Finance Administration
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# AGENDA
## Council Finance & Audit Committee
## March 3, 2022
## 4:00 – 6:00 pm

Zoom Meeting https://zoom.us/j/8140111859

Approval of Minutes from the February 4, 2022 Council Finance Committee meeting.

| | | |
|---|---|---|
| 1. Sustainable Funding Update | 60 mins. | J. Poznanovic<br>G. Sawyer |
| 2. Midtown Infrastructure Design | 30 mins. | J. Birks<br>B. Buckman |
| 3. 2022 Reappropriation | 20 mins. | L. Pollack |

Other Business:

**Council Finance Committee**

**Agenda Planning Calendar 2022**

**RVSD 02/14/22 ts**

| **Mar. 3rd** | **2022** | | |
|---|---|---|---|
| | Sustainable Funding Update | 60 min | J. Poznanovic |
| | Midtown Infrastructure Design | 30 min | J. Birks<br>B. Buckman |
| | 2022 Reappropriation | 20 min | L. Pollack |

| **April 7th** | **2022** | | |
|---|---|---|---|
| | Debt Offering: Hughes Land, Natural Areas, Golf | 30 min | B. Dunn |
| | 2023 Development Review and Capital Expansion Fee Updates | 30 min | D. Lenz |
| | 2023-2024 Budget Process Review | 30 min | L. Pollack |
| | Recovery Plan – 2022 Mid-Cycle Appropriation | 30 min | T. Storin<br>S. Kendall |

| **May 5th** | **2022** | | |
|---|---|---|---|
| | | | |
| | | | |
| | | | |

| **June 2nd** | **2022** | | |
|---|---|---|---|
| | Sustainable Funding Update | 45 min | J. Poznanovic |
| | | | |
| | | | |

Note: 2022 Council Finance Committee meeting schedule changed to 1st Thursday of the month from 4-6 pm.

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Finance Committee Meeting Minutes
February 4, 2022, 3-5 pm
Zoom

| | |
|---|---|
| Council Attendees: | Julie Pignataro, Kelly Ohlson, Emily Francis, Susan Gutowsky, Shirley Peel |
| Staff: | Kelly DiMartino, Travis Storin, John Duval, Tyler Marr, Ginny Sawyer, Blaine Dunn, Amanda Newton, Chad Crager, Dave Lenz, Jo Cech, Molly Reeves, Javier Echeverria Diaz, John Phelan, Lance Smith, Carolyn Conant, Gerry Paul, Victoria Shaw,Monica Martinez, Erik Martin, Zack Mozer, SeonAh Kendall, Carolyn Koontz |
| Others: | Eric Sutherland, Kevin Jones (Chamber), Sarah Hunt |

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Meeting called to order at 3:01 pm

Approval of minutes from the January 6, 2022, Council Finance Committee Meeting. Emily Francis moved for approval of the minutes as presented. Kelly Ohlson seconded the motion. Minutes were approved unanimously via roll call by; Julie Pignataro, Kelly Ohlson and Emily Francis.

## A. Connexion Financing Update

Chad Crager, Connexion Executive Director
Dave Lenz, Director, Financial Planning & Analysis

**EXECUTIVE SUMMARY:**
During 2021, the Connexion team continued with the buildout of the fiber network and significantly ramped up the acquisition of customers for Connexion service offerings. Updated construction cost and timing estimates were completed in late 2021 which indicated a funding need of approximately $20 million to build out the network by mid-2022. Staff has evaluated the financing options available to meet this funding need and is proposing borrowing $20 million from available Light & Power reserves to allow for completion of the network buildout.

**GENERAL DIRECTION SOUGHT AND SPECIFIC QUESTIONS TO BE ANSWERED:**

1. What questions does Council Finance Committee have on the identified financing options?

2. Does Council Finance Committee staff-recommended next steps?

**BACKGROUND/DISCUSSION:**
<u>**Assumptions Update:**</u>

The Connexion team, along with Atlantic Engineering Group (AEG), and On Trac, continue to build and install Connexion fiber throughout the community. With initial construction starting in 2019, it is anticipated that AEG will be complete with construction by summer 2022 and that the project will remain on target with fiber available to all premises by the end of 2022.

New neighborhoods continue to be offered Connexion service on a weekly basis. To date, Connexion is seeing a 31% residential take rate (measured in neighborhoods with service available for at least 90-days.) This penetration is above the 28% previously noted to achieve timely bond payback.

While build progress and residential take rate are at or above target, previous financial modeling was overly aggressive on multiple dwelling unit (MDU) build-out and commercial availability. Connexion has steady interest from these business types, and each brings a challenge for implementation. For 2022, Connexion has secured Colorado Boring as a dedicated resource to provide fiber to MDUs. Fort Collins has over 500 MDUs and Connexion has set a target of installing at least 150 in 2022.

The updated modeling includes additional boring costs on the fiber network, the dedicated costs for MDU buildouts, additional premises to be served in the market and updated operating and installation costs reflecting actual results to date. These primary assumption changes are highlighted below.

| Description | 2017 Business Plan Assumptions | Current Project Estimate |
|---|---|---|
| Premises | 70k | 78k |
| Conduit Availability | 72% | 48% |
| Installation Cost | $592 per install | $705 per install |
| Premise Boring | $0 | $8.5M |
| **Full absorption** | **100% by Q4 2022** | **100% by Q4 2024** |
| **Residential Take Rate** | **28% by end of 2022** | **35% by end of 2022** |
| **Commercial Take Rate** | **45% by end of 2022** | **28% by end of 2024** |

**Funding Requirements and Financing Options:**

The current project estimate is currently $143 million. Spending through December 2021 totals $115 million. The Connexion project currently has $123 million available ($117 million appropriated plus a re-deployment of operating budget funds of approximately $6 million). The resulting funding need is approximately $20 million.

| Description | Total | |
|---|---|---|
| Current Project Estimate | | $143M |
| Total Capital Budget | $117M | |
| Re-Deployed Operating Budget | $6M | |
| Total Currently Available | $123M | |
| Funding Need | | $20M |

Staff has evaluated various financing options available to provide the sourcing for the $20 million requirement. The primary options considered were borrowing from L&P reserves, additional bond issuances (either stand-alone Connexion needs or combined with L&P needs), or combinations of the two. Other options initially considered were utilization of L&P reserve balances, bank financing, General Fund backfill, and a do-nothing approach. The table below highlights the primary options considered including the benefits and drawbacks of each alternative.

| Options | Pros | Cons |
|---|---|---|
| 1.) Borrow from L&P Reserves | • Low-cost, readily available capital | • Opportunity cost |
| 2.) Borrow from L&P Reserves, then deferred bond offering (package with L&P in '23-24) | • Low-cost, readily available capital<br>• Allows time to right-size bond offering and coordinate messaging | • Opportunity cost |
| 3.) Deferred bond offering only (package with L&P in '23-24) | • Allows time to right-size bond offering and coordinate messaging | • Funds needed sooner than feasible timeline<br>• Connexion needs funds prior to L&P |
| 4.) 2022 dedicated Connexion bond offering only | • Continued separation of L&P and Connexion financials | • Cost-ineffective to do Connexion offering in 2022 and L&P in '23-24 |

Although Connexion and Light & Power (L&P) maintain separate financial books of record for management and transparency purposes, they are legally a single "Electric and Telecommunications" enterprise. The existing bonding is issued under this structure and ultimately L&P revenues provide financial backing if Connexion cash flows are insufficient to pay back its' obligations. Therefore, additional borrowing or utilization of L&P reserves must consider the financial needs, capacity, and outlook of the L&P entity in order to avoid negatively impacting L&P ratepayers.

**<u>Debt Overview:</u>**

The table below shows the anticipated L&P rate increases, capital improvement plan (CIP) and debt issuance needs of L&P over the next ten years. Proposed rate increases are driven to a large degree by the need to cover increased wholesale power costs. The capital plan includes a new substation, replacement billing system and a potential E. Mulberry annexation. L&P contemplates a debt issuance of $41 million as part of their planning in 2023. L&P currently has no debt outstanding for their own purposes.

| Year | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 | 2029 | 2030 | 2031 |
|---|---|---|---|---|---|---|---|---|---|---|
| Anticipated PRPA Wholesale Rate Increase | 3.0% | 3.0% | 3.0% | 3.0% | 2.0% | 2.0% | 2.0% | 2.0% | 2.0% | 2.0% |
| L&P Retail Rate Increase from Wholesale Increase | 2.0% | 2.0% | 2.0% | 2.0% | 1.4% | 1.4% | 1.4% | 1.4% | 1.4% | 1.4% |
| L&P Total Retail Rate Increase | 2.0% | 3.0% | 4.1% | 3-4% | 3-4% | 3-4% | 2-3% | 2-3% | 2-4% | 2-4% |
| L&P Capital Improvement Plan ($M) | $17.3 | $28.8 | $21.9 | $25.2 | $21.3 | $19.5 | $21.1 | $23.7 | $21.2 | $21.2 |
| L&P Debt Issue ($M) | | $41.0 | | | | | | | | |

L&P had $23.4 million in available reserves (after required and appropriated amounts were deducted) at the end of 2020. 2021 reserve increases are expected to be approximately $19 million, which will leave them with approximately $42 million of availability.

| Description | Total |
|---|---|
| Year-end 2020 Total Reserves | $48.7 M |
| Minimum Required per Policy | ($8.0 M) |
| Previously Appropriated | ($17.1 M) |
| Year-end 2020 Reserves Available | $23.4 M |
| 2021 Reserve Increase | ~ $19 M |
| Year-end 2021 Reserves Available | ~ $42 M |

An overview of the existing bonds is highlighted below for the debt issued in 2018. The terms of the bonds provided for semiannual payments in June and December of each year. The payments are interest only until December 2022 when the first principal repayment begins. The repayment schedule was structured to increase the payments over time to align with the construction phase of the project and ramp-up of customer acquisition. $20 million of available borrowing capacity remains under the original voter approved initiative amount of $150 million.

| Description | Existing Connexion Bonds |
|---|---|
| Amount | $129.6 M |
| Maturity - Year | 2042 |
| Payments | Semi-Annual in June and December |
| Rate / Yield-to-Maturity | 4.1% |
| Avg. Annual Debt Service | $6.7M |
| Max Annual Debt Service | $10.2M |
| Earliest call date (Series A only: $84.9M) | 6/1/2028 |

**New Proposed Borrowing Structure/Mechanics:**

Staff is recommending financing Option 1 – Borrowing from available L&P Reserves. The pursuit of this financing solution best balances the needs and timing of Connexion funding requirements, maintains flexibility for future L&P financing requirements, and enables the ability to move forward at full speed with the network buildout and sales/marketing efforts. It best maintains the ability for Connexion to meet its future debt obligations and provide security for L&P ratepayers in the longer term.

Specifics of the borrowing arrangement will include:

Draw down as needed to meet cash requirements

Payback w/ all excess available cash from Connexion operations

Interest paid to L&P (computed on outstanding carrying balance)

Reserve Borrowing Draws:

| | |
|---|---|
| 1st draw required: | Q2 2022 (May/June) |
| December 2022 projected balance: | $11M |
| Maximum estimated need: | $20.5 M by Dec 2024 |
| Payback: | Completed on or by Jan 2029 |
| Total Interest incurred: | $3.2M |

**Financial Outlook Summary:**

The updated results of the financial modeling, including the utilization of Option 1 - L&P Reserve borrowing, are highlighted below for the ten-year period out to 2031. Of particular note are the ramp-up of total revenues in the 2022-25 timeframe, the significant cash flow before financing beginning in 2025, and the accumulation of cash (total cash flow per year) starting in 2029 after paying back the reserve borrowings. Also highlighted is the maximum reserve borrowing of $20.5 million at year-end 2024.

| ($ thousands) | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 | 2029 | 2030 | 2031 |
|---|---|---|---|---|---|---|---|---|---|---|
| **Total Revenue** | $ 13,716 | $ 21,620 | $ 26,204 | $ 29,658 | $ 30,315 | $ 30,441 | $ 30,567 | $ 30,695 | $ 30,823 | $ 30,953 |
| **COGS** | $ (1,998) | $ (3,082) | $ (3,555) | $ (3,954) | $ (4,035) | $ (4,044) | $ (4,052) | $ (4,060) | $ (4,068) | $ (4,077) |
| **OpEx** | $ (7,027) | $ (8,021) | $ (9,067) | $ (9,453) | $ (9,683) | $ (9,899) | $ (10,120) | $ (10,346) | $ (10,578) | $ (10,816) |
| **Total Expenses** | $ (9,025) | $ (11,103) | $ (12,622) | $ (13,407) | $ (13,718) | $ (13,943) | $ (14,172) | $ (14,406) | $ (14,646) | $ (14,893) |
| **Net Operating Cash** | $ 4,691 | $ 10,517 | $ 13,582 | $ 16,251 | $ 16,597 | $ 16,498 | $ 16,395 | $ 16,289 | $ 16,177 | $ 16,060 |
| **Capital** | $ (17,091) | $ (7,498) | $ (5,748) | $ (2,257) | $ (701) | $ (693) | $ (694) | $ (694) | $ (695) | $ (695) |
| **Cash Flow before Financing** | $ (12,400) | $ 3,019 | $ 7,834 | $ 13,994 | $ 15,896 | $ 15,805 | $ 15,701 | $ 15,595 | $ 15,482 | $ 15,365 |
| **Debt/Interest Proceeds** | $ 11,213 | $ 8,490 | $ 8,299 | $ 7,660 | $ 7,699 | $ 7,648 | $ 2,202 | $ 4 | $ 8 | $ 12 |
| **Debt/Interest Repayment** | $ (7,211) | $ (11,509) | $ (16,134) | $ (21,654) | $ (23,596) | $ (23,453) | $ (17,904) | $ (11,566) | $ (10,194) | $ (10,194) |
| **Net Financing** | $ 4,002 | $ (3,019) | $ (7,835) | $ (13,994) | $ (15,897) | $ (15,805) | $ (15,702) | $ (11,562) | $ (10,186) | $ (10,182) |
| **Total Cash Flow** | $ (8,398) | $ - | $ (1) | $ - | $ (1) | $ - | $ (1) | $ 4,033 | $ 5,296 | $ 5,183 |
| **Reserve Borrowing Balance** | $ 11,211 | $ 17,915 | $ 20,481 | $ 17,268 | $ 12,116 | $ 6,796 | $ 1,368 | $ - | $ - | $ - |

A major consideration of our evaluation of financing options for the additional $20 million capital need was the impact to our overall debt position and bonding capability. Two key measures in this regard are the debt coverage ratio (DCR) and Debt Capacity. Debt coverage ratio is a measure of our ability to pay back our annual debt service, expressed as ratio of net pledged revenues (essentially net operating cash flows) divided by debt service payments. In the table below, the combined Connexion/L&P ratio in 2022 is 3.5. This indicates we have 3.5 times the net revenues to cover our debt payments.

Debt capacity is a measure of how much additional debt we could "afford" at various DCR's and bond terms (years). There is sufficient room to take on additional potential debt (above the existing Connexion bond borrowings and planned L&P $41M needs) to fund other potential projects or initiatives. (The table below reflects combined L&P/Connexion data).

| Year | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 | 2029 | 2030 | 2031 |
|---|---|---|---|---|---|---|---|---|---|---|
| **Debt Coverage Ratio (DCR):** (Net pledged revenues divided by debt service) | 3.50 | 2.74 | 3.04 | 3.32 | 3.46 | 3.64 | 3.82 | 4.00 | 4.19 | 4.41 |
| **Debt Capacity ($M):** (Available debt capacity at different assumed debt coverage ratios and borrowing terms) | | | | | | | | | | |
| **@ 2.0x DCR:** | | | | | | | | | | |
| **10 Year Debt** | $ 106 | $ 140 | $ 161 | $ 181 | $ 192 | $ 202 | $ 212 | $ 222 | $ 232 | $ 244 |
| **20 Year Debt** | $ 185 | $ 243 | $ 281 | $ 317 | $ 335 | $ 351 | $ 369 | $ 387 | $ 405 | $ 426 |
| **@ 1.25x DCR:** | | | | | | | | | | |
| **10 Year Debt** | $ 170 | $ 223 | $ 258 | $ 290 | $ 307 | $ 322 | $ 338 | $ 355 | $ 372 | $ 391 |
| **20 Year Debt** | $ 296 | $ 389 | $ 450 | $ 506 | $ 536 | $ 562 | $ 590 | $ 618 | $ 648 | $ 682 |

**Sensitivities:**

A number of scenarios and sensitivities were analyzed as part of the financial evaluation. The table below shows our current estimate and three alternative views – the original business plan take rates, a breakeven bond payback scenario and an additiuonal capital overun case. Presented are the esimate funding need, payback timeframe, cummulative cash in 2042 (when original bonds are paid off) and the interest expense incurred othe new financing. Long term cash postion is most sensistive to long-term take rates and the underlying costs of providing services at those levels.

| Scenario | Maximum Funding | Payback | Cumulative Cash in 2042 | Additional Interest Expense |
|---|---|---|---|---|
| Current Project Estimate<br>*35% Residential / 28% Commercial* | $20.5 M Dec 2024 | Jan 2029 | $63 M | $3 M |
| Business Plan Take Rates<br>*28% Residential / 45% Commercial* | $22.5 M Dec 2024 | April 2030 | $47 M | $4 M |
| Breakeven Bond Payback:<br>*95% of Current Project Estimate take rate* | $21.8 M Dec 2028 | Jan 2042 | $0 | $10 M |
| Additional Capital Spend<br>*$5M on remaining buildout estimate* | $25.8 M Dec 2024 | Feb 2030 | $56 M | $ 5M |

**DISCUSSION / NEXT STEPS;**

**Key Takeaways**

- Sufficient debt capacity
- Maintains current debt ratings
- Does not impact L&P Ratepayers
- Does not impact L&P Construction Improvement Plan
- Provides sufficient funding to fully transition from “Build” mode to “Deliver” mode
- Ensures our commitment to provide broadband service to all Fort Collins residents and businesses

## Recommendations / Next Steps

- Proceed with drafting Ordinance to support L&P Reserve Borrowing Authorization of $20M
- Energy Board Discussion February 10, 2022
- Appropriation/Ordinance approval sought from Council in March 2022
- Coordinate with L&P on timing and magnitude of their borrowing needs to consider sizing of joint bond offering during 2023/24 BFO
- Evaluate a Combined Enterprise Revenue Bond Offering in early 2023

**GENERAL DIRECTION SOUGHT AND SPECIFIC QUESTIONS TO BE ANSWERED:**
What questions does Council Finance Committee have on the identified financing options?
Does Council Finance Committee staff-recommended next steps?

Kelly Ohlson; Council was usually told a much rosier picture than actually existed for both Connexion projected costs and projected revenues. How confident are we that we have these projections nailed down / that the numbers are more accurate?

Travis Storin; I do think we have learned quite a bit along the way since the original business plan was developed under previous leadership. I don't think that necessarily anything wrong or rosy was put out – some things you can't necessarily determine in advance when working underground. The resident email that you reference – one of the linchpin assumptions that we have built into all of the above is the revenue - in order to meet the obligations of this utility from a debt servicing standpoint, we need to sell the product and acquire customers. Assumptions would imply about 1,000 new customers per month on average in 2022. Not a steady 1,000 per month due to the pattern of the build. The question you are asking is; How confident are we in the 1,000 customers per month in 2022? I will turn this over to Chad to answer from an operations and strategic view.

Chad Crager; we have already started releasing more than double what we were releasing in the second half of 2021 as far as the number of residents that are available every week. This is substantial because that is what will make the revenue – the more we release that take rate will go up. We have developed processes for premise boring – really start to focus on commercial - we have a billing system that works, people can sign up online - so now staff can focus on gaining customers and building a great experience and getting that revenue overall. Now that we are done with design, I have a massive amount of confidence in our capital budget, our construction numbers – the inputs to the financial model are appropriate and somewhat conservative as they should be. I am confident in the model, and we will be holding ourselves accountable so we will know and can let others know how we are doing – committing to transparency.

Kelly Ohlson; And if we just did the straight borrowing from L&P which will tie up some of their money – does anything of significance from a resident / utility rate payer viewpoint get delayed?

Lance Smith; no, that wouldn't impact any of the anticipated capital work - it may cause the debt issuance we are talking about needing to happen – we are not diverting any physical resources and we do have the debt capacity to support this.

Emily Francis; I think I was confused on the take rates - Do MDUs fit in residential or commercial?

Chad Crager; MDUs are part of residential but they look more like commercial which can sound confusing. We consider them residential because that is where people's homes are, but they are different in the fact that we have to get permission and follow the process. Our 35% take rate for residential includes MDUs by the end of 2024.

Emily Francis; why did our commercial take rate go down so much?

Chad Crager: Our commercial take rate was 45% in the original business plan, and we now see as 28%. Part of that is based on our history and experience in working with commercial businesses. We did not want to be too aggressive with our take rates. I hope to be able to tell you in 6 months that we expect it to be much higher as we have more conversations and form more relationships with our commercial businesses. We are not going to settle for 28% - but based on the complexities so far whether it is the installs or that folks are not returning to commercial businesses because folks are working remotely / virtually.

Emily Francis; I did not see language around the change in the commercial take rate in the materials.

Dave Lenz; it was not brought out specifically other than noting that it did change

Emily Francis; I hope we can change that – that is a big change going from 45% to 28%.
I do agree with staff's approach and thank you for the information which was super helpful.

Julie Pignataro; great news on the look up updates on the website which will be super helpful for my constituents and for those where we don't have a ton of availability yet.
Larger question - when it was just 4 utilities - have we ever done something like this before between the wet utilities and L&P or is that not a possibility?

Travis Storin; I do recall somewhat parallel types of agreements between the wet utilities and the URA around the Innosphere development. I would need to get reacquainted with those details. In this case, it is a bit more prescriptive because in the legal sense L&P and Connexion are really one utility. It was set up to be a combined electric and telecom utility underneath the city's charter. That is what we did when we went back to the voters and what that allowed us to do was to issue bonds at a much lower rate backed by the full faith and credit of the L&P utility which benefitted a startup environment. One of the downsides of that is it comes with a pledge, as part of the bond convenance, to be treating it as one utility before seeking outside support from the other utilities or the general fund.

Julie Pignataro; so, is this kind of a blueprint as well for the future? If and when Connexion is ragingly successful as we hope it is - could it help L&P someday with rates. Could it go that far or are we not allowed to do that?

Travis Storin; we very much would be allowed to do that because of the charter and the way it is set up. Maybe Chad or Lance could speak to how they did that in Longmont given the financial success they have seen from their utility on the telecom side. A future council would have the option to essentially buy down electric rates in a matter of speaking – in the singular legal enterprise, it is a bit of moving from the left pocket to the right pocket in the eyes of an attorney.

Chad Crager; I am not quite sure of how Longmont has done that. I do know that because of their take rate being much higher than they anticipated, they have been able to pay back their bonds sooner. We can find out and follow-up with that information.

Julie Pignataro; I think that would be helpful in terms of what we are looking at

ACTION ITEM
Travis Storin; we can incorporate our findings in the agenda materials when this comes forward to the full Council. We can outline the options – as it starts to generate margin, does that mean that we lower internet rates? We will include what we are allowed to do on the electric side and the whole spectrum.

ACTION ITEM
Julie Pignataro; in the spirit of regionalism and our partners at the PRPA. Are Loveland and Estes Park with their broadband efforts - Are those in a similar state – around the L&P utility being married with that?

Chad Crager; I am unsure of that but will find out and include that in the materials for the full Council.

Julie Pignataro; similar to what Kelly said, I don't know if it was that that we were being painted a rosier picture or there were too many unknowns at that point, but I do appreciate the transparency you are bringing forward now and that we are having these discussions. Appreciate the financial judo that you are doing to not impact our rate payers.

Susan Gutowsky; I enjoyed listening to the presentation and understanding why some of the delays – it is not always what you anticipate when you get into the project.
If you would review again the look up process again so I can be clear on that and I can convey that so folks can find out when their service might be provided.

Chad Crager; our address look-up tool is on our main Connexion web site; https://fcconnexion.com/ was actually updated this morning - before then you could only see if your address was in design / construction / or service available phase. There is no longer a design phase and now under construction includes a timeline where you can see if you are within the next two months or a season through the end of 2022 - we will constantly be updating this - our main issue is not being able to get service fast enough for folks. Now at least we can provide more information.

Susan Gutowsky; there is some confusion in my neighborhood as we are apparently not getting service for a bit yet there are Connexion yard signs in our neighborhood that say "we are gig powered"

Chad Crager: what is difficult it that our fiber areas we refer to do not follow neighborhood lines. Part of the reason if that there are about 225 homes per fiber area, but it didn't line up with neighborhoods.
I personally don't have it, but I have neighbors 2 blocks away who do. That is the nature of our fiber areas
Our hope is very soon – we will not have this issue. When your service is available, you will receive an email as well as a postcard that you can sign up for service and the fastest way to sign up is online.

## B. Renewal of EPIC Loans Third-Party Capital Agreements

John Phelan, Energy Services Senior Manager
Carolyn Conant, Project Manager
Amanda Newton, Sr. Analyst, Treasury

**EXECUTIVE SUMMARY**

The purpose of this item is to update Council Finance regarding the capital sources for the Epic Homes program's on-bill loan financing component, Epic Loans, and to seek support for presenting capital agreement renewals to the Electric Utility Enterprise Board for approval. The blended public and private capital strategy of Epic Loans has worked well for the last few years and supports the projected Epic Homes funding needs.

Staff recommend renewal of the current third-party capital agreements as a key component of the ongoing implementation of Epic Loans.

**GENERAL DIRECTION SOUGHT AND SPECIFIC QUESTIONS TO BE ANSWERED**

Does the Committee support bring the proposed third-party capital agreement renewals to the Electric Utility Enterprise Board for approval?

**BACKGROUND/DISCUSSION**

**Epic Homes**

Epic Homes is a comprehensive program to help Fort Collins Utilities customers achieve more efficient, comfortable, and healthy home living environments for homeowners and renters alike. The program encompasses various offerings, including:

- Discounted home energy assessments
- Substantial rebates on improvement projects
- Participating contractors
- Quality assurance
- Attractive on-bill financing options
- Certificates that document energy improvements
- Indoor air quality assessments

The program started in 2010 as the Home Efficiency Program. In 2015, the program transitioned to a regional offering with Platte River Power Authority as Efficiency Works Homes. In October 2018, Fort Collins became a winner of the 2018 Bloomberg Mayors Challenge and the associated $1M prize. The 2018 Bloomberg Mayors Challenge involved over 300 cities proposing ideas to address important issues in their community. The City's proposal, Epic Homes, was selected as a winner for its innovative approach to providing health and equity benefits to residents, specifically for low-to-moderate income renters, by improving the energy efficiency of homes. Residential property owners can take advantage of Epic Homes' easy, streamlined steps to make their homes more comfortable, healthy, and efficient. Partnering with Colorado State University, Fort Collins also established a research study which links the health and well-being indicators of improved indoor environmental quality from efficiency upgrades.

Epic Homes provides non-energy benefits in addition to efficiency, such as increased comfort, health, and safety. Rebates and loans are available for over 25 different measures, such as replacing an old furnace, air sealing to reduce leakage, insulation, solar panels, and battery storage.

## Epic Loans

Epic Loans is Fort Collins' on-bill finance program (previously known as Home Efficiency Loan Program or HELP). It is a component of the Epic Homes portfolio which supports community priorities for energy efficiency, renewables, reduced greenhouse gas emissions, and increased equity and well-being for residents. Providing a simple, low-cost financial tool with Epic Loans helps to meet these objectives to help property owners undertake comprehensive efficiency improvements. This is especially important for older, less efficient rental properties, which make up a significant percentage of the City's housing stock.

Detailed information regarding the Epic Homes program and loan terms can be found at fcgov.com/epichomes. The program operates under authorization in Code and the Financial Officer's Rules and Regulations, as updated periodically. The program operates with a neutral balance sheet impact as the obligations to the third-party capital providers are balanced by the obligations of customers to repay on their monthly utility bills.

The original on-bill finance program started issuing loans in 2013 and was paused in 2016, when the success of the program adoption led to reaching the cap of maximum outstanding loan balance funded through Light & Power reserves ($1.6 million). Building on this success, on-bill finance was revitalized as Epic Loans in August 2018 during the Champions Phase of the Bloomberg Mayors Challenge. The City has been awarded grants from the Colorado Energy Office ($200,000) and from Bloomberg Philanthropies ($688,350 of the $1M) for the Epic Loan Program.

One of the workstreams of the Bloomberg Mayors Challenge project was to secure third-party capital as a strategy to enable scaling of the program. In 2019, the Utilities entered into a $2.5M line of credit loan agreement with U.S. Bank to provide up to 10-year capital for the Epic Loan Program. This line of credit termed out in December 2021. In 2020, an additional $2.5M line of credit loan agreement was signed with Vectra Bank Colorado to provide 15-year capital. This line of credit will term out in April 2022. Both of these agreements are structured as lines of credit which are periodically converted into fixed rate term loans. (See Table 1 for a summary of the program's capital stack.)

Through 2021, Fort Collins Utilities has serviced 346 on-bill loans to support energy efficiency upgrades in residential homes and overcome financial barriers for making these important upgrades. The blending of zero cost capital (reserves and grants) with low interest third-party capital is what enables the program to offer attractive and competitive interest rates and terms for customers. With the enterprise fund as the borrower, the program is able to extend the benefits of the high credit rating of the organization to individual customers. These rates are periodically adjusted based on the blended cost of capital. See Table 2 for current interest rates and Table 3 for program results.

An ongoing and attractive financing structure to support energy efficiency retrofits will be a critical element for success moving forward. The low rates and scalability of these third-party agreements align with the programmatic objectives and financial requirements of the City.

**Table 1. Epic Loan Capital Stack Summary**

| 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 | 0% | **$800,000** |
| | U. S. Bank | 5 & 10 year | 76% of Prime (2.47% Currently) | **Up to $2,500,000** |
| | Vectra Bank Colorado | 15 year | Fixed rate of interest equal to 3.38% per annum | **Up to $2,500,000** |
| | **External Subtotal** | | | **$5,800,000** |
| **Total** | | | | **$8,288,350** |

**Table 2. Customer Interest Rates**

| Loan Term | Customer Rate (Effective Aug. 2019) |
|---|---|
| **3 or 5 years** | 2.95% |
| **7 or 10 years** | 3.15% |
| **15 years** | 3.25% |

*Note: Customer interest rates will be adjusted in Q1 2022*

**Table 3. Program Results**

| | |
|---|---|
| Number of Loans Issued | 346 |
| Number of Outstanding Loans | 206 |
| Number of Loans Paid in Full | 140 |
| Total Amount Funded | $4,826,943 |
| Amount Outstanding | $2,824,565 |
| Total Amount of Interest Payments | $268,193 |
| Median Loan Amount | $13,030 |
| Median Monthly Principal Payment | $79 |
| Median Monthly Interest Payment | $28 |

**Third-Party Capital Agreements**

The terms of the previous US Bank loan agreement, which concluded in December 2021, included:

- Amount: Up to $2,500,000
- Length: 10-years inclusive of draw period
- Draw period: Up to 2 years, with draw timing and amounts based on program / customer demand
- Fixed rate: 76% of the Prime Rate (2.47% Currently); Rate set at time of loan closing
- Collateral: None
- Pre-pay: The loan may be prepaid, in whole or in part, at the option of the Enterprise with no penalty.
- Repayment position: Senior pledge on customer loan repayments and subordinate position on Electric Utility revenues, after the more senior pledge held by revenue bondholders

The terms of the previous Vectra Bank Colorado loan agreement, which concludes in April 2022, included:

- Amount: Up to $2,500,000
- Length: 17 years inclusive of draw period
- Draw period: Up to 2 years, with draw timing and amounts based on program / customer demand
- Fixed rate: Fixed rate of interest equal to 3.38% per annum; Rate set at time of loan closing
- Collateral: None
- Pre-pay: City may pre-pay in whole or in part after 2027 with no penalty. No prepayment is allowed prior to 2025, and between 2025 and 2027 there is a 1% prepayment fee.
- Repayment position: Senior pledge on customer loan repayments and subordinate position on Electric Utility revenues, after the more senior pledge held by revenue bondholders

The new proposed loan agreements with both entities include the same terms.

**Next Steps**

- Staff seeks support from Council Finance to proceed for Electric Utility Enterprise Board consideration of the proposed agreements. If supported, staff is scheduled to present the agreements on March 1, 2022.
- Finalization of the agreements and associated term sheets.
- Continue with program operations and financial transactions.

**DISCUSSION / NEXT STEPS;**

**GENERAL DIRECTION SOUGHT AND SPECIFIC QUESTIONS TO BE ANSWERED**
Does the Committee support bringing the proposed third-party capital agreement renewals to the Electric Utility Enterprise Board for approval?

Julie Pignataro; I am a fan of this program and have personally taken advantage of it as has Councilmember Canonico. This looks great to me and I do support bringing this forward. One question – When I was part of the program, I either had to pay the minimum or the full loan balance because the city itself is not a bank.
If there any option in the future to changing that and provide the flexibility for loan recipient to pay other amounts?

John Phelan; that part of the program was designed around our current utility billing system and has been that way since it started in 2013. We don't' currently have the flexibility to apply a portion to pay an extra amount (principal component). When we go out for a new billing system - we could ask for that capability
Simply – not tenable with our current billing system.

Emily Francis; I support the renewal and agree that this is a great program, and it is exciting to see that we are planning to build it out. Question re: customer interest rates; If you are taking a longer term long you probably need a lower rate - Why are the rates higher for the longer term?

John Phelan; a longer-term loan typically brings a higher interest rate. We do recognize that residents often seeking the longer term are seeking the lowest payment possible - we try to hold that blended costs down as much as we can while staying within the guidelines we have for the portfolio.

Emily Francis; so, that is something that the city is choosing to do and that we have control over

John Phelan; yes, part of our financial rules & regulations require that we relook at interest rates on a biannual basis, and we continue to look for lower cost capital and that would help us drive down the costs for the customers.

Travis Storin; some historical context around the 15-year term outside capital provided by Vectra Bank is the most expensive component of the capital stack – in going out and seeking lenders the longer term was a risk – a unique model – we did not know what the customer demand would be for EPIC loans – we said we don't know how much we need to borrow – can you give us a 2-year draw period and then lock us into a fixed rate. John is correct – we set those rates as a staff and communicated with Council Finance per policy but that is always open to revisiting. The rates came from how much is our own cost to borrow and the 15-year bucket has proven to be the most costly for us – we have had zero defaults to date

Emily Francis; Thank you for the context - I would like to revisit those to make them more equally distributed
The cost of being poor is compounding - If city has control over this it shouldn't matter how many years, I think they should all be the same interest rate – I am happy with the program but would like to look at those interest rates again.

Kelly Ohlson; Yes, I do support bringing this forward – it is an important program and is one of the good news programs. Why the EPIC name? Was that part of the Bloomberg grant?

John Phelan; During the Bloomberg Mayors' Challenge we introduced several potential names
and a focus group of our residents named the program - EPIC - Energy Performance Improvement Certificate
We recognize the potential conflict with the EPIC (Edora Pool & Ice Center) – we talked with our recreation folks at the time

Kelly Ohlson; Do renters participate in this program in the buildings they are renting in?

John Phelan; ultimately, only a property owner can make decisions about physical improvements.
We target and market towards rental property owners and have been helping to articulate some of the benefits to owners for a more comfortable and energy efficient homes. We are starting to see uptick in those rental property owners participating in the program.

We apply the loan payment to the owner's portion of the utility bill - not the renter.
So, the renter is not paying the increased costs. Any adjustments would be between the owner and the renters.

Kelly Ohlson; One of the work streams of the Bloomberg Mayor's Challenge was to secure 3rd party capital - so was that a requirement of the grant?

John Phelan; it was not a requirement but was something we proposed – part of the proof of concept
We used part of the Bloomberg prize money to leverage those dollars in discussions with private banks which makes it scalable in a way that using reserve funds would not facilitate

Travis Storin; it is about scale at the end of the day - able to take $2.5M of zero interest money in the form of grants and reserves and make it into an $8.3M program - the play is to use our institutional borrowing power to deliver lower cost loans to our customers than they would be able to get in their own banking relationships.

Kelly Ohlson; what happened to the other $300K of Bloomberg money?

John Phelan; there were a number of other components to it – the largest one was the indoor environmental quality study with CSU - we funded the initial study and research that has gone on for the last 3 years and will continue at least through the end of this year and probably beyond with their own fund raising in bringing research dollars to the table. Smaller parts were used for administrative costs over the course of the last 3 years.

Kelly Ohlson; 4600 homes have participated since 2010 - so is that under all of the program names added together? Can you explain the different between the 4600 and the 346 on-bill loans?

John Phelan; the 4600 includes all participants under all program names (Home Efficiency Program, Efficiency Works Homes & EPIC Homes) and includes all project types and the 346 loans includes all loans under two program structures, the original Home Efficiency Loan Program that operated from 2013 – 2016 and then the restarting of EPIC loans. Certainly not everyone takes a loan. Finances are one of the barriers to participating in upgrading your home. We are neutral on how someone pays for it whether they choose to pay with their own cash reserves or any other source, but we wanted to provide this tool so that if that is a barrier we can have an effective solution for our customers.

Kelly Ohlson; 346 seemed like a low number for me

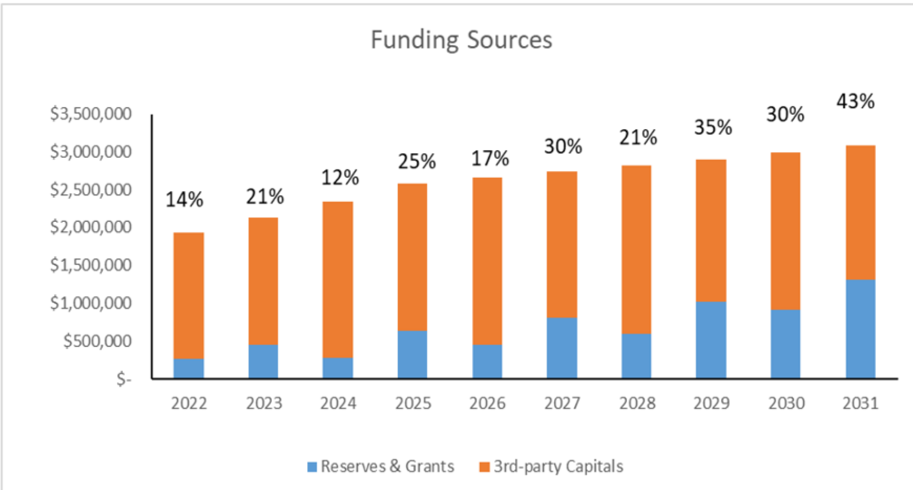

John Phelan; per slide 9 above, we had a very slow uptick in the first couple of years and then had a big spike in 2016 when Council reduced the interest rate dramatically and then we ran out of funds then the program was closed for about 18 months in 2017 and 2018 and then it was restarted and now we are seeing in 2019, 2020 and 2021 is our start up rate with EPIC loans and we anticipate that this is going to continue to rise and then level off to a more steady state number of participants and loans.

Kelly Ohlson; thank you – so a lot of folks participate without taking a loan. Would like to look at slide #14 (see below) not sure I am understanding it correctly

City of Fort Collins

## Ten-Year Funding Source Forecast

14




**YOY Averages Forecast**

- **Total Funding Needs: $2.8M**
- **Third-Party Borrowings: $1.9M**

**Amount of reserves available for use continues to grow year-over-year**

Amanda Newton; there are two capital sources for funding.
The blue bar illustrates Reserves & Grants that we do not need to repay, and the orange bar represents the 3rd party capital that we have borrowed and will need to be repaid. You can see the YOY percentage that will be available to fund the future loans in the reserves & grant category is growing – in 10 years 2031 the blue portion takes 43% of the column so you can see the usage is growing

Blaine Dunn; so if you look at 2022 to start with the 14% - we are going to loan out $2M to folks who want to take out an EPIC loan and of that $2M we are going to use - roughly 14% of the capital will come from reserves and grants (blue bar) and the remaining amount will come from 3rd party sources (orange bar) and as we jump to 2031 we need between $2.5 and $3M and at that point based on the program and the way we are structuring it, we will have built up additional reserves so of that $2.5M we are going to lend out 43% will come from grants & reserves as we move forward and continue to build this program we will be able to rely less and less on the 3rd party lenders and fund more from grants & reserves.

Julie Pignataro; as a visual suggestion, it might be helpful to put the number in the blue bars – might be clearer.

Susan Gutowsky; I love the EPIC program. I wanted to tell John that when I first came on Council, his was one of the first presentations I saw because EPIC had just come up again and the refunding of it. One of the key things I really appreciated was when you said that landlords could get these loans so they could improve the livability of the properties that they were renting. Such a gift for renters who have no way to improve their living conditions. I was hoping that many of the landlords were going to take advantage of that to make it feasible for them to improve their properties by making them more comfortable in terms of even being better insulated and having a healthier air quality.

John Phelan; we are seeing growing interest in rental properties, but we have a long way to go – it is still the split incentive where the renters pay the utility bills, and the owner controls the assets, but we will continue to push hard on that.  We had an owner come forward and articulate his own reasons for doing upgrades on his properties and we are hoping to convince more of the benefits.

Susan Gutowsky; I noticed that you mentioned this was an evergreen program.  Can you help me understand how you keep it evergreen and also is it for profit?

John Phelan; the evergreen is really in aligning the repayments of loans including early payoffs, which replenish the capital so we can loan again.  We are fortunate to have our finance partners with us and benefit from their understanding of the blending of capital we are repaying to 3rd parties along with our own internal capital.

We have a small margin of ¾ to 1% on our interest rates to ensure that if we have variability in the interest rates we have to repay as well as to decide how we might use that small margin to defray operational costs.
Not for profit but there is a little bit of a buffer built in.  That was intended back in 2013 to ensure that this program does not have any net impact on any other rate payers or customers - to operate independently of our rate payers.

**OTHER BUSINESS**
Travis Storin; we wanted to respond to questions that came to us from a resident – around the investment policy where the city holds its own funds for purposes of safe preservation as the primary objective
The concerns that were expressed were around the concept of a local government investment pool which is a common place for us to hold funds. The resident expressed concerns around the safety and some of the events of the 2008 financial crisis as well as the holdings and whether or not these pools can hold funds we may not want to be in for example, oil & gas. We are prepared to address some of those today before bringing the policy back to the full Council for approval.

Kelly Ohlson; the email came to us on the 31st – I haven't had a chance to review it.
I am interested in making sure and if Council supports it and we didn't have to have it overnight that we could do away with the most egregious - Some things with the values of the community and the council that we don't need to be investing in and work our way down - maybe we could take a broad swipe and look at it – I still support that. I don't want to invest in the worst things we could invest in just to maximize the return to the city.

Travis Storin; the email was a bit more specific around the instrument of a local government investment pool. The staff recommendation is to take a policy that allows us currently to invest up to 20% of our funds in this pool and to essentially treat it as cash and allow our green bank account cash and the investment pools to be treated as one – that is the gist of it. Julie forwarded this email to me in case there was committee interest in pursuing the topic – I just wanted to indicate that we are prepared to address if there is interest.

Kelly Ohlson; I am happy to discuss if the other committee members want to or we could add it as a topic for a future meeting.

Julie Pignataro; from my read of it, I could see the perspective and that is why I wanted to hand it over to Travis for his feedback. Let's put it the parking lot for now and if you catch wind of it in your emails, we can certainly follow up.

Travis Storin; there is no time sensitivity here – this is about us refreshing our policies so we will just act under the previously adopted policy until such time that the committee says it is ready for the full Council.

Blaine Dunn; we can defer it until we can bring it back and discuss the investment pool questions that were brought up by a resident. Once we have a chance to discuss that we can bring the updated Investment Policy to the full Council.

Meeting adjourned at 4:48 pm

**COUNCIL FINANCE COMMITTEE**
**AGENDA ITEM SUMMARY**

**Staff:** Jennifer Poznanovic, Sr. Revenue Manager
Ginny Sawyer, Sr. Project Manager

**Date:** March 3, 2022

**SUBJECT FOR DISCUSSION:** Sustainable Funding Update

## EXECUTIVE SUMMARY

The purpose of this item is to continue exploring multiple potential funding options for specific identified revenue needs.

## GENERAL DIRECTION SOUGHT AND SPECIFIC QUESTIONS TO BE ANSWERED

1. What questions does Council Finance Committee have on potential revenue mechanisms and the considerations?
2. What thoughts and considerations does Council Finance Committee have on the potential revenue scenario options?
3. Does Council Finance Committee agree with proposed next steps?

## BACKGROUND/DISCUSSION

Through masterplan processes, staff has identified three clear funding needs in the areas of parks and recreation, transit, and housing. Annual shortfalls range from eight to twelve million per area. Parks and recreation and transit have specific operational plans and a focus on asset management while housing continues to be a top Council and community priority.

Staff is working to develop a full workplan to develop methods to address revenue needs that will include on-going Council Finance meetings, work sessions with the full Council, community engagement, and ultimate implementation.

The following bullets highlight workplan considerations:

- Clearly define and articulate revenue needs and level of service considerations
- Thoroughly research funding options including impacts and the context of existing and potential new tax measures (local and regionally)
- Recognize and work within the desire to keep overall tax burden as low as possible
- Currently, assuming dedicated tax renewals will target November 2024 election

### Potential Revenue Options

Numerous potential revenue sources are listed below. Identifying long-term revenue for identified needs will likely involve numerous and diverse funding mechanisms. Staff has started the work of estimating revenue projections and identifying community impacts and we anticipate many more questions and research as options are vetted both individually and in the context of others.

| | Option | Annual Revenue Projection | Voter approval | Stakeholder Impact |
|---|---|---|---|---|
| 1 | **Special districts** (Library District Mill Levy 3.0) | **$11M+** | Yes | Business, Resident |
| 2 | **Property tax** (Library District Mill Levy 3.0) | **$11M+** | Yes | Business, Resident |
| 3 | **Large emitters fee** | **$11M+** | No | Business |
| 4 | **¼ cent sales tax base rate increase** | **$9M+** | Yes | Resident, Visitor |
| 5 | **¼ cent dedicated sales tax** | **$9M+** | Yes | Resident, Visitor |
| 6 | **Repurpose ¼ cent dedicated tax** | **$9M+** | Yes | Resident, Visitor |
| 7 | **Business occupational privilege tax (**$4 monthly/$48 annually) | **$4M+** | Yes | Business |
| 8 | **Tax on services (i.e. haircuts, vet service, financial services, etc.)** | **$4M+** | Yes | Business, Visitor |
| 9 | **User Fees (parks, transit)** ($5 monthly fee/ $60 annually) | **$4M** | No | Resident |
| 10 | **Excise tax on specific goods** | **$4M** | Yes | Resident, Visitor |
| 11 | **Reconfigure or establish new capital expansion fees** (Affordable housing) | **$2M** | No | Business |
| 12 | **Carbon Tax** | **$2M** | Yes | Business |

The mechanisms above include both taxes and fees. Taxes require voter approval and can be used for any public purpose authorized by City Council. Fees do not require voter approval and they can only be imposed on those likely to benefit from the service funded with the fee.

Per City Code, Capital Expansion Fees (CEFs) are for the purpose of funding capital improvements required to address the impact of growth as the city's population increases. They are intended to ensure that new growth and development in the city bear a proportionate share of the capital expenditures necessary to provide community parkland, police, fire protection, general government, neighborhood parkland and transportation capital improvements to address the impacts of growth.

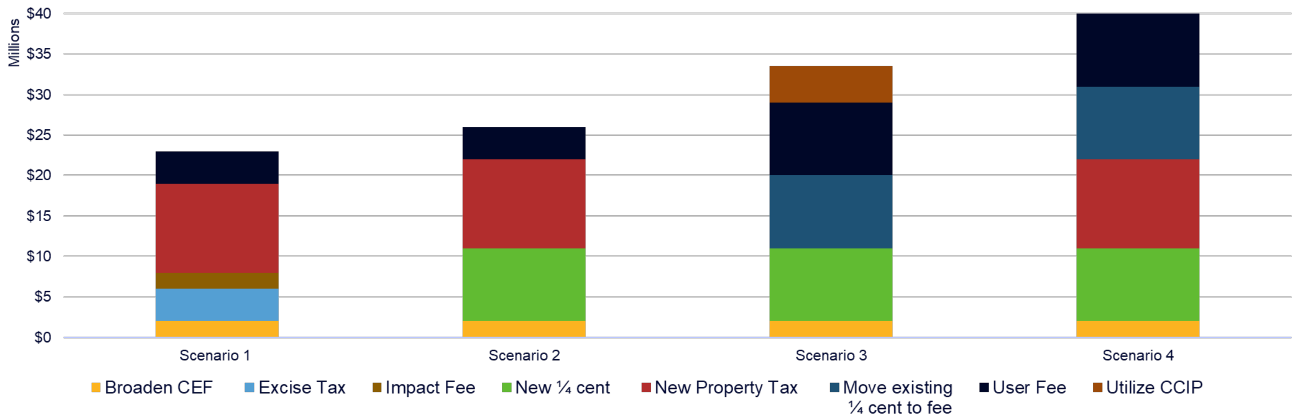
Pursuing changes to CEFs will require work with the City Attorney's Office and likely a code change.

**Funding Scenarios**

The identified funding gaps will need to be addressed utilizing multiple funding mechanisms. Staff has drafted four scenarios demonstrating a diversity of funding sources totaling amounts between $23M and $31M. These scenarios are not intended to be final or recommended options. They are intended to demonstrate the flexibility and variable means and ways to add additional revenue to cover the identified gaps.

These scenarios do not tie a mechanism to a funding gap (which is work that would need to be done moving forward.)

Below are several funding scenarios for discussion with Council Finance Committee:




**Scenario 1**

New Property Tax (3mill) = $11M
User Fee ($5/month) = $4M
Impact Fee = $2M
Broaden CEF = $2M
Excise Tax = $4M

Total $23M (3.85% tax rate)

**Scenario 2**

New Property Tax (3mlil) = $11M
New ¼ cent = $9M
User Fee ($5/month) = $4M
Broaden CEF = $2M

Total $26M (4.10% tax rate)

**Scenario 3**

New ¼ cent = $9M
Move existing ¼ cent to fee = $9M
User Fee ($10+/month) = $9M
Utilize CCIP at $4.5M
Broaden CEF = $2M

Total $33.5M (4.10% tax rate)
*Total new $24.5M*

**Scenario 4**

New Property Tax (3mill) = $11M
New ¼ cent = $9M
Move existing ¼ cent to fee = $9M
User Fee ($10+/month) = $9M
Broaden CEF = $2M

Total $40M (4.10% tax rate)
*Total new $31M*

## Timeline

Below is the current timeline for Council Meetings along with potential election opportunities:

**2022**
- CFC
- Council Work Session
- Earliest potential November election

**2023**
- Earliest potential April election
- November election

**2024**
- November election only

**2025**
- Last elections prior to expiration

## Proposed Next Steps

The staff project team will meet on a regular schedule throughout 2022. Council touchpoints will include regular updates at Council Finance and a work session in April of 2022.

**ATTACHMENTS** (numbered Attachment 1, 2, 3,…)

1. Sustainable Revenue Update (PPT)
2. Funding scenarios detail

City of Fort Collins

# Consideration of Sustainable Funding Sources

Council Finance Committee



03-03-2022

***Explore multiple potential funding options for specific identified revenue needs***

1. What questions does Council Finance Committee have on potential revenue mechanisms and the considerations?

2. What questions does Council Finance Committee have on potential revenue scenario options?

3. Does Council Finance Committee agree with proposed next steps?

## Sustainable Revenue Conversations

| December CFC | January CFC | March CFC | April Council Work Session |
|---|---|---|---|
| • Introduction to sustainable revenue topic | • Deep-dive on staff identified needs (Parks & Rec, Transit & Housing) | • Funding mechanisms & early scenario planning | • First Work Session with the full Council |

Revenue needs identified through master plans:

***PARKS & RECREATION* - $12M** annual shortfall *(Parks & Recreation Master Plan)*

***TRANSIT* - $8M to $10M** annual shortfall *(Transit Master Plan)*

***HOUSING* - $8M to $9.5M** annual shortfall *(Housing Strategic Plan)*

# Potential Revenue Options



| | Option | Annual Revenue Projection | Voter approval | Stakeholder Impact |
|---|---|---|---|---|
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| 11 | **Reconfigure or establish new capital expansion fees** (Affordable housing) | **$2M** | No | Business |
| 12 | **Carbon Tax** | **$2M** | Yes | Business |

| Tax | Fee |
|---|---|
| • Requires voter approval due to TABOR<br>• Can be used for any public purpose authorized by Council<br>• Can be broadly imposed on both residents, non-residents and visitors | • Does not require voter approval<br>• Must be used to defray the cost of a particular government service and be reasonably related to the cost of that services or capital improvements<br>• Can only be imposed on those who are likely to benefit from the service funded with the fee or capital improvements |

# Create a special taxing district (property tax)

**Mechanics:**

- Property tax
- Revenue estimate is significant with $12M annually for 3 mills
- Poudre River Public Library District is 3 mills ($12M budgeted in 2022)

**Considerations:**

- Less volatile than sales tax
- Change in governance
- Voter approval required
- Proven model in other communities (Transit/RTD)

Staff Identified Nexus: Affordable Housing & Parks

# Increase the property tax rate

**Mechanics:**

- Revenue estimate is significant with more than $12M annually for 3 mills
- A mill is 1/10th of a penny
  - $1.00 revenue for each $1,000 of assessed valuation
  - Property tax = (actual value) x (assessment rate) x (mill levy) / 1000
- Residential assessment rate = 7.15%
- Commercial assessment rate = 29.0%

**Considerations:**

- Less volatile than sales tax
- Voter approval required
- Current City mill levy has not increased since 1992 (9.797 mills)
  - Property values have increased but not the City's mill levy
  - Over the same timespan, the residential assessment rate went from 14.34% to 7.15% (7.15% now locked in due to Gallagher repeal)

Staff Identified Nexus: Affordable Housing & Parks

# Implement a fee for large carbon emitters

## Mechanics:

- Estimate of $11.5M annually
- Large emitters = EPA reporting requirements above 25K MT $CO_2e$ annually
- Fee based on Social Cost of Carbon at $51/MT $CO_2e$

## Considerations:

- Voter approval not required
- Top three emitters responsible for 13% of Fort Collins carbon emissions
- Rationale for applying only to large emitters

Staff Identified Nexus: Affordable Housing, Parks, Transit & Climate

# Increase sales tax

**Mechanics:**

Annual estimate for a ¼ cent sales tax is $9M+

- Increase sales tax base rate by ¼ cent
- New dedicated ¼ cent sales tax
- Repurpose current ¼ cent dedicated tax

**Considerations:**

- All options require voter approval
- Funded by both residents, non-residents and visitors
- Volatile during a recession
- Perception of sales tax being a regressive tax

Staff Identified Nexus: Affordable Housing, Parks & Transit

# Implement a business occupation privilege tax or fee

## Mechanics:

- Based on number of employees for businesses in Fort Collins
- $4 per month/ $48 annually
- Estimate of $4M+
- Revenue earmarked if passed as a fee
- Fees although scalable must be reasonably related to the actual cost of the program or service funded by the fee

## Considerations:

- Voter approval required if passed as a tax
- Revenue earmarked if passed as a fee
- Perception of penalizing Fort Collins employers

| City | Employee | Employer |
|---|---|---|
| Denver | $5.75 | $4.00 |
| Aurora | $2.00 | $2.00 |

Staff Identified Nexus: Affordable Housing

# Expand sales tax to include services

## Mechanics:

- Annual revenue estimate $4M+*

| Service Category | Estimated Tax Generated @ 3.85% |
|---|---|
| Animal Care (grooming/training, etc) | $ 193,717 |
| Laundry/Dry Cleaning | $ 218,042 |
| Hair Care | $ 884,204 |
| Personal Care (massage, spa services, tanning, weight loss, nail) | $ 1,346,419 |
| Bowling/Sports Facilities | $ 162,038 |
| Exercise (fitness membership, martial arts) | $ 1,395,310 |
| | $ 4,199,730 |

*Updated analysis needed – approx. 2016 estimates

## Considerations:

- Voter approval required
- Extremely difficult to estimate, due to accuracy of net taxable sales reported
- Currently no other Colorado city has taxes on services
  *(Except for lodging, bowling, carwashes)*
- Could generate public resistance

Staff Identified Nexus: Affordable Housing, Parks, Transit & Climate

# Implement a monthly fee

**Mechanics:**

- Annual revenue estimate $4M
- $5 monthly fee/$60 annually applied to residential utility customer bill

**Considerations:**

- Voter approval not required
- Fees must be reasonably related to the actual cost of the program or service funded by the fee
- Flat fee would have disparate impact on community members with lower income levels

Loveland has a street maintenance fee:

- Collected from residential and commercial property
- owners through utility bill
- Fee Based on number of Trips
- Bigger impacts to high traffic businesses
- Lower impacts to individual residents

| DESCRIPTION | MONTHLY FEE |
|---|---|
| Residential (per dwelling unit) | $2.88 |
| Industrial (per acre) | $31.84 |
| High Traffic Retail (per acre) | $318.27 |
| Retail (per acre) | $125.07 |
| Miscellaneous Retail (per acre) | $81.30 |
| Commercial (per acre) | $41.31 |
| Institution (per acre) | $41.31 |

Staff Identified Nexus: Parks, Transit or transfer ¼ cent streets tax to a fee

## Add an excise tax on specific goods

**Mechanics:**

- Boulder implemented a sugar sweetened beverage tax of $0.02 per fluid ounce
- Fort Collins estimate of $4M+
- Additional 3% on Marijuana = estimated annual of $3M

Others???
- Beverages in plastic containers
- Real estate transfer fee, luxury goods, etc.

**Considerations:**

- Voter approval required
- Rationale for product taxed

Staff Identified Nexus: Affordable Housing & Parks

## Broaden capital expansion fees (CEFs) eligibility

- Estimate of $2M annually for neighborhood and community parkland fees
- CEF fees are collected for the purpose of funding additional improvements required to address the impact of growth within the city as population increases
- CEF fees may not be used to remedy any deficiency in capital facilities that exists without regard to future, proposed development
- Reconfigured CEF do not fall within the current standard models for CEF analysis and would need further exploration with the CAO

# Implement a carbon tax

**Mechanics:**

- Estimate of $2M annually
- Boulder has a Climate Action Plan (CAP) tax*
  - Levied on city residents and businesses and is based on the amount of electricity they consume
  - Tax rates vary based on sector
  - Exemptions for income qualified residents

| Sector | Average Annual Payment |
|---|---|
| Residential | $21 |
| Commercial | $94 |
| Industrial | $9,600 |

**Considerations:**

- Voter approval required
- Impact to residents and businesses

Staff Identified Nexus: Affordable Housing & Parks

# Remove sales tax exemption from sales of cigarettes

**Mechanics:**

- Currently the City receives State shareback
  - State's tax is $0.20 per pack with 27% to cities and towns
  - Tax increased to $0.84 in 2004 yet shareback rate and % remained the same
  - 2021 shareback was $343k
- Cigarette tax estimate if exemption removed is $1.26M per year
- **Net new revenue estimate of $917k per year**

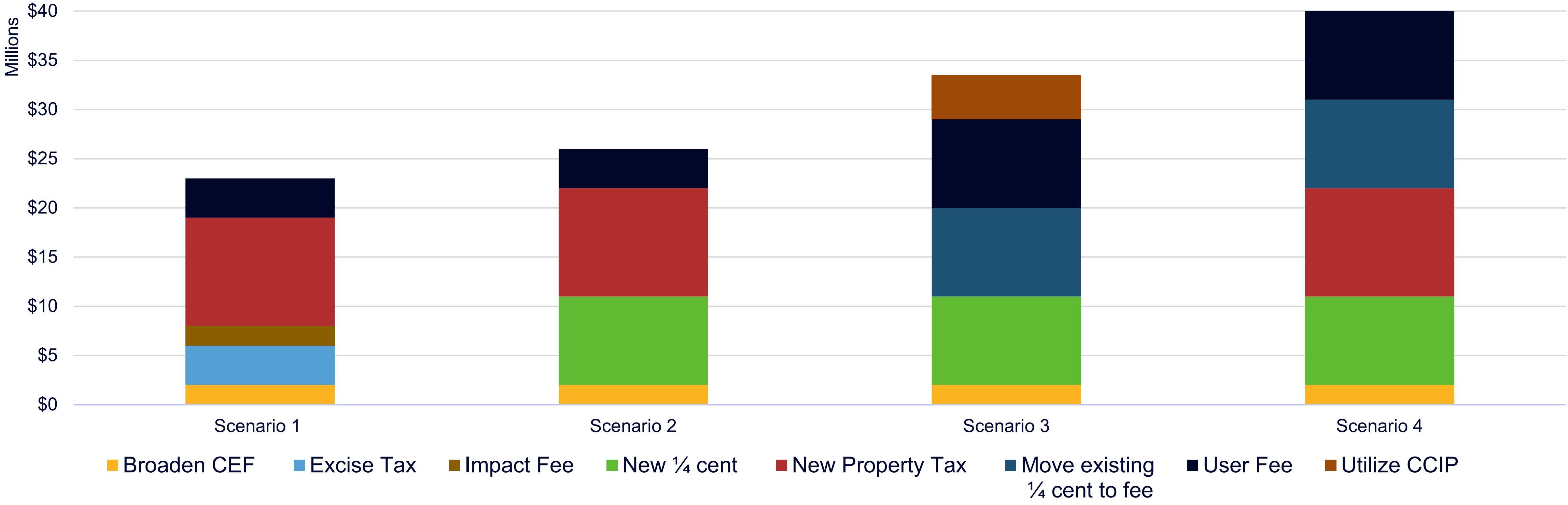
**Considerations:**

- Local sales taxes cannot be imposed and still retain the State shareback
- Increased local cost on cigarettes
- Code change needed

Staff Identified Nexus: Affordable Housing, Parks & Transit

# Funding Scenarios – Total Need $30M






**Scenario 1**

New Property Tax (3mill) = $11M
User Fee ($5/month) = $4M
Impact Fee = $2M
Broaden CEF = $2M
Excise Tax = $4M

Total $23M  (3.85% tax rate)

**Scenario 2**

New Property Tax (3mlil) = $11M
New ¼ cent = $9M
User Fee ($5/month) = $4M
Broaden CEF = $2M

Total $26M  (4.10% tax rate)

**Scenario 3**

New ¼ cent = $9M
Move existing ¼ cent to fee = $9M
User Fee ($10+/month) = $9M
Utilize CCIP at $4.5M
Broaden CEF = $2M

Total $33.5M  (4.10% tax rate)
*Total new $24.5M*

**Scenario 4**

New Property Tax (3mill) = $11M
New ¼ cent = $9M
Move existing ¼ cent to fee = $9M
User Fee ($10+/month) = $9M
Broaden CEF = $2M

Total $40M  (4.10% tax rate)
*Total new $31M*

## Continue project team meetings on regular basis

- Develop project and engagement plan
- Further research into impacts, timing, and questions

## Standing item on Council Finance Agenda

- Review project work and findings
- Bi-monthly agenda item

## Council Work Session April $12^{th}$

### Timeline

| 2022 | 2023 | 2024 | 2025 |
|---|---|---|---|
| • CFC<br>• Council Work Session<br>• Earliest potential November election | • Earliest potential April election<br>• November election | • November election only | • Last elections prior to expiration |

***Explore multiple potential funding options for specific identified revenue needs***

1. What questions does Council Finance Committee have on potential revenue mechanisms and the considerations?

2. What questions does Council Finance Committee have on potential revenue scenario options?

3. Does Council Finance Committee agree with proposed next steps?

City of Fort Collins

**Funding Scenarios**

*Refer to slide 18 in presentation*

| Scenario | Special district ($11M) | Property tax ($11M) | ¼ cent tax increase ($9M) | Repurpose ¼ cent street tax ($9M) | Designation of 50% of 2025 CCIP renewal ($4.5M) | Total sales tax rate | User Fees ($9M) | Impact Fee ($2M) | Broaden CEF eligibility ($2M) | Excise tax ($4M) | OPT tax/fee ($4M) | Carbon tax ($2M) | Tax on services ($4M) | Parks | Affordable Housing | Transit | Total new Revenue estimate |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Property Tax | | Sales Tax | | | | Fees | | | Other Taxes & Fees | | | | Revenue Estimate | | | |
| **1** | | Parks & AH | | | | 3.85% | Transit ($4M) | AH | Parks | AH | | | | $11M | $6M | $6M | $23M |
| **2** | | AH | Transit | | | 4.10% | Parks ($4M) | | Parks | | | | | $6M | $11M | $9M | $26M |
| **3** | | | Parks | Transit | AH | 4.10% | Streets | | Parks | | | | | $11M | $4.5M | $9M | $24.5M |
| **4** | | AH | Parks | Transit | | 4.10% | Streets | | Parks | | | | | $11M | $11M | $9M | $31M |

*Attachment for March 3, 2022 Council Finance Committee Meeting*

**COUNCIL FINANCE COMMITTEE**
**AGENDA ITEM SUMMARY**

**Staff: Josh Birks, Director of Economic Sustainability**
**Brad Buckman, City Engineer**

**Date: March 3, 2022**

**SUBJECT FOR DISCUSSION**
**Midtown Infrastructure Design – Supplemental Appropriation (TCEF and Gen Fund Reserves)**

## EXECUTIVE SUMMARY

This item describes a proposed appropriation of $150,000 in Transportation Capital Expansion Fee (TCEF) and $150,000 in General Fund reserves to complete 30% design of a series of projects in the Midtown area consistent with the Midtown Plan and the Midtown in Motion Plan. The City will partner with the Midtown Business Improvement District (BID), which has already allocated $200,000 of funds of the $500,000 required for the project.

## GENERAL DIRECTION SOUGHT AND SPECIFIC QUESTIONS TO BE ANSWERED

- Does Council Finance Committee recommend submitting the supplemental appropriation leveraging City funding, in partnership with the Midtown Business Improvement District, to complete the 30 percent design effort of portions of the Midtown In Motion plan, in order to be eligible for Federal grant capital funding?
- Is there any additional information the Council Finance Committee feels would be helpful when the Council considers this appropriation request?

## BACKGROUND/DISCUSSION

In 2013 and 2014 the Council adopted the Midtown Plan and Midtown In Motion Plan, respectively. These plans provide a framework for addressing safety, mobility, and access concerns along South College Avenue from Prospect Road to Harmony Road. Together, these plans include a wide range of capital projects. The City, through its Engineering Department and others, have been working on key improvements identified in these plans. To date, these improvements have focused on the key intersections.

The proposed partnership with the Midtown Business Improvement District (BID) provides an opportunity for the City to advance the goals of these plans in between the key intersections.

### Goals Achieved

- This is a unique opportunity to leverage a public/private partnership with the Midtown Business Improvement District and $200,000 of their funding for the mutual benefit of both the BID ratepayers and the City of Ft. Collins as a whole. The Midtown BID corridor generates approximately 21% of the entire sales tax for the city, thus the success of Midtown is critical to the city's overall financial wellbeing.
- Improvements to S. College were already approved by Fort Collins City Council in the Midtown Plan and the Midtown in Motion Plan – this critical step is about bringing them to life. Additionally, this effort helps to fulfill the primary purpose of the BID's reason for creation – to advance improvements to the physical environment along S. College in order to establish Midtown as a destination.
- Advancing this work now helps to also leverage City funds committed to improving the Drake/S. College intersection. The two plans align and in doing both simultaneously there is cost savings.
- The timing of this effort is critical to allow both the BID and the City to leverage resources outside of this community (federal, state, etc.). It allows us to align the project not only with the city's Budgeting for Outcomes process, but to also be prepared to submit grant requests for infrastructure funding coming through the federal infrastructure bill.
- The preferred alternative for the Midtown in Motion plan provides high quality pedestrian and bicycle enhancements while maintaining vehicle access and mobility. It also received the most positive feedback from the community as the strongest triple bottom line analysis. Projects from this preferred alternative will be part of this 30% design effort.
- The preferred alternative also achieves all of Midtown in Motion project goals of creating safer travel conditions for all modes, strengthening bicycle and pedestrian connections to MAX, and creating a well-functioning, high quality street. Additionally, it helps to achieve the vision created in the Midtown Plan which includes creating an area that has high quality streetscape, is more bike friendly, and more walkable. This is done by creating a system of multi-use paths along the corridor while maintaining the three travel lanes for vehicles.

**Project Cost and Funding Break Down**

The total project cost, Midtown BID is already under contract with BHA Design and Wilson and Company, is $500,000 to complete 30 percent design between Thunderbird and Boardwalk. This stretch of South College Avenue in conjunction with the project already underway for the Drake Road and South College Avenue intersection will result in 30 percent design for the entire length of the road within the Midtown BID.

Funding Sources:

- $200,000 – Midtown BID contribution
- $150,000 – Transportation Capital Expansion Fees
- $150,000 – General Fund Resources

Achieved 30 percent design is essential to enable these projects to be eligible for Federal capital grant funds available under recent legislation.

**Estimated Overall Construction Costs**

The project has begun under funding from the Midtown BID. Early estimates indicate that the suite of projects along South College Avenue from Thunderbird to Boardwalk could cost between $40 and $60 million to construct. These projects would typically take several decades to complete using the City's typical approach to capital funding. However, due to recent Federal legislation there is an opportunity to compete for funding to accelerate some of these projects. At this time it's not clear which projects would be top priority and/or which will comply with the funding criteria. What is clear at this time is that many of these projects will be consistent with the intent of the new legislation. Therefore, getting 30 percent design complete in anticipation of this funding source becoming available makes strategic sense.

The estimated projects would range from sidewalk widening to bike lanes and from intersection improvements to adjustment to frontage roads to increase safety for all modes of travel. Below is a breakout of the costs by the City's budgeting outcome areas.

| | |
|---|---|
| • Neighborhood Livability & Social Health | $6 to $9 Million |
| • Culture & Recreation | $6 to $9 Million |
| • Economic Health | $8 to $12 Million |
| • Environmental Health | $2 to $3 Million |
| • Safe Community | $8 to $12 Million |
| • Transportation & Mobility | $8 to $12 Million |
| • High Performing Government | |

The types of projects by category are listed below:

- Neighborhood Livability & Social Health
  - Improved walkability and bikeability
  - Creating inviting spaces for people to shop, eat, and linger in close proximity to existing neighborhoods
  - Beautification and Placemaking
- Culture & Recreation
  - Creation of event spaces (shared streets) on frontage roads for community gatherings
  - Pocket Parks
  - Public Art Opportunities
- Economic Health
  - Public investment will enhance this vital commercial corridor and encourage private investment along the corridor as demonstrated on North College Avenue and Lincoln Ave
  - Creating more opportunities for people to linger and spend more in Midtown
  - Support local businesses and encourage business to
- Environmental Health
  - Improved multi-modal access would help reduce automobile trips
  - Landscape improvements could reduce water consumption
- Safe Community
  - Improved frontage road intersections
  - Improved pedestrian and bike facilities
- Transportation & Mobility
  - Improved frontage road intersections
  - Improved pedestrian and bike facilities
  - Improved traffic signals and pedestrian street crossing
  - ADA improvements

- High Performing Government
  - Taking advantage of public/private partnership with Midtown BID
  - Leveraging funds to create opportunities for infrastructure grants
  - Supporting business community
  - Taking next step toward implementation of Midtown Plan and Midtown In Motion Plans

**ATTACHMENTS** Attachment 1 - Presentation

03-03-2022

# Midtown Infrastructure Design: Supplemental Appropriation

Presented by:

Brad Buckman

City Engineer

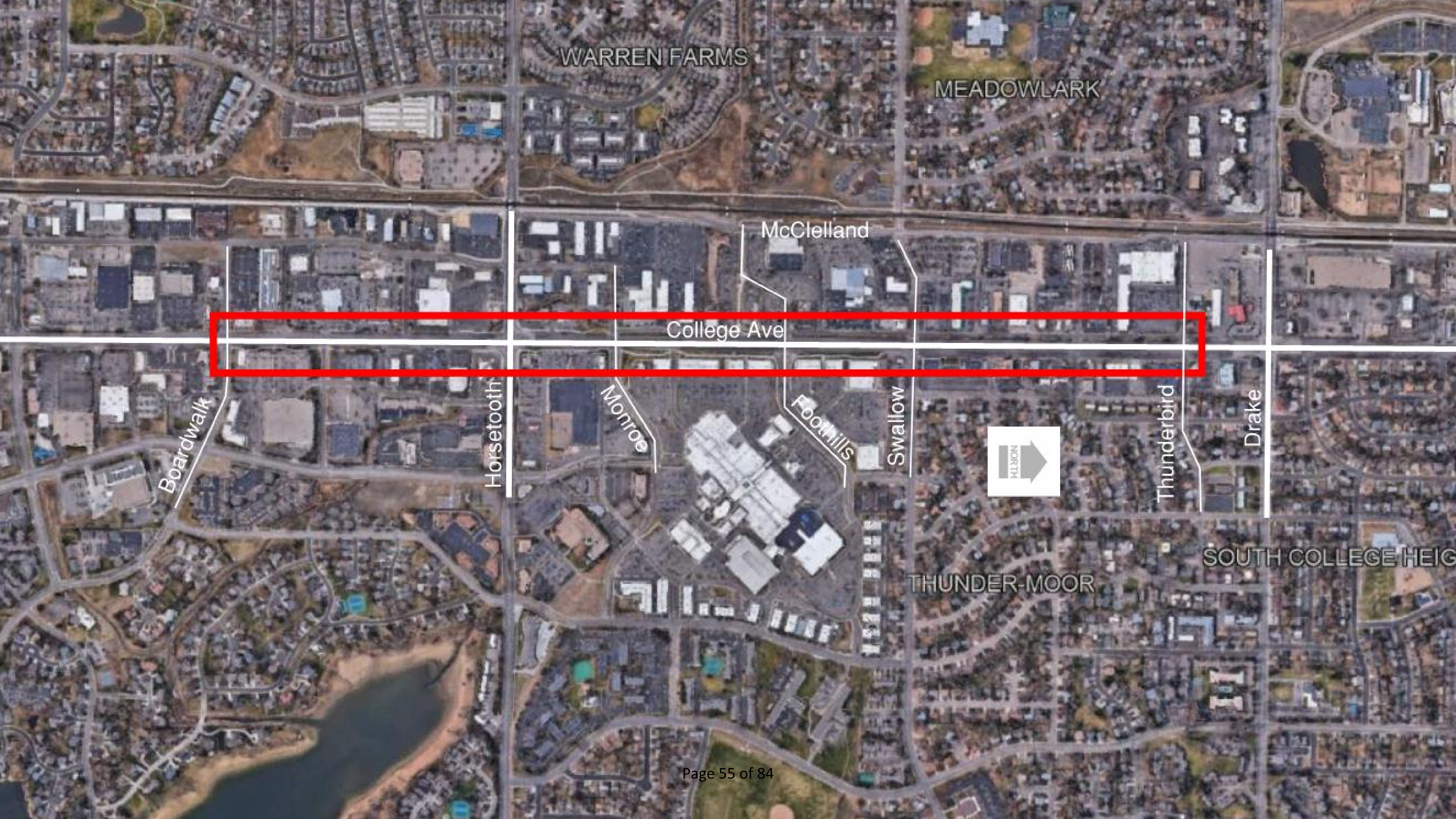
Josh Birks

Economic Health and Redevelopment Director

City of Fort Collins

1. Does Council Finance Committee recommend submitting the supplemental appropriation leveraging City funding, in partnership with the Midtown Business Improvement District, to complete the 30 percent design effort of portions of the Midtown In Motion plan, in order to be eligible for Federal grant capital funding?

2. Is there any additional information the Council Finance Committee feels would be helpful when the Council considers this appropriation request?



WARREN FARMS
MEADOWLARK
McClelland
College Ave
Boardwalk
Horsetooth
Monroe
Foothills
Swallow
NORTH
Thunderbird
Drake
SOUTH COLLEGE HEIG
THUNDER-MOOR

**Total Project Cost**: $500,000

- Covers Thunderbird to Boardwalk

**Funding Sources**:

- $200,000 – Midtown BID
- $150,000 – Transportation Capital Expansion Fees
- $150,000 – General Fund Reserves

**Additional Notes**:

- TCEF is funding design of the Prospect & Drake Intersection improvements (To Thunderbird)
- Ability to apply for grant capital funds – estimated need between $40 and $60 million*


*Estimates are based on 2022 costs and subject to change

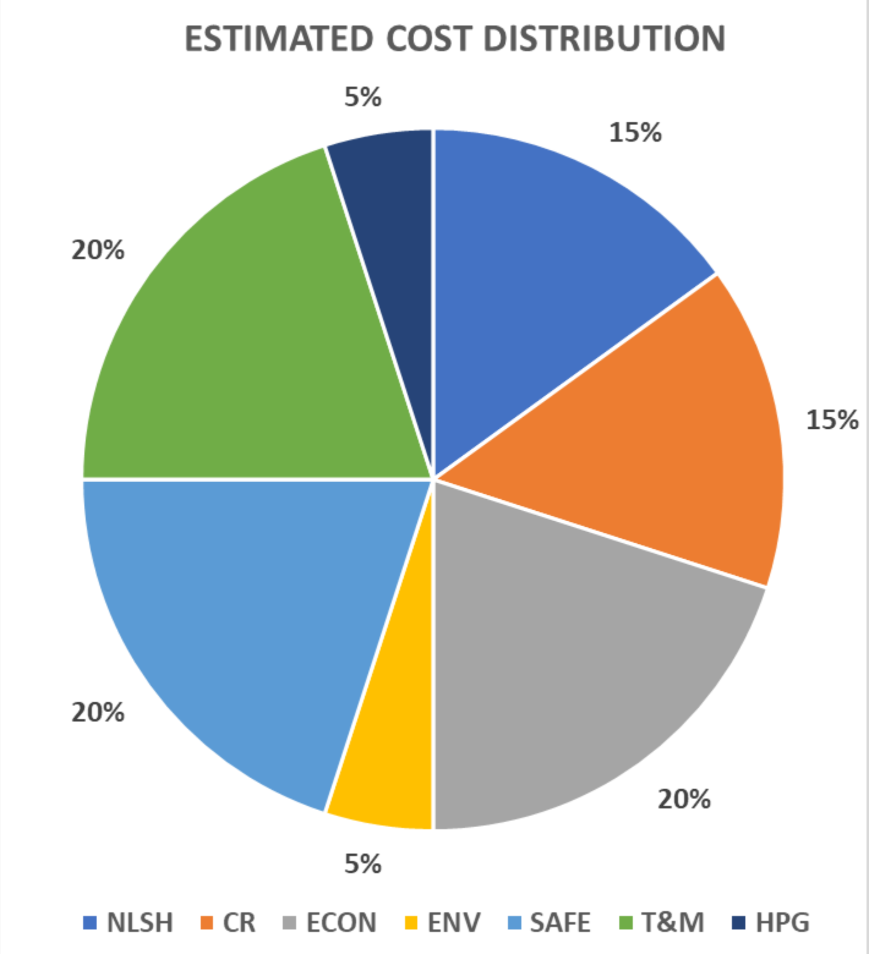

WARREN FARMS
MEADOWLARK
McClelland
College Ave
Boardwalk
Horsetooth
Monroe
Foothills
Swallow
NORTH
Thunderbird
Drake
SOUTH COLLEGE HEIG
THUNDER-MOOR

# Goals Achieved

- Opportunity to leverage a public/private partnership with the Midtown BID
- Area generates approximately 21% of the City's sales tax revenue – critical to overall financial wellbeing
- Past councils supported the improvements by adopting the Midtown Plan and the Midtown in Motion Plan
- Advances the BID's reason for creation – to advance improvements to the physical environment along S. College and establish the area as a destination
- Leverages funds committed to improving the Drake/S. College intersection – plan alignment reduces costs
- Timing is critical to be ready for Federal grant capital associated with recent legislation

## Total Cost: $40 to $60 million

- Neighborhood Livability & Social Health — $6 to $9 Million
- Culture & Recreation — $6 to $9 Million
- Economic Health — $8 to $12 Million
- Environmental Health — $2 to $3 Million
- Safe Community — $8 to $12 Million
- Transportation & Mobility — $8 to $12 Million
- High Performing Government — $2 to $3 Million



## Between $6 and $9 million

- Improved walkability and bikeability
- Creating inviting spaces to shop, eat, and linger near existing neighborhoods
- Beautification and Placemaking

## Between $6 and $9 million

- Creation of event spaces (shared streets) on frontage roads for community gatherings
- Pocket Parks
- Public Art Opportunities

## Between \$8 and \$12 million

- Public investment will enhance this vital commercial corridor and encourage private investment along the corridor as demonstrated on North College Avenue and Lincoln Ave

- Creating more opportunities for people to linger and spend more in Midtown

- Support local businesses

## Between $2 and $3 million

- Improved multi-modal access could reduce automobile trips
- Landscape improvements could reduce water consumption

# Between $8 and $12 million

- Improved frontage road intersections
- Improved pedestrian and bike facilities


## Between $8 and $12 million

- Improved frontage road intersections
- Improved pedestrian and bike facilities
- Improved traffic signals and pedestrian street crossing
- ADA improvements

- Taking advantage of public/private partnership with Midtown BID
- Leveraging funds to create opportunities for infrastructure grants
- Supporting business community
- Taking next step toward implementation of Midtown Plan and Midtown In Motion Plans

1. Does Council Finance Committee recommend submitting the supplemental appropriation leveraging City funding, in partnership with the Midtown Business Improvement District, to complete the 30 percent design effort of portions of the Midtown In Motion plan, in order to be eligible for Federal grant capital funding?

2. Is there any additional information the Council Finance Committee feels would be helpful when the Council considers this appropriation request?

# THANK YOU!

City of Fort Collins

**COUNCIL FINANCE COMMITTEE**
**AGENDA ITEM SUMMARY**

**Staff:** Lawrence Pollack, Budget Director

**Date:** March 3, 2022

**SUBJECT FOR DISCUSSION**

Review of the 2022 Reappropriation Ordinance to appropriate prior year reserves.

**EXECUTIVE SUMMARY**

The purpose of this item is to reappropriate monies in 2022 that were previously authorized by City Council for expenditures in 2021 for various purposes. The authorized expenditures were not spent or could not be encumbered in 2021 because:

- There was not sufficient time to complete bidding in 2021 and therefore, there was no known vendor or binding contract as required to expend or encumber the monies; or

- The project for which the dollars were originally appropriated by Council could not be completed during 2021 and reappropriation of those dollars is necessary for completion of the project in 2022.

Additionally, there may have been sufficient unspent dollars previously appropriated in 2021 to carry on programs, services, and facility improvements in 2022 for those specific purposes.

In the above circumstances, the unexpended and/or unencumbered monies lapsed into individual fund balances at the end of 2021 and reflect no change in Council policies.

Monies reappropriated for each City fund by this Ordinance are as follows:

| | |
|---|---|
| General Fund | $756,031 |
| Data & Communications | 106,500 |
| Transportation | 52,825 |
| Keep Fort Collins Great Fund | 26,008 |
| Total | $941,364 |

**GENERAL DIRECTION SOUGHT AND SPECIFIC QUESTIONS TO BE ANSWERED**

Does the Council Finance Committee support moving forward with the 2022 Reappropriation Ordinance on the Consent Agenda at the April 1st, 2022, Council meeting?

## BACKGROUND/DISCUSSION

The Executive Team has reviewed the Reappropriation requests to ensure alignment with organization priorities and the Budget staff reviewed the requests to verify that all met qualification requirements**.** The 2022 Reappropriation requests are as follows, by Fund:

## GENERAL FUND

### City Council

1) **Council High Performing Board- $25,300**

Purpose for funds: The last Council approved a BFO offer for $30,000 for Council group and individual development. To date, three current Councilmembers have received funding for individual development requests with the balance carrying forward into 2022 for additional Councilmember needs. Strategies, such as individual mentors and coaches, conferences, and associations, such as Colorado Municipal League, National League of Cities, Water Literate Leaders, and development programs that were either 'one size fits one' and 'one size fits all' were discussed. Additionally, there was a consideration of providing just in time training that aligns with the Council's work.

Reason funds not expensed in 2021: Leaders at all levels were monitoring development spend in 2021 and communication needs to be enhanced to ensure each Councilmember is aware of available funds for individual and team development needs. Additional opportunities will be available in 2022.

### City Manager's Office

2) **Principles of Community- $25,000**

Purpose for funds: The purpose of this Offer is to support engagement with and dissemination of Principles of Community. A key deliverable identified by Council to advance the Equity and Inclusion priority was to develop Principles of Community for the organization to foster and enhance a sense of belonging for coworkers and the community we serve. Adopting Principles of Community can serve as a model across Fort Collins (as CSU's principles do), and these principles will specifically provide an internal focus for the City organization and how it serves the community. While external input is being gathered in their development, the principles will not be imposed on any in the community. Upholding the Principles of Community will be a public commitment to the City's strategic goals for equity and inclusion. The funds will be used for printing and promotion costs as well as for training and engagement efforts as the Principles of Community are shared throughout the organization, as part of talent development and equity and inclusion work.

Reason funds not expensed in 2021: With the creation of the Equity Office in mid-2021, the development of Principles of Community was delayed until 2022.

**Economic Health Office**

**3) Economic Health Business Survey- $30,000**

Purpose for funds: These funds were part of an ongoing offer within the Economic Health Office (EHO) to conduct Business Surveys every two years. EHO anticipated moving to annual surveys of businesses to correspond with the City's Community Survey and this budgeted amount was intended for that purpose. It is even more timely and important now to conduct this survey in 2022, as it will help to inform recovery implementation and the update to the Economic Health Strategic Plan.

Reason funds not expensed in 2021: The funds were not expended in 2021 because the City's contract with its current survey provider expired resulting in the need to do an RFP. The RFP to select a new contractor was completed early in the fourth quarter of 2021. As a result, the Business Survey was not able to be distributed and completed before the end of the year. Additionally, the holiday season is a particularly difficult time to complete these types of surveys. The process will begin in 2022 to complete the survey and summarize the results in advance of the BFO process.

**4) PRPA Funds for Main Street Lending Program- $36,226**

Purpose for funds: These funds were received from Platte River Power Authority (PRPA) and intended to support economic development activities within the City of Fort Collins. The Economic Health Office has earmarked these funds for use to initiate a Main Street Lending Program targeting underserved business owners in our community. Each year, PRPA distributes the funds based on direction by the City. The City with approval from the Mayor has earmarked these funds for a lending program until 2022.

Reason funds not expensed in 2021: Implementation of the City's Main Street Lending Program was delayed due to the COVID-19 pandemic. Various conversations have been occurring ever since and it is the intent of the Economic Health Office to initiate a new Main Street Lending Program either with CLS or another partner in 2022, depending on the availability of funds and interest from the market. These funds will be part of the re-launch.

**Social Sustainability**

**5) Affordable Housing Program (AHP) (*this request also in the KFCG Fund*) - $366,306**

Purpose for funds: The Affordable Housing Funds are allocated annually through the Competitive Process to support critical affordable housing needs in the City of Fort Collins. Because of the cyclical nature of housing development, funding may be either unallocated or unexpended during a program year. Pursuant to Ordinance No. 28, 1994, any amounts appropriated by Council and not expended during the fiscal year should lapse into the Affordable Housing Reserve.

Reason funds not expensed in 2021: $64,661 represents funding commitments to affordable housing projects that are not yet ready to contract and the balance of $327,653 represents unallocated/unexpended program funds. The balance of funds will be added to the Spring 2022 Competitive Process to be allocated to an eligible affordable housing project.

**Police Services**

**6) City Give Rifle Plates Support - $166,490**

Purpose for funds: This reappropriation is for the remaining portion of the charitable gift that was given as appreciation to Police Services and to be used to purchase rifle plates and other protective gear for the police force.

Reason funds not expensed in 2021: The money was not spent because the initial gift of $193K was received later in the year and the intent was to spend the amount on protective gear as it was needed. It is anticipated that this will take multiple years to fully spend.

**7) Red Light Camera eCitation- $93,500**

Purpose for funds: This reappropriation is needed so that the Traffic Unit can complete the deployment of the eCitation system that will assist Police Officers in efficiently issuing tickets for violators.

Reason funds not expensed in 2021: The reason that this was not completed was because the original vendor was not meeting expectation and the contract was terminated. A suitable vendor has been selected and the work will be completed in 2022.

**Community Development & Neighborhood Services**

**8) Mediation and Restorative Justice - $5,009**

Purpose for funds: Donations and program fees for Mediation and Restorative Justice were designated for special projects that were unable to completed in 2021. Planned uses for the funds included: supporting additional training and conferences for volunteers and staff, providing mediation training to diversify the mediation volunteer pool and/or provide specific advanced training for existing volunteers, funding the RePay Program where youth in the Restorative Justice programs who owe victim restitution can do community service to help pay the restitution (youth unable to do paid work due to age or other reasons).

Reason funds not expensed in 2021: Funds came in late in the year and the RePay Program was started in the last quarter of 2021. Youth are beginning to participate in the program; however, funds have not yet been dispersed to victims. Trainings and conferences for staff and volunteers, mediation training for new volunteers and advanced training for existing volunteers has been stalled due to COVID. It is our hope that these projects can happen in 2022.

**Park Planning & Development**

**9) Park Planning & Development Special Project Support - $8,200**

Purpose for funds: Special project support funding was appropriated in 2020 for Park Planning & Development staff to conduct site planning and prepare cost estimates for potential donor funded projects, enabling donors to move forward with fundraising efforts. Per same reason as last year we are requesting this be reappropriated for continued use as needed by projects. To date, multiple projects have been completed utilizing this funding source, including Veteran's Plaza improvements, Eastside Park improvements, Sugar Beet Park art 'The Hand that Feeds', a cyclo-cross training course in Rossborough Park, site planning for a pickleball complex, and a pledge from the mountain bike community to fund a feasibility study for a bike park as part of a GOCO grant. The remaining funds are needed to conduct planning and prepare guidelines for the memorial bench and tribute tree programs. In addition, a portion of the remaining funding will be used for planning efforts for improvements near the Poudre River, pending GOCO grant award.

Reason funds not expensed in 2021: Funding partnerships with potential donors are unpredictable. This funding enables the City to be responsive to potential donors when fundraising opportunities arise. The remaining funds will be used to complete projects currently underway.

## DATA AND COMMUNITCATIONS FUND

### Information Technology

#### 10) Self Service Technology and Capabilities - $79,500

Purpose for funds: The Self Service Technology offer's intent was to provide the opportunity to evaluate and introduce solutions, technology, and interfaces that would enable departments, employees, and eventually residents, the capability to produce services independent of involvement of employee support. The result would elevate the timeliness, effectiveness, operational efficiency, and potential for City employees to solve IT issues in conjunction with the current service and support provided by IT staff. This would also allow for opportunities to remedy other paper driven processes that can slow productivity for both internal and external customers.

Reason funds not expensed in 2021: In 2021, IT executed a contract with a vendor to perform an application discovery and application rationalization framework to identify applications to maintain, modernize, consolidate, and retire, and this initiative is still underway. In addition, an assessment and modernization of the IT Services framework was planned but could not be executed in 2021 due to the attrition of three key leaders within IT who were assigned to this project. In early 2022, we have been able to launch this initiative, and currently finalizing a contract to modernize and enable self-services for planned completion in 2022.

#### 11) Technology Infrastructure and Process Performance - $27,000

Purpose for funds: This offer was intended to provide a performance evaluation with a focus on evaluating the standards, processes, performance, and resiliency of the City's digital ecosystem with a focus on our Cybersecurity maturity. This includes evaluating both current and future needs to identify any gaps that, if not addressed, may increase future ongoing expenses, limit new capabilities and/or increase the risk of performance issues, vulnerabilities, outages, and unplanned expenses. IT has limited expertise, resources, and bandwidth required to conduct an adequate self-assessment where funding from this offer would procure professional services to perform these in-depth assessments.

Reason funds not expensed in 2021: In the first half of 2021, IT partnered with federal and state resources to perform an initial assessment. Results from these assessments required us to perform more extensive evaluations, and a 3rd party expert was contracted to complete this assessment in Q4. From these assessment findings, IT leadership was able to develop a remediation roadmap to address. Progress was hampered due to the resignation of the IT leader managing this project and additional funds are required for City IT to complete this initiative.

## TRANSPORTATION FUND

### FC Moves

#### 12) Bicycle Wayfinding - $9,000

Purpose for funds: The City's Active Modes Program implements a comprehensive set of strategies to improve safety and mobility for all transportation system users, while enhancing the accessibility of active and sustainable forms of transportation for people of all backgrounds across the community. This reappropriation will provide funding for the installation of approximately 70 bicycle wayfinding signs along the Hampshire bikeway, Mulberry bikeway, and at intersections between the low-stress, on-street bicycle network and the paved trail system. Bicycle wayfinding helps people navigate the city's low-stress bicycle network, access key destinations by bike, and identify where optimal cycling routes exist. Bicycle wayfinding can also strengthen community identity and encourage people to ride.

Reason funds not expensed in 2021: Due to position vacancies, staff had limited capacity to plan, design, and install wayfinding signage in 2021. With key positions now filled, staff has increased capacity to continue implementing the bicycle wayfinding system plan.

#### 13) FoCo Fondo and Scheels Donations to Safe Routes To School (SRTS) - $6,000

Purpose for funds: SRTS received 2 donations in 2021: $5,000 from FoCo Fondo and $1,000 from Scheels. The purpose of these donations is to expand bicycle-safety education by reaching out to underserved student populations. This funding will support Safe Routes to School (SRTS) bicycle programming targeted for K-12 students from lower income families at Poudre School District schools.

Reason funds not expensed in 2021: The appropriation was completed at the end of the year so there was not enough time to expend the funding during 2021.

### Traffic

#### 14) Traffic Collision Attenuator Safety Equipment Purchase- $37,825

Purpose for funds: Traffic Operations maintains the pavement markings on approximately 1,500 lane miles of streets in Fort Collins helping to ensure safe and efficient mobility throughout the City. Traffic Operations also provides equipment to employees so they can safely do their job while working in the roadway. Traffic Operations is requesting $37,825 to be re-appropriated from the 2021 budget for the purchase a truck mounted attenuator.

Traffic Operations maintains crosswalks, stop bars, turn arrows, and railroad pavement markings which requires employees to work in the roadway in heavy traffic. Increasing roadway volumes on our arterial network has presented some safety challenges for our crews that work to maintain our roadways. To increase the safety of our employees while working in the roadway, a truck mounted crash attenuator is needed. This barrier vehicle is used to protect the work zone and workers from errant motorists, and to reduce the severity of a crash for the motorist.

Reason funds not expensed in 2021: A truck could not be found or purchased due to low inventory of used vehicles in 2021. The attenuator is mounted on a truck and the measurement of the truck bed determines the size of the attenuator.

## KEEP FORT COLLINS GREAT FUND

### Social Sustainability

#### 15) Affordable Housing Program (AHP) (*this request also in the General Fund*) - $26,008

Purpose for funds: The Affordable Housing Funds are allocated annually through the Competitive Process to support critical affordable housing needs in the City of Fort Collins. Because of the cyclical nature of housing development, funding may be either unallocated or unexpended during a program year. Pursuant to Ordinance No. 28, 1994, any amounts appropriated by Council and not expended during the fiscal year should lapse into the Affordable Housing Reserve.

Reason funds not expensed in 2021: $64,661 represents funding commitments to affordable housing projects that are not yet ready to contract and the balance of $327,653 represents unallocated/unexpended program funds. The balance of funds will be added to the Spring 2022 Competitive Process to be allocated to an eligible affordable housing project.

## FINANCIAL/ECONOMIC IMPACTS

This Ordinance increases 2022 appropriations by $941,364. A total of $756,031 is requested for reappropriation from the General Fund, $106,500 is requested from the Data and Communications Fund, $52,825 from the Transportation Fund, and $26,008 from the Keep Fort

Collins Great Fund. Reappropriation requests represent amounts budgeted in 2021 that could not be encumbered at year-end. The appropriations are from prior year reserves.

**ATTACHMENTS**

PowerPoint presentation

City of Fort Collins

# 2022 Reappropriation Ordinance

## Council Finance Committee Meeting – March 3, 2022

# What does Reappropriation do?

- Appropriates funds from prior-year reserves into the 2022 budget for the same specific uses that were originally proposed and approved for 2021

# What qualifies for Reappropriation?

- Funds that were originally appropriated (authorized by Council) in 2021 for a specific purpose, but were not fully expensed or encumbered by the end of the fiscal year
- The executive team has reviewed the reappropriation requests and concluded that all 2022 reappropriation items submitted are still high priorities to be completed

## Amount by Fund being requested for Reappropriation:

| | |
|---|---|
| General Fund | 756,031 |
| Data & Communications Fund | 106,500 |
| Transportation Fund | 52,825 |
| Keep Fort Collins Great Fund | 26,008 |
| Total | $941,364 |

## GENERAL FUND:

| # | Department | Request Name | Amount |
|---|---|---|---|
| 1 | City Council | Council High Performing Board | $25,300 |
| 2 | City Manager's Office | Principles of Community | $25,000 |
| 3 | Economic Health Office | Economic Health Business Survey | $30,000 |
| 4 | Economic Health Office | PRPA Funds for Main Street Lending Program | $36,226 |
| 5 | Social Sustainability | Affordable Housing Programs (AHP) | $366,306 |
| 6 | Police Services - Office of the Chief | City Give Rifle Plates | $166,490 |
| 7 | Police Services - Office of the Chief | Red Light Camera eCitation | $93,500 |
| 8 | Comm Dev & Neighborhood Svcs | Mediation and Restorative Justice | $5,009 |
| 9 | Park Planning & Development | Park Planning & Development Special Project Support | $8,200 |
| | | **GENERAL FUND TOTAL** | **$756,031** |

## DATA AND COMMUNITCATIONS FUND:

| # | Department | Request Name | Amount |
|---|---|---|---|
| 10 | Information Technology | Self Service Technology and Capabilities | $79,500 |
| 11 | Information Technology | Technology Infrastructure and Process Performance | 27,000 |
| | | **DATA AND COMMUNICATIONS FUND TOTAL** | **$106,500** |

## TRANSPORTATION FUND:

| # | Department | Request Name | Amount |
|---|---|---|---|
| 12 | FC Moves | Bicycle Wayfinding | $9,000 |
| 13 | FC Moves | FoCo Fondo and Scheels Donations to SRTS | 6,000 |
| 14 | Traffic | Traffic Collision Attenuator Safety Equipment Purchase | 37,825 |
| | | **TRANSPORTATION FUND TOTAL** | **$52,825** |

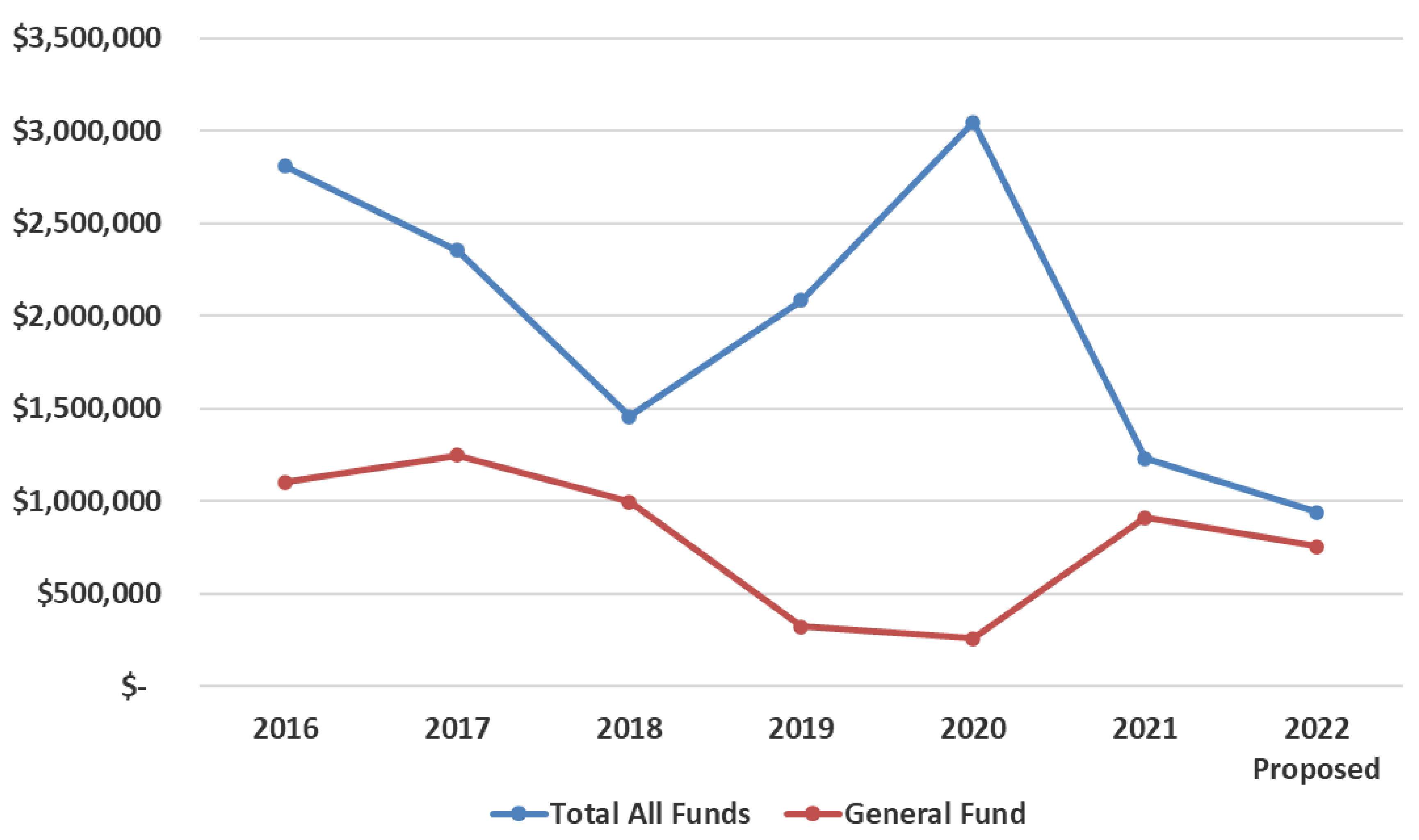
## KEEP FORT COLLINS GREAT FUND:

| # | Department | Request Name | Amount |
|---|---|---|---|
| 15 | Social Sustainability | Affordable Housing Programs (AHP) | $26,008 |
| | | **KEEP FORT COLLINS GREAT FUND TOTAL** | **$26,008** |

City of Fort Collins

# Historic Reappropriation Ordinances





## Guidance Requested:

Does the Council Finance Committee support moving forward with the 2022 Reappropriation Ordinance on the Consent Agenda at the April 1st, 2022, Council meeting?