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Council Finance Committee Zoom Meeting
August 3, 2023
Via Zoom

Council Attendees: Julie Pignataro, Emily Francis, Kelly Ohlson

Staff: Kelly DiMartino, Travis Storin, John Duval,
Kendall Minor, Heather McDowell, Matt Fater, Lance Smith, Andrea Smith,
Blaine Dunn, Adam Halvorson, Jo Cech, Randy Bailey, Renee Reeves,
Trevor Nash, Nina Bodenhamer, Lawrence Pollack, Gerry Paul,
Zack Mozer, Justin Allar, Sue Jordanger, Jillian Fresa, Dave Lenz, Sheena Freve,
Erik Martin, Carolyn Koontz

Others: Ann Hutchinson, Chamber
Anna Thigpen, Forvis
Chris Telli, Forvis

Meeting called to order at 4:00 pm

Approval of minutes from the July 6, 2023, Council Finance Committee Meeting. Kelly Ohlson moved for approval of the minutes as presented. Emily Francis seconded the motion. The minutes were approved unanimously via roll call by; Emily Francis, and Kelly Ohlson

A. 2023 Stormwater Debt – Oak Street

Blaine Dunn, Accounting Director

EXECUTIVE SUMMARY

City staff is seeking \$40M in financing through a bond offering for a November 2023 closing. These funds will be used for the Oak Street Stormwater Improvement project.

GENERAL DIRECTION SOUGHT AND SPECIFIC QUESTIONS TO BE ANSWERED

Does the Committee support bringing a bond issuance Ordinance to Council on September 19th?
Does the Committee support bringing an appropriation Ordinance to Council on October 17th?

BACKGROUND/DISCUSSION

Project

This project has been identified as a top priority stormwater project for the City because it will contribute to resolving urban flooding issues in downtown Fort Collins. The Oak Street Project is one of several stormwater outfall projects, recently identified as part of the Downtown Stormwater Improvement Program, otherwise known as the "DSIP". The DSIP was recently developed (2017-2019) as a basin-wide evaluation of existing

stormwater improvements and is the development of a comprehensive strategy to mitigate flood risk and damages in the Old Town Basin with the implementation of additional stormwater improvements. This project will remap a portion of the floodplain in downtown.

Flood hazards in downtown Fort Collins are generally caused by the inability of the existing streets and storm sewers to adequately convey storm runoff. The downtown area was built before there were standards in place for stormwater, so like many older urban areas, downtown Fort Collins has flooding issues. Addressing the flooding issues will:

- Provide resilience for the future of the community.
- Improve public safety.
- Avoid costly flood damages (estimated damage costs between \$151M and \$165M for the downtown area)
- Address recurring street and intersection flooding.

One goal of the project is to improve water quality into the Poudre River. Outfall is currently into the Udall Water Quality Pond (or Natural Area). Enhancing water quality treatment at the source through green infrastructure located along the corridor and within the road ROW is the goal.

The design includes three different “rain garden” locations. One at the Howes/Canyon/Oak intersection, another at the Washington/Oak intersection, and a third at the Oak/Jackson intersection at the northeast corner of City Park. These rain garden locations will help improve the water quality that ultimately ends up flowing into the river.

Debt Structure

The City is seeking to borrow a total of \$40.4M, \$40M (\$35.6M of principal) for the project and \$400k in closing costs, with the bonds. The bonds will have a fixed interest rate and a repayment term of 20 years. Stormwater will make average debt service payments of \$2,866,000 each year. The City will make semiannual payments starting in 2024 with the last payment occurring in December 2043.

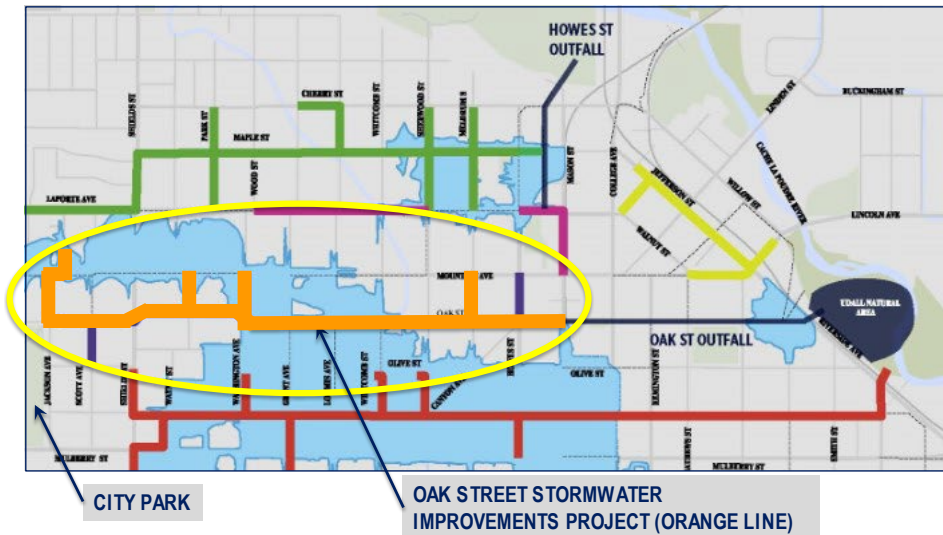
GENERAL DIRECTION SOUGHT AND SPECIFIC QUESTIONS TO BE ANSWERED

Does the Committee support bringing a bond issuance Ordinance to Council on September 19th?

Does the Committee support bringing an appropriation Ordinance to Council on October 17th?

DISCUSSION / NEXT STEPS

Project Information



- The **Oak Street Stormwater Improvements Project** has been identified as a top priority stormwater project for the City because it will significantly contribute to resolving the urban flooding issues for downtown Fort Collins neighborhoods and businesses.

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Kelly Ohlson; \$400M for shale area – refined up or down – can we just have a flavor of how much all on diagram will add up to – ballpark -

Matt Fater; overall cost of the Downtown Stormwater Improvement Plan shown on graphic above (Project Information) is estimated to be \$150M. The overall citywide CIP is estimating to be approximately \$500M for all projects.

Kelly Ohlson; so, the \$40M is part of the \$150M?

Mat Fater; that is correct.

Kelly Ohlson; I am for the green infrastructure and the rain gardens, but I am having a hard time with the recent rain storms a couple of nights ago, would that have helped, or would it just run off the way it does now or worse? Would they have been effective in that event?

Heather McDowell; rain gardens are meant to treat the minor storm (2-year intensity or less). What we saw the other night was a 20–50-year storm, depending on where you were in town. That type of storm would really inundate these systems and spill over. These systems wouldn't do that much as far as treatment for that volume of water, it is really meant for afternoon storms we get that put down ½ inch of rain at the most. Built with a capacity for those smaller events.

Kelly Ohlson; how is this new project going to help water quality when we have a 10-20 40-year storm event? I am assuming we are doing some things to help with that, and it won't just run off. Safety issues are iffy but causing damage to people's homes and businesses is not.

Heather McDowell; this project is more focused on the flood reduction and the safety elements because this project outfalls into the Udall Natural Area, which is a much bigger water quality basin that is already in place to

take care of the bigger events like we saw the other night. That is a large basin that the stormwater outfalls to before it gets to the river. These smaller rain garden systems that we are installing as part of this project help take some of the burden off the bigger system. The bigger system is there to handle the bigger flows.

Kelly Ohlson; stream restoration is one of my areas of interest. This has been talked about and promised for decades. It took 8-9 years to do the first mile. I understand 2 miles are now done and we have 15 miles to go. I understand it is in the 40-year planning horizon to get the remaining miles done. How much are these shiny whistles and bells (green infrastructure) going to cost versus doing the real work of stream restoration?

Heather McDowell; I would have to study the numbers a bit closer to provide more detail. This project impacts and improves about 16 acres of drainage area, about 4 of those acres (25%) will drain into the rain gardens – we are helping to improve about 25% of the area impacted by the Oak Street project. In terms of dollars, a lot of the improvements from this project (roadway, curb and gutter, parking). I would need to spend some time to tease out only the green infrastructure piece, but my sense is that it is somewhere around \$200-300K for the three pockets that we are doing.

Julie Pignataro; joined at 4:17 pm - What happens in a drought with the rain gardens?

Heather McDowell; we have spent a lot of time on design and landscaping for the rain gardens. We want them to be more than a utilitarian element that filters stormwater. We want it to look nice, so we will be irrigating them with a drip irrigation system to flush out some of the pollutants and impurities that are in the stormwater and could damage the plants.

Julie Pignataro: all of this money that pays for this is from the Utility space, correct? Isn't stream restoration on the other side of the house?

Matt Fater; the stream restoration program is also funded through the stormwater utility. The entire stormwater capital improvement program (CIP) includes stream rehabilitation, flood mitigation, roadway flooding mitigation as well as stormwater quality improvements.

Julie Pignataro; Kelly, what are your thoughts? Is that the appropriate place for this to come from?

Kelly Ohlson; I believe it is, but it doesn't preclude – stormwater has a in funding. I would encourage staff to volunteer to see the projects – they are incredible – before and after. To speed this program along to completion – there is nothing precluding using Natural Areas funding (although their money is limited) and General Fund dollars. My difference with the organization is that we can be designing one the same year we are building one. There may also be some federal funding opportunities. Are we looking for any federal infrastructure funds for this project which would then free up more money for stream restoration projects?

Matt Fater; the utility is pursuing federal grant funding for capital improvement projects. For this specific project, there is no federal funding tied to it, purely because of the schedule of trying to get this project moving. Meanwhile, we are pursuing it for other projects on the CIP to augment our utility funding.

Emily Francis; who maintains the rain gardens?

Heather McDowell; will be a joint effort between the stormwater crews and the Parks Department.

We will be putting together an MOU to differentiate who needs to take care of what. A utilitarian system below ground, they will flush out the pipes and make sure everything is working properly below ground. The Parks Department will be providing that maintenance (funding is being discussed). The irrigation work and plantings will be done by Parks or by a third party who knows how to do the work.

Emily Francis; what is the timing for this project and the other stormwater projects?

Heather McDowell; we are planning for construction to start summer of next year for this project. We want to have a contractor on board by the end of this year which will give us a six-month runway for permits, etc. This is a 2 - 2 ½ year project. While this project is in process, we plan to start design on the next project for the downtown area. We are planning to get all of these projects done in a 20-year window.

Emily Francis; I am supportive of this project moving forward. It is in my district and there is a lot of flooding in the area. The stormwater capacity is not where it needs to be. The runoff in that area has been astronomical.

Heather McDowell; there was 2 ½ inches of rain close to CSU and downtown and 3.3 inches closer to the river which is about a 50-year intensity storm. Our crews were out closing roads and were at College and Mulberry making sure folks went around - it was a big deal on Monday night.

Julie Pignataro; I am generally supportive too. I am appreciative of the context as this is an older part of town and was not built like the newer areas were.

Kelly Ohlson; I still want follow-up between now and then if there is a way we can compress the 40 years for stream restoration which was put off for 25 years after it was first talked about. It took 10 years to get first 2-3 segments done. The numbers for this project do take your breath away – when it seems to the uneducated uninformed - a lot of money to dig a hole and put some pipes in it. Would like to have further discussions on how to compress stream restoration. Between now and when this comes to us – would like to know if we can compress the 40-year window.

B. Police Handheld Radios

Justin Allar, Director of Information Technology

Zack Mozer, Analyst II, Finance

EXECUTIVE SUMMARY

The purpose of this agenda item is to discuss the need to replace the remaining mission-critical handheld radios utilized by police. The ability to transmit information regarding an in-progress call or evolving situation is critical for responding personnel. As the dynamics of a given situation change, broadcasting information over the radio system allows for first responders to approach the event, an individual, or tactical situation with vital information. First responders frequently utilize radios to communicate with regional partners and the radio system allows for seamless transmissions and critical interoperability at the county and state levels. There are currently 242 total handheld radios with 130 replaced in 2022. This leaves the remaining 112 radios needing to be replacement.

GENERAL DIRECTION SOUGHT AND SPECIFIC QUESTIONS TO BE ANSWERED

Does the Council Finance Committee support an appropriation of \$620,000 to purchase Police Radios.

BACKGROUND/DISCUSSION

Police Services rely heavily on radio communication as their primary means for transmitting critical information to and between emergency responders. These devices allow field responders to receive and communicate not only life-saving information, but the information required to maintain the safety of the community, their partners, and their own personal safety. The ability to transmit information regarding an in-progress call or evolving situation is critical for responding personnel.

Having a supported and updated radio is critical to ensuring officer safety. Police Services utilizes the public safety emergency radio system on a continuous basis to communicate and receive updates from the 911 Center, convey information to other responders, and/or direct incoming resources for an incident. The current radio devices include handheld radios, mobile/vehicle radios, and dispatch radios. Currently, the handheld radios are needing to be replaced.

Police Services utilizes Motorola radios, and the manufacturer has phased out the old APX AN model for the new APX BN model. Motorola will no longer support the old model in December of 2023. These radios will still function, but replacement parts will no longer be produced. Police Services has done well in extending the life of all radio equipment, with industry standards suggest replacing handheld radios every 5-7 years. The remaining old Police Services handheld radios were purchased in 2013 and are 10 years old, beyond the suggested use standards. Out of the total 242 handheld radios, 130 radios were replaced with the newer BN model in 2022, leaving 112 still needing to be replaced in 2023.

The cost to replace the remaining 112 radios is \$620,000 which equates to roughly \$5,500 per radio. The Manufactured Suggested Retail Price (MSRP) is \$7,500 and is reduced to \$5,500 when applying National Association of State Procurement Officials (NASPO) discount. If approved the next step would be to order and replace the remaining radios in 2023.

DISCUSSION / NEXT STEPS

GENERAL DIRECTION SOUGHT AND SPECIFIC QUESTIONS TO BE ANSWERED

Does the Council Finance Committee support an appropriation of \$620,000 to purchase Police Radios.

Kelly Ohlson; I am a yes on this. I am in favor of our Police and first responders having state of the art equipment. I thought that during the first go round, we asked why haven't we planned for these things? I was told we had a Police Planning Budget fund and that we set money aside for equipment replacement. We knew these were coming to end of useful life.

Travis Storin; This is funded from the General Fund. Police Services only gets funding from 1 of 2 sources; its General Fund (now that it is combined with KFCG) and Capital Expansion Fees (for facility improvements) In this case, we have done what I call disciplined set aside of funding - we knew that we didn't have the revenue to cover the entire purchase during BFO. We thought that we would be accumulating some reserves at the end of 2022. When that proved true, we did a management set aside assignment (not binding in any way) in anticipation of this. If memory serves, we chunked this out into a pattern of thirds or halves between reserve and spend in ensuing BFO cycles. The past practice has been to spend and save all at once. I have been working with Police to do things more in bite size pieces. Greg Yeager would probably have better recall of what we did before.

Kelly Ohlson; are these police funds that were set aside for this or are we going back into the General Fund general reserves for this?

Travis Storin; the ultimate funding source for this is the General Fund which can be used for anything. Our 4th agenda item is Fund Balances. We don't really have equipment replacement programs that fund these things over time, it just takes the discipline and foresight from staff.

Kelly Ohlson; I must have misunderstood that money was being put aside for this, but I will not stand in the way of this.

Julie Pignataro; why did we only replace half of the radios?

Travis Storin; within a 2-year budget cycle, we try to match on going revenue to ongoing expenses - treat radio replacements as a one time - happens once every 10 years – we didn't have the revenue to fully fund this. Once we closed out 2022, we knew we had the reserves and decided to bring this appropriation forward.

Julie Pignataro; what do you do with the old radios?

Justin Allar; we sell those back to a 3rd party and recoup some funds.

Julie Pignataro; do they recycle?

Justin Allar: even though they are old radios, there are agencies out there who want them.

Julie Pignataro; I am supportive.

Emily Francis; I am supportive as well.

Results: Council Finance Committee is supportive of this appropriation of \$620K to purchase Police Radios.

C. 2023 Financial Audit Results

Blaine Dunn, CPA, Accounting Director

Randy Bailey, Controller

Chris Telli, CPA, FORVIS LLP

Anna Thigpen, CPA, FORVIS LLP

SUBJECT FOR DISCUSSION

Independent Auditors' Report on 2022 Financial Statements

Independent Auditors' Report on Compliance for Major Federal Programs

EXECUTIVE SUMMARY

FORVIS will be presenting an overview of the *Results of the 2022 Financial Statement Audit*. This report covers the audit of the basic financial statements and compliance of the City of Fort Collins for year-end December 31, 2022.

NOTE: The Annual Comprehensive Financial Report has been sent to the printer, but the printing has not yet been completed. We will get hard copies distributed as soon as they are available, for those requesting one. A

copy of the report can be found online here: <https://www.fcgov.com/finance/files/2022-city-of-fort-collins-acfr.pdf>

GENERAL DIRECTION SOUGHT AND SPECIFIC QUESTIONS TO BE ANSWERED

Staff seeks input on areas of priority or concern, other than those established in this Report to the City Council, for matters of recordkeeping and/or the City's internal control environment.

Otherwise, there are no specific questions to be answered as this is a 2022 year-end report.

BACKGROUND/DISCUSSION

In compliance with *Government Auditing Standards*, the City undergoes an independent external audit on an annual basis. FORVIS finalized its financial statement audit and compliance report on June 26, 2023, and the firm is required to report the results of the audit to those charged with governance.

Attachment 1 to this agenda item contains the full report, findings of note are summarized below:

Identified Deficiencies (Attachment 1, pages 6-7):

Other findings/deficiencies identified by the auditors but not rising to the level of a significant deficiency can be found in the Report to the City Council. Staff will provide a written response to the audit findings at a fourth quarter Council Finance Committee meeting.

DISCUSSION / NEXT STEPS

GENERAL DIRECTION SOUGHT AND SPECIFIC QUESTIONS TO BE ANSWERED

Staff seeks input on areas of priority or concern, other than those established in this Report to the City Council, for matters of recordkeeping and/or the City's internal control environment.

Kelly Ohlson; this is the fewest number of things I ever remember being called out. There were never major problems. Does staff or management have any response to the few things that were called out other than turnover and staffing shortages?

Blaine Dunn;

Single Audit – we have already put a report authorization form in place to capture approvals for reports - for the SLSRF funds, ARPA funds as well as any grants we may be dealing with in the future.

Escrow Account Reconciliations is one that we continue to try chip away at.

GASB 96 Rule is being implemented this year - this is a huge implementation, and we may not be able to tackle that in its entirety as we would like to.

Purchasing Cards; we have an open RFP for our P-card provider, and we plan to modify our process and implement random audits.

We brought on a dedicated grants person in Finance earlier this year. They are working very closely with our accounting team, both on the applying for, and as we bring more federal grants into the city that we are doing the grants receivable and account structure correctly so that it is a much cleaner and easier process going forward.

Kelly Ohlson; well done – overall you report to Council. What grade would you give the city overall and be a hard grader.

Anna Thigpen; A- I will say this is our 5th year as your auditor. During that time, we had the onset of Covid and a good amount of turnover internally within Finance. This is the first thing we have been able to see people settle into their roles consistently and I think the results of the audit show that. We issued our report on June 26th, we were a bit early and issue only a few deficiencies which reflects management's preparation and willingness to be ready for the audit.

Emily Francis; I am good – we did this at PFA as well, so this is my second one in a week.

Julie Pignataro; Thank you for the report. It is very thorough and clear which sometimes you don't get.

Chris Telli; I have been the partner for the last five years - BKD then Forvis – I will be rolling off the engagement at the conclusion of this audit – great job. Thank this committee, Travis, and Blaine – pleasure to work with your entire team. We did purpose on the current RFP – we would very much like to continue as your auditors.

Travis Storin; our current code which was adopted by the previous Council. Chris Telli rolling off is by our design to make it mandatory for a partner roll off after 5 years. We are trying to mimic some of the more common-sense aspects of the Sarbanes Oxley Act of 2002. While we can continue with the same firm, we do have a partner rotation to keep arm's length with the auditor.

D. 2022 Fund Balances

Blaine Dunn, Accounting Director

SUBJECT FOR DISCUSSION: Status of Fund Balances and Working Capital

EXECUTIVE SUMMARY:

The attached presentation gives a status of fund balances and working capital. Fund balances are primarily considered for funding one-time offers during the Budgeting for Outcomes process. To a lesser extent, available monies are also used to fund supplemental appropriations between BFO cycles.

GENERAL DIRECTION SOUGHT AND SPECIFIC QUESTIONS TO BE ANSWERED

General update to Council Finance Committee

BACKGROUND/DISCUSSION

To aid in answering the question of what funding is available to support emerging issues and initiatives in the next budget cycle. In each fund the balances are shown vertically by the accounting classifications. The amounts are then additionally categorized into Appropriated, Available with Constraints, and Available for Nearly Any Purpose.

Appropriated, Minimum Policy or Scheduled is comprised of minimum fund balances established by policy, funds from the 2022 balance that have been appropriated in 2023 and amounts for projects specifically identified by voters. An example of the latter is Community Capital Improvements Plan.

Available with Constraints are those balances available for appropriation but within defined constraints. An example are donations received through City Give. They are restricted for the purpose of the donation, but still available for appropriation.

Available for Nearly Any Purpose are balances that are available for appropriation at the discretion of the City Council.

DISCUSSION / NEXT STEPS

GENERAL DIRECTION SOUGHT AND SPECIFIC QUESTIONS TO BE ANSWERED

General update to Council Finance Committee

Kelly Ohlson; what 1-3 things should jump out at us – that should be a concern or interesting.

Travis Storin;

subtext – when you look at General Funds unassigned fund balance (discretionary General Fund), it stayed steady from 2021 - 2022 and it is still at a high point. We are coming off of a post pandemic recovery period that was pretty dramatic – we would normally be holding \$4-4.5M but right now it is at \$8.1M.

I don't expect it to continue, once used I don't think it will be this high. The explosive 10% sales tax growth is what drove that number, but we are now back to very close to the budget in sales tax collection. As the growth rate falls back to earth, the reserve will as well.

Blaine Dunn; I highlighted a couple of those funds; Transportation didn't have any surplus and Transit is running razor thin with their pre award authority. They will need to look to the General Fund in the future.

Kelly Ohlson; is that 20% number of reserve - is that overly conservative – cost of money 1.5 times more – is that a standard best practice? Do we have that council appointed policy? Do we have that porridge right?

Travis Storin; it can vary fund to fund – where it exists in Utilities 25% is appropriate.

The Benefits Fund is a place we may like to revisit or keep an eye on.

Blaine Dunn: late last year we did revisit that and moved it down from 30% to 25%

Travis Storin; one to keep an eye on with the new normal. Within the General Fund, it is a conservative stance. We have the TABOR policy, and we have our own internal (60 days) 3% + 2 months of operating reserves. This was a good place to be when our revenue went down 20% over night during the summer of 2020.

It is highly judgment based so hard to say that the porridge is exactly the right temperature because it can wax and wane with economic cycles.

Blaine Dunn: I would add that the policy for minimum balances is council adopted. We reach out and see what outer municipalities are doing to make sure we are in the right spot. We see it every 3 years unless a fund needs to come sooner and we will bring it sooner if necessary (Benefits Fund).

Julie Pignataro; good update – great questions Kelly - it is good to have the impressions of the experts.

Meeting adjourned at 5:30 pm.