 am by Mayor Troxell

Minutes approval for April 16, Council Finance Committee Meeting. Gerry Horak made a motion to approve the minutes and Ken Summer seconded the motion. The minutes from the April 16th Council Finance Committee meeting were approved unanimously.

A. BFO Assumption Review
Lawrence Pollack, Budget Director
Teresa Roche, Chief Human Resources Officer
Jennifer Poznanovic, Sr. Manager, Sales Tax and Revenue

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?

Discussion / Next Steps;

Gerry Horak; 3% sales tax growth is a pretty key assumption

Mike Beckstead; we came in a bit stronger in 2017 than our revised forecast - sales tax came in a little higher
All we need to hit budget is less than 3% - audit 2/16 – growth rate last year was in 3% range
Series of things that happened in 2016 - ended up with a higher growth rate
July - we were growing in the 4.5 - 6% range (5.5 annual growth rate)
New growth - based on historical / YTD we increased forecast in the second half of 2016 -3% - year came in much softer – there was a shift that happened right as we upped the forecast

Gerry Horak; KFCG tax coming to an end - showing a more conservative budgeting target might be a good idea

Mike Beckstead; conservative estimate in a growth mode - maintaining that contingency assignment 3.4m set as added revenue 3% provides on sales (1 % = $1.15M)

Mayor Troxell; be as accurate as you can - build in reserves - good news - no explanation

Mike Beckstead; put a number out there that we will beat with a high level of confidence - not changing any of our tax rate - KFGC is good through the end of 2020

Contingency covers one year – not two – Gerry

Mike Beckstead; gives us time to adjust the budget if growth doesn't happen - In 2019 we could adjust the 2020 budget

Gerry Horak; since we don't know what happens with KFCG should we be more conservative?
$3-5M available funds

Mike Beckstead; our general fund balance is good - Use Tax volatility

Gerry Horak; what does it show in other communities for use tax?

Lawrence Pollack; we feel the valuation of permits is conservative

Mike Beckstead; Jennifer and Peggy consulted with the permit group in PDT - they are seeing a little bit of softening - 20-21 doesn't include a recession - still forecasting increase

Use Tax 5% reduction per year

Gerry Horak; how does Gallagher effect this?

Mike Beckstead; dampens -shift of property tax from residential to Gallagher - Assessor's office factored that in

Lawrence Pollack; all fund balances will be brought to CFC - when closed

Mike Beckstead; KFCG - we can look at historical data - how we spend

Lawrence Pollack; nuance around the work capital - replace some bridges - this is OM kind of spending

Mike Beckstead; team did a very detailed analysis by department on KFCG and GF spending
We have good data

Gerry Horak; if market driven why do we care what the CPI is? Why is that relevant?

Mike Beckstead; it needs to go with inflation - being aware is a data input to where the market might go – Chris looked at many indicators - inflation on what market does - data point that is used in the regression analysis so we can predict where the market could go

Capital Projects with Debt Service slide

Mayor Troxell; can you explain why we would want to stair step

Mike Beckstead; one time and ongoing money - Nuance – normally we don't put debt into the BFO offer
Vine Lemay - Training Facility - take funding with the $3m - less about BFO team prioritizing them more about the clarity and transparency - these 3 high visibility capital projects are included in the budget

Gerry Horak; where is money coming from?
Vine / Lemay and I25/ Prospect would be General Fund

Gerry Horak; I think that should be made clear – if we are increasing debt we need to include that
Any chart that looks at the total debt service

Mike Beckstead; total is $80M - our debt is the lower than it has been in the last 15 years
We will add context.
Broadband is another nuance - we are developing O&M and our intent is to put a BFO offer in the 2nd cycle
Our first exec session with Council is scheduled for August 21st - we would like to review details at that time

Mayor Troxell; first round / second round – explain

Mike Beckstead; issue Strategic Plan - ask orgs to build offers to address - due end of April
Teams evaluate in April / May – then ask for details - sellers can revise offers in June /July timeframe then they come back - that is the 2nd round

What allocations will BB? 19-20 – GF Allocations
Mike Beckstead; CMO and CAO - allocations into Utilities – has been in Code since 1970s and has not changed since then - other done for administrative - allocations are not designed to get to cost level - more macro

Any change will require action by Council

Gerry Horak; this looks at function not person - it is about the overall activity

Mike Beckstead; we have not done a cost / time study to reset these allocations

CAO allocates percentages of various people into Utilities – Broadband is .35 of an FTE

Gerry Horak; some of these are left over from a time when there were a lot few people

Mike Beckstead; we modified General Fund methodology 2 years ago – it was brought to CFC

Gerry Horak; this was historically taking costs out of the General Fund

Mike Beckstead; we will put an overall review of allocations in our queue

B. East Mulberry Corridor Annexation
Laurie Kadrich, Planning, Development & Transportation Director
Tom Leeson, Community Development & Neighborhood Services Director
Cameron Gloss, Planning Manager

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 An 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:

<u>Police Services</u>

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. Theses 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.

Discussion / Next Steps:

Cameron Gloss; Big revenues will be sales & use tax and lodging tax. Plus the Development Review fees.

There are major services that will be impacted if we take this area on. Currently the County Sheriff patrols this area. The Police department will be one of the lead agencies that will be impacted.

Gerry Horak; let's look at what the county does in that area as part of this analysis of revenue versus expenditure.

Cameron Gloss; Another key player of this analysis has to do with Utilities. We will have to transfer utilities from Poudre REA to the City which will include lots of capital expenditure and there is Xcel to transfer as well.

- Broadband to be considered as well of this area is annexed.

We are working on a Parks and Recreation master plan update in 9 months to 1 year

Update to City Plan between now and when Council looks at this full analysis.

Transportation - streets are not up to Fort Collins standards, they are sub-standard in their current condition - How do we upgrade streets? We might need to use Special Improvement Districts in order to Bond them to get them upgraded.

Is there anything that we are missing? -Lots of work to be done

We would like to start the analysis in 2019 and conclude in 2020 and have the Analysis done by 2021

How do we transition? SW enclave gives a good example of doing the annexation in a phased approach

What do the phases look like? How much does each phase cost?

Gerry Horak; what is the plan to work cooperatively with the county?

Cameron Gloss; they are very involved in the entire process, this would need to be a joint plan. The Sheriff's Department and Fort Collins Police would need to coordinate coverage and hand-over.

Gerry Horak; any elected official structure? Do we know how much buy in we have from the County before we begin the study? We don't spend a lot of time on a staff study without buy-in from the County.

Cameron Gloss; there could be an Advisory Committee. To what degree do we get County Leadership involved? We don't know the answer to that right now.

Gerry Horak; some agreements with the County re: monies - policy level - we should try to set this up ASAP
we have the group that meets on water issues – bring this to their attention

What about ELCO's (East Larimer County Water District) position? - if we would take some of their territory – opportunity that we should try to think a little harder about that - not so much residential issue but commercial / industrial area for the future – greatest potential of future Economic Development. Water and waste water should be part of the discussion. Do we know what their future plan is regarding development and is there a way to coordinate with them instead of having to take the whole area over?

The whole area is ELCO

Laurie Kadrich; there may be some portions that are not ELCO, but very few. Some of the community meetings we shared service areas for some of the properties.

Mayor Troxell; triple bottom line - approach this from a sustainability view - this is key industrial area - much economic health / environmental / social sustainability.

Gerry Horak; actively working with the fire protection district - this is taking over a major chunk of their revenue – PFA – for the district that is a huge differential.

Mayor Troxell; just like the SW enclave - first phase was sales tax collecting - Do you have a prediction of sales tax?

Cameron Gloss; comparable to the SW enclave. Furniture stores / hotel – not clear where the greatest revenue generators are.

Mayor Troxell; Horse and Dragon - abuts city limits – they were talking about expansion - context as it relates to businesses and how that goes forward as well.

Cameron Gloss; During the City planning update, we anticipate lots of discussion during the process -
Scenario development will be next phase - will touch on it at work session tomorrow evening. We will include some scenarios.

One of these scenarios involves 2 projects that are coming in

1 residential through petition within the enclave area – more residential development than we originally envisioned. Good example of how things change over time instead of where we thought we would be heading in the past.

Mayor Troxell; what about URAs and those sorts of things?

Cameron Gloss; it absolutely has to be part of this analysis. We have to think about how we are going to fund all of the improvements/needed upgrades as part of this annexation. Street conditions - improvement – incubate businesses that are there to continue to make it part of a very important employment center in that area.

Tom Leeson; fiscal impact analysis study over 2 years - What are the costs for the services? Discussion about all of the districts, taking them over and what will be the effect on them. All possible revenue sources that we could use to generate in addition to cost sharing.

Mayor Troxell; different than a plan - weaving between the policy and the county - they really need to be thought of comprehensively as we go forward.

Gerry Horak; what are the next steps? Where are headed for the discussion or what do we plan to do?

Kelly DiMartino; Good next step would be to have Darin to talk at a regional meeting - make this a topic and come in with a very structured conversation

Gerry Horak; have county involved in scope - how did we do the second phase? Engage county in the first phase instead of waiting until we have made decisions.

Mayor Troxell; we have had some preliminary discussions with the County.

Kelly DiMartino; we will bring that up in ELT tomorrow - Who is responsible for making that connection and getting that started?

Gerry Horak; please make sure to take the same steps with ELCO, Fire District and PFA.

C. KFCG Expiration (Sunset)
Ginny Sawyer, Senior Project Manager
Peggy Streeter, Senior Sales Tax Auditor

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?

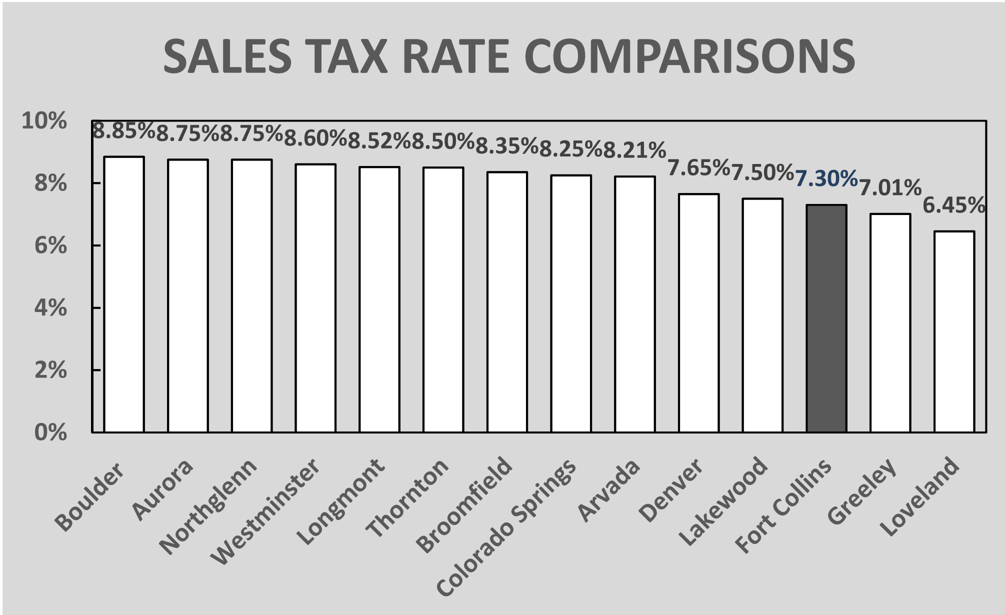
BACKGROUND/DISCUSSION
Local Tax
In 2008-2009 the City was experiencing significant revenue shortfalls. In response, a major initiative was launched to engage the public regarding level of services and identification of new revenue. In 2010, a .85% 10-year dedicated tax (KFCG) was passed by voters (60%). 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

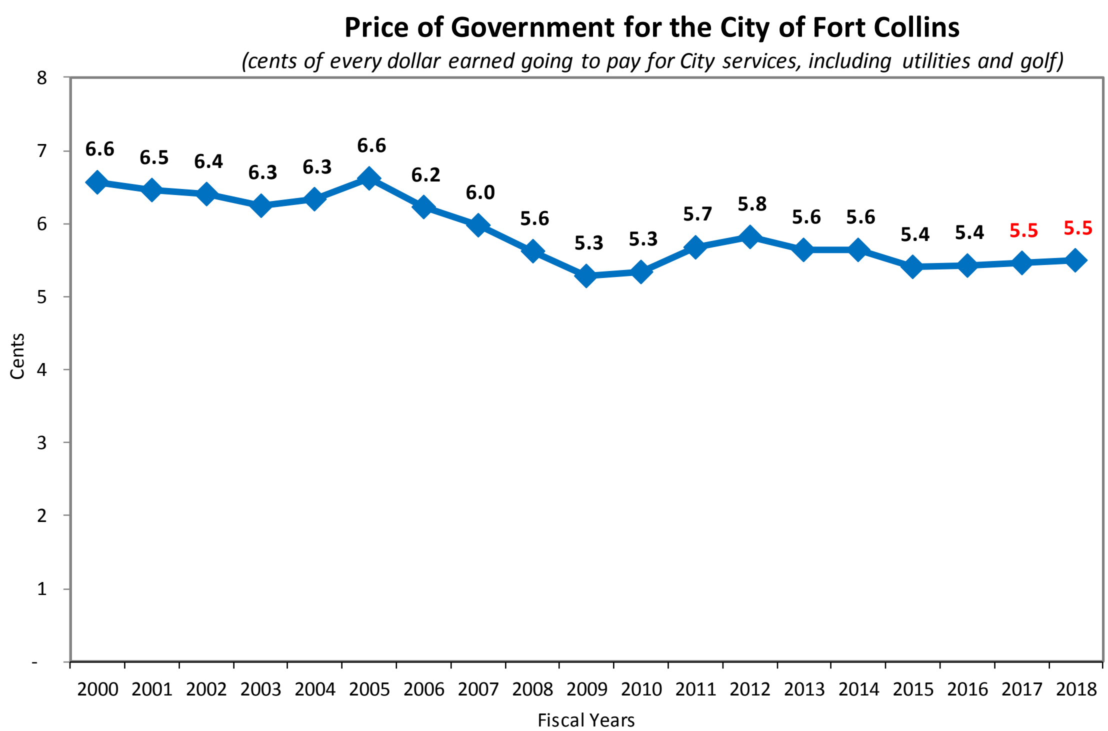
The addition of KFCG brought the City total tax rate to 3.85%. The on-going general tax rate is 2.25% and has not changed in over 30 years. There are three dedicated ¼-cent taxes (Open Space, Street Maintenance, Community Capital) totaling .75% and the Keep Fort Collins Great .85% dedicated tax.

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:



2017-2018 Estimated

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.

Discussion / Next Steps;
Ginny Sawyer; This is our last scheduled meeting with Council Finance unless we can find an open spot. There was a tentative date given in November, but a proposed time in July seemed to be better. Ginny will follow-up with Sarah K to get on the schedule in July.

Gerry Horak; tax on groceries what qualifies as groceries? Just food and any other things that aren't food?

Ginny Sawyer; Correct drugs are not taxed. No sales tax on WICK or food stamps or general merchandise purchased with food stamps.

Gerry Horak; Specific question about a project listed in the presentation. For the $48M for street repair - What difference did it make? And for each of these projects, what difference did they make. Not just what was funded. What was the outcome? At least the output, not just the outcome.

Kelly DiMartino; how do we synthesize? This is something my team has been struggling with.

Gerry Horak; if we didn't have this money what would our streets look like? What difference did this money make for Poudre Fire Authority? Showing off the projects that were funded. That is the critical thing needed. He has heard in the business community that there is an agreement for a longer-term tax for essential services or a permanent tax for essential services. That is something to really consider being put on the ballot. We need to get community feedback on any possible proposals before the Work Session in July. Other Community Priorities in the future we need to define what this category means in order to get it passed.

Ginny Sawyer; That category currently includes our community outreach / homeless activity - quite a diverse list of things that are community priorities.

Gerry Horal; Define what is there in the category and perhaps split that up into multiple categories; One is essential / basic services. Council / Staff need to be more specific in future proposals – We need to state that we are are going to use this to help fund affordable housing, etc. but define exactly what is allowable in the Other Community priorities category.

Mayor Troxell; categories - reporting back - Offer that would be captured value to the community based on what has already been delivered.

Gerry Horak; did you present numbers for tax on groceries versus no tax on groceries?

Ginny Sawyer; We did try to present this. They did not like that we didn't have the monthly impact at the time. We showed what the overall amount would be increased by.

Gerry Horak; sales tax rebate could be adjusted – Council to provide input to staff in work session -heading toward November – finalize what goes on the ballot - February - would have to be referred for ballot late January

Gerry Horak; have a timeline with dates in July

Ginny Sawyer; in July will have tagged along with Budgeting for Outcomes outreach

Gerry Horak; have you gone to the Chamber?

Kelly DiMartino; Wen to LLAC - talked about budget and referenced that this conversation was coming up.

Gerry Horak; Expanding the revenue base - we have some pretty good business outreach meetings, it would be a good idea to do that again between now and November – get some feedback

Kelly D; I agree that it will be good to do that again, but we need to wait until when we have some more firm scenarios. So many variables it would be difficult to get meaningful feedback.

Gerry Horak; have someone from Council go with you to get overall feedback. So we are well grounded in hearing more than our own thoughts – you could tag along on some Council listening sessions – one in each district – different cuts of the community focused session – have a Council member help facilitate.

Kelly DiMartino; with July date - we can fully build out the engagement plan.

Gerry Horak; This topic needs to have Council involved to make the decision for what does and does not go on the ballot.

Ken Summers; my position has not changed - KFCG as a tax was done in response to the great recession to maintain levels of service and we have kind of gotten used to spending to that level of service. We need to decide that if we need that much revenue let's go ahead and put it in the base tax. Let's not give the wrong message to the public - core issues – public safety, fire protection and street maintenance that are not currently at a sustainability level. This is a great opportunity to look at base tax rate - Assumption that we can't be more efficient than we are - if we don't have this money the level of service will go down and cuts would be necessary - Fort Collins is financial stable and fiscally responsible - Timing for a tax increase is good for Spring – with the initiatives on the ballot on November - If the state sales tax increase in transportation goes through that may impact us on the local level. We might be able to look at sales tax on groceries - keeping it the same - good discussion to still take place around this issue.

I think this discussion is well timed since we are in the midst of 2-year budget cycle – potential changes moving forward. It would be interesting to run some scenarios based on what previous conversations would look like. With our normal economic growth. What are we expecting in terms of business growth? It would be good to think through the scenarios before our next work session in July.

Kelly DiMartino; we could bring some draft scenarios forward on July 24th

Gerry Horak; That is why I think it is critical to know what difference all of these projects made, not just what was funded. What is the Outcome? What would it look like without that level of service from KFCG.

Mayor Troxell; please update the cost of government

Kelly DiMartino; we have updated information on the cost of government and will bring that.

Mike Beckstead; To confirm; What is the impact if KFCG went away? What services go away? That is a challenging one because not all Offers are solely funded by KFCG, they also get money from the General Fund. What would be the service that would go away?

Ginny Sawyer; I would caution taking the approach of going into this saying, it KFCG isn't renewed, here is what will be cut.

Gerry Horak; where would we be today if we had never gotten KFCG? It is a guess but not impossible - based on how we provide services now. What level would we be at and what would that mean?

Ken Summer; broader in terms of a way to anticipate - What do revenues would look like going forward. We aren't saying eliminate it - what is we shaved off .85 to .65 - total revenues.

Mike Beckstead; we anticipate about $5M unspent reserves, nearly half of that is dedicated to Police. We have been playing catchup on spending that reserve completely by the end of 2020. The other categories don't have much left in reserves. We are using revenue the citizens gave us through KFCG - not a lot of KFCG that hasn't been spent yet beyond Police.

Ken Summer; we do have overall City reserves.

Mike Beckstead; General Fund reserves has $75M at the end of 2016 all but $5M is designated in some way. Could be Camera radar – it's not that $75M is available and can be used for any purpose. I do know $35M if our minimum balance – there are limitations and restrictions on how it can be used at Council's direction. I would guess $3M-$5M is available as true reserves.

Kelly DiMartino; I am hearing Ken say; overall economic health is good – that there is money that we haven't spent that has gone into reserves. Is there capacity for spending that reserve?

Mike Beckstead; it has largely been flat - General Fund - we expect it to be flat for 2017 – we will have numbers in 2-3 weeks. Our fund balance has not continued to grow in the General Fund or KFCG.

Kelly DiMartino; I am hearing we need to be Outcome Focused, Capacity and Draft Scenarios

Gerry Horak; if we didn't have additional revenue? - Percentage doesn't change much. What would be our priorities? Police and Fire will be a great percentage of the $92M.

D. Utility Mid Cycle Appropriations
Lance Smith, Director, FP&A - Utilities
Tim McCollough, Deputy Director, Utilities - Light & Power

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 seaso

Discussion / Action items
3 projects we would like to accelerate / fund and start mid year

1) **Water treatment facility annexation** - ready to start construction
Tim McCollough; Appropriation of unanticipated revenue from the water fund, this is self-funded and would be cost neutral - moving money from water fund

Gerry Horak; how much would the water treatment facility save per year if the electrical costs is moved to the City? How many years does it take to fund that?

Tim McCollough; I can get that for you, I don't have the full detail on the future billing versus current.

Mayor Troxell; Do we currently have the right of way?

Tim McCollough; Easement was purchased in 2010 through the CSU property and we are working with CSU staff on easement to see what infrastructure is needed to accomplish this project.

Tim McCollough; Spend money out of L&P $1. 3M of 2M ask - we need to fund it out.

2) **East Harmony**
3 large industrial/commercial customers in this area
We have projected that this area required 60mw, to date we have only built 38mw capacity currently – all projecting load growth; we will require 2 new circuits (we have 7 now)

Fort Collins doesn't have any distributed resources at those customer sites. We have offering for them to build their own demand resources - they have their own parallel

Solar is built at 1 of the locations in front of the meter - owned by Fort Collins Utilities
One circuit that we need the appropriation for has been going on for 2 years
Traffic interruption last year - not anticipated in our CIP - Customer request for us to build these circuits Priority - Was in our CIP but not in 2018 timeframe.

Need 0.48M to complete these circuits.

3) **Residential** - new customers through load growth - General end point - reached at or above their capacity last summer - new circuit to off load some capacity - 4-5 square mile area - All 4 reached peak loads Distributed resources – Beginning entry point is $6m to put solar or storage to help offset the peak loads on these circuits - not cost effective now but is on our radar moving forward to pick up the capacity.

Mayor Troxell; are there ways to incent customers to do certain things? To have customers invest in solar or storage? Along Harmony - they wanted to come together as a neighborhood and do their own community solar.

Tim McCollough; a local solar project might meet a small capacity of it, the total need is in the 100mw range - there is opportunity - scale is available down the road, batteries could be placed in every household to store excess solar, but we don't have the capability/funds to do that now - will not meet short term need $2M + off cycle

Picked up at Dixon Creek – Overland and Drake - all ducts are in place
This will be brought to Council on June 5th

Gerry Horak; include what your reserves balance are in an executive summary - show that you have sufficient reserves – What is the return the water treatment facility is getting for providing you funding?

Tim McCollough; We will include both on Council AIS

OTHER BUSINESS:

Broadband
Mike Beckstead; Working on a memo to give Council an update on what has been done.
Released our prelim announcement - we were given 30 mins at Western States Institutional Investors Conference to tell the Fort Collins story – was very well received

Bond Dates;

Retail date of May 29th we are directing inquiries to the website for instructions
Institutional May 30
Sign docs June 7th

Meeting adjourned at 12:03 p.m.

COUNCIL FINANCE COMMITTEE
AGENDA ITEM SUMMARY

Staff: Josh Birks and Patrick Rowe

Date: June 18, 2018

SUBJECT FOR DISCUSSION

Preview of Proposed Metro District at Waterfield Development

EXECUTIVE SUMMARY

Thrive Home Builders is exploring the feasibility of constructing approximately 500 homes on property generally located at the northwest corner of Vine Drive and Timberline Road. The project could include as many as 50 lots dedicated for affordable construction. In addition, the project is evaluating the cost of delivery all units as US Department of Energy Certified Zero Energy Ready. As part of the evaluation, Thrive would like to consider using a Title 32 Metropolitan District to offset basic infrastructure costs enabling the delivery of energy efficient and affordable homes. The presentation will provide an overview of Thrive Home Builders, their approach to development, and a conceptual look at the proposed project and metro district.

GENERAL DIRECTION SOUGHT AND SPECIFIC QUESTIONS TO BE ANSWERED

1. Does the committee support the continued consideration of a Metro District to support the proposed Waterfield project?

BACKGROUND/DISCUSSION

Thrive Home Builders ("Thrive") is evaluating a significant project in Fort Collins, generally located at the northwest corner of Vine Drive and Timberline Road (see **Attachment 2 – Project Vicinity Map**). The project would construct approximately 500 homes in a new urbanist layout - alley loaded and walkable design. The project is evaluating the ability to deliver up to 50 affordable homes as well as constructing all 500 homes as U.S. Department of Energy Certified Zero Energy Ready homes.

Thrive is a Colorado grown company that has operated in the metro-Denver area for the past 20 years. Thrive is committed to building healthy, efficient, and local homes. They achieve this goal by:

- **Healthy** – All homes are constructed to the Environmental Protection Agency's Indoor airPLUS program standards, include active radon ventilation systems, using advanced moisture management practices to reduce the likelihood of mold, and use low Volatile Organic Compound ("VOC") products.

- **Efficient** – All homes are constructed to the U.S. Department of Energy Zero Energy Ready Home standard, achieve Energy Star Certified status, and include a RESNET HERS score – an independent energy rating that validates energy efficiency level.
- **Local** – Locally-sourced products are used when available – an example is blue-stained beetle kill pine.

Thrive also builds affordable homes. Thrive has been building affordable homes, meeting the Denver Inclusionary Housing guidelines including a deed restriction, for the past 12 years at the Stapleton Airport Redevelopment. Thrive has built over 380 affordable homes in the Stapleton project. In addition, they have constructed approximately 500 for-sale homes targeted at 80 percent of Area Median Income ("AMI") at Belle Creek. In both projects, these homes deliver the same Zero Energy Ready features as Thrive uses in market rate housing, including trademark double walls, the ability to add solar panels, and other zero energy ready features.

PROJECT OVERVIEW

Thrive is evaluating a project to construct approximately 500 homes on 71 acres (net of the school site; 113 acres total) at the northwest corner of Vine Drive and Timberline Road (see **Attachment 2 – Project Vicinity Map**). The project, called Waterfield, will follow Thrive's commitment to healthy, efficient, and local home construction, including all their normal standards and include raw water irrigation, comply with watersense standards, and re-plat the project to provide urban design and density, alleys, and walkable features (see **Attachment 3 – Thrive & Waterfield Background Materials**).

METRO DISTRICT

The Waterfield project has not currently entered the planning or development review process. Thrive has requested this early check-in with the Council Finance Committee because of their intent to apply for a Title 32 Metropolitan District ("Metro District") to offset infrastructure costs.

The Metro District would be used to construct critical public infrastructure and other site costs reducing the overall development costs. By funding infrastructure costs with Metro District revenue, the project could deliver:

- Approximately 50 affordable homes,
- Zero Energy Ready certified homes throughout the project,
- A Watersense compliant project,
- New urbanist style design and density (nearly 498 homes planned compared to the current plat of 190 single family homes plus 9.9 acres of unplatted MMN zoned property), and
- Use of raw water for yard and common area irrigation.

These public benefits do not come without cost. Thrive has provided an estimate of the cost differential between their proposed project and the current code minimum requirements (see **Attachment 4 - Thrive vs. Code Builder Cost Analysis**). This analysis estimates a difference in cost of approximately $46.4 million. When considering just lot preparation costs the total cost of Thrive's approach is $68,000 per lot compared to a code minimum of $52,000 (See **Attachment 3 - Thrive & Waterfield Background Materials)** or a differential of approximately $16,000 per lot. A Metro District could help to reduce this differential significantly.

Metro District revenues would be used to offset all or a portion of the cost differential by constructing critical public infrastructure and other infrastructure, and funding site preparation. Some portion of these costs may not comply with the current policy prohibiting the use of Metro District funds to construction "basic" infrastructure. However, the revised policy to be considered by City Council later this year allows for funding "basic" infrastructure if sufficient public benefit is delivered by the overall project proposal.

A comparison of the proposed use of Metro District revenues the currently adopted and proposed policy is provided below in **Table 1**.

Table 1
Metro District Policy Comparison

	Project	Current	Proposed
Mill Levy Caps	***TBD***	40 Mills	50 Mills
Basic Infrastructure	**Partially**	Not favored	To enable public benefit
Eminent Domain	Will Comply	Prohibited	Prohibited
Debt Limitation	Will Comply	100% of Capacity	100% of Capacity
Dissolution Limit	Will Comply	40 years	Removed *(Plan Specific)*
Citizen Control	Will Comply	As early as possible	As early as possible
Multiple Districts	**Yes**	Projected over an extended period	Projected over an extended period
Commercial/ Residential Ratio	**100% Residential**	90% to 10%	N/A

The conceptual use of a Metro District at Waterfield does not comply with the City's existing policy. However, it represents an example of the type of project that would comply with the proposed policy revisions to be considered by City Council later this year.

Given the significant cost of completing the development review process and the estimated cost differential to develop the project as currently conceived by Thrive, the applicant requested this early preview to gain initial feedback.

ATTACHMENTS

1. Staff Presentation
2. Project Vicinity Map
3. Thrive & Waterfield Background Materials (*Applicant Supplied*)

4. Thrive vs. Code Builder Cost Analysis (*Applicant Supplied*)

7-10-18

Waterfield Metro District Request Preview

Josh Birks

Questions for Council

- Does the committee support the continued consideration of a Metro District to support the proposed Waterfield project??

Thrive Home Builders

Background

- Experienced Net Zero Energy Homebuilder
- Experienced Affordable Housing Homebuilder

Comparable Projects

- Belle Creek – 1,000 units; 50% at 80% Area Median Income (AMI)
    - No public subsidy, no public mandate
- Stapleton – Currently only private builder meeting requirements for Affordable units – 12 years experience, XX units built

Thrive Approach

Efficient

- Zero Energy Ready
- Energy Star Certified
- RESNET Score

Healthy

- Indoor airPlus
- Active Radon Systems
- Advanced moisture management
- Low VOC materials

Local

- Beetle Kill
- Other Local Materials

Project Description

- New Urbanist Alley Load project
- Increased density
- 498 units vs. 190 units + 9.9 ac MMN
- 50 affordable units

Policy Comparison – Key Provisions

	Project	Current	Proposed
Mill Levy Caps	***TBD***	40 Mills	50 Mills
Basic Infrastructure	**Partially**	Not favored	To enable public benefit
Eminent Domain	Will Comply	Prohibited	Prohibited
Debt Limitation	Will Comply	100% of Capacity	100% of Capacity
Dissolution Limit	Will Comply	40 years	Removed *(Plan Specific)*
Citizen Control	Will Comply	As early as possible	As early as possible
Multiple Districts	**Yes**	Projected over an extended period	Projected over an extended period
Commercial/ Residential Ratio	**100% Residential**	90% to 10%	N/A

Metro District Impact

Per Unit Costs	*Old Plan*	*New Plan*
Land, Development and Water	$ 49,406	$42,533
Critical Transportation Infrastructure	2,462	1,928
Water Conservation (EPA WaterSense)	0	3,050
Zero Energy Ready Premium	0	9,000
Affordable Housing Subsidy	0	7,254
Net Zero Premium	0	3,906
Subtotal Per Unit Costs	$51,867	$67,672
Metro District Proceeds	0	-14,970
Net Costs after Metro District	$50,502	$55,989

(Analysis Supplied by Applicant)

Public Benefits

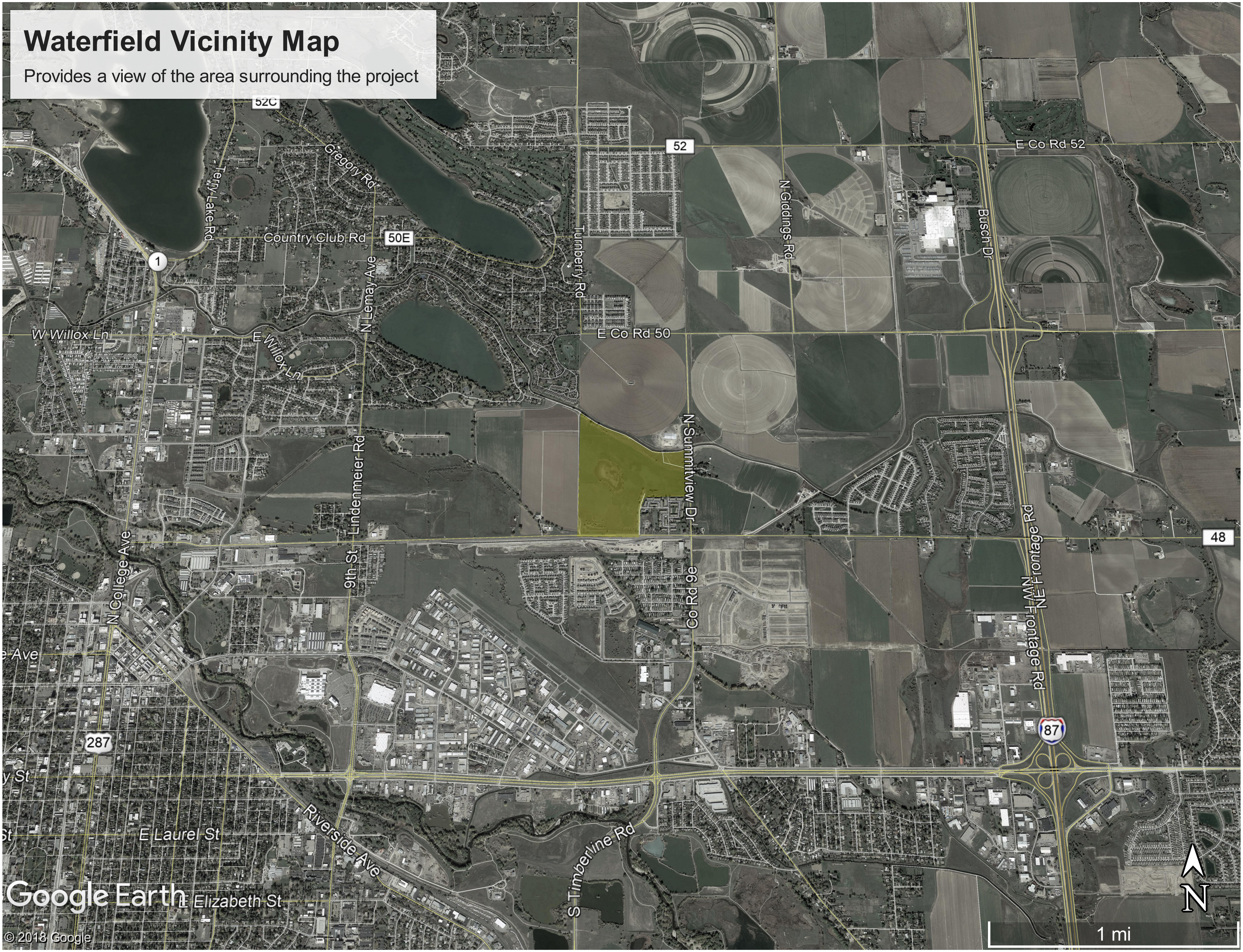
Environmental Sustainability	Critical Public Infrastructure	Smart Growth Management	Strategic Priorities
GHG Reduction	Existing significant infrastructure challenges	Increase density	Affordable Housing
Water/Energy Conservation	On-site	Walkability/Pedestrian Infrastructure	Infill/Redevelopment
Multimodal Transportation	Off-site	Availability of Transit	Economic Health Outcomes
Enhance Resiliency		Public Spaces	
Increase Renewable Capacity		Mixed-Use	

Questions for Council

- Does the committee support the continued consideration of a Metro District to support the proposed Waterfield project??

Waterfield Vicinity Map

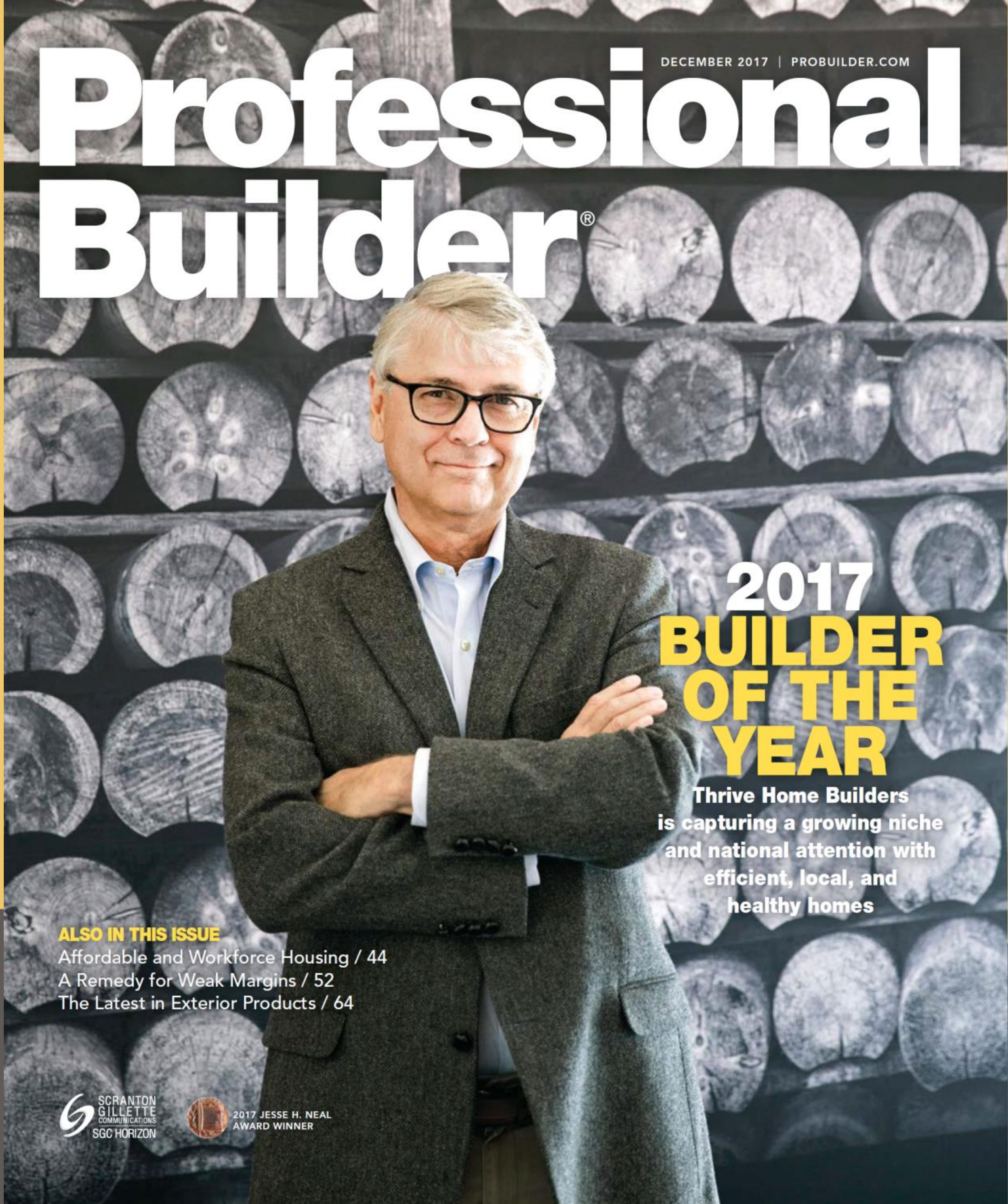
Provides a view of the area surrounding the project



About
Thrive Home Builders

Nationally acclaimed Builder

- Of affordable housing
- Of Net Zero housing
- *Professional Builder* magazine's Builder of the Year



thrive HOME BUILDERS

Homes that do more.

Affordable Housing

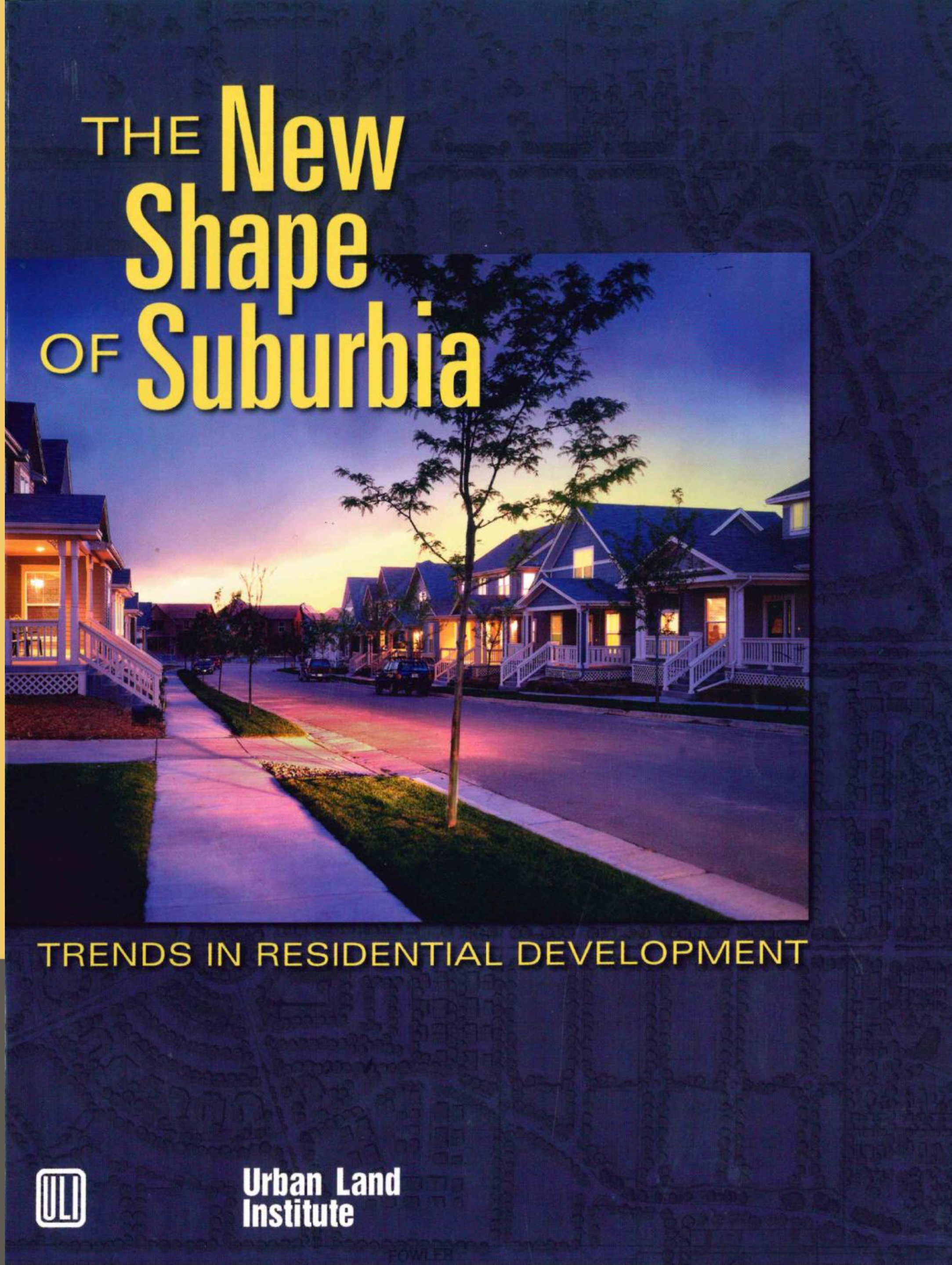
- Belle Creek: 1000 units, 50% at 80% AMI or less.
- Service enriched with day care, computer lab, rec center and charter school in the Family Center.
- ULI Top X Affordable Communities in America.
- PCBC Gold Nugget Award, Best in the West.

All accomplished with no public money and under no public mandate.

We did it with a metro district.

thrive
HOME BUILDERS

Homes that do more.



Affordable Housing

- Denver's largest for profit builder of "for sale" affordable housing.
- Only private builder meeting Stapleton's ambitious affordable housing goals.

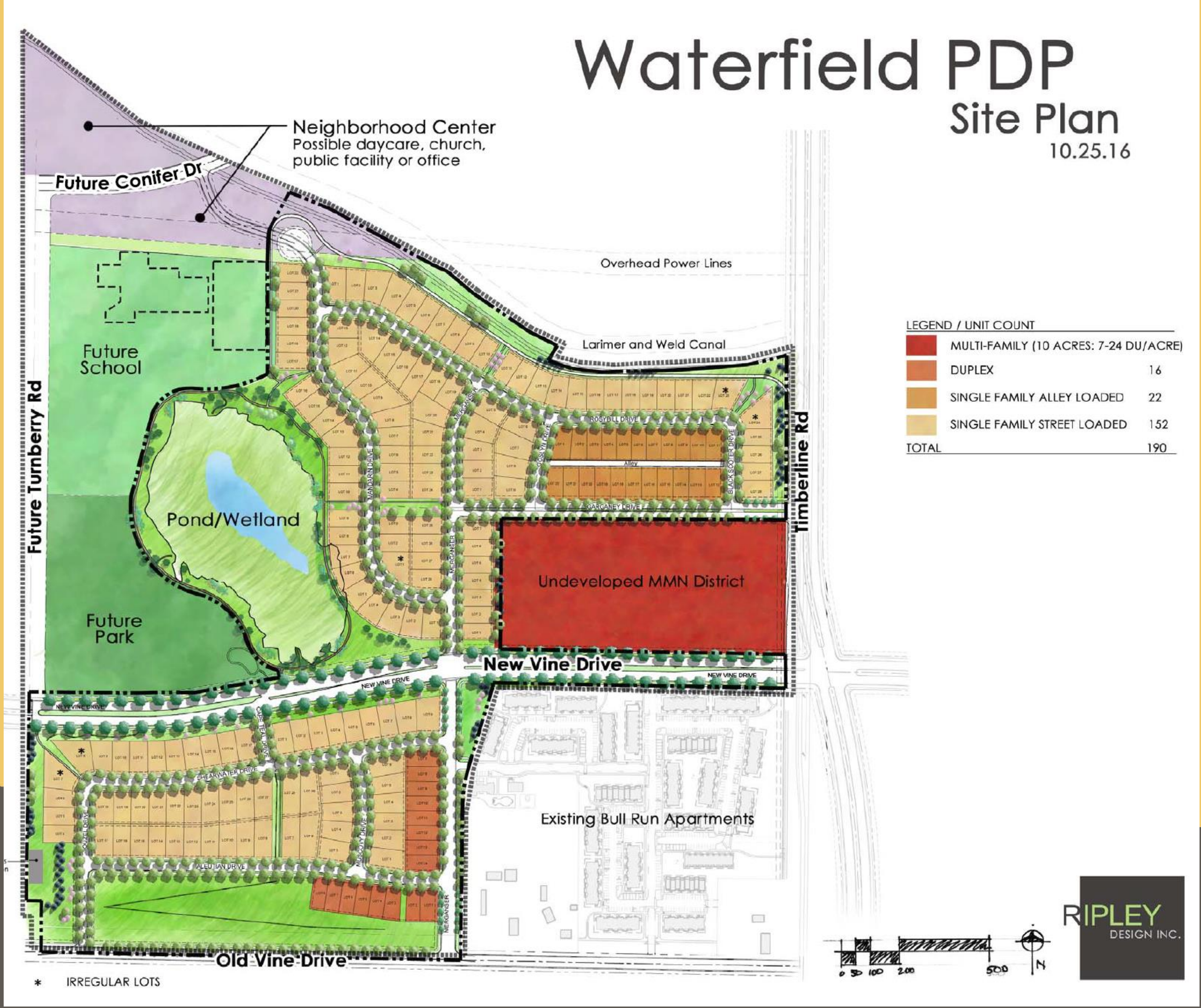
thrive
HOME BUILDERS

Homes that do more.

Smart Growth

Current Waterfield Plan

- **190 Lots**
- **10 acre TH site**



thrive HOME BUILDERS

Homes that do more.

Smart Growth

Proposed Waterfield Plan

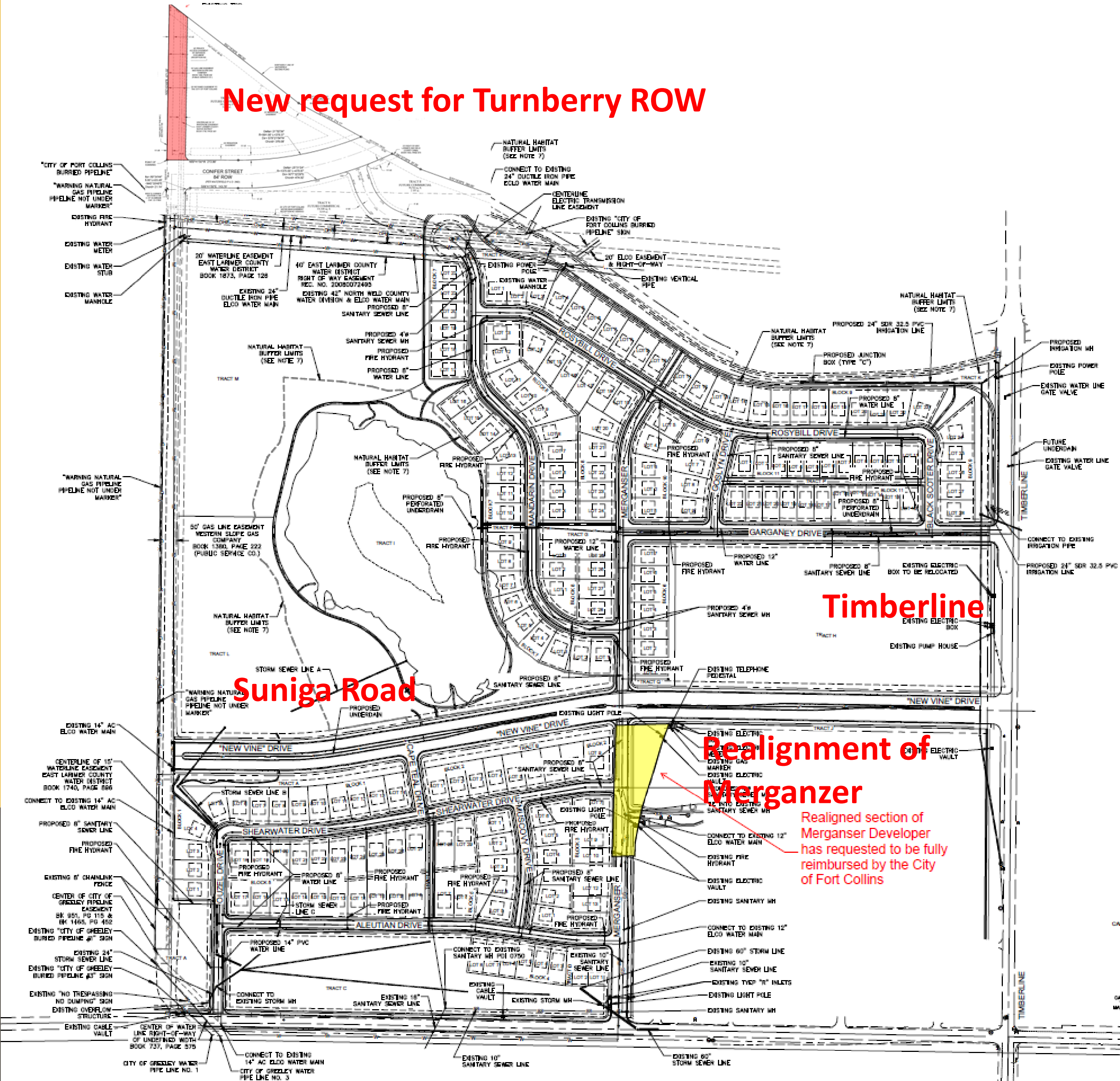
- **498 units**
- **New urbanist "alley" plan**

thrive HOME BUILDERS

Homes that do more.

Critical Transportation Improvements

- Suniga transects Waterfield for about a half mile.
- Suniga/Timberline intersection will be constructed.
- Merganzer will be realigned.
- Turnberry right of way will be established.

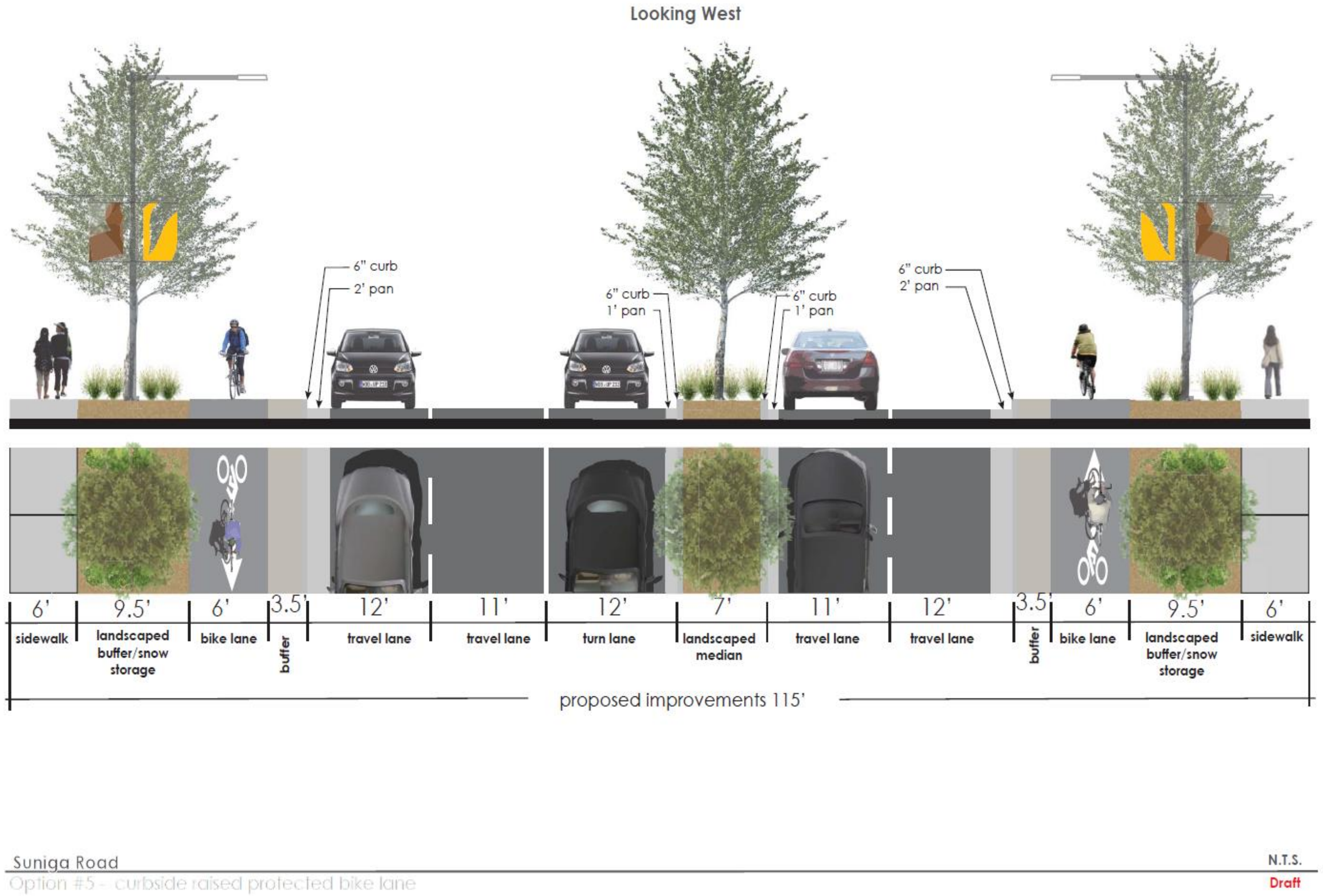


thrive HOME BUILDERS

Homes that do more.

Critical Transportation Improvements

Enhanced Suniga Road Cross Section



thrive HOME BUILDERS

Homes that do more.

Net Zero

We are Colorado's largest and most experienced builder of Net Zero Homes.

thrive HOME BUILDERS

Homes that do more.

Net Zero

- **First US DOE Zero Energy Ready Home program builder in Colorado, 2013**
- **US DOE Housing Innovation Grand Award Winner 6 times in the last 5 years.**

thrive
HOME BUILDERS

Homes that do more.

Healthy Homes

- **Most EPA Indoor airPLUS homes in Colorado**
- **EPA Indoor Air Quality Leadership Award, 2016 and 2017**

thrive HOME BUILDERS

Homes that do more.

A metro district will enable Waterfield to achieve Ft. Collins' aspirations.

We wish it weren't so, but…..

- **We know affordable homes require subsidy, because we build them everyday.**
- **We know net zero homes cost more, because we build them every day.**
- **"Backbone" transportation facilities are expensive.**

A metro district enables Waterfield to become a great example of the Ft. Collins of tomorrow that you envision.

How a Metro District Helps

	Old Plan	New Plan
Total Number of Units	390	498
Affordable Units 10%	0	50
Subtotal Market Rate Units	390	448
Zero Energy Ready Units 100%	0	498
Net Zero Units 10%	0	50

thrive HOME BUILDERS

Homes that do more.

How a Metro District Helps

Per Unit Costs	*Old Plan*	*New Plan*
Land, Development and Water	$ 49,406	$42,533
Critical Transportation Infrastructure	2,462	1,928
Water Conservation (EPA WaterSense)	0	3,050
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Metro District Proceeds	0	-14,970
Net Costs after Metro District	$50,502	$55,989

thrive HOME BUILDERS

Homes that do more.

THRIVE VS. CODE BUILDER

	Code Minimum	Thrive Waterfield
Development		
Onsite 1	$16,385,326	$16,385,326
Critical Public Infrastructure		
Suniga	$1,805,584	$1,805,584
Vine	$457,857	$457,857
Merganser	$360,393	$360,393
Timberline	$436,257	$436,257
Dewatering	$537,560	$537,560
Underdrain	$237,888	$237,888
Urban design 2	None	$1,913,450
Sustainability		
Energy efficiency 3	2015 Building Code	Zero Energy Ready
Hard Costs (491 units)	$85,549,385	$123,810,069
Water Conservation 4	None	$1,497,550
Strategic Priorities		
Affordable Housing (50 lots) 5	None	$4,727,805
Subtotal	$105,770,250	$152,169,739

1 Onsites include landscape, raw water, irrigation

2 Currently, as platted, there is no urban design or alleys; in order to achieve urban design and density, we must add alleys and re-plat

3 Results from a third party study, a 2015 code builder builds at $88.53/sf (or $174,235 for a 1,968 sf home) and Thrive builds at $128.13/sf (or $252,159 for a 1,968 sf home)

4 Watersense costs an additional $3,050 per lot

5 The acquisition and development cost per lot is $94,556 multiplied by 50 lots dedicated to affordability is $4,727,805.
This does not include the cost of permits and fees which is about $42,000 per lot, which would bring the total per lot cost to $136,556 or $6,827,800 total

City of Fort Collins

Q2 2018

FINANCIAL SERVICES

Historical Appropriations Outside BFO

Historical Budget Ordinances

Total *Number* of Ordinances

Source	2013-2014	2015-2016	2017-2018 YTD
Grant/Unanticipated Revenue	44	28	25
Other*	7	4	2
Reserves	25	35	38
Grand Total	**76**	**67**	**65**

Total *$ Amount* of Ordinances

Source	2013-2014	2015-2016	2017-2018 YTD
Grant/Unanticipated Revenue	$24,736,035	$6,350,460	$12,756,406
Other	12,423,022	24,608,577	8,472,614
Reserves	33,211,588	30,585,897	17,417,436
Grand Total	**$70,370,645**	**$61,544,934**	**$38,646,456**

* Transfers, Bonds, Loans, Rebates

- No increase in the # of off cycle ordinances overall
- Increase in # of ordinances from Reserves – 25 to 38
- Decrease in $ amount of ordinances overall
- Decrease in $ of ordinances from Reserves - $33.2M to $17.4M
- Couple of large projects causing distortion

Ordinances that used *Reserves*

Source	2013-2014		2015-2016		2017-2018 YTD	
	#	$	#	$	#	$
General Fund	13	$6,596,223	17	$10,566,003	12	$3,413,800
Transportation and TCEF	1	50,000	6	5,114,723	11	5,787,375
Utilities (incl. new Utilities building in 2014	6	24,371,665	7	9,000,183	6	1,016,356
Capital Expansion Funds	0	-	1	1,638,000	4	3,842,000
Keep Fort Collins Great	3	385,000	0		2	776,357
All Others	2	1,808,700	6	4,266,988	4	2,581,548
Grand Total	**25**	**$33,211,588**	**37**	**$30,585,897**	**39**	**$17,417,436**
% of Total		***47%***		***50%***		***45%***
Without Utilities	**19**	**$8,839,923**	**30**	**$21,585,714**	**33**	**$16,401,080**

- General Fund Reserves - # ordinances mostly flat, $ are down
- Utility use of reserves distorts the overall picture – UAB & Michigan Ditch
- Increase in Transportation and CEF ordinances (# & $)
    - Several projects required timely funding

* As of 3/31/2018

Back-Up

	2013	2014	2015	2016	2017	2018
GENERAL FUND						
URA Reimbursement - Capstone Project	5,000,000					
Police Dispatch Radio Replacement	250,000					
Police Scene Response Vehicle	171,476					
Waste Reduction and Diversion Projects	135,560					
Waste Innovation Program					150,000	111,000
Multi-Jurisidictional No. Colo. Drug Task Force		236,160				
Housing Authority's Redtail Ponds Project		233,781				
West Nile Virus Management		206,592				
High Security Enhancements		190,360				
Lincoln Corridor Improvements Project			5,259,119			
Design of the Police Regional Training Facility			810,000			
Avago Rebate			467,663	413,781	397,716	
Supplemental Costs for Foothills Activ. Center w.APP			404,000			
Woodward Reimbursement			180,994			
CAP Projects				2,505,510		
Police Collective Bargaining Health Savings Plan				225,000		
Pool Chlorination System				200,000		
Fee Waiver for Horsetooth Affordable Housing					179,845	
Elections - November 2017					150,000	
Idea 2 Product 3D Printing Community Center					150,000	
Storm Cleanup					143,563	
Broadband Strategic Support					80,000	
Broadband Start-up costs						1,800,000
Muni Court Security						159,832
Other	98,100	74,194	69,936	30,000	39,560	52,284
Total General Fund	**5,655,136**	**941,087**	**7,191,712**	**3,374,291**	**1,290,684**	**2,123,116**

* As of 3/31/2018

UTILITIES	2013	2014	2015	2016	2017	2018
800 MHZ Radios	1,460,665					
Pre-Sedimentation Basin (High Park Fire related)	1,250,000					
Water Main Replacement	600,000					
Restore River Frontage near Block One	50,000					
New Utilities Building		18,911,000				
Replacement of Waterline		2,100,000				
Water Distribution Infrastructure Replacement Projects			745,000			
Michigan Ditch Tunnel Project				6,300,000		
Boxelder Creek Flood Mitigation				979,700		
CAP Projects				975,483		
McClellands Creek in the new Twin Silo Park					454,500	
Boxelder Basin Regional Stormwater Authority Payment					330,000	
Resources for Broadband Strategic Support					80,000	
Storm Cleanup					2,556	
Cyber Security & System Enhancements						149,300
Total Utilities	**3,360,665**	**21,011,000**	**745,000**	**8,255,183**	**867,056**	**149,300**

TRANSPORTATION AND TCEF FUNDS	2013	2014	2015	2016	2017	2018
Restore River Frontage near Block One	50,000					
Timberline Rd - Drake to Prospect, BOB Interection Improv			1,500,000			
Reimbursement of the Construction of Roadway Improv			1,250,000			
Lincoln Neighborhood Improvements Projects			1,106,000			
Lemay and Vine Intersection			244,723			
Sharp Point/Nancy Grea Connection Project				984,000		
I-25 Traffic Consulting				30,000		
Lemay and Vine Intersection Project					1,400,000	
Horsetooth and College					1,100,000	
Regional Contribution to I-25					455,947	453,158
Elizabeth and Shields Underpass Improvement Project					280,000	
Funding Advocacy for Interstate 25					30,000	
Storm Cleanup					21,543	
Harmony & Strauss Cabin						891,000
East Prospect Road Improvements						598,680
South Timberline Road Improvements Project						548,287
Harmony & Strauss Cabin						8,760
Total Transportation	**50,000**	**0**	**4,100,723**	**1,014,000**	**3,287,490**	**2,499,885**

Capital Expansion Fund	2013	2014	2015	2016	2017	2018
Southeast Community Park				1,638,000		
Transfer of Funds to PFA					1,392,000	
East District Maintnenance Facility					430,000	
East Community Park					220,000	
Sidehill Park & other Park projects					1,800,000	
Total Park Planning	**0**	**0**	**0**	**1,638,000**	**3,842,000**	**0**

* As of 3/31/2018

COUNCIL FINANCE COMMITTEE
AGENDA ITEM SUMMARY

Staff: Mike Beckstead, CFO
Jennifer Poznanovic, Revenue & Project Manager

Date: June 18, 2018

SUBJECT FOR DISCUSSION
Fire Capital Expansion Fee Update

EXECUTIVE SUMMARY
Consulting firm Duncan Associates discovered there was a cell reference error in their formula used for the City's 2017 Capital Expansion Fee (CEF) Study. This error caused the Fire CEFs to be overstated by 19%.

CEFs require City Council approval and City Council approved 75% of the proposed fee increases. CEF fee increases went into effect on October 1, 2017. Given the error in the Fire CEF calculation, current Fire CEFs are 90% instead of 75% of the corrected 2017 proposed fee level.

If the City is to issue refunds and lower the Fire CEFs to 75% of the corrected proposed fee increases, the current impact is approximately $76,000 in refunds across approximately 370 permits that have been issued in full.

GENERAL DIRECTION SOUGHT AND SPECIFIC QUESTIONS TO BE ANSWERED

- Which option does Council Finance Committee support?

    1. Refund & Adjust Fees
        - Adjust fees consistent with corrected calculations – required Ordinance
        - Appropriate funds from Fire CEFs for reimbursement permits paid back to October 1, 2017.
    2. Continue with current fees
        - Step I and step II of Fire CEF increases = 90% of the 2017 proposed fee level

- If Option 1, does Council Finance Committee support resolving both issues at the next available Council meeting?

BACKGROUND/DISCUSSION
In 2016, the City of Fort Collins contracted with consulting firm Duncan Associates to analyze methodology and update CEFs. CEFs require City Council approval and City Council approved 75% of the proposed fee increases. These fee increases went into effect October 1, 2017.

Fire Capital Expansion Fees

Land Use Type	Unit	Prior Fees	2017 Proposed	Current
Residential, up to 700 sq. ft.	Dwelling	$281	$502	$377
Residential, 701-1,200 sq. ft.	Dwelling	$357	$679	$509
Residential, 1,201-1,700 sq. ft.	Dwelling	$395	$739	$554
Residential, 1,701-2,200 sq. ft.	Dwelling	$410	$751	$563
Residential, over 2,200 sq. ft.	Dwelling	$440	$836	$627
Commercial	1,000 sq. ft.	$339	$633	$475
Industrial/Warehouse	1,000 sq. ft.	$80	$148	$111

*Prior Fees effective January 1, 2017 - September 30, 2017

Earlier this year, the Poudre Fire Authority (PFA) contracted with Duncan Associates to update their Fire Capital Expansion Fees (those that are not directly related to the City). Duncan Associates used data collected from the City's 2017 Capital Expansion Fee Study as a basis for starting the PFA study.

During their analysis, Duncan Associates discovered there was a cell reference error in their formula used for the City. This error caused the Fire CEFs to be overstated by 19% in the CEF Study. In the tables below, "Net Cost per Functional Population" of $422 was calculated using "Net Replacement Cost" instead of "Net Replacement Cost Attributable to City". Correcting this error would result in a "Net Cost per Functional Population" of $354. Duncan Associates confirmed that all other fees were calculated correctly.

Table 18. Existing Fire Cost per Service Unit

Fire Facility Building Replacement Cost	$49,278,152
Fire Facility Land Cost	$5,122,359
Fire Vehicle Replacement Cost	$14,126,633
Total Replacement Cost	$68,527,144
– Outstanding Station 4 Lease Purchase Payments	-$2,043,237
Net Replacement Cost	$66,483,907
x City Share of Fire District Calls	84.0%
Net Replacement Cost Attributable to City	$55,846,482
÷ Existing Functional Population (24-Hour)	157,626
Net Cost per Functional Population	$422

Table 18. Existing Fire Cost per Service Unit - Corrected

Fire Facility Building Replacement Cost	$49,278,152
Fire Facility Land Cost	$5,122,359
Fire Vehicle Replacement Cost	$14,126,633
Total Replacement Cost	$68,527,144
– Outstanding Station 4 Lease Purchase Payments	-$2,043,237
Net Replacement Cost	$66,483,907
x City Share of Fire District Calls	84.0%
Net Replacement Cost Attributable to City	$55,846,482
÷ Existing Functional Population (24-Hour)	157,626
Net Cost per Functional Population	$354

Given the error in the Fire CEF calculation, current Fire CEFs are 90% instead of 75% of the corrected 2017 proposed fee level. The next fee increase is anticipated for 2019 and would be updating all CEFs (Neighborhood Parks, Community Parks, Fire, Police and General Government) from 75% (step I) to 90% (step II) of the 2017 proposed fees.

Fire Capital Expansion Fees					75% of Proposed	
Land Use Type	Unit	2017 Proposed	Proposed Corrected	Current	Current Corrected
Residential, up to 700 sq. ft.	Dwelling	$502	$421	$377	$316
Residential, 701-1,200 sq. ft.	Dwelling	$679	$570	$509	$428
Residential, 1,201-1,700 sq. ft.	Dwelling	$739	$620	$554	$465
Residential, 1,701-2,200 sq. ft.	Dwelling	$751	$630	$563	$473
Residential, over 2,200 sq. ft.	Dwelling	$836	$701	$627	$526
Commercial	1,000 sq. ft.	$633	$531	$475	$398
Industrial/Warehouse	1,000 sq. ft.	$148	$124	$111	$93

If the City is to issue refunds and lower the Fire CEFs to 75% of the corrected proposed fee increases, the current impact as of June 12, 2018 is approximately $76,000 in refunds across approximately 370 permits that have been issued in full. Fees are paid upon issuance of building permit and there are currently approximately 120 applications. Numbers continue to grow as fees have not yet been changed.

Staff time estimated to issue 500 refunds is approximately 40 minutes per refund across two departments. 30 minutes per refund in Community Development and Neighborhood Services and 10 minutes per refund in Accounting. This is approximately 330 hours or 40 days.

Current Fire CEFs are at 90% instead of 75% of the corrected 2017 proposed fee level. Staff recommends to continue Fire CEFs at the 90% fee level instead of the 75% fee level.

ATTACHMENTS
Attachment 1: PPT slide deck – CFC Fire CEF Update 2018-06-18

Fire Capital Expansion Fee Update

June 18, 2018

Capital Expansion Fees - Background

- Capital Expansion Fees (CEFs) require City Council approval
- In 2016, the City of Fort Collins contracted with Duncan Associates to analyze methodology and update fees
- Council approved 75% of proposed fee increases effective October 1, 2017

Fees proposed in 2017

Land Use Type	Unit	N'hood Park	Comm. Park	Fire	Police	Gen. Gov't	Total
Residential, up to 700 sq. ft.	Dwelling	$1,721	$2,430	$502	$236	$574	$5,463
Residential, 701-1,200 sq. ft.	Dwelling	$2,304	$3,253	$679	$319	$774	$7,329
Residential, 1,201-1,700 sq. ft.	Dwelling	$2,516	$3,552	$739	$347	$845	$7,999
Residential, 1,701-2,200 sq. ft.	Dwelling	$2,542	$3,589	$751	$352	$858	$8,092
Residential, over 2,200 sq. ft.	Dwelling	$2,833	$4,001	$836	$392	$955	$9,017
Commercial	1,000 sq. ft.	0	0	$633	$297	$1,451	$2,381
Industrial/Warehouse	1,000 sq. ft.	0	0	$148	$69	$342	$559

Fees effective as of October 1, 2017

Land Use Type	Unit	N'hood Park	Comm. Park	Fire	Police	Gen. Gov't	Total
Residential, up to 700 sq. ft.	Dwelling	$1,343	$1,751	$377	$177	$431	$4,079
Residential, 701-1,200 sq. ft.	Dwelling	$1,797	$2,342	$509	$239	$581	$5,468
Residential, 1,201-1,700 sq. ft.	Dwelling	$1,962	$2,558	$554	$260	$634	$5,968
Residential, 1,701-2,200 sq. ft.	Dwelling	$1,983	$2,585	$563	$264	$644	$6,039
Residential, over 2,200 sq. ft.	Dwelling	$2,210	$2,881	$627	$294	$716	$6,728
Commercial	1,000 sq. ft.	0	0	$475	$223	$1,088	$1,786
Industrial/Warehouse	1,000 sq. ft.	0	0	$111	$52	$257	$420

Fire CEFs - Background

- **Council approved 75% of proposed fee increases**
- **Current fees effective as of October 1, 2017**

Fire Capital Expansion Fees

Land Use Type	Unit	Prior Fees	2017 Proposed	Current
Residential, up to 700 sq. ft.	Dwelling	$281	$502	$377
Residential, 701-1,200 sq. ft.	Dwelling	$357	$679	$509
Residential, 1,201-1,700 sq. ft.	Dwelling	$395	$739	$554
Residential, 1,701-2,200 sq. ft.	Dwelling	$410	$751	$563
Residential, over 2,200 sq. ft.	Dwelling	$440	$836	$627
Commercial	1,000 sq. ft.	$339	$633	$475
Industrial/Warehouse	1,000 sq. ft.	$80	$148	$111

*Prior Fees effective January 1, 2017 - September 30, 2017

Overcharging for Fire CEFs

- Earlier this year, the Poudre Fire Authority contracted with Duncan Associates to update their Fire CEFs
- Duncan Associates discovered there was a cell reference error in their formula used for the City's Fire CEFs
  - "Net Cost per Functional Population" of $422 was calculated using "Net Replacement Cost" instead of "Net Replacement Cost Attributable to City"
  - Correcting this error would result in a "Net Cost per Functional Population" of $354

Table 18. Existing Fire Cost per Service Unit

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Net Replacement Cost Attributable to City	$55,846,482
÷ Existing Functional Population (24-Hour)	157,626
Net Cost per Functional Population	$354

Overcharging for Fire CEFs

- The error resulted in the City's fee amount to be overstated by 19%
- Staff asked Duncan to confirm that all other fees were calculated correctly
  - Confirmed Yes
- Current Fire CEFs are 90% of Proposed Corrected fees

Fire Capital Expansion Fees

				75% of Proposed	
Land Use Type	Unit	2017 Proposed	Proposed Corrected	Current	Current Corrected
Residential, up to 700 sq. ft.	Dwelling	$502	$421	$377	$316
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Residential, 1,201-1,700 sq. ft.	Dwelling	$739	$620	$554	$465
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Commercial	1,000 sq. ft.	$633	$531	$475	$398
Industrial/Warehouse	1,000 sq. ft.	$148	$124	$111	$93

Impact & Cost

Impact as of June 12, 2018

- **Approximately 370 permits issued in full with $76,000 to be refunded**
- **Approximately 120 applications - fees are paid upon issuance of building permit**
- **Numbers continue to grow as fees have not yet been changed**

Staff time estimate for 500 refunds

- Approximately 40 minutes per refund:
  - 30 minutes in PDT
  - 10 minutes in Accounting
- Approximately 330 hours/ 40 days

Options

1) Refund

- Adjust fees consistent with corrected calculations – required Ordinance
- Appropriate funds from Fire CEFs for reimbursement permits paid back to Oct. 1

2) Continue with current fees

- Step I and step II of Fire CEF increases = 90% of the 2017 proposed fee level
  - Step II across all CEFs anticipated for 2019

Recommendation

- Continue Fire CEFs at 90% fee level instead of the 75% fee level
  - No further action required

Next Steps

Council Direction Sought:

- Which option does Council Finance Committee support?
- If Option 1, does Council Finance Committee support resolving both issues at the next available Council meeting?

COUNCIL FINANCE COMMITTEE
AGENDA ITEM SUMMARY

STAFF: Dean Klingner, Interim Director, Transfort and Parking Services

DATE: June 18th, 2018

SUBJECT FOR DISCUSSION
Downtown Parking Sensor and Technology Project Financial Update

EXECUTIVE SUMMARY
The purpose of this item is to discuss an upcoming Council item to combine previously appropriated funds and appropriate additional funds from Parking Reserves into a single capital project fund to complete the Downtown Parking Sensor and Technology project and to appropriate 1% of the project to Art in Public Places.

The project includes installing sensors and new payment technology in the three downtown parking structures and in approximately 3000 on-street parking spaces. This technology will allow Parking Services to collect occupancy and turnover rate data to improve management of Downtown parking. The sensors will link to the FC Parking application and show where available parking spaces are located. Phase I was completed in 2017 and installed the sensor and payment technology in the Firehouse Alley Parking Structure.

Funds for the remainder of the project include: $750k in General Fund (appropriated in 2017 for this purpose as a part of Ordinance 154, 2017); 2017-18 Budget Offer 73.3 ($84,692, and $90,083); and Parking Fund Reserves.

The estimated cost for the project is $1.2M. Installation of parking sensors in the Old Town Parking Structure and the Civil Center Parking Structure has been initiated with the previously appropriated funds. The additional funds are necessary to complete the on-street portion of the project. The anticipated project completion date is by the end of 2018.

GENERAL DIRECTION SOUGHT AND SPECIFIC QUESTIONS TO BE ANSWERED
Does the Council Finance Committee support this item going forward on the Consent agenda, June 19th, 2018?

BACKGROUND/DISCUSSION
The Downtown Plan, adopted in 2017, includes a comprehensive parking dialogue and several policies related to communication and improved parking management. The parking sensor technology effort stitches together some of these policies into one cohesive project and parking system in Downtown. With the introduction of the FC Parking App and sensors, the parking public will be able to find available parking in ~3,000 on-street spaces, 3 parking structures, and 3 parking lots. Additionally, the app allows payment in the parking structures and will facilitate the Pay-to-Stay option on-street. The following Downtown Plan policies are being implemented with this project:

- Policy TP 2b: Parking Utilization Data -- Implement a system to collect parking utilization data on occupancy and turnover, and communicate parking availability to the public.

- Policy TP 2c: Parking Enforcement Adjustments -- Explore adjusting enforcement of 2-hour limited parking spaces to weekends and evenings after5 p.m., and permit an extension of the 2-hour limit.

- Policy TP 3a: Real-Time Travel Information -- Explore opportunities to continue, enhance and add real-time travel information (e.g., transit, parking availability).

The opportunity to implement new technology in Downtown came with the development of the Firehouse Alley Parking Structure. Utilizing our existing license plate recognition (LPR) technology, which is used to enforce on-street time limits, we can remove the gates on the parking garages and install a pre-pay system with the options of paying at a pay station or by the FC Parking App. The removal of the gates eliminates delays exiting the garages and gate repair and maintenance, and reduces staffing needs at the structures.

Financial Summaries

Funding

$750,000	Previously Appropriated, Ordinance 154, 2017
$90,083	Previously Appropriated, 2017-18 Budget Offer 73.3
$359,917	Proposed to be Appropriated from Parking Reserves*
$1,200,000	Project Total

* Includes $84,622 previously appropriated with 2017-18 Budget Offer 73.3, but returned to Parking Reserves

Installation Expenses

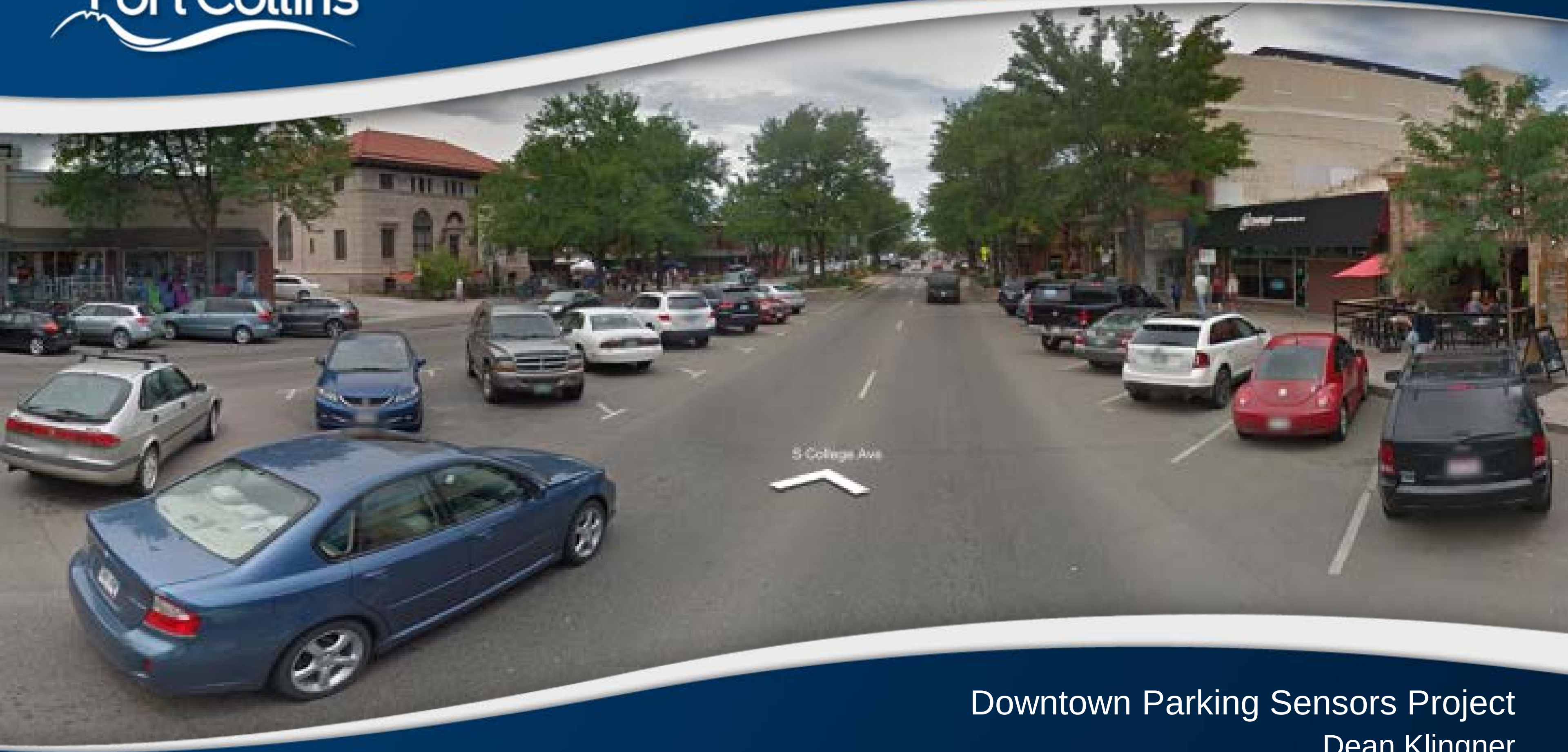
$466,000	Civic Center Parking Structure Technology Retrofit
$256,000	Old Town Parking Structure Technology Retrofit
$466,000	Installation of on-street sensors and support technology
$12,000	Art in Public Places
$1,200,000	Project Total
*$191,000	Firehouse Alley Parking Structure technology; completed in 2017 and funded as a part of the construction

On-Going Annual Expenses

$140,000	On-Street Sensors and supporting technology
$60,000	Parking Structures (all three)
-$46,000	Savings from Parking Gates and Pay Machine Maintenance
$154,000	Total Estimated on-going costs
	*Attrition of Parking Attendants has resulted in additional operational savings

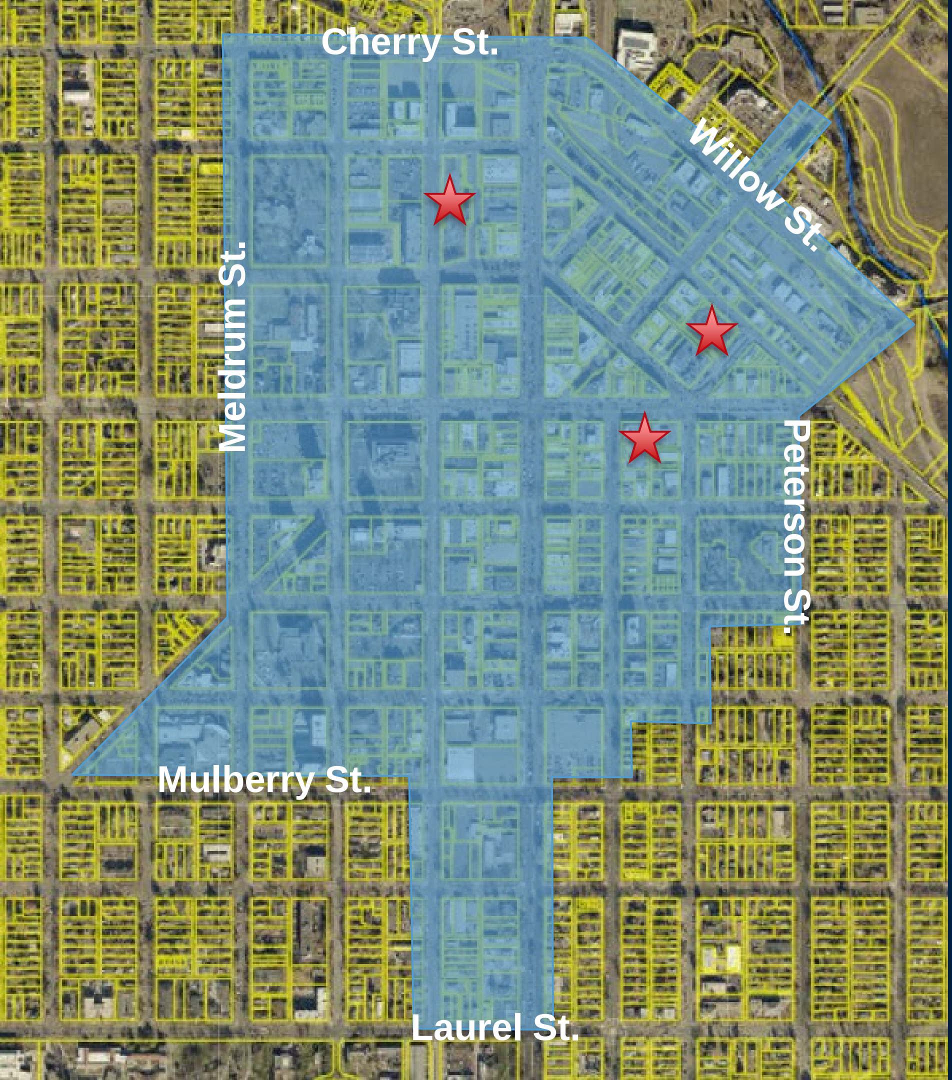
City of Fort Collins

June 18, 2018



Downtown Parking Sensors Project

Dean Klingner



Parking Sensors

Purpose:

- Provide occupancy & turnover data
- Show availability via FC Parking App

Scope:

- ~3,000 on-street spaces
- 3 parking structures
- 3 parking lots

Parking Sensors

Sensor Installation:
- Flush with pavement surface
- Hole depth: 5.3 – 5.5 in.
- Hole diameter: 2.5 in.

Gateway Installation:
- Street lights
- 1 per 30 sensors

Implementation Timeline:
- July – Oct 2018
- 1 – 3 days per block face
- Approx. 60 spaces per day

Structure Technology

Occupancy Signage

Sensors

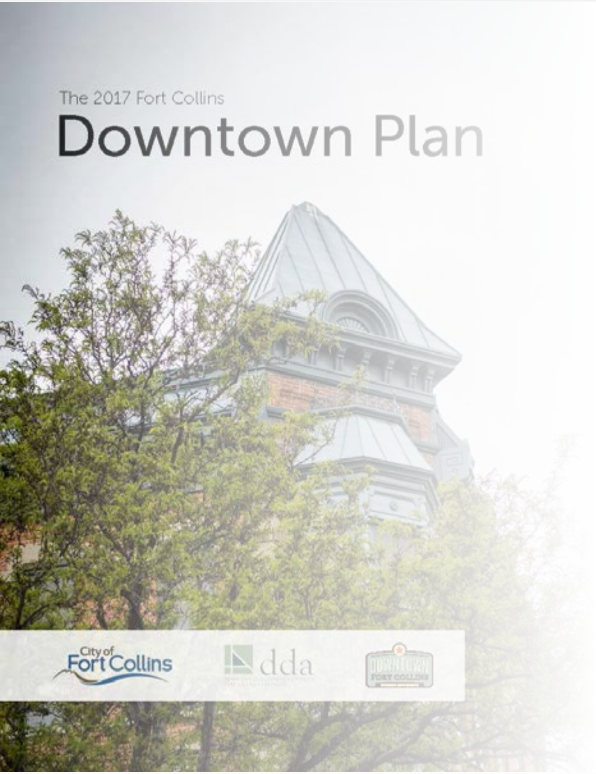
- Integrated w/ FC Parking App
- Light indicators above spaces

Gate Removal

Pay Stations

- Pay first
- Pay with phone App or at a pay station

Forthcoming Projects



Extended Hours of 2-Hour Enforcement

- Evenings & Weekends

Pay-to-Stay (after 2 hours)

- FC Parking App

Cost Summary

Item	Cost	
Civic Center Parking Structure	$466k	
Old Town Parking Structure	$256k	
On-Street Spaces	$466k	
Art in Public Places	$12k	1% of total project
Total	**$1.2M**	
*Firehouse Alley Parking Structure	$191k	Completed in 2017

City of Fort Collins

Funding Summary

Funding Source	Amount	Notes
General Fund	$750,000	Previous Appropriated (Ord. 154-1017)
2018 Budget Offer	$90,083	
Proposed from Parking Reserves	$359,917	2017 amount ($84.6k) was returned to Parking Reserves
Total	**$1.2M**	

On-Going Annual Expenses

Item	Amount
On-street sensors	$140k
Old Firehouse, Civic Center & Old Town Parking Structures	$60k
Savings from Parking Gates and Pay Machines	-$46k
Total	**$154k**
*Attrition of Parking Attendants has resulted in additional operational savings.	

Thank you.

COUNCIL FINANCE COMMITTEE
AGENDA ITEM SUMMARY

Staff: Travis Storin, Accounting Director
John Voss, Controller

Date: June 18, 2018

SUBJECT FOR DISCUSSION

Selection of independent auditor for City, PFA, and Library

EXECUTIVE SUMMARY

The purpose of this item is to solicit consensus from the Committee regarding:

- The process for selecting an independent auditor for an up-to five-year period
- Potential Code modifications to resolve public disclosure limitations and increase transparency with respect to audit selection
- Perspective on the candidacy of incumbent firms

A Request for Proposal (RFP) will be issued this summer for audit services. The process is designed to ensure that the selected firm meets the City's requirements and has the knowledge, experience, and reputation in auditing similar entities.

An annual external audit by an independent CPA firm is required by Statute, Charter, debt covenants, and virtually all grant agreements.

GENERAL DIRECTION SOUGHT AND SPECIFIC QUESTIONS TO BE ANSWERED

Staff seeks input on:

- Evaluation criteria for selection of the independent auditor
- Desired modification to historical processes for selection, if any
- Support for Code amendment to allow Committee participation in an open public meeting

BACKGROUND/DISCUSSION

Code Amendment

Current City Code precludes the Committee from holding a meeting to interview service providers. Code Section 8-158(f) limits public disclosure of interview information, while City Charter Article II, Section 11 and Code Section 2-31 preclude the use of executive session for this purpose. In order to allow the interview process to remain with the Committee, Staff recommends modifying Section 8-158(f) for audit services specifically to allow the interviews to be conducted in public before the Committee.

Auditor Rotation

Multi-year contracts are limited to 5 years by City Code. The City does not have a mandatory auditor rotation policy and would allow evaluation of the incumbent.

GFOA best practice guidance acknowledges that private sector and publicly-traded, SEC filing entities have rotation practices mandated by regulatory authorities or their own bylaws. In the public sector, GFOA cautions that sometimes it is difficult to get enough qualified responses if the incumbent is disallowed.

The below table shows a 30-year history of audit firms the City has engaged.

1983	Ericson, Hunt, Spelman	1995	Bondi	2007	Bondi
1984	Ericson, Hunt, Spelman	1996	Bondi	2008	McGladrey & Pullen
1985	KPMG	1997	Bondi	2009	McGladrey & Pullen
1986	KPMG	1998	Bondi	2010	McGladrey
1987	KPMG	1999	Bondi	2011	McGladrey
1988	Price Waterhouse	2000	Bondi	2012	McGladrey
1989	Price Waterhouse	2001	Bondi	2013	McGladrey
1990	Price Waterhouse	2002	Bondi	2014	McGladrey
1991	Price Waterhouse	2003	Bondi	2015	McGladrey
1992	Price Waterhouse	2004	Bondi	2016	RSM (McGladrey)
1993	Bondi	2005	Bondi	2017	RSM (McGladrey)
1994	Bondi	2006	Bondi		

Timeline and Process

Staff proposes to release a Request for Proposal (RFP) in July. The proposed evaluation criteria, all to be equally weighed at 25% and in no particular order, would be:

- Scope of proposal
- Assigned personnel qualifications
- Cost and work hours
- Firm capability & reputation

A staff committee, including staff members from City, Library and PFA would evaluate written proposals and recommend the top 2-3 firms for presentation to the Finance Committee.

Interviews would be conducted at the September Finance Committee meeting with the City Purchasing Director serving as Purchasing Agent and facilitator. The Committee’s recommendation would be presented to the full Council for adoption via Resolution, thereby authorizing the Purchasing Agent to enter into an agreement with the awarded firm for the 2018 fiscal year audit, renewable annually through the 2022 audit.

ATTACHMENTS

1. Powerpoint Presentation
2. GFOA Best Practice: Audit Procurement
3. GFOA Article: Understanding the Audit

CFC Auditor Selection

Travis Storin, Accounting Director

John Voss, Controller

6-18-18

City of Fort Collins

Background

- Article II, Section 17 of Charter requires that Council shall provide for an independent audit at least annually
- Also required by State, granting agencies, and debtholders
- Current contract is in its fifth and final year, necessitating a competitive selection
- Historically, Finance Committee has served as the interview panel and Council has made its selection by Resolution

Proposed City Code Amendment

- Code Section 8-158(f) limits public disclosure of offerors' information, information discussed by evaluation committee, and City rating sheets

- Code Section 2-31 and Article II Section 11 of the Charter preclude the use of executive session in this case

Staff recommends modification to 8-158(f) to allow interview process to remain in Finance Committee's/Council's purview for audit services

Audit firm rotation

1983	Ericson, Hunt, Spelman	1995	Bondi	2007	Bondi
1984	Ericson, Hunt, Spelman	1996	Bondi	2008	McGladrey & Pullen
1985	KPMG	1997	Bondi	2009	McGladrey & Pullen
1986	KPMG	1998	Bondi	2010	McGladrey
1987	KPMG	1999	Bondi	2011	McGladrey
1988	Price Waterhouse	2000	Bondi	2012	McGladrey
1989	Price Waterhouse	2001	Bondi	2013	McGladrey
1990	Price Waterhouse	2002	Bondi	2014	McGladrey
1991	Price Waterhouse	2003	Bondi	2015	McGladrey
1992	Price Waterhouse	2004	Bondi	2016	RSM (McGladrey)
1993	Bondi	2005	Bondi	2017	RSM (McGladrey)
1994	Bondi	2006	Bondi		

City does not have any policy or Code language pertaining to a mandatory rotation policy; practices vary in local government

Proposed Timeline & Criteria

RFP Issued
July

- Proposed Criteria: 1) Scope of proposal, 2) assigned personnel qualifications, 3) cost and work hours, 4) firm capability & reputation

Staff Evaluation & Code Amendment
August

- Team of various staff individuals to evaluate written proposals and narrow to finalists
- Staff to bring forward ordinance with recommended changes to Code

Finance Committee Interviews
September

- Public interviews of up to 3 finalists
- Supported by City Staff as the purchasing agent for scoring, timekeeping, and communications with candidates

Committee Direction

- Does the Committee support the proposed amendment to Code to allow public disclosure of proposals for audit services specifically?

- Does the Committee support allowing proposal by the incumbent?

- Does the Committee support the proposed process and timeline?

Government Finance Officers Association

BEST PRACTICE

Audit Procurement

BACKGROUND:

The Government Finance Officers Association (GFOA) has long recommended that state and local governmental entities obtain independent audits of their financial statements performed in accordance with the appropriate professional auditing standards. Properly performed audits play a vital role in the public sector by helping to preserve the integrity of the public finance functions and by maintaining citizens confidence in their elected leaders.

RECOMMENDATION:

GFOA makes the following recommendations regarding the selection of auditing services:

- The scope of the independent audit should encompass not only the fair presentation of the basic financial statements, but also the fair presentation of the financial statements of individual funds and component units. The cost of extending full audit coverage to the financial statements of individual funds and component units can be justified by the additional degree of assurance provided. Nevertheless, the selection of the appropriate scope of the independent audit ultimately remains a matter of professional judgment. Accordingly, those responsible for securing independent audits should make their decision concerning the appropriate scope of the audit engagement based upon their particular governments specific needs and circumstances, consistent with applicable legal requirements.
- Governmental entities should require in their audit contracts that the auditors of their financial statements conform to the independence standard promulgated in the General Accounting Offices *Government Auditing Standards* even for audit engagements that are not otherwise subject to generally accepted government auditing standards.
- Governmental entities should enter into multiyear agreements of at least five years in duration when obtaining the services of independent auditors. Such multiyear agreements can take a variety of different forms (e.g., a series of single-year contracts), consistent with applicable legal requirements. Such agreements allow for greater continuity and help to minimize the potential for disruption in connection with the independent audit. Multiyear agreements can also help to reduce audit costs by allowing auditors to recover certain "startup" costs over several years, rather than over a single year.
- Governmental entities should undertake a full-scale competitive process for the selection of independent auditors at the end of the term of each audit contract, consistent with applicable legal requirements. Ideally, auditor independence would be enhanced by a policy requiring that the independent auditor be replaced at the end of the audit contract, as is often the case in the private sector. Unfortunately, the frequent lack of competition among audit firms fully qualified to perform public-sector audits could make a policy of mandatory auditor rotation counterproductive. In such cases, it is recommended that a governmental entity actively seek the participation of all qualified firms, including the current auditors, assuming that the past performance of the current auditors has proven satisfactory. Except in cases where a

multiyear agreement has taken the form of a series of single-year contracts, a contractual provision for the automatic renewal of the audit contract (e.g., an automatic second term for the auditor upon satisfactory performance) is inconsistent with this recommendation.

- Professional standards allow independent auditors to perform certain types of nonaudit services for their audit clients. Any significant nonaudit services should always be approved in advance by a governmental entity□s audit committee. Furthermore, governmental entities should routinely explore the possibility of alternative service providers before making a decision to engage their independent auditors to perform significant nonaudit services.
- The audit procurement process should be structured so that the principal factor in the selection of an independent auditor is the auditor□s ability to perform a quality audit. In no case should price be allowed to serve as the sole criterion for the selection of an independent auditor.

References:

- *CPA Audit Quality: A Framework for Procuring Audit Services*, General Accounting Office, August 1987.
- *Audit Management Handbook*, Stephen J. Gauthier, GFOA, 1989.
- *An Elected Official□s Guide to Auditing*, Stephen J. Gauthier, GFOA, 1992.
- *Governmental Accounting, Auditing and Financial Reporting (GAAFR)*, Stephen J. Gauthier, GFOA.

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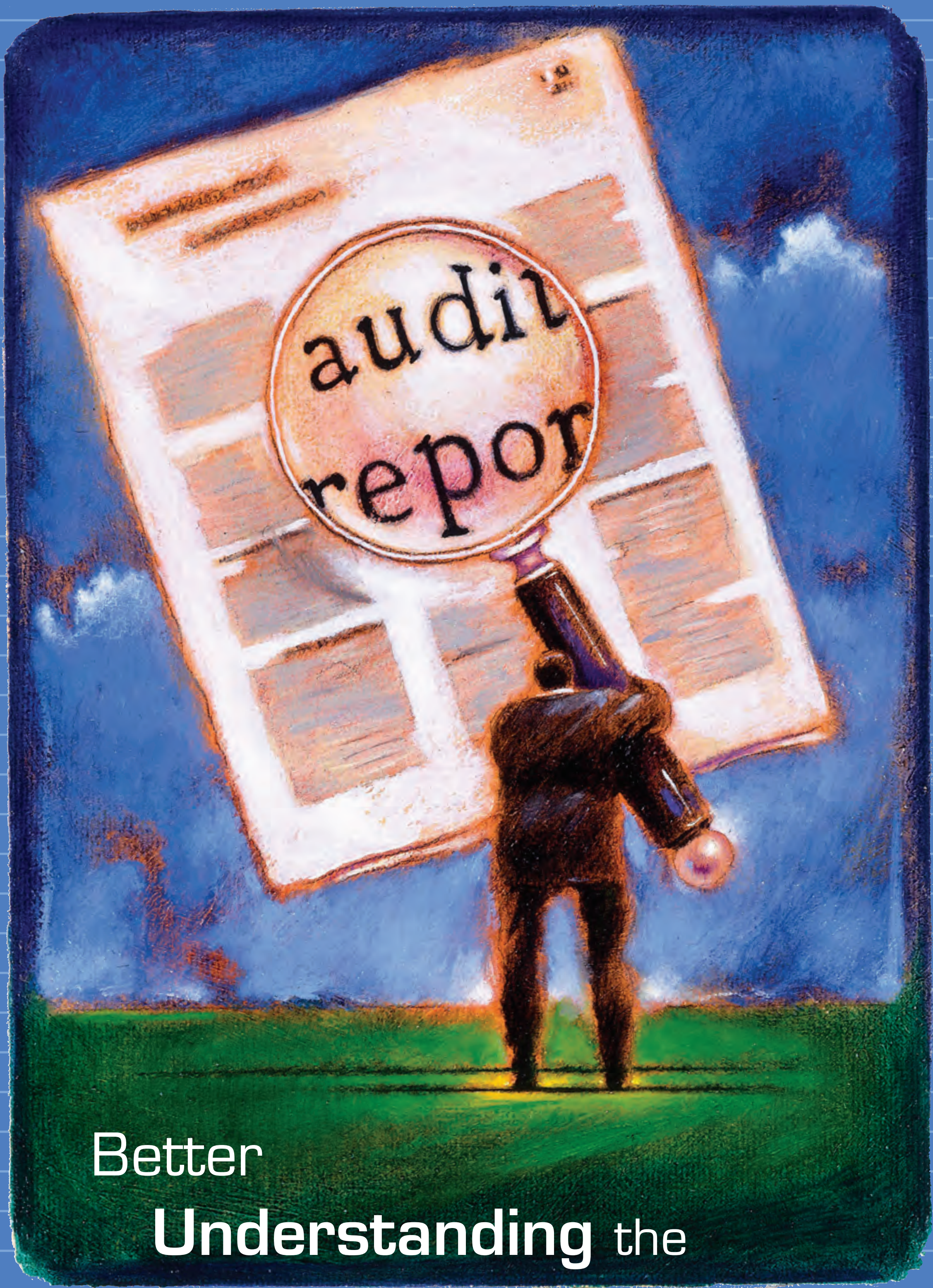


Better Understanding the Financial Statement Audit

STEPHEN J. GAUTHIER

For most local governments, the annual financial statement audit is as much a part of the yearly round of public finance as the approval of the operating budget. Despite its routine character, however, the financial statement audit appears to remain something of mystery to most outside the auditing profession. This article will attempt to dispel the cloud of mystery by first briefly reviewing the nature and purpose of the financial statement audit and then examining ten specific points of misunderstanding commonly encountered in practice.

NATURE AND PURPOSE

Anyone entrusted with responsibility for managing financial resources on behalf of others should provide a full accounting of that stewardship. For state and local governments, such an accounting ideally takes the form of financial statements prepared in conformity with generally accepted accounting principles (GAAP).

It is easy, of course, to imagine circumstances where those giving an accounting of their stewardship might be tempted to be less than forthcoming, or worse. Accordingly, those who must rely on financial statements to make decisions have traditionally sought the assurance of a disinterested third party to justify that reliance. That third party, of course, is the independent auditor.

Despite its routine character, the financial statement audit appears to remain something of mystery to most outside the auditing profession.

Role of Management. Since management is responsible for the stewardship of financial resources, it is also primarily responsible for preparing the financial statements that give an accounting of that stewardship. Even when management seeks outside help to prepare the financial statements, it remains responsible for their contents, just as taxpayers remain responsible for their tax returns, even if the returns are prepared by paid tax professionals. Thus, managers must take ownership of their financial reporting. Generally accepted auditing standards (GAAS) require that managers do so explicitly in the form of a *management representation letter*.

Role of Internal Control. It would be hard to place confidence in an approval process that amounted to little more than affixing initials to documents without first examining them. So too, it would hardly be meaningful for management to assume responsibility for the data presented in financial statements if management did not have some reasonable basis for doing so. That reasonable basis can be provided only by a comprehensive framework of internal control.

Role of the Governing Body. While management is *primarily* responsible for financial reporting (including the comprehensive framework of internal control used to generate the financial statements), the governing body remains *ultimately* responsible for ensuring that management meets its responsibilities in this regard. Typically, an audit committee, comprising members of the governing body, provides the necessary oversight.

Objective of Fair Presentation. Precision comes at a price. That price can be justified only if the resulting benefits exceed their cost. In real life, few decisions require that amounts in financial statements be exact "down to the penny." Thus, the goal of financial statements is *fairness* rather than absolute *accuracy*. That is, the objective of financial reporting is a presentation that is free from *material misstatement* (i.e., an error of such significance that it could affect decisions made based on it).

Concept of Reasonable Assurance. Considerations of cost benefit also affect the work of the independent auditor. It would typically be impractical for the independent auditor to examine each and every transaction. Instead, auditors seek *reasonable assurance* that amounts are fairly presented by testing *samples* of items.

TEN COMMON POINTS OF MISUNDERSTANDING

No. 1: Fair presentation is not equivalent to financial health (i.e., a good picture is not necessarily a pretty picture). People frequently criticize the independent auditors when they find out that a government currently experiencing financial difficulties received an unqualified (i.e., "clean") opinion on the fair presentation of its financial statements. Yet there is no inconsistency between a government receiving an unqualified opinion on the fairness of its financial statements and that same government experiencing financial difficulties.

The financial statement audit is designed to vouch for the *reliability* of the financial statements, *not* the soundness of the finances they portray. Just as the image of something unattractive in a photograph is no indication of a defective camera, poor financial condition is in no way inconsistent with fair financial statement presentation.

No. 2: Financial statement audits are not designed to detect all instances of fraud, abuse, and program noncompliance (i.e., smaller items may be expected to fly under the radar screen). Many people assume that the principal goal of a financial statement audit is to uncover fraud, abuse, and instances of program noncompliance. In fact, the discovery of such items is only incidental to the purpose of a financial statement audit.

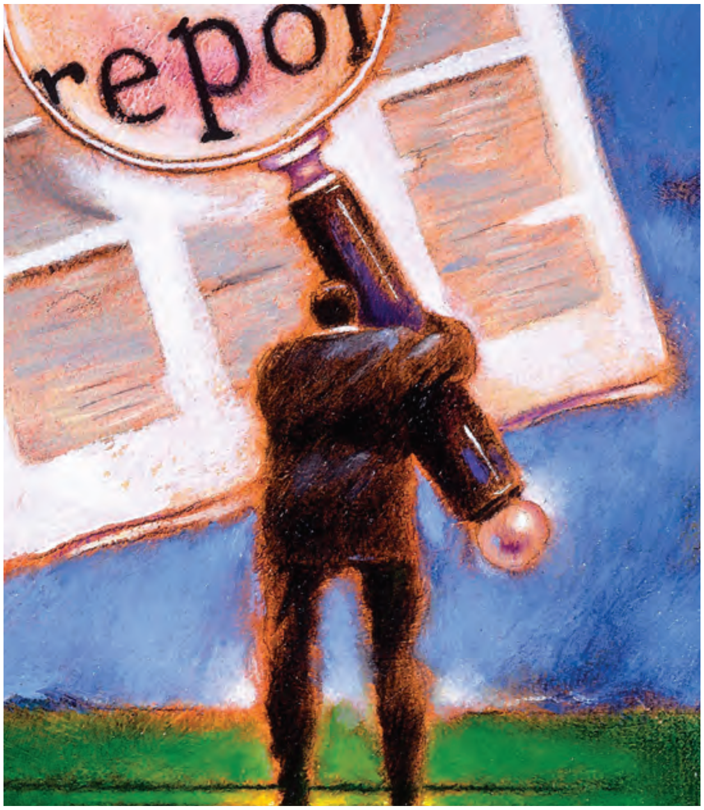
As already explained, the true purpose of a financial statement audit is to achieve *reasonable* (rather than *absolute*) assurance that the financial statements are *fairly* (rather than *accurately*) *presented*. Accordingly, the audit is designed to detect only those instances of fraud, abuse, or program noncompliance that would be material (i.e., significant enough to affect decisions made based on the financial statements). Needless to say, many, if not most, instances of fraud, abuse, and program noncompliance fail to reach this threshold and thus "fall between the cracks" of a financial statement audit.

The independent auditors will, of course, report any instances of fraud, abuse, and program noncompliance that they do encounter while performing the audit (unless it is clearly inconsequential), regardless of materiality. Still, the financial statement audit is *not* designed to identify immaterial instances of fraud, abuse, and program noncompliance, nor is it likely to do so.

No. 3: Size is not the sole consideration in judging materiality (i.e., big things can come in small packages). Sometimes a government's managers and its auditors will disagree as to whether a specific item should be treated as *material*. Such disagreements arise, as often as not, from a mistaken notion that size is the sole criterion for judging *materiality*. As discussed earlier, however, an item is considered to be material based on its potential for changing a decision. Clearly a relatively small amount could have just that effect in the right circumstances (e.g., the difference between a surplus and a deficit, the difference between a positive and a negative trend, a legal or contractual violation). That is, materiality has a *qualitative* as well as a *quantitative* dimension. Viewed another way, the very fact that the materiality of an item is being debated would seem to be an argument in favor of its importance (i.e., materiality) to someone.

No. 4: Quantitative materiality needs to be assessed in relation to individual major funds and to each of the government-wide activity columns (the big picture is not good enough). Private-sector business enterprises do not use fund accounting; therefore, quantitative materiality is assessed in relation to the enterprise's financial statements "taken as a whole." Conversely, in the public sector, quantitative materiality is assessed separately for each major fund (and for nonmajor funds in the aggregate). It also is assessed separately for the *governmental activities* and *business-type activities* columns reported in the government-wide financial statements. As a result, an amount that might not have been material from the perspective of the government "taken as a whole" may be material from the narrower vantage point of an individual major fund or activity column.

No. 5: You cannot assess the reliability of data yet ignore the system that generates the data (it is risky to trust unreliable people, even when they appear to be telling the truth). There are two fundamental approaches an auditor can take to determine the reliability of data presented in financial statements. One approach is to directly test a given item (e.g., confirm the amount reported as *cash on deposit* with the bank). The other approach is to test the relia-



bility of the underlying system that generates the data (e.g., validate the amount reported as *vendor payables* by testing the reliability of the processing of transactions in the purchasing system). Auditors describe the first approach as *substantive testing* and the second as the *testing of controls*.

There was a time in the not-so-distant past when auditors could choose to rely on the substantive testing to the virtual exclusion of tests of controls. More recently, the audit profession has concluded that auditors can never simply bypass the testing of controls. The basic notion behind the change is that no amount of substantive testing can counterbalance the unreliability inherent in data generated by a system that is fundamentally flawed (i.e., just as it would be hard to justify relying on the assertions of an individual known to be dishonest, incompetent, or otherwise unreliable). Thus, the independent auditor must *always* assess the reliability of the internal controls that support financial reporting.

Even when management seeks outside help to prepare the financial statements, it remains responsible for their contents, just as taxpayers remain responsible for their tax returns, even if the returns are prepared by paid tax professionals.

No. 6: Auditors must report control weaknesses even if those weaknesses had no effect on the fair presentation of the financial statements (you cannot afford to ignore cracks in a dam). It is possible, of course, to leave the front door of the house open wide upon leaving for work in the morning and still come home at night to find that nothing has been stolen. Such an outcome does not diminish the seriousness of the risk posed by leaving the door of a house wide open all day long with everyone gone. Likewise, auditors are required to disclose *significant deficiencies* as part of the audit even if it can be clearly established that no harm actually resulted from those deficiencies.

No. 7: Auditors are not allowed to perform any task that would compromise their independence (you cannot be both judge and defense attorney). A government's independent auditors possess a wealth of experience and expertise that managers understandably wish to draw upon. Accordingly, auditors routinely provide clients with professional advice on a broad range of topics. All the same, auditors must refrain from placing themselves in the position of having to audit their own work, which would occur if they were to perform managerial tasks (e.g., approving payroll, making journal entries) or a special assignment whose work product fell within the scope of the audit (e.g., selection or implementation of general ledger software). Thus, the independent auditors are severely restricted in the types of non-audit work they may perform for a governmental client.

No. 8: Audit fees cannot be the principal factor in selecting an audit firm (you often get what you pay for). The quality of professional services will naturally vary with the professional that performs them. GAAP for state and local governments are substantially different from private-sector GAAP, just as public-sector auditing typically requires expertise well beyond GAAS (e.g., *Government Auditing Standards*, also known as the "Yellow Book" or *generally accepted government auditing standards*—GAGAS, and the Single Audit). Therefore, in the audit procurement process, it is essential that a government first determine whether a firm possesses the requisite expertise and experience to perform a quality audit before considering price. Unfortunately, it is easy for governments to allow price to trump all other considerations in the auditor selection process, which often has led to substandard audits. A substandard audit is not a bargain at *any* price.

No. 9: It is in the government's best interest to sign a multi-year audit contract (why pay more for the same thing?). In an initial audit of a set of financial statements, the new auditors must incur substantial costs to gain an understanding of and document the environment in which the government operates and its framework of internal control. In subsequent years, the auditor typically needs only to update that understanding and documentation. In a competitive, multi-year audit contract process, proposing audit firms can spread the initial cost over the entire term of the contract to arrive at the lowest possible bid. Conversely, if a government contracts for the financial statement audit only one year at a time, proposing firms must include the entire initial cost as part of the fee for that year or risk incurring a loss should the firm's contract not be renewed. Accordingly, the Government Finance Officers Association recommends that governments minimize potential audit costs by entering into multi-year audit contracts of no less than five years.

No. 10: Mandatory auditor rotation may pose special risks in the public sector (do not force yourself into a bad decision). Many people believe that periodically changing audit firms offers real advantages such as a fresh outlook and greater independence from management. Accordingly, many private-sector business enterprises and not-for-profits mandate that a new audit firm be selected periodically.

The potential benefits of auditor rotation depend on the presence of a sufficient number of qualified firms being interested in performing the audit. Unfortunately, such is often *not* the case in the public sector, where the highly specialized character of governmental GAAP and governmental auditing standards often severely restrict the number of qualified firms in a given location. Accordingly, a policy of mandatory auditor rotation, when applied to state and local governments, could force a government into the position of hiring a less-than fully qualified replacement for its current independent auditor.

Given these facts, the best course of action for most governments is to mandate an aggressive procurement effort at the end of the audit contract to maximize the possibility for auditor rotation, without precluding the current audit firm from participating. Furthermore, many of the potential benefits of auditor rotation could be achieved by rotating the personnel assigned to the engagement within the current auditing firm.

CONCLUSIONS

There is no reason for the financial statement audit to remain a mystery for managers and others outside the auditing profession. Gaining a better understanding of the financial statement audit and the principles that underlie it should help all concerned to better cooperate toward the common goal of greater accountability.

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