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AGENDA
Council Finance & Audit Committee
May 5, 2022
4:00 – 6:00 pm

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

Approval of Minutes from the April 7, Council Finance Committee meeting.

1. Recovery Plan – 2022 Mid-Cycle Appropriation	45 mins.	J. Cech B. Dunn
2. Municipal Court Supplemental Appropriation	30 mins.	B. Hergott I. Decker T. Ochsner
3. Light & Power Supplemental Appropriation	30 mins.	A. Bromley L. Smith

Council Finance Committee

Agenda Planning Calendar 2022

RVSD 04/22/22 ts

May 5th	2022		
	Recovery Plan – 2022 Mid-Cycle Appropriation	45 min	J. Cech B. Dunn
	Municipal Court Supplemental Appropriation	30 min	B. Hergott I. Decker T. Ochsner
	Light & Power Supplemental Appropriation	30 min	A. Bromley L. Smith

June 2nd	2022		
	Capital Projects – Inflationary Impacts (3 projects)	30 min	B. Buckman M. Martinez
	Sustainable Funding Update	60 min	J. Poznanovic G. Sawyer
	Parks Design Standards Review	30 min	K. Friesen V. Shaw M. Calhoon

July 7th	2022		
	2021 Fund Balance Review	30 min	B. Dunn
	Capital Projects – Inflationary Impact (All projects)		D. Lenz S. Freve

August 1st	2022		

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Finance Committee Meeting Minutes
April 7, 2022, 4-6 pm
Zoom

Council Attendees:	Julie Pignataro, Kelly Ohlson, Emily Francis, Susan Gutowsky, Shirley Peel
Staff:	Kelly DiMartino, Travis Storin, Kyle Stannert, Tyler Marr, Carrie Daggett, John Duval, Teresa Roche, Kelley Vodden, Nina Bodenhamer, Ginny Sawyer, Jennifer Poznanovic, Blaine Dunn, Amanda Newton, Renee Callas, Jo Cech, Dave Lenz, Sheena Freve, Zack Mozer, Lawrence Pollack, Charles McNamee, Gerry Paul, Rachel Springob, Kristen Howard, Patti Forsythe, Kerri Ishmael, Mike Calhoon, Scott Phelps, Victoria Shaw, Marc Virata, Caryn Champine, Monica Martinez, Tracy Ochsner, Erik Martin, Carolyn Koontz
Others:	Kevin Jones, Chamber Suni Koeckeritz

Meeting called to order at 4:01 pm

Approval of minutes from the March 3, 2022, Council Finance Committee Meeting. Kelly Ohlson moved for approval of the minutes as presented. Emily Francis seconded the motion. Minutes were approved unanimously via roll call by; Julie Pignataro, Kelly Ohlson and Emily Francis.

A. Debt Offering: Hughes Land, Natural Areas, Golf

Blaine Dunn, Accounting Director

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 years 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.

DISCUSSION / NEXT STEPS;

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?

Kelly Ohlson; assuming these gets paid back out of the appropriate funds

Blaine Dunn; yes

Kelly Ohlson; Is the phasing out compressed natural gas a 5–15-year time frame? Investing quite a bit of money that involves CNG.

Tracy Ochsner; we are still purchasing some CNG vehicles which have a 5–12-year life (especially on our dump trucks). Even though we are trying to phase out and move to electric – we haven't had a lot of good offerings in that size vehicle yet – until we phase them out we do need a place to work on them especially when we tap into the fuel system

Kelly Ohlson; assuming the bays will be used for other purposes – support growth of our community

Tracy Ochsner; yes – right away they will be used for other things as long as it complies with the CNG major maintenance regulations

Kelly Ohlson; water efficiency to be improved by what percentage?

Scott Phelps; projected water savings is between 15-25% water savings – because of technology and the ability to waster more efficiently – currently we have approximately 11 acres of non-irrigated turf – looking to increase that to 25 - more than doubling that with the new design

Kelly Ohlson; I am good to go – very clear

Emily Francis; the plan laid out sounds appropriate to me

Julie Pignataro; will the natural gas vehicle bay we are rebuilding be EV ready? – will that be helpful

Tracy Ochsner; we don't need any special exhaust systems or tools to make that EV ready.
We will work on EVs in these two bays.

Julie Pignataro; would an EV need to be charged there?

Tracy Ochsner it is more practical to charge outside because of the time it takes to charge but we can put chargers inside if we need them

Julie Pignataro; Tyler and I are scheduled to meet with someone regarding a hydrogen fuel pilot - are there hydrogen fuel large trucks – is that a thing?

Tracy Ochsner; I think you are talking about fuel cell vehicles – we have talked with CSU about doing some hydrogen and fuel cell partnerships but to date we really have not been able to gain much traction there - most of the vehicles that are available now from the factory now are transit buses we haven't pursued yet as it is a very expensive option

Julie Pignataro; do we have a comparable savings number for the golf course irrigation, or do we know when it would pay for itself?

Scott Phelps;
Southridge is approaching 40 years - we are spending twice as much on the maintenance and piping
Total budget irrigation / piping / repairs;
$40K for Southridge - plumbing and repair costs
$12K for Colindale - their system is about 20 years old so it should be even less than the $12K with the new HDP pipe
Water costs are not huge savings but significant savings overall environmentally

Victoria Shaw; another benefit would be that we will actually know the total full water demands we have at Southridge - we don't' own water rights to cover irrigation so we are purchasing the water that we use there – so once we understand the true water costs and needs under the new system with the exact efficiency – we will also know how much we need to buy long term

Julie Pignataro; is it still true that the golf courses pay for themselves?

Victoria Shaw; absolutely, they are enterprise fund, and they are doing quite well right now – a 25% uptick in our rounds

Julie Pignataro; what are McKee strips (see slide below)

City of Fort Collins

Additional Collateral Needed

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
Par Outstanding	$21,245,000
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

Blaine Dunn; they make up part of the Coyote Ridge Natural Area – there are three different plots of land that make up the areas that are being appraised – no issues with easements on those properties

Julie Pignataro: with interest rates going up - is there any desire to compress the schedule?

Travis Storin; the limiting factor is on the land purchase and negotiating side where even if we could move faster on the financing - our Real Estate and City Attorney's office are still in the thick of it with CSU right now – which is probably a risk to the timeline we have shown - we have slim odds to make it move faster as it is really paced by the negotiations themselves

Julie Pignataro; is it similar to locking in a rate like when buying a house?

Blaine Dunn; we can't lock it in ahead of time but once we go out to the market the rate we get will be set. We structured the bond payments, so they are as close to a mortgage as possible, so our cash flow remains as even as possible. We did want to add a note that those rates are subject to change – we did add in a 100-basis point (almost a 1%) buffer so as we project this out we are being extra conservative

Shirley Peel; I am good – I had the same question about the interest rate

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?

RESULT: The Council Finance Committee members are good with this topic going forward for first reading on May 3, 2022.

B. 2023 Capital Expansion Fee Updates

Dave Lenz, Director Financial Planning & Analysis

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

DRAFT

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
Capital Expansion Fees		Update	Step II	Step III	Inflation	Update	Inflation
Transportation Expansion Fee		Update	Step II		Inflation	Update	Inflation
Electric Capacity Fee		Update		Update	Inflation	Update	Inflation
Water Supply Requirement		Update		Update	Inflation	Update	Inflation
Water, Sewer, Stormwater PIFs			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

DRAFT

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

DISCUSSION / NEXT STEPS:

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?

Julie Pignataro; confirming that option 2 is the staff recommendation

Dave Lenz; yes, as a finance staff that is where we come down, there are other workstreams outside of ours – but we are central to a number of these workstreams; Revenue Diversification, Capital Expansion Fees, the Mulberry Annexation project too which has a number of resources on the finance side

Julie Pignataro; would one cost more in terms of person hours or collection or non-collection of fees?

Dave Lenz; the work itself would be the same regardless of the option – the big concern I have in updating these is thinking about some of the options for revenue diversification that might be integrated into this - if we have better definition about direction on one of those options we have the ability to adjust the study to reflect that potential for a different structure

Kelly Ohlson; disagree with staff recommendation for 2 - I think we should pull the plug on East Mulberry Annexation now – but that is not our discussion today
How sophisticated are we in the inflation rates we are charging?

Land inflation rates around here are very different than the standard inflation rate which is different for street projects (where asphalt went up) which is different from rates for construction
Standard one size fits all inflation rate

Travis Storin; the transportation capital expansion fee is indexed to construction inflation. The other 5 components - parks around construction or land acquisition and when you get to general government, fire and police is where you might see more of a plain vanilla consumer price index

Dave Lenz; it is a single index that reflects that - It is a more general inflationary component for those other key pieces and that is what we have based on the code that has been established - Transportation uses one indices reflective of that component and the rest of the fees are related to a general CPI – Denver, Boulder, Front Range inflationary fee

Kelly Ohlson; so, when we do this again I hope our model gets a little more sophisticated

The development review and building permit fee study was completed in 2019 and should have started January 1, 2020 (pre Covid) What are the real reasons for a full 2-year delay in implementing? What a two-year lag?

DRAFT

Dave Lenz; the study was completed in late 2019 but I don't think it was ever the intent to update those fees as of 1/1/20.

Travis Storin; on the development review side we had some software challenges from the permit side

Monica Martinez; Ocella platform - at that time Ocella had other significant projects - that is where the initial delay came from and then that was compounded by Covid

Caryn Champine; adding a bit of context, we made an intentional decision to not raise fees for customers because it was more of a policy choice given the pandemic and the constraints that businesses were experiencing we felt that coming out with increased customer fee was not the most contextually sensitive piece.

Kelly Ohlson; I guess I am an option 2 because I think Mulberry Annexation may go away and I am more troubled that we only use the standard inflation rate rather that something a bit more sophisticated

If we do option 2 – I am less enthusiast going to the wall for future new fees and taxes – I don't know when we have discussed this – was talked about in detail from 2005 – 2013 to get these on a regular schedule and to do regular updates and the interim inflation figures – this is not something new - we have been struggling with this for 17 years

Travis Storin; in terms of the two options, we are positioned and ready to do either one
There is enough runway to do a 1/1/23 implementation date. We are interested in getting back on the 4-year cadence for the reasons that you stated

City of Fort Collins

Appendix – Fees Effective January 2022 15

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%

Kelly Ohlson; Slide - #15 Appendix (see above)

if you look at Land Use Type / Residential - Neighborhood Parks
Jumps are not in proportion
Between 1200 and 1700 sq. ft it goes up $239
Between 1200 and 2200 sq ft it only goes up $29

Dave Lenz; yes, I don't have the detail around why the fees are varied

Kelly Ohlson; different – jumping around – why would that be the case?

Emily Francis; regarding the same slide, why don't we charge commercial businesses for parks?

Dave Lenz; residents are driving the need for community / neighborhood parks

Travis Storin; when it comes to Council being able to establish a nexus for fees – fees have to exist to recover the cost of delivering services – if we don't associate any costs of delivering service for these land use types then we don't have the basis with which to establish a fee

John Duval; the way you describe it is accurate - I would add that in the constitutionality of fees one of the key points is that the fee payers must reasonably benefit from the payment of those fees. In the past the analysis has been that parks are used by residents not companies. I can't say there is any case law that gives us clear direction on this but that gives us the analysis.

Emily Francis; I disagree – I think that commercial businesses do benefit from having a park nearby. To confirm these capital expansion fees are the same fees we are talking about when we talk about how to pay for our parks, transportation, and housing.

Travis Storin; the parks fees we have suggested reconfiguring the code to allow for us to perform asset replacement work in existing parks whereas right now these fees can only be used for new park acquisition. They are one and the same.

Emily Francis; does that impact either of the timelines if we are talking about updating those?

Travis Storin; that was part of the rationale behind the recommendation for option 2 was to allow some integration with the ongoing revenue work but they are not mutually exclusive, and Council could update them for 1/1/23 and then still revisit them earlier than a 4-year cadence if they so desire - you would not be restricted around the revenue conversation based on which option you indicate your comfort with today

Emily Francis; when do we decide is we are going to update our methodology?

Travis Storin; so that is the fee study that is referenced, every 4 years we do a fee study and for the other 3 years you see inflationary updates. During those fee studies, we revisit the methodology, the legal nexus, and the assumptions that feed into the financial models that produce the pricing of the fee.

Emily Francis; I would like to choose the option that is more predictable and consistent for the end user. Smaller more frequent incremental increases are better than a large increase in one year. I don't know which approach is more consistent for the end user.

Dave Lenz; we are going to have cadence of updates that will hopefully be regular – when we do the full fee study update, we may come to a result that says this is too much to bring in at one point in time if it is a significant change – when they did the initial study some of those fees were graduated in over time.
Ideally it won't result - we haven't decided to change the nexus – dependent on making a decision to change the code

Emily Francis; Option 2 would make more sense –mainly because I don't want us to do it and then re do it.

Giving us the time to do it well makes more sense to me.

Julie Pignataro; appreciate Emily questions and Kelly's concerns – I am almost at 6 of one or half dozen of the other at this point - which would make me lean toward option 2 - your preference and staff's recommendation

Kelly Ohlson; delay in fees costs us – do we have any context for the amount per year – cost of delay?
If we are going to look at how we are doing parks fees to include refresh then it probably makes sense to get it done all at once.

Travis Storin; message received around sophistication in the inflation rates for the pricing models
Across our 6 fee categories – (excluding Utilities) $11M per year of revenue
Each 1% of inflation that would be missed out on could be $100K - $110K per year
But again, with inflation rising as fast as it is - we will be making adjustments

Kelly Ohlson; not massive amounts of money – we are talking a relatively small amount of money – I had heard in the past a much more significant number

Travis Storin; low 6 figures – I am going off of 2020 revenue

Kelly Ohlson; less than $1M

Travis Storin; yea

Kelly Ohlson - Let's make sure we do it right with the methodology inflation and the different in the size of the homes – let's have a state-of-the-art thing – I can live with Option 2

Travis Storin; it actually creates more pain the longer you wait to update fees so delays are as unattractive for staff as they would be from a policy making standpoint - firm commitment

Kelly Ohlson; when we don't do it – then you have that sticker shock

Travis Storin; summary / action items;
1) Support for Option #2 by consensus
2) Clear direction around the use of construction or land-based indices for inflation in the 3 off years the next time we update fees

Kelly Ohlson; and justification to explain to Council for the weird numbers on the appendix slide

DRAFT

C. 2023-2024 Budget Process Review

Lawrence Pollack, Budget Director
Jennifer Poznanovic, Sr. Manager, Revenue
Teresa Roche, Human Resources Executive
Chris Martinez, Manager, FP&A

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

DISCUSSION / NEXT STEPS:

Kelly Ohlson; salaries and benefits are our biggest budget item other than transfers in and out for utilities
I am going to take Teresa Roche up on her offer for another 1:1 or 1;2 discussion.
Context point -when I came back on Council in 2005 employees paid 1-3% of their healthcare costs - would be great if nobody had to pay

I agree with staff's assumptions
Sales Tax – because of 3.5 inflation factor and then 2.5 - those are good numbers – we have historically been safe and conservative with inflation
Use Tax, I agree with being cautious – not understating - I think you are almost right on the money, and I am going to trust the assessors

DRAFT

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)**

Kelly Ohlson; slide #11 (see above)
How do we do salary increases, asset renewal and replacement with inflation running at 4-7 % (pick your number) Intuitively the math doesn't work for me.

Lawrence Pollack; I don't have specific detail to give you behind that aside from these rate increases are done through various modeling that utilities does for rate increases – looking at a combination of where that incoming revenue is as well as reserve balances and then balancing that with those asset renewals and future capital and potential bond offerings to support those capital needs.

ACTION ITEM:
Kelly Ohlson; before our first work session, could we have a few paragraphs on how that pencils out - Intuitively it didn't make any sense

DRAFT

- **Medical Per Employee Per Month (PEPM) Increase Recommendations**

	2023	2024
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

Kelly Ohlson; The rate is overall costs, right?
Our fair share 30% - not just the employer costs but employee costs will go up as well

Teresa Roche; the first section outlines the actual increases, and the second section is information on what is causing our benefits to go up – the numbers for Medical and Rx – our specific plan and knowing regional costs

Teresa Roches; while it varies by a couple percentage points YOY we still have approximately a 70/30 cost model - I can't say specifically what we are going to charge employees but our current assumptions without having the medical claims history for this year is potentially a 7.5% increase in 2023 and 9% in 2024.

Kelly Ohlson; the policy floated around is a 70/30 split but that is because that's the market – it is not an adopted policy - Ours is to be right around market - could be a little more a little less – benefits package

Teresa Roche; that is accurate – there is no policy on that split - only policy is that the money needs to be in our benefits fund / reserves.

Kelly Ohlson; can you flush out the Concierge service benefit – I did hear it could be a cost savings, so I liked that

Teresa Roche; our Concierge is a resource that any employee can call - when they have to have a procedure and want to understand options, or an employee is in the claims maze, and they just need someone to make sure their claims are accurate and to walk along with them. Concierge is a beautiful term for someone who is an advocate. It is a 3rd Party- we did an RFP last year and they were chosen as a partner.

DRAFT

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

Kelly Ohlson; for the first work session - can I have a copy of when this was adopted by Council or was that adopted administratively? I just don't want to get the hook

Teresa Roche; this is an administrative policy – but in light of the fact that we always come to you to present our assumptions – I feel like Council is very involved in that - I am not aware of any resolution

Kelly Ohlson; unusual – this used to be the finance committee - Why do we have a separate compensation committee? Am I misunderstanding what this comm does?

Teresa Roche; the intention was to look at your 3 Council appointed employees -their performance management and their total compensation and secondly to look at any projects that are emerging – one that will actually be discussed on April 18th is the analysis of council pay and benefits – we also use this committee to we run things by such as the childcare exploration. Anything concerning council - a group that guides us.

Emily Francis; no questions - assumptions look correct - great amount of detail – thank you

DRAFT

- **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 by $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**

Julie Pignataro; (slide 13 - see above) I thought we were very careful not to use ARPA for continuing expenses.

Lawrence Pollack; there were a few enhancements that were classified employees
Generally ongoing revenue should support classified employees and one time supports contractual -because that is a resource we can more easily turn on and off

Travis Storin; specifically, that was the mental health response team – enhancement of 5 FTEs - we really wanted to highlight that as a potential risk coming out of last year's budget

Julie Pignataro; I am eager to see how the studies come out for employees – the cost-of-living analysis will probably be fascinating

Shirley Peel; no questions - very helpful and thank you

Julie Pignataro; to Teresa - do we want to go over this again in the compensation committee - since Susan Gutowsky was not able to join? Answer is yes and it will be on the May agenda

DRAFT

Governmental Funds (without Internal Service Funds)
$ 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	% Current Act vs. Prior Act
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%
TOTAL	**29,583**	**4,159**	**248,639**	**283,293**	**34,654**	**34,528**	**114%**

Sales Tax rebounded dramatically – largely reflected in 2022 Budget

Kelly Ohlson; (slide 3 - see above) why do we include December of 2020?

Travis Storin; compared to the prior year –so increase or decrease compared to versus 2020 - we have $27.3M additional revenue on sales and use tax in 2021 versus 2020 - we budgeted pretty flat coming out of 2020 and into 2021 - We had $27.3M more in 2021 versus 2020 – we had considerable growth in 2021 versus 2020 mostly of that was on the wings of the economic nexus in marketplace concept -the internet retailers -

ACTION ITEM:
Kelly Ohlson; Have someone call me and walk me through this chart.

OTHER BUSINESS:
Annual audit memo in packet;
Independent 3rd party audit that is required by charter which we very much welcome each year. They are required to send this letter communicating the scope of their audit which we are about to begin later this month to the council because you are the governance committee that they are accountable to – outlines the procedures they will perform and their expectations of staff in terms of the information that we supply to them in performance of the audit.

Meeting adjourned

DRAFT

COUNCIL FINANCE COMMITTEE
AGENDA ITEM SUMMARY

Staff: Blaine Dunn, Accounting Director
Jo Cech, Fiscal Recovery Manager
Sarah Meline, Recovery Policy & Engagement Specialist

Date: May 5, 2022

SUBJECT FOR DISCUSSION
Review of 2022 Mid-Cycle ARPA Appropriation for Recovery Efforts

EXECUTIVE SUMMARY
City staff are seeking a mid-cycle appropriation of $4.1M of the Organization's remaining $19.9M of American Rescue Plan (ARPA) Funds to support pandemic recovery efforts. These projects were reviewed and selected by the Recovery Executive Lead Team because they address immediate needs for both community and enterprise recovery.

GENERAL DIRECTION SOUGHT AND SPECIFIC QUESTIONS TO BE ANSWERED
Does Finance Committee support bringing forward the proposed 2022 Mid-Cycle ARPA Appropriation for first reading on May 17, 2022?

BACKGROUND/DISCUSSION
The federal American Rescue Plan Act established $1.9 trillion in COVID-19 relief funding, including $350 billion State and Local Fiscal Recovery Funds (SLFRF) to aid state and local fiscal recovery. $28.1M of SLFRF has been allocated to the City of Fort Collins. These funds are designed to provide flexibility so that each recipient can meet unique local needs, including support for the communities and businesses hardest hit by the pandemic.

In May of 2021, City Council allocated approximately $4.2M of the $28.1M SLFRF funds to be spent over the following 12-18 months for short-term response efforts. City Council also approved an additional $4.0M of ARPA fund allocations in the 2022 Budget. A summary of ARPA projects funded to date can be found in Attachment 1.

The remaining $19.9M of funds are expected to be used to achieve priorities laid out in the City's Adopted Recovery Plan through 2022 mid-cycle and 2023-2024 budget appropriations. At the request of Council, staff have brought forward project proposals to be considered for 2022 mid-cycle ARPA funding to address immediate recovery needs. Eighteen specific projects were submitted to the Recovery Executive Lead Team to review. The Team reviewed and ranked all eligible projects (those eligible to be funded with SLFRF funds per Treasury rules).

Ranking was based on immediate need, rather than the value of the project for achieving recovery. All offers were deemed appropriate for achieving recovery.

Ten high-ranked projects were selected to move forward for Finance Committee review, and lower ranked projects encouraged to be submitted as offers for the 23/24 Budgeting for Outcomes (BFO) process.

The ten high-ranked projects are listed below, and a full breakdown of the projects, including brief descriptions, can be found in Attachment 2.

Project Name	Cost	FTE Requested
Crisis Communication Plan	$130,000	0
Heartside Hill	$1,100,000	0
Indigenous Community Relations Specialist	$313,217	1
Rapid Rehousing	$201,000	0
Neighborhood Resilience Projects	$40,000	0
Capital Project Business Liaison	$275,000	1
Recovery Administration Funding	$250,000	3*
HR Staff Support	$268,000	3
COVID-Related Workspace and Workload Adjustments	$1,300,000	0
Cybersecurity Upgrade Planning	$275,000	0
*FTEs already approved, not counted in total FTEs	**$4,152,217**	**5**

Some of the proposed projects include requests for contractual FTEs. The need for the FTEs is due to:

- Ongoing impacts of the City's hiring freeze in 2020-2021 and a high turnover rate,
- additional administrative needs for the implementation of recovery programing,
- and increased need for engagement and relationship building with the community to provide support and build resilience.

ATTACHMENTS

1. Summary of ARPA Projects Funded to Date
2. 2022 ARPA Mid-Cycle Project Breakdown
3. Presentation Slides

City of Fort Collins

Recovery Plan – 2022 Mid-Cycle Appropriation

Blaine Dunn, Accounting Director
Jo Cech, Fiscal Recovery Manager
Sarah Meline, Recovery Policy & Engagement Specialist

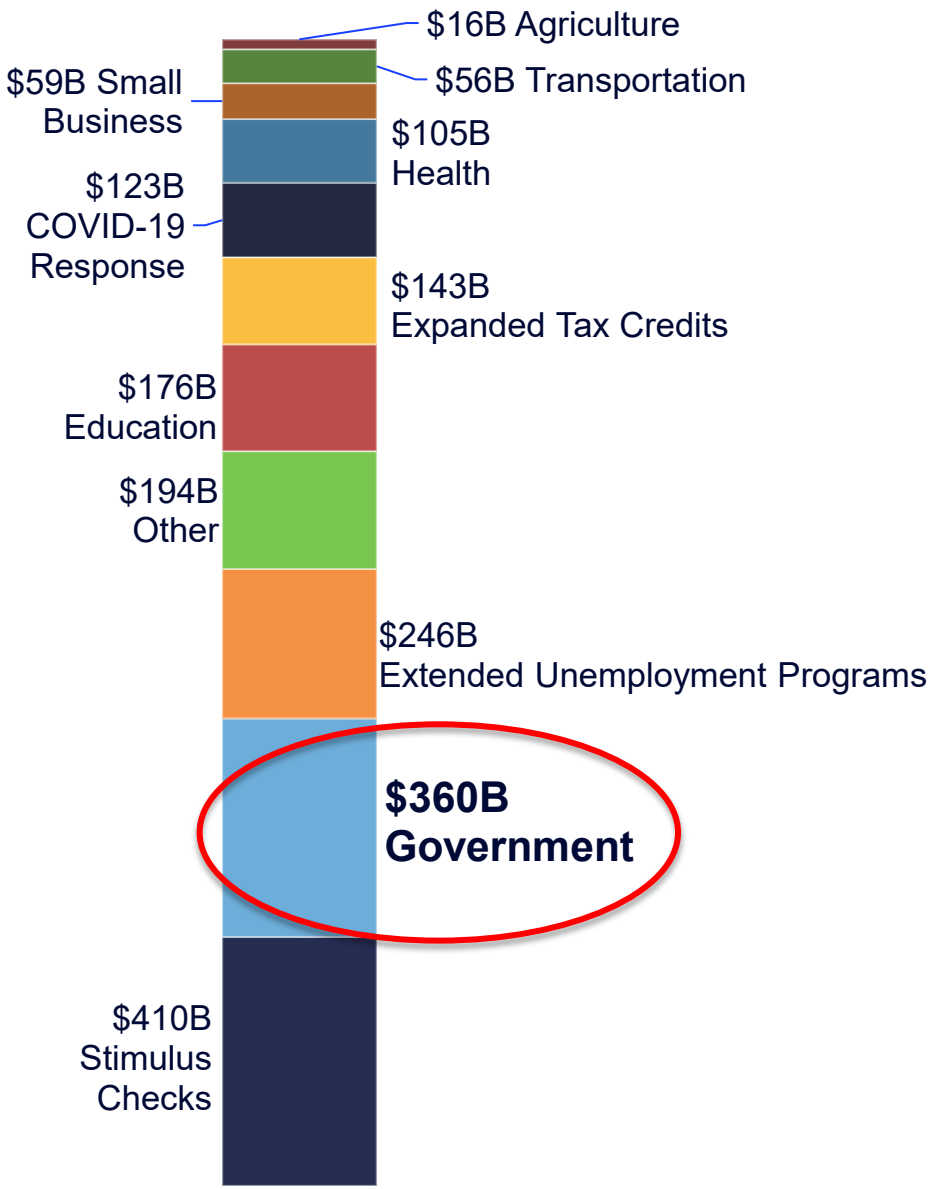
05.05.2022

Does Finance Committee support bringing forward the proposed 2022 Mid-Cycle ARPA Appropriation for first reading on May 17, 2022?

Agenda

- Background
- ARPA Funds Allocated to Date
- 2022 Mid-Cycle Offers
- Mid-Cycle FTEs
- Discussion and Questions

American Rescue Plan Act (ARPA)



- Other funds available within (ARPA) for:
  - Childcare, utility/water bills, libraries, small business, support for people experiencing homelessness and broadband
- **Collaboration with partners and the State** vital to leverage all funds available for the community and avoid duplication of funds

$360B Allocated for Local Government (SLFRF)

$28.1M allocation for Fort Collins

Allocation of Funds

ARPA Allocations to Date

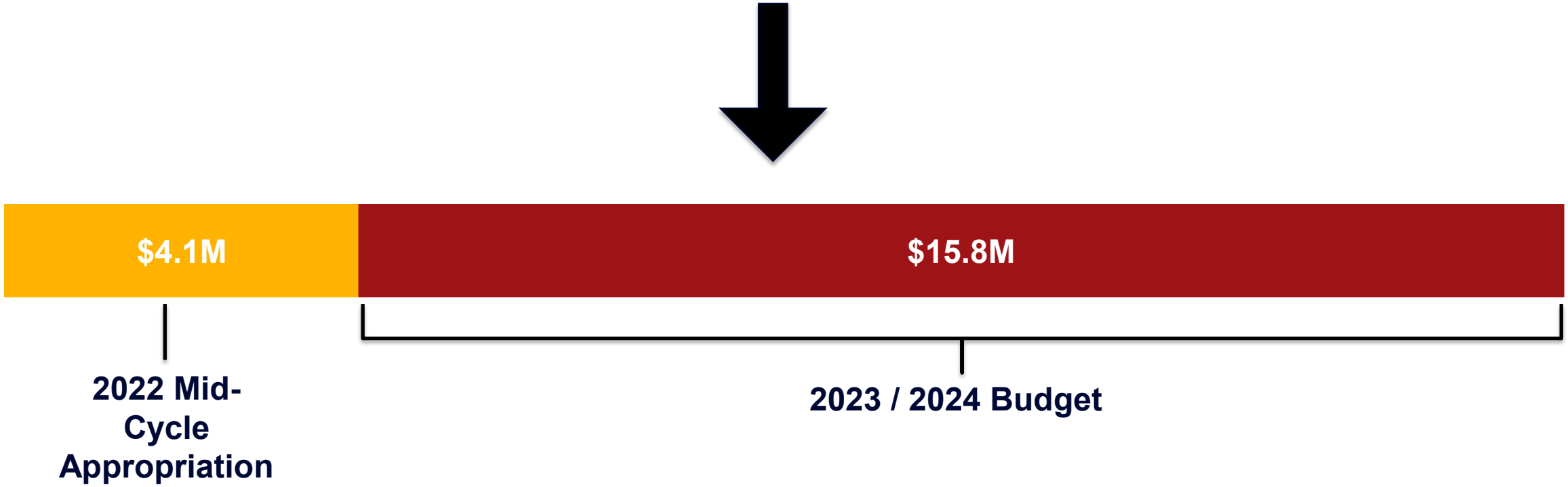
$4.2M	$4.0M

Health	Economic Recovery	Equity & Community Recovery	Environmental Resilience
■ PFA TecGen PPE Gear ■ Mental Health Response Team Build Out ■ Municipal Court Services – Mental Health, Addiction, Teen Diversion	■ Small Business Grants ■ Special Events Recovery Grant ■ Multicultural Business & Entrepreneur Center ■ Extension of For Fort Collins ■ Parking Structure Repairs & Security Upgrades ■ Expanded Technical Assistance for Small Businesses ■ Economic Health Strategic Plan	■ Eviction Legal Fund ■ Support for 24/7 Shelter ■ Utilities Direct Assistance Program ■ Learning Loss Mitigation ■ Homeless Support Services ■ Eviction Legal Fund extension ■ Childcare System Support ■ Expanded Community Outreach and Engagement ■ Increased Funding for Reduced Fee Scholarship Programs ■ Cultural Services Access Fund & Community Programs	■ ~~Innovate Fort Collins Challenge~~

■ Ordinance 079, 2022 ST Immediate Needs ■ 2022 Adopted Budget

City's Remaining ARPA Funds

$19.9M Unallocated Funds



$4.1M in Proposed Projects

Health	Equity & Community Recovery	Economic Recovery	Environmental Resilience
▪ Crisis Communication Plan	▪ Heartside Hill ▪ Indigenous Community Relations Specialist ▪ Rapid Rehousing ▪ Neighborhood Resilience Projects ▪ Recovery Administration Funding*	▪ HR Staff Support ▪ Construction Project Business Liaison ▪ COVID-Related Workspace and Workload Adjustments ▪ Cybersecurity Upgrade Planning	▪ *None*
$130,000	**$1,904,217**	**$2,118,000**	**$0**

*FTEs already approved, includes administration funding through 2024

Mid-Cycle Project Breakdown

Project Name	Recovery Theme	Cost	FTE Requested
Crisis Communication Plan+	Health	$130,000	0
Heartside Hill+	Equity & Community Resilience	$1,100,000	0
Indigenous Community Relations Specialist+	Equity & Community Resilience	$313,217	1
Rapid Rehousing+	Equity & Community Resilience	$201,000	0
Neighborhood Resilience Projects+	Equity & Community Resilience	$40,000	0
Recovery Administration Funding	Equity & Community Resilience	$250,000	3*
Capital Project Business Liaison+	Economic Recovery	$275,000	1
HR Staff Support	Economic Recovery	$268,000	3
COVID-Related Workspace and Workload Adjustments	Economic Recovery	$1,300,000	0
Cybersecurity Upgrade Planning	Economic Recovery	$275,000	0
	TOTAL	**$4,152,217**	**5**

*FTEs already approved, not counted in total FTEs

+ Community-focused

- Recovering from hiring freeze (2020-2021)
- Additional staffing needed for recovery-related programing
- HR staffing to support increased hiring need (workforce impacts)
- All positions contractual

Project Name	Recovery Theme	Offer Amount	FTE Requested
Indigenous Community Relations Specialist	Equity & Community Resilience	$313,217	1
Recovery Administration Funding+	Equity & Community Resilience	$250,000	3*
Capital Project Business Liaison	Economic Recovery	$275,000	1
HR Staff Support	Economic Recovery	$268,000	3
		TOTAL	**5**

*Administrative FTEs already approved, not counted in total FTEs

+ Community-focused

Council Finance Question

Does Finance Committee support bringing forward the proposed 2022 Mid-Cycle ARPA Appropriation for first reading on May 17, 2022?

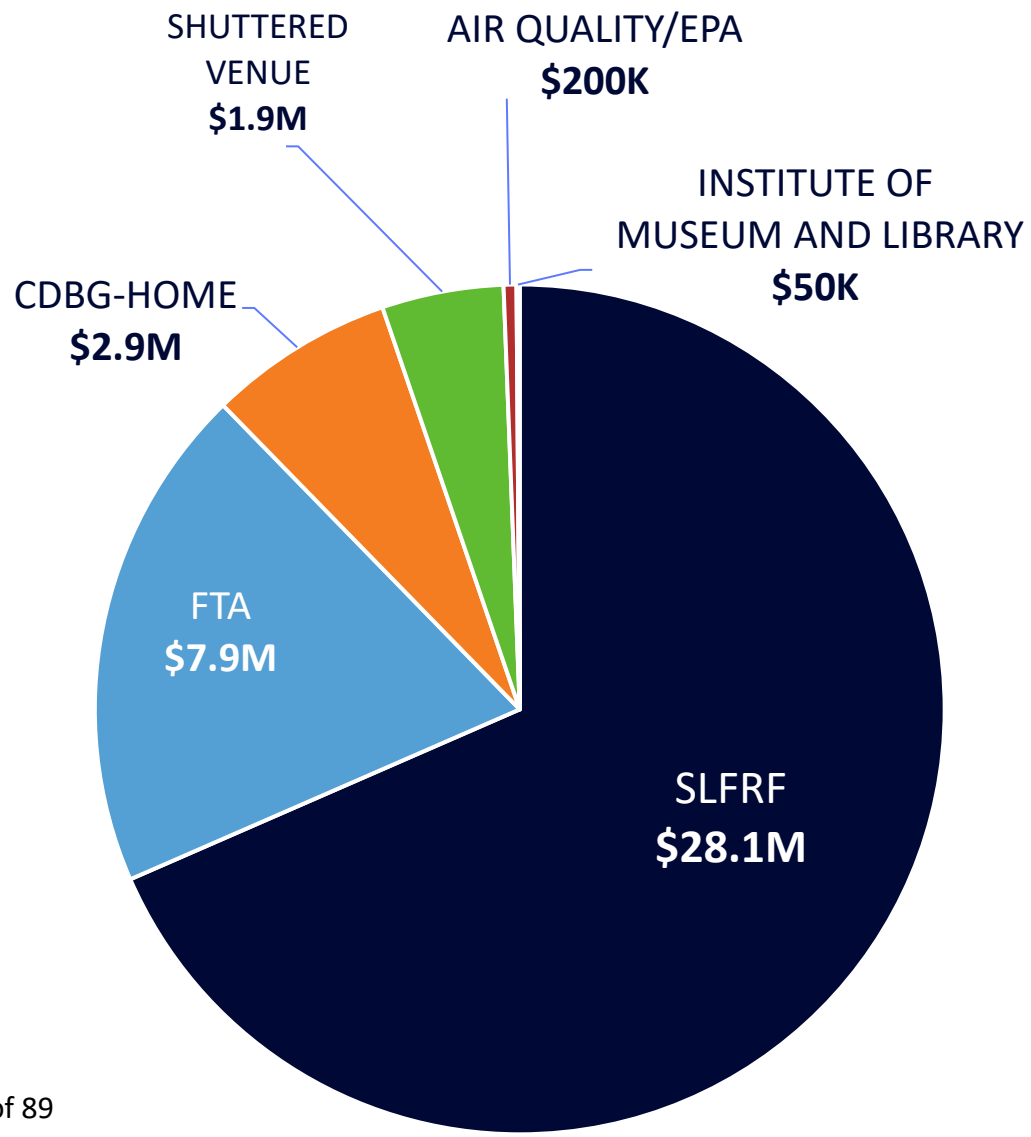
THANK YOU!

City of Fort Collins

Backup Slides

Summary of ARPA Funding Received by the City

- **State and Local Fiscal Recovery Fund (SLFRF)** - Received directly from US Treasury
- **Federal Transportation Agency (FTA)** - Public transportation to prevent layoffs and severe cuts to transit services
- **Community Development Block Grant (CDBG – HOME)** - Provide supportive services and safe socially distant housing solutions
- **Shuttered Venue Operators Grants –** Small Business Administration Office of Disaster Assistance program to aid hard-hit venues
- **Environmental Protection Act (EPA)** - Air quality monitoring and pollution cleanup
- **Institute of Museum and Libraries –** Expanded education and wellness programs
- **TOTAL ARPA FUNDING TO DATE: $40.45M**



Eligible Uses of Funds

Equity-Focused Services

- Serve hard-hit communities/families; equity in health; housing; education

Public Health Response

- Contain COVID-19; behavioral healthcare services; communication

Negative Economic Impacts

- Assist/support workers & families; small businesses; impacted industries – tourism & hospitality

Infrastructure: Water, Sewer, & Broadband

- Clean & drinking water revolving funds eligible projects; broadband for marginalized community

Revenue Loss

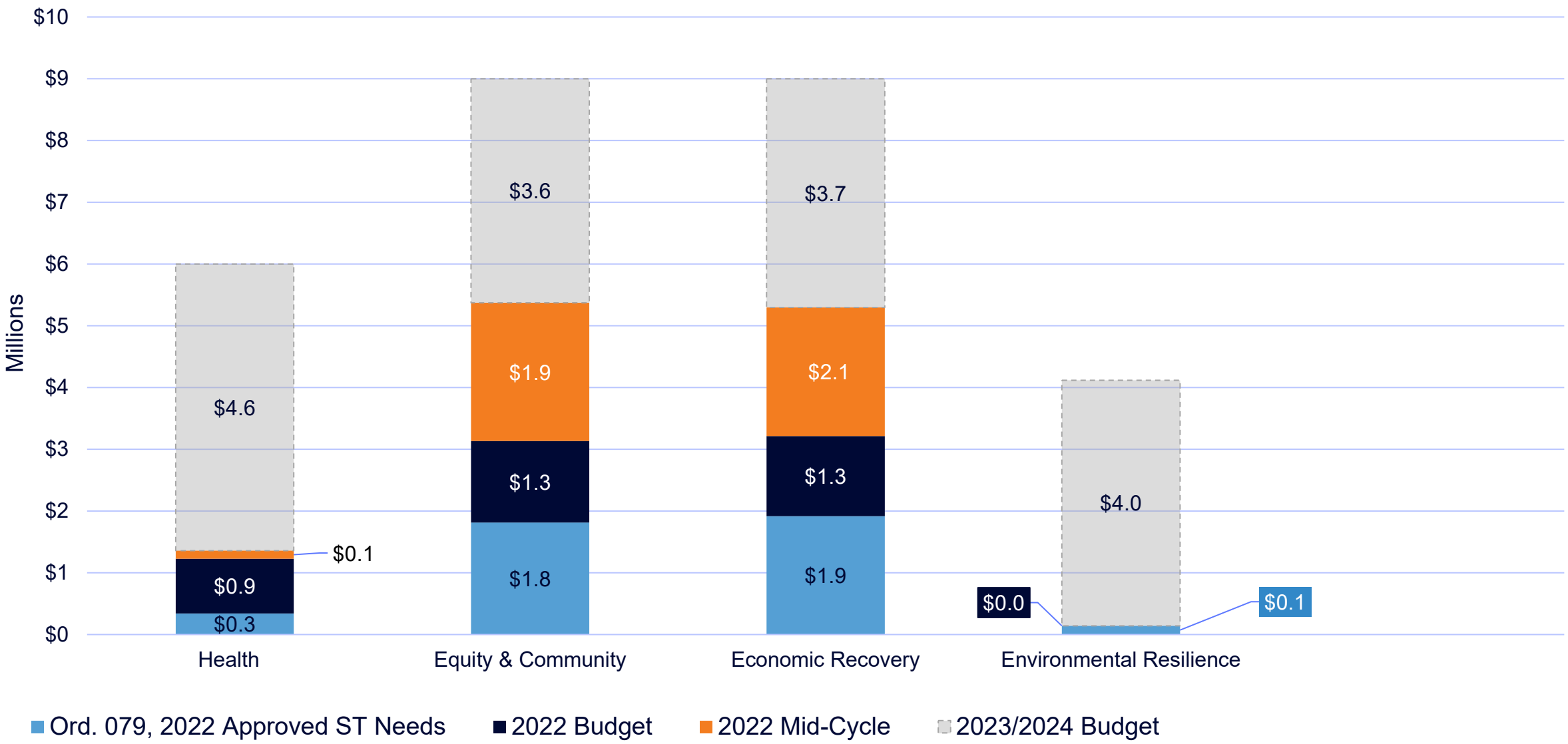
- Formula-driven replacement of lost 2020 City revenues

INELIGIBLE

- Pension fund contribution, debt service; fund reserves; federal match requirements

Per U.S. Treasury Final Rule

City of Fort Collins ARPA $28.1M State and Local Fiscal Recovery Fund



NOTE: Administrative costs spread throughout each recovery theme. Council can opt to change proposed allocation

ARPA ALLOCATION TO DATE

Short-Term Projects – Approved in 2021

Project Name	Recovery Theme	Cost	FTE Requested	Description
Poudre Fire Authority TecGen PPE Gear	Health	$150,000	0	TecGen51 gear protects firefighters from bodily fluids and COVID-19 exposure on emergency calls.
Eviction Legal Fund	Equity & Community	$20,000	0	Programing to support education, support and mitigation of eviction locally, including legal clinics, direct client representation, "know your rights training", and inclusive educational outreach. Programing provided by community partner.
Direct Assistance for Utilities Customers	Equity & Community	$460,000	1	Funding for direct financial assistance to Fort Collins Utilities customers struggling to pay bills due to the pandemic. Program includes direct financial assistance, staffing to administer program. Previously funded through CARES CVRF.
24/7 Shelter at Fort Collins Rescue Mission	Equity & Community	$30,000	0	Continue providing 24/7 shelter for men experiencing homelessness at the FoCo Rescue Mission. Previously funded through CARES CVRF.
Learning Loss Mitigation	Equity & Community	$400,000	0	Funds for nonprofits and other organizations to address student learning loss and related developmental setbacks occurring as a result of the COVID-19 pandemic.
Homelessness Initiatives and Support Services	Equity & Community	$760,000	0	Funds for nonprofits and other organizations to provide support and resources for people experiencing homelessness.
For Fort Collins	Economic Recovery	$190,000	0	For Fort Collins is a "support local" campaign in response to business impacts of COVID-19 and various public health orders. The campaign provides support to businesses to help reopen, find recovery assistance and resources to encourage supporting local businesses. Previously funded through CARES CVRF.
Multicultural Business and Entrepreneur Center	Economic Recovery	$400,000	4	Center provides support and resources for businesses and entrepreneurs, with a specific focus on providing support for underserved community members.
Special Events Recovery Grant	Economic	$125,000	0	Grants to help cover security and safety costs at special events as they return to the community after being paused during the pandemic.
Small Business Grants	Economic Recovery	$1,060,000	1	Grants for small businesses impacted by the pandemic. Previously funded through CARES CVRF.
Recovery Communications	All Themes	$50,000	0	Funds to support ongoing pandemic communications and the outreach / public engagement for the development of the Recovery Plan, with a specific focus on equitable and inclusive engagement with historically underserved community members.
Recovery Administration	All Themes	$572,846	3	Staff and administration costs for Recovery Manager, Recovery Policy and Engagement Specialist, part-time Recovery Program Support and part-time HR Covid Specialists.
		$4,217,846	**9**	**TOTAL**

Attachment 1

ARPA ALLOCATION TO DATE

Approved in 2022 Budget

Project Name	Recovery Theme	Cost	FTE Requested	BFO Offer #	Description
Mental Health Response Team	Health	$817,629	5	18.18	Build out of co-response team to support emergency calls for mental and/or behavioral health issues.
Municipal Court Services – Mental Health, Addiction and Teen Diversion Services	Health	$75,000	0	57.6	Creation of teen diversion services program for Municipal Court and additional resources for alternative sentencing options involving defendants with mental illness and/or substance use disorders.
Eviction Legal Fund	Equity & Community	$220,000	0	10.8	Programing to support education, support and mitigation of eviction locally, including legal clinics, direct client representation, "know your rights training", and inclusive educational outreach. Programing provided by community partner.
Childcare System Support	Equity & Community	$170,000	0	47.8	Funds to support nonprofits and organizations to increase childcare system support, programing and access.
Expanded Community Outreach and Engagement	Equity & Community	$55,000	0	32.6	Funding to expand, systematize and enhance engagement with divers groups, including those who have been historically undeserved and most impacted by the pandemic.
Increased Funding for Reduced Fee Scholarship Program	Equity & Community	$100,000	0	34.21	Additional funds to increase access to recreation and childcare programs for vulnerable and underserved community members.
DEI Office Professional Services Increase	Equity & Community	$25,000	0	44.4	Funding to support the establishment and expansion of a Diversity, Equity and Inclusion Office to coordinate equity and inclusion efforts across the City and strengthen relationships with vulnerable populations and community partners.
Language Access Services for Council Meetings & High Priority Civic Engagement Events	Equity & Community	$34,560	0	44.6	Ongoing interpretation for City Council Meetings and high priority civic engagement events.
Affordable Housing Fee Credit Fund	Equity & Community	$350,000	0	47.12	Fee relief to developers of housing targeting the lowest wage earners in the City.
Homelessness Initiatives Increase	Equity & Community	$201,000	1	47.13	Funds for nonprofits and other organizations to provide support and resources for people experiencing homelessness.
Human Service Program Increase	Equity & Community	$150,000	0	47.9	Additional funding to be distributed to nonprofits and community partners for human services programs for the community.

ARPA ALLOCATION TO DATE

Project Name	Recovery Theme	Cost	FTE Requested	BFO Offer #	Description
Cultural Services Access Fund for Low-Income Residents	Equity & Community	$185,000	0	55.13	Funds to increase access to cultural services across the City, including the Lincoln Center, Museum of Discovery and Gardens on Spring Creek.
Cultural Services Community Programs Manager & Program Support	Economic Recovery	$169,575	1	55.12	Staffing for cultural services program manager along with funds to support diverse community outreach and events.
Parking Structure Critical Preventative Repairs	Economic Recovery	$745,400	0	20.3	Repairs to prolong the lifespan of parking structures.
Parking Structure Security Upgrades	Economic Recovery	$446,000	0	20.6	Security upgrades to increase safety within parking structures and ensure each structure as adequate security.
Expanded Technical Assistance for Small Businesses	Economic Recovery	$111,258	1	22.11 / 22.13	Funds to create grants to increase access and education for technical assistance needed by businesses along with staffing to support administration of the program.
Economic Health Strategic Plan	Economic Recovery	$100,000	0	49.9	Funds to develop an updated strategic plan for the Economic Health Office.
		$3,955,422*	**8**	**TOTAL**	

*The $100,000 Innovate Fort Collins Challenge (Offer 48.11) was initially funded by ARPA in the 2022 Budget. However, after further review the project is not eligible to be funded by ARPA, therefore the funding source was changed to General Fund.

2022 Mid-Cycle Project Breakdown

Project Name	Recovery Theme	Cost	FTE Requested	Description
Crisis Communication Plan+	Health	$130,000	0	Establish a city-wide communication plan to expedite and improve coordination of communication for events such as another coronavirus surge, a wildfire, or other natural or human-caused events.
Heartside Hill+	Equity & Community	$1,100,000	0	Funding for the development of 64 new units of affordable housing to be developed by CARE Housing in the Heartside Hill Community.
Neighborhood Resilience Projects+	Equity & Community	$40,000	0	Programing to meet immediate needs of individuals through Adopt A Neighbor volunteer program and meet neighborhood needs through community-led investment in infrastructure, resilience and placemaking.
Rapid Rehousing+	Equity & Community	$201,000	0	Passthrough funds to community partners for rapid rehousing programing for families/individuals to resolve their housing crisis.
HR Staff Support	Economic Recovery	$268,000	3	3 contractual FTEs to assist with a backlog of talent and data management action items at the City. HR has not yet recovered from the consequences of the pandemic hiring shutdown and significant staff turnover. The FTEs will assist the staff in expediting requests for talent acquisition.
Indigenous Community Relations Specialist+	Equity & Community	$313,217	1	1 FTE and programmatic expenses for 2.5 years to conduct community engagement including surveys, focus groups and community meetings with the Native community. Also funds Tribal Consultation and engagement with Tribes on a government-to-government basis.
Capital Projects Business Liaison	Economic Recovery	$275,000	1	1 FTE to address the impacts on small and medium-sized businesses affected by City construction projects. Assist project managers to implement best practices to ensure businesses maintain needed levels of customer activity and to increase available resources to deliver consistent business support during periods of construction.
COVID-Related Workspace and Workload Adjustments	Economic Recovery	$1,300,000	0	Update workspaces to align with COVID protocols for quarantine and hybrid meeting space across the City. Address the need for new public Wi-Fi access networks at Cultural Services and Recreation facilities across the City with updated wireless technologies and standards. Fast track implementation of a citywide solution to address the increased volume of IT requests through improved automation and self-service options.

Project Name	Recovery Theme	Cost	FTE Requested	Description
Cybersecurity Upgrade Program	Economic Recovery	$275,000	0	Perform planning to address cybersecurity needs addressed in strategic plan to safeguard all devices and users from digital intrusions. Will involve ongoing program management, staff training and external consulting work to safely support our hybrid workforce and community from compromises to data security.
Recovery Administration Funding	Equity & Community	$250,000	3*	FTEs (previously approved)* Fiscal Recovery Manager, Recovery Policy and Engagement Specialist, Data Analyst. Also includes funding for administrative expenses, outreach and contingency through 2024.
*FTEs already approved, not counted in total FTEs + Community-focused		**$4,152,217**	**5**	**TOTAL**

Mid-Cycle Offers by Service Area/Department

Service Area / Department	Number of Offers	Estimated Cost	Number of FTEs
SSA	3	$1,576,000	1
PDT	1	$40,000	0
Equity Office	1	$313,217	1
HR - Internal Employee Services	1	$268,000	3
IT- Internal Employee Services	2	$1,575,000	0
Emergency Preparedness	1	$130,000	0
Recovery Administration	1	$250,000	3*
TOTAL	**10**	**$4,152,217**	**5**

*Administrative FTEs already approved, not counted in Total FTE additions

Mid-Cycle Offers by Recovery Theme

Service Area / Department	Number of Offers	Estimated Cost	Number of FTEs
Health	1	$130,000	0
Equity & Community Recovery	5	$1,904,217	4*
Economic Recovery	4	$2,118,000	4
Environmental Resilience	0	N/A	N/A
TOTAL	**10**	**$4,152,217**	**5**

*3 Administrative FTEs already approved, not counted in total FTEs

Parklane Mobile Home Park: The timing of the Parklane Mobile Home Park purchase request occurred after mid-cycle offers had been vetted and ranked by the Recovery Executive Lead Team. Further research is needed to determine how City ARPA funds could be used to support the final project proposal, if desired. Additional information about the project and potential actions Council could take were detailed in the April 13 Memo.

COUNCIL FINANCE COMMITTEE
AGENDA ITEM SUMMARY

Staff:

Date: May 5, 2022

SUBJECT FOR DISCUSSION: Municipal Court's Urgent Needs

EXECUTIVE SUMMARY:
Municipal Court and the City Attorney's Office are jointly requesting $700,000.00 in appropriations from General Fund Reserves to address urgent needs at 215 N Mason.

GENERAL DIRECTION SOUGHT AND SPECIFIC QUESTIONS TO BE ANSWERED
Does Council Finance support the appropriations of funds to address the urgent needs for Municipal Court and the City Attorney's Office?

BACKGROUND/DISCUSSION
Municipal Court was moved into its current location at 215 N Mason in 2007 when the Justice Center became over-crowded and required the court to vacate the space. This location was available at the time, was empty and could provide a temporary court space with minimal renovations. There have been minimal space changes since 2007 to address safety and security needs, but little to address growth needs. The City has spent a total of $637,350 over the last 15 years (including initial move-in costs), but court caseloads have continued to grow and expand programming, and the Court and the City Attorney's Office (which is responsible for the prosecution function and needs office/work space at Municipal Court) have hired more staff to handle these caseloads.

Municipal Court has put in BFO offers in the past to address these issues, but no funding has been awarded. Staff again plans to submit two new offers this year requesting funding for a plan that would address projected needs for a 15- or 30-year time horizon. Both of these options would require more than doubling the current space and will be multimillion dollar projects. While we work through the long-term plan, we need to address some urgent needs so that we can provide a higher standard of public access and service, meet current hearing schedules, and provide appropriate space for the increased staff. As it stands, both the Court and the City Attorney's Office have staff funded and ready to onboard who do have a workspace, and we do not have adequate space for defendants to discuss their cases with prosecutors without their conversations being overheard. We continue to address the safety and security needs for employees and the public.

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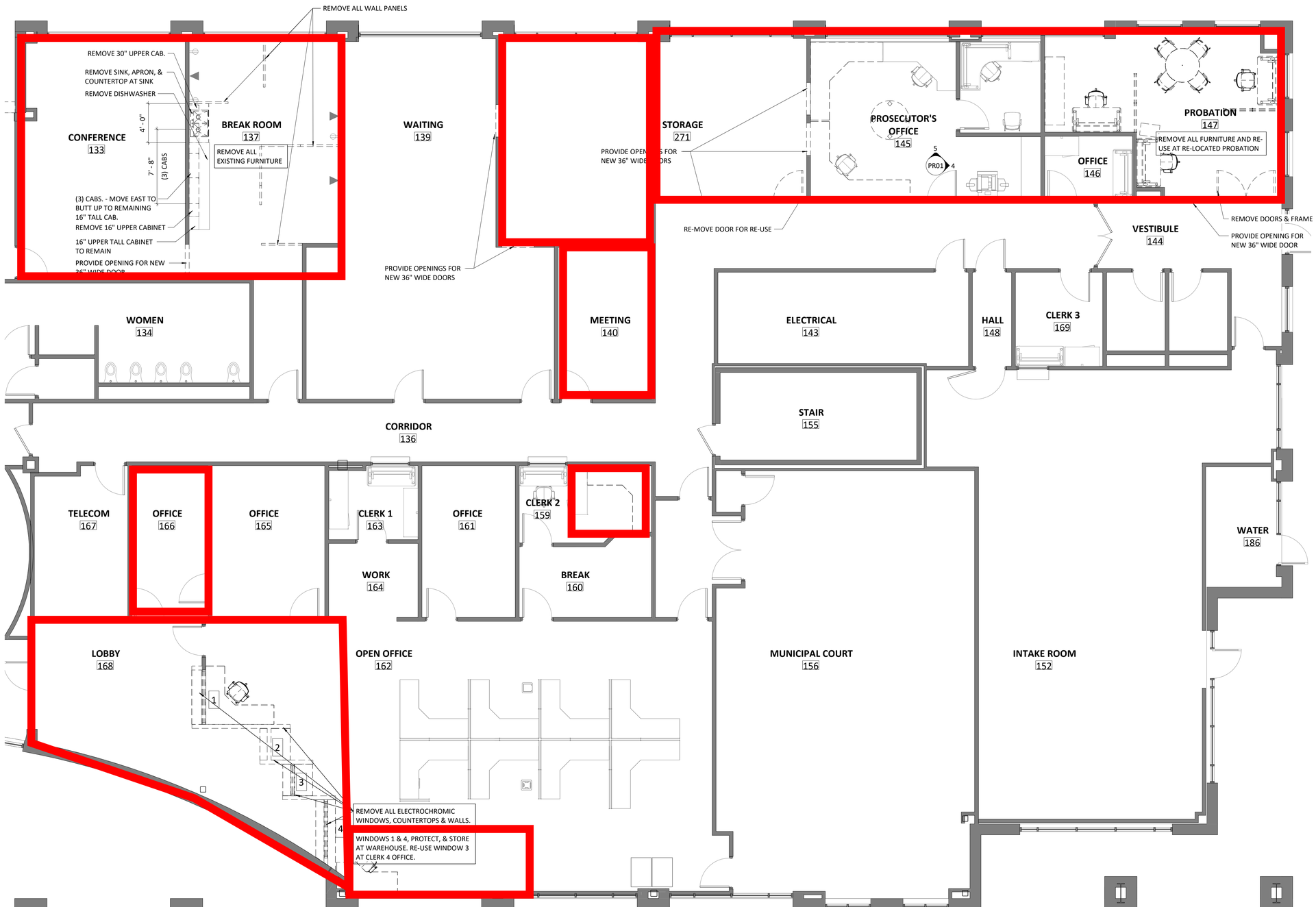
Staff is requesting the $700,000.00 in appropriation from General Fund Reserves to address these urgent needs which will allow us to properly serve the community and begin work towards a plan that will fully meet the Court's needs in the near future.

ATTACHMENTS:

1. **Demo Floor Plan**
2. **New Floor Plan**
3. **Current Budget**



01 - MC - Urgent Needs Demolition 01

SCALE: 3/16" = 1'-0"

City of Fort Collins

215 North Mason
SPACE PLANS

NO	ISSUE	DATE

PROJECT -
DATE 10.06.21
DRAWN Author

URGENT NEEDS
1st Floor Municipal Courts Demolition

MC04D

FILE NAME:0000-Project-SD.rvt
PRINTED:2/17/2022 10:14:35 AM

CLARK & ENERSEN

SD Plan

Municipal Court Urgent Needs

April 15, 2022

PROJECT BUDGET

PROJECT:	215 N Mason - 1st Flr Muni-Court Urgent Needs Renovation	CLIENT:	Municipal Courts	PHONE:	
ADDRESS:		CONTACT:	Patty Netherton	FAX:	
LOCATION:	Fort Collins, CO	ADDRESS	215 N. Mason	EMAIL:	
COUNTY:	Larimer	LOCATION:	Fort Collins, CO	DATE:	Updated 4/22/22
PROJECT DESCRIPTION		AREA (SF):	3,000	DURATION (wk):	48 Weeks
Renovate several areas of the north end of first floor of 215 N Mason for Municipal Court to create more space and better work to serve public.		Estimator:	Brian Hergott - Op Services	DESIGN:	10 WEEKS
				Permitting	8 WEEKS
INDIRECT COST				CONSTRUCTION:	30 Weeks

COST CODE	DESCRIPTION	EQUIP	MATERIAL	OTHER T	LABOR	I&T	SUB	EXTENDED TOTAL	SUBCONTRACTOR / SUPPLIER
01000	Building Permit Fees ($2680 +1410)	0	0	0	0	0	4,090	4,090	
01000	PFA Permit Fees ($2458)	0	0	0	0	0	2,458	2,458	
01020	Real Estate	0	0	0	0	0	0	0	
01030	Environmental Services (Asbestos Testing)	0	0	0	0	0	1,600	1,600	
01035	Engineering & Surveying Services	0	0	0	0	0	0	0	
01040	Geo-tech Services	0	0	0	0	0	0	0	
01050	Material Testing Services	0	0	0	0	0	0	0	
01060	Architectural Design Services	0	0	0	0	0	26,000	26,000	
01070	PMPD Project Mgt Services (6 Mo X $4,000)	0	0	0	0	0	24,000	24,000	
01080	Energy Modeling	0	0	0	0	0	0	0	
01090	Commissioning Services	0	0	0	0	0	8,000	8,000	
02000	IT - data cabling Install	0	0	0	0	0	15,000	15,000	
02002	IT - Added Computures, Phones & Install	0	0	0	0	0	8,000	8,000	
02003	IT - Infrastructure Upgrades	0	0	0	0	0	10,000	10,000	
02005	Security Cameras	0	0	0	0	0	3,000	3,000	
02006	FF&E - New Cubicales/Sit-Stand desk	0	0	0	0	0	52,000	52,000	
02010	Water Tap Fees	0	0	0	0	0	0	0	
02015	Electrical Fees	0	0	0	0	0	0	0	
02020	Sanitary Sewer Fee	0	0	0	0	0	0	0	
02025	LEED Certification	0	0	0	0	0	0	0	
02030	Art in Public Places	0	0	0	0	0	6,400	6,400	
10500	Building Signage - Interior	0	0	0	0	0	3,500	3,500	
	Building Signage - Exterior	0	0	0	0	0	1,000	1,000	
08870	Door Access Control	0	0	0	0	0	5,000	5,000	
19080	Owner Contingency 10% of Construction	0	0	0	0	0	47,000	47,000	
	TOTAL INDIRECT COST	**0**	**0**	**0**	**0**	**0**	**217,048**	**217,048**	

DIRECT COST

COST CODE	DESCRIPTION	EQUIP	MATERIAL	OTHER T	LABOR	I&T	SUB	EXTENDED TOTAL	SUBCONTRACTOR / SUPPLIER
01000	Contractor General Conditions (6 Mo. X $6,000)	0	0	31,680	0	0	0	31,680	
01010	Contractor - Supervision 1/2 time (6 Mo x $7,000)	0	0	0	21,000	10,500	0	31,500	
01010	Field Office Exp. (Use City Space)	0	0	0	0	0	0	0	
01050	Vehicle & Fuel Exp. (7 Mo x $900)	4,900	0	1,400	0	0	0	6,300	
01060	Misc. Const. Expenses (Computer, phone, Etc.)	0	0	3,000	0	0	0	3,000	
01062	Construction Surveying	0	0	0	0	0	0	0	
01841	Environmental (No Asbestos)	0	0	0	0	0	0	0	
01841	Dust Partitions for Work Areas	500	800	0	1,500	750	2,000	5,550	
01890	Trash Removal (5 Dumpsters X $400)	0	0	2,000	1,100	550	0	3,650	
01900	General Cleanup (3,000 SF X .5)	0	0	0	1,500	750	0	2,250	
01910	Final Clean Building	0	0	0	0	0	2,400	2,400	
02070	Exterior Site Demolition (New Egress Door)	0	0	0	0	0	3,500	3,500	
02071	Interior Demolition (Salvage Doors & Frames)	500	0	1,000	1,500	750	0	3,750	
02072	Interior Demolition (Demo Walls)	400	0	1,000	4,500	2,250	0	8,150	
02073	Interior Demolition (Ceilings)	500	0	600	1,875	938	0	3,913	
02074	Interior Demolition (Flooring=3,000 SF)	200	0	700	3,000	1,500	0	5,400	
02076	Interior Demolition Electrified Windows	200	0	200	1,050	525	0	1,975	
02200	Earthwork	0	0	0	0	0	0	0	
02200	Errosion Control	0	0	0	0	0	0	0	
02200	Utilities (None)	0	0	0	0	0	0	0	
03300	Footings & Foundations	0	0	0	0	0	0	0	
03301	Vapor Barrier	0	0	0	0	0	0	0	
03314	CIP Flatwork (Exterior Sidewalk)	0	0	0	400	200	1,800	2,400	
03251	Concerte Pumping	0	0	0	0	0	0	0	
04200	Masonry	0	0	0	0	0	1,800	1,800	
05120	Structural Steel	0	300	0	0	0	0	300	
05200	Structural Stud Framing	0	0	0	0	0	0	0	
05501	Metal Fabrications	0	0	0	0	0	0	0	
06100	Misc. Carpentry - Wood blocking	80	350	100	850	425	0	1,805	
06400	Finish Carpentry - New Chairrails & Clerk Counter	50	2,100	200	1,875	938	0	5,163	
07160	Foundation Damproofing	0	0	0	0	0	0	0	
07210	Foundaiton Insulation	0	0	0	0	0	0	0	
07211	Batt Insulation (Sound Batt between Rooms)	200	1,800	0	750	375	0	3,125	
08200	Doors and Frames (8 Doors)	100	6,400	1,200	2,400	1,200	0	11,300	
08411	Windows/Glass (Clerks)	100	1,800	300	1,200	600	0	4,000	
08700	Alluminum Door, Frames -Egress Door	0	0	0	0	0	3,800	12,000	
08800	Mirrors	0	0	0	0	0	0	0	
08850	Door Hardware	400	7,200	500	2,400	1,200	0	11,700	
08860	OH Coiling Fire Door	150	1,800	160	960	480	600	4,150	
08870	Skylights	0	0	0	0	0	0	0	
08880	Glass & Glazing (Clerk Window)	25	20	0	450	225	0	720	
09200	Metal Stud Framing	0	0	0	0	0	12,900	12,900	
09260	Gypsum Drywall Finishes (Includes Patchwork)	0	0	0	0	0	18,600	18,600	
09511	Acoustical Ceiling	0	0	0	0	0	15,000	15,000	
09650	Flooring	0	0	0	0	0	25,000	25,000	
09690	Tile	0	0	0	0	0	0	0	
09900	Painting/Staining	0	0	0	0	0	12,600	12,600	
09901	Sealed Concrete	0	0	0	0	0	0	0	
09950	FRP	0	0	0	0	0	0	0	
10522	Fire Extinguishers	0	0	0	0	0	600	600	
10600	Toilet & Bath Accessories	0	0	0	0	0	0	0	
10800	Lockers	0	0	0	0	0	0	0	
11500	Window Blinds -	0	0	0	0	0	8,730	8,730	
15200	Fire Sprinkler (Add @ Storage Rm)	0	0	0	0	0	4,200	4,200	
15300	Fire Sprinkler Adjustments	0	0	0	0	0	4,400	4,400	
15400	Plumbing (Remove Breakroom Sink)	0	0	0	0	0	800	800	
15500	HVAC - Mechanical Systems	0	0	0	0	0	46,800	46,800	
15510	HVAC - Mechanical Controls	0	0	0	0	0	28,500	28,500	
15550	Test & Balance	0	0	0	0	0	1,660	1,660	
16000	Electrical	0	0	0	0	0	37,500	37,500	
16002	Phone/Data Conduits	0	0	0	0	0	3,000	3,000	
16004	Fire Alarm	0	0	0	0	0	4,500	4,500	
	TOTAL HARD CONSTRUCTION COST	**3,405**	**22,570**	**7,960**	**27,310**	**13,655**	**240,690**	**412,121**	

NIGHT/WEEKEND WORK SURCHARGE		4.00%	16,485
ESTIMATING AND CONSTRUCTION CONTINGENCY		3.00%	12,364
SUBCONTRACTOR BONDS.....		0.1%	386
PAYMENT AND PERFORMANCE BOND		1.00%	4,820
CONTRACTORS FEE		8.00%	35,694
VALUATION FOR BOND:	**482,000**		
TOTAL CONTRACTOR PRICE			**$481,869**

$160.62 Per SF

TOTAL PROJECT BUDGET - 2022.....	**$698,916.84**	**$232.97**
TOTAL PROJECT BUDGET - 2023 (6% Escalation).....	**$740,851.86**	**Cost per SF**
TOTAL PROJECT BUDGET - 2024 (6% Escalation).....	**$785,302.97**	
TOTAL PROJECT BUDGET - 2025 (6% Escalation).....	**$832,421.14**	
TOTAL PROJECT BUDGET - 2025 (6% Escalation).....	**$882,366.41**	

This estimate is for cost if project is to be designed and constructed in 2022, if the project is further out you will need to add a 6% acceleration cost per year.

05-05-22

Municipal Courts Phase I Urgent Needs Request

Presented by:

Jill Hueser

Chief Judge - Municipal Court

Brian Hergott

Lead Sr. Facilities Project Manager

City of Fort Collins

Does Council Finance support a joint request for appropriations of funds to address the urgent needs for Municipal Court and the City Attorney's needs at 215 N. Mason?

Municipal Court was moved into its current location at 215 N Mason in 2007 when the Justice Center became over-crowded and required the court to vacate the space. This location was available at the time, was empty and could provide a temporary court space with minimal renovations. There have been minimal space changes since 2007 to address safety and security needs, but little to address growth needs. The City has spent a total of $637,350 over the last 15 years (including initial move-in costs), but court caseloads have continued to grow and expand programming, and the Court and the City Attorney's Office (which is responsible for the prosecution function and needs office/work space at Municipal Court) have hired more staff to handle these caseloads.

Municipal Court has put in BFO offers in the past to address these issues, but no funding has been awarded. Staff again plans to submit two new offers this year requesting funding for a plan that would address projected needs for a 15- or 30-year time horizon. Both of these options would require more than doubling the current space and will be multimillion dollar projects. While we work through the long-term plan, we need to address some urgent needs so that we can provide a higher standard of public access and service, meet current hearing schedules, and provide appropriate space for the increased staff. As it stands, both the Court and the City Attorney's Office have staff funded and ready to onboard who do have a workspace, and we do not have adequate space for defendants to discuss their cases with prosecutors without their conversations being overheard. We continue to address the safety and security needs for employees and the public.

In 2021 Clark Enersen completed a thorough study of the Court's current space and future space needs. They identified the current space size and its limitations, and developed both 15 year and 30 year plans addressing standard space requirements for courts.

The plan we bring before you today will address our urgent needs and get us by for an interim period while phasing and final plans are approved and can move forward. The planned renovations to be completed with these funds are aligned with the plans from Clark Enersen so that they will be incorporated into the final plan. However, they do not address any renovations to the courtroom.

Staff is requesting the $700,000.00 in appropriation from General Fund Reserves to address these urgent needs which will allow us to properly serve the community and begin work towards a plan that will fully meet the Court's needs in the near future.

Current Conditions – This looks like the Public main Entrance – Not Courts

Current Conditions – This is the Entrance for Municipal Courts on North end

Current Conditions - Courtroom with Very Limited Space

Current Conditions – Intake Security Processing

Current Conditions – Prosecutors Offices – 3 sharing this repurposed space

Current Conditions – Probation Offices – sharing this repurposed space

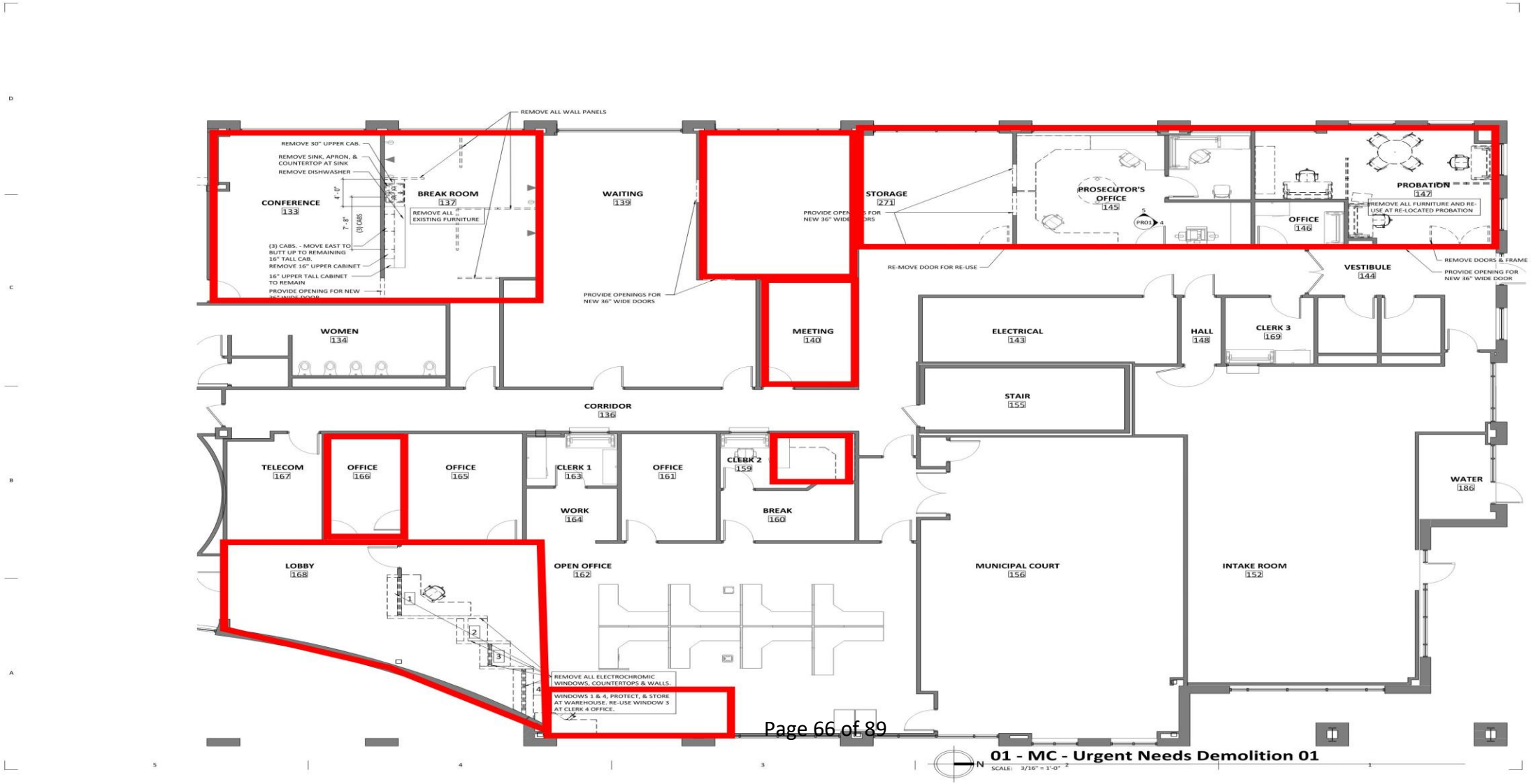
Current Conditions – Prosecutors Meeting Space (Repurposed from Breakroom)

Current Conditions – Clerk Processing Windows with Traffic Arrows for Public

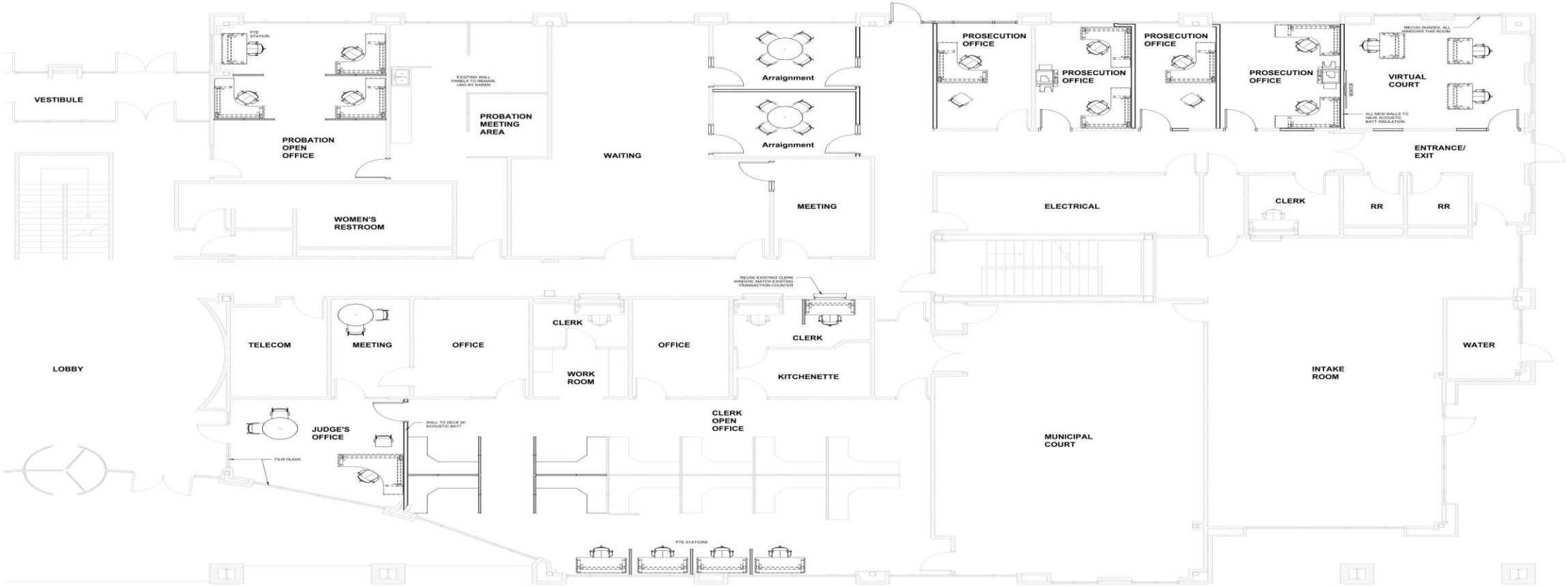
Current Conditions – Admin Area at full Capacity

Current Conditions – Large Storage Space we could use with Urgent Needs

First Floor North – Shows Area to be modified for Urgent Needs Request



First Floor North – New Updated floor plan for Urgent Needs Request



Is Council Finance supportive of staff's recommendation of appropriating $700,000 to address some urgent needs for Municipal Court and City Attorney's space at 215 N Mason?

QUESTIONS?

City of Fort Collins

COUNCIL FINANCE COMMITTEE
AGENDA ITEM SUMMARY

Staff: Adam Bromley, Lance Smith

Date: May 5, 2022

SUBJECT FOR DISCUSSION Off-Cycle Appropriations of L&P Fund Reserves

EXECUTIVE SUMMARY

Based on information from vendors of distribution transformers, it is necessary to either scale back the number of transformers the City will purchase this year or request an additional appropriation to maintain the expected transformer demand for both growth as well as prudent asset replacements. A reduction in the number of transformers purchased could negatively impact new development and system reliability. Staff is recommended a supplemental appropriation of $1,432,000 which would allow for more transformers to be ordered in 2022 to be delivered as soon as they are available, likely in late 2023 at the earliest.

Looking toward future growth a new substation will be necessary to adequately serve the north east areas of the City as those areas are developed. A supplemental appropriation is also being requested to order the two substation transformers that will be needed to serve this load growth. Again, this supplemental appropriation rather than waiting for additional funds to become available in early 2023 will allow these transformers to be delivered within the next 3 years. Staff is proposing to bring forth an appropriation ordinance which also includes $2,234,000 for two substation transformers.

The total supplemental appropriation being proposed for your consideration is for $3,666,000.00.

GENERAL DIRECTION SOUGHT AND SPECIFIC QUESTIONS TO BE ANSWERED

Does Council Finance Committee support an off-cycle appropriation of L&P reserves to procure enough distribution transformers so that L&P can support new construction and necessary replacements through 2024? In addition, does Council Finance Committee support an off-cycle appropriation of L&P reserves to begin the procurement process for two (2) substation transformers that will be used to complete the construction of a new substation that serves Northeast Fort Collins?

BACKGROUND/DISCUSSION

Distribution Transformers

In the last six weeks or so, L&P staff has engaged with the distribution transformer manufacturer industry to better understand the significant price increases to the transformers that we typically purchase. The main drivers of the price increases are related to supply chain issues mainly related to shortages and/or significant inflationary pressures for almost all raw materials used to construct a distribution transformer including transformer core steel and aluminum secondary winding supplies. While some manufacturers are better off than others, simply due to their buying power and existing contracts in these markets, these supply chain issues have far-

reaching impacts to prices, lead times, labor and transportation costs, and production capacity. What we're hearing from the industry related to supply chain issues suggests that these price increases and extended lead times will definitely endure the short term (i.e. through 2023) and will likely continue into a longer term, if not permanent, scenario.

L&P typically purchases a year's worth of transformers in advance; L&P uses the economic order quantity estimating methodology using historical usage data for each stock number along with known future work order needs to arrive at the quantity for purchase for each year. This methodology works really well when lead times are reasonable (i.e. 10-20 weeks) or if lead time increases changed very gradually. Depending on the specific needs of the transformer design, lead times can be 3-5 times longer than what we saw at this time last year, which does not provide enough time to react adequately. There are quite a few new developments and capital projects on the horizon so we can assume that new construction needs will not go away in the near future. L&P projects that current stock levels could last until next summer or fall (2023) if we are very intentional with how we use units that we have. However, because lead times for the transformers we use the most often are greater than 1.5 years, we need to order as many as we can now to make sure that they arrive close to when we're projecting the existing stock to run out.

Based on historical usage and projected needs, L&P staff has identified three transformer models (specific size and type) with the highest likelihood of use prior to the end of 2023. Staff intends to utilize existing budget appropriated for one order of the single most used transformer type and size (single phase submersible). The requested supplemental appropriation will fund an additional quantity of that same transformer type and size as well as necessary quantities of the other two transformer models with the highest usage (three phase padmounted, 75 kVA and 150 kVA). Because we are relying on existing stock in the other transformer models and we will need to stay ahead of the long lead times moving into the future, orders for all transformer models will need to be placed at the beginning of 2023 and 2024 in order to receive those transformers in 2024 and 2025. This will change the estimated budget for transformers that was originally planned in the Capital Improvement Plan (CIP) and 2023/24 BFO offer. All of these changes are shown in the table below.

	2022
2022 Transformer Order Total Cost	$2.225 M
2022 Transformer Budget	$0.793 M
Supplemental Appropriation Request to fulfill Total Cost	**$1.432 M**

	2023	2024
Transformer Budget Planned in CIP	$1.132 M	$1.260 M
Updated BFO Offer for Transformer Budget	$4.123 M	$3.749 M

Staff has done enough research to feel confident that these orders along with a supplemental appropriation for additional orders will supplement existing stock levels so that L&P can continue to serve existing and new development. Staff also has contingency plans in place to ensure delivery of electric service to new and existing customers.

Substation Transformers

Anticipated annexations and growth in NE Fort Collins will require a new to supply electric capacity to new customer loads so as to not overburden existing substations in the surrounding areas. A new substation will allow for Light & Power to continue to operate the system at our current substation and feeder design standards which guarantee high reliability and stability. Typically, each substation comprises two substation power transformers and substation switchgear. This new substation is a planned project in the Capital Improvement Plan (CIP) that was scheduled for the 2023/24 budget cycle.

Due to price increases and lead times for distribution transformers, staff was concerned that power transformers would have similar supply chain issues. Upon reaching out to the manufacturer that provided power transformers to L&P in the recent past, we found that there are similar supply chain issues affecting power transformer manufacturers. Lead times for these power transformers are longer than 3 years at this point; however, prices didn't increase in the same manner. In order to avoid even longer delays for these transformers, a supplemental appropriation to begin the procurement process immediately is prudent.

The lead times of these transformers does change the trajectory of the substation construction schedule and associated purchases of other high dollar materials (i.e. switchgear). The same amount of capital dollars is proposed to complete construction of the new substation; however, it will be allocated different than what was planned for in the CIP. The table below shows what was planned for in the CIP and what changes to that plan are if supplemental appropriation and BFO offer are approved.

	2022	2023	2024
2021 Capital Improvement Plan		$6.649 M	$3.761 M
Supplemental Appropriation/Updated BFO offer	$2.234 M	$0.300 M	$7.876 M

The following table shows where L&P reserves are and will be after these supplemental appropriations:

DESCRIPTION	TOTAL
Year-End 2020 Total Reserves	$48.7 M
Minimum Required	($8.0 M)
Appropriated	($17.1 M)
Year-End 2020 Reserves Available	$23.4 M

2021 Preliminary Additions	~ $19 M
Year-End 2021 Reserves Available	~$42 M
Connexion Funding	($20 M)
Transformers	($3.6 M)
Remaining Reserves	~$18.4 M

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

City of Fort Collins

L&P Reserves Supplemental Appropriation: Transformers

Adam Bromley, Interim Deputy Director, Utilities Light & Power

05-05-2022

1. **Does Council Finance Committee support an off-cycle appropriation of L&P reserves to procure enough distribution transformers so that L&P can support new construction and necessary replacements through 2024?**
2. **In addition, does Council Finance Committee support an off-cycle appropriation of L&P reserves to begin the procurement process for two (2) substation transformers that will be used to complete the construction of a new substation that serves Northeast Fort Collins?**

Underground Electric System Design

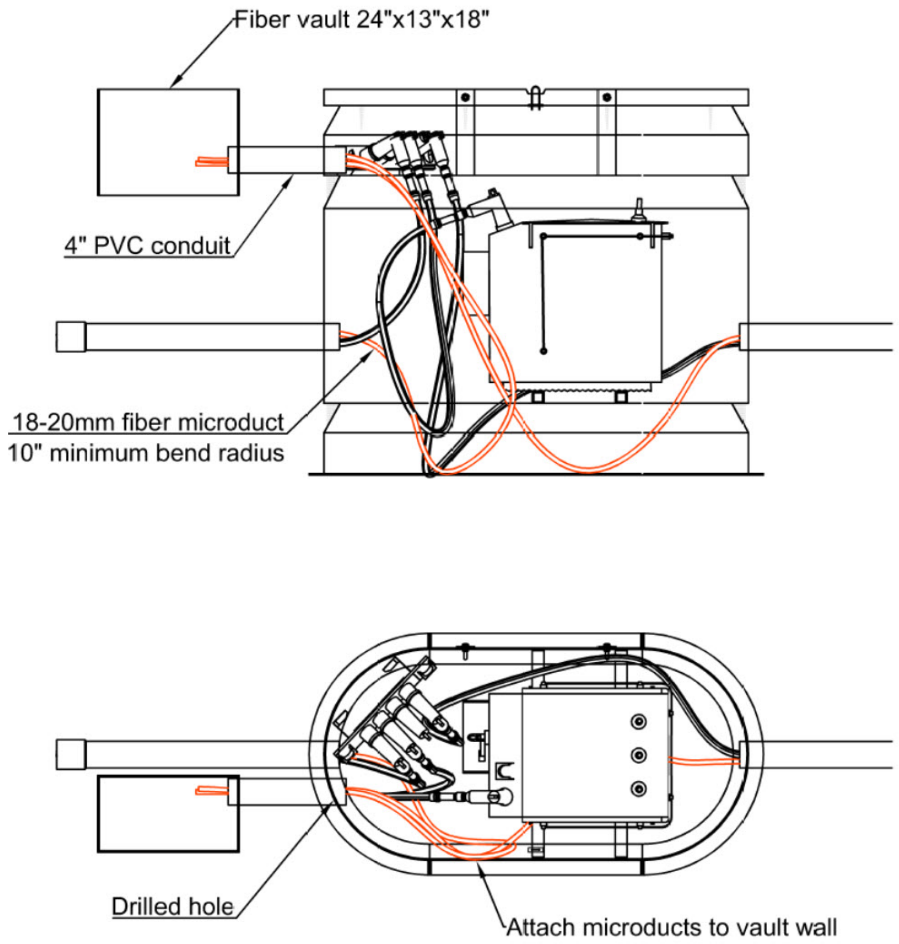
- 15 years ago: started moving towards a stainless steel, rectangular, welded tank design for all underground transformers – highly specific to our need
    - Stainless – Reduces Corrosion in vault environment
    - Rectangular – Better absorbs fault energy
    - Welded tank – Eliminates water ingress to tank
- Reduced risk to public and personnel safety
- Higher reliability

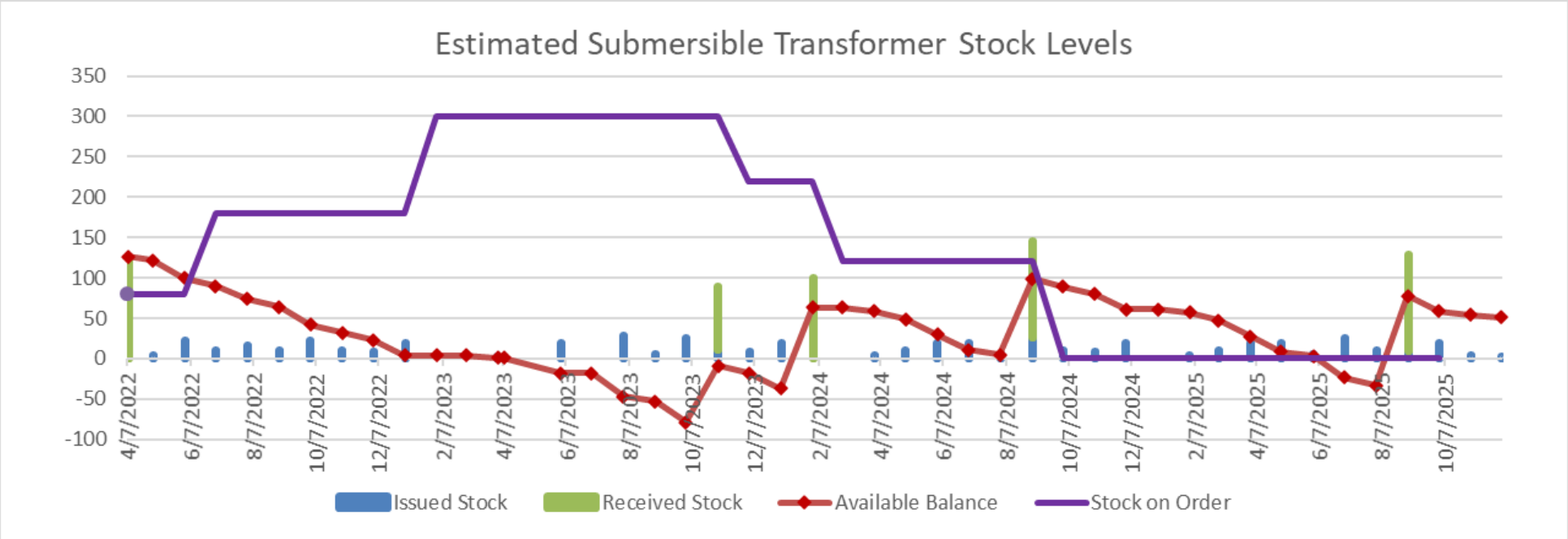
Submersible Transformer Designs

- 85% of installs are 50 kVA
- Historical cost: $3-4K per unit
- Historical Lead Time: 10-20 weeks
- L&P typically procures 1 year's worth of stock in advance

Fort Collins Utilities Light & Power
Oval Vault with Fiber

Straight PVC to Fiber Box





Submersible Transformer Changes

- 85% of installs are 50 kVA
- Stainless Steel supply is critically constrained
  - ~130% price increase from 2021
    - Current Budget does not cover stock needs
  - Lead Times: >1.5 years

Stock Levels

- Current stock submersibles: Projected to last to summer/fall 2023
- If we order transformers today, we'll receive in Q4 2023 or Q1 2024
  - Orders placed in Jan 2023 will deliver late 2024 or early 2025

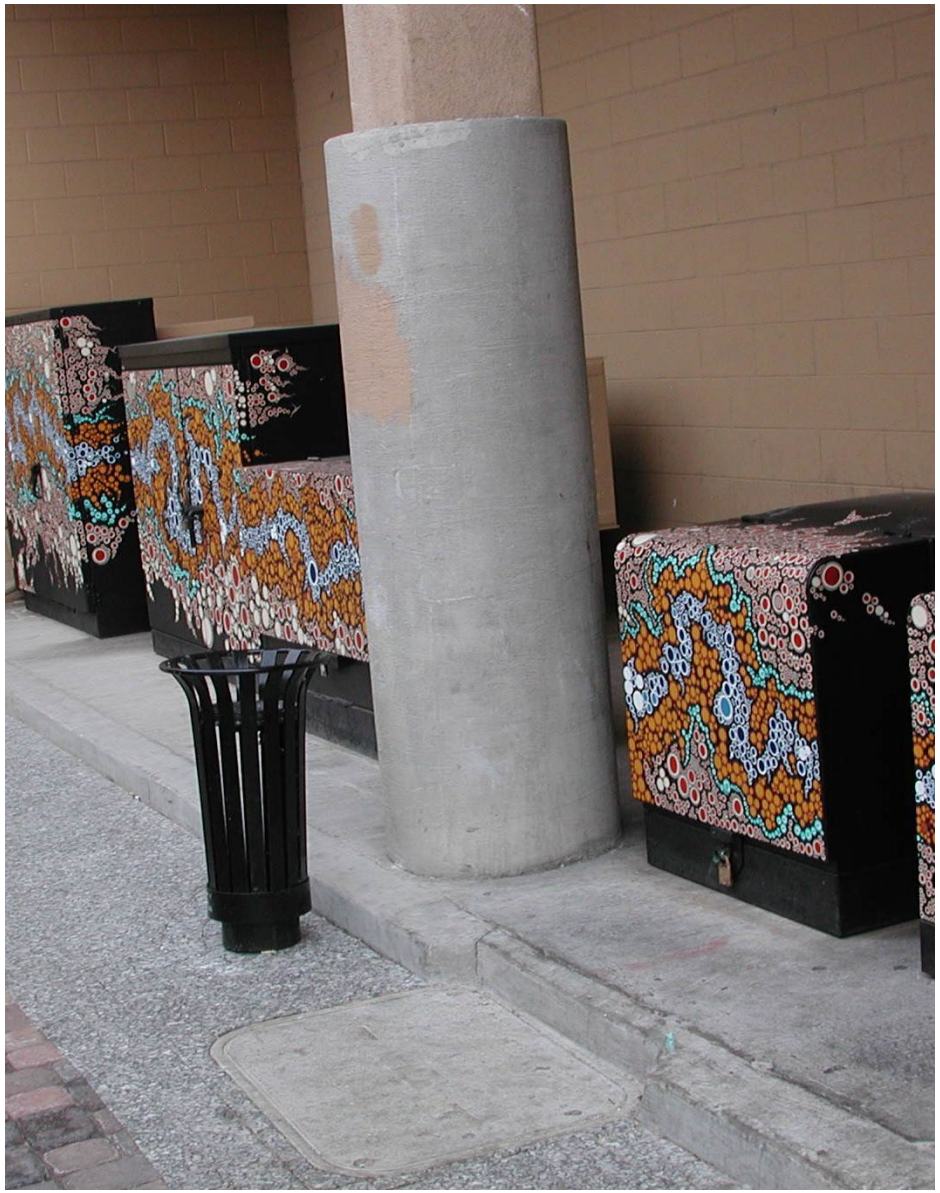
Above-Ground (Padmounted) Transformer Background

Padmounted Transformers

- Largely specified to industry standard
- Mild Steel tank construction – mild steel fewer supply chain issues

Cost and Lead Time Changes

- 2022 Cost Increases: 35-45% per unit
- Lead Times: >1 year
- L&P typically procures 1 year's worth of stock in advance
    - 3-phase padmount needs are dependent on commercial/industrial customer development, which can be volatile to predict
- **Good News:** 2020 off-cycle appropriation enabled procurement of these types where we can be more resilient to the lead time changes we're seeing



Staff Recommendation

- **Use 2022 and leftover 2021/20 appropriated budget for transformers to purchase 50 kVA submersible transformers**

- **Obtain funding through an off-cycle appropriation to purchase enough transformers to get stock levels to support new installs and necessary replacements through 2024**
- This order will include more 50 kVA submersibles, various frequently utilized 3-Phase padmounted transformers

- **Increase BFO offer amounts for 2023 and 2024 that align with updated pricing and lead times we've received from manufacturers – buying higher quantities up front**
  - Submersible >130% price increase, >4x lead time lengths
  - Padmounts 35-45% increase, >3x lead time lengths

Staff Recommendation

	2022
Total Estimated Cost	$2.225 M
Budget	$0.793 M
Additional Funds Needed	$1.432 M

	2023	2024
Existing BFO Offer	$1.132 M	$1.260 M
Updated BFO Offer	$4.123 M	$3.749 M

L&P Substation Design

- Includes two substation transformers, one switchgear
- Provides contingency for issues in field, other substations, etc.

Substation Transformer History

- Last procurement/installation: ~2011
- Estimated inflated cost: >$1M per unit
- Historical Lead Time: > 1 year
- L&P will submit a BFO offer to fund substation land acquisition and substation materials, construction in 2023-24 budget cycle

Recent Manufacturer Quote (3/4/2022)

- Cost: $0.972 M
- Lead Time: >3 years (Q3 2025)

Staff Recommendation

	2022	2023	2024
Off-Cycle Requested	$2.234 M		
Amounts in CIP		$6.649 M	$3.761 M
Submitted BFO Offer		$0.3 M	$7.876 M

- Starting procurement of substation transformers now will help avoid construction delays
- Reduce existing BFO offer for 2023

Distribution Transformers: ~$1.432 M

Substation Transformers: ~$2.234 M

Total Off-Cycle Appropriation from Reserves: ~$3.666 M

L&P Forecasted Rates and Debt Issuance

Year	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
Rate Increase	2.0%	3.0%	4.1%	4-5%	4-5%	3-5%	2-3%	2-3%	2-4%	2-5%
Debt Issued ($M)		$55.0								

- Only debt issuance necessary for electric infrastructure is projected in 2023
- Use of Available Reserves could defer this issuance for a year or possibly two
- Delaying improvements related to the Mulberry Annexation could also delay this issuance
- Remaining near term debt capacity is available for Transformers

DESCRIPTION	TOTAL
Year-End 2020 Total Reserves	$48.7 M
Minimum Required	($8.0 M)
Appropriated	($17.1 M)
Year-End 2020 Reserves Available	$23.4 M
2021 Preliminary Additions	~ $19 M
Year-End 2021 Reserves Available	~$42 M
Connexion Funding	($20 M)
Transformers	($3.7 M)
Remaining Reserves	~$18.3 M

Energy Board – April 14, 2022

- Unanimous Support (7-0) to move forward with both supplemental appropriations from reserves.

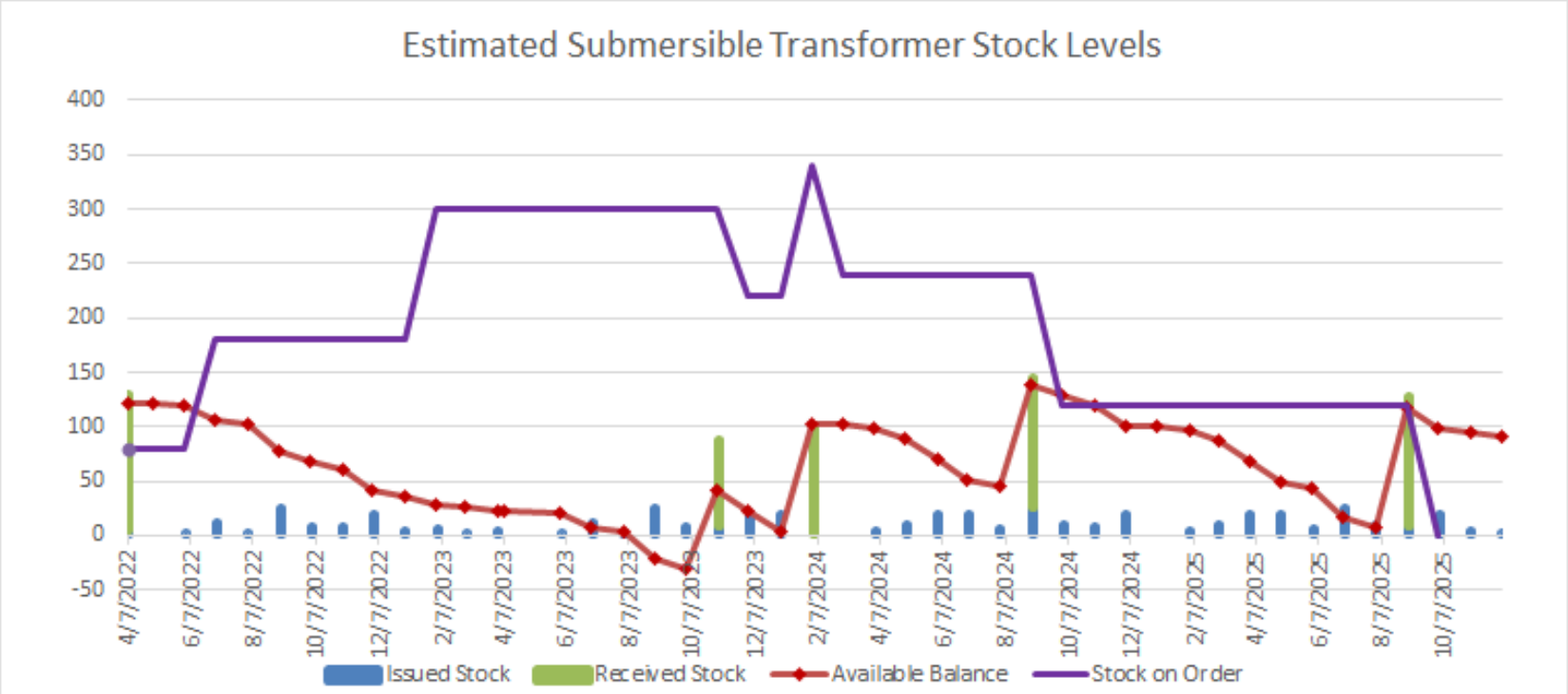
1. **Does Council Finance Committee support an off-cycle appropriation of L&P reserves to procure enough distribution transformers so that L&P can support new construction and necessary replacements through 2024?**

2. **In addition, does Council Finance Committee support an off-cycle appropriation of L&P reserves to begin the procurement process for two (2) substation transformers that will be used to complete the construction of a new substation that serves Northeast Fort Collins?**

Reminder: Total Off-Cycle Appropriation from Reserves: ~$3.7 M

QUESTIONS?

City of Fort Collins



Submersible Transformer Changes

- 85% of installs are 50 kVA
- Stainless Steel supply is critically constrained
  - ~130% price increase from 2021
    - Current Budget does not cover stock needs
  - Lead Times: >1.5 years

Stock Levels

- Current stock submersibles: Projected to last to summer/fall 2023
- If we order transformers today, we'll receive in Q4 2023 or Q1 2024
  - Orders placed in Jan 2023 will deliver late 2024 or early 2025