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AGENDA
Council Finance & Audit Committee
August 19, 2019
10:00 am - noon
CIC Room - City Hall

Approval of Minutes from the July 15, 2019 Council Finance Committee meeting.

- | | | |
|---------------------------------------|------------|---------------------------|
| 1. 2018 Fund Balance Review | 20 minutes | T. Storin |
| 2. 2020 Budget Revision Review | 30 minutes | L. Pollack |
| 3. Comprehensive 2019 Fee Updates | 20 minutes | J. Poznanovic |
| 4. Potential New Revenue Discussion | 10 minutes | M. Beckstead |
| 5. Epic Program – Long Term Financing | 20 minutes | T. Storin
S. Carpenter |

Council Finance Committee
Agenda Planning Calendar 2019
RVSD 08/09/19 ck

Aug 19th			
	2018 Fund Balance Review	20 min	T. Storin
	2020 Budget Revision Review	30 min	L. Pollack
	Comprehensive 2019 Fee Updates	20 min	J. Poznanovic
	Potential New Revenue Discussion	10 min	M. Beckstead
	Epic Program – Long Term Financing	20 min	T. Storin
Sep 16th			
	2019 Annual Adjustment Ordinance	15 min	L. Pollack
	Financial Policy Review & Updates	20 min	J. Voss
	Development Review Fee Update	30 min	T. Leeson N. Currell
Oct 21st			
Nov. 18th			
	City Long Term Financial Plan Review	30 min	D. Lenz
Dec. 16th			
	Utility LTFP & CIP	30 min	L. Smith

Future Council Finance Committee Topics:

- Park/Median Design Standards & Maintenance Costs - TBD



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Finance Committee Meeting Minutes
07/15/19
10 am - noon
CIC Room - City Hall

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

Staff: Darin Atteberry, Kelly DiMartino, Mike Beckstead, Travis Storin, Kelley Vodden, Jennifer Selsenske, Kerri Ishmeal, Renee Callas, John Voss, Mark McKinney, Terra Sampson, Sean Carpenter, Tyler Marr, Dean Klingner, Victoria Shaw, Josh Birks, John Duval, Tyler Marr, Jo Cech, Katie Ricketts, Zach Mozer, Mike Calhoon, Bob Adams, Marc Rademacher, Carolyn Koontz

Others: Chris Telli, BKD LLP, Anna Thigpen, BKD LLP
Kevin Jones, Chamber of Commerce
Dale Adamy, RIST.org
Northfield Metro District; Jason Sherril, CEO, Landmark Homes, Chris Beabout, Development Manager, Landmark Homes and Robert Rodgers, Shareholder, White Bear Ankele Tanaka & Waldron (Attorney for Developer)

Meeting called to order at 10:06 am

Approval of Minutes from the June 17, 2019 Council Finance Committee Meeting. Ross Cuniff moved for approval of the minutes as presented. Ken Summers seconded the motion. Minutes were approved unanimously.

A. 2018 Audit Results

Travis Storin, Accounting Director
Chris Telli, BKD LLP
Anna Thigpen, BKD LLP

SUBJECT FOR DISCUSSION

Independent Auditors' Report on 2018 Financial Statements
Independent Auditors' Report on Compliance for Major Federal Programs

EXECUTIVE SUMMARY

BKD will be presenting the *Report to the City Council*. This report covers the audit of the basic financial statements and compliance of the City of Fort Collins for year-end December 31, 2018.

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 2018 year-end report.

BACKGROUND/DISCUSSION

In compliance with *Government Auditing Standards*, the City undergoes an independent external audit on an annual basis. BKD finalized its financial statement audit and compliance report on June 21, 2019 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, and findings of note are summarized below:

Significant Deficiency (Attachment 2, page 13):

There was one significant deficiency identified related to Federal grants in the Compliance Report, finding 2018-001 which reads in part (emphasis added):

The City originally passed an ordinance in 2005 allocating 0.25% tax for the construction of capital assets in the Community Capital Improvement Program Fund (CCIP), a special revenue fund. The tax was later extended by Ordinance No. 013-2015 commencing January 1, 2016 and expiring December 31, 2025. When the initiative was extended, the City created a separate fund for the proceeds until which time the proceeds were expended for the approved capital projects. When the approved projects were completed, the taxes were transferred from the CCIP Fund to a capital projects fund. During the year-end financial reporting process, when the City identified capital asset-related expenditures for capitalization, **it inadvertently capitalized the same cost twice; once when the expenditure was initially recorded in the CCIP Fund and a second time when those same costs were transferred to the capital projects fund.**

The finding results in an adjustment to reduce the City's \$1.6 billion of capital asset balances by approximately \$11.7 million, of which \$8.4 million relates to prior periods. The City adjusted the 2018 financial statements and issued a corrective action plan to prevent this condition in future years (Attachment 3).

Significant Issues Discussed with Management (Attachment 1, page 4):

City management and the audit team discussed the accounting treatment of a 2013 plant investment fee agreement with Fort Collins-Loveland Water District after receipt of pre-payment from the District in 2019. Ultimately, the original 2013 treatment will be applied to this agreement.

Other Findings (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 (Attachment 1, pages 6-7). Staff will provide a written response to the audit findings at a fourth quarter Council Finance Committee meeting.

DISCUSSION / NEXT STEPS:

CAFR and compliance with federal programs for grant funds we receive

One Level 2 Control Finding - our first Level 2 finding since 2012

One finding from the IT realm

Single Audit Report; Financial and Compliance (Federal Grant Funding) audit within one audit

Page 4: Total Expenditure of Federal Awards is \$15.3M (this amount just Federal Grants) - subject to audit - not all of which were audited –

Page 11: Summary - clean opinion - Schedule of Findings
2 report on internal control - unmodified opinion on audit
1 significant finding - non-compliance as it relates to federal awards
No material weaknesses identified

Two programs will rotate for audit – program determination is skewed toward big dollar projects
2 programs selected; Federal Transit Program and the Equitable Sharing Program – transfer of money to Larimer County - City is identified as a low risk auditee which impacts the number of major programs required to be audited.

Page 13: Finding required to be reported by GASB

Significant deficiency finding - Accounting for Capital Assets - During the year end reporting process there were some capitalized assets that were capitalized twice, they were recorded once in the CCIP fund and again when they were transferred out to the Capital Projects fund. Double reporting itself resulted in an \$11.7M adjustment And a \$8.4M amount related to prior periods - not recorded in financial statements this year - considered a past adjustment. Not material or misleading to Financial Statements.

Corrective Action - City officials are required to provide a response to the finding. Travis has prepared a separate response addressing what the Accounting Department will do to address this finding.

Travis Storin; any time we get a significant deficiency we treat it quite seriously – this occurred in 2016 when CCIP tax rate was renewed. Data mining tools identify what are the population of costs that should be depreciated. Those queries were tuned to pull in the transfer activity – capitalized blue dollars out of CCIP and into fund – fund were capitalized again when dollars were spent – no impact on fund balance - happens at the full accrual level of accounting so no impact on reserves, BFO or Strategic Planning. This happens at the atmospheric level of the financial statements. This does not factor into credit agency reporting or the underwriting community. In terms of impact, this will drive increased testing in next year's audit. The fix itself is a virtual toggle in how the data mining tools are set up. Fairly easy to fix but is a large dollar amount \$11.7 M out of our \$1.6B of infrastructure assets.

Ross Cuniff; how do we calculate depreciation on these assets?

Travis Storin; this amount is net of anything we depreciated over the last 3 years. Correct the two years that the system assumed these assets were in service. back up and restate

ACTION ITEM:

Ross Cuniff; are there any other required notifications that we should make?

Travis Storin; We do have continuing disclosure requirements under the Security Exchange Act of 1934. I will confirm this with our external advisor, James Manire but I don't believe this qualifies as a disclosure event under the 1934 Act.

Ross Cunniff; the other low impact finding; Critical facilities within 5 miles of each other.
Do we have a plan to analyze that? What implications that would have for our internet utility?

Mark McKinney; Data Centers are about 5 miles apart - We have seen this as a potential risk for some time. With Connexion coming on-line we are looking at Inter-Agency agreements with possibly Loveland or Cheyenne down the road, to get more connectivity and share facilities between the two of us.
3rd option is a distributed data center. We currently have 2 main data centers. The one in City Hall is very aged - not quite meeting the requirements for a 5-10-year goal. Even with consolidation we are running into problems with power and cooling issues down the road. A possibility of a distributed environment where we put a portion of data center in city facilities all around reducing the environmental load - not having to have a data center with extreme power and cooling capability but having a N+1 for data centers where we could have this building house 1/5 of our data which then repeats that data to multiple other locations within the city.

Mike Beckstead; we are in the exploration mode; What is the gap? How significant is it?
We will be coming back in Q4 for direction and specific implications to address these findings and how we best address these issues. Will come back with specificity on how we best address these issues.

Page 6: Deficiencies

IT best practices – BKD’s IT audit team was brought in to perform this work. 4 recommendations

Financial Reporting – overall theme is reconciliations and having supporting documentation to support balances. None of these issues materially affected the financial statements.

Other Matters Section - Upcoming pronouncements that will or may impact the city;

GASB 83	Asset Retirement Obligations Review statements for potential valuation
GASB 84	Fiduciary responsibilities with Pension Plans - change in reporting requirements Changes definition of agency funds and other components
GASB 87	This will essentially change the way that capital leases are reported - effective 2020 - removes the operating lease component - will only be capital leases - biggest key challenge will be Identifying potential leases and if they are material - how they are recorded in the financial statements
GASB 88	Certain disclosures related to debt - definition - not a big change - just additional disclosures

Ken Summers; reconciliation issues - what is the recommendation related to those? go back 20 years – what is the plan and approach to deal with unreconciled accounts?

Mike Beckstead; we have been focused over the last 2-3 years on major account reconciliations and that has been consuming the bandwidth of the team. Those accounts are now reconciled and are behind us. Now the effort moves into this 2nd tier which includes smaller accounts that is very much in the workflow and the focus for 2019-20.

Travis Storin; these are not cash accounts but are upstream from JDE - managing developer escrows to funds – there is no interface built into the system, so the balancing activity is a manual activity (similar to balancing checkbook)

Mike Beckstead; we will get a process defined and a cadence to that process put in place and the team will be focused on this effort in 2019 – 20.

Chris Tilley; our recommendation is exactly as Mike Beckstead stated (analyze, clean up, reconciliation, no impact)

Ross Cuniff; you mentioned that some smaller federal grants might never be audited - risk to city is much lower but randomly picking one of them every year for auditing might be something to consider.

Chris Telli; we can look into doing that – they would never be required due to \$750K threshold. Programs that never reach that threshold typically don't get to the point of requiring an audit.

ACTION ITEM

Ross Cuniff; Do any of your other clients have whistle blower programs?

Chris Tilly; many clients have a fraud hotline in place which we highly recommend - it should be available to all employees and to the community at large. There are many other vendors that offer this service in addition to BKD.

Kelly DiMartino; we have an Ethics Hotline available to employees and citizens. It is promoted on our website.

Ross Cuniff; what about policies against retaliation?

Darin Atteberry; we have internal administrative policies around retaliation

ACTION ITEM:

Ross Cuniff; I would recommend we take this to Council as a Resolution given that we have a significant finding.

Mike Beckstead; we will get that scheduled and bring it forward to Council.

Kudos to BKD and to the Staff for a great working relationship.

B. Epic External Borrowing Terms / Details

Sean Carpenter, Lead Specialist, Economic Sustainability

Travis Storin, Director, Accounting

SUBJECT FOR DISCUSSION: Epic Homes Capital Plan - Update & Next Steps

EXECUTIVE SUMMARY

This item will provide an update to Council Finance regarding the Epic Homes capital plan and next steps for capital agreements. Updates include:

- Review of on-bill financing history and capital recruitment process;
- Future capital stack;
- Loan terms and rates;
- Cash flow projections; and
- Next steps regarding securing and appropriation of third-party capital into a revolving loan fund.

GENERAL DIRECTION SOUGHT AND SPECIFIC QUESTIONS TO BE ANSWERED

- Does the Council Finance Committee approve the presentation of financial / loan agreements to the full City Council for consideration in August?

BACKGROUND/DISCUSSION

Fort Collins' innovative On-Bill Finance (OBF) program supports a number of community and City Council priorities, including ambitious goals around energy efficiency and renewables, reduced greenhouse gas emissions and increased equity and wellbeing of all residents (see [Energy Policy](#) and [Climate Action Plan](#)). Meeting these objectives will require, among other activities, that greater numbers of property owners undertake comprehensive efficiency improvements in the coming years, particularly for older, less-efficient rental properties which make up a large percentage of the City's housing stock. An ongoing and attractive financing structure to support energy efficiency retrofits will be a critical element for success moving forward.

On-Bill Financing History

The Home Efficiency Loan Program (HELP, aka OBF 1.0) operated successfully from January 2013 through early 2017 when the maximum outstanding loan balance of \$1.6M was reached. In 2017, Elevations Credit Union was selected through an RFP process for energy loan financing. Utilities staff qualify the efficiency project based on the rebate measures in the Efficiency Works Home program; however, the loan origination and servicing are independent of Utilities programs. With the implementation of Epic Loans, Elevations loans will continue to be an option for interested customers.

Epic Loans (aka OBF 3.0) were revitalized in August 2018 during the Champions Phase of the *Bloomberg Mayors Challenge*. The \$100,000 award from the Champions Phase and a \$200,000 grant from the Colorado Energy Office were used to kick off the revitalized on-bill financing. Fort Collins is among nine winning cities for the Mayor Challenge, each receiving \$1 M to implement their winning idea. The grant agreement with Bloomberg Philanthropies was completed in February 2019 and the initial \$100,000 tranche of the \$1M was awarded. As of March 2019, Epic Loans has serviced over 20 on-bill loans for \$280,000 to support energy efficiency retrofits that would not have occurred without an attractive financing option.

Leveraging external capital is critical to achieving the long-term vision of Epic Loans and offers a continuing source of funds to meet increasing customer demand for energy efficiency financing. Epic Loans is designed to balance the programmatic objectives and financial requirements of the City, while also meeting the needs and expectations of capital providers and Utilities customers. The program team seeks to design an "evergreen" revolving loan fund which:

- Supports residential energy efficiency upgrades for years to come;
- Scales to meet long-term efficiency objectives;
- Removes financial barriers to efficiency upgrades with attractive rates and terms;
- Aligns capital commitments with customer loan terms; and
- Minimizes the City and Utilities risk and administrative effort.

Council Finance Meetings Review

The Epic Homes team presented to Council Finance in November 2018 regarding the program background and issuing an RFP for third-party capital sources. The City issued RFP #8842 in December 2018 and the team pursued conversations and negotiations with respondents and other potential capital providers.

The Epic Homes team presented to Council Finance again in May 2019 regarding the potential capital sources and next steps for bringing capital agreements to Council. Staff have continued negotiations with potential capital providers (including a locally managed national bank, a regional bank, Coalition for Green Capital, and the Colorado Energy Office) and received Legal and Purchasing review of draft contracts.

Capital Stack and Terms

Capital sources for the Epic Loan need to align with the following high-level objectives:

- **Attractive:** The loan program must be able to provide attractive loan terms to customers, specifically attractive interest rates.
- **Scalable:** The program must be scalable in support of Fort Collins ambitious energy goals. It is anticipated that Fort Collins will upgrade thousands of homes in the coming years.
- **Parity:** In both length and rate, borrowed capital should match loaned capital as closely as possible.
- **Simple:** The implementation and administration of the program must be as simple as possible for all parties, including customers, Utilities, and the capital partners.

Capital Stack

To provide sufficient financing for the expected number of projects, the short-term (3-4 year) capital goal is \$7M to \$8M. This assumes \$1.5M to \$2M annually in energy efficiency project financing. The longer-term capital goal is up to \$16M in order to establish a self-sustaining revolving loan. To meet the short-term capital goal, the Epic Homes team proposes the capital stack below.

Capital Type	Provider	Term	Rate	Amount	Status
Low or No Cost					
	Bloomberg Philanthropies – Champions Phase Award	N/A	0%	\$100,000	Appropriated July 2018
	Bloomberg Philanthropies – Award Initial Tranche	N/A	0%	\$100,000	Appropriated March 2019
	Bloomberg Philanthropies – Award Second Tranche	N/A	0%	\$488,350	To be appropriated August 20
	Colorado Energy Office – Grant	N/A	0%	\$200,000	Appropriated August 2018
	Colorado Energy Office – Loan	15 year	1-2%	\$1,000,000	To be appropriated August 20
External Market					
	National Commercial Bank	5 & 10 year	3.95% - 4.25%	\$2,500,000	To be appropriated August 20
	Regional Private Bank (through National Green Bank)	15 year	5.75%	\$2,500,000	To be appropriated August 20
Internal					
	Repayments of previously paid loans	N/A	0%	\$374,000	Appropriated as part of revolving loan fund in OBF 1.0
Total				\$7,262,350	

Capital Provider Terms

Flexible structures which minimize the need for the City to carry non-deployed debt capital, such as lines of credit versus term loans, are being pursued with the capital providers. In all cases, Fort Collins Utilities would be the borrower, with the third-party funds being loaned to customers by Utilities. Fort Collins Utilities would be responsible for the repayment to the capital provider. In turn, Utilities customers carry the obligation for repayment of loans to the City via their utility bill. Utilities has various code-specified tools for recourse of delinquent utility bills that makes the risk profile for the Epic Loan portfolio extremely low. Third-party capital providers will have a senior pledge on customer loan repayments and second position on Electric Utility revenues, after the more senior pledge held by revenue bondholders. Finally, the City may pre-pay any of these agreements in whole or in part at any time and without penalty.

Capital Source #1: Colorado Energy Office

- Amount: Up to \$1,000,000
- Length: 15-years inclusive of draw period
- Draw period: None
- Fixed Rate: 1.25% to 2.25%

External Capital Source #2: National Commercial Bank

- Amount: Up to \$2,500,000
- Length: 5-year and 10-year portions, inclusive of draw period
- Draw period: Up to 2 years with monthly draws based on customer loans
- Variable Rate Period: Fed SOFR plus X% (applies during draw period)
- Fixed Rate: 5-year or 10-year Treasury Note plus X% (rate becomes fixed after draw period)

External Capital Source #3: National Green Bank

- Amount: Up to \$2,500,000
- Length: 15-years inclusive of draw period
- Draw period: Up to 2 years with quarterly draws based on customer loans
- Variable Rate: Wall Street Journal Prime + 0.25% (currently 5.75%)
- Collateral: City will deposit 50% of drawn amount into FDIC-insured account

Policy Exceptions

Source #2 and #3 each have terms that interact or conflict with Financial Policy #7.

Debt Instrument	Policy Issue
Source #1: State Energy Office	<ul style="list-style-type: none"> • None
Source #2: 5- and 10-year National Commercial Bank	<ul style="list-style-type: none"> • Variable rate for 2 years, managed in 6-month intervals
Source #3: 15-year National Green Bank	<ul style="list-style-type: none"> • Credit Enhancement, and • Variable Rate, or • Derivative Swap instrument

For source #2 (5- and 10-year commercial funds), staff has arranged for rate-lock rights during the 2-year variable draw window which effectively stabilizes the debt service per policy.

For source #3 (15-year green bank funds), staff assesses an appropriate use of a credit enhancement via the collateral pledge.

The note is written with variable rate for its duration, however. Staff has attempted to negotiate rate lock-in rights during the draw period, but the lender has been unable to flex. Alternatives are to accept the terms of this deal, terminate the deal, or manage the variable rate risk via an interest rate swap. The swap would qualify as a derivative instrument, which is also covered by policy as an instrument the City should avoid.

Retail Rates and Terms

In December 2018, the financial officer's rules and regulations were revised to remove language about specific interest rates and allows for regular review and necessary adjustments of interest rates based on third-party capital terms, and approval of the City CFO. The City will blend capital sources and interest rates into loan offerings that recover the cost of capital and include a modest administrative premium to cover administrative costs in the future. The current loan interest rates interest rates based on capital sources are as follows:

Loan Term	Interest Rate (Effective Jan. 2019)	Interest Rate (Effective Jul 2019)
3 or 5 years	3.49%	3.75%
7 or 10 years	3.99%	4.25%
15 years	4.49%	4.75%

Next Steps

The Epic Homes team is finalizing lending agreements with third-party capital providers. The Epic Homes team seeks approval from Council Finance to proceed with City Council consideration of financial agreements during the August 20 Council session. A separate ordinance will be prepared for each capital provider.

NEXT STEPS / DISCUSSION:

Mike Beckstead; policy consideration - some I would consider to be in a bit of a gray zone - we want to be clear - we will be coming back to clarify consistency in terms with our current debit policy. Variable rates, slots. There is one that is are looking for a 50% deposit of what we borrow as a credit enhancer which is a stretch to our current policy and needs to be discussed. We pushed back hard, and they came back and said it is a requirement to do this loan.

Sean Carpenter; we have heard consistently that trying to borrow money beyond 10 years will be difficult - finding 15 year money has been a real challenge but it is important programmatically especially in the Bloomberg project where we are targeting rental properties - HVACS - owners need that longer term to keep payments lower.

Travis Storin; there are several interactions with policy and one outright exception - we will be very transparent and upfront about any proposed policy exceptions when this is brought forward.

L&P reserves would fund it and would be restricted for the life of the contract and would become reserves we can't appropriate.

Variable Rate Debt – discouraged by not prohibited by policy - if we feel it is warranted.

15 year money variable rate for life offered - we can terminate the deal if we needed to or modify our program or product offerings to Epic loan customers or we can try to manage that risk with another instrument - variable interest rate swap which is a derivative financial instrument and is to be avoided per policy - approach a separate bank - the financial industry calls it a plain vanilla swap - fixed for variable rate trade. Low risk and widely available.

Mike Beckstead; challenge to me is borrowing 15-year money at a variable rate and loaning it out at a fixed rate is a bit of a non-starter from my perspective - that is where the swap came from – has some challenges but might be better than doing nothing.

Ross Cuniff; access to larger pool of money - moves some of the risk to the lender - use our capital as collateral 3 different policy excursions from this same source - to get us a 15-year product it will cost us half of that total - we could do 15-year terms but we would assume the risk

Mike Beckstead; we have the Council approved \$1.6M of L&P reserves and of that amount \$400K is still available. Less attractive because it will take a while to get those funds paid back but using our money is an option if we wanted to do that out of reserves and fund balance

Travis Storin; From a scalability perspective, we have gone at this from the view that the city cannot be the banker long term - Staff assessment to date is that it is unattractive to use our own money to deploy loans

Darin Atteberry; what is the cost premium for the plain vanilla swap?

Travis Storin; currently it would be 25-50 basis points above the prevailing variable rate. 100 basis points of spread between our overall costs and the costs the consumer sees- this is not intended to be money making. We previously offered a 20-year product, but we are not going to offer 20-year product in the future.

Mike Beckstead; one of our tenets is we don't borrow money for a shorter period than we loan money.

Ross Cuniff; 15-year loans would be for HVAC and largely for multi-family rental housing. Do we ask for any collateral?

Travis Storin; UCC filing - right to shut off the utility - No defaults in 300 loans we have issued

Ross Cuniff; heading down the road of using our own capital – one of the considerations to mitigate our risk

Sean Carpenter; more comprehensive programs – folks also want that 15-year loan - Want to prove our hypothesis – positive impacts from these upgrades / changes.

Variable draw period lines up with program parameters nicely

Mike Beckstead; we are thinking \$1.5 - 2M a year in loans - Can we get an option for year 3 from the lenders if we don't draw at all or do we renegotiate a separate program in year 3 – our expectation is that we won't use \$6M in a two year process - we will be 2/3 of that at best based on our historical loan rates - still some ambiguity with what we do in year 3

Mike Beckstead; August 20th is the design to put these in place in time to support the program - we are not presuming Council Finance is going to support. That date is subject to this discussion.

Ken Summers; what is the largest amount we would loan in a 15-year time frame?

Sean Carpenter; \$25K is the maximum loan amount - multi-unit apartment buildings, duplex / triplex / quad plex - larger than that would be commercial. Average loan size is in the \$11-12K range. Larger would include solar - other features - solar companies - attractive financing

Ross Cunniff; heat pump type installation - solar which as an obvious payoff - solar companies are able to create their own deals

Sean Carpenter; after almost a year of prototyping these with rental property owners, we learned that the 15 year was critical to get monthly payments down - to incentivize them to make these upgrades on older, inefficient properties.

Debt Instrument	Policy Issue
Source #1: State Energy Office	<ul style="list-style-type: none"> None
Source #2: 5- and 10-year National Commercial Bank	<ul style="list-style-type: none"> Variable rate for 2 years, managed in 6-month intervals
Source #3: 15-year National Green Bank	<ul style="list-style-type: none"> Credit Enhancement, and Variable Rate, or Derivative Swap instrument

Ross Cunniff; I understand and support the analysis - I don't know about question #3 - what is your recommendation as of now?

Mike Beckstead; I haven't had a chance to meet with Lance Smith to investigate implications - borrowing variable and lending fixed is a non-starter for me so that is where the swap comes into play. 25-50 basis point premium - that is a way to contain risk. Making sure we are not lending at low end of curve then locking in a higher end. Our ability to adjust rates when we need to - Can't borrow low and lend high

Action Item; Keep Option 3 separate – We have work to do to tighten up before 20th
Research on interest rate

Ross Cunniff; come back to Council Finance to discuss #3 (15-year product)

#1 and #2 sources can come forward on the 20th but let's discuss #3 again at Council Finance (scheduled for August 19th)

Darin Atteberry; A brief synopsis / read before would be helpful

B. Northfield Metro District Application

Josh Birks, Director Economic Sustainability

SUBJECT FOR DISCUSSION

Proposed Metro District by Landmark Homes for the Northfield Metropolitan District

EXECUTIVE SUMMARY

The developer of the proposed Northfield Metro District has submitted a Metro District Service Plan to support a proposed development of approximately 56 acres located north of Vine Street on the west side of Lindenmeier Road/Lemay Avenue (southeast of the Lake Canal and north of the to-be designated historic Alta Vista neighborhood). The development is anticipated to include approximately 442 attached housing units, of which a minimum of approximately fourteen percent (14%) will be designated and sold as deed-restricted affordable housing, and the majority of the rest of the units will be sold as attainable housing units. The Planned Development is also anticipated to include a mixed-use center that will offer light commercial use on the first floor, residential for-rent units on the second floor, and small amenities open to the public. The estimated population at build-out is 1,139. Construction of the Planned Development is planned to be completed by year 2026.

GENERAL DIRECTION SOUGHT AND SPECIFIC QUESTIONS TO BE ANSWERED

1. What additional information does the committee recommend including for the Council evaluation of the Landmark Development's proposed Metro District Service Plan?

BACKGROUND/DISCUSSION

Landmark Homes is proposing a residential community situated within walking distance of the City's Old Town. The Planned Development incorporates goals of the following plans: City Plan, Transportation Master Plan, Master Street Plan, Nature in the City Strategic Plan, Natural Areas Master Plan, Paved Recreational Trail Master Plan, Northside Neighborhoods Plan, Pedestrian Plan, and Bicycle Master Plan.

PROJECT OVERVIEW

The proposed Metro District will support 56 acres of planned development located north of Vine Street on the west side of Lindenmeier Road/Lemay Avenue (southeast of the Lake Canal and north of the to-be designated historic Alta Vista neighborhood). The project anticipates constructing:

- Approximately 442 residential units (a mix of single-family and multi-family);
- Minimum of 14.7% affordable (65 units)
- The remaining housing units in the project are expected to be priced in an attainable range, considered by other cities to be between 80% and 120% of AMI.
- A mixed-use center that will offer light commercial use on the first floor, residential for-rent units on the second floor, and small amenities open to the public

- An enhanced setback from the Lake Canal Wetlands to further protect them from new development; and
- On-site Regional Trail as well as the off- site pedestrian connection for the northeastern portion up to the intersection at Lemay Avenue and Conifer Street.

METRO DISTRICT

Landmark Homes has submitted the Consolidated Service Plan for Northfield Metropolitan District Nos. 1-3 (the “Service Plan”). The Metro District would be used to construct critical public infrastructure and other site costs reducing the overall development costs.

Service Plan Overview

The Service Plan calls for the creation of three Metro Districts working collaboratively to deliver the proposed Northfield development. The phased development is anticipated to occur over the next nine plus years and support an estimated population of 1,139. A few highlights about the proposed Service Plan, include:

- **Assessed Value** – Estimated to be approximately \$13.3 million in 2029 at full build-out
- **Aggregate Mill Levy** – 50 mills, subject to Gallagher Adjustments
- **Debt Mill Levy** – 40 mills, may not be levied until an approved development plan or intergovernmental agreement has been executed that delivers the pledged public benefits
- **Operating Mill Levy** – Up to an additional 10 mills (total levy 50 mills) to fund several on-going operations, such as but not limited to: (a) a non-potable irrigation system, and (b) road infrastructure. Once a District imposes a Debt Mill Levy, such District’s Operating Mill Levy cannot exceed ten (10) mills at any point.
- **Maximum Debt Authorization** – Anticipated to be approximately \$16 million to cover a portion of the estimated \$31 million in project costs
- **Regional Mill Levy** – The regional Mill Levy shall not be counted against the Aggregate Mill Levy Maximum

Public Improvements

The Service Plans anticipate using the Debt Mill Levy to support the issuance of bonds in the maximum amount of \$16 million to fund all or a portion of the following \$31 million in public improvements (details available in *Exhibits D and G* of the Service Plan):

- **Earthwork and Grading** – Approximately \$6.7 million in earthwork and site preparation costs associated with the proposed project.
- **Roadway Improvements** – Approximately \$6.4 million in costs to construct asphalt infrastructure for streets and parking on the project, including Suniga arterial.
- **Water Improvements** – Approximately \$0.6 million in costs to construct potable water infrastructure supporting the project.

- **Sanitary Sewer Improvement** – Approximately \$0.7 million constructing the sanitary sewer infrastructure, including upsizing, both on- and off-site for the project
- **Storm Sewer Improvements** – Approximately \$1.9 million in costs to construct the main storm sewer system and infrastructure for the project.
- **Open Space/Landscaping** – Approximately \$4.1 million in costs for Regional Trail construction, neighborhood park development, development of clubhouse/pool, and other landscaping
- **Misc. / Amenity** – Approximately \$5.7 million in miscellaneous costs associated with the project, such as engineering, inspection, and administrative costs, plus a 20% contingency estimate of \$5.2 million.

Public Benefits

As required by the proposed new policy, the Service Plan will deliver several extraordinary development outcomes that support several public benefits. A general list of benefits and, where available, their estimated value is described below (details in Exhibit G of the Service Plan):

Northfield Metro District Public Benefits Evaluation

Non-Basic Improvements				
	Total Benefit	Per-Unit Benefit	Notes	
Environmental Sustainability				
Solar Energy				
1) 13-14 kW of solar power per "Flats" building	\$448,000	\$1,014	\$28,000 per building; 180 units benefit	
Electric Vehicles				
1) 240V outlets	\$375,000	\$848	In every garage, besides the affordable homes	
2) EV charging stations	\$30,000	\$68		
Critical Public Infrastructure				
Major Arterial Development				
1) On-Site Suniga Road Upsizing	\$1,682,640	\$3,807	Upsizing cost from a typical 2-lane connector Offsite construction from Redwood to Lake Canal	
1) Off-Site Suniga Road	\$774,800	\$1,753		
Pedestrian Connectivity				
1) Regional Trail Construction	\$199,050	\$450		
Off-Site Infrastructure				
1) Off-Site Sewer Construction & Upsizing	\$538,220	\$1,218	To benefit Northfield and the surrounding areas from a failing sewer line Estimate	
2) Lemay Overpass Contribution	\$250,000	\$566		
Smart Growth Management				
Increased Density				
1) Alley-Loaded Homes	\$820,800	\$1,857	Metro District maintained	
Public Spaces				
1) Reduction in Allowed Density/ More Open Space	\$4,474,100	\$10,122	Northfield is at 8 units/acre vs the allowed 12 units/acre per the "affordable housing project" land use definition	
2) Clubhouse & Swimming Pool	\$2,000,000	\$4,525		
3) Increased Landscaped Area (46.9% of site)	\$723,800	\$1,638	Landscaped area beyond a typical project	
4) Alta Vista Buffer Area	\$125,000	\$283	Separates and protects the Alta Vista neighborhood from Suniga	
5) Public amenity area	\$5,000	\$11	Public use amenities stationed along regional trail	
Strategic Priorities				
Affordable Housing				
1) 14.7% (65 units) of deed-restricted affordable housing	\$4,420,000	\$10,000	\$68,000 subsidy per unit to price below 80% AMI	
Attainable Housing				
1) 85.3% (377 units) of attainably priced housing	Difficult to Quant.	Difficult to Quan.	Remainder of project will be priced in a range that someone making 80% to 120% of AMI could afford	

TOTAL PUBLIC BENEFITS

\$16,866,410

\$38,159

Disclaimer: The benefits listed above represent a preliminary estimate in order to provide illustrative representation of the value for public benefit. The illustration is non-binding pending the execution of a development agreement

Units: 442

- **Affordable Housing** - The financing and reimbursement options created by the Metropolitan Districts will enable the Northfield project to deliver a minimum of 160 units or 10% of the total project at affordable rates. These units will be delivered under the following guidelines:
 - For Sale: A minimum of 65 units (14.7%) will be for sale
 - Enforceability: Prior to or concurrent with Development Agreement, Northfield will create legally enforceable guarantees for affordable housing commitments. Potential options include, contract with City for Land Bank, deed restriction, reservation of acreage
- **Environmental Sustainability:**
 - Energy Conservation** - Northfield plans to include solar panels on the 12-unit condominium buildings and the community clubhouse that will provide up to 14 kilowatts of power per building. These solar panels will provide the power needed for the common area spaces, including elevators. The renewable energy provided by the solar panels will also decrease the common-space maintenance burden for residents in the condominium buildings. Northfield will also deliver a 240V outlet in every garage to provide a place for the electric vehicle fast-charging stations and further encourage residents to drive eco-friendly cars.
 - Environmental Conservation** - The project provides an enhanced setback from the Lake Canal Wetlands to further protect them from new development. The connections over Lake Canal will be constructed with low impact box culverts and abide by and exceed Army Core of Engineers standards for historic protected wetlands. Landscaped areas will focus on low-water usage designs. Initial hydro-zone calculations indicate Northfield will use 7.63 gallons of water per square foot, well below the City's limit of 15 gallons of water per square foot
- **Off-Site Sewer Improvements** - Northfield plans to replace and upsize the sewer line from Vine Drive, around Alta Vista, and along a portion of Lemay Avenue.
- **Regional Trail** - Rather than simply designating an on-site easement for the future trail construction by the City, Northfield plans to finance and deliver the on-site Regional Trail as well as the off- site pedestrian connection for the northeastern portion up to the intersection at Lemay Avenue and Conifer Street.
- **Community Gateway** - Northfield will promote the City's objective of preserving and enhancing historic resources. The southeastern edge of Northfield borders the to-be-designated historic Alta Vista neighborhood. To blend the transition to new development and pay homage to the neighborhood's history, Northfield will feature an Interpretive Historical Park and Gateway Features bordering Alta Vista. These additions were developed in collaboration with neighbors in the Alta Vista neighborhood and would provide an extraordinary benefit to the City as a whole.
- **Economic Health Outcomes** - Northfield is located within walking and/or biking distance to some of the largest employment hubs in the City, including City of Fort Collins Municipal Offices, Colorado State University, Woodward, and New Belgium Brewing. Northfield's proximity to these hubs and affordable and its attainable price points set the project apart from other recent residential developments in Fort Collins. Through Northfield, the City will gain

high-quality, attainable housing near the City’s economic and cultural core, helping reduce congestion in the City and provide workforce housing.

Policy

The conceptual use of a Metro District at Northfield complies with the City’s existing policy.

	Project	Current Policy
Mill Levy Caps	50 Mills	50 Mills
Basic Infrastructure	Partially	To enable public benefit
Eminent Domain	Will Comply	Prohibited
Debt Limitation	Will Comply	100% of Capacity
Dissolution Limit	Ongoing for O&M	40 years (end user refunding exception)
Citizen Control	Will Comply	As early as possible
Multiple Districts	Yes	Projected over an extended period
Commercial/Residential Ratio	Residential	N/A

POLICY EVALUATION & PUBLIC BENEFIT ASSESSMENT

The proposed update to the policy supports the formation of a Metro District regardless of development type when a District delivers extraordinary public benefits. The public benefits should be: (1) aligned with the goals and objectives of the City whether such extraordinary public benefits are provided by the Metro District or by the entity developing the Metro District because Metro Districts exist to provide public improvements; and (2) not be practically provided by the City or an existing public entity, within a reasonable time and on a comparable basis. The Service Plan for the Northfield Project delivers several proposed policy outcomes

Triple Bottom Line – Scan

An interdisciplinary staff team prepared a Triple Bottom Line Scan of the proposed Service Plan. The net analysis is generally neutral to slightly positive. The highlights are provided below:

- **Economic** – The proposed affordable housing is expected to have a positive impact on retaining and attracting talent to strengthen our local labor force for employers. The pricing of the remaining homes at 80-120% of AMI meets the community’s needs for housing at that income level. Northfield is located within walking and/or biking distance to some of the largest employment hubs.
- **Environmental** – Some benefit is expected from the proposed solar, but overall the proposed environmental public benefits were interpreted as weak by staff under the current proposal. Additional clarity is needed to assess any improved benefit.

- **Social** – This area is expected to have the most positive impact due to the commitments to affordable housing. The proposal could be strengthened with a greater focus on affordable housing (e.g. 15% affordable) and clearer expectations around deed restriction over time.

FINANCIAL ASSESSMENT

Utilizing the District's Financial Plan, the City reviewed the Financial Plan in partnership with Economic & Planning Systems. The review concluded the following:

- The proposed mill levies are in line with the City's policy.
- The market values used in the public revenue estimates are reasonable.
- EPS expressed concern about residential absorption of Northfield in the context of other new North College developments: Waterfield, Water's Edge, and Montava.
- EPS found it difficult to assess if there would be "extraordinary benefits" with the following: clubhouse and swimming pool, allowed density/more open space, and increased landscaped area.

DISCUSSION / NEXT STEPS:

Josh Birks; developer will provide 240v outlets in all garages which is above standards
Most significant stretch goal is the affordable housing

Ross Cunniff; 240v outlets are not that expensive - might be \$100 when house is being constructed - not a huge differentiator. I think we need to tighten up the requirements - such as assurances of the supply of 14.7 % of affordable housing units - seems that some previous plans still run at the full mill rate. Likewise, ratchet up the environmental benefits - I would like to see more from this. More information about metro districts could lead to adjustment to policy.

Josh Birks; Would there be specific things you would like to see in the environmental and construction?

Ross Cunniff; ground source heat pump for clubhouse would be interesting - other ways to address the non-electric portion - greenhouse gas inventory

Josh Birks; We have seen some other applications come in with DOE Zero Energy Standard.

Affordable housing is a two-step process; the Service Plan creates the promise and then the Development Agreement confirms the contractual obligation. The one plan that has gone through we heard feedback from yourself and others on Council about tightening up the delivery of the affordable housing - there were some things in the Development Agreement that we will steer clear of in future developments.

Ross Cunniff; it is only fair to let the applicant know that moving forward this is where we are headed

Ken Summers; Site plan details - commercial?

Josh Birks; southwest corner just north of Suniga is planned to have a small building with ground floor commercial and 2 rental or condo units above - community serving commercial uses - could be daycare or other amenities for the community. Adjacent to that, they will have some public amenities - a stopover station for bicyclists - along the western edge there is a major regional bike connection - bike repair facility

Ross Cunniff; sewer - some is regional benefit? Does providing the regional benefit create any additional costs? Is the city putting any funding in?

Josh Birks; the reason we have counted it as a stretch goal / public benefit - the timing under which the city would have the capital to make this upsizing which is needed doesn't coincide with their timing for the development so there is a portion they need to do for the project to work and then there is a portion that is regional - they are proposing that the metro district would fund both their portion and the regional portion and that the city would not contribute at all.

Ross Cunniff; concern that homeowners in that area paying extra taxes for a regional benefit

Josh Birks; we look at the margin that is regional coming back as a repay fund as opposed to being long term funding - might be short term funded by the metro district

Mayor Troxell; unless there is a compelling interest for the utility needs to have the funding

Darin Atteberry; it is probably timing – it is on the list - a cadence issue more than anything else

Josh Birks; we will do more follow up and will include that in the write up. Any concerns with this additional input still moving forward to Council? The applicant would like to be ready for the November ballot. We have this scheduled for September meetings which is getting close to that deadline. Any concern with us sticking to that timeline?

Ross Cunniff; it is ok to bring this forward as a Discussion Item

Mayor Troxell; can you talk about energy side

Josh Birks; page 4 of the AIS

3 main components;

- 1) Solar in 40% of units
- 2) Each building would generate 13-14 kW sufficient to offset the common area and power the clubhouse
- 3) 240v outlets - fast charging station in every garage which also includes cabling back to the main which they value at approximately \$850 per unit - ready for plug and go - plus a couple charging stations - adjacent to commercial space open for public use

ACTION ITEM:

Mayor Troxell; How is it integrated into the distribution system and managed appropriately? Is it net zero behind the meter or is it an integration into the electric distribution system?

Josh Birks; I believe that it is net zero behind the meter but let me confirm and provide more information.

ACTION ITEM:

Mayor Troxell; there is some public cost for the distribution on the demand management side

Josh Birks; I will figure out how that cost plays in - the PIFS that are part of the construction fees or how we are managing that - we will provide more information.

Mayor Troxell; since this is a planned development there may be a point of common coupling to the main system - managed accurately - load balancing type stuff

Ross Cuniff; big picture - my thinking has evolved a bit - these property owners are paying 50 mills – I think we need to find ways to ensure the benefits meet our city and policy goals and to the residents who will be paying for them – otherwise it is just another tax revenue source and that is not fair.

Josh Birks; that raises an interesting question regarding interplay between the stretch goals we have set / on-site amenities and some of the basic infrastructure things that need to get funded. Do we balance the two sides of the scale - stretch goal to public infrastructure? Is there any benefit to the local residents - maybe it also still delivers value.

Ross Cuniff; things like lower energy costs / energy efficiency and solar do provide benefits to the residents. The sewer issue is kind of concerning.

Josh Birks; as staff we are wrestling with that same question as it relates to how much affordable we want to see - because 10% meets our standard - our goal is 10% of our stock - affordable housing goals - they are offsetting their impact - the residents paying if they are providing more affordable housing

Council Finance Committee approved bringing this forward to Council for discussion.

C. Sports Complex Evaluation

Marc Rademacher, Recreation Manager

Bob Adams, Director of Recreation

Mike Calhoon, Director of Parks

SUBJECT FOR DISCUSSION

Summary of Executive Report regarding a council-requested Sports Complex Economic Impact and Feasibility Study.

EXECUTIVE SUMMARY

Staff was requested by Council to conduct a study regarding the economic impact and feasibility of a multi-use sports complex in city limits. Hunden Strategic Partners (HSP) was selected through a competitive RFP process to run the study, which was funded through the 2017-18 BFO process. HSP completed the study and has provided an executive summary of results, as well as three recommendations for facilities and their expected economic impact.

This presentation will provide a high-level overview of the summary, with the full report being provided as an attachment.

GENERAL DIRECTION SOUGHT AND SPECIFIC QUESTIONS TO BE ANSWERED

1. Would Fort Collins benefit from the addition of a multi-use sports facility of some kind?
2. Does Council want to pursue this further?

BACKGROUND/DISCUSSION

In 2016 Council requested staff to complete a Sports Complex Economic Impact and Feasibility study. Funded during the 2017-18 BFO process, the study was completed by Hunden Strategic Partners. Key questions that HSP was tasked with answering were:

- What is the market opportunity for a new sports complex development in Fort Collins?
- What is the existing supply of sports/recreation facility in Fort Collins and the surround area? What is the level of local demand for a new complex?
- What is the existing state and regional supply of sports complexes that are capable of hosting large tournaments and events? Would a new facility in Fort Collins present opportunities to host larger tournaments?
- How is the area hotel market performing? How does this impact the market opportunity for a new sports complex?
- Based on the comprehensive market analysis, what are the conclusions and recommendations?
- What are the possible scenarios and site options available for a new facility?

Hunden Strategic Partners conducted a thorough study and will be attending a Council work session in August to present the executive summary of their finding and recommendations.

Staff will await further direction from Council and City leadership before taking any next steps regarding the complex.

DISCUSSION / NEXT STEPS:

Darin Atteberry; this offer that was requested and funded in the 2017-18 BFO Cycle
This conversation will play well into our Parks & Recreation conversation later this fall.

Mayor Troxell was a champion for this early on
Topic is scheduled for a Council Work Session on August 13th.

This was a request from Council. We issued an RFP and hired consultants, Hunden Strategic Partners to conduct an Impact & Feasibility Study - they also conducted an Inventory of all existing facilities and met with user groups.

Mayor Troxell; identify gaps - strategic - thinking about those things we are not seeing

Exec Summary Highlights – we received a 240-page document from Consultants

2 previous indoor turf facilities have closed or in the process of closing
Need multiple fields (8-16) to bring in tournaments
\$27M to build - 70K square feet



Summary of Scenarios*

	Scenario 1-A (Indoor Courts)	Scenario 1-B (Courts with Indoor Turf)	Scenario 2 (Outdoor Diamonds)
Facility Size	90,000 Sq. Ft.	188,000 Sq. Ft.	80-90 Acres
Projected Cost	\$27.9 million	\$53.3 million	\$27 million

*Additional data available on page X of summary document.

Bob Adams; we would be working in a deficit on this and would need to be subsidized approximately 30%
Very similar to our other recreational facilities

What are the goals? Sports tourism or give our residents what they are looking for?
Do we want to go forward? Funding?

Mayor Troxell; we should think about the intersection with donative interest - what is that interplay?
I started discussing this more internally - ultimate frisbee started here - we can hang our hats on those things – things that are unique and are drivers here - what is the opportunity? Analysis of all Olympic sports? Availability of resources? This is a great place for conditioning due to elevation - Establish interest - there might be a gold nugget in there somewhere - provide for world class facilities that would set Fort Collins apart - Uniquely Fort Collins. The fastest pool where Olympic competitors go to set records is in Indianapolis - their natatorium was built intentionally for this purpose - Indy has been very strategic with their location - amateur sports - AAU / NCAA - they came together as a community and said this will be the national headquarters for amateur sports – they have facilities that can support national competitions. Thinking of CSU and other partners – underperforming facilities - South College Gym may be an underutilized. CSU \$4M invested in Christiansen track and it is now closed off to the public. Access to track for citizens - think not just in terms of a utility but in terms of opportunity and strategy. Would be interesting to solicit - put together an engagement - thinking about things we may not be aware of

Darin Atteberry; this discussion feeds well into our Parks Master Plan – it is not a municipal solution - could be all public or public private - philanthropic - there is interest - timing is actually perfect – Will be good to have a Working Session with Council to see where they are with it.

Ross Cuniff; From page 40 of the Executive Summary document - all options are losses

Summary of Scenarios

The adjacent tables compares the cost, performance, and projected impact of the three sports complex development scenarios. While Scenario 1-B (with an attached synthetic turf multipurpose field) will accommodate excess demand generated by local groups and teams for offseason practice and training, the incremental benefit to the community as a result of net new visitation and spending is minimal compared to scenario 1-A. Scenario 2 generates the greatest impact of the three facilities, but the impact is limited due to the existing hotel demand in the summer months in Fort Collins. Conversely, indoor complexes generate the majority of their impact and room nights throughout the winter months, allowing Fort Collins to capture the majority of the impact driven by the facility.

Fort Collins - Summary of Scenarios			
	Scenario 1-A (Indoor Courts)	Scenario 1-B (Courts with Indoor Multipurpose)	Scenario 2 (Outdoor Diamonds)
Facility Size	90,000 SF	188,000 SF	80-90 acres
Projected Cost	\$27.9 million	\$53.3 million	\$27.0 million
# of Annual Events (Stabilized)	90	101	39
Annual Event Attendance (Stabilized)	76,400	83,600	131,700
Net Operating Income (Loss) - Year 5	-\$111,000	-\$92,000	-\$255,000
Total Annual Room Nights Generated (Year 5)	12,259	13,713	24,573
Net New Room Nights Captured in Fort Collins	11,646	13,028	13,269
Net New Spending (20 years)	\$138,849,000	\$154,042,000	\$201,908,000
FTE Jobs Supported	117	133	151
New Taxes Collected (20 years)	\$3,860,000	\$4,297,000	\$5,213,000
Source: Hunden Strategic Partners			

Bob Adams; Annual Operations - Synthetic turf replacement - we would have to come back for major repair costs (similar to Epic Pool renovations)

ACTION ITEM:

Kelly DiMartino; we can add some additional information regarding major maintenance before we come back

Ross Cuniff; new taxes collected - is that lodging tax based on the nights and restaurants?

Marc Rademacher; Yes, page 27 of the Executive Summary Document shows Heat Charts - where the hotel rooms. They were very excited about these as they show hotel room usage – bringing in tournaments – how the hotels could be brought to capacity. Hotels are excited for the potential in the winter months when they see their numbers drop - Room nights that are available

Heat Charts

Consistent with the previous slide, the adjacent heat chart demonstrates attractive weekend rates for price-conscious tournament organizers, especially in the winter months. Rates at competitive hotels are the lowest on the weekends in the winter months. Once again, this is a positive indicator for an indoor sports opportunity in a new complex in Fort Collins.

ADR by Day of Week by Month - January 2018 - December 2018								
	Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday	Avg
Jan - 18	82.12	86.79	89.20	88.28	84.84	80.77	78.70	84.88
Feb - 18	81.59	87.42	90.00	91.62	87.57	84.63	83.38	86.63
Mar - 18	87.47	92.71	93.32	91.14	90.26	88.19	84.78	89.61
Apr - 18	90.86	97.66	101.34	99.28	97.20	97.19	92.64	96.66
May - 18	105.75	106.37	106.88	107.41	120.40	141.01	135.57	119.55
Jun - 18	115.38	126.96	129.93	131.89	127.46	125.12	128.83	126.91
Jul - 18	114.82	122.27	123.06	125.48	124.00	131.36	129.84	124.54
Aug - 18	112.05	116.50	123.55	132.01	127.35	125.17	125.68	124.10
Sep - 18	103.40	110.00	113.75	115.84	114.08	120.04	121.56	114.65
Oct - 18	101.42	106.36	105.16	105.03	107.90	130.69	127.99	112.72
Nov - 18	88.08	94.23	94.88	93.38	91.53	90.27	89.53	91.78
Dec - 18	79.50	84.35	86.09	84.42	82.36	84.03	83.40	83.50
Average	99.58	105.21	107.59	109.00	107.93	112.00	111.25	

Sources: Smith Travel Research

Yellow	110-120
Orange	120-130
Red	> 130

Ross Cuniff; I think the discussion in the Work Session will focus on Who benefits? Who pays? Appropriate funding mechanisms? Not immediately obvious that the opportunity cost of engaging this is the best place for the city to be spending.

Darin Atteberry; to your point about major repair and replacement costs - typical office building runs around 4% - it would be a bit higher for this type of facility - unique features - with things like turf - like replacing carpet - you are not going to have a lot of other maintenance issues - might be simpler HVAC - industry rule of thumb is 3-4%

Ross Cuniff; I expect it to vary – important to go in with eyes open which is one of the reasons I have been concerned about city owned.

Ken Summers; relative to what Mayor Troxell says – I lean more toward the outdoor facility - we need to do a lot of work – I think it gets trickier if we are delving into areas that are not in the mainstream of athletic events and team sports

I was in Branson MO for grandson's national baseball tournament - 4 fields - each field was modeled after a major baseball park – they have been running tournaments through there all summer

Scenario #2 - 16 fields - I am not sure if the demand for 8 full size fields really addresses a need - you would need stadium seating for a couple thousand people. In terms of scalability – I would question the wisdom of plunking own \$27M for 16 ball fields without doing a lot of work even across the nation what current facilities look like – what have they learned? What would they do differently? Maybe we need to do some follow up on our own facilities - CSU offers opportunities to house teams along with dining facilities

I am excited - 400-foot fence is larger than most major league parks

Marc Rademacher; they did that so they could put soccer fields in the outfields

Ken Summers; This is something worthy to keep talking about and investing time in. We need to look at what is practical and do a deeper drive – is that something we should do this with every field? Softball fields - replace 8 full size baseball fields with soccer fields. City of Canton or Alpharetta, Georgia - they built a facility – they had enough private clubs commit to leasing time and space - a public / private partnership - check into the details with other communities who have done this - costs and feasibility - I like the concept of sports tourism - a big plus

Marc Rademacher; the consultant said 16 is the number we would need to bring national tournaments We have a partner here in Fort Collins - Triple Crown Sports - with 16 fields we could move some major tournaments here

Ken Summers; would be interesting to see where those facilities are - compare to others smaller in size. What is the sweet spot cost / revenue efficiency side / return? The difference between 8 and 16 fields.

Bob Adams; Aurora, CO has a very large sports complex

Ross Cunniff; did the consultants consider other regional proposals – Windsor or Loveland?

Marc Rademacher; we were told it was dead, but it came back - Chris Perkins was very involved Early to say whether it is happening - their key was a park for their minor league team

Ross Cunniff; Ultimate report should include competitive analysis if that did happen

Marc Rademacher; The Ranch also has some athletic facilities

Mike Beckstead; lots of good feedback for coming back to the Work Session on August 13th.

Meeting Adjourned at 12:13 pm

COUNCIL FINANCE COMMITTEE AGENDA ITEM SUMMARY

Staff: Travis Storin, Accounting Director

Date: August 19, 2019

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

None, this is an update for Council Finance Committee.

BACKGROUND/DISCUSSION

To communicate 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 2018 balance that have been appropriated in 2019, funds set aside for 2020 in the 2019-2020 budget, and amounts for projects specifically identified by voters. An example of the later is Community Capital Improvements Plan.

Available with Constraints are those balances available for appropriation but within defined constraints. An example is 4th of July donations. They are restricted for that purpose, but still available for appropriation.

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

ATTACHMENTS

A. PowerPoint presentation



Status of Fund Balances

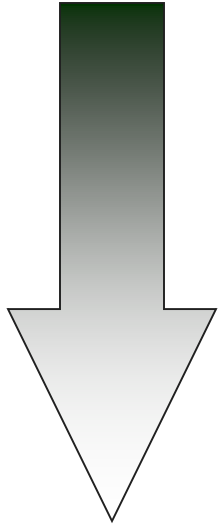
Travis Storin, Accounting Director

August 19, 2019

- Types of constraints
- Availability of restricted balances
- Review fund balances
- Using fund balances in the budget process

Fund Balance Definitions

most
constrained



least
constrained

Non-spendable

- Non-liquid in form (e.g. inventory, long-term receivables, land)
- Legally or contractually required to be maintained intact (e.g. permanent endowments)

Restricted

- Externally enforceable legal restrictions (e.g. TABOR emergency reserve, debt covenants, re-development agreements, IGA's)

Committed

- Constraint formally imposed at the highest level of decision making authority through Ordinance (e.g. Capital Expansion fees, Neighborhood Parkland fees)

Assigned

- Intended to be used for specific purposes (e.g. Affordable Housing, Camera Radar, Encumbrances)

Unassigned

- Available for any City purpose
- Reported only in the General Fund except in cases of negative fund balance

Available but with some constraints

- Keep Fort Collins Great (KFCG) categories are restricted but available as defined in the ballot language
- Udall Endowment interest is restricted but available to be appropriated for maintenance and improvements of Udall Natural Area

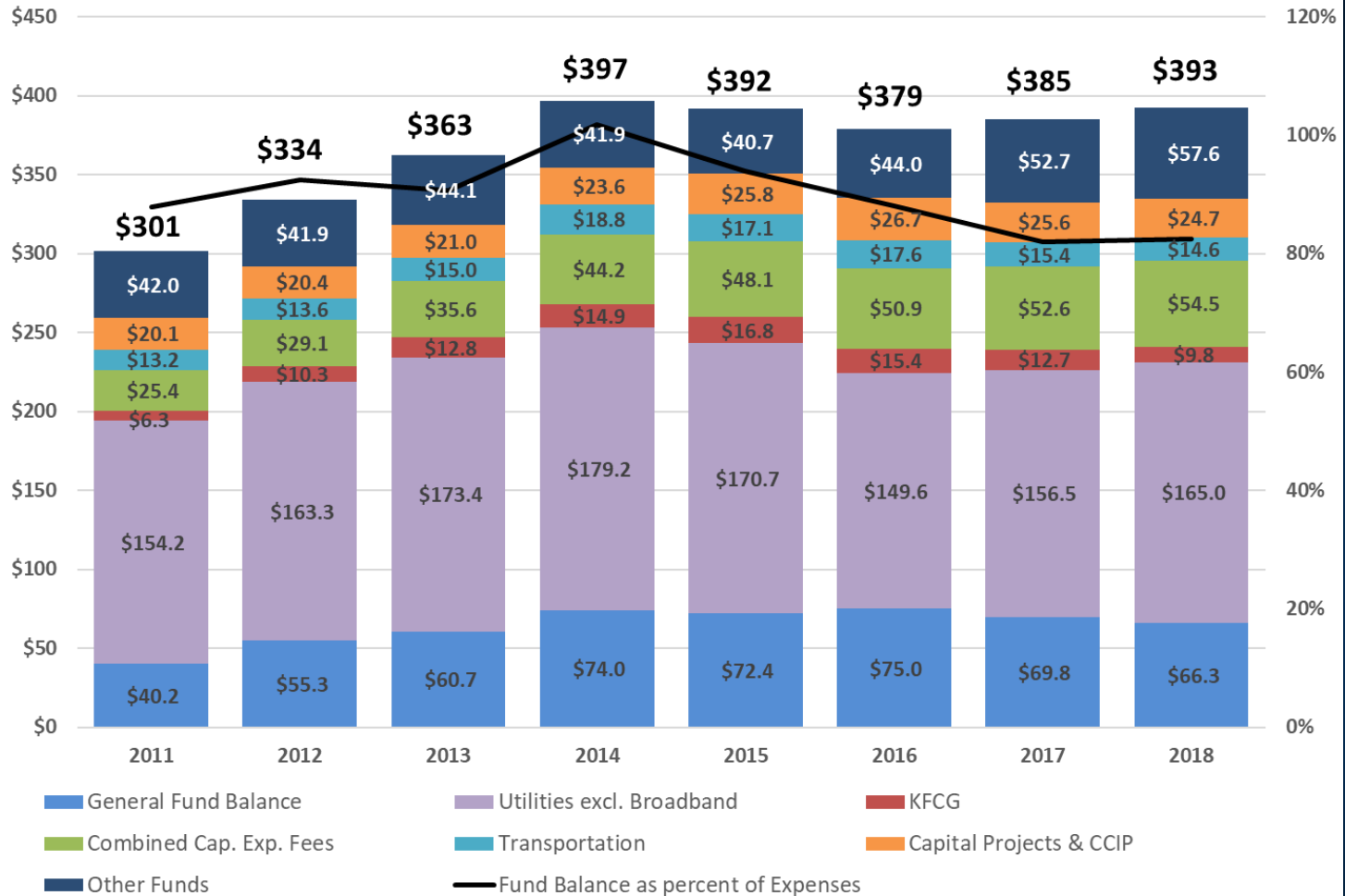
Available for nearly any purpose

- Funds available at the discretion of the City Council for any *municipal purpose*

All City Funds

	2017		2018		Appropriated, Min. Policy, or Scheduled	Available but with some Constraints	Available for Nearly Any Purpose
	\$		\$		\$	\$	\$
General Fund	69.8		66.3		55.2	4.2	6.9
Capital Expansion Fund	17.8		19.5		1.5	18.0	-
Sales & Use Tax Fund	0.7		0.8		0.8	-	-
GID #1 Fund	0.8		0.7		0.1	0.6	-
Keep Fort Collins Great Fund	12.7		9.8		7.4	2.4	-
Community Capital Imprvmt Plan	8.0		12.7		10.0	2.7	-
Neighborhood Parkland Fund	9.7		10.1		6.7	3.4	-
Conservation Trust Fund	3.0		2.3		1.1	1.2	-
Natural Areas Fund	16.8		18.6		12.4	6.2	-
Cultural Services Fund	2.6		2.2		1.3	0.4	0.5
Recreation Fund	2.3		2.5		1.1	1.4	-
Cemeteries Fund	0.7		0.8		0.5	0.3	-
Perpetual Care Fund	1.9		2.0		-	2.0	-
Museum Fund	0.9		0.7		0.2	0.5	-
Transit	4.2		3.4		3.4	-	-
Transportation Capital Expansion	25.1		24.9		9.3	15.6	-
Transportation	15.4		14.6		7.5	-	7.1
Parking Fund	1.8		1.5		0.5	1.0	-
Capital Projects Fund	17.6		12.0		9.3	2.7	-
Golf Fund	0.4		0.7		0.3	0.4	-
Light & Power Fund (excl. Broadband)	33.5		30.8		22.4	8.4	-
Water Fund	61.6		70.2		39.7	30.5	-
Wastewater Fund	41.4		42.8		20.6	22.2	-
Storm Drainage Fund	17.4		19.5		11.2	8.3	-
Equipment Fund	2.0		3.6		1.8	1.8	-
Self Insurance Fund	1.6		2.7		1.5	1.2	-
Data & Communications Fund	3.7		3.4		1.8	-	1.6
Benefits Fund	9.3		11.7		7.4	4.3	-
Utility Customer Service Fund	2.6		1.7		0.8	0.9	-
TOTAL	\$ 385.3		\$ 392.5		\$ 235.8	\$ 140.6	\$ 16.1

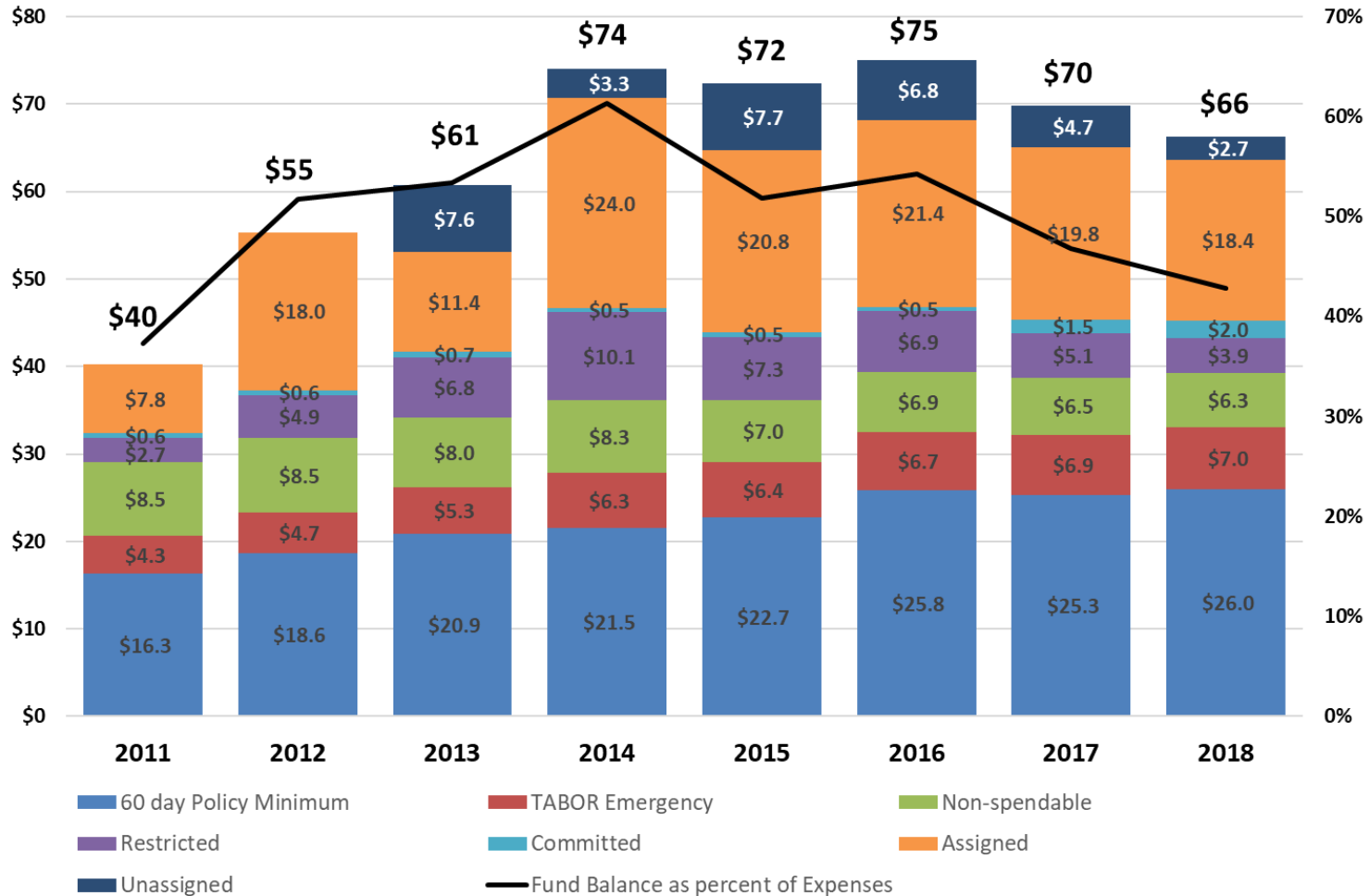
Fund Balance / Reserves by Year



General Fund - Year End 2018 - \$66.3

	2017	2018	Appropriated, Min. Policy, or Scheduled	Available but with some Constraints	Available for Nearly Any Purpose
Assigned - Minimum 60 day Policy	\$ 25.3	\$ 26.0	\$ 26.0	\$ -	\$ -
Non-spendable					
Advances	4.9	4.7	4.7	-	-
Landbank inventory	1.5	1.5	1.5	-	-
Udall Endowment	0.1	0.1	0.1		
Restricted					
TABOR Emergency	6.9	7.0	7.0	-	-
Police Programs	0.9	0.3	0.2	0.1	-
Donations & Misc	0.9	1.2	0.8	0.4	-
Economic Rebates	2.6	1.7	0.4	1.3	-
DDA/Woodward Debt	0.7	0.7	-	0.7	-
Committed					
Traffic Calming	-	0.2	-	0.2	-
Culture & Recreation	0.2	0.4	0.3	0.1	-
Affordable Housing Land Bank	1.3	1.4	-	1.4	-
Assigned					
Prior Year Purchase Orders	4.3	3.7	3.7	-	-
Manufacturing Use Tax Rebate	0.7	1.2	1.2	-	-
Transit Bus Replacement	0.5	0.5	0.2	-	0.3
Golf Irrigation System	0.5	0.5	0.1	-	0.4
Revenue Contingency	4.4	2.2	-	-	2.2
Camera Radar	0.9	1.1	-	-	1.1
Waste Innovation	0.2	0.2	-	-	0.2
Reappropriation	1.0	0.3	0.3	-	-
Budgeted use of reserves	7.3	8.7	8.7	-	-
Unassigned	4.8	2.7	-	-	2.7
Year End Total	\$ 69.9	\$ 66.3	\$ 55.2	\$ 4.2	\$ 6.9

General Fund / Reserves by Year



General Fund Balances

- \$4.7 loaned to URA (Advances)
- \$1.5 Land-bank program, estimated market value
- \$7.0 is an emergency reserve required by TABOR, equal to 3% of qualified governmental revenue; City also has policy setting an additional \$26M aside
- \$1.3 restricted by donor for various purposes (Horticulture, Udall Endowment, etc)
- \$1.7 is restricted to Economic Incentive Rebates
- \$0.7 is for debt contingency on DDA debt obligation to Woodward
- Traditionally fund balances are assigned for camera radar and photo red-light, public safety dispatch system, affordable housing and waste innovation
- \$12.7 is set aside for prior year purchase orders, reappropriation, and budgeted use of reserves

Keep Fort Collins Great Fund - Year End 2018 - \$9.8

	2017	2018	Appropriated, Min. Policy, or Scheduled	Available but with some Constraints	Available for Nearly Any Purpose
Restricted					
Street Maintenance	3.6	3.9	2.7	1.2	-
Other Transportation	1.9	0.4	0.4	-	-
Police Services	3.7	2.9	2.4	0.5	-
Fire & Emergency Services	0.2	0.1	-	0.1	-
Parks & Recreation	1.5	1.3	1.0	0.3	-
Other	1.8	1.2	0.9	0.3	-
Year End Total	\$ 12.7	\$ 9.8	\$ 7.4	\$ 2.4	\$ -

- \$2.4M is available for a future BFO cycle

Light & Power Fund (excl. Broadband) - Year End 2018 - \$30.8

	2017	2018	Appropriated, Min. Policy, or Scheduled	Available but with some Constraints	Available for Nearly Any Purpose
Minimum Policy - 25% Operations Assigned	\$ 8.4	\$ 8.3	\$ 8.3	\$ -	\$ -
Prior Year Purchase Orders	1.4	1.9	1.9	-	-
Approved Capital Projects	7.8	11.9	11.9	-	-
Budgeted Use of Reserves	10.4	0.3	0.3	-	-
Available for Capital and Operations	5.5	8.4	-	8.4	-
Year End Total	\$ 33.5	\$ 30.8	\$ 22.4	\$ 8.4	\$ -

- Continue to invest in capital assets, in part by using working capital
- Light & Power likely to issue debt in 2023

Water Fund - Year End 2018 - \$70.2

	2017	2018	Appropriated, Min. Policy, or Scheduled	Available but with some Constraints	Available for Nearly Any Purpose
Minimum Policy - 25% Operations Assigned	\$ 5.0	\$ 4.6	\$ 4.6	\$ -	\$ -
Prior Year Purchase Orders	0.4	0.3	0.3	-	-
Approved Capital Projects	33.5	34.8	34.8	-	-
Budgeted Use of Reserves	0.6	-	-	-	-
Available for Capital and Operations	22.1	30.5	-	30.5	-
Year End Total	\$ 61.6	\$ 70.2	\$ 39.7	\$ 30.5	\$ -

- Increase in part due to maturities of debt in 2018 and 2019

Wastewater Fund - Year End 2018 - \$42.8

	<u>2017</u>	<u>2018</u>	<u>Appropriated, Min. Policy, or Scheduled</u>	<u>Available but with some Constraints</u>	<u>Available for Nearly Any Purpose</u>
Minimum Policy - 25% Operations Assigned	\$ 3.5	\$ 3.6	\$ 3.6	\$ -	\$ -
Prior Year Purchase Orders	0.3	0.3	0.3	-	-
Approved Capital Projects	10.8	15.6	15.6	-	-
Budgeted Use of Reserves	6.8	1.1	1.1	-	-
Available for Capital and Operations	20.0	22.2	-	22.2	-
Year End Total	\$ 41.4	\$ 42.8	\$ 20.6	\$ 22.2	\$ -

- Utilities long-term financial plan and capital improvement plan to be reviewed with Finance Committee on 12/16

Storm Drainage Fund - Year End 2018 - \$19.5

	2017	2018	Appropriated, Min. Policy, or Scheduled	Available but with some Constraints	Available for Nearly Any Purpose
Minimum Policy - 25% Operations Assigned	\$ 1.7	\$ 1.9	\$ 1.9	\$ -	\$ -
Prior Year Purchase Orders	0.1	0.1	0.1	-	-
Approved Capital Projects	7.0	9.2	9.2	-	-
Budgeted Use of Reserves	1.1	-	-	-	-
Available for Capital and Operations	7.5	8.3	-	8.3	-
Year End Total	\$ 17.4	\$ 19.5	\$ 11.2	\$ 8.3	\$ -

- Utilities long-term financial plan and capital improvement plan to be reviewed with Finance Committee on 12/16

Utility Customer Service Fund - Year End 2018 - \$1.7

	<u>2017</u>	<u>2018</u>	<u>Appropriated, Min. Policy, or Scheduled</u>	<u>Available but with some Constraints</u>	<u>Available for Nearly Any Purpose</u>
Policy minimum	\$ -	\$ -	\$ -	\$ -	\$ -
Assigned					
Prior Year Purchase Orders	0.3	0.3	0.3	-	-
Budgeted Use of Reserves	-	0.5	0.5	-	-
Unrestricted	2.3	0.9	-	0.9	-
Year End Total	<u>\$ 2.6</u>	<u>\$ 1.7</u>	<u>\$ 0.8</u>	<u>\$ 0.9</u>	<u>\$ -</u>

Back-up slides

Capital Expansion Fund - Year End 2018 - \$19.5

	<u>2017</u>	<u>2018</u>	<u>Appropriated, Min. Policy, or Scheduled</u>	<u>Available but with some Constraints</u>	<u>Available for Nearly Any Purpose</u>
Committed					
General Government	11.0	12.0	0.9	11.1	-
Police	0.8	0.8	-	0.8	-
Fire	0.8	1.4	-	1.4	-
Community Parkland	5.2	5.3	0.6	4.7	-
Year End Total	\$ 17.8	\$ 19.5	\$ 1.5	\$ 18.0	\$ -

- Monies collected on building permits, revenue varies greatly with development activity
- Must be used for new and/or expanding facilities
- \$0.9 in loans to the URA (RMI2) in General Government
- Police monies used for debt on police headquarters
- \$4.7 is for remaining two planned Community Parks (East and Northeast)

Sales & Use Tax Fund - Year End 2018 - \$.8

	<u>2017</u>	<u>2018</u>	<u>Appropriated, Min. Policy, or Scheduled</u>	<u>Available but with some Constraints</u>	<u>Available for Nearly Any Purpose</u>
Restricted					
Natural Areas	0.7	0.8	0.8	-	-
Year End Total	\$ 0.7	\$ 0.8	\$ 0.8	\$ -	\$ -

- Sales Tax for Natural Areas deposited here according to ballot language
 - Residual balance of \$0.8 owed to Natural Areas. 2018 revenue exceeded appropriations needed to make transfers.
 - Will be addressed in annual year end adjustment ordinance in September 2019.

General Improvement District #1 Fund - Year End 2018 - \$0.7

	<u>2017</u>	<u>2018</u>	<u>Appropriated, Min. Policy, or Scheduled</u>	<u>Available but with some Constraints</u>	<u>Available for Nearly Any Purpose</u>
Committed					
Capital Improvements	0.8	0.7	0.1	0.6	-
Year End Total	\$ 0.8	\$ 0.7	\$ 0.1	\$ 0.6	\$ -

- Property tax based - 4.924 mill levy generates about \$300k annually

Community Capital Improvement Plan - Year End 2018 - \$12.7

	2017	2018	Appropriated, Min. Policy, or Scheduled	Available but with some Constraints	Available for Nearly Any Purpose
Restricted					
Available for ballot projects	0.2	2.7	-	2.7	-
City Park Train	0.4	0.2	0.2	-	-
Club Tico Renovation	0.0	0.0	0.0	-	-
Poudre River Proj (CCIP only)	4.2	4.0	4.0	-	-
Gardens Visitor Center Expansion	-	1.8	1.8	-	-
Nature in the City	0.2	0.3	0.3	-	-
Affordable Housing Fund	0.5	0.5	0.5	-	-
Arterial Intersection Imprvmnt	0.5	0.2	0.2	-	-
Bicycle Infrastructure Imprvmnt	0.2	0.2	0.2	-	-
Bike/Ped Grade Separated Cross	1.4	1.2	1.2	-	-
Bus Stop Improvements	0.0	0.1	0.1	-	-
Lincoln Avenue Bridge	0.4	0.3	0.3	-	-
Pedestrian Sidewalk - ADA	0.0	0.1	0.1	-	-
Transfort Bus Replacements	-	0.5	0.5	-	-
Willow Street Improvements	-	0.6	0.6	-	-
Year End Total	\$ 8.0	\$ 12.7	\$ 10.0	\$ 2.7	\$ -

- Project-by-project amounts represent unspent funds already appropriated

Neighborhood Parkland Fund - Year End 2018 - \$10.1

	<u>2017</u>	<u>2018</u>	<u>Appropriated, Min. Policy, or Scheduled</u>	<u>Available but with some Constraints</u>	<u>Available for Nearly Any Purpose</u>
Committed					
Neighborhood Parks	9.6	10.1	6.7	3.4	-
Year End Total	\$ 9.7	\$ 10.1	\$ 6.7	\$ 3.4	\$ -

- \$3.4 is for future neighborhood parks

Conservation Trust Fund - Year End 2018 - \$2.3

	<u>2017</u>	<u>2018</u>	<u>Appropriated, Min. Policy, or Scheduled</u>	<u>Available but with some Constraints</u>	<u>Available for Nearly Any Purpose</u>
Restricted					
Parks, Rec & Open Space Capital Imp	3.0	2.3	1.1	1.2	-
Year End Total	\$ 3.0	\$ 2.3	\$ 1.1	\$ 1.2	\$ -

- City has primarily used these monies for trails

Natural Areas Fund - Year End 2018 - \$18.6

	<u>2017</u>	<u>2018</u>	<u>Appropriated, Min. Policy, or Scheduled</u>	<u>Available but with some Constraints</u>	<u>Available for Nearly Any Purpose</u>
Restricted					
Natural Areas	14.7	16.7	10.5	6.2	-
Assigned					
Prior Year Purchase Orders	0.2	0.8	0.8	-	-
Capital Projects	1.9	1.1	1.1	-	-
Year End Total	<u>\$ 16.8</u>	<u>\$ 18.6</u>	<u>\$ 12.4</u>	<u>\$ 6.2</u>	<u>\$ -</u>

- Annual Revenue about \$14.5 M.
- Major funding sources:
 - About 60% comes from City quarter cent sales tax, expires at end of 2030
 - About 34% comes from County Open Space tax, expires at end of 2043
 - Revenue sharing to municipalities dropped from 58% to 50% beginning in 2019

Cultural Services & Facilities Fund - Year End 2018 - \$2.2

	<u>2017</u>	<u>2018</u>	<u>Appropriated, Min. Policy, or Scheduled</u>	<u>Available but with some Constraints</u>	<u>Available for Nearly Any Purpose</u>
Restricted					
Opera Donation	0.1	0.1	-	0.1	-
Committed					
Art in Public Places	0.5	0.6	0.3	0.3	-
Assigned					
Prior Year Purchase Orders	-	0.3	0.3	-	-
Cultural Services Surplus	2.0	1.2	0.7	-	0.5
Year End Total	<u>\$ 2.6</u>	<u>\$ 2.2</u>	<u>\$ 1.3</u>	<u>\$ 0.4</u>	<u>\$ 0.5</u>

- Annual funding sources of \$3.7 M
- Major funding sources:
 - About 70% comes from fees and charges
 - About 30% comes from general fund contribution

Recreation Fund - Year End 2018 - \$2.5

	<u>2017</u>	<u>2018</u>	<u>Appropriated, Min. Policy, or Scheduled</u>	<u>Available but with some Constraints</u>	<u>Available for Nearly Any Purpose</u>
Assigned					
Prior Year Purchase Orders	-	0.1	0.1	-	-
Recreation Programs	-	0.3	-	0.3	-
Recreation Surplus	2.3	2.1	1.0	1.1	-
Year End Total	\$ 2.3	\$ 2.5	\$ 1.1	\$ 1.4	\$ -

- Annual funding sources of \$7.2 M
- Major funding sources:
 - About 90% comes from fees and charges
 - About 10% comes from general fund contribution
- Note that Recreation programs are also supported by KFCG tax, but in the KFCG Fund
 - Half of the parks and recreation allocation in 2018 was about \$1.4 M

Cemeteries Fund - Year End 2018 - \$0.8

	<u>2017</u>	<u>2018</u>	<u>Appropriated, Min. Policy, or Scheduled</u>	<u>Available but with some Constraints</u>	<u>Available for Nearly Any Purpose</u>
Assigned					
Cemeteries Surplus	<u>0.7</u>	<u>0.8</u>	<u>0.5</u>	<u>0.3</u>	<u>-</u>
Year End Total	<u>\$ 0.7</u>	<u>\$ 0.8</u>	<u>\$ 0.5</u>	<u>\$ 0.3</u>	<u>\$ -</u>

Perpetual Care Fund - Year End 2018 - \$2.0

	<u>2017</u>	<u>2018</u>	<u>Appropriated, Min. Policy, or Scheduled</u>	<u>Available but with some Constraints</u>	<u>Available for Nearly Any Purpose</u>
Restricted					
Perpetual Care	1.9	2.0	-	2.0	-
Year End Total	\$ 1.9	\$ 2.0	\$ -	\$ 2.0	\$ -

- To be used to maintain the cemeteries once on-going operations cease

Museum Fund - Year End 2018 - \$0.7

	<u>2017</u>	<u>2018</u>	<u>Appropriated, Min. Policy, or Scheduled</u>	<u>Available but with some Constraints</u>	<u>Available for Nearly Any Purpose</u>
Assigned					
Cultural Services Surplus	0.9	0.7	0.2	0.5	-
Year End Total	\$ 0.9	\$ 0.7	\$ 0.2	\$ 0.5	\$ -

- Annual funding sources of \$900K
 - 100% is general fund contributions.
 - Fees at the museum belong to the non-profit partner, as outlined in IGA.

Transit Fund - Year End 2018 - \$3.4

	<u>2017</u>	<u>2018</u>	<u>Appropriated, Min. Policy, or Scheduled</u>	<u>Available but with some Constraints</u>	<u>Available for Nearly Any Purpose</u>
Assigned					
Transit Surplus(Deficit)	4.2	3.4	3.4	-	-
Year End Total	\$ 4.2	\$ 3.4	\$ 3.4	\$ -	\$ -

Transportation CEF Fund - Year End 2018 - \$24.9

	<u>2017</u>	<u>2018</u>	<u>Appropriated, Min. Policy, or Scheduled</u>	<u>Available but with some Constraints</u>	<u>Available for Nearly Any Purpose</u>
Restricted					
Street Oversizing Surplus	18.5	15.6	-	15.6	-
Assigned					
Capital Projects	3.9	3.6	3.6	-	-
Prior Year Purchase Orders	0.1	-	-	-	-
Budgeted use of reserves	2.6	5.7	5.7	-	-
Year End Total	\$ 25.1	\$ 24.9	\$ 9.3	\$ 15.6	\$ -

Transportation Fund - Year End 2018 - \$14.6

	2017	2018	Appropriated, Min. Policy, or Scheduled	Available but with some Constraints	Available for Nearly Any Purpose
Assigned					
Prior Year Purchase Orders	0.3	0.5	0.5	-	-
Capital Projects	1.4	1.6	1.6	-	-
DT Parking	-	-	-	-	-
Harmony Road	5.7	5.7	0.5	-	5.2
Transportation Surplus	8.0	6.8	4.9	-	1.9
Year End Total	\$ 15.4	\$ 14.6	\$ 7.5	\$ -	\$ 7.1

- \$5.2M may be reassigned but is intended to be used for Harmony Road improvements.
 - Residual of the \$13.5 million from State when ownership transferred to City
- \$1.9M can be made available in future BFO cycles

Parking Fund - Year End 2018 - \$1.5

	2017	2018	Appropriated, Min. Policy, or Scheduled	Available but with some Constraints	Available for Nearly Any Purpose
Restricted					
CC Parking Garage IGA	0.8	1.0	-	1.0	-
Assigned					
Prior Year Purchase Orders	-	0.1	0.1	-	-
Capital Projects	-	-	-	-	-
DT Parking	1.0	0.4	0.4	-	-
Year End Total	\$ 1.8	\$ 1.5	\$ 0.5	\$ 1.0	\$ -

- No surplus available for future budget offers
- \$1.0 M available for Civic Center Parking Structure as outlined in IGA with Larimer County – is this IGA in effect still?

Capital Project Fund - Year End 2018 - \$12.0

	2017	2018	Appropriated, Min. Policy, or Scheduled	Available but with some Constraints	Available for Nearly Any Purpose
Restricted					
Building on Basics (BOB)	6.8	5.2	2.5	2.7	-
Misc. projects	2.5	1.3	1.3	-	-
Donations and Grants	2.4	0.5	0.5	-	-
Committed					
General Fund Supported Projects	5.9	5.0	5.0	-	-
Year End Total	\$ 17.6	\$ 12.0	\$ 9.3	\$ 2.7	\$ -

- Building on Basics (BOB) is expected to have \$2.7M available for capital projects, after all projects on the original ballot are completed

Golf Fund - Year End 2018 - \$0.7

	<u>2017</u>	<u>2018</u>	<u>Appropriated, Min. Policy, or Scheduled</u>	<u>Available but with some Constraints</u>	<u>Available for Nearly Any Purpose</u>
Minimum Policy - 12.5% Operations Assigned	\$ 0.3	\$ 0.3	\$ 0.3	\$ -	\$ -
Available for Capital and Operations	0.1	0.4	-	0.4	-
Year End Total	<u>\$ 0.4</u>	<u>\$ 0.7</u>	<u>\$ 0.3</u>	<u>\$ 0.4</u>	<u>\$ -</u>

- City Council lowered the Policy Minimum to 12.5% from 25% in 2017

Equipment Fund - Year End 2018 - \$3.6

	2017	2018	Appropriated, Min. Policy, or Scheduled	Available but with some Constraints	Available for Nearly Any Purpose
Minimum Policy - 8.3% Operations Assigned	\$ 0.8	\$ 0.8	\$ 0.8	\$ -	\$ -
Prior Year Purchase Orders	0.1	0.1	0.1	-	-
Reappropriation	-	0.9	0.9	-	-
Equipment surplus	1.1	1.8	-	1.8	-
Year End Total	\$ 2.0	\$ 3.6	\$ 1.8	\$ 1.8	\$ -

- Equipment Replacement – \$800K is for replacement of vehicles and equipment for Police, Forestry, Parks, Building Inspection, and Code Compliance

Self Insurance Fund - Year End 2018 - \$2.7

	<u>2017</u>	<u>2018</u>	<u>Appropriated, Min. Policy, or Scheduled</u>	<u>Available but with some Constraints</u>	<u>Available for Nearly Any Purpose</u>
Minimum Policy - 25% Operations Committed	\$ 1.2	\$ 1.1	\$ 1.1	\$ -	\$ -
Self Insurance surplus	0.4	1.5	0.3	1.2	-
Assigned					
Prior Year Purchase Orders	-	0.1	0.1	-	-
Year End Total	<u>\$ 1.6</u>	<u>\$ 2.7</u>	<u>\$ 1.5</u>	<u>\$ 1.2</u>	<u>\$ -</u>

- Loss fund reserves have declined significantly over the last 8 years and have begun to rebound

Data and Communications Fund - Year End 2018 - \$3.4

	<u>2017</u>	<u>2018</u>	<u>Appropriated, Min. Policy, or Scheduled</u>	<u>Available but with some Constraints</u>	<u>Available for Nearly Any Purpose</u>
Assigned					
Prior Year Purchase Orders	0.3	0.4	0.4	-	-
Reappropriation	-	0.1	0.1	-	-
Budgeted Use of Reserves	-	1.3	1.3	-	-
Data & Communication Surplus	3.4	1.6	-	-	1.6
Year End Total	\$ 3.7	\$ 3.4	\$ 1.8	\$ -	\$ 1.6

Benefits Fund - Year End 2018 - \$11.7

	<u>2017</u>	<u>2018</u>	<u>Appropriated, Min. Policy, or Scheduled</u>	<u>Available but with some Constraints</u>	<u>Available for Nearly Any Purpose</u>
Policy minimum - 30% Operations Assigned	\$ 5.9	\$ 6.8	\$ 6.8	\$ -	\$ -
Budgeted Use of Reserves	-	0.6	0.6	-	-
Benefit Surplus	3.4	4.3	-	4.3	-
Year End Total	\$ 9.3	\$ 11.7	\$ 7.4	\$ 4.3	\$ -

- After several years below policy minimums, the fund balance is now in compliance and has established a surplus

COUNCIL FINANCE COMMITTEE AGENDA ITEM SUMMARY

Staff: Mike Beckstead, Chief Financial Officer
Lawrence Pollack, Budget Director

SUBJECT FOR DISCUSSION

2020 Budget Revision Recommendations

EXECUTIVE SUMMARY

The purpose of this agenda item is to familiarize and seek feedback from the Council Finance Committee on the City Manager's recommended revisions to the 2020 Budget before the recommendations are reviewed and discussed at the Council Work Sessions scheduled for September 10th and 24th. Based on direction from Council, the 2020 Budget Revisions will be combined with the previously adopted 2019-20 Biennial Budget. The 2020 Annual Budget Appropriation Ordinance is scheduled for 1st Reading on October 15 & 2nd Reading on November 5.

GENERAL DIRECTION SOUGHT AND SPECIFIC QUESTIONS TO BE ANSWERED

- What questions or feedback does the Council Finance Committee have on the City Manager's recommended revisions to the 2020 Budget?
- Does the Council Finance Committee support moving forward with bringing the 2020 Budget Revisions to the full City Council for the September 10th work session?

BACKGROUND/DISCUSSION

OVERVIEW:

The mid-cycle Revision Process is different from the biennial Budgeting for Outcomes (BFO) process in that:

- 1) There is no broad request for new and innovative Offers. This is because we are operating within the approved 2019-20 Biennial Budget and these revisions should be exceptions based on information not known at the time the budget was adopted in 2018
- 2) Likewise, there is no review by BFO Teams or request for public engagement. However, the Executive Leadership Team and City Manager conducted a comprehensive review to determine which requests should be forwarded on for Council's consideration. Revised revenue projections and available fund reserves were carefully considered when making these recommendations.

The 2020 Budget Revisions include both 1) reductions to 2020 ongoing expenses to align them with a decreased 2020 Sales Tax forecast and 2) additional Offers for Council's consideration based on information that wasn't available at the time the 2019-20 Budget was adopted. The following are key objectives which the 2020 Budget Revision recommendations are intended to address:

- Matching appropriations for ongoing expenditures to current ongoing revenue estimates
- Council priorities
- Fiduciary responsibilities & fund balance requirements
- High-priority projects and other needs not known at the time of the adoption of the 2019-20 Budget

The recommended 2020 Budget Revisions meet these goals. Recommended revisions to the 2020 Budget must also meet one of the following criteria:

- The request is specifically directed by the City Manager or City Council
- The request is related to a previously approved Offer where either revenue shortfalls or unforeseen expenses are significantly impacting the delivery of that program or service

On a related note, at the July 23, 2019 City Council work session on the Climate Action Plan update, some Councilmembers expressed interest in considering 2020 Midcycle Revision Offers to support progress on the CAP goals. At the work session, staff noted they are continuing to work on the 2018 community greenhouse gas inventory and forecast to 2020, in light of improved new vehicle composition data staff received in July. By the end of August, staff will be able to provide City Council with an update on the 2018 community carbon inventory and a forecast for the 2020 goal.

The 2020 Mid-cycle Revision Offers developed by staff and brought forward by the Budget Lead Team do not address specific CAP requests, in light of the limited scope of the midcycle revision process and cautious approach regarding future revenue projections. However, once the future greenhouse gas projections are clear, Council may request supplemental appropriations at any time during the rest of 2019 and throughout 2020 necessary to help achieve the City's 2020 Climate Action Plan goals.

REVENUE: Overall, most significant City revenues are coming in at, or above, the 2019 budget except for Sales Tax. Although total revenue for 2019 is on track to support 2019 expenses, the 2019 Sales Tax base, upon which 2020 growth is calculated, is now expected to be lower than budget. Based on 2019 YTD sales tax growth of 1.8% and continued talk of a possible recession, the growth of 2020 Sales Tax is now conservatively being estimated at 1.5%, compared to 3.0% in the 2020 Budget.

Thus, it is necessary for the City to reduce ongoing expenses in 2020 to align with the reduced forecast for 2020 Sales Tax revenue. The decreased forecast for Sales Tax revenue primarily impacts the General Fund and Keep Fort Collins Great (KFCG) Fund; but also impacts the funds associated with the three dedicated quarter-cent sales tax initiatives (Street maintenance, Natural Areas and CCIP). The total reduction of anticipated revenue from Sales Tax in 2020 is about \$1.8M, with the General Fund portion being just under \$1.1M.

ONGOING EXPENSE REDUCTIONS:

There are a few different opportunities to align ongoing expenses to the reduced revenue projections. First, there was interest rate favorability associated with the debt offering for the Police Regional Training Facility and the I-25/Prospect Interchange projects in the amount of

\$350k in the General Fund. Second, there is ongoing fuel and maintenance savings within Transfort which will reduce the contribution from the General Fund. Third, significant underspend and rising reserve balances in the Benefits Fund allows for the ongoing expense reduction to departments based on reduced contributions to the Benefits Fund. This third opportunity equates to just over \$1.2M savings in the General Fund.

Additionally, some funds had residual, unused ongoing revenue in 2020 that can be applied to offset expenses. Lastly, 2018 fund balances are available in some funds to offset one-time expenses. These changes to revenue and available reserves are summarized in the table below. The Subtotal of Funding Changes line indicates that all Sales Tax shortfalls are covered and indicates the amount of funding available by fund for the 2020 Revision Requests.

Summary of 2020 Revenue Changes and Available Reserves (values in \$k)

Description	General Fund - Ongoing	General Fund - 1-Time	Capital Expansion	KFCG	CCIP	Natural Areas	Transportation	Stormwater	Self Insurance	Broadband	TOTAL
Summary of Revenue Changes & Reserves											
- Reduced 2020 Sales Tax (ongoing)	(\$1,052)			(\$397)	(\$117)	(\$117)	(\$117)				(\$1,800)
- Debt service favorability (ongoing)	350										350
- Fuel Savings (ongoing)	206										206
- Benefits Fund (ongoing)	1,244										1,244
- Unused 2020 Ongoing Revenue						398	15		165	197	775
- Available Reserves (1-Time, if requested)		2,700	11,100	2,400	2,700		1,900	8,300			29,100
- Less: 2019 Reappropriation (1-Time)		(340)		(28)			(584)				(952)
- Less: 2019 Supplemental Approps (1-Time)		(62)					(20)				(82)
Subtotal of Funding Changes	748	2,298	11,100	1,975	2,583	281	1,194	8,300	165	197	28,841

The reserves and revenue above are available to fund the recommended additions to the 2020 Budget. The table below summarizes those proposed additions and Attachment #1 contains the details of those recommended Offers.

Summary of 2020 Recommended Additions:

2020 Budget Revision Requests - BY FUNDING SOURCE

Fund	Revision Requested	FTE	Ongoing \$	One-Time \$	Total
General Fund	Developing Equity Gaps Analysis, Indicators, and Principles	-	-	120,000	120,000
	East Mulberry Corridor Plan Update and Annexation Assessment	-	-	175,000	175,000
	Park Improvement Project Support	-	-	50,000	50,000
	Train Horn Noise - Federal Lobbying	-	-	42,000	42,000
	Continued Voluntary Compliance Support for Outdoor Residential Wood Burning - 0.25 FTE	0.25	18,638	-	18,638
	Chief Privacy Officer with Records Management Responsibility (start date of 1 Mar 2020)	1.00	93,750	17,962	111,712
	Ongoing Agreements from 2018 Collective Bargaining		585,000	-	585,000
	Sales Tax Technician - 1 FTE	1.00	50,585	-	50,585
Total General Fund		2.25	747,973	404,962	1,152,935
Capital Expansion	New Block 32 Parking Structure Design	-	-	1,500,000	1,500,000
Fund	Block 32 & 42 Plan Refresh	-	-	300,000	300,000
(General Government)	Total Capital Expansion Fund	-	\$0	\$1,800,000	\$1,800,000
Self Insurance Fund	Security Specialist - 1.0 FTE (est. start date of 1 March 2020)	1.00	113,400	-	113,400
	Total Self Insurance Fund	1.00	\$113,400	\$0	\$113,400
Stormwater Fund	Northeast College Corridor Outfall A4 (Lemay) Stormwater Lateral Design and Construction	-	-	959,500	959,500
	Total Stormwater Fund	-	\$0	\$959,500	\$959,500
Broadband Fund	Income Qualified Connexion Credits		195,000	-	195,000
	Total Broadband Fund	-	\$195,000	\$0	\$195,000
TOTAL ALL FUNDS		3.25	1,056,373	3,164,462	4,220,835

After netting out the proposed additions fund balances are still strong and well above minimum fund balance requirements.

Summary of Available Reserves and Revenue after Recommended Additions (Values in \$k)

Description	General Fund - Ongoing	General Fund - 1-Time	Capital Expansion	KFCG	CCIP	Natural Areas	Transportation	Stormwater	Self Insurance	Broadband	TOTAL
Available Revenue and Reserves	748	2,298	11,100	1,975	2,583	281	1,194	8,300	165	197	28,841
2020 Budget Revision Requests											
Ongoing Requests	(748)								(113)	(195)	(1,056)
One-Time Requests		(405)	(1,800)					(960)			(3,165)
Total of 2020 Revisions	(748)	(405)	(1,800)	0	0	0	0	(960)	(113)	(195)	(4,221)
Net Impact (positive = available)	\$0	\$1,893	\$9,300	\$1,975	\$2,583	\$281	\$1,194	\$7,340	\$52	\$2	

The 2020 Budget Revisions allow the City to align ongoing expenses with reduced revenue forecasts from Sales Tax. Conversely, the City is also able to fund a small number of additions to the 2020 Budget, which address Council priorities and other capital projects and design work that benefit our community.



Council Finance Committee

2020 Budget Revisions

-Addition Offers

August 19, 2019



2020 Budget Revision Requests - BY FUNDING SOURCE

Fund	Page # of PDF	Outcome	Service Area	Revision Requested	FTE	Ongoing \$	One-Time \$	Ongoing & One-Time	
General Fund	1	NLSH	Sustainability Services	Developing Equity Gaps Analysis, Indicators, and Principles	-	-	120,000	120,000	
	2	NLSH	Planning, Dev & Trans	East Mulberry Corridor Plan Update and Annexation Assessment	-	-	175,000	175,000	
	3	C&R	Community Services	Park Improvement Project Support	-	-	50,000	50,000	
	4	ECON	Executive Services	Train Horn Noise - Federal Lobbying	-	-	42,000	42,000	
	5	ENV	Sustainability Services	Continued Voluntary Compliance Support for Outdoor Residential Wood Burning - 0.25 FTE	0.25	18,638	-	18,638	
	7	SAFE	Info and Emp Services	Chief Privacy Officer with Records Management Responsibility (start date of 1 Mar 2020)	1.00	93,750	17,962	111,712	
	11	SAFE	Police Services	Ongoing Agreements from 2018 Collective Bargaining		585,000	-	585,000	
	12	HPG	Financial Services	Sales Tax Technician - 1 FTE	1.00	50,585	-	50,585	
	Total General Fund				2.25	747,973	404,962	1,152,935	
	Capital Expansion Fund (General Government)	18	TRAN	Info and Emp Services	New Block 32 Parking Structure Design	-	-	1,500,000	1,500,000
		19	HPG	Info and Emp Services	Block 32 & 42 Plan Refresh	-	-	300,000	300,000
		Total Capital Expansion Fund				-	\$0	\$1,800,000	\$1,800,000
Self Insurance Fund	20	SAFE	Financial Services	Security Specialist - 1.0 FTE (est. start date of 1 March 2020)	1.00	113,400	-	113,400	
	Total Self Insurance Fund				1.00	\$113,400	\$0	\$113,400	
Stormwater Fund	22	SAFE	Utility Services	Northeast College Corridor Outfall A4 (Lemay) Stormwater Lateral Design and Construction	-	-	959,500	959,500	
	Total Stormwater Fund				-	\$0	\$959,500	\$959,500	
Broadband Fund	23	ECON	Utility Services	Income Qualified Connexion Credits		195,000	-	195,000	
	Total Broadband Fund				-	\$195,000	\$0	\$195,000	
TOTAL ALL FUNDS					3.25	1,056,373	3,164,462	4,220,835	

City of Fort Collins

2020 Revision - Offer Request/Reduction Form



Offer Name:	Developing Equity Gaps Analysis, Indicators, and Principles		
Outcome:	Neighborhood Livability & Social Health	Contact:	Janet Freeman
Svc Area:	Sustainability Services	Related Offer #:	
Department:	Social Sustainability	Capital?	No
Choose Primary Strategic Objective:	NLSH 1.4 - Co-create a more inclusive and equitable community that promotes unity and honors diversity		
How does Offer Support Primary Strategic Objective:	Identifies internal and external inequities to inform areas of focus for the City of Fort Collins' equity and inclusion work and develops in partnership with community a shared set of guiding principles.		
Performance Measure(s):	NLSH 61. % of residents responding very good/good - Fort Collins as a place of community NLSH 56. % of residents responding very good/good - Fort Collins as a place to live		

Offer Description:

This offer supports the City of Fort Collins' efforts to co-create a more equitable, diverse, welcoming and inclusive community by conducting a comprehensive gaps analysis and developing a data dashboard to inform and prioritize our ongoing work.

Data from City Plan's Trends and Forces Report, our annual Community Survey, Poudre School District and other sources indicate there are disparities in outcomes and experiences among residents. More data collection with external expertise is needed to fully understand disparities in our community that can impact an individual or family's ability to thrive. Indicators are social and economic inclusion; mental and physical health; affordability; participation in City services, access to City infrastructure and more.

The City of Fort Collins is a member of the Government Alliance on Race and Equity (GARE), which provides technical assistance and peer learning for cities. GARE's best practice roadmap for cities recommends that in order to move the needle, cities must normalize, organize and operationalize. A key first step is a comprehensive analysis of our community's existing inequities and then ongoing monitoring for data-informed, effective and responsive strategies developed and implemented with those who are impacted most. The City is aligning its equity efforts to the promising practices of other jurisdictions working to advance equitable communities and could build on the analysis conducted in places such as Grand Rapids, MI; St. Louis, MO; Pittsburgh, PA; Albuquerque, NM; Oakland CA; and Dallas, TX. We will also leverage the regional coalition with Denver and Boulder.

Additionally, this offer supports community engagement to develop 'principles of community,' modeled after Colorado State University, and a shared definition of equity and inclusion for Fort Collins.

		Ongoing	One-Time	Total
Expense Fund(s):	1) 100 - General Fund		\$120,000	\$120,000
	2)			\$0
		\$0	\$120,000	\$120,000
		Ongoing	One-Time	Total
Funding Source(s):	1) 100-General Fund: One-time Revenue		\$120,000	\$120,000
	2)			\$0
		\$0	\$120,000	\$120,000

City of Fort Collins

2020 Revision - Offer Request/Reduction Form



Offer Name:	East Mulberry Corridor Plan Update and Annexation Assessment		
Outcome:	Neighborhood Livability & Social Health	Contact:	Cameron Gloss
Svc Area:	Planning, Dev & Transportation	Related Offer #:	
Department:	Comm Dev & Neighborhood Svcs	Capital?	No
Choose Primary Strategic Objective:	NLSH 1.7 - Guide development through community planning, historic preservation, and efficient and effective development review		
How does Offer Support Primary Strategic Objective:	The East Mulberry Corridor represents the City's biggest individual annexation opportunity, and an area that can provide future land uses addressing the City's affordable housing, employment and economic growth needs.		
Performance Measure(s):	ECON 4. Net Percent Change in Local Jobs SAFE 89. Part 1 Crimes in Fort Collins (per 1,000 population)		

Offer Description:

The Corridor Plan will update the vision for the East Mulberry Area, establishing the framework for development and service provision over the next 20-plus years. The annexation assessment component will address the short-term and long-term costs and revenues, including taxes and fees, and one-time and on-going expenditures for municipal services and maintenance. An annexation phasing plan will be developed that provides a fiscally responsible and logical transfer of service responsibility from the County to the City, includes utilities services, and that also considers the impacts to area property owners. The offer includes external financial analysis consulting services (\$100k), transportation technical analysis consulting services (\$25k), corridor electronic plan (\$25k), public meeting support (\$15k), plan printing (\$2k), and project contingency (\$8k).

		Ongoing	One-Time	Total
Expense Fund(s):	1) 100 - General Fund		\$175,000	\$175,000
	2)			\$0
		\$0	\$175,000	\$175,000
		Ongoing	One-Time	Total
Funding Source(s):	1) 100-General Fund: One-time Revenue		\$175,000	\$175,000
	2)			\$0
		\$0	\$175,000	\$175,000

City of Fort Collins

2020 Revision - Offer Request/Reduction Form



Offer Name:	Park Improvement Project Support		
Outcome:	Culture & Recreation	Contact:	Dawna Gorkowski
Svc Area:	Community Services	Related Offer #:	N/A
Department:	Park Planning & Development	Capital?	No
Choose Primary Strategic Objective:	C&R 2.2 - Plan, design, implement and maintain the City's parks and trails systems		
How does Offer Support Primary Strategic Objective:	This offer directly relates to planning and design of new facilities in parks.		
Performance Measure(s):	Potential new measure - Donations leveraged		

Offer Description:

This offer will provide financial support for Park Planning staff to work on feasibility, design and community outreach for new features in existing parks requested by the general public and private donors. Currently, Park Planning staff is funded through community and neighborhood park impact fees. The fees are used to build new parks and cannot legally be used for improvement to existing parks. The general public and private donors are requesting new features to existing parks. These requests need to be analyzed & vetted, and initial designs may be requested by private donors before fundraising begins. Park Planning staff needs a funding source to charge staff time and other ancillary costs associated with these requests. Current examples of these requests include an upgrade to Spring Canyon Community Park veteran's plaza, 911 Memorial at Spring Park, park improvements to Eastside Park, and a cyclocross practice course at Rossborough Park. This offer is requesting \$50,000 one-time General Fund support for similar projects that may arise in 2020.

		Ongoing	One-Time	Total
Expense Fund(s):	1) 100 - General Fund		\$50,000	\$50,000
	2)			\$0
		\$0	\$50,000	\$50,000
		Ongoing	One-Time	Total
Funding Source(s):	1) 100-General Fund: Reserves		\$50,000	\$50,000
	2)			\$0
		\$0	\$50,000	\$50,000

City of Fort Collins

2020 Revision - Offer Request/Reduction Form



Offer Name:	Train Horn Noise - Federal Lobbying		
Outcome:	Economic Health	Contact:	Tyler Marr
Svc Area:	Executive Services	Related Offer #:	N/A
Department:	City Manager's Office	Capital?	No
Choose Primary Strategic Objective:	ECON 3.8 - Secure a quiet zone along the Mason Corridor to reduce train noise.		
How does Offer Support Primary Strategic Objective:	The City's work with a federal lobbyist on train horn noise is directly associated with achieving the goal of the strategic objective.		
Performance Measure(s):			

Offer Description:

This offer proposes to fund what will be the remaining 6 months of the federal lobbying contract with Squire Patton Boggs, who the City began working with on train horn noise in July, 2019.

The City has been pursuing a reduction in train horn noise through the downtown core for many years, most notably in the form of a quiet zone, which would allow train operators to refrain from blasting horns at every crossing. These efforts have been met with resistance, challenges, and roadblocks from the Federal Railroad Administration (FRA), who has to date proven unwilling to work collaboratively, or evaluate federal law beyond a very strict and narrow interpretation. The City has been denied a waiver to the requirement for gates along the Mason corridor despite evidence of meeting safety criteria and has been unable to get firm next steps from FRA on what might be alternative solutions that they would consider.

City Council and staff have worked with the federal government through multiple angles, including seeking support of appointed officials from both the Obama and Trump administrations. These efforts have resulted in additional conversations with the FRA but have not produced meaningful results. Recent visits to Washington, D.C. included conversations with our Congressional delegation and members of the Trump administration indicating that a legislative approach could be the most expedient way to see relief. Continuing to use professional lobbyists to assist in this effort increases our chances of getting legislation passed.

When we initially reached out to Squire Patton Boggs (SPB), they believed it could take up to a year to see progress. Funds appropriated in 2019 were for the first seven months of that engagement. This request is for six additional months, because work did not begin with SPB until July. If work needed to continue past June of 2020, an additional appropriation would be brought forward at that time.

		Ongoing	One-Time	Total
Expense Fund(s):	1) 100 - General Fund		\$42,000	\$42,000
	2)			\$0
		\$0	\$42,000	\$42,000
		Ongoing	One-Time	Total
Funding Source(s):	1) 100-General Fund: One-time Revenue		\$42,000	\$42,000
	2)			\$0
		\$0	\$42,000	\$42,000

City of Fort Collins

2020 Revision - Offer Request/Reduction Form



Offer Name:	Continued Voluntary Compliance Support for Outdoor Residential Wood Burning - 0.25 FTE		
Outcome:	Environmental Health	Contact:	Cassie Archuleta
Svc Area:	Sustainability Services	Related Offer #:	N/A
Department:	Environmental Services	Capital?	No
Choose Primary Strategic Objective:	ENV 4.2 - Improve indoor and outdoor air quality		
How does Offer Support Primary Strategic Objective:	This offer supports ENV 4.2 by promoting voluntary compliance with air quality nuisance code related to smoke from outdoor wood fires in residential areas.		
Performance Measure(s):	ENV 146. Outdoor Air Quality Index (AQI)		

Offer Description:

Funding this offer continues the allocation for an additional 0.25 FTE in Environmental Services that was appropriated in 2019 to convert an existing 0.75 FTE to a full 1.0 FTE to support education, outreach and compliance related to new air pollution nuisance code. The issue of outdoor fire pits was originally identified as a Council Priority in 2017, and these efforts are aligned with the 2019 Council priority related to impacts of fine particle pollution.

Modifications to Air Pollution Nuisance Code (Section 20-1) were adopted unanimously by Council on March 19, 2019 to help mitigate nuisance and health impacts from outdoor wood burning fires in neighborhoods (Ordinance No. 042, 2019). Changes included decriminalization of the code, a 10pm curfew, and a property line setback for outdoor wood burning devices. Additionally, Council unanimously supported resources (0.25 FTE) to increase staffing support for compliance with the new code (Ordinance No. 043, 2019). These new resources only extended through 2019, and ongoing ability to enforce the air pollution nuisance code modifications will, in part, depend on continuation of these resources.

Since adoption of this new code in 2019, with the addition of the 0.25 FTE in resources, staff has begun providing education and outreach, tracking and responding to complaints, and otherwise mobilizing efforts to substantiate potential air quality nuisance violations. This is in line with increasing roles and responsibilities for Environmental Services staff to support environmental compliance aspects of air quality such as administering and responding to fugitive dust complaints, administering a Memorandum of Understanding with an asphalt plant, and an oil and gas Operator's Agreement.

Efforts to date have focused on promoting voluntary compliance, in line with Council feedback to increase education & outreach, avoiding use of emergency resources when possible. In 2019, work related to new code adoption has included:

- Updated Fire Safety, Regulations and Nuisance printed materials, developed in collaboration with Poudre Fire Authority (PFA).
- Development of an Air Quality Index (AQI) awareness campaign, which includes health impact awareness, information about Air Quality Alert days, and recommendations for pollution prevention actions such as avoiding wood burning fires.
- Development of tools and facilitation of events to assist with neighborhood conversations about wood burning and impacts, including promotion of existing, free, neighborhood mediation resources (www.fcgov.com/neighborhoodservices/mediation).
- Increased awareness of, and access to, resources to file complaints (see <https://www.fcgov.com/airquality/outdoorburning>).
- Development of a robust air quality complaint intake system, to assist in gathering evidence regarding complaints.
- Collaboration and coordination with PFA regarding complaint response (e.g., PFA non-emergency response for active fires or potential violations of Fire Code, and Environmental Compliance response for other nuisance concerns).
- Development of an internal implementation and enforcement plan.

City of Fort Collins
2020 Revision - Offer Request/Reduction Form



Offer Name:

Continued Voluntary Compliance Support for Outdoor Residential Wood Burning - 0.25 FTE
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		Ongoing	One-Time	Total
Expense Fund(s):	1) 100 - General Fund	\$18,638		\$18,638
	2)			\$0
		\$18,638	\$0	\$18,638

FTE (if part of the offer, identify the position and salary):

#	Title	Salary
0.25	Specialist, Evn Sustainability	\$18,638

		Ongoing	One-Time	Total
Funding Source(s):	1) 100-General Fund: Ongoing	\$18,638		\$18,638
	2)			\$0
		\$18,638	\$0	\$18,638

City of Fort Collins

2020 Revision - Offer Request/Reduction Form



Offer Name:	Chief Privacy Officer with Records Management Responsibilities		
Outcome:	Safe Community	Contact:	Delynn Coldiron
Svc Area:	Executive Services	Related Offer #:	N/A
Department:	City Clerk's Office	Capital?	No
Choose Primary Strategic Objective:	SAFE 5.6 - Optimize the use of data and technology to improve service, protect mission-critical infrastructure and enhance cybersecurity effectiveness		
How does Offer Support Primary Strategic Objective:	Cybersecurity and privacy are complementary. Both use technology, process, and people to protect the City assets. In the case of privacy, the goal is specifically the protection of sensitive data. The Privacy and Records Manager position would be responsible for the protection of citizen, employee, and partner Personally Identifiable Information and other sensitive information throughout the City. This role is necessary for the City's ability to comply with CO HB18-1128 "Concerning strengthening protections for consumer data privacy" that went into effect September 1, 2018.		
Performance Measure(s):	To be determined. Possibilities include whether or not we comply with CO privacy law and other regulations, open data request turnaround time, customer satisfaction.		

Offer Description:

Please reference the attachment following the standard revision offer form.

Expense Fund(s):		Ongoing	One-Time	Total
1)	100 - General Fund		\$17,962	\$17,962
2)				\$0
		\$0	\$17,962	\$17,962

FTE (if part of the offer, identify the position and salary):

#	Title	Salary
1.00	Chief Privacy Office	\$93,750
		Salary
		Salary

Funding Source(s):		Ongoing	One-Time	Total
1)	100-General Fund: Ongoing	\$93,750	\$17,962	\$111,712
2)				\$0
		\$93,750	\$17,962	\$111,712

This proposed 1.0 FTE Chief Privacy Officer position is designed to fulfill two complementary roles: a Chief Privacy Officer (CPO) and a Certified Records Manager. While each role could easily be a full-time job by itself, we propose to roll the records manager responsibilities into the CPO position to gain efficiencies in designing and managing processes that have both privacy and records considerations.

Colorado HB18-1128 requires that the City understand and manage the personally identifiable information (PII) it handles. Some drivers, in addition to HB18-1128, include compliance with FCC Customer Proprietary Network Information (CPNI) regulations pertaining to Connexion, the Federal Red Flags Rule that applies to any entity that holds a transaction account belonging to a customer, Criminal Justice Information (CJI) regulations, key findings of an external 2017 cybersecurity risk assessment, the Baldrige initiative, general legal liability and financial risk associated with the possibility of a privacy breach, as well as the ethical responsibility to protect our citizens' identities and financial well-being. According to the Verizon 2018 Data Breach Investigations Report 11th Ed, the number of data breaches is increasing approximately 25% per year. The IBM Ponemon 2018 Cost of Data Breach Study reports the average cost per record of a data breach in the US to be \$233. The same study cites a 28% chance of any entity having a material breach within the next 24 months. Currently, the City has no overall understanding or management of the PII that it collects, stores, and uses; nor does it have a privacy policy, breach investigation and notification procedures, or a standard reliable process for helping to ensure that PII shared with partners is secure. In short, the evolving threat and legislation landscapes have created an environment where managing privacy for the City can no longer be left solely to individual groups. It requires a strategy and oversight. Implementing and managing a privacy program requires someone in a position of authority to develop strategy, coordinate among departments, and manage the maturation of privacy protection.

Funding this offer will also improve records management activities across the City by creating a role responsible for developing organization-wide policy, providing oversight, standardizing document control, and implementing standard procedures for managing and retrieving records. This is expected to improve service efficiency and transparency for the public, minimize non-value-added processing time, and help protect the City from legal issues related to non-compliance violations.

Currently, there are multiple disparate approaches to records throughout the City organization. Many departments use a common document management system to store documents; however, with no organization-wide policy, oversight or common approach there are areas of significant concern that need to be addressed. Areas of concern include:

Concern	Consequence
Storing information in multiple locations, including non-City approved apps and personal accounts.	Discovery and retrieval are complicated and time-consuming, if not impossible. The searching is a waste of time and talent, and negatively affects employee morale. The inability to discover information creates a legal liability issue. The unnecessarily long turnaround times are a disservice to customers.

Information is increasingly contained in information systems, not as document images, yet the City's record management processes have not evolved to meet the current environment.	The consequences of this are similar to those above.
Inadequate policies or procedures for data management: Data sharing agreements and open records requests are not consistently reviewed for privacy and cybersecurity safeguards.	Sensitive or confidential data is likely shared without proper privacy and cybersecurity controls in place, and we have no way of knowing. This increases our risk of data breaches. Data breaches are estimated to cost \$233/record.
Outdated criteria, lack of awareness, and no well-defined process to determine what is considered confidential information.	This results in documents being posted to City Docs containing sensitive infrastructure information that compromises City cyber and physical security.
No centralized storage of important originals such as contracts. For example, signatories often keep contacts on their computer hard drives or personal network drives.	The inability to find contracts in a timely manner means they may not be effectively managed, increasing financial and legal risk.
A lack of version control results in the use of incorrect documents.	This increases financial and legal risk, as well as causing rework throughout the City.
Duplicate documents are stored in multiple locations without a way to know which copy is the final approved record.	Not having a way to identify the official document or information of record results in staff and citizen confusion, rework, delays in filling record requests.
Lack of an overall records retention policy to guide storage, destruction and archiving efforts.	Records kept longer than required are discoverable and can result in higher than necessary legal risk. Storing unnecessary files is not free. The increasing growth in the amount of stored information has caused IT to rework our storage and back-up strategies. If we don't control information storage, costs will continue to escalate unnecessarily.

In summary, the City lacks an overall document control schema, records retention policy, data classification process, data sharing approval process, open records release process, and general records management. This results in:

- Added costs from penalties for untimely records provision and wasted staff time throughout the City
- Negative hits to staff morale due to frustration and confusion and a sense of wasting time and talent, which is known to cause job dissatisfaction and may result in health issues
- Citizen dissatisfaction and a poor perception of the City, which may discourage citizens from supporting local government
- Increased financial risk
- Increased legal liability
- Security risks that could personally affect citizen safety and/or the security of City infrastructure

This offer provides an increased emphasis on government transparency, efficiency, and cost reduction as expected by City leaders, staff, and citizens. It also aligns with the City's Baldrige efforts and best practices.

Additional Info:

- A 2017 Cyber Security Risk Assessment prepared for Utilities identified key concerns with city-wide documentation control and privacy. Their records recommendations included adopting a standardized documentation control policy that outlines documentation structure for programs, policies and procedures. Consistency in approval process design, schemes, library locations and communication process were also mentioned. Privacy-wise, they recommended the inception of a City privacy program to be led by a Chief Privacy Officer and a city-wide data classification plan.
- City legal staff has expressed concern about the issues mentioned above, compliance with CO HB18-1128 specifically, and have indicated that there is risk to the City if records improvements are not made and the requirements of the State legislation not complied with. The position in this offer would be dedicated to both efforts and would require the chosen incumbent to have professional document management certification and experience to enable immediate progress.
- The current decentralized records approach has resulted in inconsistent or lack of policies/practices from one department to another, independent or non-existent retention schedules and a lack of clarity on who owns and is responsible for existing records. There is also a lack of clarity on what records exist and in what form they exist. This is problematic as employees leave without knowledge transfer.
- There is a continuous push for more transparency in government. The efforts continue to find success in the courts, including penalties assessed for organization who cannot provide records in a timely fashion. The idea of transparency in government; however, has buoyed the notion among employees and citizens that all government records are open, which is not the case. The Colorado Open Records Act specifically excludes information from release that compromises the security of the City, is not in the best interest of the community to release, or is otherwise prohibited from release by federal or other state law. HB18-1128 and federal regulations establish requirements to protect PII from inappropriate disclosure, yet the City has no oversight to help ensure we consistently interpret the CORA exclusions or comply with state and federal legislation.

City of Fort Collins

2020 Revision - Offer Request/Reduction Form



Offer Name:	2018 Collective Bargaining Agreement Additional Ongoing Costs		
Outcome:	Safe Community	Contact:	Erik Martin
Svc Area:	Police Services	Related Offer #:	Multiple 25.X offers
Department:	Police Administration	Capital?	No
Choose Primary Strategic Objective:	SAFE 5.2 - Meet the expected level of core and specialized police services as the community grows		
How does Offer Support Primary Strategic Objective:	This will ensure that the City has sufficient funds budgeted to pay the negotiated pay for members of the Collective Bargaining Unit		
Performance Measure(s):	SAFE 23. Percentage of priority one response in 5.5 minutes or less. SAFE 7. Average quarterly response time of priority one calls		

Offer Description:

The timing of the agreement to the term, conditions, and pay totals in the Collective Bargaining Unit were agreed to after the BFO process was completed. This adjustment is the majority of the difference between what was budgeted through BFO and the updated costs agreed to in the Collective Bargaining agreement.

		Ongoing	One-Time	Total
Expense Fund(s):	1) 100 - General Fund	\$585,000		\$585,000
	2)			\$0
		\$585,000	\$0	\$585,000
		Ongoing	One-Time	Total
Funding Source(s):	1) 100-General Fund: Ongoing	\$585,000		\$585,000
	2)			\$0
		\$585,000	\$0	\$585,000

City of Fort Collins

2020 Revision - Offer Request/Reduction Form



Offer Name:	Sales Tax Technician - 1 FTE		
Outcome:	Economic Health	Contact:	Jennifer Poznanovic
Svc Area:	Financial Services	Related Offer #:	52.1
Department:	Sales Tax	Capital?	No
Choose Primary Strategic Objective:	ECON 3.3 - Enhance business engagement to address existing and emerging business needs		
How does Offer Support Primary Strategic Objective:	Adding a new Sales Tax Tech addresses a critical staffing need in the Sales Tax Dept. with customer service, issuing licenses and processing tax. The current team of 2 has seen 115% growth in business licenses since 1996 and a 51% increase in other licenses since 2011.		
Performance Measure(s):	ECON 70. Business Satisfaction (% rating positively)		

Offer Description:

This offer proposes to fund a 1.0 FTE Sales Tax Technician position in Financial Services. The licensing of businesses and processing of sales and use tax returns are vital functions of a high performing government and an economically vital community. In addition to the licensing of businesses, this position would assist in handling special events licenses, administering the sales tax delinquent program, issuing short term rental licenses, handling the downtown concessionaire program, outdoor vendor licensing and issuing solicitor badges. In 2018, annual revenue processed by the Sales Tax office was approximately \$138M being remitted by approximately 12,500 businesses with over 54,000 sales tax returns processed by monthly, quarterly and annual filers. In addition to sales and use tax licenses, the Sales Tax office also issues separate licenses for lodging, liquor occupation tax, short term rentals, tax exempt organizations, outdoor vendors, second-hand dealers, solid waste collectors, solicitor permits, places of entertainment, special vending events, downtown concessionaires, movie theaters, pawn brokers, auctioneers and carnival/circuses. In 2018, there were approximately 14,000 licenses total.

This work is currently completed by one Senior Coordinator and one Sales Tax Technician. Total business license growth has increased 115% since 1996 while staffing has remained constant at 2 FTEs. As a result, two Sales Tax Auditors assist in the processing of these returns to accommodate the lack of staff resources, resulting in an interruption to audit work. In addition to the increase in the number of businesses being licensed and remitting taxes, these 2 staff took on additional duties of issuing short term rental licenses in 2017, issuing solicitor permits and outdoor vendor licensing including mobile food trucks in 2013 – resulting in a 51% increase in other licenses. In order to keep up with the volume of work, hourly staff is hired intermittently throughout the year in addition to the assistance Sales Tax Auditors provide. The City Rebate program is also administered by the Sales Tax office with a temporary employee hired between the months of June-November to assist in the processing of rebate applications. With the addition of this 1.0 FTE to the Sales Tax team, those responsibilities for the City Rebate would be transferred to the Sales Tax Technician currently on staff, resulting in a savings of \$20,000 to that on-going offer.

Compared to the largest cities in Colorado, Fort Collins has the leanest Sales Tax Department:

- Aurora: 17,800 licenses, 6.5 positions, 2,738 license per staff, 16.5 total staff
- Colorado Springs: 14,000 licenses, 5 positions, 2,800 licenses per staff, 8 total staff
- Fort Collins: 12,500 licenses, 2 positions, 6,250 licenses per staff, 5 total staff
- Boulder: 11,200 licenses, 4 positions, 2,800 licenses per staff, 9 total staff
- Lakewood: 10,400 licenses, 3.5 positions, 2,971 licenses per staff, 12.5 total staff
- Arvada: 6,500 licenses, 2 positions per staff, 3,250 licenses per staff, 7 total staff
- Westminster: 6,400 licenses, 2 positions, 3,200 licenses per staff, 8 total staff
- Thornton: 6,100 licenses, 2 positions, 3,050 licenses per staff, 9 total staff

Please reference the attachment following the standard revision offer form for further supporting material.

City of Fort Collins

2020 Revision - Offer Request/Reduction Form



Offer Name: Sales Tax Technician - 1 FTE

		<i>Ongoing</i>	<i>One-Time</i>	<i>Total</i>
Expense Fund(s):	1) 100 - General Fund	\$70,585		\$70,585
	2) 			\$0
		\$70,585	\$0	\$70,585

FTE (if part of the offer, identify the position and salary):

#	Title	
1.00	Tech, Sales Tax Audit & Revenue	Salary \$70,585
		Salary
		Salary

		<i>Ongoing</i>	<i>One-Time</i>	<i>Total</i>
Funding Source(s):	1) 100-General Fund: Ongoing	\$70,585		\$70,585
	2) 			\$0
		\$70,585	\$0	\$70,585

2020 OFFER(s) to be reduced or eliminated, if applicable:

Offer #	Offer Title	<i>Ongoing</i>	<i>One-Time</i>	<i>Total</i>
53.1	Low Income, Property and Utility Rebate Programs	20,000		20,000
Funding Source(s)	100-General Fund: Ongoing	20,000		20,000

Impact:

\$50,585 net, accounting for a \$20,000 savings in Ongoing Offer 53.1 - Low Income, Property & Utility Rebate Programs

2020 Revision Offer – Sales Tax Tech

- Offer Name (Required): [New Sales Tax Tech](#)
- Owner (Required): [Jennifer Poznanovic](#)

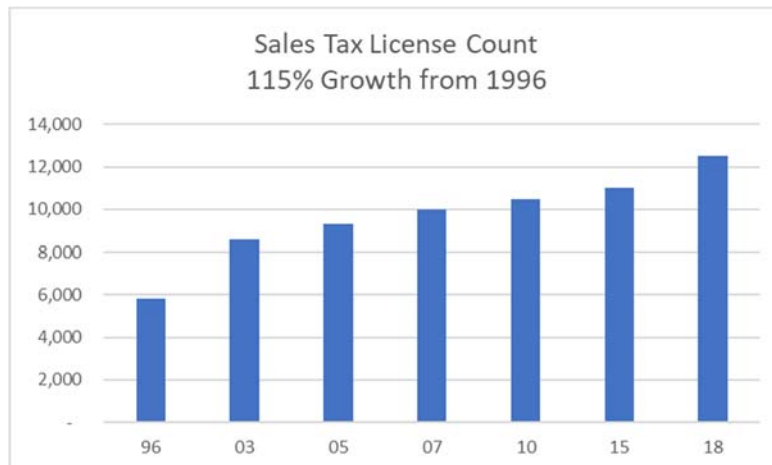
- Offer Summary:

This offer proposes to fund a 1.0 FTE Sales Tax Technician position in the Financial Services. The licensing of businesses and processing of sales and use tax returns are vital functions of a high performing government and an economically vital community. In addition to the licensing of businesses, this position would assist in handling special events licenses, administering the sales tax delinquent program, issuing short term rental licenses, handling the downtown concessionaire program, outdoor vendor licensing and issuing solicitor badges.

In 2018, annual revenue processed by the Sales Tax office was approximately \$138M being remitted by approximately 12,500 businesses with over 54,000 sales tax returns processed by monthly, quarterly and annual filers. In addition to sales and use tax licenses, the Sales Tax office also issues separate licenses for lodging, liquor occupation tax, short term rentals, tax exempt organizations, outdoor vendors, second-hand dealers, solid waste collectors, solicitor permits, places of entertainment, special vending events, downtown concessionaires, movie theaters, pawn brokers, auctioneers and carnival/circuses. In 2018, there were approximately 14,000 licenses total.

	License Type	2018 License Count	Other Department
1	Sales Tax	12,565	PDT, City Clerk
2	Lodging	420	No
3	Liquor Occupation Tax	400	City Clerk
4	Short Term Rental	381	PDT
5	Tax Exempt	268	No
6	Outdoor Vendor	50	PDT
7	Secondhand Dealer	24	Police
8	Solid Waste Collector	22	Sustainability
9	Solicitor Permit	18	Police
10	Places of Entertainment	17	No
11	Special Vending Event	9	PDT
12	Downtown Concessionaire	8	Purchasing
13	Movie Theater	6	No
14	Pawn Broker	5	Police
15	Auctioneer	5	No
16	Carnival, Circus	0	City Manager

This work is currently completed by one Senior Coordinator and one Sales Tax Technician. Total business license growth has increased 115% since 1996 while staffing has remained constant at 2 FTEs. As a result, two Sales Tax Auditors assist in the processing of these returns to accommodate the lack of staff resources, resulting in an interruption to audit work.



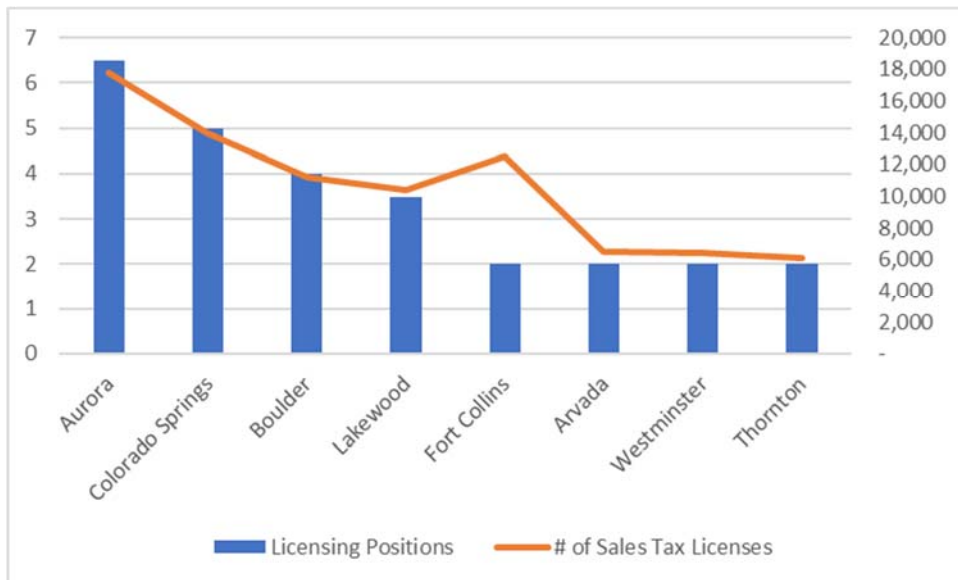
In addition to the increase in the number of businesses being licensed and remitting taxes, these two staff took on additional duties of issuing short term rental licenses in 2017, issuing solicitor permits and outdoor vendor licensing including mobile food trucks in 2013 – resulting in a 51% increase in other licenses. In order to keep up with the volume of work, hourly staff is hired intermittently throughout the year in addition to the assistance Sales Tax Auditors provide.

	Fort Collins License Type	2018 License Count	Other Department	Added to Sales Tax
1	Sales Tax	12,565	PDT, City Clerk	
2	Lodging	420	No	2017 (350+)
3	Liquor Occupation Tax	400	City Clerk	
4	Short Term Rental	381	PDT	2017
5	Tax Exempt	268	No	
6	Outdoor Vendor	50	PDT	2013
7	Secondhand Dealer	24	Police	
8	Solid Waste Collector	22	Sustainability	
9	Solicitor Permit	18	Police	2011
10	Places of Entertainment	17	No	
11	Special Vending Event	9	PDT	
12	Downtown Concessionaire	8	Purchasing	
13	Movie Theater	6	No	
14	Pawn Broker	5	Police	
15	Auctioneer	5	No	
16	Carnival, Circus	0	City Manager	

Compared to the largest cities in Colorado, Fort Collins has the leanest Sales Tax Department:

City	# of Sales Tax Licenses	Licensing Positions	Licenses/ Licensing Staff	Total Staff
Aurora	17,800	6.5	2,738	16.5
Colorado Springs	14,000	5	2,800	8
Fort Collins	12,500	2	6,250	5
Boulder	11,200	4	2,800	9
Lakewood	10,400	3.5	2,971	12.5
Arvada	6,500	2	3,250	7
Westminster	6,400	2	3,200	8
Thornton	6,100	2	3,050	9

Front Range City Comparison:



The City Rebate program is also administered out of the Sales Tax office with a temporary employee hired between the months of June-November to assist in the processing of rebate applications. With the addition of this 1.0 FTE to the Sales Tax team, those responsibilities for the City Rebate would be transferred to the Sales Tax Technician currently on staff, resulting in a savings of \$20,000 to that on-going offer.

Cost of new resource:

\$70K	with benefits
<u>\$20K</u>	from rebate program
<u>\$50K</u>	needed for new FTE
\$18K	from STR revenue
\$32K	from GF

- Primary Strategic Objective:

ECON 3.3 - Enhance business engagement to address existing and emerging business needs

- Performance Measures:

ECON 70. Business Satisfaction (% rating positively)

- Enhancement/Reduction Base Offer (Required):

\$50,585 net, accounting for a \$20,000 savings in on-going offer "Low Income, Property & Utility Rebate Programs"

City of Fort Collins

2020 Revision - Offer Request/Reduction Form



Offer Name:	New Block 32 Parking Structure Design		
Outcome:	High Performing Govt.	Contact:	Tracy Ochsner
Svc Area:	Information & Employee Svcs	Related Offer #:	
Department:	Operation Services	Capital?	Yes
Choose Primary Strategic Objective:	TRAN 6.7 - Address parking needs Downtown, along the MAX corridor and in residential neighborhoods		
How does Offer Support Primary Strategic Objective:	Address parking needs Downtown, along the MAX corridor and in residential neighborhoods: This parking structure would drastically improve downtown and surrounding neighborhood parking problems for now and the future.		
Performance Measure(s):			

Offer Description:

This offer will fund the design of a new Downtown parking structure. The Downtown area needs additional parking, particularly in the area where the City and County offices are located. This new four-level garage is planned for 245 N. Mason St., and would replace the surface parking just north of the 215 N. Mason St. facility.

The new 400-space parking structure (replacing 69 spots) would have one level below ground, which would contain mechanical equipment and parking stalls for City Fleet vehicles. The remaining three levels would allow parking for both the public and City staff working in the Downtown area. It will include a solar photo-voltaic (PV) system on the top level to off-set the building's energy use, and may also include some retail space to be leased. This project timing would need to be completed before, or in conjunction with the new Municipal Building construction.

Before the design begins, we anticipate having conversations with Larimer County to determine their interest in a partnership.

The desired schedule would be:
 2020 – 100% Design completed with cost estimate and construction drawings
 2021 - Budget offer submitted out-lining funding plan
 2022/ 2023 - Construction complete

		Ongoing	One-Time	Total
Expense Fund(s):	1) 400 - Capital Projects Fund		\$1,500,000	\$1,500,000
	2)			\$0
		\$0	\$1,500,000	\$1,500,000
		Ongoing	One-Time	Total
Funding Source(s):	1) 250-Capital Expansion Fund: General Government		\$1,500,000	\$1,500,000
	2)			\$0
		\$0	\$1,500,000	\$1,500,000

City of Fort Collins

2020 Revision - Offer Request/Reduction Form



Offer Name:	Block 32 & 42 Plan Refresh		
Outcome:	High Performing Govt.	Contact:	Tracy Ochsner
Svc Area:	Information & Employee Svcs	Related Offer #:	
Department:	Operation Services	Capital?	Yes
Choose Primary Strategic Objective:	HPG 7.1 - Provide world-class municipal services to residents and businesses		
How does Offer Support Primary Strategic Objective:	A new City Municipal Building will house 11 different City departments and a Council Chambers to provide many functions and services.		
Performance Measure(s):			

Offer Description:

This offer will fund a master and space plan refresh for the proposed Block 32 and 42 Municipal campus that was drafted in 2013-2014. This plan includes a new City Municipal Building, parking structure(s), and outdoor event space. The refresh will include the site plan for Block 32 and 42, and update the space plans to determine each affected department space needs and anticipated growth over the next 10-12 years. This effort will assist in determining which departments to house in 215 N Mason, 300 Laporte Ave, Building A, and the new City Municipal Building. The size of this new facility will then be determined, and a conceptual design will be completed. This refresh must be done in order to know the required square footage and overall site layout prior to the design moving forward.

The desired schedule for this project would be:

- 2020 - Refresh the Block 32 and 42 master plan and complete renderings
- 2021 - 50% building design complete and develop a cost estimate
- 2022 - 100% building design complete including construction drawings
- 2023 - Develop funding plan for 2024 / 2025 Budget
- 2024/ 2025 - New Municipal Building construction,
- 2026- Project complete

		Ongoing	One-Time	Total
Expense Fund(s):	1) 250 - Capital Expansion Fund		\$300,000	\$300,000
	2)			\$0
		\$0	\$300,000	\$300,000
		Ongoing	One-Time	Total
Funding Source(s):	1) 250-Capital Expansion Fund: General Government		\$300,000	\$300,000
	2)			\$0
		\$0	\$300,000	\$300,000

City of Fort Collins

2020 Revision - Offer Request/Reduction Form



Offer Name:	Security Specialist - 1.0 FTE		
Outcome:	Safe Community	Contact:	Kendra Radford and Jim Byrne
Svc Area:	Financial Services	Related Offer #:	71.7
Department:	SSRM and OEM	Capital?	No
Choose Primary Strategic Objective:	SAFE 5.8 - Improve security at City facilities and properties		
How does Offer Support Primary Strategic Objective:	Providing for a safe and secure workplace is a core responsibility and value for the City. Funding this offer provides budget for a Security Specialist position that will serve as a coordinator for programming related to the protection and safety of employees, physical assets, operational capabilities, and the environment against potential threats of injury and loss or damage by criminal, hostile, or malicious acts.		
Performance Measure(s):	<p>All City Departments have relevant security related training developed and provided, with 100% of City employees participating.</p> <p>All security related incidents will be tracked and reviewed for causes and improvements, with the goal of reducing both the number of incidents and the severity of impact to employees and the organization.</p>		

Offer Description:

The Security Specialist will conduct on-site security assessments to identify vulnerabilities, coordinate City-wide physical security systems (to include video surveillance and access control), and assist in developing and facilitating security and emergency preparedness related training. The position will also be responsible for helping departments coordinate consistent security-related practices and policies across the organization, working to develop mission enhancing practices and shared resources. Duties will include but are not limited to the following:

- Conducting on-site security assessments to identify vulnerabilities and working with internal and external stakeholders to implement effective security strategies.
- Coordinating with City partners to effectively manage City-wide physical security systems, to include video surveillance, access control systems, intrusion detection systems, and panic buttons to safeguard life and property.
- Managing the acquisition and ongoing contract performance of security vendors.
- Ensuring an effective workplace violence prevention program by providing consultation and resources to the Human Resources department in handling sensitive employee matters.
- Coordinating internal investigations of security violations, employee wrongdoing, theft, and other misconduct.
- Responding to security incidents impacting the City and working closely and in coordination with all internal and external stakeholders to identify vulnerabilities and implement corrective actions to resolve security-related issues.
- Fostering a greater situational awareness, preparedness, and resiliency within the City.

City of Fort Collins
2020 Revision - Offer Request/Reduction Form



Offer Name: Security Specialist - 1.0 FTE

		Ongoing	One-Time	Total
Expense Fund(s):	1) 602 - Self Insurance Fund	\$113,400		\$113,400
	2)			\$0
		\$113,400	\$0	\$113,400

FTE (if part of the offer, identify the position and salary):

#	Title	Salary
1.00	Security Specialist	\$113,400

		Ongoing	One-Time	Total
Funding Source(s):	1) 602-Self Insurance Fund: Ongoing Revenue	\$113,400		\$113,400
	2)			\$0
		\$113,400	\$0	\$113,400

City of Fort Collins

2020 Revision - Offer Request/Reduction Form



Offer Name:	Northeast College Corridor Outfall A4 (Lemay) Stormwater Lateral Design and Construction		
Outcome:	SAFE Community	Contact:	Theresa Connor
Svc Area:	Utility Services	Related Offer #:	
Department:	Ut Water Systems Engr Div	Capital?	Yes
Choose Primary Strategic Objective:	SAFE 5.5 - Address water, wastewater and stormwater infrastructure needs for the protection of people, property and the environment		
How does Offer Support Primary Strategic Objective:	Construction of needed stormwater infrastructure that has been identified in a Master Plan to provide flood protection for the community.		
Performance Measure(s):	SAFE 69. System Improvement (LF of Pipe Improved) (Stormwater) SAFE 88. % completion of Master Plan needs for Stormwater projects		

Offer Description:

The Northeast College Corridor Outfall (NECCO) is a stormwater improvement program to address stormwater flooding and a lack of stormwater infrastructure in the Dry Creek Basin in the area north of Vine Drive and east of College Avenue. The A4 Lateral is one branch of this system located along Old Lemay Drive north of Vine. It collects and conveys stormwater runoff from the Evergreen and Greenbriar subdivisions and will eliminate the need for an existing stormwater pump station that is nearly failing and requires substantial maintenance. The A4 lateral will improve the stormwater system for current residents in these neighborhoods. The reason for a mid-cycle offer is to align with Planning, Development and Transportation (PDT) Department's horizontal work on the realigned Lemay Avenue overpass. Coordination with the roadway project will help manage project costs and provide an opportunity to coordinate construction of the stormwater system for the roadway with the NECCO system. An easement will be needed from Two Tree Horse Farms along the old alignment of Lemay Avenue. The landowner is willing to donate the easement if constructed in coordination with the realigned Lemay Avenue Overpass and dedication of an easement to them along the NECCO channel downstream. The opportunity to get this work completed is advantageous for multiple parties and replaces failing infrastructure. There is no net increase in on-going operations and maintenance costs as the new stormwater pipe will eliminate a failing pump station and its associated costs.

		Ongoing	One-Time	Total
Expense Fund(s):	1) 504 - Stormwater Fund		\$959,500	\$959,500
	2)			\$0
		\$0	\$959,500	\$959,500
		Ongoing	One-Time	Total
Funding Source(s):	1) 504-Stormwater Fund: Reserves		\$959,500	\$959,500
	2)			\$0
		\$0	\$959,500	\$959,500

City of Fort Collins

2020 Revision - Offer Request/Reduction Form



Offer Name:	Income Qualified Connexion Credit		
Outcome:	Neighborhood Livability & Social Health	Contact:	Colman Keane
Svc Area:	Utility Services	Related Offer #:	85.1
Department:	Broadband (Utilities)	Capital?	No
Choose Primary Strategic Objective:	NLSH 1.3 - Improve accessibility to City and community programs and services to low- and moderate-income populations		
How does Offer Support Primary Strategic Objective:	An income-qualified rate will provide low-income individuals and families equitable access to broadband services		
Performance Measure(s):	In development		

Offer Description:

An income-qualified credit will be available to Fort Collins' residents as Connexion comes online 2019 and 2020. Eligibility will mirror existing income-qualified metrics currently utilized by Utilities: LEAP qualified in current or previous year; LEAP eligibility is up to 165% of federal poverty index; A broadband "credit" allows income-qualified households to choose a service plan from the full Connexion menu versus most commercial models where reduced rates deliver reduced speed; 2019/20 availability of an income-qualified rate is restricted by unknowns embedded in the launch: service area coverage and flow of pilot revenue.

Staff will bring forward a comprehensive income-qualified broadband program to reduce digital distress and increase equitable access in spring 2020 BFO for 2021/22 implementation. This robust Connexion income-qualified program could include, but will not be limited to: educational outreach, community partnerships, marketing and engagement, digital skill training and development, evaluation of outcomes, and success metrics.

		Ongoing	One-Time	Total
Expense Fund(s):	1) 100 - General Fund	\$195,000		\$195,000
	2)			\$0
		\$195,000	\$0	\$195,000
		Ongoing	One-Time	Total
Funding Source(s):	1) 100-General Fund: Ongoing	\$195,000		\$195,000
	2)			\$0
		\$195,000	\$0	\$195,000

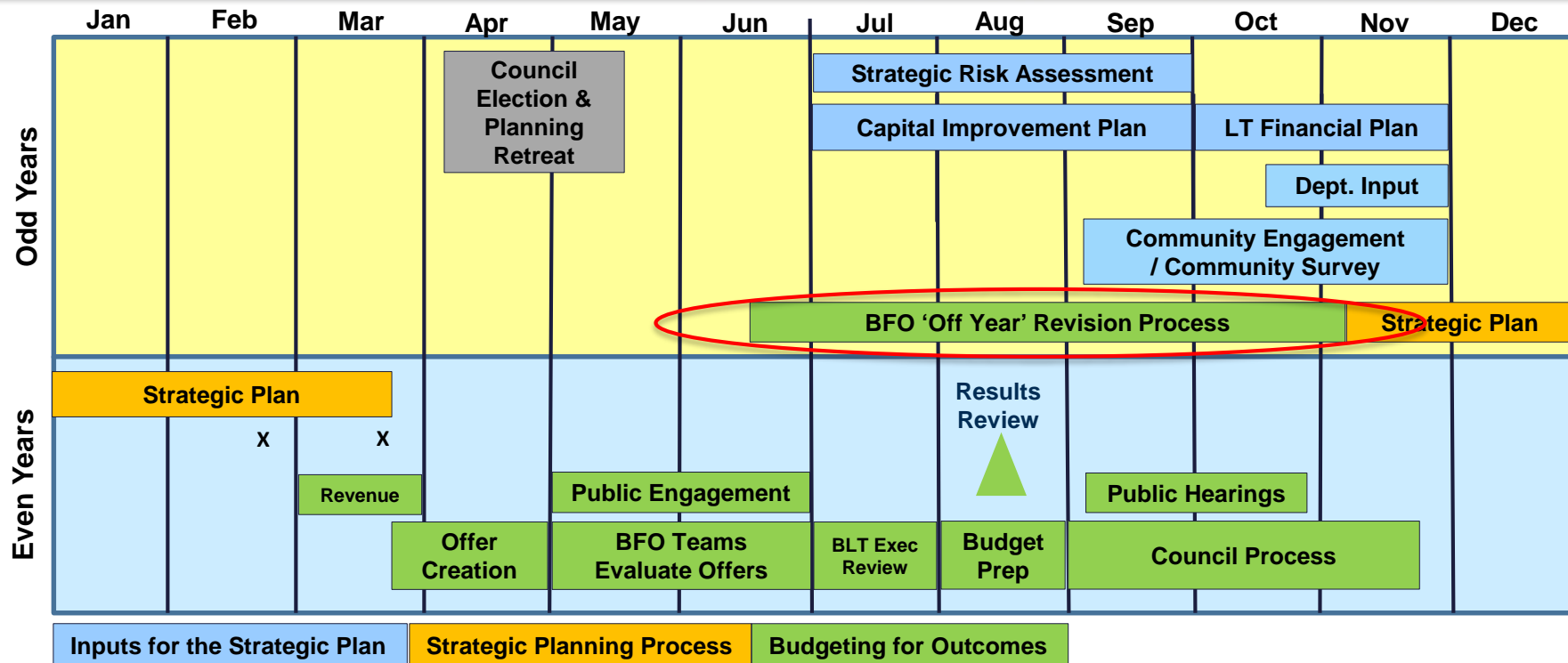


2020 Budget Revisions

Council Finance Committee - August 19, 2019

- 1) Budget Revision Process Overview**
- 2) 2020 Financial Context**
 - Revenue forecast
 - Expenditure adjustments
 - Funding available
- 3) Review of 2020 Revision Offer requests**

Biennial Strategic Plan & Budget Calendar



X = Council review and adoption of the Strategic Plan

2020 Budget Revision Objectives

The recommended 2020 Budget Revisions are intended to address:

- Adjust ongoing expenditures to match current ongoing revenue estimates
- Council priorities and high-priority projects and needs not known during last BFO
- Fiduciary responsibilities & fund balance

Criteria for New Requests:

1. The request is specifically directed by the City Manager or City Council
2. The request is related to a previously approved Offer where either unanticipated revenue shortfalls or unforeseen expenses are significantly impacting the delivery of that program or service. These also need to be approved by the City Manager.

The Budget Revision process is not Budgeting for Outcomes:

- There is no 'call for Offers' to support the Strategic Plan
- There is no vetting and comparison of Offers by BFO Teams

Timeline for the 2020 Budget Revisions

- 19 Aug:** Council Finance Committee meeting
- 10 Sept:** Council Work Session #1
- 24 Sept:** Council Work Session #2 (requested by Council last cycle)
- 15 Oct:** 1st Reading of the 2020 Annual Appropriation
- 5 Nov:** 2nd Reading

Cost Assumptions in the 2019-20 Budget

	2019	2020
General Inflation	2.3%	2.3%
Salary Adjustments	3.0%	3.0%
Medical and Dental Costs	10.2%	11.4%
Fuel Prices	\$2.51	\$2.71 / gallon
Retirement 403/457 Contributions	No Change	
GERP Supplemental Contribution*	\$1.1M	\$1.1m + \$0.5m
Budget Staffing at 98% of Total Cost		

To Account for Market Swings, Staff Proposes to make a General Fund Assignment for a Possible Additional Contribution of \$500k to the General Employees Retirement Plan (GERP)

Utility Rate Assumptions in the 2019-20 Budget

Rate Changes:

	Actual	Actual	Budget	Budget
Utility	2017	2018	2019	2020
L&P	3.45%	1.8%	5.0%	5.0%
Water	5.0%	5.0%	0.0%	0.0%
Wastewater	3.0%	3.0%	0.0%	0.0%
Stormwater	5.0%	0.0%	2.0%	2.0%

No Changes to the Utility Rates Included in the 2019-20 Adopted Budget

Governmental Funds

- **Revenue:**

- 2019 budget included 3% sales tax growth – strong 2018 modified to 1.7%
- YTD net Sales Tax growth is 1.8%
- Other major revenue streams – no concerns

- **Expenses:**

- Underspend YTD – no concerns

Enterprise Funds

- No concerns with either revenue or expenses through July 2019

• Sales Tax Growth:

- 2019 growth of 1.8%
- 2017 & 2018 growth 2.3% and 3.3%
- 2020 growth forecast at 3.0%
- Uncertainty on achieving 3.0% in 2020

• Modified 2020 Sales Tax Forecast

- Modified forecast – 1.5%
 - Conservative approach
- Sales Tax revenue reduction of \$1.8M
- Requires expenditure adjustments of ongoing expenditures

Fund	Shortfall
General Fund	\$1,052
Keep Fort Collins Great	397
Natural Areas	117
Transportation	117
CCIP	117
	<hr/>
	\$1,800

General Fund - Year End 2018 - \$66.3

	2017	2018	Appropriated, Min. Policy, or Scheduled	Available but with some Constraints	Available for Nearly Any Purpose
Assigned - Minimum 60 day Policy	\$ 25.3	\$ 26.0	\$ 26.0	\$ -	\$ -
Non-spendable					
Advances	4.9	4.7	4.7	-	-
Landbank inventory	1.5	1.5	1.5	-	-
Udall Endowment	0.1	0.1	0.1		
Restricted					
TABOR Emergency	6.9	7.0	7.0	-	-
Police Programs	0.9	0.3	0.2	0.1	-
Donations & Misc	0.9	1.2	0.8	0.4	-
Economic Rebates	2.6	1.7	0.4	1.3	-
DDA/Woodward Debt	0.7	0.7	-	0.7	-
Committed					
Traffic Calming	-	0.2	-	0.2	-
Culture & Recreation	0.2	0.4	0.3	0.1	-
Affordable Housing Land Bank	1.3	1.4	-	1.4	-
Assigned					
Prior Year Purchase Orders	4.3	3.7	3.7	-	-
Manufacturing Use Tax Rebate	0.7	1.2	1.2	-	-
Transit Bus Replacement	0.5	0.5	0.2	-	0.3
Golf Irrigation System	0.5	0.5	0.1	-	0.4
Revenue Contingency	4.4	2.2	-	-	2.2
Camera Radar	0.9	1.1	-	-	1.1
Waste Innovation	0.2	0.2	-	-	0.2
Reappropriation	1.0	0.3	0.3	-	-
Budgeted use of reserves	7.3	8.7	8.7	-	-
Unassigned	4.8	2.7	-	-	2.7
Year End Total	\$ 69.9	\$ 66.3	\$ 55.2	\$ 4.2	\$ 6.9

General Fund 2018 Year-end Fund Balance

**Budgeted Recession
Contingency
remains at \$2.2M**



1. Reduced Debt Service Due to Interest Rate Favorability

- Lower interest on 2019 debt resulted in \$350k debt service favorability
 - **Impact:** Ongoing savings of \$350k in the General Fund starting in 2019

2. Fuel Savings in Transfort

- 2019 YTD fuel savings of being driven by usage of CNG and diesel fuel lower than forecast
- Adjustment to 2020 of \$206k – modified GF transfer to Transit
 - **Impact:** Ongoing savings of \$206k in the General Fund

3. Benefits – Lower Claims & High Available Fund Balance

- Claims cost \$2.9M under forecast, benefits fund \$4.3M higher than minimum
- Hold flat department or staff premiums – avoid 7.5% and 5.0% increase
 - **Impact:** Reduction across all departments approximately \$3.0M with about \$1.25M in the General Fund

Closing the Gap & Available Funding

All values in \$k											
Description	General Fund - Ongoing	General Fund - 1-Time	Capital Expansion	KFCG	CCIP	Natural Areas	Transportation	Stormwater	Self Insurance	Broadband	TOTAL
Summary of Revenue Changes & Reserves											
- Reduced 2020 Sales Tax (ongoing)	(\$1,052)			(\$397)	(\$117)	(\$117)	(\$117)				(\$1,800)
- Debt service favorability (ongoing)	350										350
- Fuel Savings (ongoing)	206										206
- Benefits Fund (ongoing)	1,244										1,244
- Unused 2020 Ongoing Revenue						398	15		165	197	775
- Available Reserves (1-Time, if requested)		2,700	11,100	2,400	2,700		1,900	8,300			29,100
- Less: 2019 Reappropriation (1-Time)		(340)		(28)			(584)				(952)
- Less: 2019 Supplemental Approps (1-Time)		(62)					(20)				(82)
Subtotal of Funding Changes	748	2,298	11,100	1,975	2,583	281	1,194	8,300	165	197	28,841

Expenditure Adjustments in Total Balance Expenditures with Revenue

2020 Budget Revision Offers

Fund	Revision Requested	Ongoing &			
		FTE	Ongoing \$	One-Time \$	One-Time
General Fund	Developing Equity Gaps Analysis, Indicators, and Principles	-	-	120,000	120,000
	East Mulberry Corridor Plan Update and Annexation Assessment	-	-	175,000	175,000
	Park Improvement Project Support	-	-	50,000	50,000
	Train Horn Noise - Federal Lobbying	-	-	42,000	42,000
	Continued Voluntary Compliance Support for Outdoor Residential Wood Burning - 0.25 FTE	0.25	18,638	-	18,638
	Chief Privacy Officer with Records Management Responsibility (start date of 1 Mar 2020)	1.00	93,750	17,962	111,712
	Ongoing Agreements from 2018 Collective Bargaining		585,000	-	585,000
	Sales Tax Technician - 1 FTE	1.00	50,585	-	50,585
	Total General Fund	2.25	747,973	404,962	1,152,935
Capital Expansion Fund (General Government)	New Block 32 Parking Structure Design	-	-	1,500,000	1,500,000
	Block 32 & 42 Plan Refresh	-	-	300,000	300,000
	Total Capital Expansion Fund	-	\$0	\$1,800,000	\$1,800,000
Self Insurance Fund	Security Specialist - 1.0 FTE (est. start date of 1 March 2020)	1.00	113,400	-	113,400
	Total Self Insurance Fund	1.00	\$113,400	\$0	\$113,400
Stormwater Fund	Northeast College Corridor Outfall A4 (Lemay) Stormwater Lateral Design and Construction	-	-	959,500	959,500
	Total Stormwater Fund	-	\$0	\$959,500	\$959,500
Broadband Fund	Income Qualified Connexion Credits		195,000	-	195,000
	Total Broadband Fund	-	\$195,000	\$0	\$195,000
TOTAL ALL FUNDS		3.25	1,056,373	3,164,462	4,220,835

Summary of Proposed Changes

All values in \$k											
Description	General Fund - Ongoing	General Fund - 1-Time	Capital Expansion	KFCG	CCIP	Natural Areas	Transportation	Storm-water	Self Insurance	Broadband	TOTAL
Available Revenue and Reserves	748	2,298	11,100	1,975	2,583	281	1,194	8,300	165	197	28,841
2020 Budget Revision Requests											
Ongoing Requests	(748)								(113)	(195)	(1,056)
One-Time Requests		(405)	(1,800)					(960)			(3,165)
Total of 2020 Revisions	(748)	(405)	(1,800)	0	0	0	0	(960)	(113)	(195)	(4,221)
Net Impact (positive = available)	\$0	\$1,893	\$9,300	\$1,975	\$2,583	\$281	\$1,194	\$7,340	\$52	\$2	

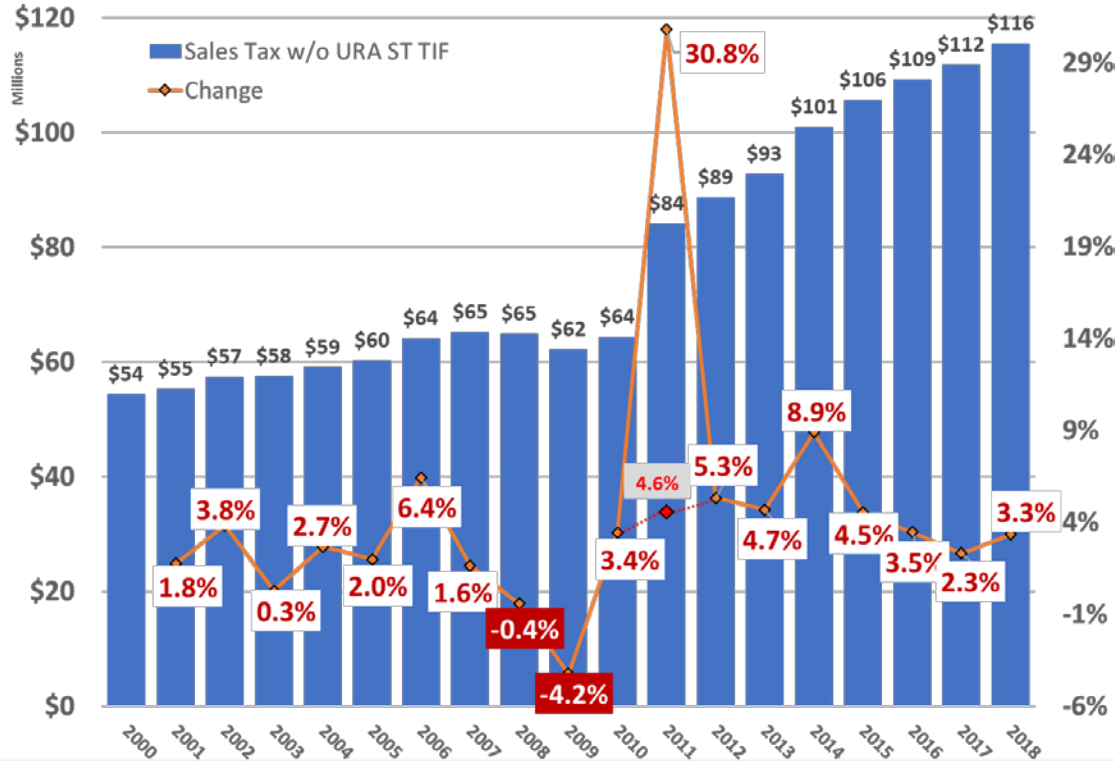
Combination of expense reductions, available reserves and ongoing revenue offset Sales Tax shortfall and provides funding for proposed 2020 Revisions

Guidance Requested:

1. What questions or feedback does the Council Finance Committee have on the City Manager's recommended revisions to the 2020 Budget?
2. Does the Council Finance Committee support moving forward with bringing the 2020 Budget Revisions to the full City Council for the September 10th work session?

Back-Up

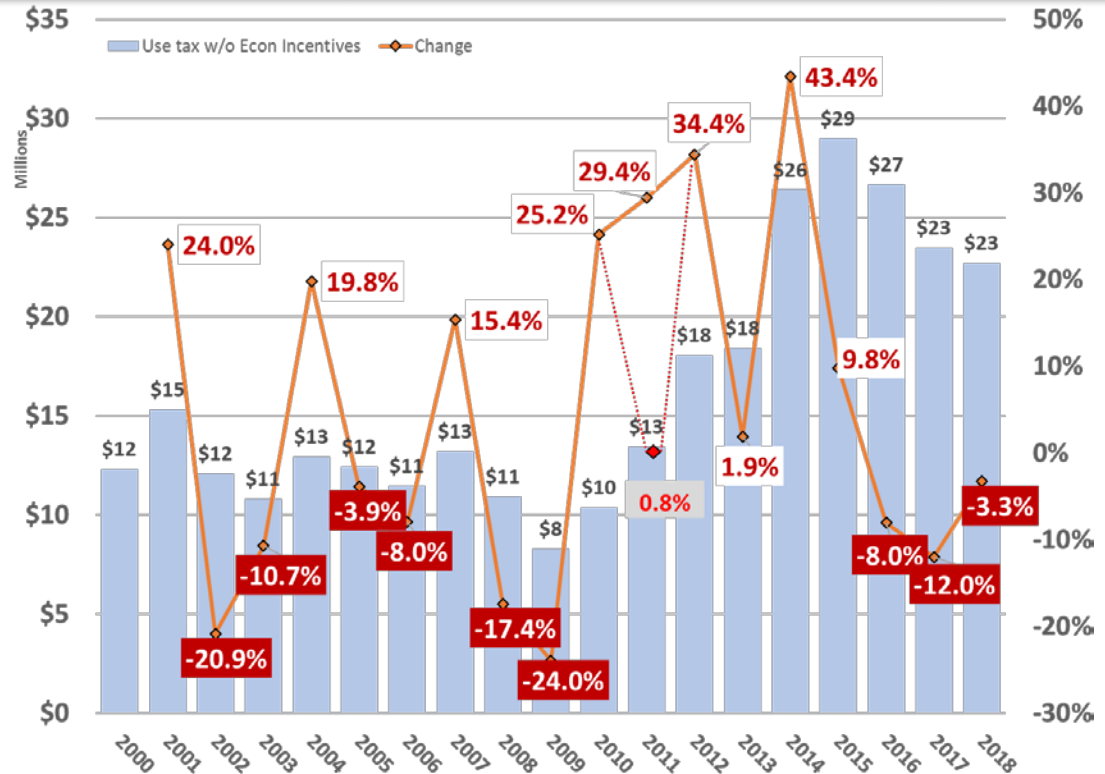
Sales Tax with % Change



- Sales tax is generated at point of purchase of goods and products
- Average growth:
 - 2000 - 2010 1.7%
 - 2010 – 2015 5.6% (w/o KFCG)
 - 2015 - 2018 3.0%
- 2019 YTD growth over 2018 1.7%

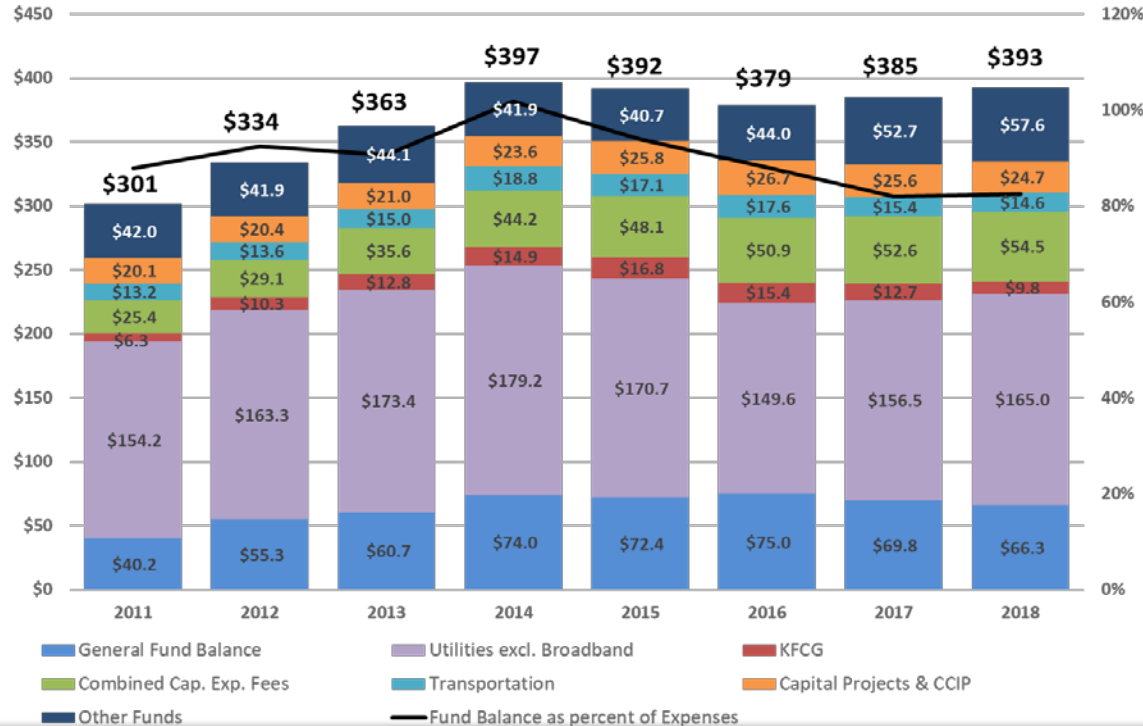
Use Tax with % Change

- Use Tax generated from building activity, auto sales and business equipment investment
- Significant volatility in use tax
- Several large projects drove the spike in 2014-2016
- Current building activity has revenue hovering in the \$21M range



City Fund Balances

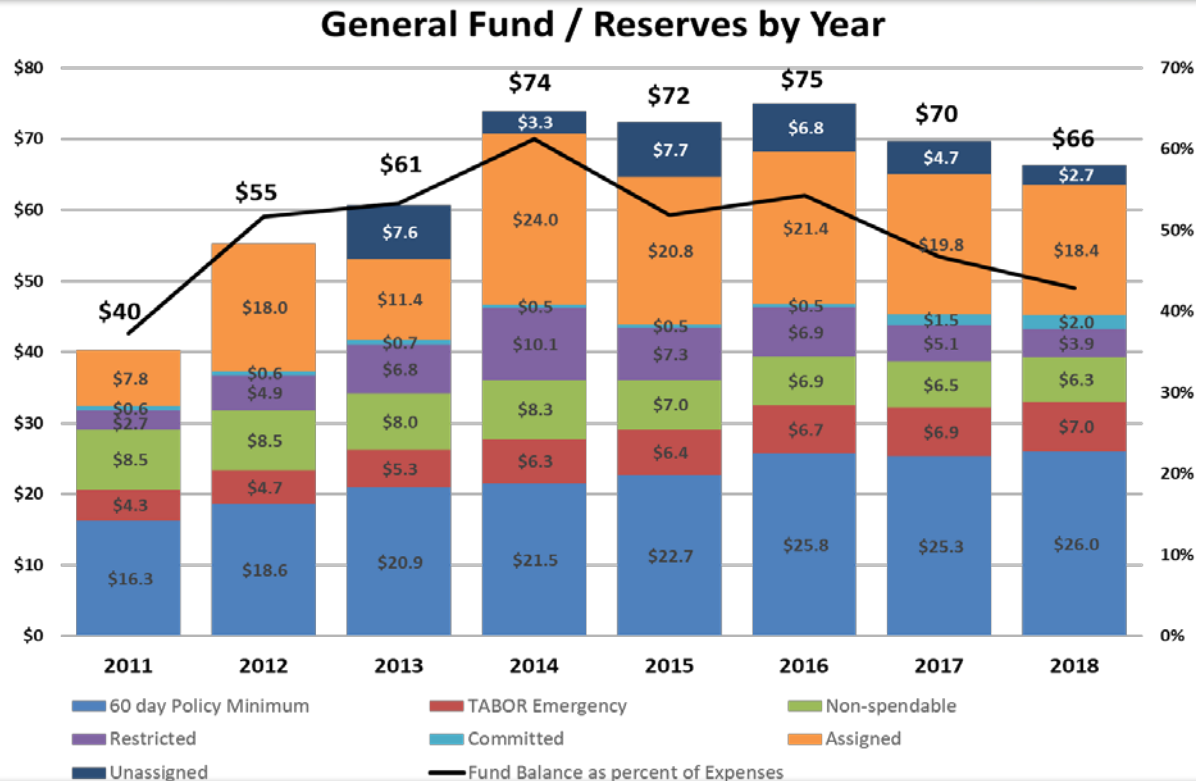
Fund Balance / Reserves by Year



- Strong fund balance growth 2011- 2014
- Stable & healthy fund balance 2014 – 2018
- Fund balance as a % of expenses peaked in 2014, healthy in 2018

General Fund Balances

- Strong fund balance growth 2011- 2014
- Stable & healthy fund balance 2014 – 2018
- Minimum reserves grown from \$20.6M in 2011 to \$33.0M in 2018



2018 Revisions

- Reduced ongoing expenses by \$2.3M Citywide; \$1.9M realized within the General Fund
- Various reductions were across entire City, excluding Utilities

2019-20 Biennial Budget

- \$2.4M of ongoing expenses reduced in the City Manager's Recommended Budget comprised of position reductions, program reductions/eliminations and other operational reductions
- \$1.3M of additional ongoing expenses reduced on 1st Reading based on Council direction

COUNCIL FINANCE COMMITTEE AGENDA ITEM SUMMARY

Staff:

Jennifer Poznanovic
Lance Smith

Date: August 19, 2019

SUBJECT FOR DISCUSSION

Comprehensive 2019 Fee Update

EXECUTIVE SUMMARY

Coordination of Council approved fees began in 2016 to provide a more holistic view of the total cost impact. Previously, fee updates were presented to Council on an individual basis. After the 2019 fee update, fee phasing will be complete with regular two and four-year cadence updates beginning in 2021.

2019 fee updates include: Electric Capacity fees, Water Supply Requirement fees, Wet Utility Plan Investment Fees and Step III of the 2017 Capital Expansion Fees.

Staff proposes the following fee changes:

- Wet Utility PIFs as proposed
- Electric Capacity Fees as proposed
- Water Supply Requirement Fee as proposed
- 100% of proposed 2017 Capital Expansion Fees (Step III)
- Transportation Capital Expansion Fees (inflation only)

Development Review Fees were initially planned to be part of the 2019 update but have been decoupled and will come forward at a later date.

GENERAL DIRECTION SOUGHT AND SPECIFIC QUESTIONS TO BE ANSWERED

1. Does Council Finance Committee support the following proposed next steps?

- October 8th: Council Work Session
- November 5th & 19th: Ordinance readings subject to Council direction
- 2021 updates effective January 2022

BACKGROUND/DISCUSSION

Since the fall of October 2016, staff has worked to coordinate the process for updating all new development related fees that require Council approval. Development related fees that are

approved by Council are six Capital Expansion Fees, five Utility Fees and Building Development Fees.

Type of Fee	Fee Name
Capital Expansion	Neighborhood Park
Capital Expansion	Community Park
Capital Expansion	Fire
Capital Expansion	Police
Capital Expansion	General Government
Capital Expansion	Transportation
Utility	Water Supply Requirement
Utility	Electric Capacity
Utility	Sewer Plant Investment
Utility	Stormwater Plant Investment
Utility	Water Plant Investment
Building Development	Development Review, Building Permit & Engineering Fees

Previously, fee updates were presented to Council on an individual basis. However, it was determined that updates should occur on a regular two and four-year cadence and fees updates should occur together each year to provide a more holistic view of the impact of any fee increases.

Impact fee coordination includes a detailed fee study analysis for Capital Expansion Fees (CEFs), Transportation Capital Expansion Fees (TCEFs) and Development Review Fees every four years. This requires an outside consultant through a request for proposal (RFP) process where data is provided by City staff. Findings by the consultant are also verified by City staff. For Utility Fees, a detailed fee study is planned every two years. These are internal updates by City staff with periodic consultant verification. In the future, impact fee study analysis will be targeted in the odd year before Budgeting for Outcomes (BFO). In years without an update, an inflation adjustment occurs.

Below is the current fee timeline:

	Phase 1		Phase 2		Phase 3	
	2016	2017	2018	2019	2020	2021
Capital Expansion Fees		Update	Step II	Step III		Update
Transportation CEFs		Update	Step II			Update
Electric Capacity Fees		Update		Update		Update
Water Supply Requirement		Update		Update		Update
Wet Utility Fees			Update	Update		Update
Development Review Fees				Update		Update
Fee Working Group		Active	Active	Active		

Phase I of the fee updates included CEFs, TCEFs, Electric Capacity Fees, and Raw Water/CIL and were adopted in 2017. Phase II included Wet Utility PIFs and step II of CEFs and TCEFs, which were approved in 2018. Development review and building permit fees were originally included in Phase II but were decoupled from the 2018 update.

Due to the concern in the development and building community around fee changes, Council asked for a fee working group to be created to foster a better understanding of fees prior to discussing further fee updates. In August of 2017, the Fee Working Group commenced comprised of a balanced group of stakeholders – citizens, business-oriented individuals, City staff and a Council liaison. The Fee Working Group met 14 times and was overall supportive of the fee coordination process and proposed fee updates.

The 2019 phase III update includes Electric Capacity fees, Water Supply Requirement fees, Wet Utility Plan Investment Fees and Step III of the 2017 Capital Expansion Fees. After the 2019 fee update, fee phasing will be complete with regular two and four-year cadence updates beginning in 2021.

Development Review Fees were initially planned to be part of the 2019 update but have been decoupled and will come forward at a later date. The 2019 Fee Working Group is focused on Development Review fees only and has met three times as of mid-August. The 2019 Fee Working Group consists of a balanced group of stakeholders – citizens, business-oriented individuals and City staff.

2019 Utility Fee Updates

The proposed changes to Utility Fees for a single-family, residential home include a 1.7% increase to the Electric Capacity Fee (ECF) and increases to the three Wet Utility Fees ranging between 1.5% and 6.7%. The Water Plant Investment Fee (PIF) is proposed to increase 6.7%, the Wastewater PIF is proposed to increase 1.5% and the Stormwater PIF is proposed to increase 3.3% from current fee levels.

The chart below summarizes the proposed Utility Fees for a single-family home, assuming an 8,600 square foot lot and 4 bedrooms:

Utility Fee	Current Charge	2020 Charge	\$ Change	% Change
Electric Capacity Fee	\$1,537	\$1,563	\$ 26	1.7%
Water PIF	\$ 3,826	\$ 4,084	\$ 258	6.7%
Wastewater PIF	\$ 3,537	\$ 3,590	\$ 53	1.5%
Stormwater PIF	\$ 1,548	\$ 1,600	\$ 52	3.3%
Water Supply Requirement	\$11,160	\$13,838	\$ 2,678	24.0%

2019 Capital Expansion Fee Updates

The chart below shows the current and proposed fee updates for CEFs:

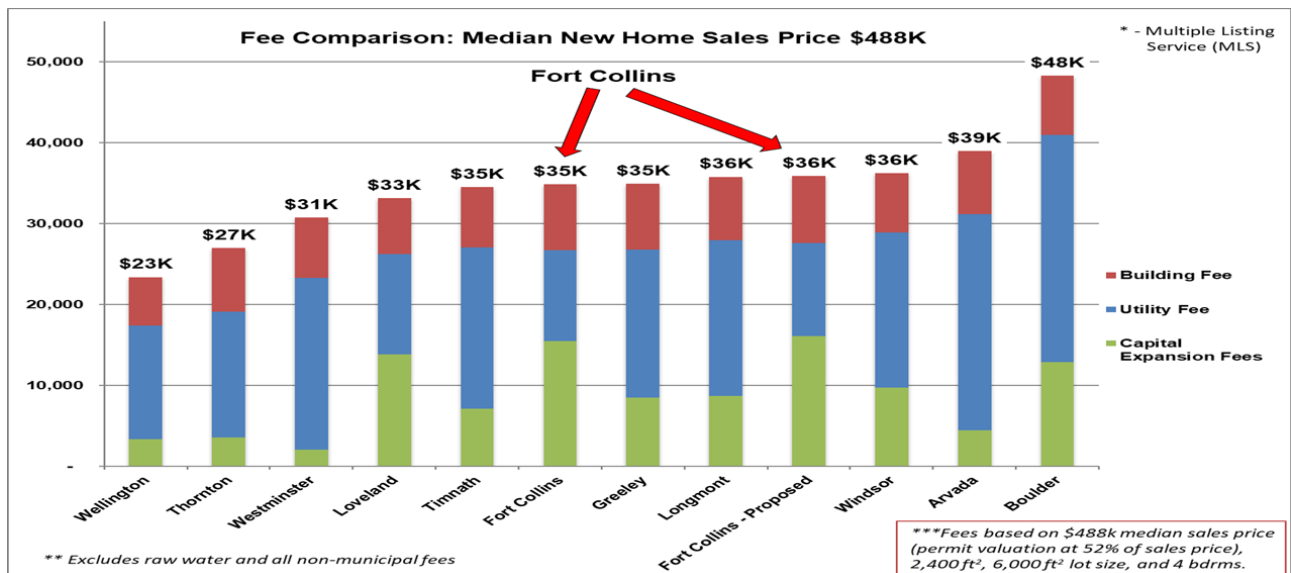
Step III - Full fees proposed in 2017

Land Use Type	Unit	N'hood Park	Comm. Park	Fire	Police	Gen. Gov't	Current Total	Step III Total w Inflation	% Increase w Inflation
Residential, up to 700 sq. ft.	Dwelling	\$1,721	\$2,430	\$421	\$236	\$574	\$5,152	\$5,724	11%
Residential, 701-1,200 sq. ft.	Dwelling	\$2,304	\$3,253	\$570	\$319	\$774	\$6,911	\$7,679	11%
Residential, 1,201-1,700 sq. ft.	Dwelling	\$2,516	\$3,552	\$620	\$347	\$845	\$7,543	\$8,381	11%
Residential, 1,701-2,200 sq. ft.	Dwelling	\$2,542	\$3,589	\$630	\$352	\$858	\$7,630	\$8,478	11%
Residential, over 2,200 sq. ft.	Dwelling	\$2,833	\$4,001	\$701	\$392	\$955	\$8,502	\$9,447	11%
Commercial	1,000 sq. ft.	0	0	\$531	\$297	\$1,451	\$2,182	\$2,424	11%
Office and Other Services		0	0	\$531	\$297	\$1,451	\$2,182	\$2,424	11%
Industrial/Warehouse	1,000 sq. ft.	0	0	\$124	\$69	\$342	\$512	\$569	11%

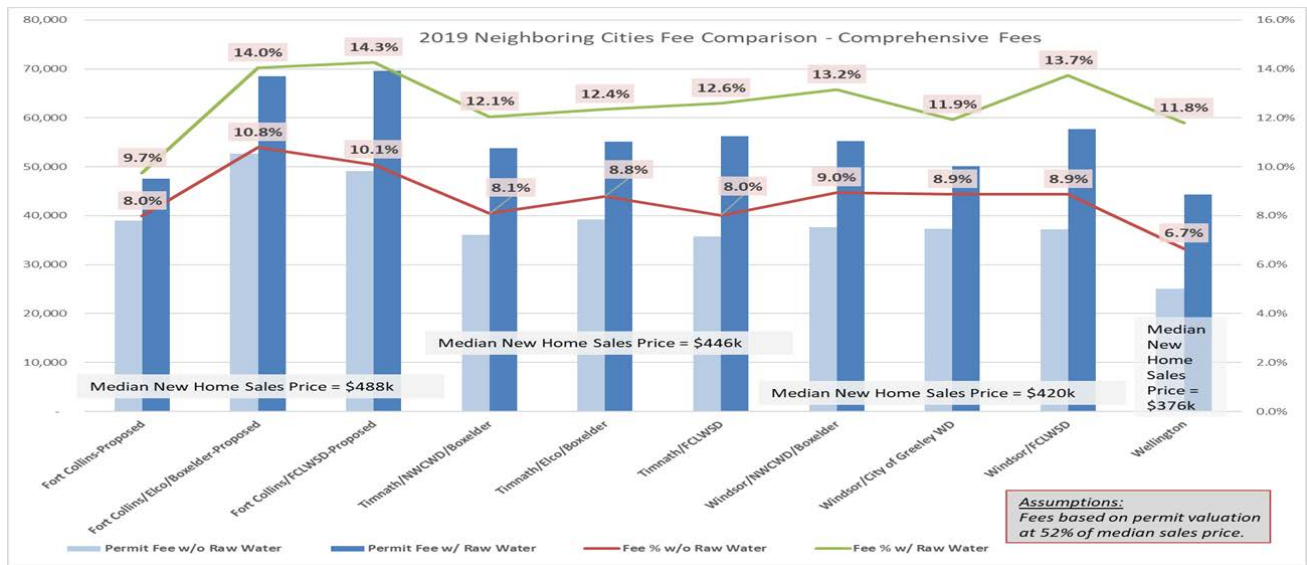
Step III fees are an 11% increase from current fee levels (Step II). CEF fee increases are 100% of full fee levels recommended in 2017. The CPI-U index for Denver-Aurora-Lakewood is used for CEF inflation (1.3% in 2019).

Comparison Charts

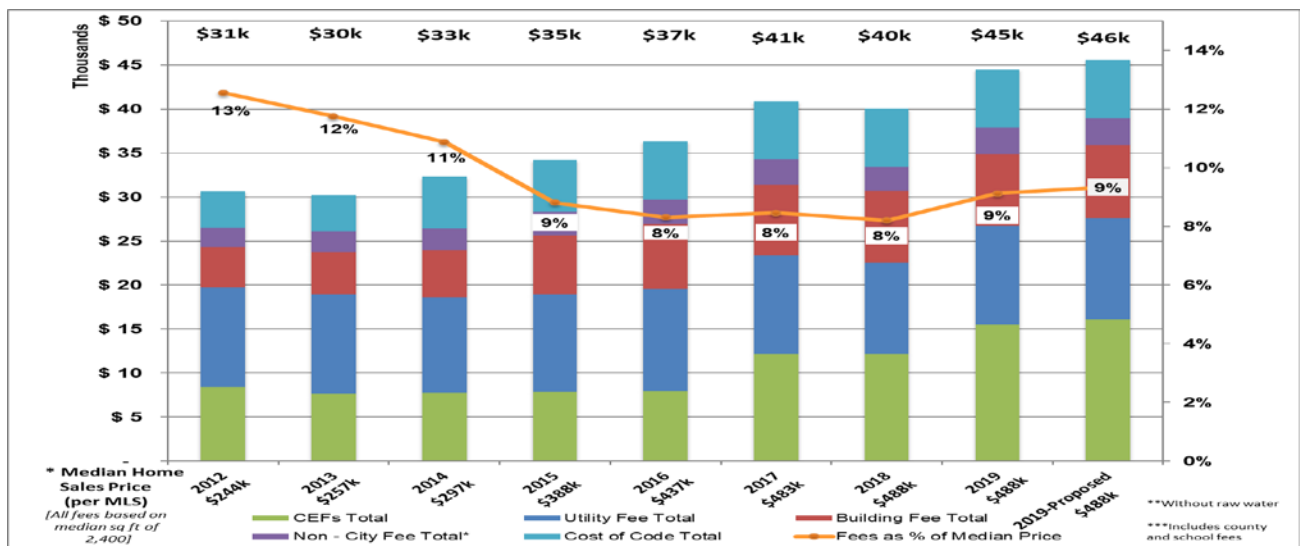
Fort Collins proposed fees are in the upper-middle of the pack:



The following chart shows neighboring cities across water districts with and without raw water. Fort Collins fees are in line with neighboring cities:



Fort Collins fees and the cost of code is leveling as a percentage of median new home sales price:



Community Outreach

In an effort towards better communication, outreach and notification of impact fee changes, staff met with 9 organizations across the City in the summer of 2019.

Organization	Staff	Status
Affordable Housing Board	All	Complete
Building Review Board	All	Complete
Economic Advisory Commission	All	Complete
Fort Collins Board of Realtors	All	Complete
Local Legislative Affairs Committee	All	Complete
Northern Colorado Homebuilder's Association	All	Complete
Super Issues Forum	All	Complete
Energy Board	Utilities	Complete
Water Board	Utilities	Complete
Downtown Development Authority	Dev. Review	<i>On Hold</i>
Housing Catalyst	Dev. Review	<i>On Hold</i>
North Fort Collins Business Association	Dev. Review	<i>On Hold</i>
Planning & Zoning Board	Dev. Review	<i>On Hold</i>
South Fort Collins Business Association	Dev. Review	<i>On Hold</i>

Overall, organizations were supportive of the approach and cadence. There was acknowledgement that regular fee updates are necessary.

Staff also heard:

- Support for fee group recommendations
- Concerns about attainable housing - it may be less desirable to live here
- Policy questions on development standards going forward, having alignment on total cost including operations and maintenance

Below is the 2019 fee roadmap:

	March	May	June/July	August	October	1/1/2020
Capital Expansion Fees		CFC	Outreach	CFC	Council	Effective
Transportation CEFs						
Electric Capacity Fees		CFC	Outreach	CFC	Council	Effective
Water Supply Requirement		CFC	Outreach	CFC	Council	Effective
Wet Utility Fees		CFC	Outreach	CFC	Council	Effective
Development Review Fees	CFC		Working Group	Working Group		

ATTACHMENTS

1. PowerPoint Presentation – 2019 Fee Updates
2. EAC Capital Expansion Fees Memo Final



- **Fee Scope & Timeline**
- **2019 Fee Updates**
 - **Utility Fees**
 - **Capital Expansion Fees - Step III**
- **Comparison Charts**
- **Feedback & Next Steps**



Objective:

- Review fee updates together to provide a holistic view of the total cost impact
- Bring impact fees forward per a defined cadence..... 2 - 4 years

Type of Fee	Fee Name
Capital Expansion	Neighborhood Park
Capital Expansion	Community Park
Capital Expansion	Fire
Capital Expansion	Police
Capital Expansion	General Government
Capital Expansion	Transportation
Utility	Water Supply Requirement
Utility	Electric Capacity
Utility	Sewer Plant Investment
Utility	Stormwater Plant Investment
Utility	Water Plant Investment
Building Development	Development Review, Building Permit & Engineering Fees

	Phase 1		Phase 2		Phase 3	
	2016	2017	2018	2019	2020	2021
Capital Expansion Fees		Update	Step II	Step III		Update
Transportation CEFs		Update	Step II			Update
Electric Capacity Fees		Update		Update		Update
Water Supply Requirement		Update		Update		Update
Wet Utility Fees			Update	Update		Update
Development Review Fees				Update		Update
Fee Working Group		Active	Active	Active		

Detailed fee studies:

- 4 years for CEF, TCEFs & Development fees
- 2 years for Utility fees

In years without updates, an annual inflation adjustment occurs

2019 Fee Group – Development Review fees only

- Three meetings as of mid-August
- Decoupled from 2019 fee update
- Plan to bring forward updates once finalized

- Assumes residential, single-family home with an 8,600 square feet lot and 4 bedrooms

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Stormwater PIF	\$ 1,548	\$ 1,600	\$ 52	3.3%
Water Supply Requirement*	\$11,160	\$13,838	\$ 2,678	24.0%

*Charges for going over annual water allotment are tied to increase in Water Supply Requirement

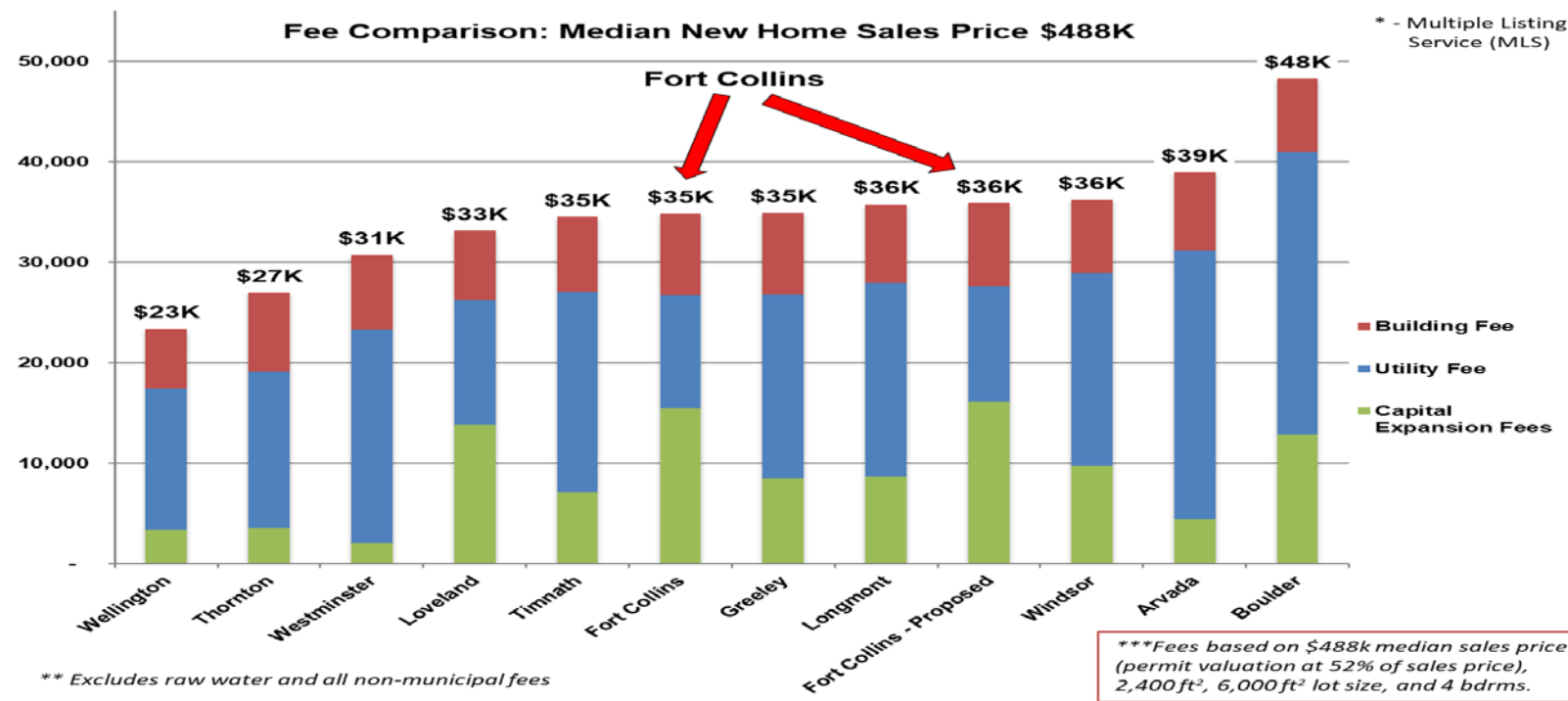
Capital Expansion Fees Step III

Step III - Full fees proposed in 2017

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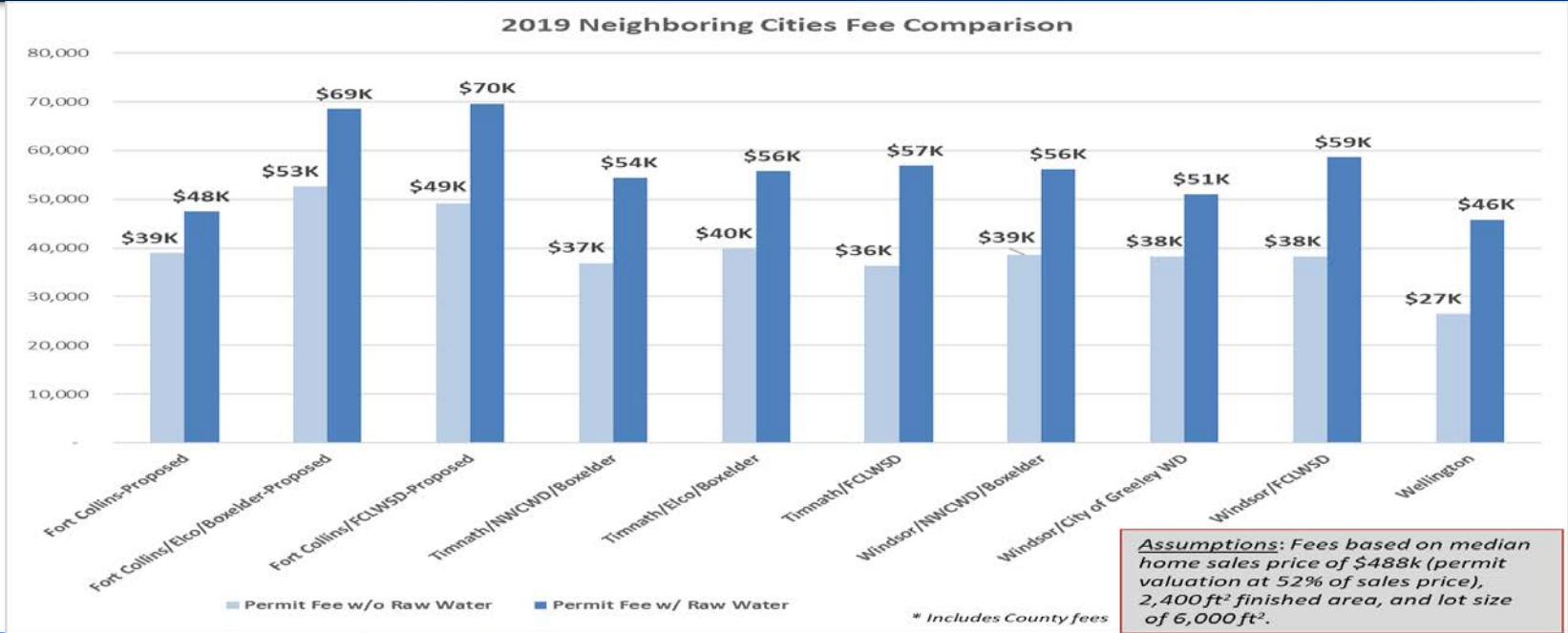
- Step III fees are an 11% increase from current fee levels (Step II)
- CEF fee increases are 100% of full fee levels recommended in 2017
- 1.3% Inflation - CPI-U index for Denver-Aurora-Lakewood

Fee Comparison: For Median New Home Sales Price \$488K*



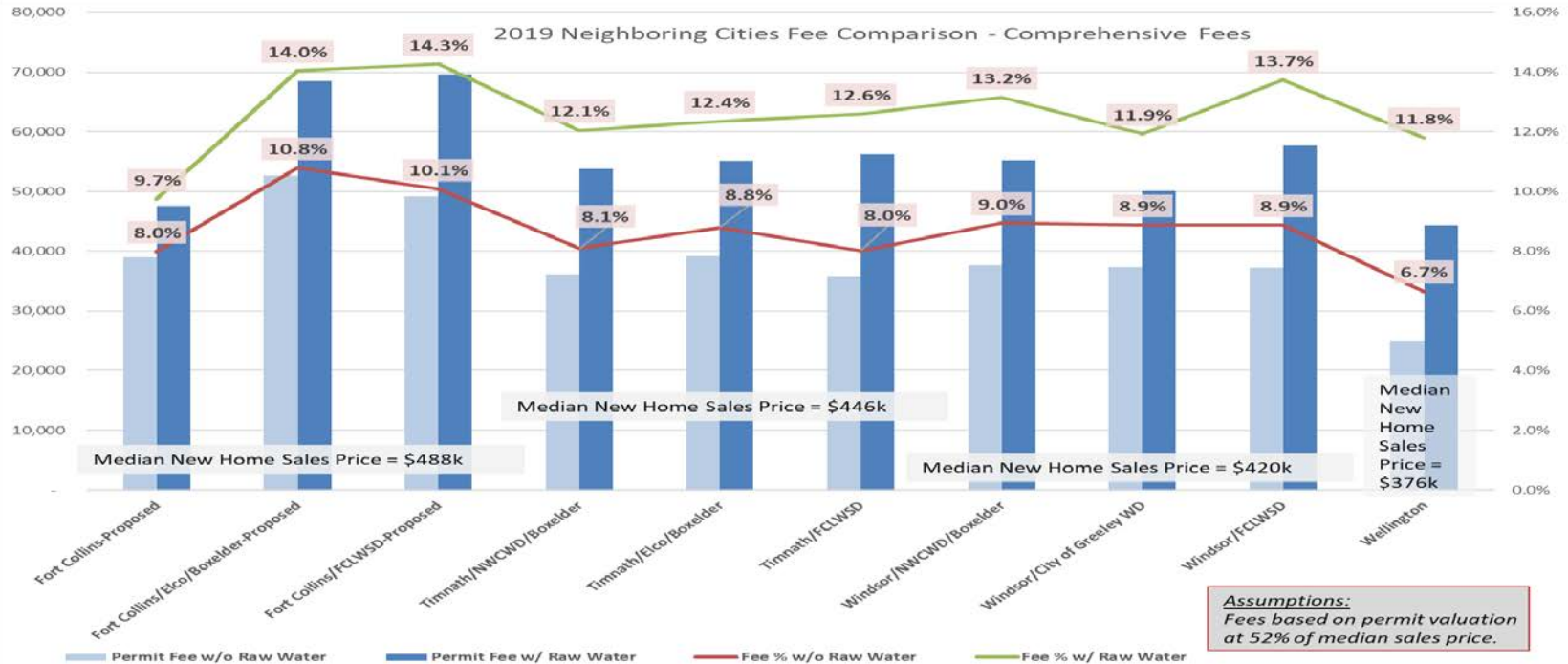
Fort Collins Proposed Fees in the Upper-Middle of the Pack

Neighboring Cities Fee Comparison



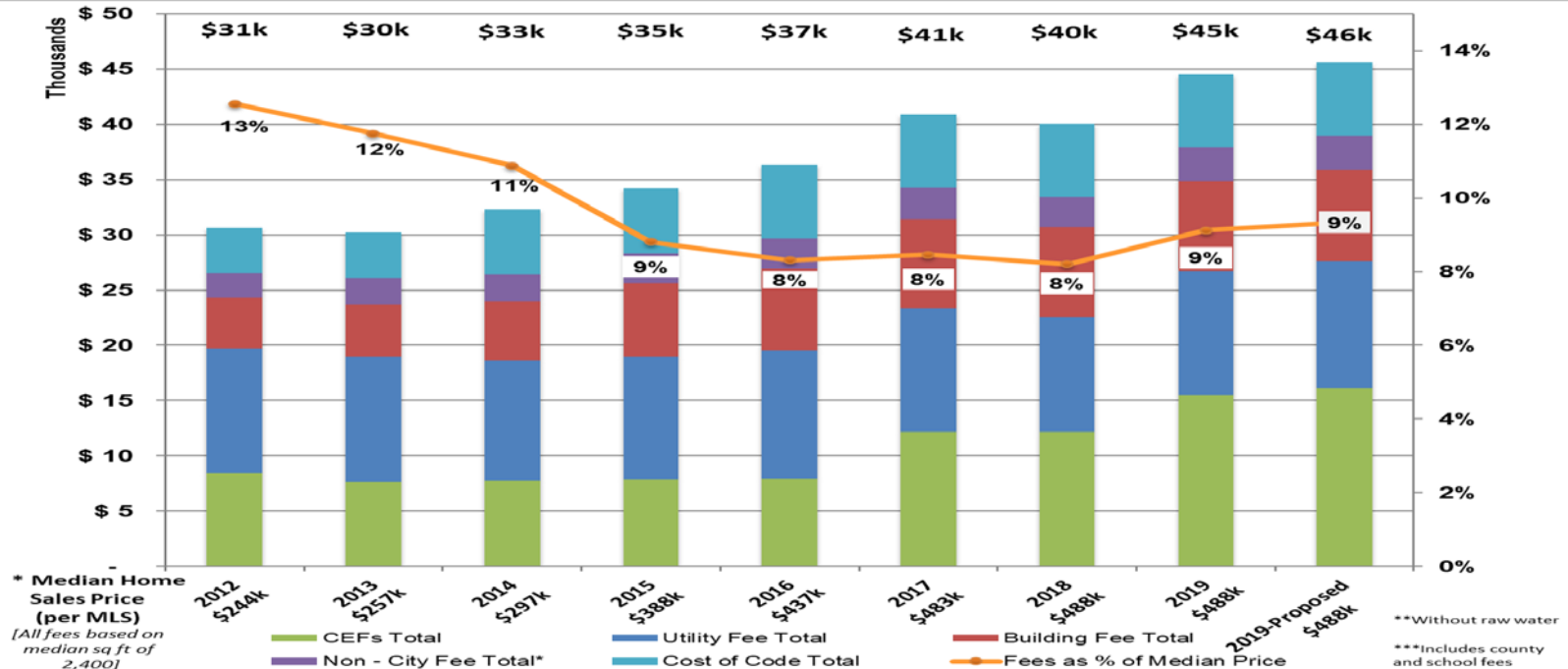
Deeper Dive with Local Builders to Compare Fees Across Water Districts With and Without Raw Water

Neighboring Cities New Median Sales Comparison with Fees



Fort Collins Fees are Inline with Neighboring Cities

Fort Collins Fee Stack Median New Home Sales



**Fort Collins Fees & Code Cost Impact is Leveling %
of Median New Home Sales Price**

Organization	Staff	Status
Affordable Housing Board	All	Complete
Building Review Board	All	Complete
Economic Advisory Commission	All	Complete
Fort Collins Board of Realtors	All	Complete
Local Legislative Affairs Committee	All	Complete
Northern Colorado Homebuilder's Association	All	Complete
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Planning & Zoning Board	Dev. Review	<i>On Hold</i>
South Fort Collins Business Association	Dev. Review	<i>On Hold</i>

Overall supportive of approach and cadence

We also heard:

- Acknowledgement that regular fee updates are necessary
- Supportive of fee group recommendations
- Concerns about attainable housing - it may be less desirable to live here
- Policy questions - development standards going forward, alignment on total cost (including operations and maintenance)

	March	May	June/July	August	October	1/1/2020
Capital Expansion Fees		CFC	Outreach	CFC	Council	Effective
Transportation CEFs						
Electric Capacity Fees		CFC	Outreach	CFC	Council	Effective
Water Supply Requirement		CFC	Outreach	CFC	Council	Effective
Wet Utility Fees		CFC	Outreach	CFC	Council	Effective
Development Review Fees	CFC		Working Group	Working Group		

- All fee categories initially planed to update in 2019 except for Transportation CEFs
- Phasing complete after 2019 with regular two and four-year cadence beginning in 2021
- Development Review Fee Working Group underway

Proposed Next Steps

- October 8th: Council Work Session
- November 5th & 19th: Ordinance readings subject to Council direction
- 2021 updates effective January 2022

Backup

WATER Plant Investment Fees

Customer Class	Criteria	Current Charge	2020 Charge	\$ Change	% Change
Single Family	8,600 sq ft	3,826	4,084	\$ 258	6.7%
Duplex & Multi-family	3,435 sq ft	1,423	1,546	\$ 123	8.6%
Commercial					
	<u>Meter Size</u>				
	3/4" by tap size	7,930	8,790	\$ 860	10.8%
	1" by tap size	20,960	23,060	\$ 2,100	10.0%
	1 1/2" by tap size	43,510	45,610	\$ 2,100	4.8%
	2" by tap size	72,450	78,820	\$ 6,370	8.8%

Wastewater Plant Investment Fees

Customer Class	2018 Volume GPD	2020 Volume GPD	Change in Volume GPD	Proposed PIF \$	% Change
Single family residential	230	229	-0.4%	3,590	1.5%
Duplex and Multi-family	170	165	-2.9%	2,590	0.1%
Commercial					
Meter Size - inches					
3/4	490	492	0.4%	7,710	2.6%
1	1,080	1,096	1.5%	17,190	3.8%
1.5	2,070	2,063	-0.3%	32,350	2.0%
2	4,300	4,281	-0.4%	67,120	2.0%

Stormwater Plant Investment Fee					
Rate Class		2019	2020	\$ Change	% Change
Residential	Gross Area Developed (sq ft)	8,600	8,600		
	Common Area Allocation (sq ft)	6,156	6,156		
	Base Rate (per acre*)	\$9,142	\$9,447		
	Runoff Coefficient	0.5	0.5		
	Total Fee	\$1,548	\$1,600	\$52	3.3%
Commercial	Gross Area Developed (sq ft)	43,560	43,560		
	Base Rate (per acre*)	\$9,142	\$9,447		
	Runoff Coefficient	0.8	0.8		
	Total Fee	\$7,314	\$7,558	\$244	3.3%

**COUNCIL FINANCE COMMITTEE
AGENDA ITEM SUMMARY**

Staff:

Mike Beckstead

Date: August 19, 2019

SUBJECT FOR DISCUSSION

2019 Revenue Priorities

EXECUTIVE SUMMARY

Financial Services coordinates updates to existing council approved fees to provide council and the community a holistic understanding of the cost impact of these changes. Consistent with that focus, staff has assembled the current discussions occurring around needed revenue sources to facilitate a high-level discussion of the organization's revenue needs and priorities.

GENERAL DIRECTION SOUGHT AND SPECIFIC QUESTIONS TO BE ANSWERED

1. Does Council Finance Committee have any concerns with the revenue opportunities under discussion?
2. Feedback and thoughts on prioritization?

BACKGROUND/DISCUSSION

See attached PowerPoint Presentation

ATTACHMENTS

1. PowerPoint Presentation – CFC 2019-08-19 Revenue Priorities



- **Potential New Revenue Across the City**
- **Prioritization & Next Steps**



Potential New Revenue:

- Transit Revenue
- Stormwater Inspection Fee
- Affordable Housing Impact Fee
- Parks & Trails Asset Mgt. Program
- Community Park Refresh

Status:

Assessing per Transit Plan
In Development
Find \$, Conduct Study
Master Plan in process
Master Plan in process

- 1. Does CFC have any concerns with the revenue opportunities under discussion?**
- 2. Feedback/thoughts on prioritization?**

Back-Up

Description

- \$300M Capital Improvements over next 20 years
- \$30M estimate in ongoing operations costs by 2040
 - Current cost \$20M annually

Potential revenue sources

- 80% federal match (not guaranteed) to support capital investments - \$240M
- ¼ cent sales tax for ongoing operations - \$8M annually
- Larimer County tax proceeds - \$3-5M annually
- Utility Fee?
- Other funding sources to be identified



Stormwater Water Quality Inspection Fee

Why needed/why now

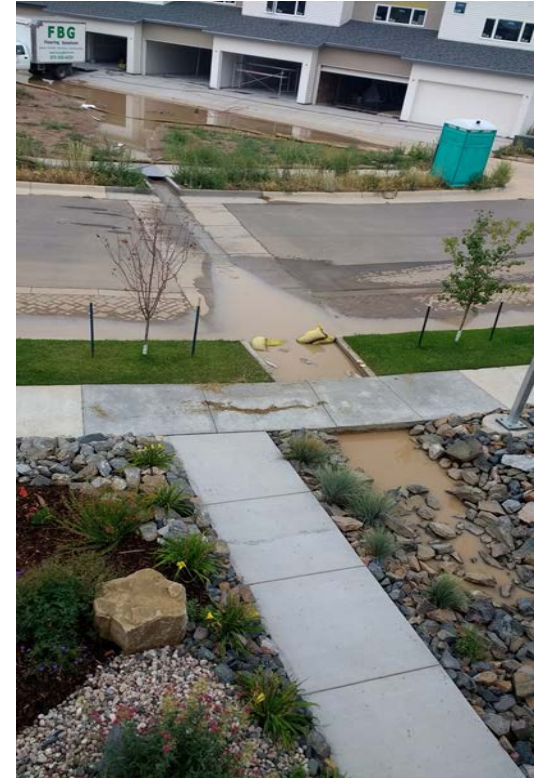
- Current costs paid by Stormwater rate payers
- “User Pay” approach
- Significant growth: 54 projects in 2012 to 150 today

Description

- Fee designed to recover inspection costs from development
- Fee would be collected from developers

Revenue estimate of \$70,000-\$80,000 annually

- Based on average number of sites added/year (34)
- 90% of new construction sites have 25 or less home lots
- Fees would range from \$700 to \$3000
 - Single home = \$700 fee
 - 10-acre site = \$2267.25 fee



Why needed/why now

- To meet affordable housing goals – 10%

Description

- Fund construction and renovation of Affordable Housing
- Hybrid Commercial/and or Residential Linkage Fee

Revenue gap estimated at \$5M to 6M annually

- \$8M annually to achieve City's affordable housing goals
 - Offset by Affordable Housing Capital Fund with \$400k in 2020 and \$500k until 2025; and
 - Competitive process funding between \$1.5 and \$3M
- Update Nexus Study (\$60k - \$75k) needed to determine the right type of fee and estimated yield
 - Explore other mechanisms - fee to only close some of the gap



Why needed/ why now

- 51 parks with an average age of 34 years
- 20 years of \$550k static funding addresses only emergency/immediate need
 - Park acreage grew from 593 to 945 acres
 - 44 miles of hard surface trails with no funding source

Description

- Comprehensive asset management program for aging Parks and Trails infrastructure
- Revenue would renovate or replace current infrastructure that is no longer useable or in safe condition for general public



Why needed/why now

- 4 of 7 community parks in need of refresh
- City Park, Edora, Lee Martinez, and Rolland Moore
- Park refresh needs are ongoing for all community parks

Description

- Update or changes to an existing community park
- Address community needs or recreational trends through repair, alterations, and/or additions while upholding park character
 - Park Refresh Definition (10/30/2018 Council Work Session)



COUNCIL FINANCE COMMITTEE AGENDA ITEM SUMMARY

Staff: Sean Carpenter and Travis Storin

Date: August 19, 2019

SUBJECT FOR DISCUSSION: Epic Homes 15-year Capital Options

EXECUTIVE SUMMARY

This item will provide an update to Council Finance regarding the Epic Homes 15-year capital options and details. Topics include:

- Review of capital recruitment process;
- Importance of 15-year capital in achieving desired program outcomes;
- Overview of proposed national green bank 15-year agreement;
- Banking relationship with the national green bank;
- Interest rate swap information; and
- Analysis of 15-year capital options.

GENERAL DIRECTION SOUGHT AND SPECIFIC QUESTIONS TO BE ANSWERED

- Does the Committee support presentation of the National Green Bank 15-year option to full Council, including the related policy exceptions?

BACKGROUND/DISCUSSION

Fort Collins' innovative Epic Homes portfolio supports several community and City Council priorities, including ambitious goals around energy efficiency and renewables, reduced greenhouse gas emissions and increased equity and wellbeing of all residents. Meeting these objectives will require, among other activities, greater numbers of property owners to undertake comprehensive efficiency improvements in the coming years, particularly for older, less-efficient rental properties which make up a large percentage of the City's housing stock. An ongoing and attractive financing structure to support energy efficiency retrofits will be a critical element for success moving forward.

On-Bill Financing (OBF) 1.0 (also known as the Home Efficiency Loan Program or HELP) operated successfully from 2013 through 2016 when the encumbered funds reached the maximum outstanding loan balance of \$1.6M. At that time, Elevations Credit Union was selected through an RFP process to continue HELP for energy loan financing. Utilities staff qualify efficiency projects based on rebate measures in the Efficiency Works Home program; however, the loan origination and servicing are independent of Utilities. With the implementation of Epic Loans, Elevations loans will continue to be an option for interested customers.

Epic Loans began in August 2018 during the Champions Phase of the *Bloomberg Mayors Challenge*, using the \$100,000 award from the Champions Phase and a \$200,000 grant from the Colorado Energy Office (CEO) to revitalize on-bill financing. Fort Collins is among nine winning cities for the Mayors Challenge, each receiving \$1M to implement their winning idea.

Leveraging external capital is critical to achieving the long-term “revolving loan” vision of Epic Loans and offers a continuing source of funds to meet increasing customer demand for energy efficiency financing. Epic Loans is designed to balance the programmatic objectives and financial requirements of the City, while also meeting the needs and expectations of capital providers and Utilities customers.

Council Finance Meetings Review

Staff presented to Council Finance in November 2018 regarding the program background and issuing an RFP for third-party capital sources. The City issued RFP #8842 in December 2018 and staff pursued conversations and negotiations with respondents and other potential capital providers.

Staff presented to Council Finance in May 2019 regarding the potential capital sources and next steps for bringing capital agreements to Council. Staff have continued negotiations with potential capital providers (including a locally managed national bank, a regional bank, Colorado Clean Energy Fund, and the CEO) and received Legal and Purchasing review of draft contracts.

Staff presented to Council Finance in July 2019 regarding capital agreement terms. Staff was directed to bring two of the three capital sources to full Council for consideration. Staff was also directed to provide additional information on interest rate swaps and 15-year capital to Council Finance.

Importance of 15-year Capital

During prototyping for the Bloomberg Mayors Challenge competition, rental property owners reported that no-money-down, affordable monthly payments are critical considerations, in particular for owners with multiple units. OBF 1.0 (also known as HELP) proved these factors are also important for owner-occupied properties, where many homeowners preferred longer term loans which often allow for more comprehensive projects and /or solar installations with affordable monthly payments. In 2016, Fort Collins Utilities implemented the Efficiency Works Neighborhood pilot, with nearly 60 long term loans issued totaling over \$750,000. An additional \$1.5M in 15-year capital for Epic Loans would support approximately 120 similar projects.

Throughout the on-bill financing history (2013-2016 and 2018-2019), 50% of customers have used longer loan terms to reduce monthly payments and / or undertake more comprehensive energy efficiency projects (Table 1). As a result, the longer-termed loans account for a larger percentage of the on-bill loan portfolio value, at 60%. Longer term loans are generally used for bigger, more comprehensive projects that can generate increased benefits for the people who live in and / or own those homes, as well as positively impacting overall City goals.

Table 1. Summary of On-Bill Financed Projects by Loan Term

Loan Terms	3 & 5 year	7 & 10 year	15 (& 20) year	Total
Projects Using OBF by Term	38	65	95	198
Percentage of Total	19%	33%	48%	100%

In order to keep monthly payments low and make energy retrofit projects attractive, longer loan terms are required. The average on-bill long-term loan amount is \$13,000, with monthly payments of \$101. Heating, ventilation and cooling (HVAC) projects are an example of higher cost projects where longer loan terms are more attractive. The average HVAC project loan in Epic Loans is \$14,000. With a 10-year loan, the monthly payment is \$143; however, with a 15-year loan, the monthly payment is \$109, a 30% lower monthly payment that is much more attractive and feasible. These attractive monthly payments are critical for overcoming cost barriers for home and rental property owners considering energy upgrades.

National Green Bank Overview

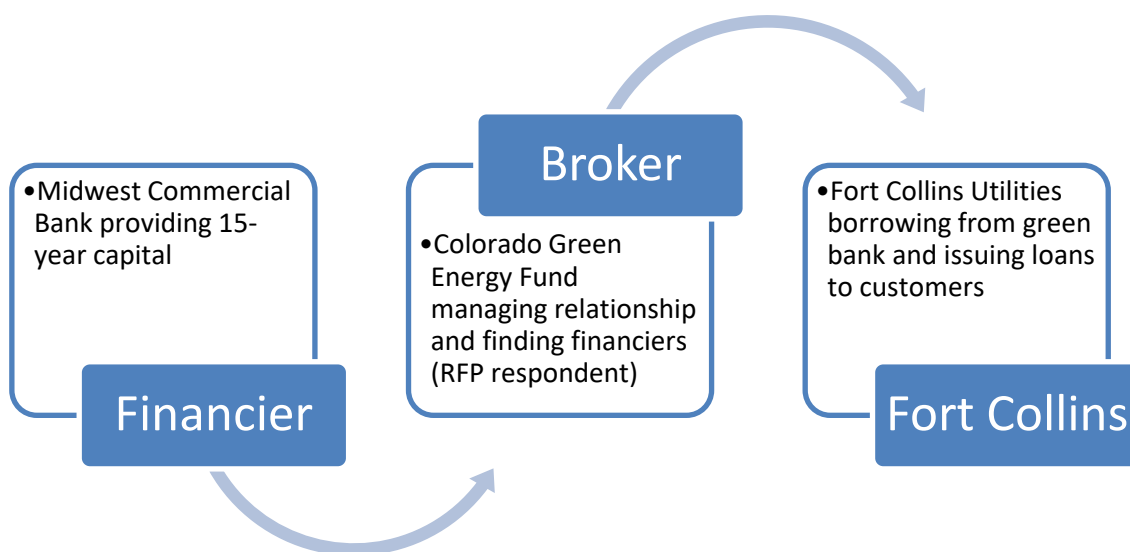
Staff has been in discussions with a national green bank to negotiate 15-year loan terms, which were presented and discussed at the July 15, 2019 Council Finance meeting. The terms include:

- Amount: Up to \$2,500,000 (staff expects to only draw \$1,500,000)
- Length: 15-years inclusive of draw period
- Draw period: Up to 2 years with quarterly draws based on customer loans
- Variable rate: Wall Street Journal Prime + 0.25% (currently 5.50%)
- Collateral: City will deposit 50% of drawn amount into interest bearing account from L&P Reserves (staff expects \$750,000 deposit)
- Pre-pay: City may pre-pay in whole or in part at any time and without penalty
- Repayment position: Senior pledge on customer loan repayments and second position on Electric Utility revenues, after the more senior pledge held by revenue bondholders

Banking Relationship

Staff issued RFP #8842 in December 2018, to which the Colorado Green Energy Fund was one of two respondents. The Colorado Green Energy Fund has found and managed the relationship with a financier willing to provide 15-year terms (Figure 1). If this option is selected, Fort Collins Utilities would borrow from the Colorado Green Energy Fund.

Figure 1. Banking Relationship with the Colorado Green Energy Fund and Commercial Bank



Policy Interactions

The national green bank agreement has two interactions with Financial Policy #7 - Debt.

The first interaction is the required 50% collateral, or credit enhancement. Staff assesses an appropriate use of a credit enhancement via the collateral pledge.

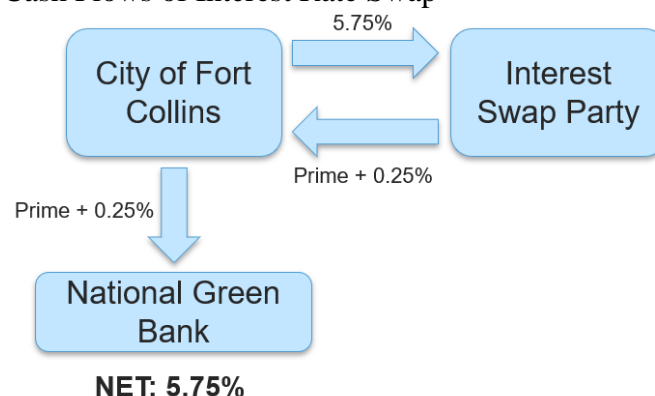
The second interaction is the variable rate and/or derivative swap instrument. The proposed lender is offering a variable interest rate for the loan duration. Staff has attempted to negotiate rate lock-in rights during the draw period, but the lender has been unable to flex. An alternative is to use an interest rate swap, which would qualify as a derivative instrument and is covered by policy as an instrument the City should avoid. Staff assesses a “plain vanilla” interest swap is a feasible solution, although it carries a cost premium, but it would effectively “lock in” a fixed rate on the 15-year note if City is unwilling to accept variable rate risk.

Interest Rate Swap

Interest rate swaps are a common financial instrument, used by a wide variety of businesses to manage their debt service payments in a manner that best suits their particular organizational needs. For some entities, variable rates are preferred; for others, fixed rate obligations are best. In this option, the City would negotiate with another party (who prefers a variable rate interest obligation) and the City would exchange the variable rate obligation under the proposed loan with the national green bank for the swap party’s fixed rate instrument (Figure 2), using well established markets / providers for these types of financial transactions. At the time of the swap the transaction is cost neutral to both parties. The swap would be based on the notional principal, and only the netted difference between fixed and variable interest rate amounts is paid. The interest swap party would also agree to a settlement cadence.

The City can reasonably expect to pay up to 25 basis points to a swap dealer to handle the swap transaction. As of August 13, 2019, the fixed interest swap rate was quoted at 4.75% versus our current floating rate of 5.50% (these rates are subject to change).

Figure 2. Example of Cash Flows of Interest Rate Swap



All rates are theoretical and not indicative of potential market

Analysis of 15-year Capital Options

If further discussion of 15-year capital options is desired, staff has identified the following three options:

1. Pursue an agreement with the national green bank for up to \$2.5M (\$1.5M expected) with the required 50% deposit, and use an interest rate swap to stabilize variable rates (This is the staff recommendation, outlined above.)
2. Lower the capital stack by \$1.5M, and reconfigure capital stack allocation for 15-year funding from existing grant and low-cost sources
3. Explore the use of L&P Reserves for \$1.5M during the next CIP / LTTP, in addition to the current \$1.6M that is currently deployed or has been repaid

To provide sufficient financing for the expected number of projects, the short-term (3-4 year) capital goal is \$7M to \$8M. This assumes \$1.5M to \$2M annually in energy efficiency project financing. As staff has outlined, sufficient 15-year capital is critical to the success of the overall program.

Option 2: Lower the Capital Stack by \$1.5M

There are currently other sources of limited 15-year capital, which include:

- Up to \$1M low-cost loan from CEO dedicated to 15-year projects (to be presented to Council on September 3, 2019)
- Reconfiguration of the capital stack to allocate up to \$900K from Bloomberg and CEO grant funds, away from 5-year and 10-year projects

Without external or Reserve financing, the full capital stack across all product offerings will support approximately 130 fewer home upgrades for each “cycle” of the loan portfolio (e.g. each time the capital is lent, repaid and therefore available to be re-loaned), or approximately 370 projects versus an estimated 500 projects. In this Option, the capital burn rate would be 1 to 1.5 years faster.

Option 3: Explore Use of L&P Reserves

Currently, \$1.6M of L&P Reserves have been deployed for on-bill financing since 2013, of which more than \$400,000 have been repaid without any losses to date. This Option would explore using an additional \$1.5M of L&P Reserves for 15-year loans during the next CIP / LTTP. The Capital Improvement Plan will be updated in Fall 2019, prior to updating the Strategic Financial Plans for a November 2019 presentation to Council Finance.

Staff Analysis

Staff analysis of the benefits and challenges for each Option is outlined in Table 2. If supported by Council Finance, staff recommends bringing the national green bank agreement to full Council for consideration on October 1, 2019.

Table 2. Analysis of 15-year Capital Options

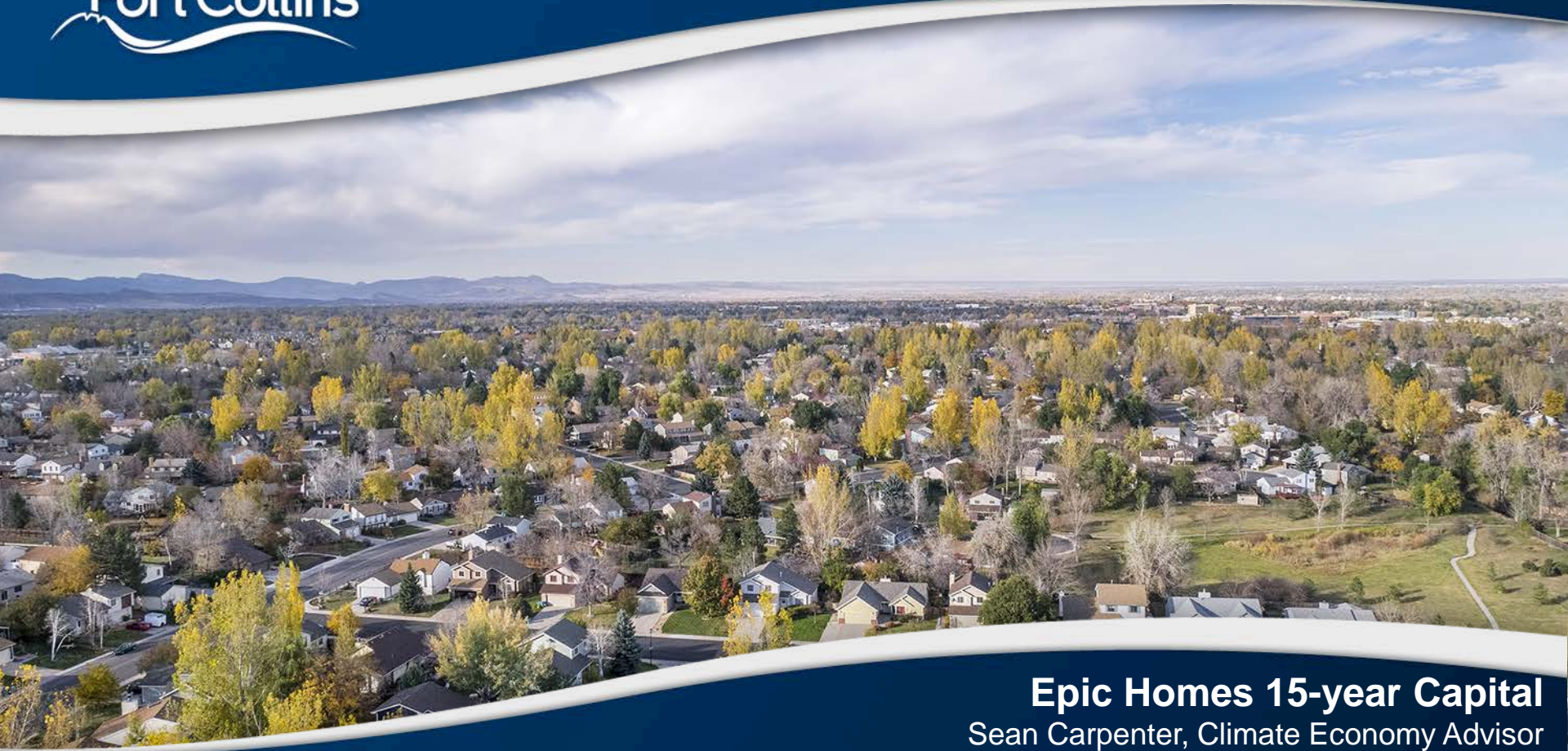
Option	Benefits	Challenges
Option 1: National Green Bank (staff recommendation)	<ul style="list-style-type: none"> • Provides sufficient funding for expected 15-year projects • Scalable for the long-term, and replicable for other cities • Only market capital provider willing to provide 15-year terms, all other market capital providers will not go over 10-year terms 	<ul style="list-style-type: none"> • Requires a 50% deposit into an interest-bearing account from L&P Reserves • Requires a policy exception to use an interest rate swap • Contingent on other low-cost capital sources to provide an attractive rate for customers
Option 2: Lower Capital Stack		<ul style="list-style-type: none"> • Will support fewer 15-year projects • Requires no or low-cost funding for future program implementation • Reallocates low-cost capital from 5-year and 10-year loans for blending to create attractive customer rates
Option 3: Light & Power Reserves	<ul style="list-style-type: none"> • Provides easy access to low-cost capital 	<ul style="list-style-type: none"> • All Reserves are already included in the current CIP/LTFP • Impacts the opportunity costs of other important Utilities needs • Not scalable for long-term, or replicable for other cities

Next Steps

Staff seeks approval from Council Finance to proceed for City Council consideration of the national green bank 15-year agreement. If supported, staff is tentatively scheduled to present the selected 15-year capital option to full Council on October 1, 2019.

ATTACHMENTS

Attachment 1: Epic Homes 15-year Capital, August 19, 2019



Epic Homes 15-year Capital

Sean Carpenter, Climate Economy Advisor

Travis Storin, Accounting Director

- Importance of 15-year capital
- Review National Green Bank 15-year capital option
- Interest rate swap information

November 2018, May 2019 and July 2019 Finance Committee

- Reviewed history of On Bill Finance / Bloomberg Mayors Challenge / Epic Homes
- Reviewed short term (3-4 year) and long term (5+ year) capital objectives
- Approved staff to negotiate draft agreements with potential capital providers
- Finance Committee in-depth review of drafted terms
- Approval for presentation to City Council for consideration of 2 of 3 agreements

August 2019 Finance Committee

- Discussion of National Green Bank 15-year capital option; if approved by Council Finance, staff to present to full City Council for consideration
- Review of interest rate swap and policy exception

Amount: Up to \$2,500,000 (\$1,500,000 expected)

Length: 15-years inclusive of draw period

Draw period: Up to 2 years with quarterly draws based on customer loans

Variable Rate: Wall Street Journal Prime + 0.25% (currently 5.50%)

Collateral: City will deposit 50% of drawn amount from L&P Reserves into interest bearing account (\$750,000 expected)

- Lender unable to flex on the collateral nor on a fixed rate
- Would drive an exception request to the Council's debt policy
- City may pre-pay in whole or part at any time without penalty

- **Derivative instruments – Swap**

Policy language: Derivative type instruments and terms will be avoided.

Staff analysis: “Plain vanilla” interest swap has a cost premium but effectively locks in fixed rate on the 15-year note if City is unwilling to accept variable rate risk

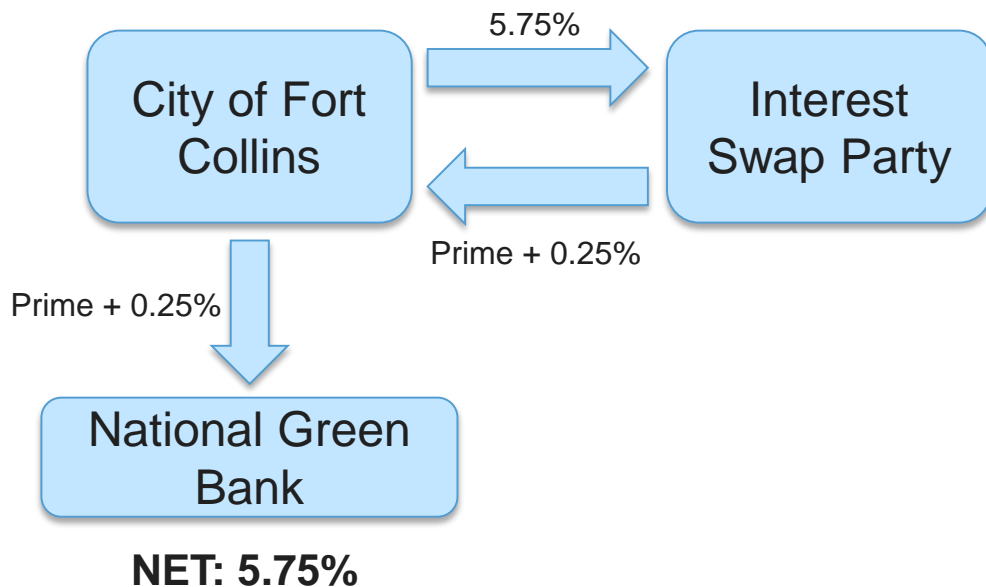
Why 15-year loan terms?

- Long term loans account for:
 - 50% of on-bill loans
 - 60% of on-bill loan dollars
- More comprehensive projects often use longer term loans
- A low monthly payment often makes the difference between making efficiency upgrades or choosing minimum efficiency equipment
 - Average HVAC loan is \$14,000
 - Loan with 15-year term = \$109
 - Loan with 10-year term = \$143
 - 30% lower payment with 15-year term



1. National green bank up to \$2.5M with 50% deposit and interest rate swap (staff recommendation)
2. Lower capital stack by \$1.5M, reconfigure capital stack allocation
3. Explore use of L&P reserves - next CIP / LTFP

Cash Flows of Swap - Example



- Market is “over-the-counter” rather than exchange-traded
- Cost neutral to both counterparties at time swap is executed
- Notional Principal vs. Principal
- Only netted difference between fixed and variable interest amounts paid
- Settlement cadence agreed to with counterparty
- City can expect to pay up to 25bps to swap dealer for transaction
- Current Swap Rate 4.75%* vs. 5.50% floating

15-year Capital Options

Option	Benefits	Challenges
1. National Green Bank	<ul style="list-style-type: none"> • Sufficient funding for expected 15-year projects • Scalable for long-term • Only market capital willing to loan at 15-years 	<ul style="list-style-type: none"> • Requires 50% deposit • Requires policy exception for interest rate swap • Contingent on low-cost capital to be attractive
2. Lower Capital Stack		<ul style="list-style-type: none"> • Fewer loans • Requires free or low-cost money for future versions • Reallocates low-cost capital from 5-year and 10-year loans
3. L&P Reserves	<ul style="list-style-type: none"> • Easy access to low-cost capital 	<ul style="list-style-type: none"> • All reserves are included in current CIP/LTFP • Opportunity costs of other Utility needs • Not scalable for long-term

- Does the Committee support presentation of the National Green Bank 15-year option to full Council, including the related policy exceptions?

Backup Slides

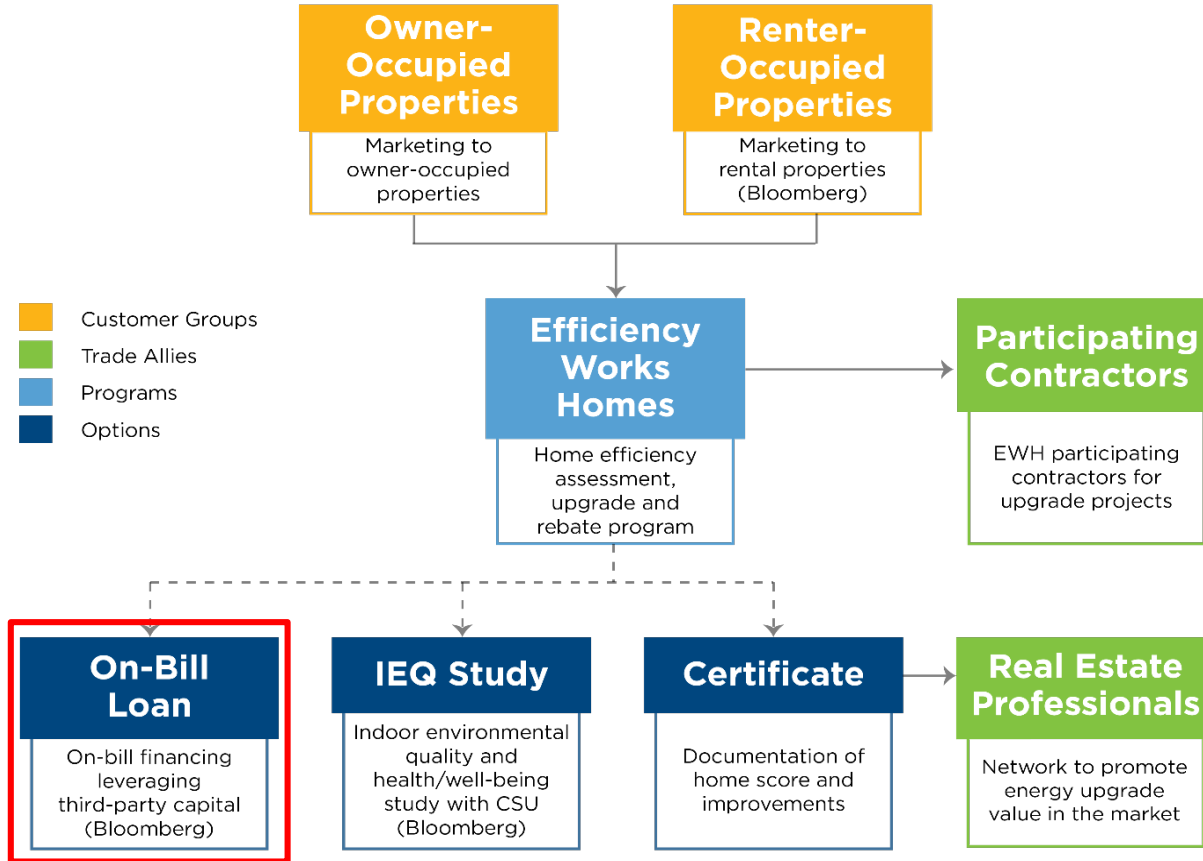


Next steps

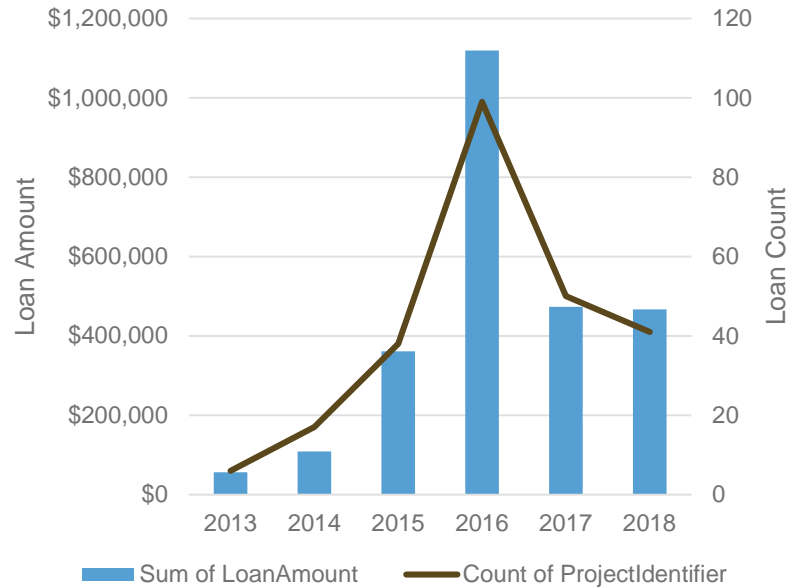
- Proceed to Council 9/3 and 9/17 for readings of two capital sources
- If supported, proceed to Council 10/1 for reading of 15-year capital source
- Develop recurring framework for updated annual cash flow projections and reporting/measurement

Epic Homes

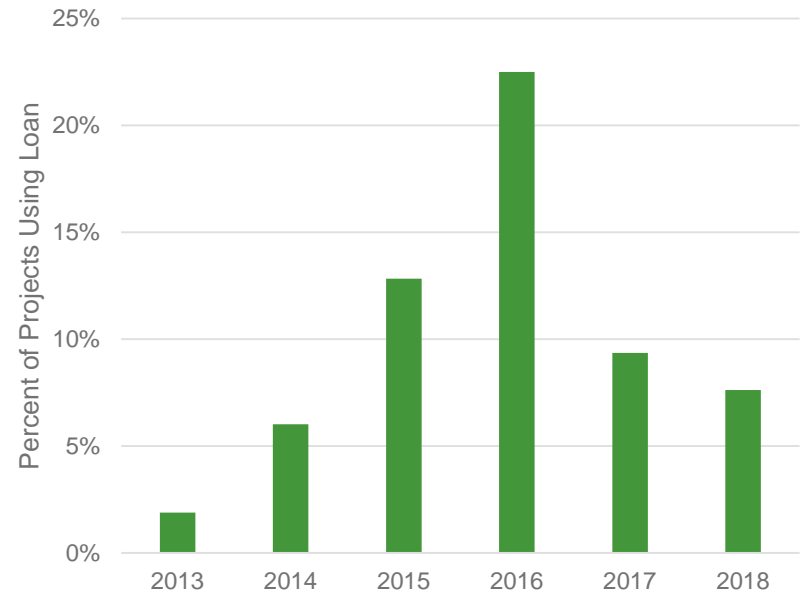
A comprehensive portfolio for single-family home performance



Loan Count & Amounts



Percent of Projects Using Loan

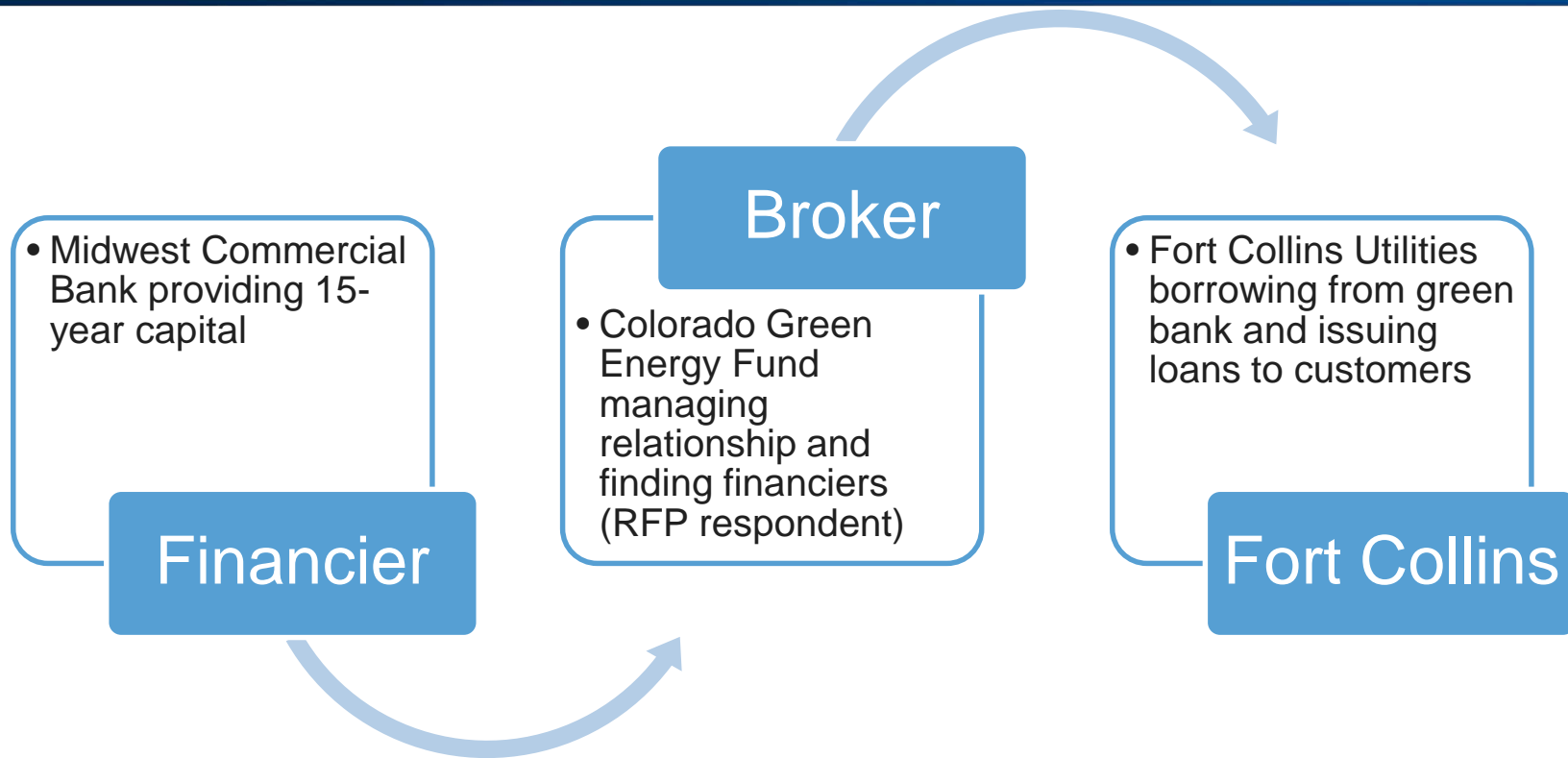


15- and 20-year loans:

- Nearly 60 project loans
- Over \$750,000 project loan dollars
- ~\$13,000 average loan



National Green Bank: Banking Relationship



Summary of Potential Future Capital Stack

Capital Type	Provider	Term	Rate	Amount
Internal & Grant				
	Previously authorized Light & Power reserves	Ongoing	0%	\$1,600,000
	Bloomberg Philanthropies	Grant	0%	\$688,350
	Colorado Energy Office – Grant	Grant	0%	\$200,000
	Internal Subtotal			\$2,488,350
External Market				
	Colorado Energy Office – Loan	15 year	1.25-2.25%	Up to \$1,000,000
	National Commercial Bank	5 & 10 year	3.95% - 4.25%	Up to \$2,500,000
	National Green Bank	15 year	5.50%	Up to \$1,500,000
	External Subtotal			\$5,000,000
Total				\$7,488,350¹⁷

Epic Loan Retail Rates

- Targeting 100 basis point spread to mitigate rate risk during the variable period
 - Blended capital cost: 3.33%
 - Blended product yield: 4.30%
- Updated interest rates effective 8/1/19 pursuant to Code
- City no longer offering 20-year terms

Loan Term	Projected Cost of Capital	Customer Rate (Effective Jan. 2019)	Customer Rate (Effective Aug. 2019)
3 or 5 years	2.69%	3.49%	3.75%
7 or 10 years	2.74%	3.99%	4.25%
15 years	4.25%	4.49%	4.75%

- **Credit Enhancements**

Policy language: The City will not use credit enhancements unless the cost of the enhancement is less than the differential between the net present value of the debt service without enhancement and the net present value of the debt service with the enhancement.

Staff analysis:

15-year facility stipulates collateral at 50% of the principal.

- Staff assesses an appropriate use of a credit enhancement.
- This pledge has been non-negotiable with the bank; NPV analysis does not apply.

- **Variable Rate Debt**

Policy language: The City will normally not issue variable rate debt ... certain circumstances may warrant the issuance of variable rate debt, but the City will attempt to stabilize the debt service payments through the use of an appropriate stabilization arrangement.

- Interest rate risk
 - Rate-lock options during the 2-year variable windows (5- and 10-year facility)
 - Targeted 100 basis point spread between cost of capital and product
 - Respond to rapid market changes with timely updates to Epic Loan rates
 - Freeze new Epic customer offerings, as necessary
- Customer demand risk
 - 2-year line of credit model matches principal borrowed vs. Epic Loans
 - If undrawn amounts remain at end of 2-years, City may pursue renewal, draw remaining amounts, or close out the line(s)
- Customer default risk

Cash Flow Analysis

- Ample capital to meet projected demand over 5 years
- Planned to \$4.7M of loans issued over 5 years (*most likely scenario*) vs. full deployment of \$7.5M of available capital (*highest demand scenario*)
- If full deployment of capital stack occurred City remains cashflow positive

Loan portfolio management

- Total target for capital for next 3-4 years: \$7M - \$8M
- Interest rate target: blended cost of capital, plus admin and risk premium
- Annual loans issued / originated: \$1.5M - \$2.0M
- Parity in length of term borrowed vs. length of term loaned

Other critical considerations

- No negative impact on Light & Power planned 2023 debt offering
- Protect Utilities credit rating & broadband's coverage covenants

Capital Recruitment Process To-Date

- Feb. – Nov. 2018: Multiple meetings held with Investment Banks, Hedge Funds, Impact Investing Firms and Local and Regional banks
- External Capital RFP #8842 for the EPIC program issued in December 2018
- Grant capital received from Bloomberg and Colorado Energy Office (CEO)
- Negotiations begun with RFP respondents in January 2019
 - 1 National Bank
 - 2 Regional Banks (Local and Upper Midwest)
 - Brokered discussions with Colorado Clean Energy Fund
 - Connections with impact investors via Bloomberg
 - Colorado Energy Office \$1M loan