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AGENDA
Council Finance & Audit Committee
July 20, 2020
10:00 am - noon
Zoom Meeting <https://zoom.us/j/8140111859>

Approval of Minutes from the June 15, 2020 Council Finance Committee meeting.

- | | | |
|--|----------|------------------------|
| 1. 2020-2021 Budget & Financial Update | 50 mins. | T. Storin |
| 2. CARES Local Allocation | 20 mins. | B. Dunn
S. Kendall |
| 3. Parks & Recreation - Master Plan - Funding Considerations | 30 mins. | J. Stokes
H. Depew |
| 4. Retirement Recordkeeping Change | 10 mins. | T. Roche
K. Garbiso |

Council Finance Committee
Agenda Planning Calendar 2020
 RVSD 07/14/20 ts

July 20th			
	2020-2021 Budget and Financial Review Update	50 min	T. Storin
	CARES Local Allocation	20 min	B. Dunn S. Kendall
	Parks & Recreation - Master Plan - Funding Considerations	30 min	J. Stokes H. Depew
	Retirement Recordkeeping Change	10 min	T. Roche K. Garbiso

Aug. 17th			
	Parking Fund	30 min	N. Currell
	Code Revisions for Self-Insurance Fund	15 min	T. Storin J. Duval
	Audit Review	20 min	B. Dunn K. Vodden

Sept. 21st			
	Annual Adjustment Ordinance		
	Parks & Recreation - Master Plan Review	60 min	J. Stokes H. Depew

Oct. 19th			
	Utility Rebate Consolidation	20 min	J. Poznanovic

Future Council Finance Committee Topics:

- Park/Median Design Standards & Maintenance Costs – TBD
- Metro District Policy Update – TBD 2020



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Finance Committee Meeting Minutes

June 15, 2020

10 am - noon

Zoom Meeting

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

Staff: Darin Atteberry, Kelly DiMartino, Carrie Daggett, John Duval, Travis Storin, Tyler Marr, Blaine Dunn, Caryn Champine, Dean Klingner, Noelle, Currell, Chad Crager, Kelley Vodden, Lawrence Pollack, Cody Forst, Claire Turney, Dave Lenz, Jo Cech, Zack Mozer, Jennifer Poznanovic, Ryan Malarky, Teresa Roche, Lance Smith, Chris Martinez, Mark Anderson, Christine Macrina, Peggy Streeter, Erik Martin, Carolyn Koontz

Others: Kevin Jones, Chamber of Commerce

Meeting called to order at 10:08 am

Approval of Minutes from the May 18, 2020 Council Finance Committee Meeting. Ross Cunniff moved for approval of the minutes as presented. Ken Summers seconded the motion. Minutes were approved unanimously.

A. 2020-2021 Budget & Financial Update

Travis Storin, Interim Chief Financial Officer

Blaine Dunn, Interim Accounting Director

SUBJECT FOR DISCUSSION: 2020-2021 Budget and Financial Review
2019 Fund Balance Review

EXECUTIVE SUMMARY

The purpose of this agenda item is to review:

- The known financial impacts of the COVID-19 pandemic
- The projected 2020-2021 financial scenarios
- Progress against the financial scenarios and remaining shortfall
- Detailed balances for year-end 2019 reserves

GENERAL DIRECTION SOUGHT AND SPECIFIC QUESTIONS TO BE ANSWERED

- Does the Finance Committee have any questions/input to share regarding staff's status and timeline?
- Is the Committee supportive of the process to provide for Council acknowledgement of the 2020 budget cuts?
- Are there questions on the approach to 2021 reduction offers?

BACKGROUND/DISCUSSION

May Tax Collections

As discussed with Finance Committee early in the pandemic, staff anticipates that the general economic impacts of the COVID-19 pandemic to have a severe impact to City revenues. While those impacts are still difficult to quantify, May financial results represented the first full month's data point for gaining this understanding. The below table summarizes May sales and use tax (collections in May on April taxable sales):

MAY SUMMARY OVER PRIOR YEAR

	Month	Year to Date
Net Sales Tax Collected:	-23.2%	-3.7%
Net Use Tax Collected:	-27.5%	-21.0%
Net Sales and Use Tax Collected:	-23.9%	-6.5%

Year to date, sales and use tax collections excluding rebates are down 6.5% and total \$53.7M.

MAY SUMMARY OVER BUDGET

	Month	Year to Date
Net Sales Tax Collected:	-23.3%	-4.9%
Net Use Tax Collected:	-30.2%	-10.8%
Net Sales and Use Tax Collected:	-24.4%	-5.7%

Year to date, the City has collected 5.7% less sales and use tax revenue, totaling \$3.3M under budget. Given that the stay-at-home orders and general economic halt took hold in mid-to-late March, a 23.9% contraction of sales/use tax collections in April indicates a potential low point of the initial economic shock.

Current shortfall projections

As part of the Analysis & Forecasting workstream, staff has developed a revenue forecasting model that allows for individual risk adjustment of approximately 200 different revenue streams across multiple scenarios. The below table represents the four scenarios staff has developed:

Item	Scenario A	Scenario B	Scenario C	Scenario D
2Q Economic Downturn	(15%)	(17.5%)	(20%)	(25%)
Downturn months	3	3	3	4
Recovery months	3	4	8	9
Recovery level (% of base)	97.5%	95%	92.5%	90%
Sales Tax 2020 (% change)	(9%)	(10%)	(12%)	(16%)
Use Tax 2020 (% change)	(13%)	(15%)	(19%)	(24%)
2020 Revenue Shortfall	(\$22 M)	(\$27 M)	(\$32 M)	(\$41 M)
2021 Revenue Shortfall	(\$8 M)	(\$14 M)	(\$19 M)	(\$30 M)

These figures represent an improvement over the April 22nd model's output for 2020, although the ongoing 2021 revenue shortfall remains very similar. This model also does not currently account for a resurged COVID-19 outbreak in late Q3 and into Q4.

Considering continued uncertainty, staff is maintaining that all four scenarios are possible, however scenario A is increasingly unlikely. The Q2 downturn would indicate we are more likely moving toward Scenario C or D.

Use of reserves

Industry best practices are heavily focused on prescriptive or formulaic maintenance of minimum reserve balances. However, those best practices are generally silent on advising use of those reserves. As a result, staff has established a set of judgmental operating principles. The three possible reserve options are:

- Match staff-identified budget cuts
- Backfill our one-time losses vs. the ongoing shortfall
- Backfill the 3-month deficit experienced during Q2 from reserves; balance the 2020 budget for July-December.

For each option, it is a core operating principle to draw only an amount that can be reasonably repaid within a 3-5-year window starting in 2022.

2020 Scenario Progress

In the weeks since this work has begun, staff has identified \$19M in backfill for the 2020 shortfall prior to the use of reserves. Scenario C would indicate a remaining gap of \$3M+, and Scenario D would indicate a remaining gap of \$7-\$12M depending on the amount of reserves used.

Staff is transitioning its efforts toward budget adjustments that may have a service level or program impact. The remainder of May and June will be spent on establishing a portfolio of options that oversolve for the gap by a multiple of 2.5-3x, so that multiple options/configurations can be considered in how to make up the remaining gaps.

Next steps

The trigger points for executing on budget cuts with a significant impact to services, employees, or the community are in June. In the meantime, staff is carefully putting together its contingency plan for each of the four scenarios. The Budget Lead Team is meeting for 2-hour work sessions throughout June and July. The objective is to present a balanced 2020 by June 30 and a balanced 2021 by July 31. From July forward, the process will closely resemble previous years in how the City Manager's Recommended Budget is created, and the Council-adopted budget is considered.

DISCUSSION / NEXT STEPS;

GENERAL DIRECTION SOUGHT AND SPECIFIC QUESTIONS TO BE ANSWERED

- Does the Finance Committee have any questions/input to share regarding staff's status and timeline?
- Is the Committee supportive of the process to provide for Council acknowledgement of the 2020 budget cuts?
- Are there questions on the approach to 2021 reduction offers?

\$22 - 41M current range for shortfall

2021 proving to be rather inelastic in our modeling - \$19M ongoing shortfall

Dave Lenz; function of recovery level - that is why 2021 numbers are stickier

Ken Summers; the downturn months – is that April /May / June?

Travis Storin; Sales & Use Tax runs a month in arrears - April / May /June - correct

Ken Summers; are you factoring in restaurants and businesses that are functioning at a percentage of their capacity?

Dave Lenz; it is factored in and that is why we are seeing some improvement - by shortening the downturn - the recovery starts sooner

Ken Summers; real factor is - if you get a basis of what the sales tax revenue is for restaurants – I guess we don't really know when that will change - sales tax for restaurants at 50% sets a new bar – seasonality of new outdoor dining space

Dave Lenz; CSU Team helping us with modeling - shorter term impacts / long term unemployment - A lot of uncertainty - one of the things – W curve – if relapse – second dip – also, stimulus checks in April – not sure when that spending took / will take place - factor

Ross Cuniff; there is a bit of upside potential here if future economic stimulus can be effective – we should not plan for it, but we should certainly advocate for it

Mayor Troxell; CSU student impact - a few hundred students here for summer versus normal student population of 32K - thinking of fall - CSU is not going to do furloughs and layoffs - they are financing the future now and that will have a positive impact on our community due to employment base

Dave Lenz; usually summer tourist spending makes up for some of that shortfall – lodging component – vacancy rates – professors from CSU are looking at that – less out of state? International students? Loss of students for the summer – what happens when they come back

Travis Storin; CSU is refinancing much of their debt at a lower interest rate. We are grateful for the partnership with the CSU business school team support – national trending and media. Risks of a W shaped model - velocity of information in that each month these numbers will shift – what did we tell you before – what are we telling you now – level of cuts we have identified -

Governor's office allocated \$30.6M to Larimer County for CARES - we are involved in discussions regarding how best to allocate - this is for direct recovery
Looking at a remaining gap of \$3-11M – we have set June 30th as the date to close the remaining 2020 gap.
We will give an update on community engagement strategy at the July 20th Council Finance Committee meeting.
Solving to 15% will allow us multiple menus of options to present to Council - reality is approximately 7%

Ken Summers; what are the General Fund reserves would be available without re prioritizing (slide 26)

Travis Storin; \$10.6M far right side - available for nearly any purpose - almost immediately accessible

Ross Cuniff; will we be adjusting that based on budget cuts?

Travis Storin; the policy is based on most recent fiscal year expenses - we would be required to have lesser reserves, but you may decide as policy makers to keep it at the higher amount.

Ross Cuniff; wondering if we would want to consider some policy adjustments in that regard

Ken Summers; if we use \$10-15M reserves for 2020 - what does that leave us for 2021?

Travis Storin; to provide you that information clearly - we will include fund draws by year in the July 20th Council Finance update if we were to draw \$10-15M in 2020 we would still have access to reserves in 2021.

Ken Summers; given the scenario we are in - in terms of recovery, my inclination would be to use more than less
Moving forward – good time for us to establish a reserve policy - if TABOR is \$7.1M and then we have another \$10M available – how does that factor into – what number is 3 months of General Fund operating expenses – if what we have now what we should always have going forward or -

Darin Atteberry; Ken, you have been very consistent from day 1 of Covid. At our next conversation, if reserves are going to be part of the strategy – we need to dig in. I think we need to be very intentional about specific reserves and how we are going to use those. The range of \$10-20M makes a huge difference in reductions that need to take place. That level of detail is appropriate - reserve by reserve - it is not a rainy day - it is a hurricane - we need to spend more time at the reserve fund level and we need to have these conversations soon.

Travis Storin; (referred back to slide 12) I agree and I would see us laying it out fund by fund for 2020 and 2021; 1) the shortfall, 2) budget cuts to date, 3) available reserves, 4) recommended use of those reserves – expanded out to a matrix – the altitude that we have been solving this - operating with the knowledge that moving to late June and July we will be at a more granular level of detail.

Darin Atteberry; thinking about replenishing those reserves and future uses that were planned.
Some may be good to look at 4-5 years - may be a separate layer. As Council is contemplating use of those reserves.

Travis Storin; We can be ready to have these conversations within the next couple of weeks.
We would need Council approval in order to tap the \$7.1M TABOR reserves.

Blaine Dunn presented the Fund Balance portion of the presentation (starting with slide #20)

We generally bring this information to Council Finance annually after the audit is finalized. Different cadence this year - note that the audit is not finalized, and the General Fund is the only fund with an unassigned balance.

Mayor Troxell; a lot of good information and good thought – appreciate all of the work.

Ross Cuniff; I wanted to let you know that the other Council members are welcome to attend our Council Finance Committee meetings if they want to. The first work session for 2021 is September 8th.

Darin Atteberry; I am having 1:1 conversations with Council members and we are meeting with the other non-Council Finance Committee Council members on a regular basis to message consistently.

B. Impacts of Wayfair Court Decision / Opportunities to City

Jennifer Poznanovic, Sr. Project & Revenue Manager

SUBJECT FOR DISCUSSION

Impacts of the U.S. Supreme Court's *Wayfair* Decision and City Collection of Sales Tax from Remote Sellers

EXECUTIVE SUMMARY

The purpose of this item is to provide an update on impacts from the U.S. Supreme Court's *South Dakota v. Wayfair, Inc.* decision (June 2018) since the last update to Council Finance Committee in November 2018. In that case, the Supreme Court overruled its prior holdings that a state may only tax a retailer if that retailer has a physical presence in the state. The *Wayfair* court held that a state can require an out-of-state retailer to collect tax so long as that retailer has a "substantial nexus" connecting it to the state. The Supreme Court approved the system administered by South Dakota, which set thresholds above which a retailer had to collect tax, provided a statewide single point of remittance, and applied only prospectively after its adoption.

The Colorado Municipal League (CML) Sales Tax Simplification Committee met in October 2018 and all self-collected home rule cities agreed to move forward with voluntary compliance to keep the sales tax system as simple as possible, in an effort to align with the system the Supreme Court approved in *Wayfair*. Per CML, if all 72 self-collecting home rule cities were to implement their own collection from out-of-state retailers, it would likely cause a challenge under the *Wayfair* case because the varied tax requirements would arguably result in an undue burden to those retailers in violation of the U.S. Constitution.

State House Bill 19-1240 established at the State level the parameters for what constitutes sufficient "economic nexus" to require retailers without a physical presence in the State to collect and remit sales tax. The bill also established requirements from when marketplace facilitators (like Amazon or Walmart) are required to collect and remit sales tax on behalf of third-party sellers. These requirements do not extend to home rule municipalities. The State's single point of remittance software is an option for taxing jurisdictions to collectively provide retailers a system similar to the one South Dakota had, which the U.S. Supreme Court looked upon favorably in the *Wayfair* case. Collective participation in such a system may reduce the risk of a constitutional challenge. If self-collected home rule municipalities move away from accepting voluntary compliance from retailers and towards mandating that remote sellers collect tax, the planned approach is to require such collection only from remote sellers that have economic nexus in the municipalities. CML and the Sales Tax Simplification Committee has crafted a model ordinance, which has language defining economic nexus and marketplace facilitators, and creating a legal structure governing the collection and remittance of tax from remote sellers.

GENERAL DIRECTION SOUGHT AND SPECIFIC QUESTIONS TO BE ANSWERED

Does Council Finance Committee support legal review of the State's single point of remittance software and model ordinance as the next step?

BACKGROUND/DISCUSSION

***Wayfair* Decision, June 2018**

In the *Wayfair* case, the U.S. Supreme Court held that South Dakota could impose a sales tax filing obligation on any remote seller who had a substantial nexus with the state, and that a physical presence was no longer necessary. Prior to the *Wayfair* case, the Supreme Court had held that a taxing jurisdiction could not require a retailer to collect sales tax unless the retailer had a physical presence in the jurisdiction. The Supreme Court upheld South Dakota's determination that a retailer without a physical presence has a substantial enough nexus to require sales tax collection when the retailer has annual sales of at least \$100,000 or has 200 separate sales transactions of any amount. The Supreme Court looked favorably on South Dakota's law for several reasons. South Dakota's law created a threshold for sales, which protected smaller sellers. South Dakota is also a member of the Streamlined Sales & Use Tax Agreement, providing online retailers some simplification in complying with the requirement. Also, the law was not applied retroactively, but instead only for future transactions after the passage of the requirement.

Colorado Department of Revenue (DOR) Implementation of *Wayfair*

In July 2019, State House Bill 19-1240 established economic nexus for purposes of retail sales made by retailers without physical presence. The bill also codified destination sourcing, and as of October, requires marketplace facilitators to collect and remit sales tax on behalf of marketplace sellers. A marketplace facilitator is an individual or legal entity that operates a marketplace (i.e. Amazon, Etsy). A marketplace seller is someone who sells good through a marketplace facilitator.

The State collects state and local sales tax from out-of-state retailers for any taxing entities for which it already collects in-state sales tax. The DOR collects for approximately 265 jurisdictions, 150 statutory cities, 24 home rule municipalities and all but two counties.

Self-Collecting Home Rule Municipalities and *Wayfair*

Fort Collins is one of 72 self-collecting home rule municipalities. Under the Colorado Constitution, home rule municipalities have autonomy over their sales tax with their own separate registration, licensing, forms, auditors, and tax base. In other words, home rule municipalities are like separate taxing jurisdictions within the State of Colorado.

The CML Sales Tax Simplification Committee met in October 2018 and all staff representatives from self-collected home rule cities agreed to move forward with voluntary compliance. South Dakota had three key characteristics that the Supreme Court looked upon favorably in upholding South Dakota's taxing requirement: (1) a threshold limit; (2) a ban on applying the requirements retroactively; and (3) a single tax administration system. It is CML's position that, if all 72 self-collecting home rule municipalities were to implement their own mandatory collection from out-of-state retailers, it would increase the risk of a retailer challenging such collection as being contrary to the *Wayfair* case, and therefore, unconstitutional.

DOR's Single Point of Remittance Software (SUTS System) & Single GIS System

The DOR's single point of remittance software, including the SUTS System and GIS System, is an option for the numerous self-collecting jurisdictions to align with what South Dakota did in an effort to reduce the risk of a constitutional challenge. Remote sellers with sufficient economic nexus can file and pay via the SUTS System.

The SUTS System would be available for any business, not just those whose only contact with the City is economic nexus. Businesses with physical presence could file and remit taxes using the SUTS System. Businesses with physical presence in the City would still need to have a Fort Collins sales tax license. The SUTS System vendor will charge a \$17,500 fee to integrate the SUTS System with the City's current software, but the SUTS System can also be used manually without a fee. The portal is essentially an additional filing option for businesses, meaning businesses could file on paper, using the City's online system, or via the DOR's SUTS System.

CML's Model Ordinance

CML has consulted with municipal attorneys and finance staff regarding the drafting of a model ordinance to establish a uniform system across the numerous municipalities. The ordinance establishes a definition for economic nexus, which would identify who is taxed and who is compelled to collect the tax. This definition of the economic nexus relates to the City's definition of engaged in business. The ordinance also defines what a marketplace facilitator is and would also identify who collects the tax. This definition relates to the City's definition of a retailer. CML is suggesting that municipalities adopt the model ordinance if municipalities decide to move away from relying on retailers' voluntary compliance and instead mandate collection by remote sellers that only have economic nexus. CML recommends this is for municipalities that are going to use the DOR single point of remittance software, with the intent of creating uniformity in the State.

What Are Other Cities Doing?

- Boulder – too soon and too much risk
- Aurora – ordinance at Council, ready to move ahead
- Golden – plans to participate, SUTS System first as admin decision, model ordinance this summer
- Thornton – plans to participate, SUTS System first and model ordinance later
- Centennial – plans to participate, no use tax, may have issues with economic nexus

According to DOR and CML, most home rule cities need to participate to keep the sales tax system as simple as possible to most closely align with the South Dakota system approved in *Wayfair*. DOR representatives have stated to City staff that it is critical for larger home rule municipalities, like Fort Collins, to join.

The Case for Self-Collected Home Rule Municipalities - Why Fort Collins is Not State-Collected

A major benefit for self-collected home rule municipalities is the authority to "locally collect" sales tax and maintain control of their sales tax base. For example, the State has 87 sales and use tax exemptions. Self-collected home rule municipalities typically have broader sales tax bases than the State. Another advantage is more targeted collection and enforcement. Local programs can more thoroughly educate businesses and follow up with auditing where appropriate. The SUTS System and model ordinance are compatible with maintaining home rule self-collecting status.

Top Internet Retailers Licensed in Fort Collins

Nationally, e-commerce represents 11.8%* of total retail sales. Of the top 10 U.S. companies based on percentage of e-commerce sales, five are licensed in Fort Collins (see chart below).

Retailer**	Ecommerce Share	Licensed
Amazon	49.1%	Yes
eBay	6.6%	No
Apple	3.9%	No
Walmart	3.7%	Yes
The Home Depot	1.5%	Yes
Best Buy	1.3%	Yes
QVC Group	1.2%	No
Macy's	1.2%	Yes
Costco	1.2%	No
Wayfair	1.1%	No

*U.S. Census Quarterly Retail E-Commerce Sales 1st Quarter 2020

**Top 10 US companies based on % of e-commerce sales, eMarketer, July 2018

Dollars at Stake

The State estimates \$72 million in sales tax revenue in 2020 from retailers having economic nexus and marketplace facilitators*. \$72 million is equivalent to 2.1% of estimated State collections in 2020. In Fort Collins, 2.1% is equivalent to \$2.5 million. It is important to note that some retailers are already remitting voluntarily in Fort Collins.

Regarding marketplace facilitators, some have turned off collection of local taxes on behalf of sellers, leaving them no way to collect the tax. Also, Amazon has indicated that more than half of the items sold on Amazon are through their third-party marketplace**.

*Colorado Legislative Council Staff – Economic & Revenue Forecast December 2019, p.28

**Amazon 2017 Annual Report, Letter to Shareholders

Options

1. Continue voluntary compliance (current state)
2. Pursue SUTS System and model ordinance (staff recommendation)
 - City stays self-collected
 - Voluntary compliance becomes mandatory
 - Additional filing option for businesses

DISCUSSION / NEXT STEPS;

GENERAL DIRECTION SOUGHT AND SPECIFIC QUESTIONS TO BE ANSWERED

Does Council Finance Committee support legal review of the State's single point of remittance software and model ordinance as the next step?

\$17.5K fee for SUTS system software integration (on slide 8) would need to be paid by city of Fort Collins

Mayor Troxell; does that include the personnel time to integrate it?

Jennifer Poznanovic; software we use is MS Govern - Arvada also uses MS Govern and they were quoted \$60K for integration.

Mayor Troxell; Wyoming collects at the state level – the tendency to redistribute sales tax funds between cities for various reasons at various times - how do you plan as a city when that revenue arbitrarily moves around? We are fortunate to be self-collected.

Jennifer Poznanovic: CML is engaging legal teams across the front range home rule cities and they have been participating in these conversations and helping with the model ordinance language and reviewing documentation with providers.

Mayor Troxell; I really appreciate the CML and it is for all of the right reasons we are trying to make the Wayfair example operational and I really appreciate city staff's participation in that.

Mayor Troxell; I am supportive of the staff recommendation – we have been involved with this when it was at the NLC level with regards to Main Street fairness to the Wayfair decision to working with CML.

Jennifer, you did a great job outlining the recommendations and what is going on behind the scenes. Thank you

Ken Summers; staff recommendation seems to make sense – from implementation costs to maintain our self-collected status.

Ross Cunniff; I would like to know more about the ordinance. Would this make it more difficult for future Councils if they wanted to consider a tax on out of state services – would that constrain any of this?

Jennifer Poznanovic; I would want to consult with legal on that.

Ross Cunniff; a follow up memo would be fine

Mayor Troxell; in South Dakota where the Wayfair decision took place it is only at the state level – so when you look at Colorado and how we operate and it is much more complex as it relates to this type of decision. How do you self-collect and so forth.

Darin Atteberry; I have been briefed on this prior to this meeting. Travis and Jennifer have done great work, and this is a solid recommendation and I am supportive of the direction.

Mayor Troxell; Ross Cunniff's question is a good one with regards to ordinance language and there might be unintended consequences that we should think about that are very germane to Fort Collins so that due diligence is good advice.

Carrie Daggett; one of the things we can do as we are working on the ordinance to bring to Council would be to consider where there might be opportunities to tailor language that won't interfere with the concerns CML has rightly identified regarding consistency from jurisdiction to jurisdiction. There will some things that we might be able to do that might allow us to address the questions such as the one that Ross raised.

Mayor Troxell; it is a model ordinance and work with David Broadwell (Denver City Attorney) and make sure the overall intent of working together is not unduly compromised but recognize how we have operated as a city.

Other Business;

Travis Storin; I wanted to make the Council Finance Committee aware of the request for an appropriation for the non-congregate shelter

It would be staff's intention to bring a \$400K appropriation request for non-congregate shelter forward on the June 23rd agenda. We did get pre-approval from FEMA that this is a qualifying project. That does not constitute a FEMA guarantee, but we also think they are back up options for outside funding including the Governor's allocation of CARES. There are a couple different funding options. You are all familiar with the pace and criticality of this – conversations that have taken place over the last few Council meetings.

Mayor Troxel; at LPT we confirmed that we are planning to adjourn on June 23rd for this purpose and others.

Meeting adjourned at 11:36 am

COUNCIL FINANCE COMMITTEE AGENDA ITEM SUMMARY

Staff: Travis Storin

Date: July 20, 2020

SUBJECT FOR DISCUSSION: 2020-2021 Budget and Financial Review

EXECUTIVE SUMMARY

The purpose of this agenda item is to review:

- The projected 2020-2021 financial scenarios
- Progress against the financial scenarios and remaining shortfall
- Next steps and engagement strategies for 2021 Budget

GENERAL DIRECTION SOUGHT AND SPECIFIC QUESTIONS TO BE ANSWERED

- Does the Finance Committee have any questions/input to share regarding staff's status and timeline?
- Is the Committee supportive of the 2020 budget cuts identified and recommended by staff?
- Are there questions on the approach to 2021 reduction offers and community engagement?

BACKGROUND/DISCUSSION

Current shortfall projections

As part of the Analysis & Forecasting workstream, staff has developed a revenue forecasting model that allows for individual risk adjustment of approximately 200 different revenue streams across multiple scenarios. The below table represents the four scenarios staff has developed:

Item	Scenario A	Scenario B	Scenario C	Scenario D
2Q Economic Downturn	(15%)	(17.5%)	(20%)	(25%)
Downturn months	3	3	3	4
Recovery months	3	4	8	9
Recovery level (% of base)	97.5%	95%	92.5%	90%
Sales Tax 2020 (% change)	(9%)	(10%)	(12%)	(16%)
Use Tax 2020 (% change)	(13%)	(15%)	(19%)	(24%)
2020 Revenue Shortfall	(\$22 M)	(\$27 M)	(\$31 M)	(\$41 M)
2021 Revenue Shortfall	(\$8 M)	(\$14 M)	(\$19 M)	(\$30 M)

2020 Scenario Progress

In the weeks since this work has begun, staff has identified \$31M in backfill, relief, and cuts for the 2020 shortfall with minimal use of reserves, minimal community impact, and minimal staff impact.

2021 Budget Process

City staff projects a \$18.6M revenue shortfall in 2021 vs. prior projections. There is \$5.2M of identified relief housed within Transit, which indirectly benefits the General Fund. The remaining shortfall of \$13.4M is being addressed throughout July and early August with the Budget Leadership Team.

The preliminary Engagement Plan is attached and was included in the June 18 Council packets.

The Council process from July forward will be very consistent with past years, albeit within the framework of a 1-year budget. Key dates are summarized below:

- Sept. 1st - City Manager's Recommended Budget Published
- Sept. 8th - Council Work Session #1
- Sept. 15th - Public Hearing #1
- Sept. 22nd - Council Work Session #2
- Oct. 6th - Public Hearing #2
- Oct. 13th - Council Work Session #3
- Nov. 3rd - Council First Reading
- Nov. 17th - Council Second Reading

ATTACHMENTS

PowerPoint Presentation (Attachment 1)

2021 Budget Engagement Plan (Attachment 2)



2020 / 2021 Budget Updates

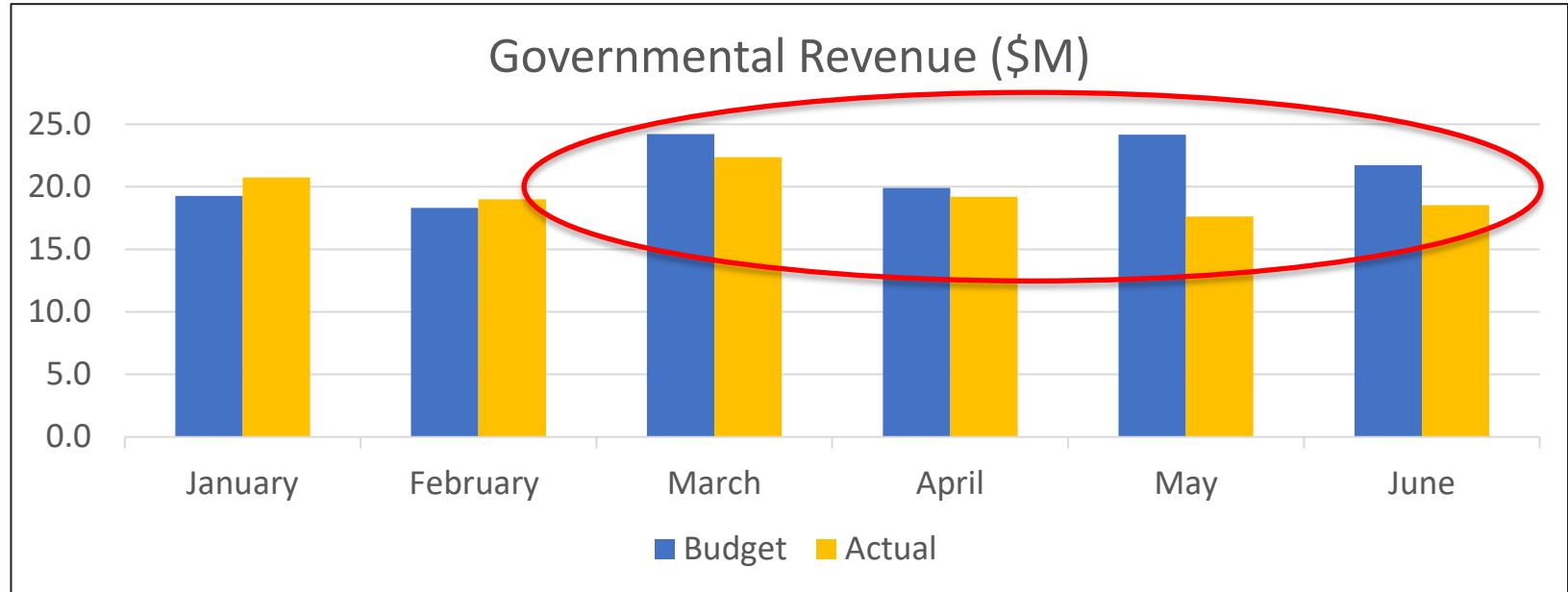
- Current 2020-2021 Revenue Forecasts
- Recommended 2020 Budget Cuts
- 2021 Budget:
 - Status
 - Community Engagement
 - Key Milestones

Current 2020 – 2021 Revenue Forecast

June 10 Update - Revenue Scenario Details

Inputs	Item	Scenario A	Scenario B	Scenario C	Scenario D
	2Q Economic Downturn	(15%)	(17.5%)	(20%)	(25%)
	Downturn months	3	3	3	4
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Outputs	Recovery level (% of base)	97.5%	95%	92.5%	90%
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	2021 Revenue Shortfall	(\$8 M)	(\$14 M)	(\$19 M)	(\$30 M)

COVID-19 Revenue Impacts



Total March – June Revenue Shortfall of \$14.7 million, or 9%

	June		Year to Date				
	Actual 2020	Over/(Under) Budget	Budget 2020	Actual 2020	Over/(Under) Budget	Inc/(Dec) 2019	% Bud Recvd 2020
Sales & Use Tax	11,124	(349)	68,882	65,091	(3,791)	(4,188)	46%
Property Taxes	2,856	(753)	23,462	23,139	(324)	2,665	71%
Intergovt. Shared Revenues	1,100	57	5,492	4,821	(671)	(185)	36%
Culture, Parks, Rec & Nat A. Fees	1,061	(568)	8,311	5,270	(3,041)	(3,646)	32%
Payment in Lieu of Taxes	903	(4)	5,271	4,997	(274)	173	45%
General Government Fees	4,544	(1,123)	33,155	28,008	(5,147)	(363)	42%
Transportation Fees	524	(286)	3,094	2,727	(367)	(407)	37%
Interest Revenue	170	(152)	1,759	2,150	391	215	51%
Unrealized Invst. Gains/Losses	(89)	(89)	0	2,206	2,206	(107)	0%
Other Miscellaneous	1,914	(735)	12,921	11,377	(1,544)	(19,797)	40%
TOTAL	24,106	(4,003)	162,347	149,785	(12,562)	(25,639)	47%

YTD Variance Analysis:

Sales & Use Tax: (\$3.2M) in Sales tax revenue and (\$574K) Use Tax associated with the stay at home order and slower reopening of business. (\$133K) for a refund to the Colorado Department of Revenue for previous over remittance of tax revenue.

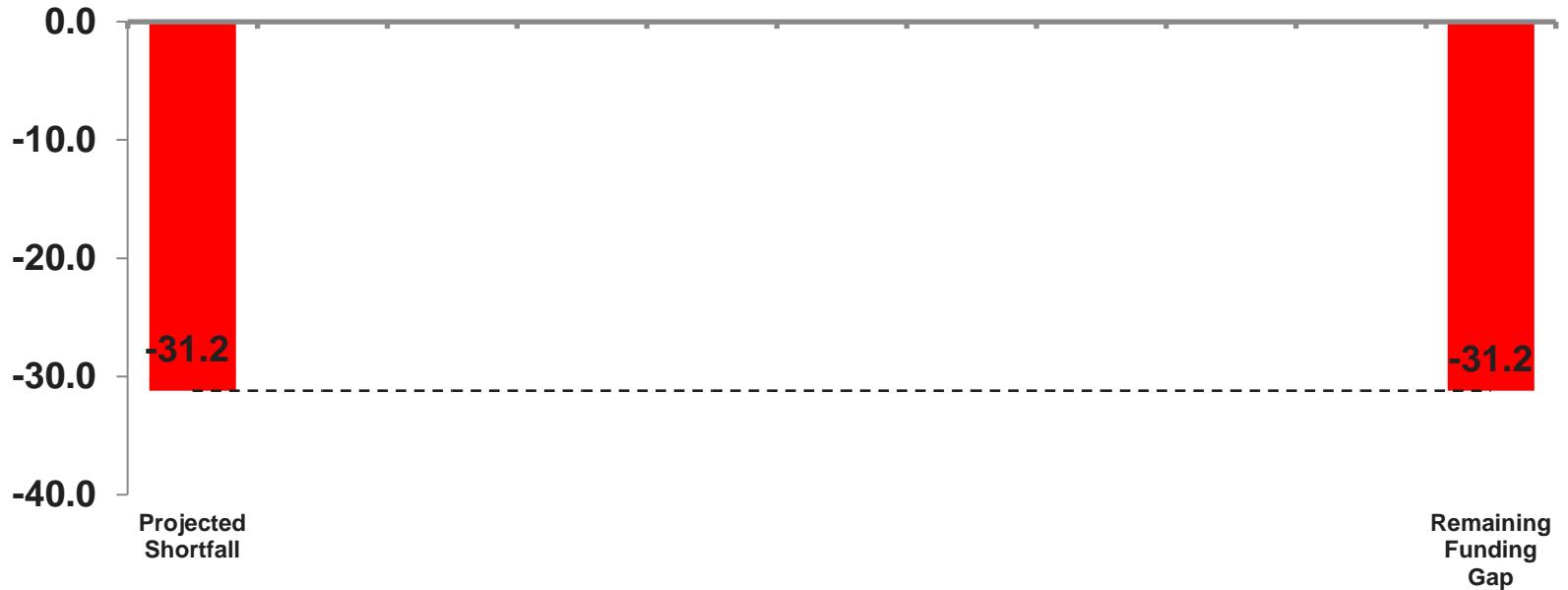
Cultural, Parks, Rec & Nat A. Fees: (\$1.9M) in lower revenue for Recreation and Park facilities driven by stay at home order that shut down all Parks and Rec activities. Facilities are now beginning to open and revenue will begin to increase. (\$558K) for Cultural Services revenue also affected by the stay at home order. Continuing to monitor.

General Government Fees: (\$3M) for lower PPO and HDHP benefit contributions driven lower premiums and prescribed budget revision in 2019 to reduce benefit expenses to service areas; this will be a year long underage. (\$1.2M) for lower work for other's fees and (\$948K) for lower fuel costs.

Other Miscellaneous: (\$446K) for lower building permit revenue, (\$416K) for timing on TV-Franchise tax and (\$339K) on camera radar revenue lower because anticipated build out for additional cameras were delayed.

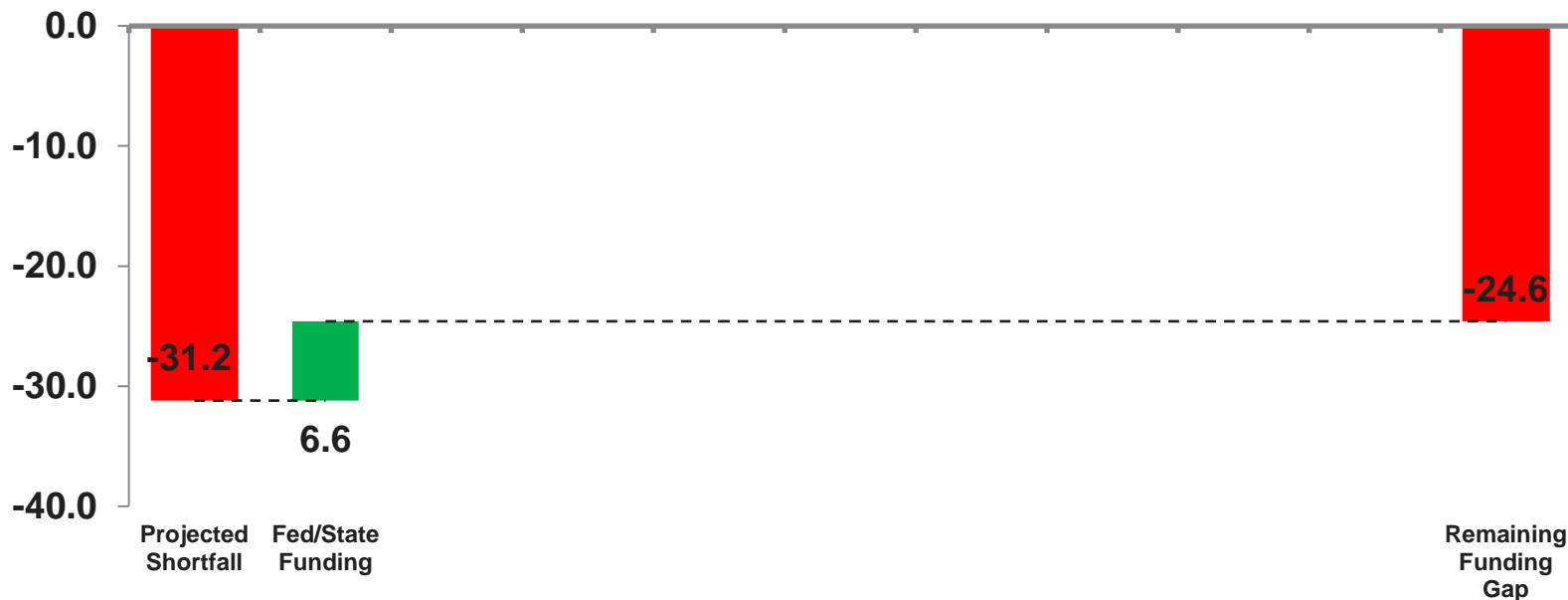
Closing the 2020 Revenue Gap

2020 Revenue Gap Closure - \$M



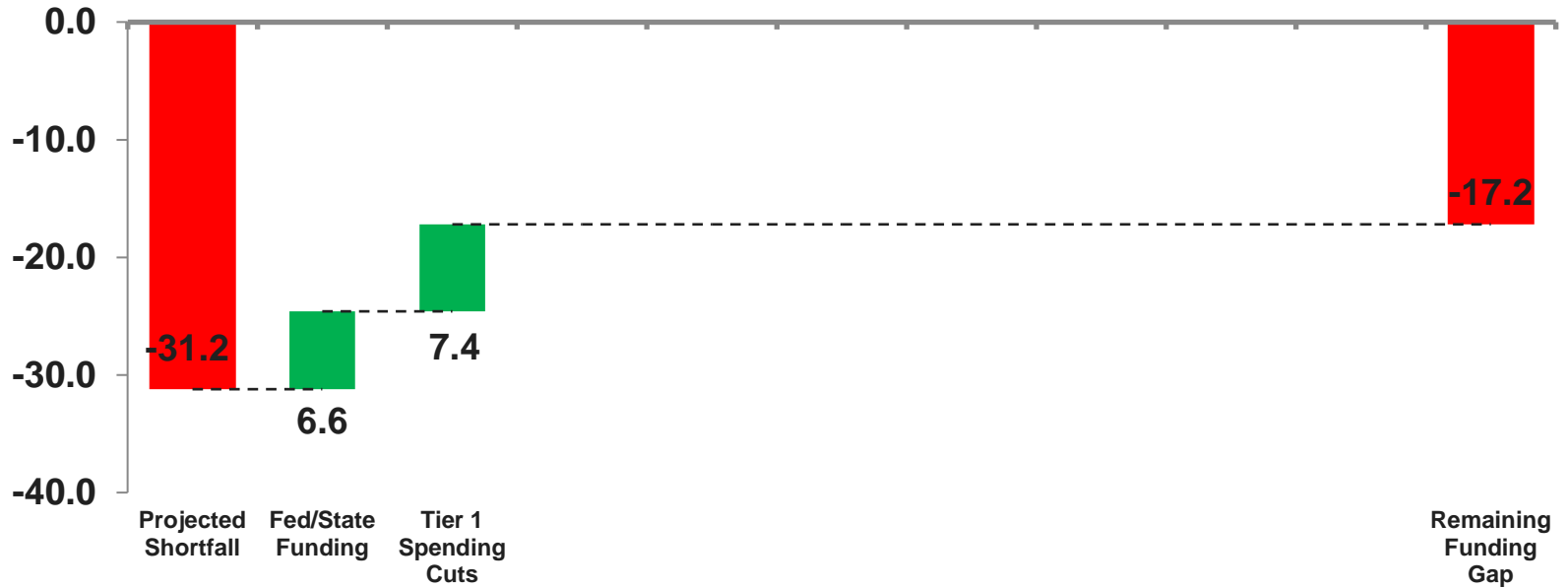
Closing the 2020 Revenue Gap

2020 Revenue Gap Closure - \$M



Closing the 2020 Revenue Gap

2020 Revenue Gap Closure - \$M



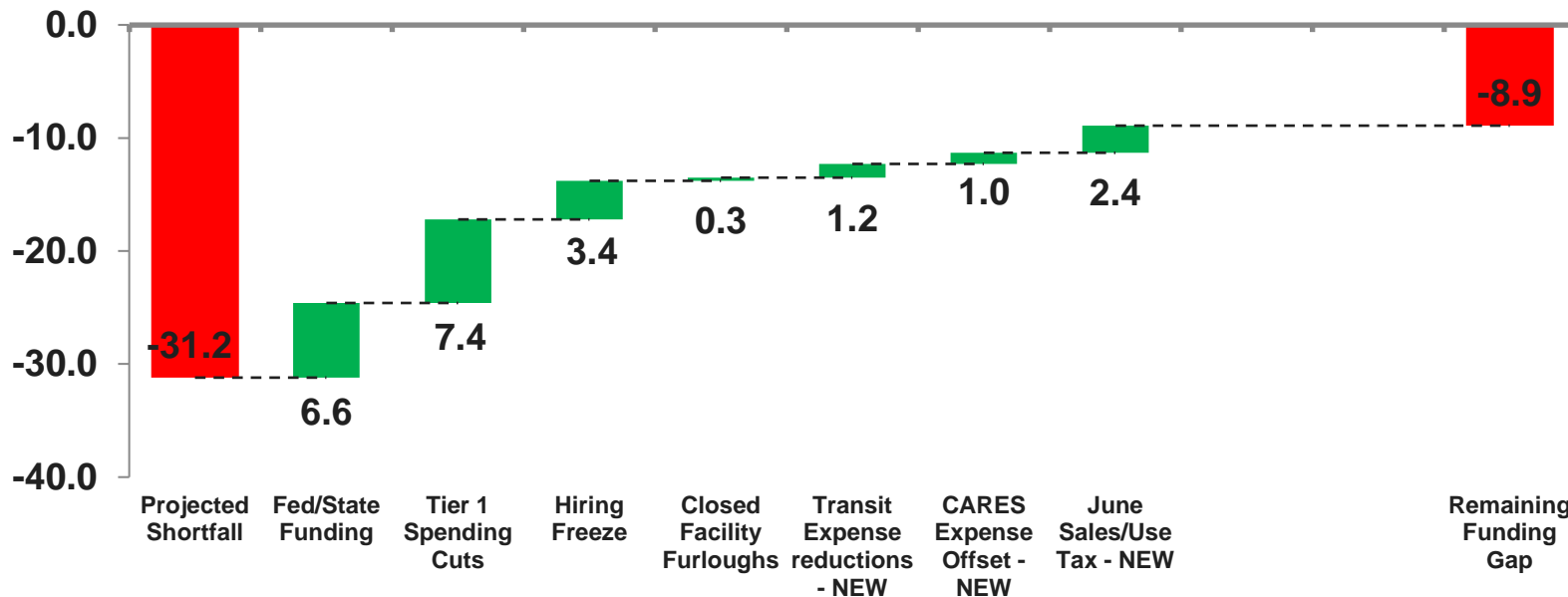
Closing the 2020 Revenue Gap

2020 Revenue Gap Closure - \$M



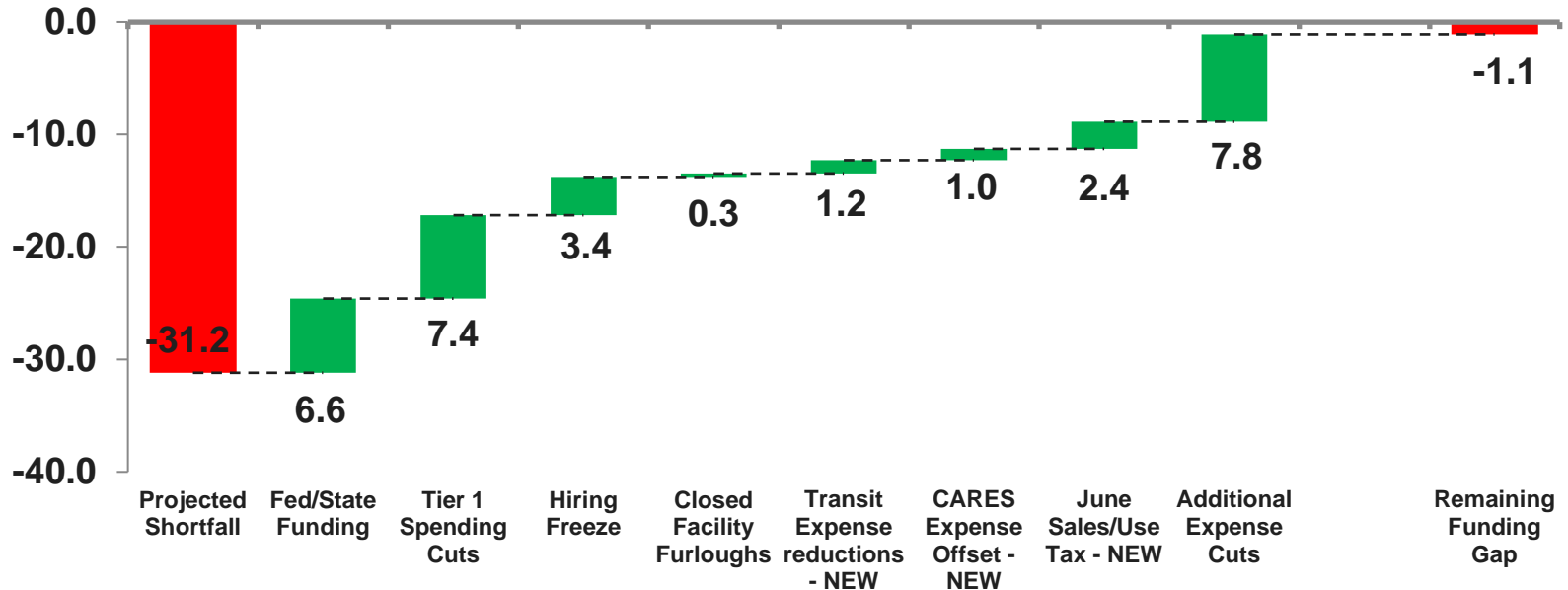
Closing the 2020 Revenue Gap

2020 Revenue Gap Closure - \$M



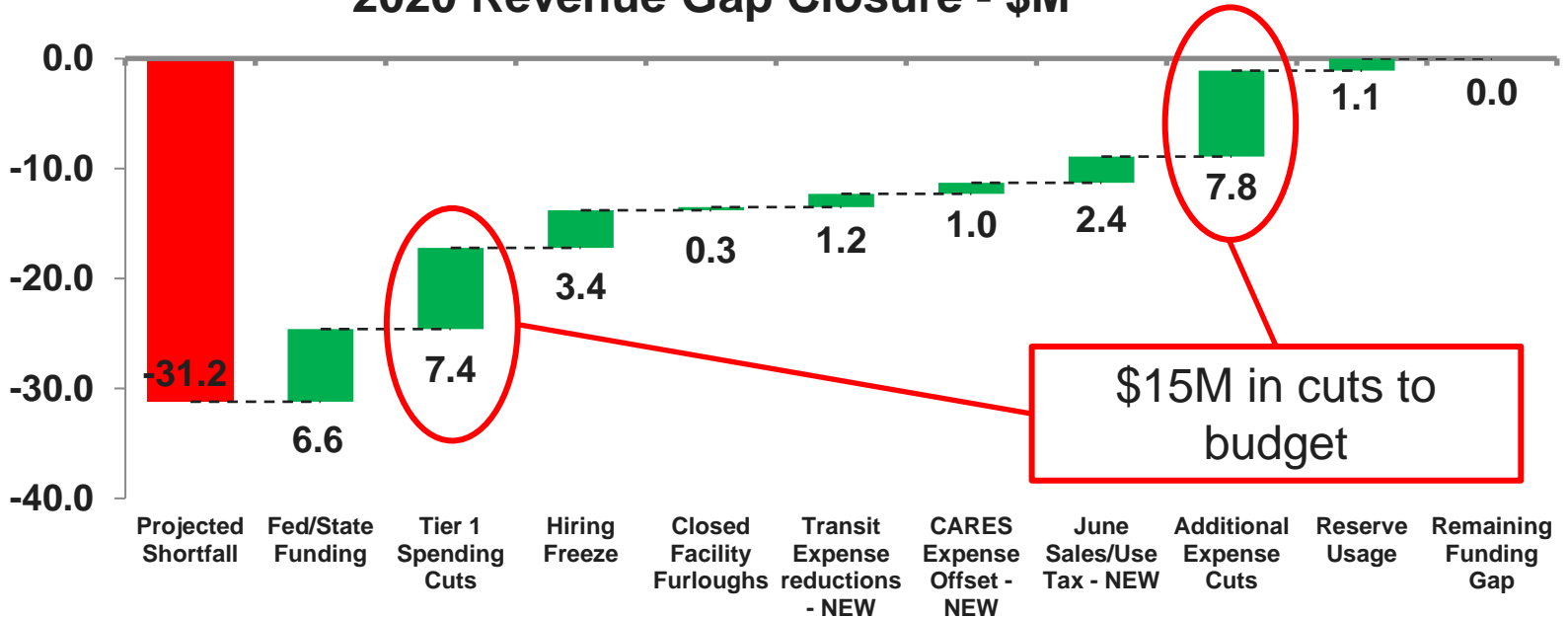
Closing the 2020 Revenue Gap

2020 Revenue Gap Closure - \$M



Closing the 2020 Revenue Gap

2020 Revenue Gap Closure - \$M



\$15.2M Cuts to 2020 Budget

- Capital project delays (\$2.5M)
- Street Maintenance Program (\$2.7M)
- Defer Affordable Housing Competitive Progress (\$401K)
- Lincoln Center Lighting (\$491K)
- Recreation Programming (\$1.2M)
- Fuel savings (\$825K)
- Transit fixed routes during COVID
- Facility services (\$2.2M)
- Discretionary/Travel/Training (\$2M+)

Service impacts to community are minimal except for direct COVID-related impacts;
No anticipated direct personnel impact in 2020 beyond May 1st furlough

Looking Ahead: 2021

2021 Revenue Gap

Shortfall	\$18,657,529
Federal/State Funding	(2,800,000)
Transit 2020 favorability	(2,447,485)
<hr/>	
Remaining Shortfall	13,410,044

- Discussions have begun recently – exec team to spend 40+ meeting hours
- Anticipate a combination of cuts and reserve usage
- Council is ultimate decision authority – Budget is due by 9/1 and Council must adopt by 11/30

Key Messages:

- Significant yet uncertain impact due to COVID-19
- Moved to 1-year budget, maintaining strategic alignment
- Staff working to maximize engagement opportunities within time constraints

Questions:

- Which Strategic Plan objectives are most important to prioritize and/or preserve?
- Are current values/priorities different from the 2020 Strategic Plan?

Key Messages:

- Review and share feedback on Recommended Budget, including why/how reduction offer decisions were made
- Outline next steps, including additional opportunities e.g. public hearings

Questions:

- Are there comments/feedback Council should consider prior to adopting the City Manager's Recommended Budget?

Tools and Techniques:

- Community Town Hall 7/16 (additional being scheduled)
- OurCity project page: <https://ourcity.fcgov.com/2021budget>
 - Online Ranking Tool
 - Engagement kits for community groups
- Social media; *Coloradoan* “In the City” articles; fcgov.com spotlight

Targeting underserved populations, in addition to many of the groups tapped for the 2020 Strategic Plan

- Sept. 1st - City Manager's Recommended Budget Published
- Sept. 8th - Council Work Session #1
- Sept. 15th - Public Hearing #1
- Sept. 22nd - Council Work Session #2
- Oct. 6th - Public Hearing #2
- Oct. 13th - Council Work Session #3
- Nov. 3rd - Council First Reading
- Nov. 17th - Council Second Reading

- Feedback on proposed 2020 budget cuts
- Questions/guidance on 2021 budget process, including community engagement

Appendix:

Service Area & Department 2020 Budget Cut Summaries

Department	Cuts
Community Services Administration	<ul style="list-style-type: none"> • Reductions in most discretionary, including travel, training, consulting
Cultural Services	<ul style="list-style-type: none"> • Closure of the Carnegie Building: This facility was put forward as a reduction due to its lower attendance. With its free admission, this eliminates a free engagement opportunity for the community, as well as an affordable exhibition and rental space. • Focused reduction opportunities to minimize community impact at highly attended facilities. • Reduced program expense due to the impact of COVID-19 on cancelations and future 2020 programing. • Canceled Phase 2 of a one-time significant capital construction project for the Lincoln Center outside lights. This was identified as a safety concern in the 2013 security assessment.
Natural Areas	<ul style="list-style-type: none"> • Fairly significant reductions in public engagement budget, plus decreases in uniform purchases, vehicle maintenance and replacement. • General fund reductions from salary savings due to interim roles and forgoing consulting services, plus Natural Areas Department is taking on full cost of Director position (previously general fund covered 1/4). • Budget clean ups with no impact (over budgeting on salaries and mineral rights protection).
Park Planning & Development	<ul style="list-style-type: none"> • Discretionary spending reductions including meals, travel, conferences, etc. • Reductions taken in outstanding purchase order closures
Parks	<ul style="list-style-type: none"> • Modified the 4th of July celebration to address COVID concerns • Reducing the inputs (fertilizer, water) for quality turf management in the parks • Hiring freeze salary savings • Delays in replacing/repairing equipment
Recreation	<ul style="list-style-type: none"> • Noticeable service level changes in access to Recreation facilities (weekend closures, weekday limited hours). • Reduced number of staff at each facility affecting customer service levels. • Reduced program and event offerings.

2020 Summaries: Executive & Legal Services

Department	Cuts
City Clerk's Office	<ul style="list-style-type: none"> • Reductions eliminate significant portion of remaining discretionary operating funds. • Essential expenditures, such as codification of ordinances, may need to be delayed, resulting in service reductions. • Remaining 2020 funding for elections eliminated - expenditures that would typically be made in 2020 in preparation for 2021 election will have to be delayed until 2021. • Eliminates funding for the 2020 Boards and Commissions Appreciation Event • Eliminates 50% of funding allocated for volunteer management software (Engage). Software will be less effective without ability to customize to needs of boards and commissions and outcomes of Reimagine project.
City Council	No reductions were made
City Manager's Office	<ul style="list-style-type: none"> • Eliminated Core34 (Blessing White) employee engagement survey. Creates a need for alternative engagement platforms such as the survey administered earlier this year. • Reduced travel and training opportunities for Councilmembers and employees. • Reduced operating contingency by 50% and the Community Opportunities fund by 25%. Reduces the funding available for unanticipated expenses/projects.
City Attorney's Office	Reduced legal education, training and conference/seminar resources; reduced consulting support for office programs

Department	Cuts
Accounting and Treasury	Consolidation of cash pick ups and reduction of check writing
Budget	Reductions in most discretionary, including travel, training, consulting
Finance Administration	Delay of the digital equity program until 2021 and reductions in education, consulting and mileage across Financial Services
Purchasing	Reductions in most discretionary, including travel, training, consulting
Safety, Security, & Risk Mgmt	Reduction of consulting and supplies; elimination of Trauma Relief Therapy
Sales Tax	Elimination of online filing fee waiver

2020 Summaries: Internal & Employee Services (1/2)

Department	Cuts
Comm. & Public Involvement	<ul style="list-style-type: none"> • Elimination of Meltwater media monitoring platform providing daily media highlights. • Reduced funding for inclusive and outreach from limitations of COVID restrictions to perform regular public engagement functions. • Eliminate funding for the annual City employee summer picnic due to COVID restrictions. • Eliminate the annual Internal Service and Community Surveys for 2020. • Eliminated/reduced employee travel/training funding, business meals, mileage, and funding for intern support.
Human Resources	<ul style="list-style-type: none"> • Eliminated all funds for travel, any training and food expenses for development programs and employee resources groups to zero. • Eliminated participation in the national Towers Watson compensation survey. • Cancelled joint employee and volunteer summer picnic. • Reduced spending for talent development by cancelling Leading at the City, all Crucial Conversations programs for employees, moving Welcome to the City to a virtual format requiring no provision of lunch and only implementing one Managing at the City in a newly designed virtual format this fall. • Reduced spending in Wellness programs for our employees—reduced number of subsidized fitness courses and rec passes for employees and families, eliminated the health and wellness fair and the \$50 DBA incentive card to complete the health risk assessment for employees and spouses/partners.

2020 Summaries: Internal & Employee Services (2/2)

Department	Cuts
Information Technology	<ul style="list-style-type: none"> • Reduction of various software support through contractual payment term changes, savings from renewals coming under budget, and timing of other support renewals. • Eliminated funding for a performance monitoring tool that was yet to be implemented. • Eliminated various applications, backup internet support, and educational programs due to low utilization. • Eliminated/reduced existing contractual labor funding, employee travel and training, business meals, and mileage budget.
Operation Services	<ul style="list-style-type: none"> • Reductions to Fleet Maintenance include parts/supplies and rental equipment due to lower 2020 utilization, reduced funding for shop equipment for equipment failures, and delaying any maintenance and repairs performed by vendors. • Reduced fuel costs from lower fuel pricing, reduced usage, and Van-Go purchasing their own fuel • Reductions in Facility Maintenance include delaying scheduled building repairs and restoration work, engineering/design/consulting work, outside contractor and electrical vendor maintenance support funding. • Reduced hours of the Downtown Restrooms decreasing maintenance costs and delayed Nix Farm infrastructure modifications. • Reduced custodial expenses resulting from virtual work environment and reductions of employee travel/training, business meals, and mileage.

2020 Summaries: Planning, Development, Transportation

Department	Cuts
Comm Dev & Neighborhood Svcs	<ul style="list-style-type: none"> Historic Preservation reductions: Delays the offering of all other Hist Pres services by an average of 3 weeks; eliminates the ability to do education and outreach programming (e.g., (virtual) walking tours, window repair workshops) and eliminates grants for brick & mortar and survey projects. Also reduces any new Design Assistance Program applications. Neighborhood Services – Extremely limited and modified community events (this is similar to Transfort/Parking where this more due to COVID than budget).
Engineering	<ul style="list-style-type: none"> Linden Street Update Pushed until 2021
FC Moves	<ul style="list-style-type: none"> Programming reduced (Open Streets, Bike to Work Day) due to COVID. Bikeshare new contract RFP put on hold due to Budget constraints.
PDT Administration	<ul style="list-style-type: none"> Discretionary reductions are impacting employees' professional development and maintenance of professional certifications.
Streets	<ul style="list-style-type: none"> Results in the delay of improving of 25 lane miles. Preparation work has been completed, but paving will not be completed until 2021. Residents and businesses will need to be re-notified after budgets have been confirmed.
Traffic	<ul style="list-style-type: none"> The result is that roughly one quarter (25%) of the work plan for pavement markings will not be done. We will prioritize which markings/projects to complete, focusing primarily on crosswalks and school related markings along with markings such as railroad markings that are required per Federal/State regulations. Other markings or special projects will not get done.
Transfort / Parking Services	<ul style="list-style-type: none"> Transfort service has been greatly reduced due to COVID, but not budget constraints and Parking Services is seeing large negative impacts due to the policy decision to not enforce and reduced hourly usage; but not due to budget constraints

- Technology redundancy and upgrades (Mostly Info Services, but across Departments: Security, 2FA, radio, phone, A/V, etc.)
- Advanced/Specialized training and certifications (Across Departments: Forensics, Financial Crimes, Internal Affairs, SWAT, Detectives, Spanish, etc.)
- Replacement of worn Traffic Unit motorcycles (Special Operations)
- Equipment (Across Departments: Body armor, helmets, clothing, UAS parts, SWAT tools, evidence supplies, furniture, etc.)
- Reduction in outreach programs (Across Departments: Community Police Academy, Youth Policy Academy, Explorer Post, Community Events)

2020 Summaries: Sustainability Services

Department	Cuts
Economic Health Office / URA	<ul style="list-style-type: none"> Reductions in most discretionary, including travel, training, consulting
Environmental Services	<ul style="list-style-type: none"> Climate Action Plan: Engagement and Community Advisory Committee support reduced. This will mean we can engage and empower fewer people to take action, and risk losing understanding and support for future actions, at a time when emissions are increasing and more action is required, not less. Air quality (Monitoring, Education & Outreach, & Particle pollution) support reduced: Eliminates ability to replace failing monitoring equipment; Reduces ad campaigns and outreach materials while we exceed federal health standards and 26% of households have a member with respiratory ailment, eliminates lawn & garden program, and eliminates a donation to Regional Air Quality Council. WR&R: Reduces ad campaigns and outreach materials when it is critical to avoid contamination of recyclable materials, and eliminates support for National Recycling Coalition and sponsorships.
Social Sustainability	<ul style="list-style-type: none"> Affordable Housing: reduced by program funds that were not awarded in this year's competitive process. Typically, the funds are re-appropriated for use the following year, and under this cut the option would be available for allocation to future projects
Sustainability Services Admin	<ul style="list-style-type: none"> Reductions in most discretionary, including travel, training, consulting across all of Sustainability Services Reductions in Efficiency Works and land improvement services at Foothills Activity Center Eliminated meals and minute taking for Board

**COUNCIL FINANCE COMMITTEE
AGENDA ITEM SUMMARY**

**Staff: Blaine Dunn, Interim Accounting Director
SeonAh Kendall, City Recovery Manager**

SUBJECT FOR DISCUSSION Coronavirus Relief Fund (CVRF), CARES Act, Title V Allocation

EXECUTIVE SUMMARY

The purpose of this agenda item is to review City's Coronavirus Relief Fund (CVRF) allocation:

- Intent and eligibility of reimbursable costs/expenditures
- Potential process for distribution
- Reporting schedule

GENERAL DIRECTION SOUGHT AND SPECIFIC QUESTIONS TO BE ANSWERED

- Does the Finance Committee have any questions about the intent and eligibility of CVRF?
- Is the Committee supportive of the distribution allocations?

An emergency ordinance is being sought due to the immediate exigency in addressing COVID-19. On June 23, 2020, Resolution 2020-059 approved by City Council allowed City Manager Atteberry to enter into an intergovernmental agreement (IGA) with Larimer County for the allocation of the CARES CVRF. The IGA allocated \$9,015,692 to the City of Fort Collins to respond and address COVID-19.

BACKGROUND/DISCUSSION On May 18, 2020, Governor Polis signed Executive Order D2020 070, Directing the Expenditure of Federal Funds Pursuant to the Coronavirus Aid, Relief, and Economic Security (CARES) Act, to establish the Coronavirus Relief Fund (CVRF). Through the Department of Local Affairs (DOLA) this fund will reimburse costs to Counties, Municipalities and Special Districts that:

1. Are necessary expenditures incurred due to the COVID-19 public health emergency (COVID-19 emergency);
2. Were not accounted for in the budget most recently approved as of March 27, 2020 (the date of enactment of the CARES Act) for the State; and
3. Were incurred during the period that begins on March 1, 2020 and ends on December 30, 2020.

Intent

The City has incurred increased expenditures due to COVID 19 health emergency response. The requirement expenditures be incurred “due to” the public health emergency means expenditures must be used for actions taken to respond to the public health emergency. Costs incurred by the City from March 1, 2020 – December 30, 2020 are reimbursable, as long as those items were not budgeted as of March 27, 2020. The CARES CVRF does not allow for municipality revenue backfill/replacement, including the replacement of unpaid utility fees or tax obligations.

Eligible Expenditures

- **Direct City** incurred expenditures to address the public health emergency including such costs as:
 - Payroll expenses for public safety, human services and similar employees whose services are substantially dedicated to mitigating or responding to the COVID-19 public health emergency.
 - Expenses for communication of the public health orders.
 - Expenses for medical and protective supplies, including sanitizing products and personal protective equipment.
 - Expenses to improve telework capabilities for public employees to enable compliance with COVID-19 public health precautions.
 - Expenses for providing paid sick and paid family and medical leave to public employees.
- Expenses to facilitate compliance with COVID-19-related public health measures *for our residents*, such as expenses to support:
 - Rental assistance to prevent homelessness.
 - Utility payment assistance to continue to receive essential services
 - Food delivery to residents, including, for example, senior citizens and other vulnerable population.
 - Facilitation of distance learning and remote working, including technological improvements.
 - Emergency sheltering for people experiencing homelessness to mitigate COVID-19 effects and enable social distancing compliance.
- Expenses associated with the provision of economic support *for our business community*, such as expenses to support
 - Provision of grants to small businesses to reimburse the costs of business interruption caused by required closures.

Sector	Direct City Response	Residents	Businesses
Proposed Distribution	28%	42%	30%
Expended	\$558,000	\$233,000	\$165,000
Available Funds	\$2,009,692	\$3,510,000	\$2,539,000
Total	\$2,567,692	\$3,743,000	\$2,705,000

Proposed for Distribution

CARES funding requests for all entities will utilize an application, verification, and tracking process to align with the CRVF criteria. Once requests are received and prioritized, the proposed slate will go to Council for final acceptance.

Direct City Response Funds:

- Internal request and tracking process set up and monitored through EOC.

Businesses:

- Distribution to support businesses will be through a financial assistance application process:
 - Although economic recovery support is directly to local businesses, this overall benefits the residents and community – the City’s Economic Health Office (EHO) has proposed a grant process to support businesses between 5 – 20 employees, has existed for over one year (prior to March 1, 2020), and remained in good standing with the State of Colorado, Larimer County and the City of Fort Collins. EHO has indicated a desire to allocate a specific portion of this direct support to disadvantage business enterprises (DBEs) such as women-, minority- and veteran-owned businesses.

Residents:

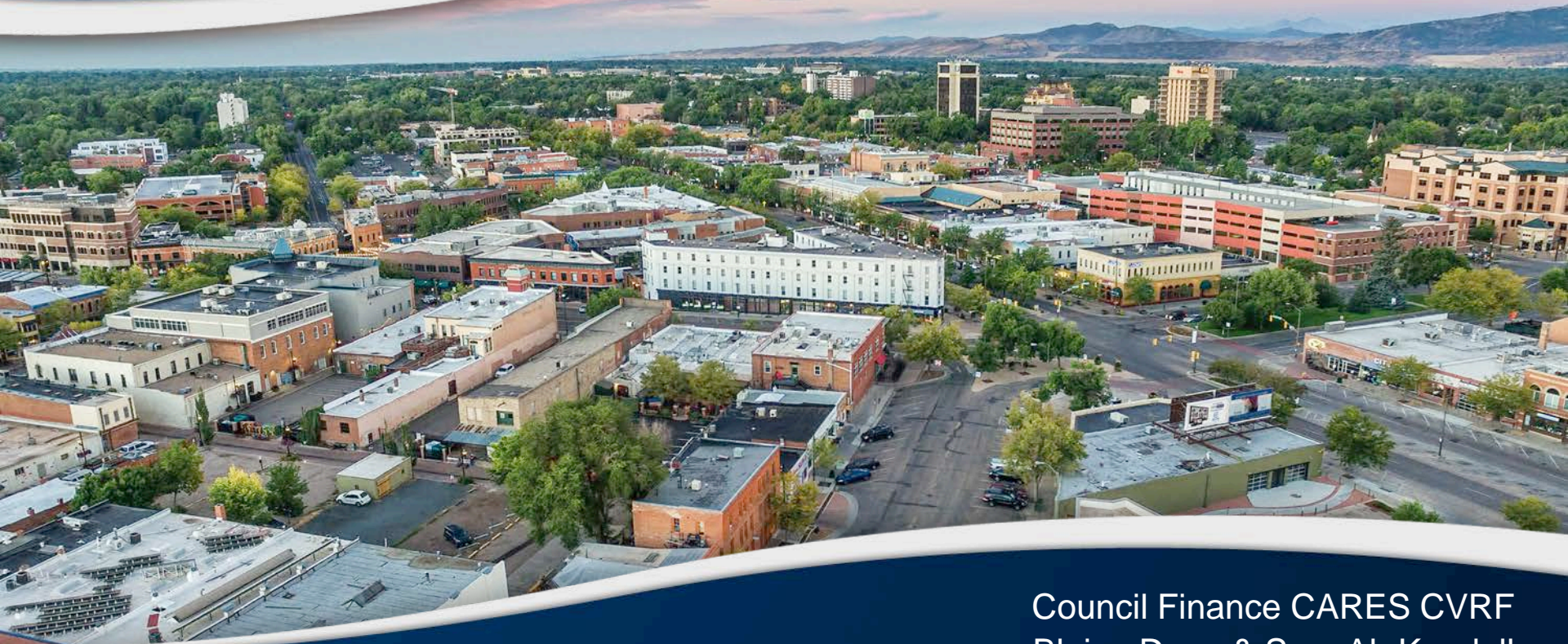
- Social recovery for our residents is another component of community recovery. The City’s Social Sustainability Office has identified needs and nonprofit organizations that would meet the required need and ability to address COVID-19. Applicants for residents will be private, nonprofit organization that is non-governmental.

Reporting Schedule

Due to subrecipient relationship nature, and defined time eligibility of the distributions, Staff is recommending monthly status reports of expenditures and milestones to City Council. An end-of-year impact report will be provided to City Council by March 31, 2021.

ATTACHMENTS

1. PowerPoint presentation



Council Finance CARES CVRF
Blaine Dunn & SeonAh Kendall

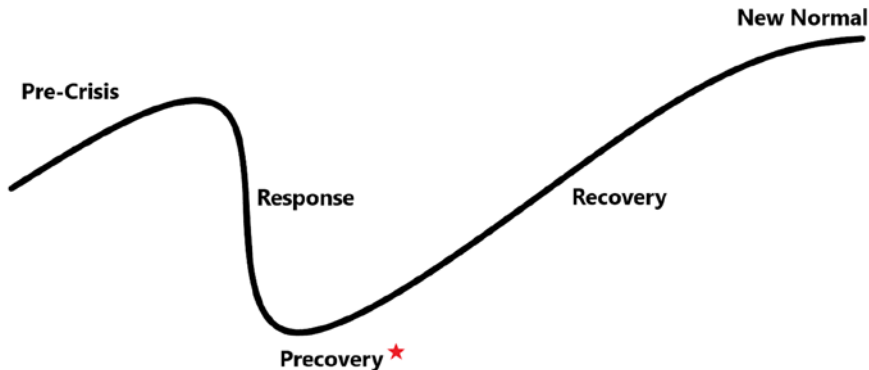


- Does the Finance Committee have any questions about the intent and eligibility of the CARES Coronavirus Relief Fund (CVRF)?
- Is the Committee supportive of the distribution allocation?

Build Resilience for the New Normal

FIGURE 1

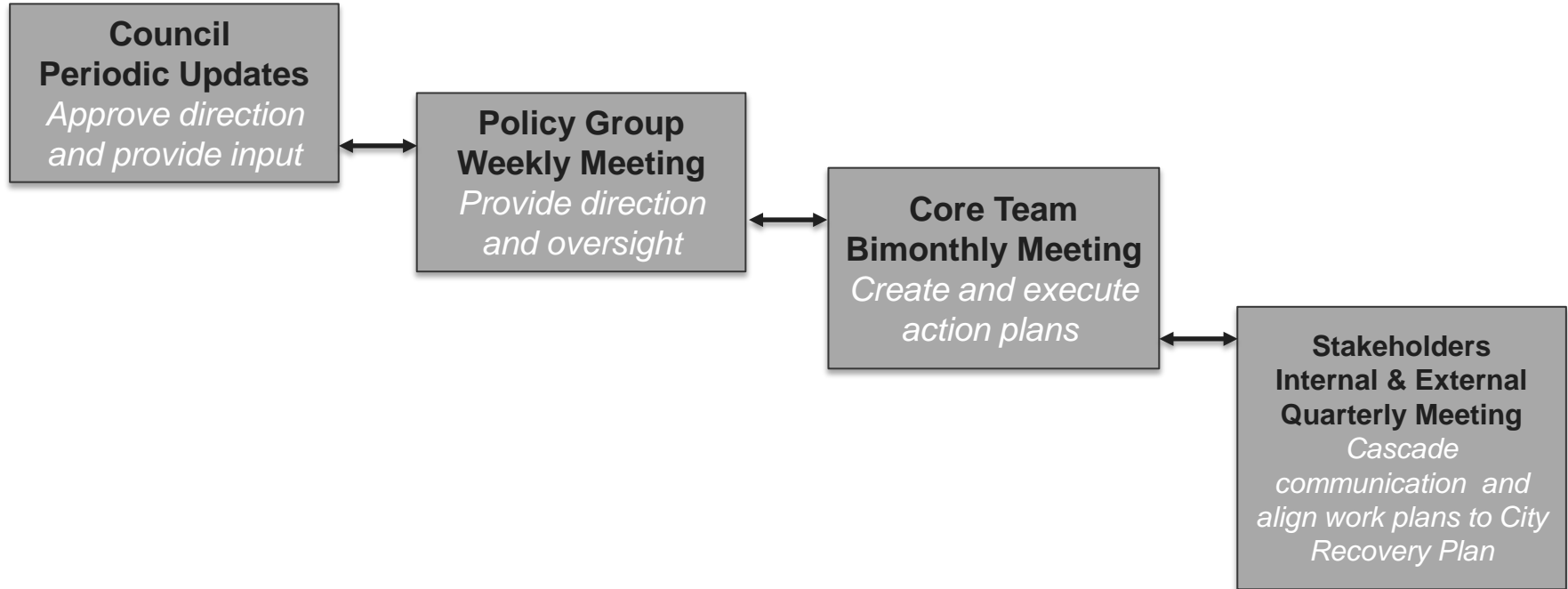
Resilient leaders must understand the *mindset shift* from Respond to Recover



FROM RESPOND → TO RECOVER

Situation	Unpredictable	→	"Interim" normal
→ IMPLICATION: Start by defining the destination at the end of Recover			
Focus	Inward-looking	→	Market-facing
→ IMPLICATION: Articulate the destination as stakeholder outcomes			
Management	Crisis management	→	Program management
→ IMPLICATION: The Recover PMO may need a different skill set			
Planning	Contingency planning	→	Scenario planning
→ IMPLICATION: Model to align financial resources to the ramp-up of operations			
Attitude	Reacting	→	Reinventing
→ IMPLICATION: Opportunity to energize team by imagining successful future and embracing trust as the catalyst			

Source: Deloitte analysis.



01

Expenses must be necessary due to the Public Health Emergency

- Direct Response
- Second-Order Effects

02

May not be used to offset lost tax revenue

03

Funds unspent as of December 30, 2020 must be returned

City of Fort Collins CARES CVRF (\$9,015,692) is only one component of the City's overall recovery goals

- Response to COVID – safety, impacts, etc.
- Benefit our community and region
- Advance City's strategic plan

City Direct Response

- Personal Protective Equipment (PPE)
- Emergency Operations Center (EOC)
- Safety, Sanitation and Cleaning
- Payroll for public safety, public health and those that are substantially dedicated to responding to COVID-19

Residential

- Rental Assistance
- Homelessness
- Childcare
- Food Security
- Digital access

Business

- Rental Assistance
- Small Business Loans
- Wrap-around Services for Disadvantage Business Enterprises (DBEs)

CARES CVRF Oversight

Direct City Response for COVID

Total: \$2,567,692 or 28%

Examples: Community recovery includes reimbursing City expenses such as supplies, personal protective equipment, personnel costs and improve telework capabilities during emergency COVID crisis.

Process:

- Funds expended to address the public health related to COVID19 from March – June 2020 are eligible for reimbursement
- Department Project Managers use standardized request and tracking process

Residential Support for COVID

Total: \$3,743,000 or 42%

Examples: Social recovery including rental assistance, utility payment assistance, food security and childcare assistance and physical distancing in congregate and non-congregate shelters for homeless.

Process:

- FAQs & grant criteria established
- Application process for requests through *fcgov.com* website
- Reimbursement selection committee will be assigned (monthly reporting to ELT and Council)
- Recipient reimbursement and audit process

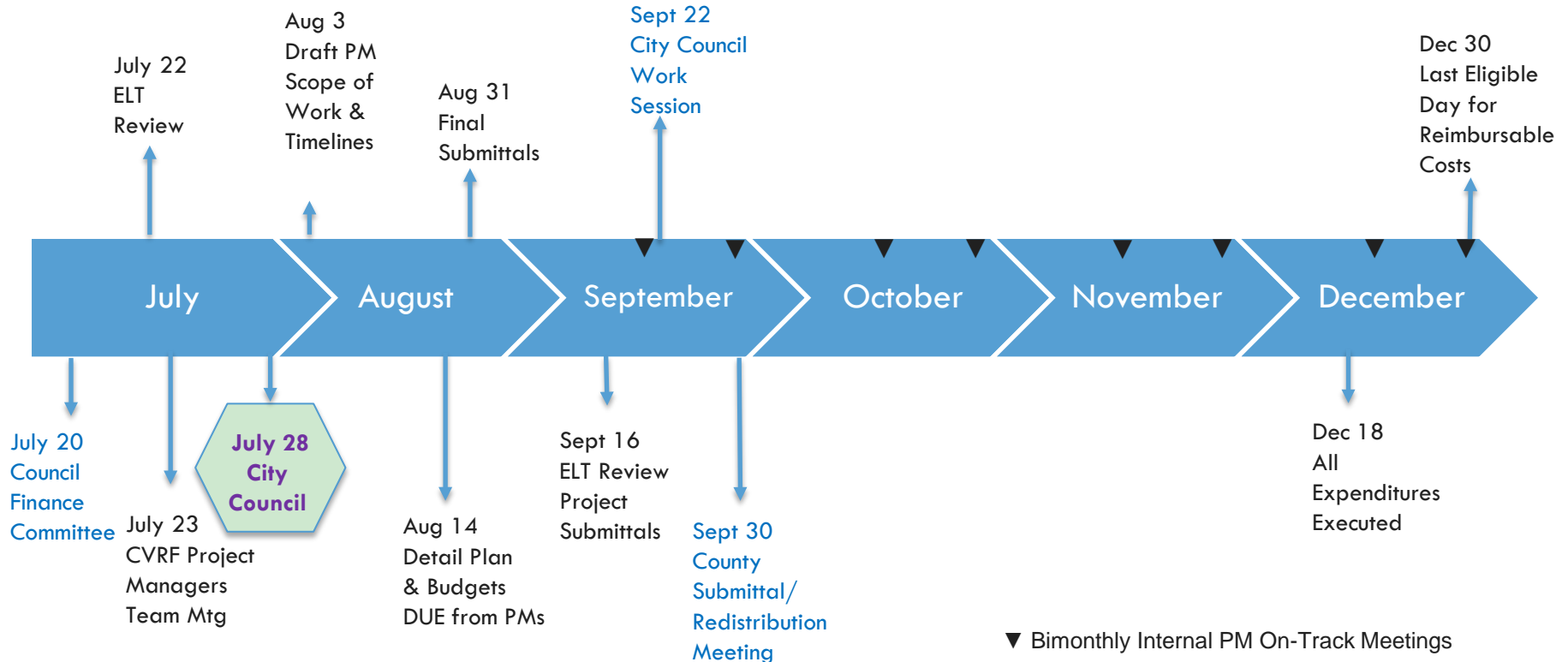
Business Support for COVID

Total: \$2,705,000 or 30%

Examples: Economic recovery including small business grants for rental assistance, payroll, etc. Area of interest is in disadvantaged business enterprises (DBEs) such as women-, minority- and veteran-owned businesses.

Process:

- FAQs & grant criteria established
- Application process for requests through *fcgov.com* website
 - Reimbursement selection committee will be assigned (monthly reporting to ELT and Council)
 - Recipient reimbursement and audit process



Dates	Action Needed
July 28, 2020	After Council approves general framework & proposed allocations, then staff can begin purchasing process**
Aug 5, 2020	Recovery Policy Team reviews feasibility of submitted project
Sept 30, 2020	Cities and County meet to identify available funds and redistribute, if needed
Oct 30, 2020	Recovery Policy Team review of ongoing projects and redistribute if projects are not at anticipated levels
Nov 3, 2020	Staff update to City Council

***Council will be asked to set general guidance on categories and desired priorities*



- Does the Finance Committee have any questions about the intent and eligibility of the CARES Coronavirus Relief Fund (CVRF)?
- Is the Committee supportive of the distribution allocation?

COUNCIL FINANCE COMMITTEE AGENDA ITEM SUMMARY

Staff: John Stokes, Honore Depew

Date: July 20, 2020

SUBJECT FOR DISCUSSION: Parks and Recreation Master Plan

EXECUTIVE SUMMARY (a brief paragraph or two that succinctly summarizes important points that are covered in more detail in the body of the AIS.)

The purpose of this item is to provide an overview of findings so far from a funding analysis of parks and recreation facilities. Presentation by Interim Community Services Director, John Stokes. Consults and department directors available for discussion/questions.

GENERAL DIRECTION SOUGHT AND SPECIFIC QUESTIONS TO BE ANSWERED

1. Is the proposed scope and direction of the financial analysis appropriate?

BACKGROUND/DISCUSSION

The Parks and Recreation Master Plan update process began in November 2019 and has included extensive system analysis and community engagement. Staff has been working with a consultant team, stakeholders, and the community to identify parks and recreation desires, assess how Fort Collins compares to other peer and benchmark communities, and identify key issues and priorities the plan should address – including a long-term financial framework.

Staff and the consulting team are conducting a thorough and detailed analysis of the entire inventory of parks and recreational facilities. The assessment includes an appraisal of assets and amenities throughout the system using benchmark communities, national trends, and survey data as guideposts. From this work current levels of service can be compared, and future amenities and services anticipated.

Several approaches are being used to develop an understanding of how current facilities compare to benchmark communities, and how those facilities relate to what Fort Collins' community members have highlighted in through surveys, open houses, etc. The analysis also includes an evaluation of the funding structures in place to support development, maintenance, replacement, and programing.

The Total Cost of Ownership for a Park or Recreation facility includes four buckets:

- 1) the capital needed to build it in the first place,
- 2) the funds to maintain it (operations and maintenance),
- 3) the funds to replace/upgrade parts and equipment (lifecycle replacement), and
- 4) the funds to completely redesign or remodel when necessary (refresh).

Fort Collins has historically managed the first bucket successfully – new recreation facilities have been funded with tax initiatives and new parks with dedicated impact fees. The other three buckets compete for general funds as part of the budget process every two years. As a result, the long-term sustainability of maintenance, lifecycle and refresh are not assured.

Preliminary findings from the funding analysis:

Parks Department

- Large and diverse Parks system (1,190 acres)
 - Expansive inventory of assets creates systematic pressures
- Annual funding for lifecycle replacement of Parks amenities (asset management) is approximately \$4 million below the recommended target investment, based on industry standards to invest 3% of total asset value each year
- Fort Collins spends less per acre on operations and maintenance than the national median but more than the national median per capita
- Development of a capital improvement plan by Parks and Park Planning and Development is an important next step for the sustainability of Parks asset management

Recreation Department

- 60% of community participating in Recreation programs suggests strong value
- Recreation typically recovers more than half of expenditures, even including overhead costs such as maintenance from Operation Services
- Modest ability to increased cost recovery on longer (5-10 year) time horizon
- Limited resources to maintain and improve facilities
- Staffing is lean and relies heavily on hourly workers

Next Steps

- Complete a level of service analysis
- Complete a forward-looking asset management financial projection for individual parks and recreational facilities (capital improvement plan)
- Identify strategies for funding alternatives and options
- Conduct additional community outreach
- City Council Work Session: Aug. 25
- Council Finance Committee: Sept. 21

ATTACHMENTS (numbered Attachment 1, 2, 3,...)

1. Powerpoint presentation



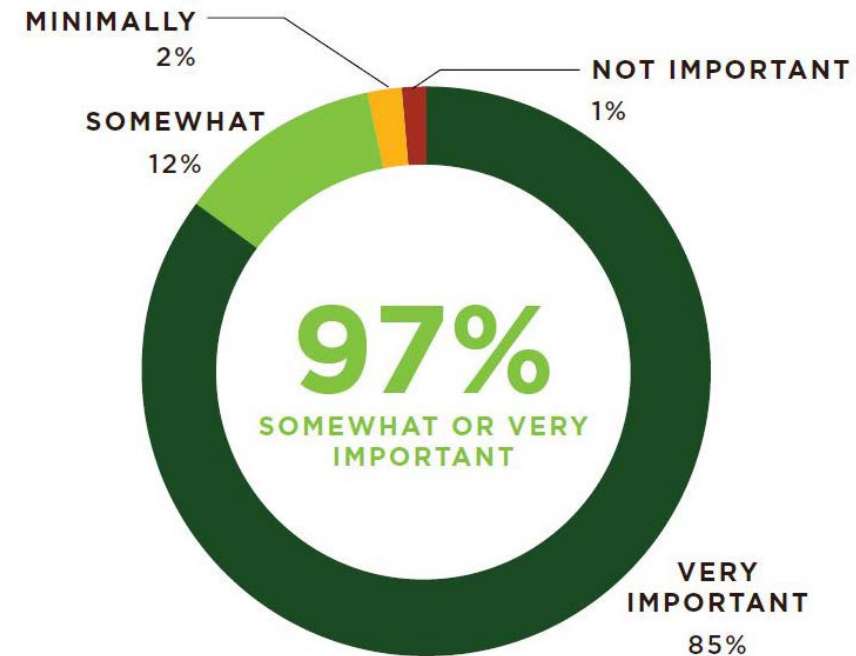
PARKS & RECREATION MASTER PLAN
Presented by John Stokes

ReCreate

Rethink. Renew. Reimagine.

PARKS & RECREATION MASTER PLAN

97% of respondents rated quality parks, paved trails, recreation facilities, and programs as **SOMEWHAT OR VERY IMPORTANT** to the identity of Fort Collins.



Goal

Understand financial needs and develop a long-term financial framework

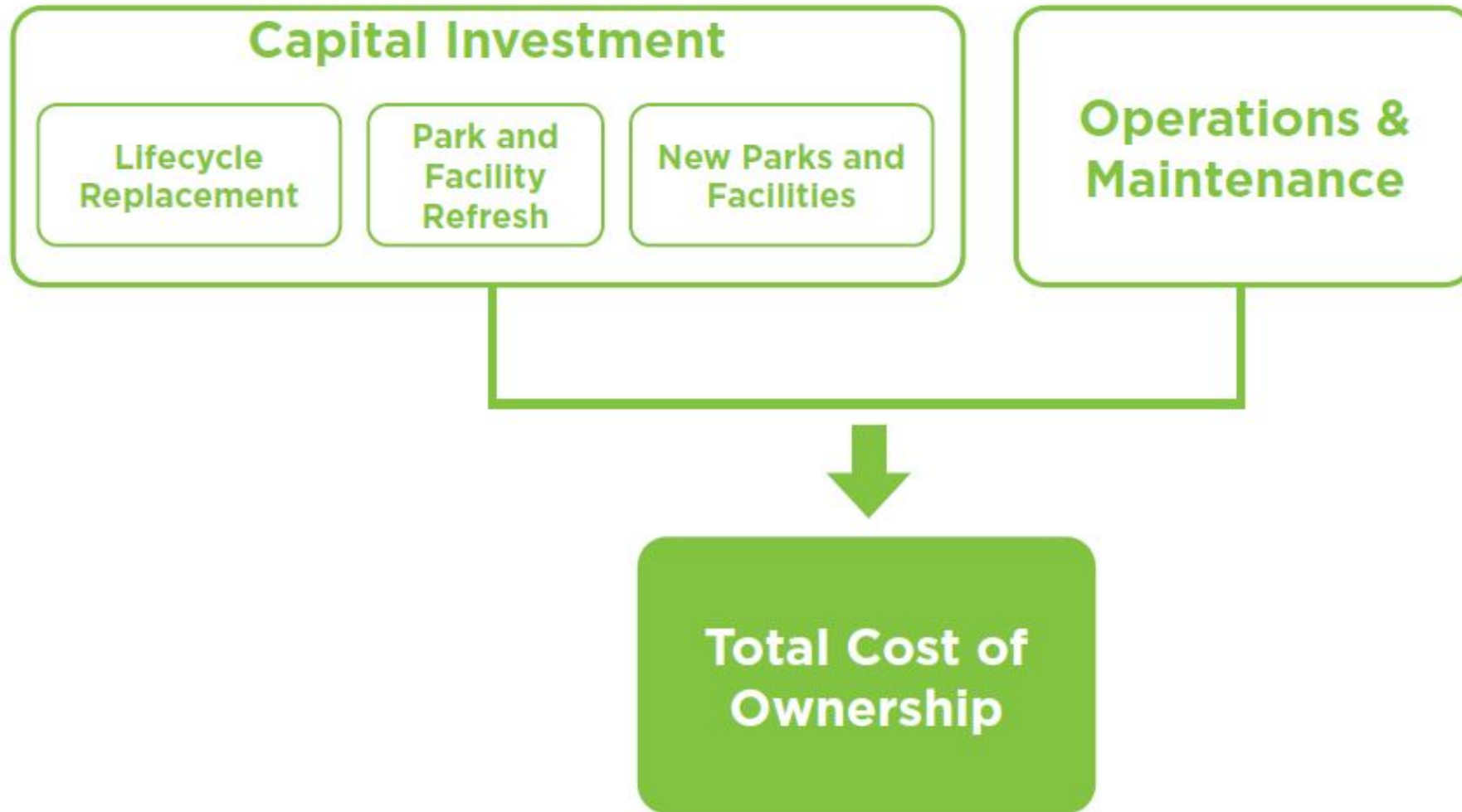
Analysis

- Determine appropriate levels of service
- Consider both start-up and ongoing costs for maintenance and capital
- Equitable design standards and inclusive access

Revenues

- Explore new revenue generating uses in parks and recreation facilities
- Identify and pursue external funding sources to supplement City funding

Total Cost of Ownership



Total Cost of Ownership

✓ New Recreation Facilities

- Historically funded with tax initiative(s)

✓ New Parks

- Funded with dedicated impact fees

✓ Parks and Facility Refresh

- Currently compete for general fund \$\$

✓ Lifecycle (asset management)

- Currently compete for general fund \$\$

✓ Operations and Maintenance

- Currently compete for general fund \$\$

Recreation Department Analysis

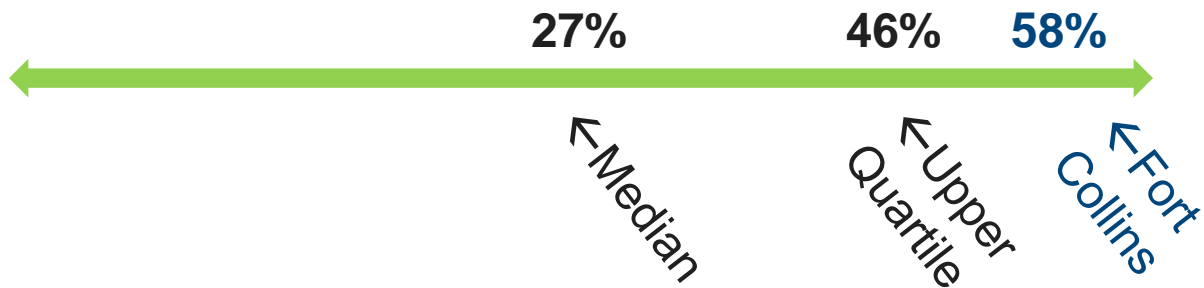
- Annual budget of \$9.6M
 - \$11.3M including overhead (OpSrvcs)
- \$6.55M annual revenue from Recreation programs, services & facilities



Recreation Department Analysis

Cost Recovery

- 58% cost recovery including Operations Services support (76% excluding)
- For communities with a similar population density nationally, the median cost recovery rate is 27% and the upper quartile is 46%



Recreation Department Analysis Takeaways

- There are limited resources to maintain and improve facilities
- There is modest ability to increase user fees to enhance cost recovery
- Previous work identified frontline staff as a pressing need
- Staffing is lean and relies heavily on hourly workers



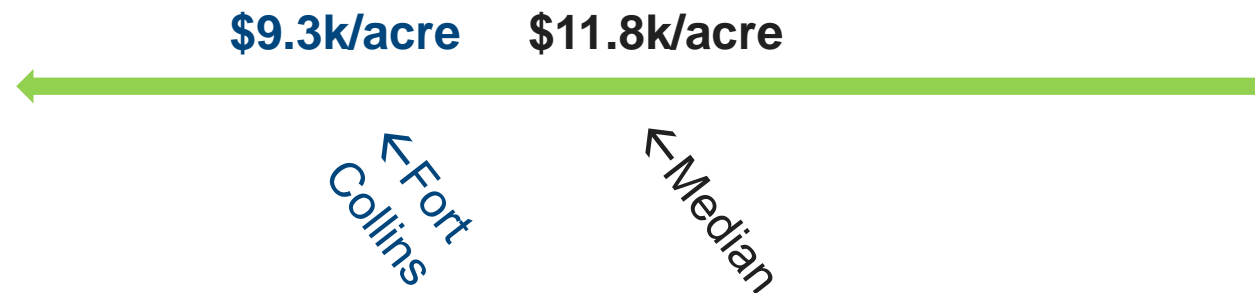
Parks Department Analysis

- Parks budget of \$12.3M
- 60 park sites = 1,190 acres
 - including undeveloped
- Medians = 80 acres
- Downtown facilities
- 44 miles of Paved Trails



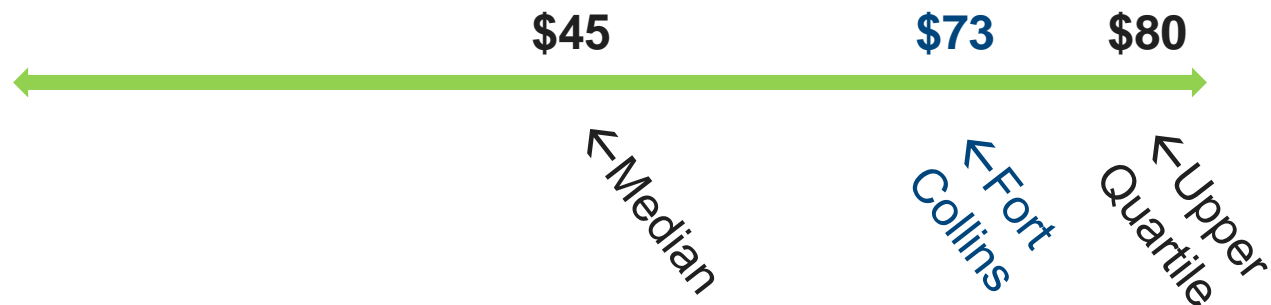
Parks Department Analysis Per Acre O&M

- National median annual spending for Parks maintenance is \$11,813 per acre
- Fort Collins spends ~\$10,340 per acre annually
- Accounting for higher cost of living in Fort Collins, the per acre comparative cost adjusts to \$9,306



Parks Department Analysis Per Capita Expenditures

- For communities with a similar population density nationally, the median per capita expenditure on O&M and Lifecycle is \$45 and the upper quartile is \$80



Asset Management / Replacement is Currently Underfunded

- Investing about \$500K annually
- Total asset base of \$140 million
- Target annual investment needed =
~3% of asset value (~\$4.5M/year)



● New Parks

- Funding source in place

● Parks & Recreation Facility Refresh

- No long-term funding source

● Parks Lifecycle (asset management)

- Currently underfunded

● Parks & Recreation O&M

- Current levels adequate
- Future levels uncertain

- Complete a level of service analysis
- Complete a forward-looking asset management financial projection for individual parks and recreational facilities (capital improvement plan)
- Identify strategies for funding alternatives and options
- Conduct additional community outreach

City Council Work Session: Aug. 25
Council Finance Committee: Sept. 21

Additional Slides

Park Work Function	Inventory Unit	Inventory	General Fund	Keep Fort Collins Great Funding	Other Funding	TOTAL	Current Unit Cost	Best Practice Unit Cost	Additional Funding Needed to Meet Best Practice
Total Funding			\$ 9,192,875	\$ 1,731,651	\$ 1,380,456	\$12,304,982			
Mini Parks	Acre	14.00	2%			\$ 220,629	\$ 15,759	\$ 20,000	\$ 59,371
Neighborhood Parks	Acre	384.00	23%	40%	28%	\$3,193,549	\$ 8,317	\$ 12,000	\$ 1,414,451
Community Parks	Acre	573.00	37%	34%	29%	\$4,390,457	\$ 7,662	\$ 9,000	\$ 766,543
Paved Trails	Linear Mile	44.00	4%	2%		\$ 402,348	\$ 9,144	\$ 15,000	\$ 257,652
Rights of Way/Medians	Sq. Ft.	3,525,655.00	10%		7%	\$1,015,919	\$ 0.29	\$ 0.50	\$ 746,908
Special Use Areas (Downtown)	Acre	14.00	16%	15%	36%	\$2,231,035	\$ 159,360	\$ 159,360	\$ -
Undeveloped Parks	Acre	69.00	0%			\$ 18,386	\$ 266	\$ 300	\$ 2,314
City Facility grounds	Acre	133.00	3%			\$ 275,786	\$ 2,074	\$ 2,074	\$ -
Ranger Program	Rangers	3.00	2%	5%		\$ 270,440	\$ 90,147	\$ 90,147	\$ -
Events/ working with other dept	Number of Events	12.00	2%	4%		\$ 286,432	\$ 23,869	\$ 23,869	\$ (4)
Total			100%	100%	100%	\$12,304,982			\$3,247,235

City of Fort Collins Recreation Categorized Services

	Total Revenues	Direct Program Expenditures	Indirect/Admin/Overhead Expenditures	Total Revenues Over/(Under) Total Expenditures	Tax Support per Participant/Visitor	Current Cost Recovery	Recommended Overall Cost Recovery	Potential Net Revenue Increase
TOTALS Including other revenue sources								
Total Overall Department	\$6,554,772	\$3,500,101	\$7,788,781	(\$4,734,110)	(\$4.05)	58.1%	65.6%	\$854,301

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**COUNCIL FINANCE COMMITTEE
AGENDA ITEM SUMMARY**

Staff: Joaquin 'Keen' Garbiso

Date: 7/20/2020

SUBJECT FOR DISCUSSION: Nationwide Transition Update

EXECUTIVE SUMMARY

As a part of the City's municipal code, we must take our benefit programs out to a competitive procurement process. This allowed us the opportunity to view what is happening nationally, what organizations are doing to stay competitive both for their talent and financially and to ensure we are offering the best benefit programs for our employees. After a thorough and competitive process, Nationwide was selected.

- The City has been with ICMA-RC for 45 years, accumulating over \$500M in assets

We are currently working through all aspects of this transition.

In working with outside counsel Dan Lacomis, it was determined City Council must approve the documents transitioning the City-sponsored retirement plans for City employees from ICMA-RC to Nationwide because the City Council is the governing body of the municipal corporation.

Documents to be approved are:

- Adoption Agreement (along with attachments)
- Trust Agreement
- Merger of plan agreement (plan consolidation approval)
- An Affiliation Agreement with each affiliated entity (PFA, DDA and Library)

GENERAL DIRECTION SOUGHT AND SPECIFIC QUESTIONS TO BE ANSWERED

We would like to provide a high-level overview of the transition and future Council action required on August 18 and respond to any questions or comments.

BACKGROUND/DISCUSSION

With ICMA-RC, the City and its affiliates (PFA, Library and DDA) had over 29 plans (20 of which are active via payroll deductions) consisting of 401(a), 457(b) Deferred Compensation and Retirement Health Savings (RHS) Plan, which in the future will be known as a Post-Employment Health Plan (PEHP) offered through a Voluntary Employee Beneficiary Associate (VEBA) trust.

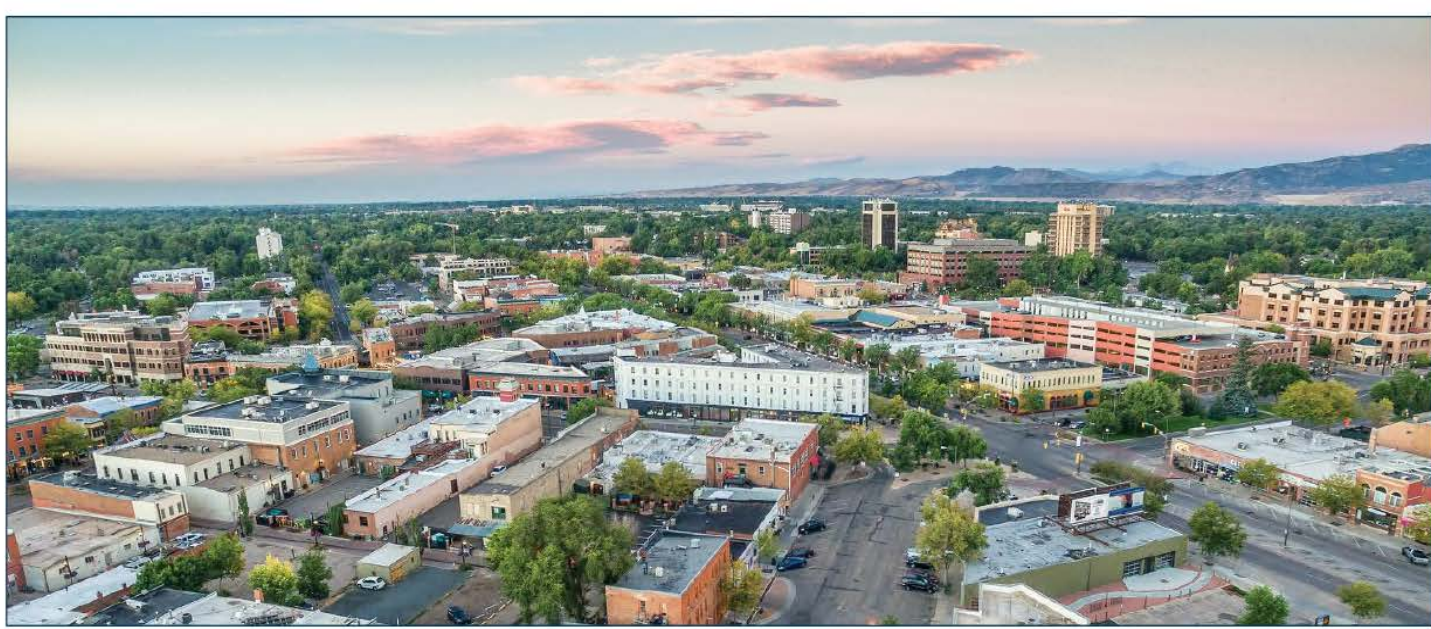
In partnership with Nationwide, Jenny Lopez Filkins, outside counsel (Dan Lacomis), our affiliates and their legal counsel, we have consolidated our plans to 15.

- 401(a): 6 Plans
- 457(b): 4 Plans
- PEHP: 5 Plans

ATTACHMENTS

Attachment 1: CFC Slides_7-15-20.pptx

2020 Retirement Record Keeper Change



- Update on the transition to City's new retirement recordkeeper
 - Including City's affiliates (PFA, Library, DDA) spell out
- Provide overview of document approvals required by Council
- Respond to any questions or comments

Transition Update

- January 2020, staff was notified of a retirement recordkeeper change
 - Communication has also been sent to all members
- Staff and NW working on implementation which includes:
 - Plan consolidation (29 plans to 15 plans)
 - Contracts & plan documents
 - Affiliation agreements with PFA, Library and DDA
 - IT/Payroll/HRIS transition & testing
 - Communication & Marketing

What happens next?

- Document approval by Council on August 18
 - Adoption Agreement (along with attachments)
 - Trust Agreement
 - Merger of plan agreement (plan consolidation approval)
 - An Affiliation Agreement with each affiliated entity (PFA, DDA and Library)
- Projected go live on September 18

City of Fort Collins Retirement Plan

