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**AGENDA**  
**Council Finance & Audit Committee**  
**April 7, 2022**  
**4:00 – 6:00 pm**  
Zoom Meeting <https://zoom.us/j/8140111859>

Approval of Minutes from the March 3, 2022, Council Finance Committee meeting.

- |  |          |   |
|--|----------|---|
| 1. Debt Offering: Hughes Land, Natural Areas, Golf         | 30 mins. | B. Dunn                                 |
| 2. 2023 Development Review & Capital Expansion Fee Updates | 30 mins. | D. Lenz                                 |
| 3. 2023-2024 Budget Process Review                         | 30 mins. | L. Pollack<br>T. Roche<br>J. Poznanovic |

Other Business:

Annual Audit Communication Memo (in packet)

**Council Finance Committee**  
**Agenda Planning Calendar 2022**  
**RVSD 03/29/22 ts**

<b>April 7<sup>th</sup></b>	<b>2022</b>		
	Debt Offering: Hughes Land, Natural Areas, Golf	30 min	B. Dunn
	2023 Development Review and Capital Expansion Fee Updates	45 min	D. Lenz
	2023-2024 Budget Process Review	30 min	L. Pollack

<b>May 5<sup>th</sup></b>	<b>2022</b>		
	Recovery Plan – 2022 Mid-Cycle Appropriation	45 min	T. Storin TBD
	Municipal Court Supplemental Appropriation	30 min	J. Hueser T. Oshsner
	Light & Power Supplemental Appropriation	30 min	L. Smith A. Bromley

<b>June 2<sup>nd</sup></b>	<b>2022</b>		
	Sustainable Funding Update	45 min	J. Poznanovic G. Sawyer

<b>July 7<sup>th</sup></b>	<b>2022</b>		





Finance Committee Meeting Minutes  
March 3, 2022 4-6 pm  
Zoom

Council Attendees: Julie Pignataro, Kelly Ohlson, Emily Francis, Susan Gutowsky, Shirley Peel

Staff: Kelly DiMartino, Travis Storin, John Duval, Kyle Stannert, Tyler Marr, Teresa Roche, Nina Bodenhamer, Ginny Sawyer, Jennifer Poznanovic, Blaine Dunn, Amanda Newton, Dave Lenz, Jo Cech, Sheena Freve, Victoria Shaw, Molly Reeves, Zack Mozer, Lawrence Pollack, Theresa Connor, Kendall Minor, Honore Depew, Monica Martinez, Jackie Kozak, Lindsay Ex, Meaghan Overton, Javier Echeverria Diaz, Drew Brooks, Ian Smith, Erik Martin, Josh Birks, Brad Buckman, Mike Calhoon, Kurt Friesen, Rob Crabb, LeAnn Williams, Jill Wuertz, John Phelan, Carolyn Koontz

Others: Midtown Business Improvement District:  
Jamie Giellis, Luke McFetridge, David Fritzler  
Area business owners; Mike Dellenbach, John Hoxmeier

Emily Gallichotte, Rachel Shindman,  
Kevin Jones, Chamber

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Meeting called to order at 4:01 pm

Approval of minutes from the February 4, 2022, Council Finance Committee Meeting. Kelly Ohlson moved for approval of the minutes as presented. Julie Pignataro seconded the motion. Minutes were approved unanimously via roll call by; Julie Pignataro, Kelly Ohlson and Emily Francis.

**A. Sustainable Funding Update**

Jennifer Poznanovic, Sr. Revenue Manager  
Ginny Sawyer, Sr. Project Manager

**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.

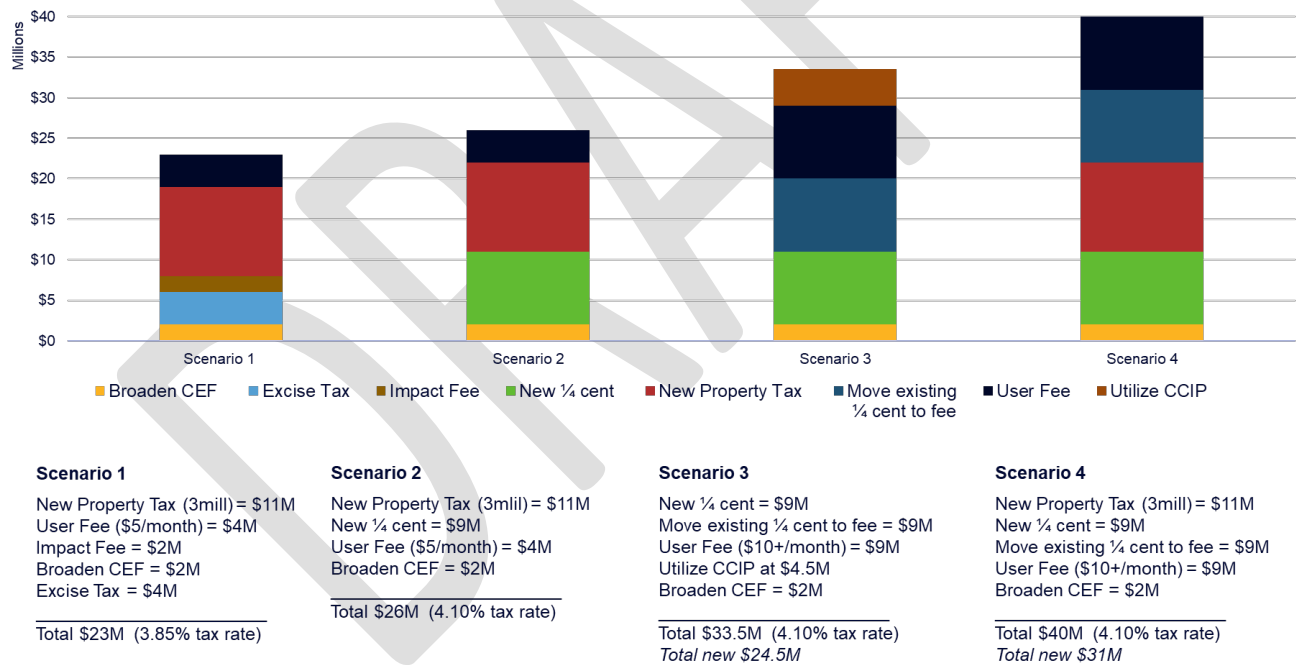
Pursuing changes to CEFs will require work with the City Attorney’s Office and likely a code change.

**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:



**Timeline**

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



### 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.

### DISCUSSION / NEXT STEPS

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

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

Julie Pignataro; the labels on the Funding Scenario – is there a reason those names are different from what is on the individual slides?

Ginny Sawyer; they are pieces of the individual slide

Julie Pignataro; who are the top 3 carbon emitters?

Honore Depew; the top 3 carbon emitters are; Broadcom, Anheuser Busch, and CSU

The original scenario that was submitted from the community group included the landfill since it appears in the EPA reporting of emitters over 25,000 metric tons of CO2 equivalent - however it is not included in this snapshot piece as it is located outside of the city limits

Julie Pignataro; I don't want to make any specific recommendations now, but I have several questions. First of all, appreciation for coming back with all of this information. It may be useful when you provide this to the full Council to remind them what other surrounding communities' sales tax rates are.

Regarding slide 7 (see below) I don't really understand what a business occupational privilege tax is, and can you explain the graph in the corner?

**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

Travis Storin; a headcount tax – employee / employer share - much like your paycheck would look for FICO for instance.

Julie Pignataro; would that logic fall apart with working remotely?

Travis Storin; yes, big changes recently - in the past this has been unattractive –

Julie Pignataro; that might be a little past its time maybe not an appropriate type of tax any longer.

What other billing vehicle options would there be other than the utility bill?

Ginny Sawyer; \$5 - \$10 per month have been included on our tracking. The Utility bill can hit all residents and businesses – there are different districts so we would have to look at that. Loveland uses utility bills –

Julie Pignataro; I understand that it makes a lot of sense to use the utility bill as a vehicle for collection but per pervious conversations – there is the perception of it being a utility bill

Possible 3% additional tax on marijuana - Would that exclude medical?

Jennifer Poznanovic; currently we do tax both medical and recreational marijuana at our 3.85% rate

Julie Pignataro; can you explain Capital Expansion fees to me? I don't fully understand

Travis Storin; happy to - Impact Fees are development driven - On the government side of the house we have six different capital expansion fees; General Government, Police, Fire, Neighborhood Park land, Community Park land and the Transportation capital expansion fee. You will hear much more about this next month when we bring our fee update work plan.

Essentially the developer pays a fee to buy into systems and expansion of governmental facilities. So, within parks, we collect neighborhood and community park land expansion fees and that is what really funds new park construction so that we are keeping pace with growth. The proposal around reconfiguration currently is very



prescriptively written that it can only go to new parks - the thinking is that as the community reaches infill and we move from a new development to a primarily redevelopment based community that we could look to reconfigure instead of new parks exclusively we could activate the funding for parks refresh – to essentially improve within the existing parks footprint The developer pays this fee today and presumably passes it on to the land purchaser.

John Duval; The property owner (the buyer) pays at the time that the building permit is issued.  
Might be the property owner or the builder.

Julie Pignataro; is this the kind of fee that as we lose places to build – it becomes less available?

John Duval; yes if there is a building permit issue – it doesn't get paid

Julie Pignataro; does it get paid for something like a shed in the back yard or a remodel?

John Duval; if you add footage to your home than you will be paying that fee.

Julie Pignataro; the removing sales tax exception from the sale of cigarettes  
Would this raise the cost of cigarettes? Why it hasn't this been implemented before?

Jennifer Poznanovic; if we took away the sales tax exemption, the price would increase because they will still have the state - it was supposed to be easier when this was first implemented for the state to collect the tax and then share it back with the home rules but since they did not update that rate as the rate went up but the percentage they share back to the city did not go up – the state increased the amount but did not increase the share back.

Aurora made a code change 2 years ago and now they are getting the share back and their local sales taxes.

Thornton did a code update in January and they now tax cigarettes and they no longer have an exemption.

The 20 cents per pack went back to the 70's or 80's - we were encouraged to exempt sales tax for cigarettes because the state was going to handle it and share that back, but the amount has not changed from 20 cents per pack for all of that time. It is unfavorable to us by almost \$1M in lost revenue per year by taking the 20 cents share back instead of taxing at our own rate.

Travis Storin; the cigarette sales tax exemption and the reconfiguration of the Capital Expansion Fees are the ones that from a staff perspective feel the most logical even without the sustainable funding effort, we would likely be recommending changes there.

Julie Pignataro; on the funding scenarios - we are talking about so many options – I think it will be easiest for us as a Council to figure out how much money we need and then pick from the menu of the options to get to that point – I appreciate the four scenarios but they raised more questions for me than not – if we were in a Work Session right now I would not know where to tell you to start because there is so much – I am not sure of the best way to get there but maybe other members have ideas.

Emily Francis; a lot to take in - Property Tax - What would a mill levy increase mean to someone who owns a home?

Travis Storin; \$1 for every \$1K of assessed value

## Increase the Property Tax Rate

### Mechanics:

- Revenue estimate is significant with more than \$12M annually for 3 mills
- Current City mill levy has not increased since 1992 (9.797 mills)
- A mill is 1/10<sup>th</sup> of a penny
  - \$1.00 revenue for each \$1,000 of assessed valuation
- Residential assessment rate = 7.15%
- Commercial assessment rate = 29.0%

### Considerations:

- Less volatile than sales tax
- Voter approval required

**Property tax = (actual value) x (assessment rate) x (mill levy) / 1000**

**Residential example:**

\$300,000 Actual Value x 7.15% Assessment Rate = \$21,450 Assessed Value  
\$21,450 Assessed Value x 3 mills/1000 = **\$64.35 tax amount**

**Commercial example:**

\$300,000 Actual Value x 29% Assessment Rate = \$87,000 Assessed Value  
\$87,000 Assessed Value x 3 mills/1000 = **\$261.00 tax amount**

Residential example in orange box (see above)

Emily Francis; I like the large emitter fee over the carbon tax - as we would get more dollars  
I don't think an individual carbon tax would generate the funds

Sales Tax and the three different ways we are looking at it can still be included in the mix

If we re purpose the streets that would need to be paid for somewhere

Ginny Sawyer; would be a user fee most likely – basically \$9M annually is used to maintain our roadways  
so, we would look to replace that revenue

Travis Storin; that would be extremely significant to the Streets budget so we would look to replace that revenue like through a fee with the rationale being the widespread support we have received on streets for so long an 80% renewal is very significant in a local election so the thinking is we could have something else on a tax ballot.

Emily Francis; Are our street streets going up based on the snowstorms we are having?

Travis Storin; short answer is yes; the nature of the storms and the consistency of the snow is driving that along with the fact that we are seeing considerable inflation and supply chain disruptions with materials

Emily Francis If we are talking about repurposing it would be helpful to have more information on where that is coming from and what that might look like and what the benefit would be rather than keeping it the way it is.

I am not so excited about privilege tax and the user fee – feels a bit dated and like a fee you have to pay to live here

Would be interested in hearing more about the excise tax – I don't think the sugary sweetened beverage tax, or the plastic bottle have gone well other places or reduced the use of sugary drinks.

For the luxury goods and marijuana - yes

I know we talked about fees or a tax if you are building a house over a certain square footage – would that fit into this category?

Travis Storin; I think that question would be best addressed via the CEF workstream – that work plan is coming to Council Finance at the April meeting, so we have fee updates for January 2023

John Duval; we charge most of the CEF on the basis of the square footage of homes - new construction

Emily Francis; Do the CEFs stay in the neighborhood when there is redevelopment?

Travis Storin; it depends – for instance, our transportation CEF is based on geography – that has been a staff practice but I don't know if that it is a legal responsibility versus take a general government or Police fee – general service that spans the community – the Community and neighborhood parks - they do tend to drive those funds toward the localized purposes depending on where the building was created – I don't know if that is by code that they have to keep it in a certain location or not

John Duval; no, it is not by code, the idea of a CEF is that you are buying into the whole system whether it is the parks system or the streets system - the monies can be used anywhere as part of the capital plan you have for that particular CEF - I think it is probably true that new develop happens - they would need new parks – new development is typically paying in the CEFs and fees for the park that will be built in that area but it doesn't have to be legally

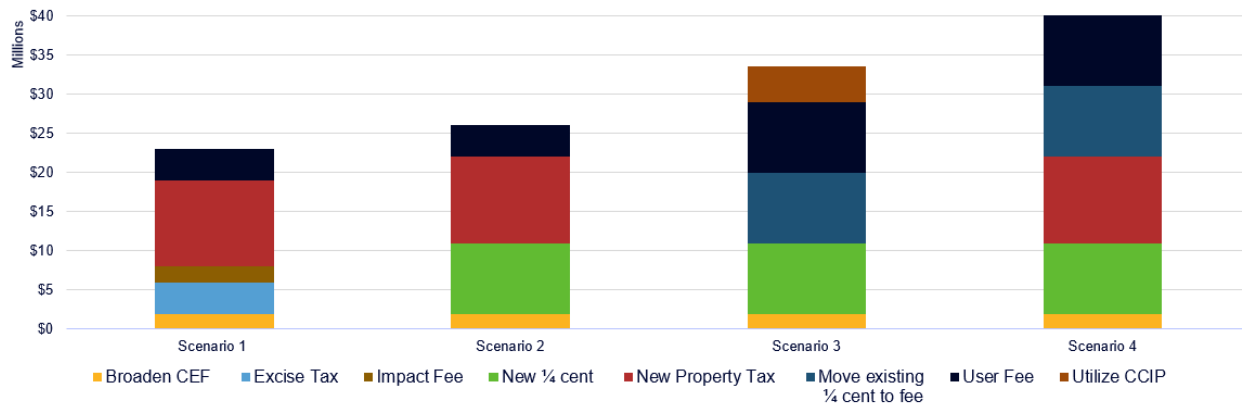
Emily Francis; When I think about redevelopment especially in infill, the places that are getting redeveloped I think there is an in balance in our city because those areas that are not redeveloping their parks are not going to have the maintenance dollars for that – if this could be part of our discussion next month, that would be great.

Cigarettes are a yes – that seems like an easy code change – Is this Just the cigarettes - Can we include vaping?

Ginny Sawyer; the state isn't collecting that fee on vaping products – Council made a code change to define smokable products - off the cuff but maybe those 'smokable products' are a target for excise tax - that is something we actually want to reduce the use – could be a public health benefit to that

Emily Francis; I would like to see the 'smokable group' added to that one.

The graph (see below) is a bit helpful but as an average resident what does that mean? how much do our costs go up? that information is more helpful - understanding the impact over a year for the average resident - how much their costs would go up



#### 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 (3mill) = \$11M  
New 1/4 cent = \$9M  
User Fee (\$5/month) = \$4M  
Broaden CEF = \$2M

Total \$26M (4.10% tax rate)

#### Scenario 3

New 1/4 cent = \$9M  
Move existing 1/4 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 1/4 cent = \$9M  
Move existing 1/4 cent to fee = \$9M  
User Fee (\$10+/month) = \$9M  
Broaden CEF = \$2M

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

Kelly Ohlson; for me, this topic is the most important thing; the allocation of resources, what we want to spend money on, how much money we want to spend, how we raise those resources.

I think we are one Finance Committee premature to have a work session.

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)**

I think the first thing Council needs to do at a Work Session when that takes place.

If Council decides they want the amounts above - My numbers would be \$10M, \$8M and \$8M

We need to narrow the numbers down and commit to that number and what will fund it

We need to focus on the bar graph chart (slide #18 above) as just examples - Council will come up some bar graph of their own making

### 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

Slide 7 (see above) Special District

At the work session, I would like to see just the 3 mills property tax increase

All I see here is a special property taxing district – we could just ask for a 3 mill increase to go to specific issues

Travis Storin; that is a reflection of being high up in the funnel – what would be logical – not advocacy for any of them just what could possibly make sense – transit could very well prove to be the leading candidate but didn't want to preclude the others at this point

## Implement a fee for large carbon emitters

### Mechanics:

- Estimate of \$11.5M annually
- Large emitters = EPA reporting requirements above 25K MT CO<sub>2</sub>e annually
- Fee based on Social Cost of Carbon at \$51/MT CO<sub>2</sub>e

### 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

Slide 9 (see above) Large Carbon Emitter Fee

Why is it the Top three emitters versus the top 25 or those responsible for 50% of the emissions? I would broaden it to a different kind of number

Honore Depew; the 25,000 metric tons per year is the threshold for required federal reporting to the EPA. This is how we know which one is emitting how much so we wouldn't have data below 25,000. We don't get the granular data since it is not in the public record, but we can look into that.

## Increase the property tax rate

### Mechanics:

- Revenue estimate is significant with more than \$12M annually for 3 mills
- A mill is 1/10<sup>th</sup> 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

Slide 8 (see above) Property Tax

Don't' things evolve over a period of years before we know how that will sort out?

Travis Storin; the assessment rate of 7.15% is essentially not moving any more and locks in the 55/45 ratio as it existed at the time of appeal so that used to be the sliding assessment rate but as properties went up in value and we needed to retain the 55/45 ratio between commercial and residential - it was always the residential – the repeal has essentially stopped the race to the bottom that was happening

Kelly Ohlson; we do need to know before the work session or next Council Finance discussion - something has to make up for the reduction of the commercial property taxes that are generated – it is my understanding that over time that residential property taxes will go up quite significantly - something has to make up for the loss in commercial real estate taxes – something has to make up for this



## 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

Slide 10 (see above) ¼ Cent Sales Tax

Kelly Ohlson; KFCG they kept .6 permanent - what does the KFCG ¼ go to and how often is that renewed?

Ginny Sawyer; it is on a 10-year cycle -I think it is 2 or 3 years after the dedicated taxes come due in 2025

Kelly Ohlson; It would be good to have when things expire and how much on the chart for future discussions.

## 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

Slide 11 (see above) Business Occupational Privilege Tax

Kelly Ohlson; I don't have a strong opinion on the Business Occupational Privilege Tax – I think it would be good as it leads to one of the big asks for the next discussion - it really does help to have the context – other communities who have this - Denver, Boulder and Loveland all have this – would be good to have the context of other communities when they started- have Colorado examples - we can know that we are not the first and only on



## 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

Slide 12 (see above) Tax on Services

Kelly Ohlson; In the past – professional services - lawyers and accountants were also included - are they now?

Ginny Sawyer; these are just examples –

Kelly Ohlson; No editorial comments on the slides ‘could generate public resistance’ all of these could generate Public resistance

## 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

Slide 13 (see above) User Fees

Kelly Ohlson; are we zeroing in on a street maintenance fee versus park maintenance fee?

Travis Storin; zeroing in on streets is only to the extent that there is Council desire to move the streets ¼ cent as it exists today - I personally believe that we have a history of considering this for parks and at one point it did pass for parks and then was rolled back by that same Council – it doesn't have to be streets – if there is a desire to go to the ballot for an existing ¼ cent then streets make most sense

Kelly Ohlson; I think right now it is a street maintenance fee unless they have broadened it – it doesn't go for things other than repairing streets

Travis Storin, that is a correct interpretation - it is for pavement quality

## 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

Slide 15 (see above Excise Tax on Specific Goods)

Kelly Ohlson; no for an additional 3% on marijuana as this would result in Increased black market, organized crime, and the profits cartels make – taxes already extremely high in Colorado

Kelly Ohlson; real estate transfer fee - Does the state of Colorado ban both or just the real estate transfer tax?

John Duval; TABOR prohibits the tax – I don't think there is anything in state law that prohibits the fee so long as it meets the other requirements for fee which are: 1) it reasonably related to the cost of the service, or the capital improvement being provided and 2) that the fee payer reasonably benefits from it

Kelly Ohlson; Possibly a good way to fund affordable housing - I would like us to examine the real estate transfer fee aspects and the nexus to affordable housing

Kelly Ohlson; I am also open to broadening the capital expansion fee – I believe originally that discussion was brought up because once we get the size and design of the parks just right if the fee isn't covering the construction for new community and neighborhood parks and the fee needs adjustment then I am good with adjusting that – this council has wisely said we want to make sure we are designing and right sizing the community and neighborhood parks - if we need more money for the build out in fairness to everyone in a timely manner

A work session is premature unless we focus at the 10,000-foot level

I have no idea what chart I would draw up with how much from what yet -it could get a little messy if we go right to a work session – I am not quite comfortable – we are touching on climate – my four corners of this were

affordable housing, transit, parks, and climate – climate emergency or action plan – I would like us to touch on climate in that discussion of importance

Julie Pignataro; what would you prefer to bring to the Work Session OR would you prefer to have the big conversation?

Ginny Sawyer; we are still - this is a topic where everyone needs time to swirl it around – and to make sure we get the right questions - How much money are we looking to raise?  
We did look at that tax stack earlier - so there is a limit we need to work within that nobody feels comfortable going over - we do need to normalize everyone to the multitude of mechanisms we have available because we are going to need to do that with the public too – to get feedback and craft all that together

Kelly Ohlson; Council has always been made up of incredibly different viewpoints – they have looked to the Finance Committee for a real starting point - we are not far apart as a committee, but we are not close to bringing our thoughts forward at work session

Travis Storin; our objectives in scheduling this is to bring the full body up to speed where this committee is. We are not expecting our first touchpoint with the full Council to include prescriptive guidance - What is helpful for us is removing things from play allows us to create some clarity on what is remaining and what are the options

Julie Pignataro; I didn't do that - that would make it easier

Emily Francis; in lieu of a work session. we could meet via 2x2s to get Council feedback

Ginny Sawyer; we could also cover all of them in a work session and say the Finance committee has identified these 4 as not necessarily viable options to bring forward

Susan Gutowsky; this is a lot - overwhelming - maybe another finance committee meeting to fine tune. This committee is a leader – we look to you to have this sorted through and understand - more unpacked. A lot of people watch the work sessions – we don't want to create a perception – makes people feel uncomfortable – my feeling – needs a bit more work before it is ready for prime time

Julie Pignataro; perhaps a ranking exercise by this committee would be useful - maybe see the buckets presented a bit differently to do a ranking

Kelly DiMartino; pose as a question or an option that we can consider- because it is so much - we could think about it as a phased approach of really focusing first on the needs part at the first work session in April and getting some input from other council members to help you in helping us shape what is that target amount we are going to - We could do a very high level - 8 different funding sources we could look at but before we dive into that, let's get a more holistic council input – getting that community voice and start focusing on the need could then help both Council and staff shape what the packet should look like for a second work session instead of trying to take it all in one fell swoop. I agree, we are not ready to say here is what the slate of funding sources looks like

Shirley Peel; I agree with Kelly- I do think the Finance Committee narrows down information and brings it to council in a manner that we can all work with – is very helpful - I feel strongly that I would like to see all of the options - one of our strengths is that we all do our homework and think through all options.

This is a big and important issue and the more information that council has and the more that we can discuss even if we have to do this in a phased approach then that is what we should do - I do like what Kelly is saying about defining the gap and the issue and working from there j- I do think it is very important that we see all sides of this

Kelly Ohlson; to see all options and then the finance committee can share

I did not take away any options from the other council members - all options – talk about how much and what pots – we were discussing adding \$25K for climate action – could we please have a number brought to us at the work session that would make a dent –a dollar figure to make real progress on our climate plan - how much would it costs to really make an impact? How much money do we need to make real progress?

Honore Depew; it has long been a challenge to encapsulate everything that falls under the climate action umbrella without kind of putting a climate price tag which can be not specific and a bit divisive

Thinking about the overall pie chart – critical pathways to get us to our 2030 reduction goals

Looking at number inside of that in the context of gap that isn't filled by those critical pathways; transit, waste, and energy which is satisfied through PRPA by 100% renewable electricity by 2030 We will commit to bringing you some context around the funding needs for climate at large.

Kelly Ohlson; I wasn't for moving the road to zero waste under climate action plan but since the council did – I would like that as part of that dollar figure – we have a lot to do – serving on the regional solid waste – meeting this morning – a lot of needs - please don't lose those solid waste issues in coming up with your dollar figure

## **B. Midtown Infrastructure Design**

Brad Buckman, City Engineer

Josh Birks, Director, Economic Health & Redevelopment

### **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

## **DISCUSSION / NEXT STEPS:**

### **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?

Julie Pignataro consulted with John Duval re: a potential conflict of interest due to her husband working for a tree company who has provided an estimate for some tree work related to this project.

Jamie Giellis. no contracts have been awarded yet other than the design work.

John Duval; would the contract be with the BID or with the city?

No award yet.

Kelly Ohlson; I am very excited about this project - to see this all change over time - this is a great project in the middle of our community - no brainer for me to move forward with this - design cost seems high to me at \$1.7M - wish the design didn't cost so much and surprised by how high construction costs are but I am a yes

Emily Francis; we talk a lot about the physical environment, but I didn't see anything about housing – isn't that a transit line development area?

Johns Birks; yes, this is a targeted infill area within City Plan so that includes trying to see more infill housing development. What we are focused on here are the improvements within the public right of way. A lot of these Improvements would enable better access for housing projects. Would make area for attractive for housing development. So right now, this is limited to the public right of way so not into the private housing space yet.

Emily Francis; thank you for the explanation - this is a great project, and this area could use a lot of help – excited to see it move forward.

Shirley Peel; I am super excited about this project – glad to see it come to fruition

John Duval; the Charter talks about if you have a relative that has a financial interest in the matter that is before you and the interest equated with money – based on what I have heard today, I think in the near future it is unlikely since we are talking about only the design aspect at this point, and this is not inclusive of any construction. It is unlikely that you have an immediate interest in this but at some point it could develop into this.



Julie Pignataro; I am a yes – a 1000 times yes - Shirley and I share a border of this, and I can't wait to see this area improved.

Susan Gutowsky; I have to echo the other Council members – I have been waiting for this project to start for the longest time - I remember when they first started talking about it - So exciting to see it taking form – Is there any timeline for when this might ultimately be done?

Josh Birks; honestly, we are looking to partner on projects as soon as we can but probably 1-2 years before we see significant projects. We are looking at a \$40-60M total construction costs – even with grants – it is likely to be many years as we see these projects come online. We will be looking at what phases we could bring on quickly – this is about positioning ourselves to make the two entities' dollars go further by getting those grant dollars from the Federal infrastructure Bill - kind of hard to tell as it will depend on when the grant funds come in and what projects make sense to start with

Julie Pignataro; we look forward to moving this forward - thank you

**Result:** the Council Finance Committee unanimously supports moving this forward.

## **C. 2022 Reappropriation**

Lawrence Pollack, Budget Director

### **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	<u>\$941,364</u>

## **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 be 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. For the 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 COMMUNICATIONS 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.

## **DISCUSSION / NEXT STEPS**

### **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?

Emily Francis; I am a yes to both

Kelly Ohlson; I am good – good explanations – just the right amount of information as well

Under PRPA Funds (see below)

#### **1) 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.

Regarding **bold** text above – Is this due to the Mayor serving on the PRPA Board or has the Mayor been given new powers?

Lawrence Pollack; we will get clarification and follow up.

Julie Pignataro; thank you for the information - good to go

#### **Other Business:**

The Council Finance Committee Meeting currently scheduled for August 4<sup>th</sup> appears to be the planned date for the city picnic. Could this meeting be rescheduled to accommodate the picnic?

Committee directed staff to work with Sarah Kane to reschedule the August meeting.

Meeting adjourned at 5:50 pm





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

**Staff:** Blaine Dunn, Accounting Director

**Date:** April 7, 2022

### **SUBJECT FOR DISCUSSION**

Certificates of Participation Financing: Hughes Stadium Land Purchase, Southridge Golf Irrigation System Improvement & Fleet Shop Expansion

### **EXECUTIVE SUMMARY**

City staff is seeking \$16.5M in financing through Certificates of Participation (COPs) for a July 2022 closing. These funds will be used for purchasing Hughes Stadium land (\$8.5M), Southridge golf course irrigation system improvement (\$5.0M) and Fleet shop expansion construction (\$3.0M).

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

Does Council Finance support to bring the proposed COP financing for the first reading on 05/03/2022?

### **BACKGROUND/DISCUSSION**

#### *Hughes Stadium Land Purchase*

Per a voter-approved ballot measure in April 2021, the former Hughes Stadium site was rezoned as open lands, and the City was directed to make a good-faith effort to purchase the 165-acre site from the CSU System, within two years, at fair market value. The total estimated cost of the purchase is \$12.5M; out of which \$4M will come from the City's General Fund and Natural Area fund, and the remaining \$8.5M will be secured through the COP financing. Costs will be allocated proportionally to corresponding funds once land use is determined.

#### *Southridge Golf Irrigation System Project*

The project is to install a new irrigation system at Southridge golf course located at 5750 S Lemay Ave. It is an 18-hole golf course situated on 128 acres in southeast Fort Collins, and it is operated and maintained by the City. The current irrigation system has passed its typical life expectancy and caused loss of water, costly repairs, and high labor needs. A new system will produce significant savings through better water application efficiency and flexibility and reduces labor and repair costs. The total estimated cost of the project is \$5.0M. The City is seeking \$5.0M in COP financing to fund the project. In 2022, \$1.2M was appropriated out of golf reserves to secure some of the key materials ahead of installation. The appropriation also covers contingency in case the system cost exceeds the current estimate. Payments paid with the 2022 appropriation will be reimbursed with the financing proceeds and put back in golf reserves.

#### *Fleet Shop Expansion Project*

The Fleet Shop Expansion project is to provide two garage bays to maintain compressed natural gas (CNG) fueled fleet vehicles in compliance with City and State codes. A comprehensive facility audit conducted in 2018 determined the existing garage facility located at 835 Wood St. did not meet all applicable codes and standards. The expansion will also help to meet the increasing demand for more maintenance workspace as the City's vehicle fleet grows. The total estimated cost of the project will be \$4.0M. Operation Services will pay \$1.0M out of its reserves, which includes the \$0.4M appropriated by Council in the 2022 budget for the design of new facility. The City is seeking \$3.0M in the COP financing for the remainder of the construction costs.

#### *Debt Structure*

The City is seeking to borrow a total of \$16.9M, \$16.5M for the projects and \$400k in closing costs, with the COPs. The COPs will have a fixed interest rate and a mixed repayment term of 10 year for Hughes Stadium land purchase and 15 year for the other two projects. The longer term is incorporated in repayment to reduce annual debt service payment for both Golf and Operation Services and ease cash flow pressure. The City will make semiannual payments starting in December 2022 with the last payment occurring in December 2037. The average annual debt service for the first 10 years is \$1,598,427 , and \$706,860 for the remaining 5 years.

## **ATTACHMENTS**

Attachment 1 – PowerPoint



04-07-2022

## COPs Financing:

Hughes Land Purchase &  
Southridge Golf Irrigation  
System Improvement & Fleet  
Shop Expansion

Blaine Dunn

Accounting Director



- **Project Information**
- **Cost Share**
- **Debt Issuance Process**
- **Additional Collateral Needed**
- **Debt Structure**



Does the Committee support to bring the  
proposed COP financing for the first reading  
on May 3, 2022?



- **Voter-approved Ballot Measure**
  - To rezone Hughes stadium as open lands
  - Direct the City to purchase from CSU at fair market value
- **Total Estimated Cost: \$12.5M**
  - \$2M from General Fund
  - \$2M from Natural Area Fund
  - \$8.5M from COP financing
- **Costs will be allocated proportionally to corresponding funds once land use is determined**



- **To install a new irrigation system at Southridge golf course**
- **Conditions of existing irrigation system:**
  - Approaching 40 years old
  - Frequent breaks and failures
  - Costly repairs and labor
- **Benefits of new irrigation system:**
  - Water application efficiency
  - Savings in repair and labor costs
- **Total Estimated Cost: \$5M**



- **Build two garage bays to maintain CNG fueled fleet vehicles in compliance with City and State codes.**
- **Existing bays do not meet the compliance code for CNG vehicles**
- **Meet the increasing demand for more maintenance workspace as fleet grows**
- **Total Estimated Cost: \$4M** (\$1M from reserves + \$3M from COP financing)





- **Total Cost \$21.5M**
- **Cash Payments:**
  - Hughes
    - Natural Areas Fund – \$2M
    - General Fund -- \$2M
  - Fleet Facility
    - Ops Reserve -- \$1M
- **Current Estimate - Borrow \$16.5M**

Debt Share Allocation (\$ in millions)				
	Total	Hughes	GOLF	OPS
Debt Obligation	\$ 16.5	\$ 8.5	\$ 5.0	\$ 3.0
% Share		52%	30%	18%
Borrow-Principle	\$ 16,500,00			
Term	15*			
Interest**	3.6%			
Payment Share**		\$1,037,973	\$419,439	\$251,641

\*10-year term for Hughes project and 15-year term for both golf and ops projects

\*\*Market rates as of 03/24/2022; subject to change

- **Issuance Options**
  - Negotiated Sale
  - Private Placement
  - Competitive Bid
  
- **Process leading to Competitive Bid**
  - Leverage City's Aaa credit rating
  - Market appears to favor competitive bid
  - Good collateral options for market
  - Will take competitive bids from underwriters in July

**Competitive Bid Process Will Be Used to Select Underwriter**

## The 2022 COP will be issued as Additional Certificates under the 2019 COP

- **215 N Mason Building**

- Insured value of \$10.8M
- Collateral on 2019 COP

- **Civic Center Parking Garage**

- Insured value of \$16M
- Collateral on 2019 COP

- **Other Properties Considered:**

- McKee strips pending land appraisal result

### Additional Collateral Needed

2019 COP Value	\$26,800,000
<u>Par Outstanding</u>	<u>\$21,245,000</u>

Existing Value for Additional COP	\$5,555,000
-----------------------------------	-------------

2022 COP Financing	\$16,500,000
--------------------	--------------

Additional Value Needed	\$10,945,000
-------------------------	--------------

**Use McKee strips as additional collateral for COP issuance and swap in Hughes land once purchase is finalized**

- **15 Year Term**
- **Fixed interest rate**
- **Semiannual payments starting in December 2022**
- **Last payment December 2037**
- **Borrowing**
  - Issue Costs\*                      \$ 0.4M
  - Project Amounts                      \$ 16.5M
  - Total                      \$ 16.9M

\*estimate subject to change

- **May 3** COP Ordinance first reading
- **May 17** COP Ordinance second reading
- **June 8-10** Rating agency call
- **June 22** Rating results received
- **June 24** City FY2021 Audit Complete and Final
- **June 30** Preliminary Official Statement posted to Internet
- **July 12** Marketing of Certificates on Parity
- **July 21** Closing and delivery of proceeds

# QUESTIONS?







**THANK YOU!**  
For More Information, Visit







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

**Staff:** David Lenz, Director – Financial Planning & Analysis

**Date:** April 7, 2022

**SUBJECT FOR DISCUSSION:**  
Capital Expansion Fee Update

### **EXECUTIVE SUMMARY**

Since 2016, City staff has made significant changes to how we determine, update and communicate the various development related impact fees that require City Council approval. Through coordination across service areas and functional teams, the City has consolidated the approach and attempted to consolidate the cadence of updates to City Council for approval of all fee changes. This update focuses primarily on the Capital Expansion Fee updates that are currently under way.

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

What questions or input does Council Finance Committee have related to the Capital Expansion Fee Update?

### **BACKGROUND/DISCUSSION**

Since the fall of October 2016, staff has worked to coordinate the process for updating all development related impact fees that require Council approval. This resulted in the completion of two studies, the Capital Expansion Fee Study dated August 2016 (CEF Study) for the neighborhood park, community park, fire, police and general government capital expansion fees (CEFs) and the Transportation Capital Expansion Fee Study dated April 2017 (TCEF Study) for the transportation capital expansion fee (TCEF).

Development related impact fees that are approved by Council are CEFs, TCEFs, and five Utility plant investment fees (Utility PIFs).

Type of Fee	Fee Name
Capital Expansion	Neighborhood Park
Capital Expansion	Community Park
Capital Expansion	Fire
Capital Expansion	Police
Capital Expansion	General Government
Capital Expansion	Transportation
Utility	Water Supply Requirement
Utility	Electric Capacity
Utility	Sewer Plant Investment
Utility	Stormwater Plant Investment
Utility	Water Plant Investment

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

Fee coordination includes a detailed fee study analysis for CEFs and the TCEF every four years. This is achieved through contracting with an outside consultant with data provided by City staff. Findings by the consultant are also verified by City staff. For Utility PIFs, a detailed fee study is planned every two years. These are internal updates by City staff with periodic consultant verification. In the future, fee study analysis will be targeted in the odd year before Budgeting for Outcomes (BFO). In years without an update, an inflation adjustment occurs.

Additionally, a comprehensive Development Review and Building Permit Fee Study update was also completed in 2019. Due to a number of factors, the implementation of the new fee structure was delayed until January 2022.

Given the nature and magnitude of some of the fee updates, a phased approach was followed for implementation of the updated structures. The original schedule is highlighted below.

	2016	2017	2018	2019	2020	2021	2022
<b>Capital Expansion Fees</b>		Update	Step II	Step III	Inflation	Update	Inflation
<b>Transportation Expansion Fee</b>		Update	Step II		Inflation	Update	Inflation
<b>Electric Capacity Fee</b>		Update		Update	Inflation	Update	Inflation
<b>Water Supply Requirement</b>		Update		Update	Inflation	Update	Inflation
<b>Water, Sewer, Stormwater PIFs</b>			Update	Update	Inflation	Update	Inflation

Due to competing work objectives in 2021, the planned updates to the Capital Expansion Fees and Transportation Capital Expansion fees were deferred in the spring of 2021.

Currently, the work has been re-engaged on both the CEF and TCEF updates. Staff are evaluating study work plans and efforts in conjunction with other City-wide workstreams. Two options are under consideration for the projects.

- **Option 1** would accelerate the completion of the two studies in 2022 and return the update cadence to the original timeframe. The TCEF study was started in 2021 and paused in Q2. This option allows quicker re-engagement with the existing consultant.
- **Option 2** would have the fee updates targeted for completion in 2023. Pursuing this path could allow for potential integration and scoping with other significant workflows (revenue diversification, East Mulberry annexation evaluation), as well as allow for more fulsome outreach and engagement. The 4-year update cycle would then commence as planned.

The two scenario timeframes and update schedules are highlighted below.

## Option 1

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027
Capital Expansion Fees		Update	Step II	Step III	Inflation	Inflation	Update	Inflation	Inflation	Update	Inflation	Inflation
Transportation Expansion Fee		Update	Step II		Inflation	Inflation	Update	Inflation	Inflation	Update	Inflation	Inflation
Electric Capacity Fee		Update		Update	Inflation	Update	Inflation	Update	Inflation	Update	Inflation	Update
Water Supply Requirement		Update		Update	Inflation	Update	Inflation	Update	Inflation	Update	Inflation	Update
Water, Sewer, Stormwater PIFs			Update	Update	Inflation	Update	Inflation	Update	Inflation	Update	Inflation	Update

## Option 2

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027
Capital Expansion Fees		Update	Step II	Step III	Inflation	Inflation	Inflation	Update	Inflation	Inflation	Inflation	Update
Transportation Expansion Fee		Update	Step II		Inflation	Inflation	Inflation	Update	Inflation	Inflation	Inflation	Update
Electric Capacity Fee		Update		Update	Inflation	Update	Inflation	Update	Inflation	Update	Inflation	Update
Water Supply Requirement		Update		Update	Inflation	Update	Inflation	Update	Inflation	Update	Inflation	Update
Water, Sewer, Stormwater PIFs			Update	Update	Inflation	Update	Inflation	Update	Inflation	Update	Inflation	Update

## ATTACHMENTS

Attachment 1 – Presentation slides





## Capital Expansion Fee Update

### Council Finance Committee

David Lenz, Director – Financial Planning & Analysis

April 7, 2022



- Background:
  - Beginning in 2016, work to develop a coordinated approach to all fee updates
  - Fee Working group formed (residents / businesses / City staff / Council liaison)
  - Bring forward all fee updates on an annual basis with regular cadence of fee studies
- Related work areas:
  - Development Review and Building Permit Fees
  - Utility Plant Investment Fees (PIFs)
- Capital Expansion Fees / Transportation Capital Expansion Fees (CEF/TCEF)
- Options/Timeframes
- Questions/Input from Council Finance Committee?

Type of Fee	Fee Name
Capital Expansion	Neighborhood Park
Capital Expansion	Community Park
Capital Expansion	Fire
Capital Expansion	Police
Capital Expansion	General Government
Capital Expansion	Transportation
Utility	Water Supply Requirement
Utility	Electric Capacity
Utility	Sewer Plant Investment
Utility	Stormwater Plant Investment
Utility	Water Plant Investment

- Comprehensive update of all Development Review Fees and Building Permits completed in 2019.
- Significant changes in methodologies and fee structures.
- New fee structure implemented 1/1/2022.
- Annual review and adjustments made if necessary to account for the inflation and other changes to cost of service provisioning.

- Detailed Fee Study is planned every two years
- Inflation adjustments every other year
- Performed in-house by City staff
- Periodic Consultant verification



- Capital expansion fees require new developments to pay a proportionate share of infrastructure costs to “buy-in” to the level of service the City of Fort Collins provides for Fire, Police, General Government facilities, Neighborhood Parks, Community Parks and Transportation.
- This concept of growth paying for the impact of growth is a policy decision that past City Councils have made.
- Fees are paid upon application of a building permit by a builder/developer and assessed by land use type.

- For transportation capital expansion fees, Engineering contracted with TischlerBise to update the fees in 2016 and assess methodology.
- The results of the 2016 study recommended:
  - Changing the name from “Street Oversizing” to “Transportation Capital Expansion Fee”
  - Using Vehicle Miles Travelled (VMT) as the basis for determining impact, instead of trips generated.
  - Simplifying the transportation impact fee schedule from 43 categories of use to only a handful; Residential (by size of unit) and two broad categories for commercial and industrial.
  - Increase fee to include additional improvements

- In 2012 and then again in 2016, the City of Fort Collins contracted with Duncan Associates to analyze the methodology and update the fees.
- The results of the 2016 study recommended retaining the incremental expansion approach, however, the fees were changing due to the following factors:
  - Land values were updated to accurately reflect the difference in the cost of land in different quadrants in Fort Collins.
  - Updated household size data.
  - Updated all formula inputs including current asset info based on the cost of construction per square foot.
  - Additional capital added to General Government fees.

**TCEF**

- Re-contracted with TischlerBise in January 2021 to update fees and methodology
- Work initiated in Q1 2021
- Preliminary work Q1/Q2 2021 – then work put on hiatus to defer until 2022
- Inflation update only in 2021 for fees effective 1/1/2022
- Extended contract through December 2022
- Re-engaged work on update in Q1 2022

**CEF**

- Update planned for 2021 deferred in Q2 2021
- Inflation update only in 2021 for fees effective 1/1/2022
- Q1/Q2 - Evaluating path forward and scoping

**Option 1:**

Update Fee Studies in 2022 and accelerate next update for 2025

**Option 2:**

Update Fee Studies for completion in 2023 and adopt the 4-year cadence of updates

**Considerations:**

Option 1: Gets back to original Schedule in spite of 2021 delay; TCEF work already in process.

Option 2: Work streams not overlapping with BFO cycle per original schedule intent; allows for scoping and integration with other significant workflows (revenue diversification, East Mulberry annexation evaluation); ability for more fulsome outreach/engagement.

## Option 1: Update CEF/TCEF in 2022

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027
Capital Expansion Fees		Update	Step II	Step III	Inflation	Inflation	Update	Inflation	Inflation	Update	Inflation	Inflation
Transportation Expansion Fee		Update	Step II		Inflation	Inflation	Update	Inflation	Inflation	Update	Inflation	Inflation
Electric Capacity Fee		Update		Update	Inflation	Update	Inflation	Update	Inflation	Update	Inflation	Update
Water Supply Requirement		Update		Update	Inflation	Update	Inflation	Update	Inflation	Update	Inflation	Update
Water, Sewer, Stormwater PIFs			Update	Update	Inflation	Update	Inflation	Update	Inflation	Update	Inflation	Update

## Option 2: Update CEF/TCEF in 2023

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027
Capital Expansion Fees		Update	Step II	Step III	Inflation	Inflation	Inflation	Update	Inflation	Inflation	Inflation	Update
Transportation Expansion Fee		Update	Step II		Inflation	Inflation	Inflation	Update	Inflation	Inflation	Inflation	Update
Electric Capacity Fee		Update		Update	Inflation	Update	Inflation	Update	Inflation	Update	Inflation	Update
Water Supply Requirement		Update		Update	Inflation	Update	Inflation	Update	Inflation	Update	Inflation	Update
Water, Sewer, Stormwater PIFs			Update	Update	Inflation	Update	Inflation	Update	Inflation	Update	Inflation	Update

- July/August 2022: Council Work Session and/or Status Memorandum
- September/October 2022: Council Finance Committee Update
- November 2022: Fee Updates to Council for authorization

- What questions or input does Council Finance Committee have?





**Fees Effective January 2022**

Land Use Type	Unit	N'hood Park	Comm. Park	Fire	Police	Gen. Gov't	TCEF	Total	Total % Δ
Residential, up to 700 sq. ft.	Dwelling	\$1,941	\$2,741	\$475	\$266	\$647	\$2,523	\$8,594	3.5%
Residential, 701-1,200 sq. ft.	Dwelling	\$2,599	\$3,669	\$643	\$360	\$873	\$4,686	\$12,830	3.9%
Residential, 1,201-1,700 sq. ft.	Dwelling	\$2,838	\$4,007	\$699	\$391	\$953	\$6,085	\$14,973	4.1%
Residential, 1,701-2,200 sq. ft.	Dwelling	\$2,867	\$4,048	\$711	\$397	\$968	\$7,115	\$16,106	4.3%
Residential, over 2,200 sq. ft.	Dwelling	\$3,196	\$4,513	\$791	\$442	\$1,077	\$7,626	\$17,645	4.2%
Commercial	1,000 sq. ft.	0	0	\$599	\$335	\$1,637	\$9,285	\$11,855	6.2%
Office and Other Services	1,000 sq. ft.	0	0	\$599	\$335	\$1,637	\$6,840	\$9,411	5.9%
Industrial/Warehouse	1,000 sq. ft.	0	0	\$140	\$78	\$386	\$2,208	\$2,811	6.2%



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

**Staff:** Travis Storin, Lawrence Pollack, Jennifer Poznanovic, Teresa Roche, Chris Martinez

**Date:** April 7, 2022

### **SUBJECT FOR DISCUSSION**

2022 BFO Assumptions for funding availability and expense pressures including inflation, salary adjustments, and changes to benefits costs.

### **EXECUTIVE SUMMARY**

In 2022 the City will again use Budgeting for Outcomes (BFO) to prepare the City Manager's Recommended Budget for 2023-24 Biennial Budget. Key assumptions are established early in the process and reviewed with the Council Finance Committee.

1. Funding Sources: The sales and use tax forecast is an important revenue stream necessary to support ongoing costs. General Fund sales and use tax is allocated across all seven Outcomes, while the voter approved dedicated tax forecasts are allocated to specific Outcomes where applicable Offers can utilize that funding, per ballot language requirements. Likewise, in the enterprise funds, utility rate increases are necessary to address inflationary costs and maintain service delivery. Available reserves can also be used to fund offers, typically for one-time types of expenses. For this budget, the remaining American Rescue Plan Act (ARPA) funding will be available to fund offers in support of the City's Recovery Plan.

2. Expense Pressures are numerous, including significant inflation, as well as the challenge of balancing taking care of existing City assets vs. net new enhancements.

3. Salary and Benefits: The 2023-24 Budget includes a 3.5% average salary pool increase for 2023 and 3.0% in 2024, which will be reflected in offers. Employee benefit cost changes have also been entered into the City's budgeting tool and are used to calculate total employee compensation for 2023-24.

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

1) What questions does CFC have about the 2022 BFO assumptions for the 2023-24 Biennial Budget?

### **BACKGROUND/DISCUSSION**

All background information is contained in the attachments and will be discussed in detail during the meeting.

### **ATTACHMENTS**



## Assumptions for the 2023-24 Biennial Budget

Page 69 of 96

Council Finance Committee – April 7, 2022

- **Funding Sources: Major Taxes, Utility Rates and Reserves**
- **Expense Pressures**
- **Salary and Benefits**
- **2022 BFO Calendar**

## Governmental Funds (without Internal Service Funds)

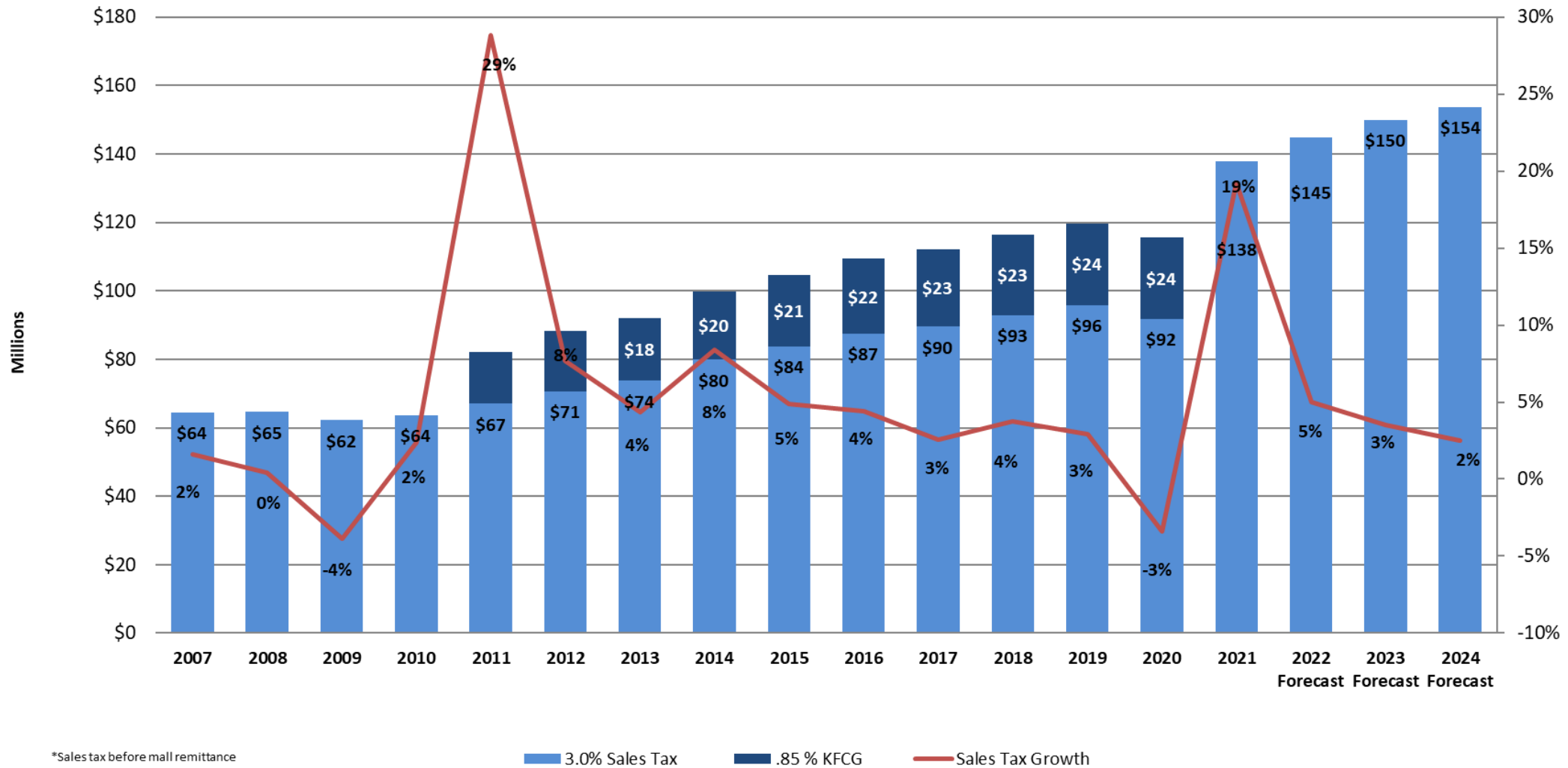
\$ in thousands

2021 Revenue

Percent of Year: 100%

	December		Year to Date				% Current Act vs. Prior Act
	Actual 2021	Over/(Under) Budget	Budget 2021	Actual 2021	Over/(Under) Budget	Inc/(Dec) 2020	
Sales & Use Tax	16,840	6,075	131,265	162,587	31,322	27,344	120%
Property Taxes	66	(1,489)	34,329	34,538	209	1,259	104%
Intergovt. Shared Revenues	2,901	401	12,820	15,225	2,405	1,329	110%
Culture, Parks, Rec & Nat A. Fees	1,955	(2,364)	15,790	15,275	(515)	4,150	137%
Payment in Lieu of Taxes	852	(60)	11,318	11,599	281	628	106%
General Government Fees	1,465	310	11,767	10,849	(918)	(541)	95%
Transportation Fees	1,751	820	5,619	6,867	1,248	913	115%
Interest Revenue	127	(43)	1,673	1,391	(282)	(1,201)	54%
Unrealized Invst. Gains/Losses	(229)	(229)	0	(2,293)	(2,293)	(3,962)	-137%
Other Miscellaneous	3,853	737	24,058	27,256	3,198	4,609	120%
<b>TOTAL</b>	<b>29,583</b>	<b>4,159</b>	<b>248,639</b>	<b>283,293</b>	<b>34,654</b>	<b>34,528</b>	<b>114%</b>

**Sales Tax rebounded dramatically – largely reflected in 2022 Budget**



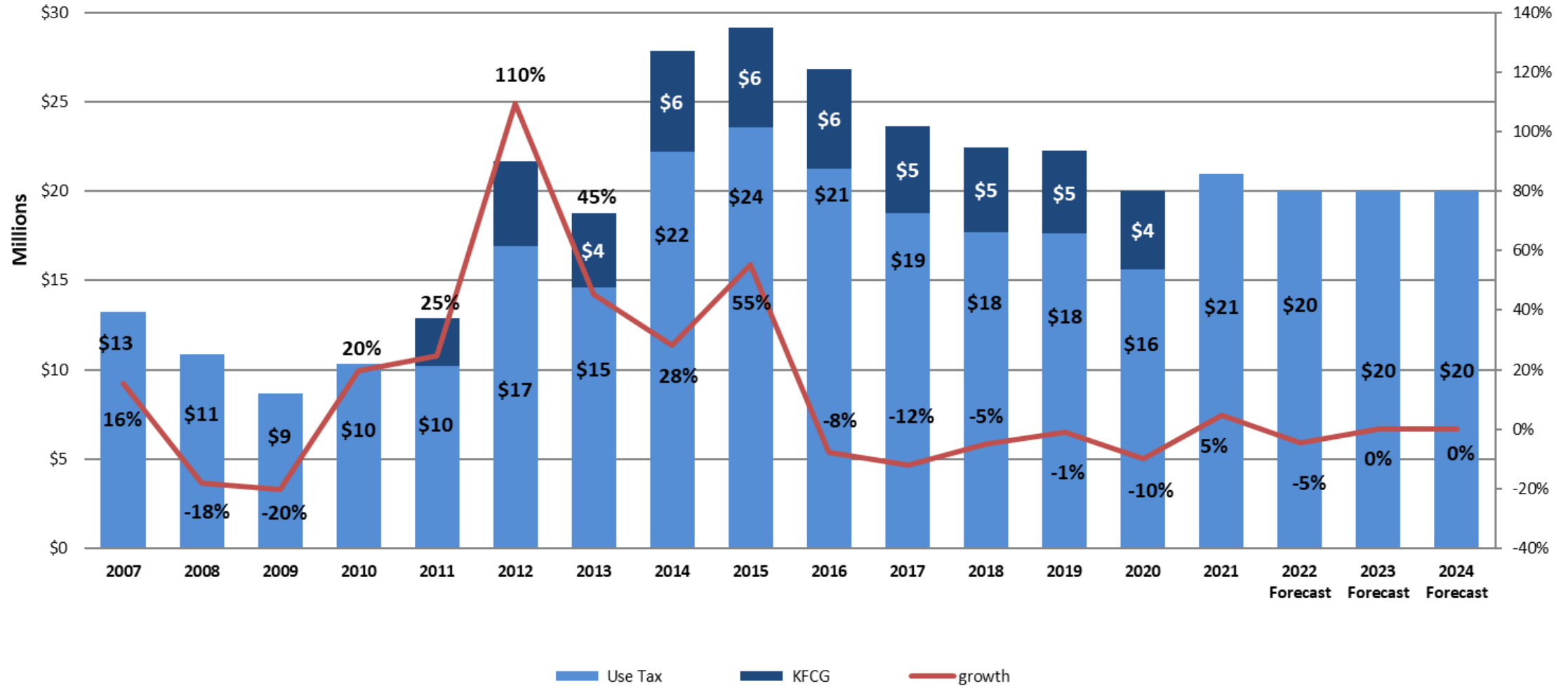
Fort Collins Sales Tax has recovered and surpassed pre-pandemic levels



2023	2024
3.5% Growth	2.5% Growth

- Historically Fort Collins Sales Tax follows the same trend as US GDP, Colorado Personal Income, US CPI and Denver-Aurora-Lakewood CPI
- Strong recovery from the 2020 coronavirus is expected to flatten in the next two years
- Economic recovery and marketplace/economic nexus sales contribute to Fort Collins continued growth



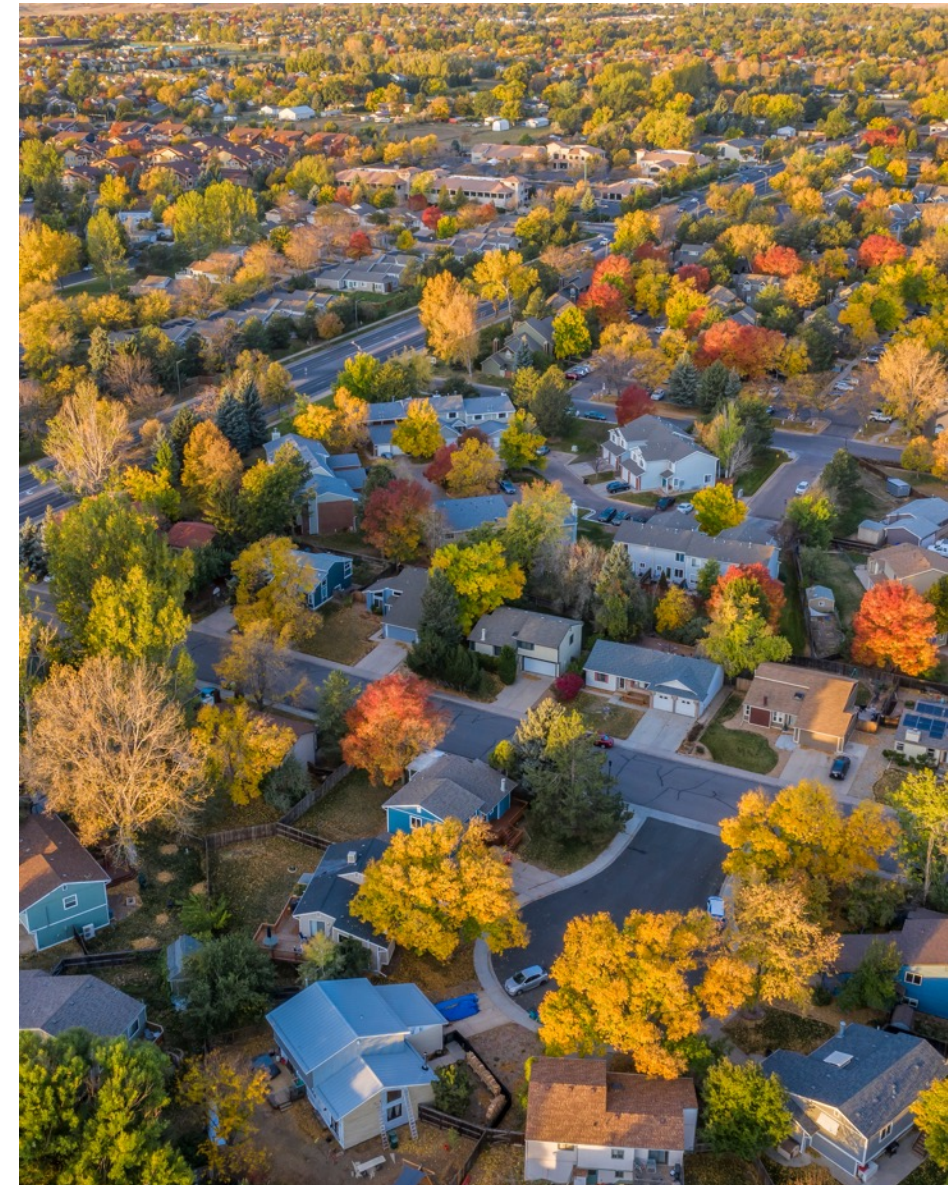


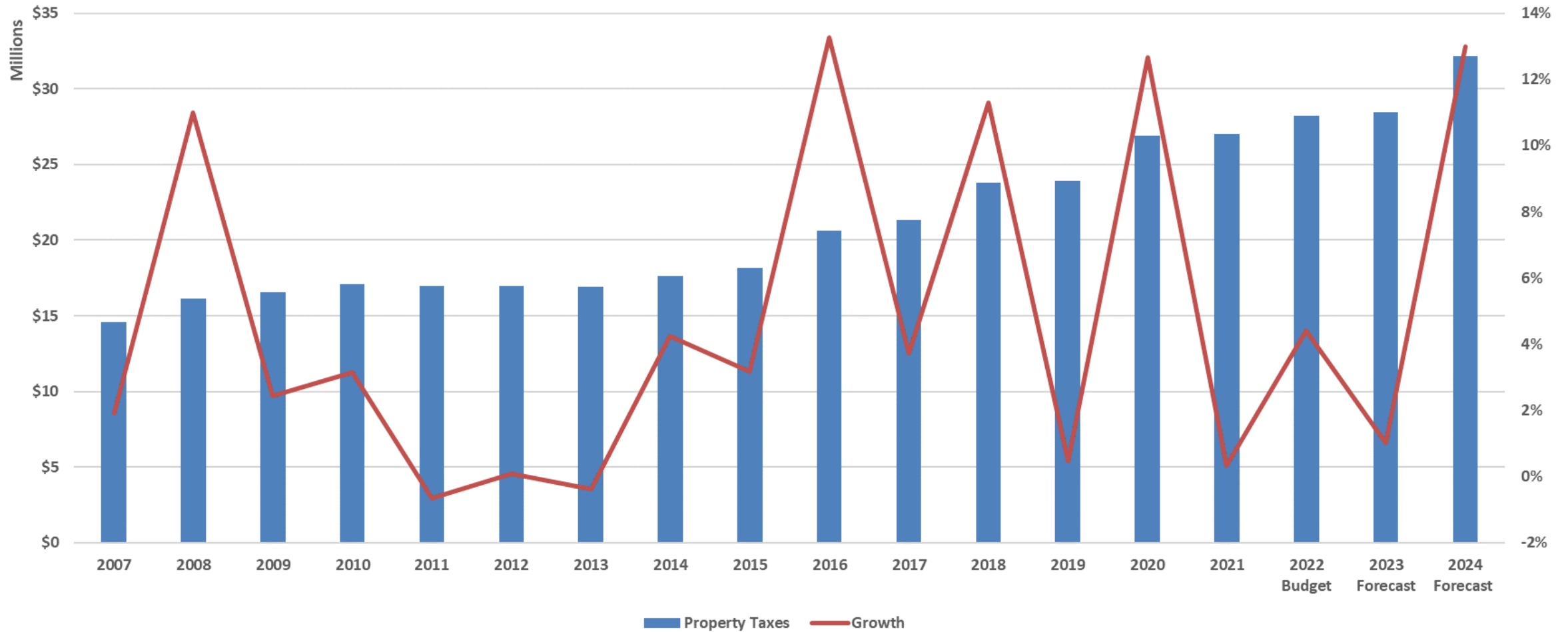
Use Tax is volatile and difficult to forecast, driven largely by development and business investment



2023	2024
\$20M	\$20M

- Use tax on building permits on par with pervious years
- Increase in car tax, but a decline in return tax





After being flat since 2008, Property Tax has grown significantly in the past years



2023	2024
1%	13%

- Recommendation is based on preliminary 2022 valuations and discussions with the Larimer County Assessor's Office
- PFA receives 67% of the city's portion of property tax via an IGA



# 2021 Utility Services Revenue – Preliminary Results

## Utility Services

\$ in thousands

**2021 Revenue**  
Percent of Year: 100%

	December		Year to Date					
	Actual 2021	Over/(Under) Budget	Budget 2021	Actual 2021	Over/(Under) Budget	Inc/(Dec) 2020	% Bud Recvd 2021	% Current Act vs. Prior Act
Electric Charges for Services	11,057	145	137,900	146,152	8,252	6,909	106%	105%
Water Charges for Services	2,221	396	30,931	33,629	2,698	643	109%	102%
Wastewater Charges for Services	1,950	1	23,900	23,606	(294)	172	99%	101%
Stormwater Charges for Services	1,539	2	17,650	18,027	377	117	102%	101%
Customer Srv & Admin Fund Charges	1,449	(0)	17,236	17,236	0	98	100%	101%
Interest Revenue	52	(103)	1,454	1,389	(65)	(929)	95%	60%
Unrealized Invst. Gains/Losses	(249)	(249)	0	(2,445)	(2,445)	(3,568)	0%	-218%
Other Miscellaneous	641	336	2,715	3,808	1,093	87	140%	102%
Development Fees/PIFs/Contributions	2,657	1,750	6,089	13,092	7,003	5,960	215%	184%
<b>TOTAL</b>	<b>21,317</b>	<b>2,277</b>	<b>237,875</b>	<b>254,494</b>	<b>16,619</b>	<b>9,489</b>	<b>107%</b>	<b>104%</b>

**Utility Services finished the year well ahead of budget, with lifts from residential revenue and large-scale development activity**

Utility Rate	2022	2023	2024
Water	-	2.0%	2.0%
Wastewater	-	2.0%	2.0%
Stormwater	-	2.0%	2.0%
Electric	2.0%	3.0%	4.1%

- In general, the increases are necessary to support asset renewal and replacement across all 4 funds
- The electric rate increases also include estimated wholesale purchase power increases from Platte River Power Authority (PRPA)



# Expense Pressures



- **There is significant inflation being experienced in 2022. Staff is monitoring financial impacts relative to budget underspend**
- **The Federal Reserve is likely increasing rates multiple times to curb inflation this year**
- **Some commodities, like pavement, are experiencing double digit inflation**
- **Staff is proposing to budget an average of 3.5% inflation in 2023 and 2.5% in 2024, with the assumption that the economy will not stabilize again to targeted inflation of 2% until 2025.**
- **Separately, fuel costs are anticipated to be \$1.0M+ higher in 2023 than 2022; significant risk of additional price hikes**
- **Ongoing expenses funded by ARPA in the 2022 Budget will need to be evaluated**



# Compensation and Benefits Assumptions for 2023-24

- **We attract and retain exceptional talent by offering attractive, competitive benefits as part of our overall culture of wellbeing**
- **As an employer of choice and industry leader, we educate and engage employees and their families, in their health and financial wellness as a component of the City's Total Compensation strategy**
- **We collaborate with colleagues, City Council, and strategic partners to continually evaluate and improve employee benefits while also responsibly stewarding City resources**

## ■ Medical Per Employee Per Month (PEPM) Increase Recommendations

	<u>2023</u>	<u>2024</u>
○ City - Employer (ER)	6.5%	7.5%

## ■ Benefit Plan Cost Drivers

- Medical 6% / Rx 11% / **Combined Trend: 7.2%** (\$1.1M / \$1.9M)
- Stop Loss: 22% (\$650k)
- Added Health Advocate Services a.k.a. Benefits Concierge (\$125k)
- Savings from SelectCO and Rx Rebates

## ■ Dental PEPM Recommendation

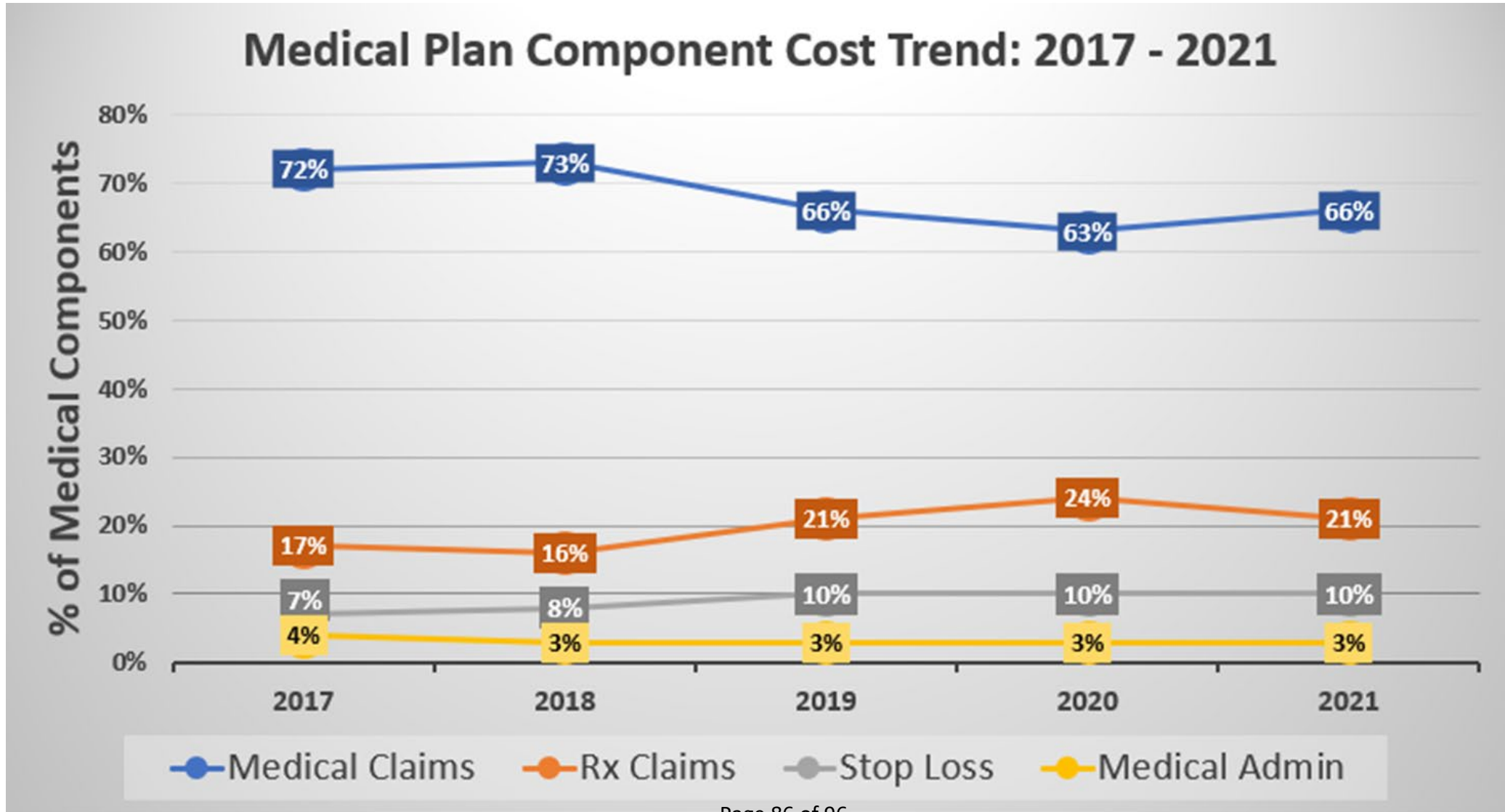
- 0% Increase for both employer and employee

## ■ Budgeted Use of Benefits Reserves

- **2023: \$2.4M      2024: \$2.7M**

	Medical PEPM	Medical % Increase	Dental PEPM	Dental % Increase
<b>2016</b>	\$ 775	4.0%	\$ 47	4.4%
<b>2017</b>	\$ 902	16.4%	\$ 49	4.3%
<b>2018</b>	\$ 947	5.0%	\$ 51	4.1%
<b>2019</b>	\$ 947	0.0%	\$ 51	0.0%
<b>2020</b>	\$ 852	-10.1%	\$ 51	0.0%
<b>2021</b>	\$ 852	0.0%	\$ 51	0.0%
<b>2022</b>	\$ 912	7.0%	\$ 51	0.0%
<b>2023</b>	\$ 971	<b>6.5%</b>	\$ 51	0.0%
<b>2024</b>	\$ 1,044	<b>7.5%</b>	\$ 51	0.0%

- No increases from 2019 through 2021 due to plan performance and pandemic
- Benefits team plans to stepladder rate increases back to plan equilibrium
- First PEPM increase began in 2022 with 7% increase followed by 6.5% and 7.5%
- Current Dental PEPM rates projected to cover costs thru 2024, no increase required



**The City's compensation philosophy is to provide pay that is externally competitive in both the public and private sectors and delivered within a sustainable financial model**

## Current BFO Compensation Assumptions: 3.5% in 2023 and 3.0% in 2024

### “Look Back” 2022 Average 3.81%

- Some peer organizations had a merit % and cost of living %; others responded to competitive pressures on pay

### “Best Guess” 2023 3% - 5%

### How We Will Know:

- External Market Data
- Internal Pay Analysis
- 2022 Pay Equity Study
- Cost of Living Analysis
- Recruitment and Retention Analysis



22 April	All Offers due in BART
2 May - 24 June	BFO Teams prioritize offers by Outcome
7 July - 28 July	Executive Team deliberates & makes final recommendations
June ~ July	Council work session to solicit input to exec team
August 23	Council Work session: Budget Preview
August ~ Sept	Council 2x2's to review exec team budget work
2 Sept	City Manager's 2023-24 Recommended Budget published
13 Sept	Council Work Session #1
20 Sept	Council Meeting - Public Hearing #1
27 Sept	Council Work Session #2
4 Oct	Council Meeting - Public Hearing #2
11 Oct	Council Work Session #3
1 Nov	Council Meeting - First Reading of the Budget Ordinance
15 Nov	Council Meeting - Second Reading of the Budget Ordinance



## CFC Discussion

What questions does the Council Finance Committee have about these assumptions for the 2023-24 Biennial Budget?








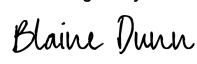
**Financial Services**  
215 N Mason Street, 2<sup>nd</sup> Floor  
PO Box 580  
Fort Collins, CO 80522  
**970.221.6770**  
970.221.6782 - fax  
[fcgov.com/finance](http://fcgov.com/finance)

## MEMORANDUM

**DATE:** April 7, 2022

**TO:** Council Finance and Audit Committee 

**THRU:** Kelly DiMartino, Interim City Manager   
Travis Storin, CFO 

**FROM:** Blaine Dunn, Accounting Director   
DocuSigned by:  
6632041BB03B47C...

**RE:** Required planning communications from City's external audit firm

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Attached is written communication from the City's external audit firm, BKD LLP, describing the scope and timing of their upcoming audit of the December 31, 2021, financial statements and of the City's compliance with its major federal award programs. The document contains useful information about the procedures and deliverables of a financial audit.



March 21, 2022

Council Finance and Audit Committee  
City of Fort Collins  
215 North Mason Street, 2<sup>nd</sup> floor  
Fort Collins, Colorado 80522

The purpose of this communication is to summarize various matters related to the planned scope and timing for the December 31, 2021, audits of the financial statements of City of Fort Collins and of its compliance with specified requirements applicable to its major federal award programs.

Please refer to our contract dated November 30, 2021, for additional information and the terms of our engagement.

## Overview

We will conduct our audits in accordance with auditing standards generally accepted in the United States of America, the standards for financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards require that we plan and perform:

- The audit of the financial statements to obtain reasonable rather than absolute assurance about whether the financial statements are free of material misstatement, whether caused by error or fraud. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.
- The audit of compliance with the types of compliance requirements described in the U.S. Office of Management and Budget, *Compliance Supplement* that are applicable to each major federal award program to obtain reasonable rather than absolute assurance about whether noncompliance having a direct and material effect on a major federal award program occurred.

## Planned Scope & Timing

### Significant Risk Areas

We have preliminarily identified the following areas of significant risks of material misstatement due to error or fraud and of material noncompliance and propose to address these areas as described:

Opinion Unit	Risk Area	Audit Approach
All	Management override of controls	Review accounting estimates for bias, review journal entries and evaluate business rationale for unusual transactions
All	Revenue recognition	Review significant revenue for proper cut-off and compliance with requirements determining recognition and analytically review all revenue for reasonableness
Governmental and business type activities	Capital assets	Review for proper capitalization, depreciation, completeness, existence and impairment and proper cut-off
Governmental and business type activities	Non-current liabilities	Review transactions for proper accounting, including retirement of existing debt, test footnote disclosure for complete and accurate information
Single audit	Compliance for major federal award programs	Select samples of expenditures charged to grants and test for compliance with federal and grant requirements

We welcome any input you may have regarding the information discussed above. We also welcome any insight you have related to any other risk areas, or other significant risk areas, that you believe warrant particular attention.

We propose the following timeline:

- Drafts of the financial statements and management letter, together with our letter regarding auditor responsibilities, will be furnished by June 15, 2022
- Final reports will be issued by June 30, 2022

### Contacts

We understand the appropriate person in the governance structure with whom to communicate is Mayor Jeni Arndt.

If for any reason, any member of the Council Finance and Audit Committee would need to contact us, please call Mr. Christopher Telli, Partner, or Ms. Anna Thigpen, Director at 303.861.4545.

## Accounting & Auditing Matters

The following matters are, in our judgment, relevant to the planned scope of the audit as well as your responsibilities in overseeing the financial reporting process.

- Segregation of accounting duties
- Revenue recognition, including receivables and unearned revenue
- Related-party transactions
- Component units
- Commitments and contingencies
- Significant estimates
- Cash and investments
- Capital assets
- Accounts payable and accrued liabilities
- Long-term debt
- Components of net position and fund balance
- Expense/expenditures
- Compliance with federal award programs

## Consideration of Error or Fraud

One of the most common questions we receive from audit committees is, “How do you address fraud in a financial statement audit?” Our responsibility, as it relates to fraud, in an audit of financial statements is addressed in auditing standards generally accepted in the United States of America.

Our audit approach includes such procedures as:

- Engagement team brainstorming
  - Discussions include how and where we believe the Company’s financial statements might be susceptible to material misstatement due to error or fraud, how management could perpetrate and conceal fraudulent financial reporting, and how assets of the Company could be misappropriated
  - An emphasis is placed on the importance of maintaining the proper state of mind throughout the audit regarding the potential for material misstatement due to error or fraud
- Inquiries of management and others
  - Personnel interviewed include the Council Finance and Audit Committee Chair, the Interim City Manager, the Chief Financial Officer, Director of Accounting, the Controller, and others
  - Inquiries are directed towards the risks of error or fraud and whether personnel have knowledge of any fraud or suspected fraud affecting the Company
- Reviewing accounting estimates for bias

City of Fort Collins

March 21, 2022

Page 4

- Considering the risk that management may attempt to present disclosures to the financial statements in a manner that may obscure a proper understanding of the matters disclosed (for example, by using unclear or ambiguous language)
- Evaluating business rationale for significant unusual transactions
- Evaluating business rationale for significant transactions with related parties
- Incorporating an element of unpredictability into the audit each year

\* \* \* \* \*

This communication is intended solely for the information and use of those charged with governance, the Council Finance and Audit Committee, and management and is not intended to be and should not be used by anyone other than these parties.

Sincerely,

A handwritten signature in cursive script that reads "Christopher J. Telli".

Christopher J. Telli, CPA  
Partner