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Finance Committee October 20, 2022, 4-6 pm
Zoom

Council Attendees:	Julie Pignataro, Kelly Ohlson, Emily Francis
Staff:	Kelly DiMartino, Travis Storin, John Duval, Caryn Champine, Monica Martinez, Rebecca Everette, Megan Keith, Doug Burkes, Teresa Roche, Ginny Sawyer, Sylvia Tatman-Burruss, Jen Poznanovic, Nina Bodenhamer, Blaine Dunn, Randy Bailey, Trevor Nash, Renee Reeves, Jo Cech, Javier Echeverria-Diaz, SeonAh Kendall Gerry Paul, Erik Martin, Kendall Minor, Lance Smith, Adam Bromley, John Phelan, Heather Young, Shannon Ash, Meagan Keith, Dave Lenz, Sheena Freve, Kerri Ishmael, Zack Mozer, Carolyn Koontz
Others:	Theresa Connor Kevin Jones, Chamber Molly Bohannon, Coloradoan

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Meeting called to order at 4:00 pm

Approval of minutes from the September 1, 2022, Council Finance Committee Meeting. Kelly Ohlson moved for approval of the minutes as presented. Emily Francis seconded the motion. Minutes were approved unanimously via roll call by; Julie Pignataro, Kelly Ohlson and Emily Francis.

Travis Storin brought up the 2023 Council Finance Committee Meeting schedule. Asking Committee if they are in favor of continuing to be held on the 1st Thursday of each month from 4-6 pm via Zoom. He will bring this up again at the end of the meeting for discussion.

A. East Mulberry Potential Annexation: Opportunities & Tradeoffs

Rebecca Everette, Planning Manager
Megan Keith, Senior Planner
Sylvia Tatman-Burruss, Sr. Policy & Project Manager

EXECUTIVE SUMMARY

In August 2022, City staff presented detailed financial modeling scenarios for the East Mulberry Enclave Area based on a set of assumptions, including potential annexation timing and levels of investment for Utilities and general City Services. The Council Finance Committee requested a follow-up presentation outlining the potential opportunities and tradeoffs of annexing the existing East Mulberry enclave in relation to Council priorities, community feedback and priorities outlined in existing adopted plans.

For the October Council Finance Committee meeting, staff has prepared a presentation and an attachment that outline opportunities and tradeoffs within the East Mulberry area related to potential future annexation. This summary is based on adopted Council priorities, community engagement conducted thus far, and priorities outlined in the Strategic Plan and City Plan. While the opportunities and tradeoffs highlighted in these materials are not meant to be an exhaustive list, they reflect the key takeaways for each "character area" within the broader East Mulberry Plan area. These opportunities and tradeoffs will be further explored and addressed within the upcoming East Mulberry Plan Update.

GENERAL DIRECTION SOUGHT AND SPECIFIC QUESTIONS TO BE ANSWERED

1. Do the materials presented adequately address requests from the August 1 Council Finance session?
2. Are there any additions or modifications staff should make before sharing similar materials at the November 8 Council Work Session?

BACKGROUND/DISCUSSION

Staff has been modeling financial scenarios related to potential future annexation of the East Mulberry enclave with an outside consultant, Economic Planning Systems, since late 2020. Staff has also been working on an update to the East Mulberry Plan, including extensive community engagement, since early 2021. Recent full Council discussions on this topic include:

- October 2021: Discussion of E Mulberry Plan Vision, possible annexation scenarios and a high-level presentation of financial modeling over a 20-year time horizon.
- April 2022: City Council and County Commissioner discussion of potential future annexation and the existing Intergovernmental Agreement for Growth Management.
- April 2022: Work session focused on overall community approach to annexation and growth management, including implications for the East Mulberry Enclave area

Next Steps:

- November 8, 2022: Council Work Session, which will include opportunities and tradeoffs for the East Mulberry Plan Area and a recap of the summary financial metrics and modeling for the East Mulberry Enclave.
- February 2023: Council Work Session focused on East Mulberry Plan Update (draft plan)
- February/March 2023: Consideration of adoption of the East Mulberry Plan Update
- *Note: There are currently no scheduled Council actions related to annexation timing or phasing.*

DISCUSSION / NEXT STEPS

GENERAL DIRECTION SOUGHT

1) Do the materials presented adequately address requests from the August 1 Council Finance session?

2) Are there any additions or modifications staff should make before sharing similar materials at the November 8 Council Work Session?

Julie Pignataro; the maps are super helpful, and I like that way this was laid out. The way you consistently went through the five areas made sense. I really like the tipping point concept you brought up and think that makes sense.. Do we anticipate using these five areas as the different sections that would be annexed or?

Rebecca Everette; we really did that for illustration purposes and more of a way to structure the conversation.

Julie Pignataro; for the transitional area we discussed – some of it could be housing development and if I understand correctly if we annexed it before there was a forced annexation we might have more say in what kind of development goes there.

Rebecca Everette; might benefit from a comparison of the land use and zoning for the county versus our plan. There are some business parks that are already approved and have lots. If they were to go through the county process, it might not trigger annexation into the city. The land use there is not a very high priority land use for the city in terms of our City Plan. There is a bit of a mismatch in what can be built out there versus what we think our community might need going into the future for employment and commercial and industrial development.

Julie Pignataro; without all of the complications involved, is it a possible place for mix used development?

Rebecca Everette: mixed use is certainly possible in that area – there are some fairly decent sized lots, lots of residential development. Mixed use would probably be driven by the market in that area. Probably more likely from a market perspective that we would see interest for light industrial space similar to what is in the air park already.

Kelly Ohlson; I like the fact that the city has more tools at our disposal for design and environmental quality. I am terrified of the additional costs that will come both ongoing and infrastructure. Are there any roads In the potential annexation area that fall under the category of private roads? If so, we are not responsible for the roadwork? Or would we be taking on all roads in the area as our responsibility?

Rebecca Evertte; without looking at a map, I believe that we would consider most of the roads as public streets. There may be some small ones here and there that would be considered private. I know the county's road street maintenance strategy is to not maintain even some of the public streets and to focus on the bigger roadways and to leave neighborhoods to address street maintain on the lower street classifications. The city's standard approach would be to provide maintenance for all public streets which would probably cover the majority of the corridor area. There are other ways to approach street maintenance through special improvement districts or general improvement districts or even a change in strategy for how the city does maintenance on small or local streets.

ACTION ITEM:
Kelly Ohlson; a broad swipe at that information would be helpful when you bring this to the Council Work Session. Looking for ranges instead of me guessing.
Infrastructure for stormwater and roads - I made up a number of $100M which is probably very low.
Can you refresh us at the Work Session with a broad brush, so we are not just talking theory but are talking dollars for roads and stormwater for the infrastructure - not even thinking of the electrical and wastewater additions. I am worried about the money. Another example, I think ten police officers is low – but even for ten officers for ten years would be approximately $17M.
I think people would be far better served and the area would be better taken care of with us than with the county. I believe we will do a better job because of resources and philosophy. That doesn't mean I am for it because of the money.

I-25 Mulberry Gateway Area – Land Use code standards would apply upon annexation; city staff is focused on preservation of existing businesses – I am on board with that
I am looking at driving nobody away and I am not looking to keep anyone from expanding but if you get all of the good parts (stormwater, better road connections, etc.) then you have to follow most, if not all of our rules

including environmental building design. I don't mean going back and coming up to standard, that's amortization for lighting and sign code (which is standard). I am not expecting anyone to rebuild their buildings to come into compliance with existing codes. I am talking expansion and new buildings.

ACTION ITEM: response to above

Rebecca Everette: very helpful input - we were specifically targeting some of the agriculture related businesses in the area – thinking about land uses that aren't currently listed in our land use code. The idea being (based on previous council feedback) to not create non-conforming use situations in that area for some of the agriculture related businesses including a small meat processing facility that is a unique land use in that area that is not a land use permitted anywhere within the city limits right now. There are a couple land uses like that we want to look at and whether it makes sense to add those to the industrial zone district. We will not be looking for relief from development standards but more looking at more of those non-conforming use situations.

Julie Pignataro; was the intent for next work session to talk finances as well?

Rebecca Everette: we are planning on bridging - it has been a while since we had a touchpoint with the full Council. The last one may have been after last city / county meeting we had. We do want to bring the rest of Council along with some of the take aways from these conversations that have been occurring and bring in some of that financial piece and we are also looking for input and direction on the plan itself.

Travis Storin; the idea would be threading together the August financial discussion and the conversation today regarding opportunities and tradeoffs.

Emily Francis; I don't have any additional questions, but I do agree with committee members asking to include the numbers in the work session materials. I also like the tipping point idea – again, reading through this, there is no clear sub area that would make sense so looking at it from a different approach, looking at what would make sense to start that process? Great work and really helpful to work through tradeoffs.

B. 2023 Utility Rate Increases

Lance Smith, Utilities Strategic Finance Director

EXECUTIVE SUMMARY

In November, City Council will consider adopting the 2023 City Budget which includes operating revenues for each utility enterprise based on utility rates that include the following increases:

	UTILITY	2023 PROPOSED INCREASE
	ELECTRIC	5%
	WATER	4%
	WASTEWATER	4%
	STORMWATER	3%

Last December staff presented the forecasted need for more modest rate increases than what is shown here. Those initially proposed rate increases for each of the utility enterprises were increased in June as inflation continued to increase throughout 2022 and the Federal Reserve responded by increasing the cost of borrowing, both of which adversely impacted the whole 10-year rate forecasts that were also presented last December. All budget discussions since June have included the proposed increases shown above.

These proposed changes will be presented to both the Energy Board and Water Commission for formal action in October. Minutes will be provided to the full City Council for First Reading.

GENERAL DIRECTION SOUGHT AND SPECIFIC QUESTIONS TO BE ANSWERED

1. Does Council Finance Committee support bringing forward rate adjustments consistent with what has been discussed through the budget process for the full City Council's consideration?

BACKGROUND/DISCUSSION

Inflationary Pressures

The rate forecasts presented to the Council Finance Committee last December were developed assuming inflation over the next decade would be similar to the inflation experienced over the last decade. Inflation this year quickly exceeded those levels. The increased inflation realized in 2022 is likely to persist over the next few years before returning to more modest levels but for how long, and to what level, is not clear at this point.

Staff could not update the long-term financial models during the budget process in June but because of the recent increases in these inflationary pressures, increased rates 2% more in the Light & Power, Water and Wastewater monthly charges from what was previously shown last winter ahead of the budget process. There are similar pressures in the stormwater utility as well but there is more operating income available for infrastructure improvements in this fund than the other three enterprises, so staff increased that rate by an additional 1% in June, as well.

Staff has since been able to update the 10-year rate forecasts to reflect potential inflation by sampling from the past 60 years, instead of just the past decade. The updated long-term rate forecasts are included below as each utility's primary 2023 rate drivers are considered. There is a need to consider raising rates more than 5% in a given year, especially when inflation is more than 5% in consecutive years which may happen in the near-term.

Inflation is felt across the utilities but in different ways depending on which operating expenses are increasing more or less than other expenses. The table below shows how higher inflation in labor costs would impact the Customer Service & Administration (CS&A) internal services fund more than the enterprise funds. Similarly, higher inflation for material costs would impact the enterprise funds more than CS&A. The long-term financial model for each utility considers how inflation is impacting costs for each utility.

OpEx	Electric (no PP)	Water	Wastewater	Stormwater	Customer Service & Admin
Labor	30%	40%	35%	30%	65%
Materials	70%	60%	55%	55%	35%
Debt Service			10%	15%	

Electric

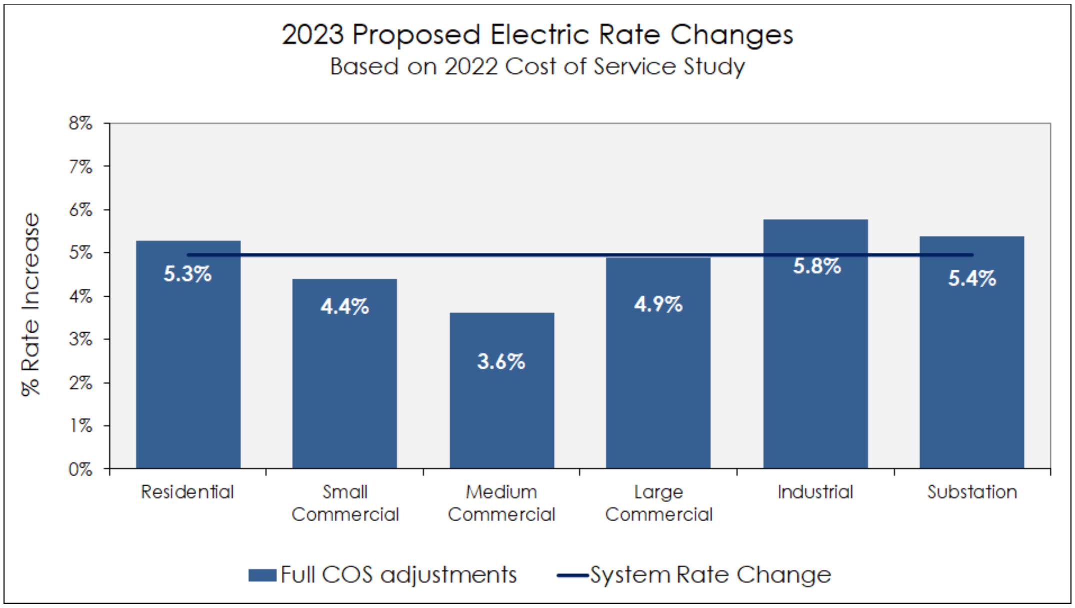
Every two years, or once each budget cycle, staff reviews and updates the cost-of-service models for each of the four utility services. In 2022, the electric cost of service model has been updated. Staff is proposing a 5% retail rate increase for the electric fund in 2023. This increase is driven by a combination of increases in wholesale electric expenses as well as distribution operating & maintenance costs and investments in distribution infrastructure.

Platte River Power Authority (PRPA) is planning to increase their wholesale blended rate ($/MWh) by 5% in 2023. Roughly two-thirds of costs incurred each year to provide electric service to our community are attributable to wholesale purchased power expenses, while the other one-third is attributable to costs related to operating & maintaining the distribution system.

The impact to each of the four PRPA owner-communities will vary slightly from the 5% overall change in $ / MWh, with Fort Collins Utilities projected to see a slightly lower $ / MWh change than the other owner-communities. This result is driven largely by a more favorable load factor, as compared to Loveland, Longmont, and Estes Park. This more favorable load factor is due in part to demand-side management efforts that Fort Collins has collaborated on with commercial customers over the years, as well as the rollout of residential TOD rates in 2018. The lower relative impact for Fort Collins has been a financial benefit to utility customers in recent years, as wholesale rates are passed directly on to retail customers.

The electric cost of service model accounts for changes in consumption and costs to provide electricity to each rate class, or customer category. Given the frequency of these updates, there are generally relatively minor adjustments necessary. There are many factors that go into these updates, including how load factors change across rate classes, consumption increases or decreases, and average demand during coincident peak hours, which accounts for the wholesale demand cost allocations.

The updates proposed for each rate class for 2023 are shown in the graph below, which range from 3.6% to 5.8%, depending on the rate class. The dark horizontal line represents the average 5.0% increase for the electric fund.



The new 10-year rate forecast based on the larger dataset of real inflation data reflects the 5% wholesale increase forecasted through 2028. Note it will be necessary to exceed the 5% annual rate increase ceiling which has historically resulted in more gradual rate adjustments. This exceedance will be necessary for a few years due to inflationary pressures.

Electric	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032
Rate Increase	2.0%	5.0%	5.0%	4-5%	4-5%	4-6%	6-8%	6-8%	6-8%	4-7%	4-7%

Net-metering Solar Credit

Solar credit rates for residential customers are proposed to stay flat from 2022 to 2023. Maintaining a level solar credit rate, as retail rates increase over time, is Utility's gradual approach to transition to a sustainable solar financial model. This approach does not reduce the current benefit for existing solar customers and does not change the full retail value for self-consumed solar.

Staff is also proposing to modify the solar credit for generation pushed back to the grid for small and medium commercial solar customers. Currently, the credit only accounts for the wholesale energy component and going forward would include both the wholesale energy and wholesale demand component. This will increase the credit these customers get from ~4.2 cents / kWh to ~6.2 cents per kWh. Making this change will further incentivize solar installations for these commercial customers and help increase solar installations across the city.

Water

The cost-of-service model for the "wet utilities" (water, wastewater, and stormwater services) will be updated in 2023. Rate class specific adjustments will be proposed for 2024 based on those updated models. For 2023, the same rate increase is applied to all of the rate classes.

Staff is proposing a 4% retail rate increase for the water fund in 2023. This is higher than the initially proposed 2% increase due to the higher costs of materials and impacts to the cost of borrowing which will increase the amount of interest being paid on any revenue bonds that will be needed in the coming decade for infrastructure investments.

The long-term financial models have been updated for the "wet utilities" as well as electric. The results to the ten-year rate forecast for water rates is shown below. Just as for electric services, it may be necessary to have rate increases in the 5-8% range for a few years, if inflation stays above 5%.

Water	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032
Rate Increase	0.0%	4.0%	4.0%	4-7%	5-8%	5-8%	5-8%	4-7%	4-7%	4-7%	4-7%

Wastewater

Staff is proposing a 4% retail rate increase for the wastewater fund in 2023, as well. There has been a trend in recent years of declining operating revenues for this utility. As this utility is not immune to the impacts of inflation on its operating costs, it is necessary to increase operating revenues through rate adjustments to offset these higher costs of providing this service to our community. At this point the financial model is not indicating a need to exceed the previous 5% rate limit although it is still driving higher rates than the December forecast contained.

The updated ten-year forecast for wastewater rates is shown here:

Wastewater	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032
Rate Increase	0.0%	4.0%	4.0%	3-5%	3-5%	3-5%	3-5%	3-5%	3-5%	3-5%	3-5%

Stormwater

Staff is proposing a 3% retail rate increase for the stormwater fund in 2023. This is 1% higher than the December 2021 forecast which is a smaller incremental increase than what is being proposed for the other utilities. The reasons for this smaller adjustment to the proposed rate increase for this utility are that a larger portion of operating revenues are available in this fund for infrastructure investments than the other utilities. There will be a need to issue revenue bonds for the Oak Street stormwater improvement project this budget cycle (Offer 4.2).

The updated ten-year rate forecast for stormwater services is shown here:

Stormwater	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032
Rate Increase	0.0%	3.0%	3.0%	3-5%	3-5%	3-5%	3-5%	3-5%	3-5%	3-5%	3-5%

Other Considerations

Staff is also in the process of selecting a vendor to provide a new, modern billing system, which will occur over the next few years. This investment in a new billing system will be shared by all four utility services. While the proposed increases for 2023 recognize the cost of this investment, the primary driver of the rate increases are inflationary pressures on operating costs with the secondary driver being the total 10-year capital investments of which the billing system is a one.

Customer Bill Impacts

The table below shows the impacts of the proposed rate change to the average residential monthly bill. Under the proposed rate changes, a residential customer's total utility bill, for a customer receiving all four municipal utility services, would increase by 4.3%, or $7.98 per month.

Fort Collins Utilities Comparative Residential Monthly Bill				
Utility	2022	2023	$ Change	% Change
Electric	$ 80.01	$ 84.01	$ 4.00	5.0%
Water	$ 49.03	$ 50.99	$ 1.96	4.0%
Wastewater	$ 34.25	$ 35.62	$ 1.37	4.0%
Stormwater	$ 21.74	$ 22.40	$ 0.65	3.0%
Total Average Bill	$ 185.04	$ 193.02	$ 7.98	4.3%

The table below compares typical residential electric, water, wastewater, and stormwater monthly utility bills across neighboring utilities along the Front Range, based on 2022 charges. In total, Fort Collins Utilities comes in the lowest at $185.04 for all four services. With the proposed increases, Fort Collins would move to second lowest, although there are known increases proposed amongst these other utilities for 2023, as well, with some of them being substantially higher than the percentage increases proposed for our community.

2022 Residential Average Monthly Utility Bill					
Utility	Electric	Water	Wastewater	Stormwater	Total
Ft Collins	$ 80.01	$ 49.03	$ 34.25	$ 21.74	$ 185.04
Longmont	$ 73.57	$ 62.97	$ 34.10	$ 14.90	$ 185.53
Loveland	$ 82.42	$ 54.95	$ 39.61	$ 18.86	$ 195.84
Greeley	$ 90.07	$ 69.60	$ 28.49	$ 15.77	$ 203.93
Boulder	$ 90.07	$ 58.31	$ 42.70	$ 22.00	$ 213.08
Colorado Springs	$ 109.39	$ 93.26	$ 29.85	N/A	$ 232.51

Proposed Changes to Development Fees

Development fees are the mechanism for Utilities to recover the impact of adding new demand to the services Utilities provides, including electric, water, wastewater, and stormwater. Plant Investment Fees (PIFs) and Electric Capacity Fees (ECFs) are one-time charges for new development or re-development. These fees recover costs for excess capacity of infrastructure already in place to serve new customers based on the "buy-in" approach, where customers pay according to new demands they will put on the system and considers incremental costs of future infrastructure to serve them.

PIF revenues are a critical revenue stream to help fund new infrastructure but represent a small portion of the total revenues collected each year for each utility enterprise. The table below shows what percentage of total revenues is from development fees for each utility:

	PIF Revenue as % of Total Revenue
Electric	3%
Water	14%
Wastewater	9%
Stormwater	6%

Every other year, when models are not updated, an inflationary adjustment is applied to utility development fees. Staff uses the Engineering News Record (ENR) construction cost index to apply adjustments. With the current uncertainty in the economy driving higher than normal inflation across the board for most goods and services, staff is proposing a 9% increase to fees for 2023. These fees include the Electric Capacity Fees, Water Plant Investment Fees, Wastewater Plant Investment Fees, and Stormwater Plant Investment Fees. There has some variability in the monthly ENR percentages, but the percentages have hovered close to 9% for most of 2022. Utilities has experienced even higher cost increases with various items, such as electric transformers, which have increased substantially due to supply chain issues and higher material costs.

Utility Fee	2023 Proposed Increase
Electric Capacity Fee (ECF)	9.0%
Water Plant Investment Fee (PIF)	
Wastewater Plant Investment Fee (PIF)	
Stormwater Plant Investment Fee (PIF)	

DISCUSSION / NEXT STEPS

GENERAL DIRECTION SOUGHT

Does Council Finance Committee support bringing forward rate adjustments consistent with what has been discussed through the budget process for the full City Council's consideration?

Kelly Ohlson; materials are clear and give us everything we need and not information we don't' need - very well done. I fully support the rate increases – utilities have historically under asked – council and residents would prefer 0% increases across the board but that is not realistic. With inflation numbers and the cost of things as it is, I think you are going as high as you think you probably should but lower than you probably should have with the current inflation numbers.

2022 Residential Average Monthly Utility Bill					
Utility	Electric	Water	Wastewater	Stormwater	Total
Ft Collins	$ 80.01	$ 49.03	$ 34.25	$ 21.74	$ 185.04
Longmont	$ 73.57	$ 62.97	$ 34.10	$ 14.90	$ 185.53
Loveland	$ 82.42	$ 54.95	$ 39.61	$ 18.86	$ 195.84
Greeley	$ 90.07	$ 69.60	$ 28.49	$ 15.77	$ 203.93
Boulder	$ 90.07	$ 58.31	$ 42.70	$ 22.00	$ 213.08
Colorado Springs	$ 109.39	$ 93.26	$ 29.85	N/A	$ 232.51

Kelly Ohlson; The information above is very helpful – we all think we pay the most – good to see peer community rates.
Do residential customers in any way shape or form in capital or ongoing monthly charges subsidize commercial or industrial users? (who benefits / who pays – we should all be paying our fair share)

Lance Smith; short answer is that the cost-of-service models that I talked about – that is what it does -it takes all of our costs – how much we need – then it allocates those costs based on the relative rate class usage which varies by rate class and that is intended to avoid any subsidization of one rate class by another. The short answer is no – there is not any subsidization.

Kelly Ohlson; did we improve that over the last 10-15 years?

Lance Smith, so, the cost-of-service models themselves are something that we update internally. On about a five-year cycle, we have an external subject matter expert look at it and give us their opinion.

Kelly Ohlson; I am good on this topic - well done

Emily Francis; we are projecting that every year out to 2032 we will have a 3-5% increase or some increase across all utilities every year?

Lance Smith; yes, some increase

Emily Francis; Historically we haven't increased all utilities at once but now we are projecting that we are going to.

Lance Smith; potentially, the challenge there is the timing of capital investments – it may shift exactly when we need the rate increase, but it does look like on average there will be an increase on each of the utilities.

Emily Francis; I am supportive, but not happy about it. I understand why we need to do it.
This is just really hard for community members especially with inflation and everything else going on. A big increase compared to previous years.

Julie Pignataro; I wanted to thank you for agenda item #4 - Utilities Income-Qualified Assistance Program Structure - good to pare these topics

C. Supplemental Appropriation: Meter Data Management

Adam Bromley, Director of Electrical Engineering
Lance Smith, Utilities Strategic Finance Director

SUBJECT FOR DISCUSSION

Meter Data Management System Upgrade Appropriation Request

EXECUTIVE SUMMARY

The Meter Data Management System (MDMS) owned and operated by Utilities has been in place since the inception of the Advanced Meter Fort Collins implementation. It receives water and electric meter reads for all advanced meters across Fort Collins service territory throughout the day, performs quality checks on that data, and then at the end of the billing cycle it calculates the billing determinants for each customer that are necessary to generate individual customer bills.

Fort Collins has been utilizing the same version of the software, EnergyIP, since it was installed. For a number of reasons that will be described below, this software must be upgraded to a more current version and the upgrade cannot wait for the new budget cycle to begin (i.e., January 2023). Fort Collins staff will need vendor support to complete this major software version upgrade.

As the MDMS system supports both the water and electric utilities, the cost of the upgrade will be shared between them. Utilities has historically allocated costs for shared software based on customer counts a determined by the number of deployed meters to establish the cost share for each utility. Applying this method here, the Water Enterprise's share of this expense would be 31.6% and the Light & Power Enterprise's share would be 68.4%. The total supplemental appropriation being proposed for your consideration is for $629,588, with the individual appropriations from each utility's reserves as specified below:

Light & Power	$430,638
Water	$198,950
Total Cost of MDMS Upgrade	$629,588

GENERAL DIRECTION SOUGHT AND SPECIFIC QUESTIONS TO BE ANSWERED

Does Council Finance Committee support an off-cycle appropriation of Water and L&P reserves that will fund vendor support of a major version upgrade of the Utilities Meter Data Management System (MDMS)?

BACKGROUND/DISCUSSION

Fort Collins staff knew that a version upgrade to the MDMS was needed back in 2018 and had planned to complete the upgrade at that time with the use of internal resources only. Staff attended vendor training specific to this upgrade in order to support it. The staff that were identified to complete this upgrade in 2018 subsequently were taken from this project to devote their expertise on the Utilities Customer Information System (CIS) upgrade project that was a higher priority due to the immediate customer/billing needs for the new Connexion utility. This meant that the MDMS upgrade was put on hold, which may have benefited Utilities in the long run. This is because as other utilities utilizing the same MDMS implemented their own migrations to the newer versions, which included significant architectural changes, the vendor realized that these migrations were much too complicated without third-party assistance.

Now that the organization has stepped back from the engagement with the previous CIS vendor and is planning a new CIS upgrade projected to be initiated in 2023, staff and management identified the window of time prior to the CIS project to complete the previously delayed upgrade to MDMS. There are several reasons that completing this upgrade now is imperative which include:

- Functionality included in the new version will reduce manual work and customizations:
  - More robust data Validation, Editing, and Estimation (VEE) algorithm/process that greatly reduces manual action and intervention
  - Enables use and storage of more electric meter channels which provides billing determinant calculations for our largest Commercial & Industrial (C&I) customers; this is currently calculated in a third-party software which entails a high volume of manual work
  - Reports that were previously custom developed through an external program will now be included inherently to the software
- Existing version is extremely outdated; extended support for the current 7.2 version is not sustainable
- New version is much more stable and will eliminate many of the billing issues encountered on a monthly basis
- Current version of software relies on older versions of browsers (now unsupported) and other no longer supported software technologies which is a cyber security vulnerability
- Application servers (non-database) for this version are located on a very old version of Linux RedHat because it will not operate on more recent, supported versions
- The current version of Oracle being utilized will deprecate support at the end of 2022

Staff has engaged with vendor support companies and other users of the software to conclude that the most effective way to complete a successful upgrade is to utilize external support that has previously completed upgrades from our current version to the newest version of software. To complete this upgrade prior to the CIS upgrade project, staff has solicited for external support through an RFP process.

After completing an RFP process, staff has a better understanding of the full costs involved in obtaining external support. The provided quote for those services was approximately $630K. As mentioned above in the summary, L&P and Water share the costs of this system depending on their respective meter counts. The total supplemental appropriation being proposed for your consideration is for $629,588, with the individual appropriations from each utility's reserves as specified below:

Light & Power	$430,638
Water	$198,950
Total Cost of MDMS Upgrade	$629,588

The following table shows where L&P reserves are and where they will be after this supplemental appropriation:

	Light & Power	Water
Year End 2021 Reserve Balance	$64.6	$84.3
Minimum Required	($8.1)	($5.8)
Appropriated Prior to 2022	($18.8)	($37.2)
2022 Connexion Appropriation	($20.0)	
2022 Transformer Appropriation	($3.6)	
2023-24 CMO Recommended Budget	($0.8)	($29.2)
Available Reserves Before This Request	$13.3	$12.1
MDMS Upgrade	($0.4)	($0.2)
Remaining Available Reserves	$12.9M	$11.9M

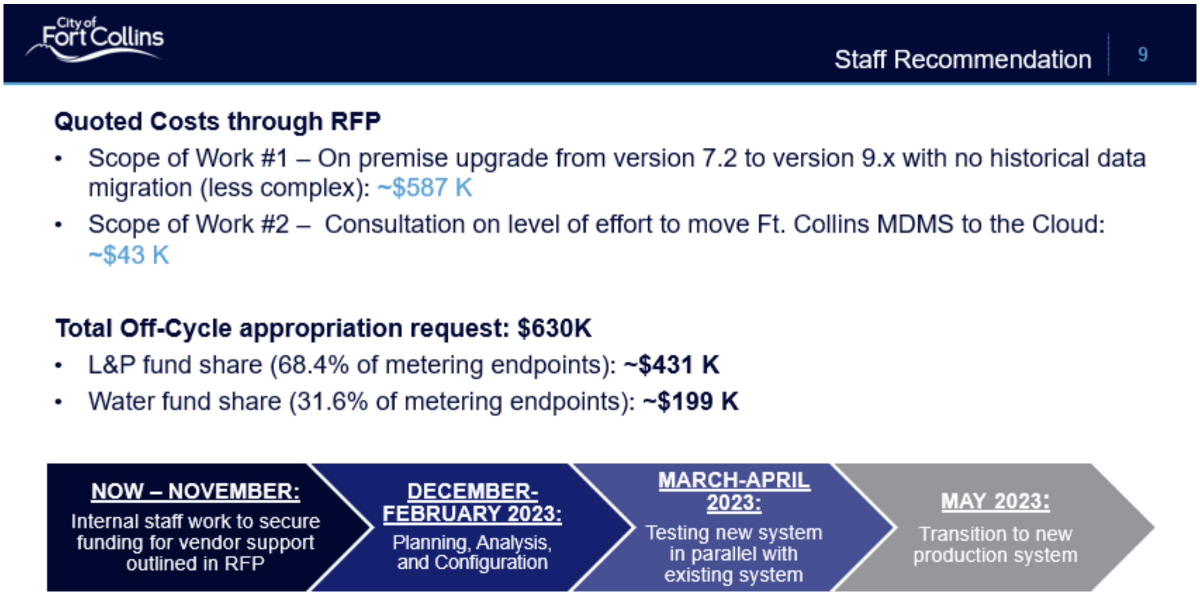
DISCUSSION / NEXT STEPS

GENERAL DIRECTION SOUGHT AND SPECIFIC QUESTIONS TO BE ANSWERED

Does Council Finance Committee support an off-cycle appropriation of Water and L&P reserves that will fund vendor support of a major version upgrade of the Utilities Meter Data Management System (MDMS)?

Julie Pignataro; so, the RFP has gone out and you have selected a vendor, correct?

Adam Bromley; yes, RFP went out and vendor was selected



Julie Pignataro: how much support are they going to provide after the upgrade is complete?

Adam Bromley; (see timeline chart above)
They are going to help with configuration up front, planning and analysis
They will be with us through system integration testing, user acceptance testing.
While we start to point the data to the new system, we will be running the systems in parallel for a period of time to make sure the new system is operating as it should and it has enough historical data stored so we can use those new functionalities that I mentioned right off the bat. Some of the algorithms included in the new system require some historical data so we know if we need to estimate something.
30 days of post-production support is also included in the quote.

Julie Pignataro; we are calling this an upgrade, but it is a whole new system, right?

Adam Bromley; technically it is an upgrade of the software we have but the architecture changes are large enough that we are actually doing a greenfield implementation - 9.x software version so we don't have migration issues that they have seen in migrations from 7.x to 9.x version software.

It is a new implementation of that system - we are going to make sure that our customer data is inherently migrated over to the new system, so it is a new implementation acting like an upgrade.

Julie Pignataro; are our resources prepared to supply what is needed to make this implementation successful?

Adam Bromley; yes

Doug Burkes and one other resource from the Utilities IT team have attended the vendor approved certification process for this upgrade. We had staff that had gone through that back in 2018 when we were planning to do this ourselves. They went to that training because we thought we could still do it internally but as we talked with other it became clear that we would be more successful with the upgrade if we had vendor support.
Our staff is very well versed in what they need to do in order to support the project.

Julie Pignataro; does the vendor supply a project manager and do we have one on our side too?

Adam Bromley; yes, we have one on both sides

Kelly Ohlson; historical – it really was advance meter wars - we were going to be spying on everyone - it wasn't pretty - concerns regarding inappropriate use of the advanced meter program

Adam Bromley; I have been here the whole time and from my opinion no, but I do remember that.

Emily Francis; no questions - this makes sense and I support it coming forward

D. Utilities Income-Qualified Assistance Program Structure

Heather Young, Utilities Community Engagement
Shannon Ash, Utilities Community Engagement

SUBJECT FOR DISCUSSION
Income-Qualified Assistance Program (IQAP) Update, Proposed Changes, and Program Adoption

EXECUTIVE SUMMARY
The Income-Qualified Assistance Program (IQAP) that provides income-qualified Fort Collins Utilities (Utilities) customers reduced rates on select Utilities services was introduced in October 2018 as a pilot program. The IQAP program bill adjustment effectively applies a 23% rate discount on electric, water, and wastewater services, and is due to expire December 31, 2022. In July 2021, City Council approved moving the program from an application-based, opt-in program to an auto-enroll, opt-out program, subject to participants' participation in the complementary state Low-income Energy Assistance Program (LEAP). At that time, City Council also requested an evaluation of the discounted rate percentage to ensure it was still sufficient to meet program objectives. Since July 2021, participation in IQAP has increased 128%. Staff are planning to provide City Council an update on the program on November 1, 2022, and will be seeking a motion from City Council to adopt the program.

GENERAL DIRECTION SOUGHT AND SPECIFIC QUESTIONS TO BE ANSWERED
Staff are seeking adoption of IQAP by City Council to transition the program from a pilot program to an ongoing program and are requesting an increase of the bill adjustment from 23% to 25% to ensure that low-income customers spend a similar percentage of household income on utilities as someone who makes 100% of Area Median Income (AMI).
• Does the Council Finance Committee support the continuation and adoption of IQAP as a regular initiative?
• Does the Council Finance Committee support increase the bill adjustment discount from 23% to 25%?

STAFF RECOMMENDATION
Staff recommends adopting IQAP as an ongoing program to support Utilities customers and increasing the program discount from 23% to 25% for participating customer bills. Adopting this program on a permanent basis aligns with existing community, City, and Utilities priorities and is an investment in our community.

BACKGROUND/DISCUSSION
The Income-Qualified Assistance Program was approved as a pilot by City Council and launched in October 2018. The program was designed to reduce utility burdens for qualifying low-income participants that opt-in to the

program by giving them a 23% discount on specific rate components of electric, water, and wastewater service bills. Utilities partnered with LEAP for income-eligibility verification for IQAP. LEAP eligibility is based on household size and an income threshold of 60% of State Median Income.

When IQAP launched, Utilities customers enrolled in the current or past LEAP season were eligible to complete an application to “opt-in” to participate in IQAP. Utilities sent bulk invites via mail or email to LEAP-enrolled customers annually to encourage them to apply for participation in IQAP. Customers could fill out an application at any time during the year to be enrolled in the program, provided their LEAP enrollment could be verified. Applications were completed online or via a paper form. Once an application was received by Utilities staff, the customer’s LEAP enrollment was verified, and their service bills were adjusted for the applicable services.

In July 2021, City Council approved an extension of the pilot program and changed the enrollment structure from application-based, opt-in to auto-enroll, opt-out based on customers’ qualification and participation in LEAP. The intent of the opt-out approach was to increase overall participation while reducing administrative requirements for processing applications. The current pilot and associated discount are set to expire December 31, 2022, pursuant to City Code §26-724.

Utility Burden

One of the main reasons IQAP was implemented was to help offset the utility burden some customers experience. Utility burden is defined as the percentage of a household’s income that is spent on utility services such as electric, water, wastewater, and gas. Low-income households have been found to have disproportionately high utility burdens when compared to non-low-income households. Contributing factors include race, ethnicity, and low-quality housing.

Utility costs also continue to increase faster than income, both locally and nationally. Some customers are on a fixed income, especially seniors. Inflation means people have to spend more of their income on basic needs like utilities, and without access to heating, cooling, and water, unpaid utility bills can lead to dire health impacts. As temperatures increase due to climate change, customers use more energy. The cost of that energy also increases as the City and Platte River Power Authority work towards securing carbon-neutral energy sources.

Current Program Design

The IQAP pilot bill adjustment was designed as a multi-pronged approach to helping low-income households (at or below 60% AMI) achieve utility burdens that are more similar to those of households with 100% AMI. The IQAP 23% bill discount was designed to be combined with LEAP benefits and in-home conservation efforts to reduce participants’ utility burdens to more average levels (approximately 3.1% of income).

Utilities continues to partner with LEAP for income-eligibility verification to allow for auto-enrollment into IQAP. Utilities staff receives monthly lists of approved customers during the LEAP season. These lists are then verified by staff to confirm the customer is a Utilities account holder and if so, staff submits a billing rate adjustment request to the Billing office. The customer is mailed a confirmation letter informing them that they have been enrolled in IQAP for the year, along with conservation education materials and additional program information.

IQAP participants are encouraged to participate in no-cost conservation programs such as Larimer County Conservation Corps (LCCC) retrofits and/or Colorado Affordable Residential Energy Program (CARE) to make their dwellings more efficient and to help reduce utility costs further. They also receive the monthly Utilities Insights newsletter (fcgov.com/utilities/utilities-insights) that provides low- or no-cost tips and tricks for reducing utility use and costs. These ancillary program communications extend the reach of Utilities conservation and efficiency outreach efforts, delivering this key information to and improving user habits in households that historically are unlikely to participate in these efforts. Educating and creating incentives for conservation and efficiency shifts in these households allows the City and Utilities to more aggressively achieve our environmental goals in a progressive manner.

Program Update
Since the launch of IQAP, participation has continued to increase and additional intentional outreach into the community is expected to gradually increase enrollment.

2021 Participation	2022 Participation	2023 Estimated Participation
759	1,727	1,900*

**Anticipating a 10% increase from the previous year*

Estimated total reach is 10,000 households using a city-wide poverty rate of ~16%, based on 2021 Census Bureau data combined with controlling for the student population in Fort Collins (City Rebates Eval Report, 2019).

Utilities staff members have begun reaching out to partner agencies to discuss outreach opportunities. The goal is to increase awareness of LEAP and Utilities affordability programs. Utilities staff have identified underserved locations in the community using data from the Equity Office and will focus outreach opportunities in those areas.

According to current survey results, the majority of IQAP customers continue to be satisfied or very satisfied in the auto-enrollment process. The change from an application-based structure to auto-enrollment has increased program participation by approximately 128%.

Energy Use Analysis
At the launch of IQAP, an assumption was made that program participants would use less energy compared to those not in the program because participants were connected with CARE, LCCC, and other efficiency programs. Data analysis has shown that IQAP participants initially use slightly more energy (2.9% on average), but by year three of enrollment, energy use between IQAP and non-IQAP customers was similar. This can be attributed to customers being able to afford to heat and cool their homes at comfortable temperatures because it is more affordable. According to survey results, customers identify increased quality of life as a benefit of IQAP

Rate Reduction Evaluation
In July 2021, Council requested an evaluation to determine if the 23% rate reduction was still sufficient. Utilities staff conducted an analysis to determine the percentage that it would take for a low-income customer to spend a similar amount on utilities as someone who makes 100% AMI. For this evaluation, Utilities staff used the same methodology to estimate the necessary rate reduction amount using updated utility and income data. The analysis took the LEAP benefit and non-City gas bills into consideration and calculated the necessary discount rate to be 25%. Utilities staff expects the increased rate reduction will help offset the high energy burden and energy insecurity that continues to increase in our community and throughout the nation. This difference amounts to ~$20/year/customer.

BOARD/COMMISSION FEEDBACK
As part of outreach for this program, Utilities staff visited or will visit Energy Board, Affordable Housing Board, Senior Advisory Board and Water Commission. To date, Energy Board and the Affordable Housing Board are supportive of this program adoption, based on feedback provided at their September/October regular meetings. This section will be updated as we receive additional feedback.

CITY FINANCIAL IMPACTS
Based on current enrollment numbers (1,727 participants), customers receive an average IQAP discount of $220.50/year with a 23% rate reduction. The total annual cost to Utilities is ~$392,000. With a 25% rate reduction, customers would receive an average discount of $240/year. The total annual cost to Utilities would be ~$415,000, or an annual increase of ~$23,000. The total cost of this program is nominal relative to the annual operating budget of Utilities and would minimally impact other Utilities customers. Increasing the IQAP bill discount, as proposed, is not anticipated to significantly affect the Utilities costs nor contribute to the need for additional rate increases.

PUBLIC OUTREACH
Every year, participants in IQAP are offered an opportunity to complete a program survey. Participants are asked questions such as, "What has been the biggest benefit of receiving the IQAP utility bill discount?" and "Is there anything you would like to change about the Income-Qualified Assistance Program?" The overwhelming majority of participants report they are satisfied or very satisfied with the ease of enrollment and the discount they receive. They list increased quality of life, being able to save money for other expenses, decreased stress with paying bills, being educated on ways to conserve energy, and budgeting on a fixed income as some of the benefits because of IQAP. When asked about changes they would like to see to the program, a larger discount was listed repeatedly.

Utilities staff have scheduled outreach opportunities in the community for this upcoming LEAP season to increase awareness of the program and assist with applications. Several partner agencies throughout Fort Collins have agreed to host tabling events, which will allow Utilities staff to reach community members in locations they trust. These locations were selected to ensure accessibility to the community, from the north side to the south side of the city.

DISCUSSION / NEXT STEPS

GENERAL DIRECTION SOUGHT AND SPECIFIC QUESTIONS TO BE ANSWERED
Staff are seeking adoption of IQAP by City Council to transition the program from a pilot program to an ongoing program and are requesting an increase of the bill adjustment from 23% to 25% to ensure that low-income customers spend a similar percentage of household income on utilities as someone who makes 100% of Area Median Income (AMI).
• Does the Council Finance Committee support the continuation and adoption of IQAP as a regular initiative?
• Does the Council Finance Committee support increasing the bill adjustment discount from 23% to 25%?

Emily Francis; are we looking at additional programs to auto enroll folks in or just LEAP?

Heather Young; we don't currently do that right now. We have looked at other ways for folks to apply for the IQAP – not an auto enroll. We have talked about perhaps adding the IQAP to Get FoCo

Emily Francis; what is the barrier for auto enrolling via the Get FoCo app?

Heather Young; when this program was established we wanted to really leverage the LEAP benefit because it is a pretty significant benefit - it can be $600+ per heating season. We really want people to apply for LEAP if they are eligible and that is built into the discount. The discount takes into consideration LEAP, so they are really meant to work in tandem. That being said if folks don't know about it, we want to give them a different avenue.

Shannon Ash; there are also some different income limits for different programs that are available We are hoping everything in the city can be streamlined at that 60% AMI so that the income qualification can be verified. LEAP handles the income verification so that is one less thing that our staff is doing – they are not taking any tax information – LEAP handles all of the income verification. They give us the list and all we have to do is change the rate for the customer.

Emily Francis; I would like to see the city still moving toward all programs putting less of a burden on the person applying. I understand that staff doesn't have to do it, but the resident still has to do it. I would like to see IQAP being rolled into our Get FoCo app. I understand that it is tied to LEAP but at least getting people enrolled - auto enrolled. I am very supportive of the program and am very happy that we are increasing the rebate and having a more regular cadence. How do we auto enroll and shift the burden and streamline those programs.

Kelly Ohlson; I am supportive of the program - Yes, yes, and yes. To qualify for LEAP, is it all income based or is it wealth based? I am assuming that plays a role

Shannon Ash; It can, yes, when they are filling out the LEAP application, they are asking for types of income and if someone doesn't have a paycheck, they also look at disability income and there is another category for gifts or other such as significant savings or a loan from a parent or some other source of income so wealth, I would imagine would fall into that category. They ask, how are you able to pay your bill?

Kelly Ohlson; may want to follow up on that as scenarios come to mind - I can think of people who would qualify that shouldn't. I would like to take care of those who truly do need it. Methodologies are important and I am not sure we are using the right methodology – aim for low-income customers to spend a similar percentage on utilities as someone who is at 100% AMI - there are a bunch of fixed costs for anyone to live in this town or anywhere else and the more money you have often times the less impact some of those fixed costs have. Have you pursued or will you pursue what best practices are for methodology?

Heather Young; yes, absolutely - reevaluating the methodology is part of our ongoing process. When we did research on best practices, this is what was used elsewhere by some of our partner organizations. There are other options out there that we can continue to pursue. We are also looking at bringing more data in so we can understand who our customers are and the more we know who our customers are, the more refined we can have that evaluation.

Kelly Ohlson; I am looking at those who deserve this to get more money, not less.
I hope there is a constant process of 'do we have the porridge just right?'
I mean you keep up with the literature, talking with people, attending conference to see if there is a way that makes more sense. Is that a yes?

Heather Young, yes, absolutely

Julie Pignataro; I also have a question around the methodology – I am huge on the data, and I love how much data you provided. I am also thrilled with how many more people are enrolled in this program now.
Where does the percentage match up with what we were just talking about? Also, with the increases we are going to see every year – how is that incorporated or is that two pieces of data?

Lance Smith; the discount percentage of 25% wouldn't increase but it would be from a larger number

Julie Pignataro; if we increase all four utilities 3% - Would we also want to increase the percentage that people are discounted?

Lance Smith; that is certainly something we could look at doing

Julie Pignataro; that is nothing that needs to come forward soon – just another way to look at the numbers.

Emily Francis; this is coming to Council soon since it expires 12/31. So, if you do want the methodology looked at - I agree with both of you – looking more closely as when we are doing rate increases what does that do to our rebate - I think that is a valid question to review before council looks at this for adoption.

Lance Smith; I want to make sure everyone is clear about is the program is going to expired 12/31 and these customers are going to see a 23% (really more like 1/3) increase in their utility costs if we don't adopt the program at that point. So, we are certainly open to exploring the methodology changes, but we are trying at this point hoping to make sure the program continues.

Julie Pignataro; if you could do a look at possibilities without compromising the expiration date of this program. If you can't – bring this forward anyway but keep in mind that we are asking you to look at it in the future. This should be an iterative program with constant checks and balances making sure we have the right people on, Making sure they are getting the right discount, etc. so, lump the methodology in with all of that.

Julie Pignataro; I think Emily might agree with me - I worry that the burden and cost of verification is not worth the number of bad players who would take advantage of programs like these. I would push our city to go away form the verification process to save money for ourselves and let karma do the rest.

Julie Pignataro; when retailers ask if you want to round up your purchase to the next dollar to benefit a charity – would that be possible to do this with our utility bills – to round up to next dollar to put money in a pool or fund. Could that legally be done or is there some restriction due to the kind of fund Utilities is -

Lance Smith; we do have that option - I don't think it is to round up to the nearest dollar, but you do have the option to make a monthly donation of $5, etc.

John Duval; if people want to voluntarily do that -they can, and it could be put in this program.

Julie Pignataro; that is new to me - how would someone find out about that? We may want to get that out there

Heather Young; for our payment assistance fund, we do an annual bill insert and a social media campaign around the holiday giving season. We match those dollars 1:1 with Energy Outreach Colorado.

Julie Pignataro; I get my bills electronically, so I have not seen an insert. This might be worth mentioned when this comes to council. We should also mention this program when the rates increase.

Kelly Ohlson; thoughts on the future part of the program;

1) I am open to exploring in the future making it easier for people to apply –
2) maybe something between what we currently require but not wide open
3) I would like to have some consequences for bad players– there are bad players out there as we learned during Covid, but I am open to supporting Emily & Julie

OTHER BUSINESS:
Travis Storin; any tweaks needed for the 2023 Council Finance Committee Meeting schedule -
Or should we continue with the current scheduling of the first Thursday of the month from 4-6 pm and continue with the Zoom format.

Kelly Ohlson; I defer to the other two committee members

Emily Francis; the timing and format have been working well for me

Julie Pignataro; me too - let's continue with the caveat that if at any time we need to – we can revisit it

Kelly Ohlson; I would shrink the presentations because the materials we get are outstanding and we come ready for prime time. We aren't at a work session where the public is watching.

Julie Pignataro; I think that is a very astute observation - everything we need is in the materials. – great idea

Emily Francis; I agree

Kelly Ohlson; it is a complement to the work, and I hope that gets communicated. The work is great!
it can be a thing in process - this committee and staff come prepared. I would rather have more time unrushed for discussion. We would have the time to get to the questions and comments that are on council's mind.

Meeting adjourned at 6:00 pm