Finance Administration
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AGENDA
Council Finance & Audit Committee Zoom Meeting
July 6, 2023
4:00 - 6:00 pm

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

Approval of Minutes from the May 4, 2023, Council Finance Committee meeting.

1.	Utility Customer Information System		L. Smith
	Presentation:	10 mins.	G. Stanford
	Discussion:	20 mins.	
2.	Sustainable Timberline Recycling Center		M. Saylor
	Presentation:	15 mins.	
	Discussion:	30 mins.	
3.	2023 Light & Power / Broadband Financing		B. Dunn
	Presentation:	10 mins.	
	Discussion:	15 mins.	
4.	Opioid Settlement		J. Hueser
	Presentation:	10 mins.	
	Discussion:	10 mins.	

Council Finance Committee

2023 Agenda Planning Calendar

RVSD 6/28/23 ts

July 6th	2023		
	Utility Customer Information System	30 min	L. Smith G. Stanford
	Sustainable Timberline Recycling Center	45 min	M. Saylor
	2023 Light & Power/Broadband Financing	25 min	B. Dunn
	Opioid Settlement	20 min	J. Hueser

Aug. 3rd	2023		
	2022 Financial Audit Results	30 min	B. Dunn
	2022 Fund Balances	30 min	B. Dunn
	2023 Stormwater Debt – Oak Street	30 min	B. Dunn
	Police Radios	20 min	Z. Mozer J. Allar

Aug. 16th	2023 *Special Meeting*		
	Auditor Firm Interviews		B. Dunn

Sept. 7th	2023		
	Annual Adjustment Ordinance	20 min	L. Pollack
	2024 Budget Revisions	40 min	L. Polack
	Capital Expansion Fee Updates	60 min	D. Lenz

Oct. 5th	2023		

November 2nd / December 7th 2023 / January 4th 2024

Rate Forecasts for the 2025-26 BFO Cycle, Associated Capital Improvement Plans & Anticipated Debt Needs (L. Smith)

Rental Registration – Property Remediation Financing (C. Champine, M. Yoder)

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Council Finance Committee Zoom Meeting
May 4, 2023
Via Zoom

Council Attendees:	Julie Pignataro, Emily Francis, Kelly Ohlson
Staff:	Kelly DiMartino, Travis Storin, Rupa Venkatesh, John Duval, Ethan Doak, Meaghan Overton, Marcy Yoder, Brittany Depew, Chief Swoboda, Sgt. Annie Hill, Mike Calhoon, Victoria Shaw, Aaron Reed, Rebecca Pomering, Javier Echeverria Diaz, Terri Runyan, Gerry Paul, Blaine Dunn, Adam Halvorson, Jo Cech, Randy Bailey, Brian Hergott, Kerri Ishmael, Zack Mozer, Erik Martin, Carolyn Koontz
Others:	Kevin Jones, Chamber Sady Swanson, Coloradoan

Meeting called to order at 4:00 pm

Approval of minutes from the April 6, 2023, Council Finance Committee Meeting. Emily Francis moved for approval of the minutes as presented. Julie Pignataro seconded the motion. The minutes were approved unanimously via roll call by; Julie Pignataro, Emily Francis.

Kelly Ohlson joined the meeting at 4:11 pm

A. Auditor RFP Process

Blaine Dunn, Accounting Director
Randy Bailey, Controller

EXECUTIVE SUMMARY
The purpose of this item is to solicit consensus from the Committee regarding:

- The process for selecting an independent auditor for an up-to five-year period.

A Request for Proposal (RFP) will be issued this summer for audit services. The process is designed to ensure the selected firm meets the City's requirements and has the knowledge, experience, and reputation in auditing similar entities.

An annual external audit by an independent CPA firm is required by Statute, Charter, debt covenants, and virtually all grant agreements.

GENERAL DIRECTION SOUGHT AND SPECIFIC QUESTIONS TO BE ANSWERED

Staff seeks input on:

- Evaluation criteria for selection of the independent auditor
- Desired modification to historical processes for selection, if any
- Preference on number of firms to be interviewed by the committee.

BACKGROUND/DISCUSSION

Auditor Rotation

Multi-year contracts are limited to 5 years by City Code. The City does have a mandatory auditor rotation policy in City Code. The Code specifies no firm is eligible for more than two consecutive five-year terms. If the incumbent does respond to the RFP for a second five-year term, they must assign a new lead partner to conduct the audit. The City's current audit firm is in their first five-year term and will be allowed to respond should they meet the above requirements.

GFOA best practice guidance acknowledges that private sector and publicly traded SEC filing entities have rotation practices mandated by regulatory authorities or their own bylaws. In the public sector, GFOA cautions that sometimes it is difficult to get enough qualified responses if the incumbent is disallowed.

The below table shows a 30-year history of audit firms the City has engaged.

1993	Bondi	2005	Bondi	2017	RSM (McGladrey)
1994	Bondi	2006	Bondi	2018	BKD
1995	Bondi	2007	Bondi	2019	BKD
1996	Bondi	2008	McGladrey & Pullen	2020	BKD
1997	Bondi	2009	McGladrey & Pullen	2021	Forvis (BKD)
1998	Bondi	2010	McGladrey	2022	Forvis (BKD)
1999	Bondi	2011	McGladrey		
2000	Bondi	2012	McGladrey		
2001	Bondi	2013	McGladrey		
2002	Bondi	2014	McGladrey		
2003	Bondi	2015	McGladrey		
2004	Bondi	2016	RSM (McGladrey)		

Timeline and Process

Staff proposes to release a Request for Proposal (RFP) in July. The proposed evaluation criteria, all to be equally weighed at 25% and in no particular order, would be:

- Scope of proposal
- Assigned personnel qualifications.
- Cost and work hours
- Firm capability & reputation

A staff committee, including staff members from City, Library and PFA will evaluate written proposals and recommend the top firms for presentation to the Finance Committee.

Interviews would be conducted at a special Finance Committee meeting in August with the City Purchasing Director serving as Purchasing Agent and facilitator. The Committee's recommendation would be presented to

the full Council for adoption via Resolution, thereby authorizing the Purchasing Agent to enter into an agreement with the awarded firm for the 2023 fiscal year audit, renewable annually through the 2027 audit.

DISCUSSION / NEXT STEPS

GENERAL DIRECTION SOUGHT AND SPECIFIC QUESTIONS TO BE ANSWERED

Staff seeks input on:

- Evaluation criteria for selection of the independent auditor
- Desired modification to historical processes for selection, if any
- Preference on number of firms to be interviewed by the committee.

Julie Pignataro; have there been any issues with the current process?

Blaine Dunn; I don't think there have been any issues with the process that we have used in the past – I think it has worked well – After the last selection, we did get feedback from the committee that two finalists wasn't enough choice to bring so maybe we bring three if the committee wants to see a 3rd finalist in the pool. If the committee agrees, we recommend capping it at 3 finalists.

Travis Storin; we anticipate it to be a competitive process as the City is considered to be a prestigious client as these firms look to build out their portfolio in their government practice., The feedback we got the last time was that 2 options really didn't feel like a choice.

Julie Pignataro; how long are the interviews?

Blaine Dunn; the interviews are typically 45-50 minutes with a 5–10-minute buffer between interviews to allow time for the firms to swap places at the table. We also allow for a debrief at the end for the committee to make a decision.

Julie Pignataro; how many applicants do we traditionally receive?

Gerry Paul; the last cycle, we received seven proposals and interviewed two applicants. Our standard practice is to interview three. We don't typically interview more than three unless there is a compelling reason.

Julie Pignataro; I would be ok with three. I can understand not feeling like you really have a choice with two.

Blaine Dunn; our intention is to do the interviews back-to-back in one session and make the selection decision following the interviews in the same meeting.

Emily Francis; I agree with what has been said it sounds like a good plan.

B. Encampment Cleanup Pilot Program

Rupa Venkatesh, Assistant City Manager
Rebecca Pomering, Natural Areas Technician I
Sgt. Annie Hill, Police Services
Mike Calhoon, Parks Director
Mary Yoder, Neighborhood Services Manager
Brittany Depew, Homelessness Response & Solutions Lead Specialist

EXECUTIVE SUMMARY

In Fall 2022, staff identified a backlog of identified encampments throughout the City and determined that cleanups need to shift from twice a month to once per week. This was implemented towards the end of January 2023 with the realization that the 2023 funded offer would not be sustainable for the entire year. A pilot program was implemented to assess the effectiveness and need to continue after three months with an opportunity to share findings with the Council Finance Committee to request an appropriation if the program was achieving desired results.

GENERAL DIRECTION SOUGHT AND SPECIFIC QUESTIONS TO BE ANSWERED

1. What questions does the Committee have regarding the pilot program?
2. Does the Committee support additional funds in 2023 to continue with the weekly camp cleanup pilot program?
3. Does the Committee support staff bringing forward a request for additional funds for 2024 during the mid-cycle revision process in fall 2023?

BACKGROUND/DISCUSSION (details of item – History, current policy, previous Council actions, alternatives or options, costs or benefits, considerations leading to staff conclusions, data and statistics, next steps, etc.)

Prior to 2019, the City did not have a separate encampment fund. In 2017 and 2018, cleanups were coming from regular operating budgets for Natural Areas, Parks, Neighborhood Services, and other departments where cleanups were occurring. In Fall 2018, a mid-cycle adjustment was requested for a dedicated fund to utilize in 2019. The joint offer was submitted by Neighborhood Services, Parks, Stormwater, and Natural Areas who provide staffing. Since 2019, a dedicated encampment fund has been utilized though funds expended have varied over the years likely due to the COVID-19 pandemic.

Since Fall 2022, a weekly tactical team of staff from Social Sustainability, Natural Areas, Police Services, Neighborhood Services, Parks Rangers, Transfort, City Attorney's Office and partners such as Poudre Fire Authority and Outreach Fort Collins meet to coordinate encampment cleanup prioritization and identify hot spots.

The growing number of encampments became an emergent issue with the turnaround time of when a camp is identified to cleanup of up to 3 months. A pilot program was implemented to move towards weekly cleanups with a goal to reduce turnaround time to 30 days.

As of April 6, 2023, the turnaround time for cleanups is an average of 12 days. 257 camps have been cleaned with 169 cubic yards of waste, 363 Sharps, 77 shopping carts and 15 cubic yards of metal collected and diverted from Natural Areas, Parks, and other locations in the City. If the current pilot program continues, it is on track to divert 19% more trash, 41% more shopping carts and 24% more metal than 2022.

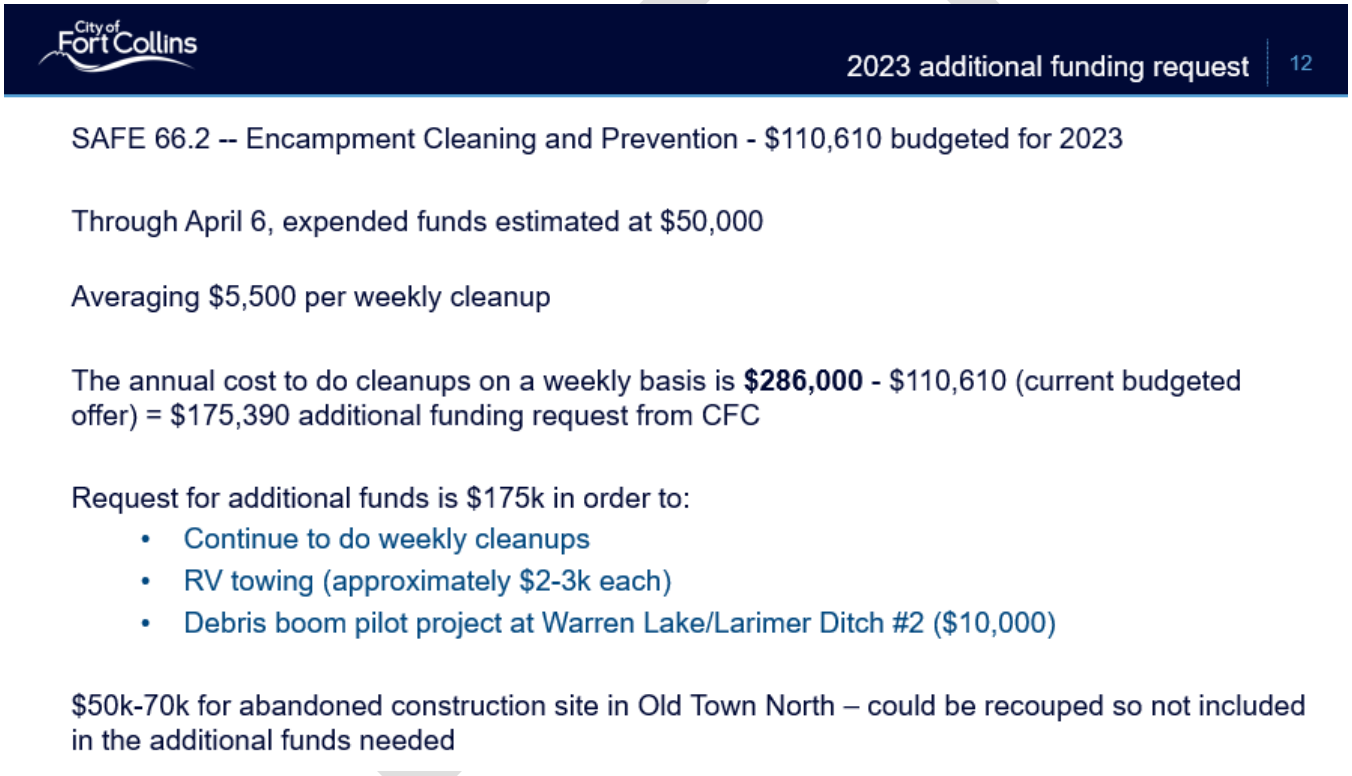
In order to continue the current pilot program of weekly cleanups, an additional $175,000 is requested for 2023. Additional funds will also be utilized for a debris boom pilot project to help mitigate issues occurring at Warren Lake/Larimer Ditch #2 as well as provide assistance to the Conifer Street area as it relates to inoperable RVs.

During the mid-cycle revision process in Fall 2023, staff will bring forward a request for additional funds for 2024.

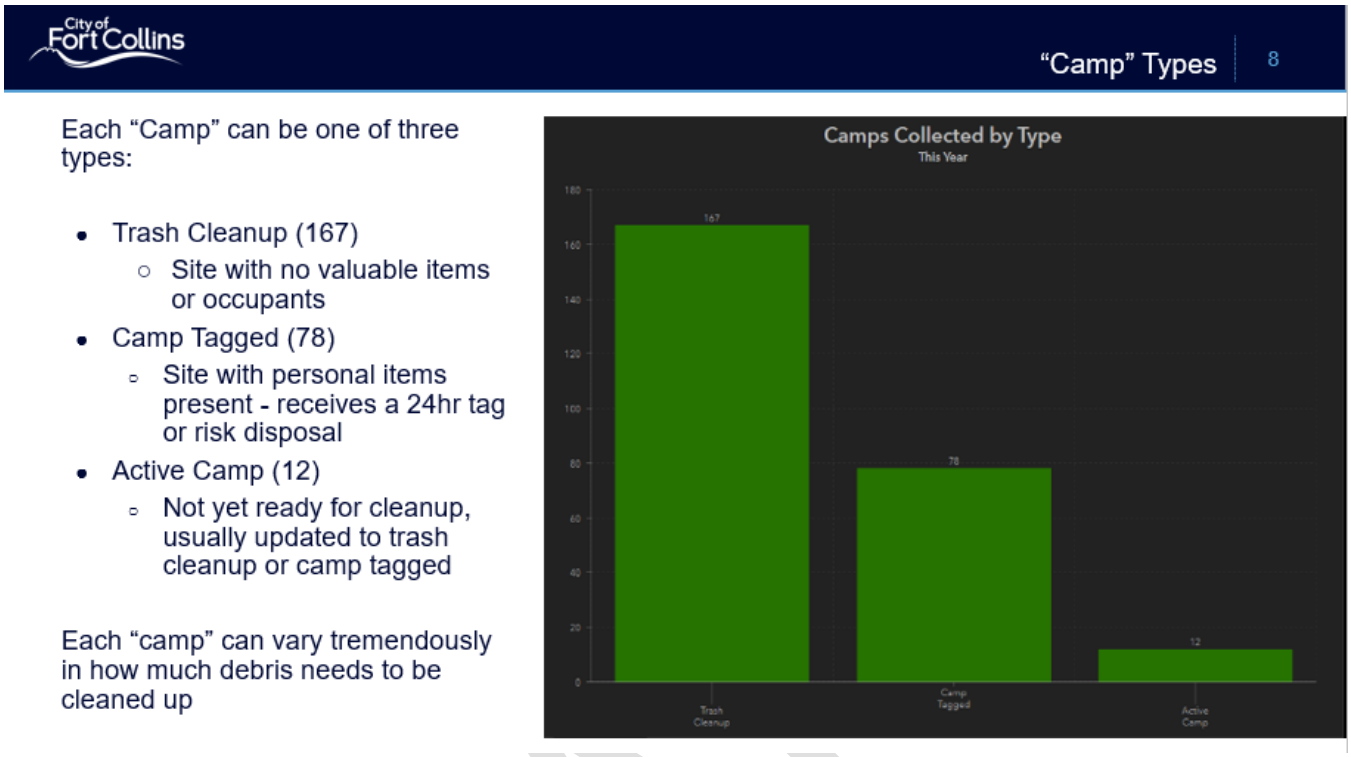
DISCUSSION / NEXT STEPS

GENERAL DIRECTION SOUGHT AND SPECIFIC QUESTIONS TO BE ANSWERED

1) What questions does the Committee have regarding the pilot program?
2) Does the Committee support additional funds in 2023 to continue with the weekly camp cleanup pilot program?
3) Does the Committee support staff bringing forward a request for additional funds for 2024 during the mid-cycle revision process in fall 2023?



Julie Pignataro; how is the city defining ‘camp’?
See slide #8 below.



Rebecca Pomering; a site that needs to be cleaned up is referred to as a camp –can be a variety of designations - camps tagged / trash clean up – no valuables present – folks have left.

Thank you for the Warren Lake boom – thank you for making that happen.

Julie Pignataro; are our shelters full in the summer?

Rupa Venkatesh; yes, we do not do overflow in the summer, but we have talked about extreme heat situations – I will refer to Meaghan for more context.

Meaghan Overton; traditionally the city's overflow response has been limited to cold weather months only. Recently we have been working on an emergency heat response – during the summer months, the concern is mostly for daytime hours when the temperature is highest. Places like the Murphy Center will open as a cooling center but no overnight shelter option in the summer – work is going on now to pilot what a coordinated and slightly more robust and data informed heat response might look like (more extreme temps due to climate change)

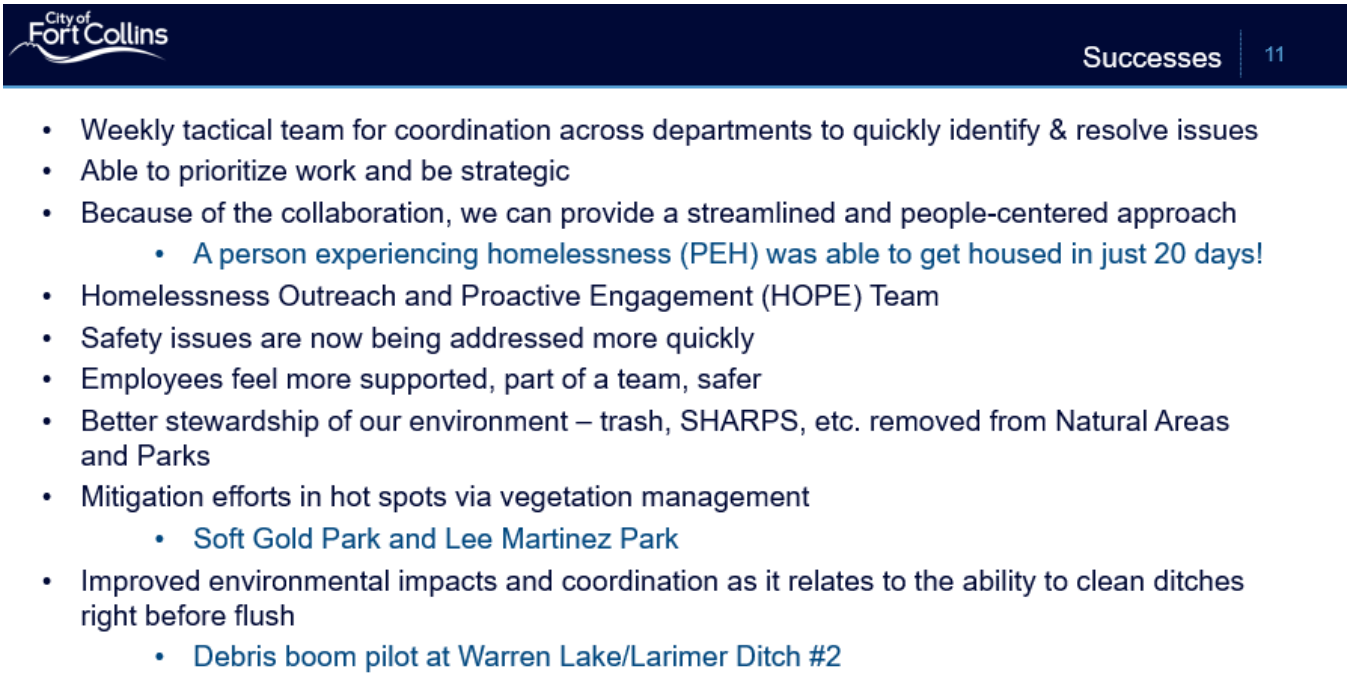
Julie Pignataro; are people camping because they don't want to be in a shelter or because they can't?

Sgt. Annie Hill; we ask that question every time we come in contact with someone – why they are not utilizing a shelter – 99% of the time, folks say they do not want to be n shelter - due to theft. I get an email with how many beds available - there were 3 beds open last night.

Julie Pignataro; when we have overflow shelters – do they offer choice of where folks can sleep?

Meahgan Overton; I don't know if there is a direct yes or no answer to that question– because people's needs vary so much – when we talk about traditional overnight, we are talking about The Fort Collins Rescue Mission which serves single men. This can get complicated rather quickly with couples, families, etc. Additional shelter capacity creates options for some folks but not across the board – a complicated answer.

Julie Pignataro; on the Successes slide (see slide #11 below) The sub-bullet that says 'a person experiencing homelessness (PEH) was able to get housed in just 20 days. How do they get housed?



Sgt. Annie Hill; this was an individual who had been frequently staying in the Troutman tunnel and had been contacted by Police, Transfort among others. We were able to get Outreach Fort Collins on site and they were able to initiate the housing questionnaire, and because of his level of vulnerability he was housed very quickly which is not typical. He got permanent supportive housing.
We need to at least get people in a place where they can complete the housing questionnaire if they do want long term housing. Then they at least have some type of goal they are working towards. If they are not on any housing list, how do we make homelessness brief?
The goal is to get outreach on site as often as we can to at least figure out how to get them on track. This individual is a really great success story – he sings our praises.

Meaghan Overton; if I could add a bit of context, one of the pieces of the weekly meeting that has been mentioned a few times, is the inclusion of the regional continuum of care and the coordinated entry system.

A group of city staff and partners meeting to talk through hot spots and folks that we are interacting with regularly, so the continuum of care does a lot of work in the background to connect people with housing resources in particular and case management – so connecting police / code enforcement with the continuum of care is part of what is really helping everyone have the same information.
If they are on a housing list, the continuum of care might be aware but maybe Police is not
aware that they are on a list at all. Communication has been a big benefit of the weekly coordination meetings.

Rupa Venkatesh; with Police being on those calls, they hear the continuum of care and who is on these housing lists – when they are out in the community, they can connect those pieces. The continuum of care is not necessarily out in the field, but Police Services is – so it is really connecting the dots.

Julie Pignataro; I am a yes to your questions – I am also a further yes – if you could find a need for another $25 - 50K to help get these people housed or find some other options. That would be amazing, and this would be the time to do it. We know we are working on these long-term solutions. We know that camp clean ups are a short-term solution. Will this presentation be given to the full Council or if it will be part of a larger package, but we need to rehumanize this data. As impressive as the data is about the clean ups, it is actually very depressing. Talk more about what is happening on the other end like what we are trying to do for people.

Emily Francis; if we tag an active camp, do we clean up after they leave?

Sgt. Annie Hille; the tag is giving them a warning that they can't be camping there as there is usually a good amount of rubbish. We don't enforce this at night – We don't start clean-up until at least 24 hours after the camp has been tagged. We at least do two tags prior to clean up.

Rupa Venkatesh; so the $5,500 average weekly clean up cost is the cost of the contractor.

Emily Francis; I understand the budget is going to trash cleanup, but I struggle with tagging active camps and asking people to move when we don't have shelter space for folks to utilize or other housing options to offer. They move to another camp, and we have to do it all over again.

Rebecca Pomering; one thing we have noticed is that if we don't take immediate action on these clean ups, they will build upon each other we don't want people in the tunnel of a ditch system for a variety of reasons including safety (if the water would turn on) and people aren't able to move out of the way or the physical debris that is in the canal which is intensified with the number of people. Som the sooner we can identify a problem and get them resources whether that is through outreach or Police.

Emly Francis; so, is it every active camp?

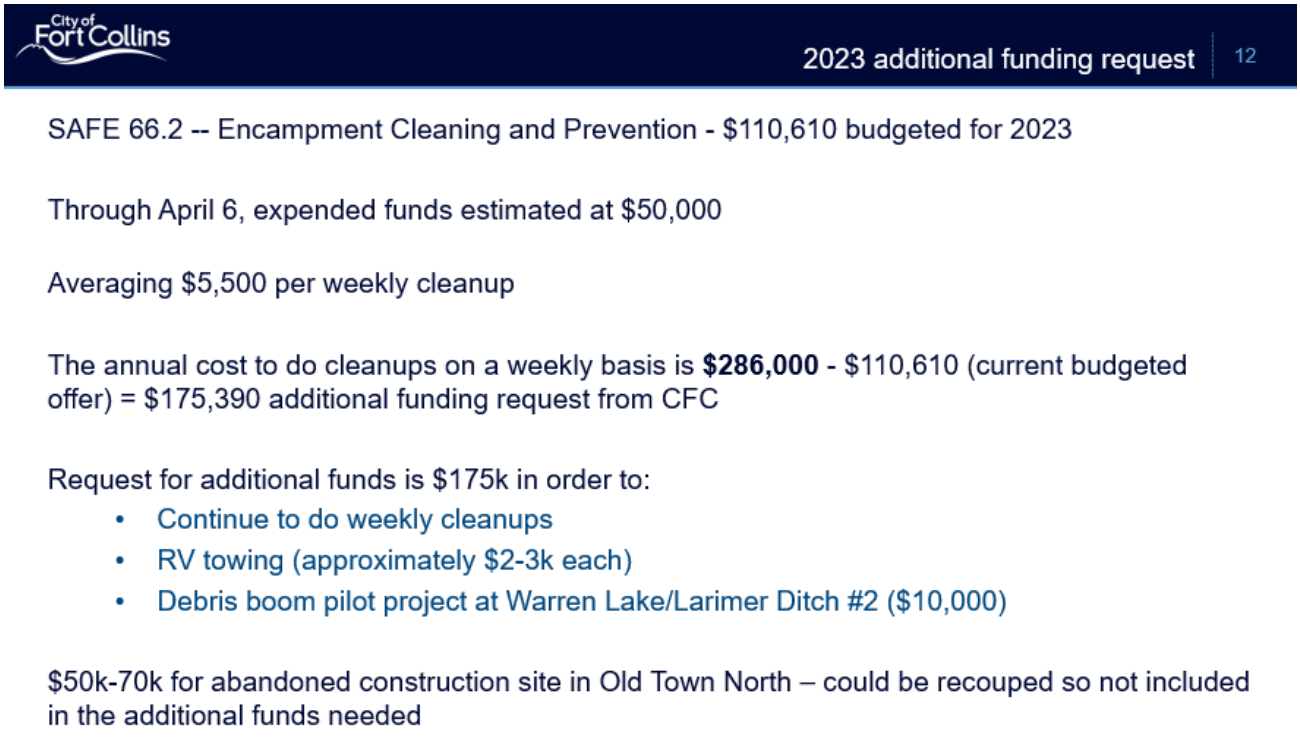
Sgt. Annie Hill; we offer resources to every single camp we go to – we want to help get people connected to resources. We identify areas where if we don't address them, they get larger and there can be more crime in the camps. It becomes an unsafe environment if we don't address them early on as Rebecca mentioned. The area they cover is usually Old Town and North Fort Collins and the transit lines. They have been really accommodating in coming on site.

Emily Francis; I understand that there are big safety concerns and concerns around natural areas where we see a lot of folks camping. The reality is that these are sweeps as we are continually asking people who are experiencing homelessness to move. I struggle with, we don't have enough space in our community to house people or enough overflow shelter space. Asking them to move is another disruptor for their lives.
How much does it cost to run our overflow shelter?

Meaghan Overton; let me see if we can get that number.

Emily Francis; we do need to make progress with the options that we can offer people.

Kelly Ohlson; on slide #12 (see below) the $50-70K for an abandoned construction site. That seems like a high number. Why did we let it get that bad before cleaning it up?



Rupa Venkatesh; first, we could not contact the property owner over several months. When we didn't have any luck, essentially the options were – Do we keep trying to contact the owner OR do we do something to help mitigate the problem?

Marcy Yoder; it was also to secure the site, it is not that expensive to just do clean up. It needed to be fenced and boarded so that folks can't continue to get into those partially constructed buildings. It ranges from they dug the hole for the basement and stopped to the house is partially up but doesn't have windows or doors to close and secure it.

Rupa Venkatesh; the framing had actually deteriorated so it had become this open space.

Kelly Ohlson; I am yes on the questions. I really like the team effort. It was a long time coming, but I like where you are at. I have little to no empathy for folks creating messes in natural and sensitive areas.
When you don't act, it is only getting worse over time -I know we need to work on systemic solutions for the problem. We are cleaning the camps, but the number of camps continues to increase year over year.
Nothing is actually being done to mitigate the problem, but I appreciate what is being done.

Sgt. Annie Hill; we have more users on the field map app and more people out working together to address this. –The numbers look big right now as since January we have a coordinated team and effort. The goal is to have a significant decrease.

Kelly Ohlson; I also have empathy for residents who don't want to go there anymore. The perception is that we are not doing enough. I have talked with residents who will not go to parts of the Poudre River Trail.
Is the funding coming from the General Fund?

Rupa Venkatesh; yes, the funding is coming from the General Fund.

Meaghan Overton; I was able to get an estimate for seasonal overflow 2020 – 2021 which would include November through April - $280K for that season.

Emily Francis; the longer we push it down the road – we continue to see increased numbers spent on clean ups but what are we doing to actually address the problem?

Rupa Venkatesh; we are looking at what are the other innovative programs that are already out there that can help PEH and we are also collaborating with our regional partners to help house individuals. You hit the two pieces of puzzle – we aren't just doing clean ups but also working on what we can do to help people so they don't have to camp.

Meeting adjourned at 5:00 pm

COUNCIL FINANCE COMMITTEE
AGENDA ITEM SUMMARY

Staff: Lance Smith, Sr. Director of Finance for Utilities
Gretchen Stanford, Utilities Deputy Director of Customer Connections

Date: July 6th 2023

SUBJECT FOR DISCUSSION

Utilities Billing System Appropriation

EXECUTIVE SUMMARY

An appropriation ordinance is being brought for your consideration from the Light & Power, Water, Wastewater and Stormwater enterprise funds' available reserves. The use of these reserves is necessary to implement a modern Utility Customer Information System – Customer Self Service Portal (CIS-CX) Solution. This appropriation request is the second, and final, such request related to the new CIS-CX.

The first request for $4.25M was made in March as the City was assessing vendor proposals. Those funds were appropriated earlier so that the City could begin the process of temporarily increasing staffing for the implementation while contract review and negotiations were being finalized. The City has now identified the Vendor of Choice, reviewed the functional requirements in detail with that vendor and negotiated terms of the contract sufficient to determine the amount of investment needed to successfully deploy a new CIS-CX. This appropriation request of $9,700,000, if passed by the full City Council, will provide the additional funding needed for all costs associated directly with the software deployment, software testing, training, and the organizational change management associated with moving onto a modern CIS-CX.

The total amount being requested for appropriation here is:

Software as a Service Implementation	$3,250,000
Software Licensing through Implementation	$2,400,000
Organizational Change Management	$1,500,000
Testing Protocol Development and Testing	$900,000
Training Development and Initial Training	$900,000
Business Process Analysis and Alignment	$750,000
Total	$9,700,000

With this appropriation, this CIS-CX implementation will begin in October of this year and be fully operational by the end of 2025.

GENERAL DIRECTION SOUGHT AND SPECIFIC QUESTIONS TO BE ANSWERED

1. **Does the Council Finance Committee support bringing an appropriation ordinance forward for the consideration of the full City Council to support the licensing and full implementation of the modernization of the Customer Information System – Customer Self Service Portal?**

BACKGROUND/DISCUSSION

In March the initial request for funds to move ahead with the selection, implementation and deployment of a modern Utility Customer Information System – Customer Self Service Portal (CIS-CX) Solution was brought to this Committee for consideration (See Attachment 1). Following the support of this Committee at that meeting, an appropriation ordinance for $4,250,000 was adopted by the City Council. Since that time, the following progress has been made on this effort:

- Following the 5 weeks of product demonstrations, the Vendor of Choice has been selected;
- Secured funding for anticipated expenses for project management, legal review of service contract, and to begin the process to temporarily backfill those positions needed for this implementation;
- Agreed to extensive contract requirements with the Vendor of Choice and refined the full implementation costs.

At that time it was explained that a second appropriation would be necessary before the capital investment is fully funded and the service contract could be signed. Costs associated with the full scope of the solution including data migration, software interfaces, business process mapping, organizational change management, testing and training, as well as the direct implementation of the selected CIS-CX, have been defined, discussed and negotiated by the outside project management consultants, the Vendor of Choice and Fort Collins Utilities. The funds being requested for the second, and final, appropriation associated with this software implementation will be utilized as follows:

Software as a Service Implementation	$3,250,000
Software Licensing through Implementation	$2,400,000
Organizational Change Management (OCM)	$1,500,000
Testing Protocol Development and Management	$900,000
Training Development and Initial Training	$900,000
Business Process Analysis and Alignment	$750,000
Total	$9,700,000

Software as a Service Implementation - $3,250,000

All of the Vendor of Choice's direct costs associated with the implementation itself are included here. The chosen solution is a hosted solution, meaning that it will reside on software servers owned and maintained by the Vendor of Choice. A dedicated implementation is expected to provide over 22,000 hours toward this implementation during the 24-month implementation schedule.

Software Licensing through Implementation - $2,400,000

Because this is a hosted software solution, the Vendor of Choice will begin realizing most direct costs associated with having a dedicated server at the beginning of the implementation. As such, monthly subscription fees will begin with the implementation itself, rather than at the time of going into production. Subscription fees will increase over time due to customer growth over a certain number and with modest, annual inflationary adjustments per contractual terms.

Organizational Change Management - $1,500,000

The current utility billing system will have been in place for over 20 years before this 24-month implementation is completed. Software capabilities have increased tremendously over the past 20 years which is one of the primary reasons for this modernization. This change will require strategic change management to be a successful transformation of the utility customer experience. Outside change management consultants will work together with internal change agents to ensure the success of this implementation while allowing employees to adapt and embrace this change.

Change management will be approached from both an organizational perspective as well as a more direct project perspective. From an organizational perspective outside change management consultants will work with Utility staff and leadership to mature the OCM capability within the organization. More specifically, focusing on how the new CIS-CX solution will be a major change itself, change management strategies will be developed and deployed to ensure the success change to this transformational application.

Testing Protocol Development and Management - $900,000

Testing is critical to any software upgrade, especially those that are intended to be seamless and consistent with previous software. This implementation will require rigorous functional testing, system integration testing, operational readiness testing, stress testing, and regression and user acceptance testing. Testing scripts will have to be developed consistent with current and anticipated rate structures and business processes.

Software as a Service (SaaS) is becoming more and more common with modern utility billing systems. There are several advantages to SaaS over traditional utility-hosted billing systems including having access to the latest releases of the software solution. However, in order to most efficiently manage all SaaS clients, it is necessary for software vendors to minimize the number of different release configurations clients are running at any given time. This is done through required software releases to clients throughout the year. Because of this, testing is done not just during the initial implementation but also throughout the life of the solution with new releases.

Training Development and Initial Training - $900,000

Any new application requires some training but a software application that is this critical to Utilities' success requires extensive training to ensure that employees understand and are confident and capable of utilizing the new CIS-CX. A Training Manager will help the City conduct a training needs assessment before developing training strategies, course curriculums and end user training materials specific to the job duties of each end user. All employees who will be utilizing the new CIS-CX will be trained prior to using the solution in their capacity.

Business Process Analysis and Alignment - $750,000

The new CIS-CX will be capable of supporting current rate structures and customer services and through regular updates will adapt as those change in the future. In order to understand how changes to any existing business processes may affect customers, it is necessary to understand all business processes that are part of the Meter to Cash lifecycle of each utility service provided. All existing business processes with touch points to the Meter to Cash lifecycle will be documented in an "As Is" state and then refined into a "To Be" state through workshops with subject matter experts and end users. These documented business processes will then serve as the basis for developing the necessary testing, training and future business process improvements.

Financial Considerations

Appropriation by Enterprise Fund

As the customer information and billing system is needed by each utility to generate monthly operating revenues, each utility requires such a system and therefore should contribute to the upgrade or replacement of such a system. While some rates are more complicated than others and some require meter consumption data to assess, billing for each utility requires much of the same information as any other utility. Because electric monthly charges are more complicated than flat stormwater rates and unmetered wastewater use, there are additional billing components for billing electric customers. Hence, it is appropriate to attribute more of the shared costs to Light & Power. A similar argument applies to Water billing. The annual subscription costs for this system are divided between the four utilities as follows:

Light & Power	50.0%
Water	25.0%
Wastewater	12.5%
Stormwater	12.5%

This same cost sharing ratio is proposed for the implementation costs:

Light & Power	$4,850,000
Water	$2,425,000
Wastewater	$1,212,500
Stormwater	$1,212,500
	$9,700,000

The total expected cost of implementing a modern, SaaS customer billing and portal will not exceed the combination of this and the previous appropriation requests:

First Appropriation (Ordinance No. 36, 2023)	$4,250,000
Second Appropriation	$9,700,000
Total Requested Appropriations	$13,950,000

Enterprise Fund Reserve Balances

The funds being requested herein will need to come from available reserves of each utility. These funds are above and beyond funds set aside within the reserves to meet minimum fund balance requirements and any previous appropriations made but not yet spent. As the table below shows, each enterprise fund has sufficient available reserves for both anticipated appropriations related to modernizing the CIS-CX solution.

($ are in millions)	Light & Power	Water	Wastewater	Stormwater
Available Reserves EOY 2022	$29.0	$45.1	$19.5	$15.0
LESS 2023-24 BFO Investments	($4.7)	($19.1)	($7.2)	($1.6)
LESS Initial CIS-CX Appropriation	($2.1)	($1.1)	($0.5)	($0.5)
Estimated Available Reserves	$22.2	$24.9	$11.8	$12.9
Amount Being Requested	($4.9)	($2.4)	($1.2)	($1.2)
Remaing Available Reserves	$17.3	$22.5	$10.6	$11.7

ATTACHMENTS

Attachment 1 – Agenda Item Summary from Initial Appropriation Request (CFC Meeting on March 3, 2023)

07/06/2023

Utilities Billing System Appropriation

Lance Smith

Senior Director of Finance for Utilities

Gretchen Stanford

Utilities Deputy Director of Customer Connections

City of Fort Collins

1. **Does the Council Finance Committee support bringing an appropriation ordinance forward for the consideration of the full City Council to support the licensing and full implementation of the modernization of the Utilities Customer Information System – Customer Self Service Portal?**

What: A modern customer portal and billing system on a hosted platform

Why: 1) The current system is outdated (> 20 years old) and uniquely configured over that period making it difficult to maintain or upgrade;
2) Our customers deserve a modern, platform independent customer portal to access their account and to change how and when they use their utility services

When: By beginning in October 2023 the 24-month implementation will be completed by the end of 2025.

At what cost:

1st Appropriation	$4,250,000
2nd Appropriation	$9,700,000
Total Solution Implementation	$13,950,000
Ongoing Annual Subscription Fees	$1,250,000 / yr

Project Management
- Managing project scope, installation plans, schedule and budget
- Minimizing project risks by proactively addressing issues as they arise
- Addressing staffing challenges for the Solution Provider and City

Quality Assurance
- Product testing and process validation
- Establishing clear service level expectations
- Ensuring project requirements are met within the initial project scope

Contract Review
- Outside Counsel will ensure that the City's and its ratepayers interests are front and center in the solutions agreements

Contractual Staffing
- Allow existing staff to focus on ensuring the new solution will meet business requirements

Software as a Service Implementation	$3,250,000
Software Licensing through Implementation	$2,400,000
Organizational Change Management (OCM)	$1,500,000
Testing Protocol Development and Management	$900,000
Training Development and Initial Training	$900,000
Business Process Analysis and Alignment	$750,000
Total	$9,700,000

Software as a Service (SaaS)

- Dedicated host platform created and subscribed software modules loaded
- Software interfaces established and customer data transferred

Software Licensing

- Software subscription fees are paid monthly

Organizational Change Management

- Outside certified Change Management Consultants will partner with internal Change Agents to ensure a successful implementation and engaged end users
- Increased organizational change management capabilities

Testing Protocol Development and Management

- Testing protocols will be developed and executed throughout implementation and future releases

Training Development and Initial Training

- Training strategies and materials will be developed and deployed following a needs assessment

Business Process Analysis and Alignment

- All business processes in the Meter to Cash lifecycle will be documented and optimized

Available Reserves

($ are in millions)	Light & Power	Water	Wastewater	Stormwater
Available Reserves EOY 2022	$29.0	$45.1	$19.5	$15.0
LESS 2023-24 BFO Investments	($4.7)	($19.1)	($7.2)	($1.6)
LESS Initial CIS-CX Appropriation	($2.1)	($1.1)	($0.5)	($0.5)
Estimated Available Reserves	$22.2	$24.9	$11.8	$12.9
Amount Being Requested	($4.9)	($2.4)	($1.2)	($1.2)
Remaining Available Reserves	$17.3	$22.5	$10.6	$11.7

1. **Does the Council Finance Committee support bringing an appropriation ordinance forward for the consideration of the full City Council to support the licensing and full implementation of the modernization of the Utilities Customer Information System – Customer Self Service Portal?**

COUNCIL FINANCE COMMITTEE
AGENDA ITEM SUMMARY

Staff: Lance Smith, Sr. Director of Finance for Utilities
Gretchen Stanford, Utilities Deputy Director of Customer Connections

Date: March 2nd 2023

SUBJECT FOR DISCUSSION

Utilities Billing System Appropriation

EXECUTIVE SUMMARY

An appropriation ordinance is being brought for your consideration from the utility enterprise funds. These funds are necessary to implement a modern Utility Customer Information System – Customer Self Service Portal (CIS-CX) Solution. Funds from the enterprise reserves are being requested just as the City completes the selection of a solution partner and before professional services are contracted. This appropriation request is necessary to allow the City to secure CIS-CX project management and solution quality assurance services through go-live, provide legal review of professional services contracts, and provide funding for hiring contractual staff throughout the implementation.

The total amount being requested for appropriation here is:

Professional QA and Implementation Management	$1,500,000
Contract Review and Counsel	$100,000
Contractual Implementation Staffing	$2,650,000
Total	$4,250,000

Once the full solution scope for the new CIS-CX is determined another appropriation, expected to be the last, will be requested for the direct solution costs including licensing and hardware.

GENERAL DIRECTION SOUGHT AND SPECIFIC QUESTIONS TO BE ANSWERED

1. **Does the Council Finance Committee support bringing an appropriation ordinance forward for the consideration of the full City Council to support the next phase of the modernization of the Customer Information System – Customer Self Service Portal?**

BACKGROUND/DISCUSSION

Fort Collins Utilities is currently conducting 5 weeks of onsite product demonstrations as the final review of proposals received for a modern Utility Customer Information System – Customer Self Service Portal (CIS-CX) Solution. The proposals were received after a deliberate 12-month process focused on identifying solution requirements, scrutinizing and rating every proposal received, performing reference checks of each solution provider with other utilities that have implemented the proposed solutions, planning the solution implementation schedule, staffing needs and quality assurance milestones, and having employees involved in the solution selection throughout the process and asking questions of the solution providers. This due diligence and deliberation is necessary to ensure that the selected solution partner and their CIS-CX will serve our community well as our community moves toward Our Climate Future and evolving how we serve our ratepayers and enhancing their customer experience with their municipal utilities.

Over the next few months, a solution partner will be selected and then a second appropriation will be presented to this Committee before the 24-month solution implementation can begin. It is anticipated that the City will successfully implement the new CIS-CX within 24 months, at which point the existing solution will be retired. The Capital Improvement Plans presented to the Council Finance Committee ahead of the 2023-24 Budgeting For Outcomes included up to $15M for this capital investment including the licensing and hardware.

This appropriation is being brought forward at this time to maintain the continuity of the implementation schedule and to ensure that the pricing reflected in the proposals are current and complete. Momentum for this implementation is building as staff are getting opportunities to see the benefits of modernizing and enhancing our customer's experience as well as focusing on simplifying the architecture and processes behind the customer interface to provide a stable, upgradable platform.

There are three categories of funding in this next phase of the CIS-CX modernization.

Professional Quality Assurance and Project Management Services

While many existing City employees have worked for decades with the current customer information and billing system, operating such a system requires a different skill set than upgrading or implementing an existing system into a new system. The new system may be hosted in the cloud or a more traditional in-house physical solution with different hardware requirements and interfaces. It may include different modules for a customer portal, social media, bill printing, etc. To effectively implement these new features and ensure that the City is receiving the functionality it is expecting, professional software implementation project management and quality assurance is required.

A scope of work has been developed for these services with a maximum fee through the implementation and go-live of the new solution. Because most of this work will be done remotely, travel expenses have been excluded from the not to exceed price for these services. Estimating some travel will be necessary, raises the amount being requested for these services including travel to $1,500,000.

Contract Review and Counsel

Prior to the City entering into a binding services agreement with the solution provider outside legal counsel may be sought as needed to ensure the final agreement is in the best interest of the City and ratepayers. It is requested that an amount of up to $100,000 be appropriated for this purpose.

Contractual Staffing

Many of the City's employees who work in and with the current customer information system will be involved in the implementation of the new solution. This is a best practice to ensure that the proposed solution is consistent with customer expectations and operational requirements. In order to have these employees available to focus on the implementation, staff will be augmented by contractual staff throughout the implementation, and post go-live quality assurance and testing. Based on the staffing plan developed for the solution implementation, the following contractual positions are needed before implementation:

4 Customer Service Providers	$288,000 / yr
1 Customer Experience Provider	$64,000 / yr
1 Billing & Accounts Receivable Specialist	$80,000 / yr
1 Field Service Lead	$100,000 / yr
5 Information Technology Solution Providers	$575,000 / yr
	$1,047,000 / yr

Because having these additional staff will be advantageous throughout the 24-month implementation with some needed beforehand and some afterward, in total for almost 2.5 years of augmentation it is estimated that contractual staff may require:

Contractual Staffing Appropriation = $2,650,000

In addition to the contractual staff discussed above who will backfill employees focused on the implementation, there will be a need for additional staffing for the duration of the project who will focus on leading testing of the solutions, developing training and training employees, implementing organizational change management, reviewing existing business processes and developing business analytics for the future solution. As these additional staff are not needed initially, this staffing need will be a part of the implementation appropriation once the solution partner is selected.

Appropriation by Enterprise Fund

As the customer information and billing system is needed by each utility to generate monthly operating revenues, each utility requires such a system and therefore should contribute to the upgrade or replacement of such a system. While some rates are more complicated than others and some require meter consumption data to assess, billing for each utility requires much of the same information as any other utility. Because electric monthly charges are more complicated than flat stormwater rates and unmetered wastewater use, there are additional billing components for billing electric customers. Hence, it is appropriate to attribute more of the shared costs to Light & Power. A similar argument applies to Water billing. The annual subscription costs for this system are divided between the four utilities as follows:

Light & Power	50.0%
Water	25.0%
Wastewater	12.5%
Stormwater	12.5%

This same cost sharing ratio is proposed for the implementation costs.

Light & Power	$2,125,000
Water	$1,062,500
Wastewater	$531,250
Stormwater	$531,250
	$4,250,000

Enterprise Fund Reserve Balances

The funds being requested herein would come from available reserves of each utility. These funds are above and beyond funds set aside within the reserves to meet minimum fund balance requirements and any previous appropriations made but not yet spent. As the table below shows, each enterprise fund has sufficient available reserves for both anticipated appropriations related to modernizing the CIS-CX solution.

	Light & Power	Water	Wastewater	Stormwater
Available Reserves EOY 2021	$41.4	$41.3	$19.1	$14.5
Mid-year 2022 Appropriations	($26.1)	$0.0	$0.0	$0.0
2023-24 BFO Use	($1.0)	($29.3)	($7.7)	($2.3)
2022 Revenues Above Budget	$11.2	$3.5	$1.2	$0.2
2022 Expenses Below Budget	$1.9	$7.4	$1.8	$2.2
Estimated Available Reserves	$27.4	$22.9	$14.4	$14.6
Amount Being Requested	($2.1)	($1.1)	($0.5)	($0.5)
Remaining Available Reserves ($M)	$25.3	$21.8	$13.9	$14.1

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

COUNCIL FINANCE COMMITTEE
AGENDA ITEM SUMMARY

Staff: Molly Saylor and Jacob Castillo

Date: July 6, 2023

SUBJECT FOR DISCUSSION Sustainable Timberline Recycling Center (TRC) planning update

EXECUTIVE SUMMARY

Staff will provide an update on the "Sustainable TRC" planning project, including the results of an operator scenario analysis. The analysis compares continuing to leverage a contracted vendor for hauling and "Hard-to-Recycle" yard operations with bringing hauling and operations fully in-house. Impacts are compared across six goals for the site, including a quantitative financial analysis. Findings from the financial analysis demonstrate for between $33,000 and $149,000 in projected additional cost, the community could see significant benefits across several goal areas. Based on these findings, staff plans to submit an offer to bring the TRC fully in-house as part of the budget revision process.

GENERAL DIRECTION SOUGHT AND SPECIFIC QUESTIONS TO BE ANSWERED

1. What questions do you have about the findings of the operator scenario analyses?
2. What questions do you have about a revision offer to bring the TRC in-house?

BACKGROUND/DISCUSSION

Past Council Finance Committee (CFC) guidance: CFC meeting on 07.07.21 requested staff conduct further analysis on bringing TRC operations fully in-house and to come back for further discussion.

Sustainable TRC project history. The Timberline Recycling Center opened at its current location in 2017. Leveraging the first five-years of experience at the site, staff initiated a process to create a new five-year plan for the site, including:

- Operational aspects (including operator scenarios)
- A review of accepted materials and new circular economy and recycling opportunities
- Equipment replacement planning
- Accessibility and equity aspects of the site
- A long-term vision for the TRC expressed as site-specific goals

Planning timeline. The Sustainable Timberline Recycling Center (S-TRC) project began in 2021 and included an initial conversation with the Council Finance Committee. After a pause to focus staff efforts on the Contracted Waste Hauler project, staff reinitiated the project in early 2023 focusing initially on operator scenarios. The project phases are:

- Phase I: Deeper dive into and decision-making on whether to bring TRC operations in-house
    - Consider impact to TRC goals
    - Consider impact to City finances

- Phase II: Focus on 5-year site plan and operational decisions toward long-term vision

TRC goals and operator scenarios. The current operator scenario is one in which all the hauling for the site (free Everyday-Recyclables Yard and paid Hard-to-Recycle Yard) is contracted out to a vendor. The same vendor also operates the Hard-to-Recycle Yard.
An alternative operator scenario is to bring hauling and operations of the entire site "in-house" to be operated by City staff. There are trade-offs with each scenario. To compare options on a consistent basis, staff have identified six high-level goals for the TRC and have compared operator scenarios across each goal (qualitatively and, when possible, quantitatively). The goals for the site include:

- **Diversion**. Recycle as many materials as possible by expanding hard-to-recycle materials and providing convenient drop-off for everyday recyclables.
- **Safety**. Operations are safe for employees and customers.
- **Financial responsibility**. The site manages its financial resources in a responsible way, minimizing City costs while maintaining performance on other goals.
- **Service**. Maintain excellent customer service, in keeping with community and City standards.
- **Accessibility and inclusion.** Ensure site is inclusive for all parts of the Fort Collins community, especially BIPOC and disabled community members.
- **Flexibility.** Recognizing how fast the Colorado recycling landscape is evolving, ensure the site can quickly evolve.

Approach and key assumptions.

- Staff has approached these analyses qualitatively and, for financial responsibility, also quantitatively.
- Key assumptions about City's role in each scenario
    - Contracted scenario (status quo):
        - Manage contract and vendor (note: all ongoing costs are pass-through)
        - Provide site supervision for the Everyday-Recyclables Yard
        - Own and operate equipment for Everyday-Recyclables Yard
    - In-house scenario (alternative):
        - Manage and supervise the entire site (i.e., both yards), including staffing (3.0 FTE)
            - Gatehouse staff (2.0 FTE)
            - Driver (1.0 FTE)
        - Haul materials for the entire site
            - Purchase truck
        - Purchase equipment for Hard-to-Recycle Yard (capital costs) thus owning all equipment for the entire site.
        - Provide safety and customer service training for operations and hauling staff.

Results of operator scenario analyses

Financial responsibility (quantitative)
The below table summarizes financial analysis comparing the cost of bringing these services in-house versus contracting it out, using assumptions reflecting *current conditions*.

	Contract	In-House	Diff btw contract and in-house	In-House (Range)	Context
Up-front capital	**N/A**	**$298k**	**$298k**	**$298k**	
Annual operational costs	**$380k**	**$562k**	**$182k**	**$450k - $701k**	
Staffing	$195k	$351k	$156k	$317k - $413k	• Data - Driver embedded in hauling • Delta - City pays more competitive wages
Equipment Replacement	$29k	$81k	$52k	$67k - $95k	• Data - Depreciation of operator equipment embedded elsewhere
Hauling & Maintenance	$150k	$124k	$(26k)	$111k - $137k	• Data - Also includes driver
Site expenses	$58k	$58k	-	$49k - $65k	• Not operator dependent
Commodities	$(1k)	$(1k)	-	$(47k) - $45k	• Not operator dependent
Gate fees	$(50k)	$(50k)	-	$(46k) - $(54k)	• Not operator dependent

Orange = W-N is lower; green = City is lower; grey = no difference

Note: Not all data for the contracted scenario is possible to parse into the same categories as the in-house scenario. The context column indicates how data is aggregated between categories (see context marked "data") and highlights factors that drive true differences between scenarios (see context marked "delta").

Key takeaways:

- Projected $182,000 additional cost to bring TRC in house.
- Primary element of cost difference is increased wages for City employees.
- Results represent historical and current conditions - Influencing factors could increase costs toward the high end of the range in either scenario.

The below table summarizes a second financial analysis comparing possible *future* costs of bringing services in-house versus contracting it out. The key difference is increased hauling rates, which is a likely change when the contract is renewed in 2026.

	Contract	In-House	Diff btw contract and in-house	In-House (Range)	Context
Up-front capital	**N/A**	**$298k**	**$298k**	**$298k**	
Annual operational costs	**$529k**	**$562k**	**$33k**	**$450k - $637k**	
Staffing	$195k	$351k	$156k	$317k - $413k	
Equipment Replacement	$29k	$81k	$52k	$67k - $95k	
Hauling & Maintenance	$299k	$124k	$(175k)	$111k - $137k	• Increased hauling costs of $149k
Site expenses	$58k	$58k	-	$49k - $65k	
Commodities	$(1k)	$(1k)	-	$(47k) - $45k	
Gate fees	$(50k)	$(50k)	-	$(46k) - $(54k)	

Note: red cells indicate a flip to greater cost and green highlights in-house as lower cost

Key takeaways:

- Hauling rates may increase by $149k over today's rates.
- Considering this, the additional cost of bringing the TRC in-house ranges from $33k to $182k depending on how contracted hauling rates increase.
- Continued use of outside contractors may expose the City to cost increases higher than internal operations.

Other goals (qualitative). The qualitative information gathered by the project team is presented as potential clear or possible trade-offs, depending on staff's level of certainty and experience with the topic. These trade-offs are outlined in the tables below.

Goal	Possible risks	*Clear* benefits
Diversion	N/A (costs are pass-through in contract)	Reduced barriers & increased flexibility to implement new services
Safety	City sole entity liable if safety issue	Control frequency & content of safety training
Financially responsible	Increase in cost generally and up to $140k additional cost if equipment fails, costs of diesel rise significantly, or additional staffing is needed	Can more closely track financials and quickly pivot as recycling markets fluctuate. Protected from vendor price increases.
Service	Potential shortage of qualified applicants	Control frequency & content of customer service training

Goal	Possible risks	*Possible* benefits
Accessible & inclusion		Flexibility in implementing equity and inclusion focused strategies on-site
Flexibility		Increase in ability to respond to changing conditions and needs across all goals

Key takeaway: For an estimated $33k-$182k annual increase in costs, the community could see substantial benefits across all goal areas and there are possible risks associated with bringing the TRC operations and hauling fully in-house to consider.

Next steps. Based on the results of the operator scenario analysis, staff believes the best course of action is to transition operations of the TRC in-house. If the Committee supports staff's recommended course of action, a Budgeting for Outcomes (BFO) offer will be prepared and presented for Council consideration as part of this year's revision process.

To facilitate the transition, staff will:

- Give notice to the vendor (contingent upon Council's approval of the budget as part of the mid-cycle budget revision) of the City's intent to transition the site's operations and hauling in-house.
- Create a plan and timeline for the transition in site operations and hauling.
    - Staff anticipates the transition would be complete between mid-2025 and mid-2026 and variability due to outside factors (e.g. supply chains) is possible.
    - The transition timeline is largely driven by lead-times of 14-18 months to secure a truck for hauling.

ATTACHMENTS – No attachments other than the presentation

07/06/2023

Sustainable TRC - Council Finance Committee

Presented by:

Jacob Castillo

Chief Sustainability Officer

Molly Saylor

Interim Waste Reduction and Recycling Manager

Compiled by:

The S-TRC project team

Caroline Mitchell, Javier Echeverría, Sheela Backen, Molly Saylor

City of Fort Collins

1. What questions do you have about the findings of the operator scenario analyses?

2. What questions do you have about a revision offer to bring the TRC in-house?

Sustainable TRC project:

- Next 5-year plan for site

Goals of project:

- Phase I: Deeper dive into and decision-making on whether to bring TRC operations in-house
    - Consider impact to TRC goals
    - Consider impact to City finances

- Phase II: Create a 5-year vision for the site, including accepting additional materials and expanding community opportunities at the site to make progress toward TRC goals

Past CFC guidance: CFC meeting on 07.07.21 requested staff conduct further analysis on bringing TRC operations in-house and to come back for further discussion.

Goal	Framing
Diversion	Recycle as many materials as possible by expanding hard-to-recycle materials and providing convenient drop-off for everyday recyclables
Safety	Ensure the site is safe for employees and customers
Financially responsible	The site manages its financial resources in a responsible way, minimizing City costs while maintaining performance on other goals
Service	Maintain excellent customer service, in keeping with community and City standards
Accessible & inclusion	Ensure site is inclusive for all parts of the Fort Collins community, especially BIPOC and disabled community members
Flexibility	Recognizing how fast the Colorado recycling landscape is evolving, ensure the site can quickly evolve

Ability to impact goals:

- Current: *influence*
- If operations were in-house: *direct*

City's current role:

- Manage contract and contractor (all ongoing costs are pass-through)
- Provide site supervision for the Everyday-Recyclables Yard
- Own and operate equipment for Everyday-Recyclables Yard

Bringing TRC in-house adds:

Providing staffing (3 FTE) for

  - Gatehouse staff
  - Driver

- Hauling for the entire site
- Purchasing truck and equipment for Hard-to-Recycle Yard (capital costs)
- Providing safety and customer service training for operations and hauling

Key takeaway: After equipment has been purchased, the primary change would be managing staffing and hauling

Scenario Results – Current Conditions

	Contract	In-House	Diff btw contract and in-house	Context
Up-front capital	**N/A**	**$298k**	**$298k**	
Annual operational costs	**$380k**	**$562k**	**$182k**	
Staffing	$195k	$351k	$156k	• Data - Driver embedded in hauling • Delta - City pays more competitive wages
Equipment Replacement	$29k	$81k	$52k	• Data - Depreciation of operator equipment embedded elsewhere
Hauling & Maintenance	$150k	$124k	$(26k)	• Data - Also includes driver
Site expenses	$58k	$58k	-	• Not operator dependent
Commodities	$(1k)	$(1k)	-	• Not operator dependent
Gate fees	$(50k)	$(50k)	-	• Not operator dependent

Orange = W-N is lower; green = City is lower; grey = no difference

Key takeaways:

- Projected $182,000 additional cost to bring TRC in house
- Primary element of cost difference is increased wages for City employees
- Results represent historical and current conditions - Influencing factors could increase costs toward the high end of the range in either scenario

Scenario Results – Potential Future

	Contract	In-House	Diff btw contract and in-house	Context
Up-front capital	**N/A**	**$298k**	**$298k**	
Annual operational costs	**$529k**	**$562k**	**$33k**	
Staffing	$195k	$351k	$156k	
Equipment Replacement	$29k	$81k	$52k	
Hauling & Maintenance	$299k	$124k	$(175k)	• Increased hauling costs of $149k
Site expenses	$58k	$58k	-	
Commodities	$(1k)	$(1k)	-	
Gate fees	$(50k)	$(50k)	-	

Orange = W-N is lower; green = City is lower; grey = no difference

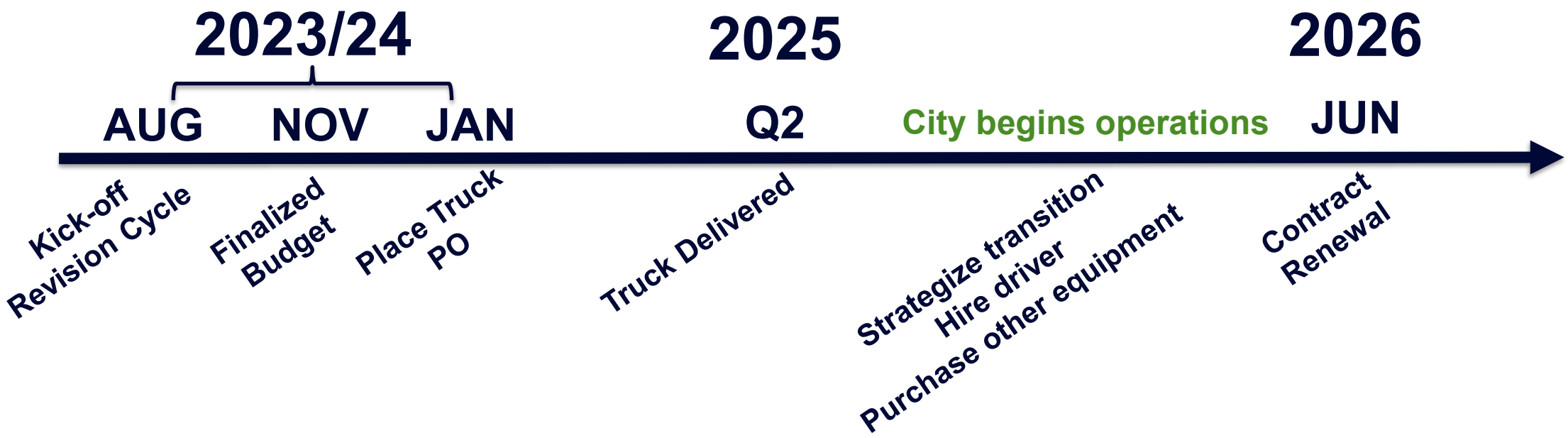
Key takeaways:

- Hauling rates may increase by $149k over today's rates
- **Considering this, the additional cost of bringing the TRC in-house ranges from $33k to $182k**
- Continued use of outside contractors may expose the City to cost increases higher than internal operations

Goal	Possible risks	*Clear* benefits
Diversion	N/A (costs are pass-through in contract)	Reduced barriers & increased flexibility to implement new services
Safety	City sole entity liable if safety issue	Control frequency & content of safety training
Financially responsible	Increase in cost generally and up to $140k additional cost if equipment fails, costs of diesel rise significantly, or additional staffing is needed	Can more closely track financials and quickly pivot as recycling markets fluctuate. Protected from vendor price increases.
Service	Potential shortage of qualified applicants	Control frequency & content of customer service training

Goal	Possible risks	*Possible* benefits
Accessible & inclusion		Flexibility in implementing equity and inclusion focused strategies on-site
Flexibility		Increase in ability to respond to changing conditions and needs across all goals

Key takeaway: For an estimated $33k-$182k annual increase in costs, many benefits could be gained



14-18 Month from truck order to delivery

12-14 Month from delivery to contract renewal

1. What questions do you have about the findings of the operator scenario analyses?

2. What questions do you have about a revision offer to bring the TRC in-house?

COUNCIL FINANCE COMMITTEE
AGENDA ITEM SUMMARY

Staff: Blaine Dunn, Accounting Director

Date: July 6, 2023

SUBJECT FOR DISCUSSION

Bond Issuance: Light and Power & Connexion

EXECUTIVE SUMMARY

City staff is seeking $60M in financing through a bond offering for a October 2023 closing. These funds will be used for work need in the light and power utility ($40M) and additional capital needs in Connexion ($20M).

GENERAL DIRECTION SOUGHT AND SPECIFIC QUESTIONS TO BE ANSWERED

Does the Committee support bringing a bond issuance Ordinance to Council on August 15th?

Does the Committee support bringing an appropriation Ordinance to Council on August 15th?

BACKGROUND/DISCUSSION

Light and Power
Projects for the Light and Power utility are identified through the strategic financial plan, attached to this AIS. Through the continued capital improvement plan, the Light and Power team have identified several areas needing investment. The primary use of the funds will be to build a new substation in the northeast part of town, help with additional costs due to supply chain issues with transformers, additional system additions, and additional annexation costs being faced by the utility.

Connexion
In March 2023, Council authorized the reimbursement of capital expenditures through the issuance of bonds. Connexion has now exhausted all currently available funds. Staff presented updated financial projections for Connexion at the January 10, 2023, Work Session. In that meeting, the capital project estimate was updated, reflecting a need to access approximately $16 million additional capital to complete the network build-out and customer ramp-up by the end of 2024. An additional $3 – $5 million for excess operating expenses was also estimated to be needed.

These estimates remain unchanged. The table below highlights the original Business Plan capital assumptions, approved spending updates, project spending to date and the current project estimate.

Description	Business Plan and Approved Updates	05/31/2023 LTD Spent	Current Project Estimate thru Dec 2024
Network Build	$84M	$109M	$110M
Installation (On Trac, boring)	$13M	$20M	$36M
Equipment & All Other	$12M	$11M	$12M
Subtotal Business Plan	$109M		
Contingency & Re-deploy – Sept. 2021	$13M		
L&P Reserves Appropriated – Apr. 2022	$20M		
Total Capital Budget/Estimate	$142M	$140M	$158M

Connexion's maximum funding need is expected by December 2024, with 2025 expected to be breakeven before the generation of excess cashflows that will be able to service the L&P reserve usage payback plus new bonding commitments. To date, Connexion has issued $129.6 million of the $150 million voter approved amount to support Connexion's build. This leaves over $20 million available for additional funding needs.

Debt Structure

The City is seeking to borrow a total of $66.1M, $66.5M ($60M of principal) for the projects and $550k in closing costs, with the bonds. The bonds will have a fixed interest rate and a mixed repayment term of 21 years. Light and Power will make level debt service payments throughout the term, while Connexion will pay interest only until the previous 2018 bonds are paid off. Connexion will then pay off the remaining principal balance in two years. The City will make semiannual payments starting in 2024 with the last payment occurring in December 2044. The average annual debt service for Light and Power will be $3.1M. Connexion will pay $1M each year, until paying off principal with debt service of $10.7M.

ATTACHMENTS

Attachment 1 – PowerPoint
Attachment 2 – Strategic Financial Plan Light & Power

07-06-23

2023 Light & Power / Connexion Financing

Blaine Dunn

Accounting Director

Agenda

- Project information
- Debt Issuance Process
- Debt structure

Council Finance Question

Does the Committee support bringing forward a bond issuance Ordinance to Council on August 15th?

Does the Committee support bringing forward an appropriation Ordinance to Council on August 15th?

Connexion

- At the January 10, 2023, Council Work Session, the need was identified for additional funding to complete the network buildout and customer ramp-up.

- This outlook remains the same

- Approximately $20 million additional funding is needed:
  - $16 million for capital
  - $4 million for operations

- December 2024 is timeframe for maximum need with 2025 projected as breakeven (revenues covering capital, operating expenses and debt payments).

- Connexion has exhausted the existing L&P reserve usage appropriation of $20 million

- In March 2023, Council authorized Connexion to use bond proceeds to reimburse expenditures related to the construction

Estimate borrowing $20M

Light and Power

- Projects are based on most recent Capital Improvement Plan

- Projects include:
  - New substation in northeast
  - Continued system additions
  - Supply chain issues with transformers
  - Updated annexation costs

Estimate borrowing ~$40M

Debt Issuance Process

- **Issuance Options**
  - Negotiated Sale
  - Private Placement
  - Competitive Bid

- **Currently planning Competitive Bid**
  - Leverage market conditions for municipal utilities
    - Market appears to favor competitive bid
  - Strong credit for Electric and Telecom utility in the market
  - Will take competitive bids from underwriters in September

- **Ordinance will leave option open for Negotiated Sale**
  - If market conditions change, management will work with Bond Advisor if issuance change is needed

Cost Share

- Total Principal $60M
  - Light and Power $40M
  - Connexion $20M

- Light and Power Payments
  - $3.1M each year

- Connexion Payments
  - $1M years 1-19
  - $10.75M year 20-21

Debt Share Allocation ($ in millions)			
	Total	Light & Power	Connexion
Debt Obligation	$ 60	$ 40	$ 20
% Share		66%	33%
Borrow-Principal	$ 60,000,000		
Term	21		
Interest*	4.37%*		
Payments	Years 1-21: $3.1 M	Years 1-19: $1 M Years 20-21: $10.75 M	

*Market rates as of 06/23/23; subject to change

Debt Structure

- 21 year term
- Fixed interest rate
- Semiannual payments starting in 2024
- Last payment 2044
  - Light and Power will make even debt payments until 2044
  - Connexion will pay interest only for 18 years and pay off balance in 2044

- Proceeds:

Issuance Costs*	$0.55M
Project Amounts (Principal)	$60M
Premium*	$6.1M
Total Proceeds	$66.1M

*estimate subject to change

Key Upcoming Dates

- **August 14** Determination of Method of Sale
- **August 15** City Council First Reading of Authorizing Ordinance and Appropriation Ordinance
- **August 24-28** Conference calls with rating agencies
- **September 5** City Council Second Readings
- **September 8** Rating results received
- **September 15** Notice of sale posted
- **September 26** Marketing of bonds on Parity
- **October 11** Closing and delivery of proceeds

Council Finance Question

Does the Committee support bringing forward a bond issuance Ordinance to Council on August 15th?

Does the Committee support bringing forward an appropriation Ordinance to Council on August 15th?

2022 10-Year Strategic Financial Plan

City of Fort Collins Utilities

Light & Power

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Purpose of the Strategic Financial Plans

The strategic financial plans are intended to provide a 10-year plan for the efficient and effective financial management of each utility in a manner that is consistent with the City's values and mission and aligned with the City's biennial Budget Process and Strategic Planning Process. Much of the long-term strategic direction for each utility requires significant capital investment spanning more than one budget cycle and while the magnitude of the required investment may be included in the capital improvement plans, the financial capacity and strategies to meet these challenges is beyond the scope of such plans. Capital improvement projects should be prioritized through an asset management program to ensure alignment with the City's strategic objectives and proper planning to achieve the targeted levels of service for each utility to our community.

Whereas strategic planning sets the operational direction of where the utilities are going in the future, strategic financial planning provides a financial context for this movement. The strategic financial plans ensure the long-term operational and fiscal objectives and level of service targets for each of the utilities are met in a financially sustainable and resilient manner. The strategic financial plans outline the projected financial health, long-term revenues and expenditures, debt position and recommended financial strategies necessary to achieve the operational objectives and targeted levels of service for each of the four utilities over the next 10 years.

2021 Financial Overview

Note: This enterprise fund consists of both an electric utility and an internet utility. This report only speaks to the electric utility.

As the table below shows, the three main financial metrics from a long-term financial planning perspective were met in 2021. The operating margin, the excess in operating revenues after covering all operating expenses including depreciation, continued to improve in 2021 driven by significant recent rate increases at the upper limit of the targeted range as well as limited growth in operating expenses. More modest rate adjustments in the next 10 years between 2 and 4% will be necessary to maintain this positive operating margin.

	Strategic Financial Plan Target	2017	2018	2019	2020	2021	2022 Target
Operating Margin	> 2.0%	-3.6%	-5.6%	-1.1%	2.5%	5.6%	3.0%
Debt Coverage Ratio	> 2.0	6.9	-	-	-	-	-
Rate Adjustment	< 5.0%	3.45%	1.8%	5.0%	5.0%	3.0%	2.0%

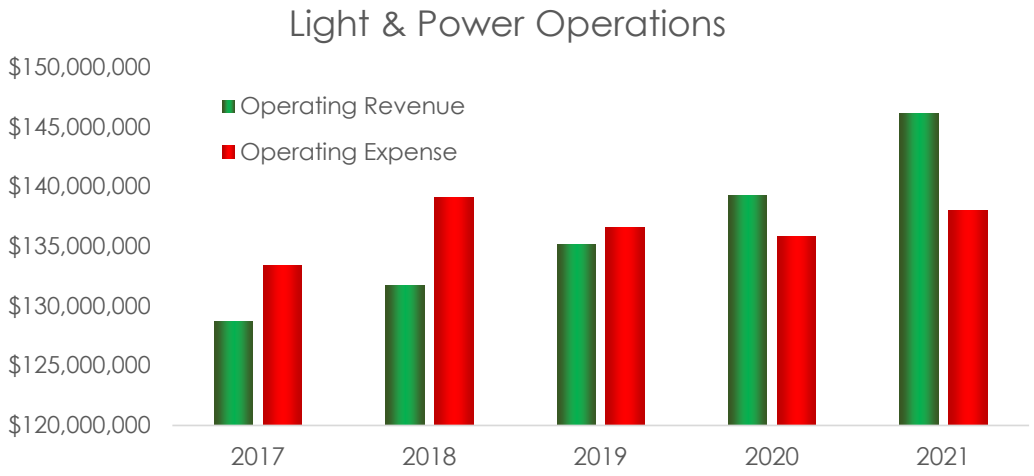
$$\text{Operating Margin} = \frac{\text{(Operating Revenues from Monthly Charges) - (Operating Expenses including depreciation)}}{\text{(Operating Revenues from Monthly Charges)}}$$

$$\text{Debt Coverage Ratio} = \frac{\text{(Net Pledged Revenues consisting of Operating Margin + Development Fees + Earned Interest)}}{\text{(Annual Debt Service Expense)}}$$

The debt coverage ratio is shown as if there is no outstanding debt. This enterprise fund does have outstanding debt of $129.6M at the end of 2021 related to Connexion, however, because it is not directly

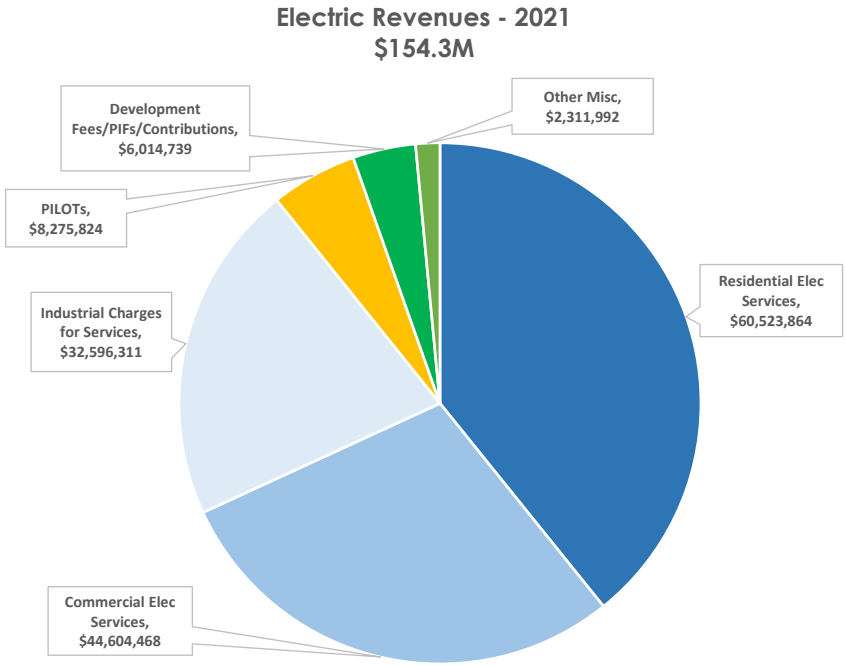
associated with electric infrastructure, it is not driving any rate adjustments for electric services and therefore not included in this table. The combined electric and internet net pledged revenues are sufficient to maintain the targeted debt coverage ratio of 2.0 for this debt.

Operating revenues had grown through modest rate adjustments at a steady rate of 2-3% before increasing 5% in 2021. Total energy sales continue to be flat with modest customer growth offset by conservation efforts. This has allowed for the operating income to turn positive as operating expenses have grown at a slower rate – still not exceeding the peak seen in 2018. However, inflationary pressures are being seen across the utilities for materials and labor as we begin the 2023-24 budget cycle.

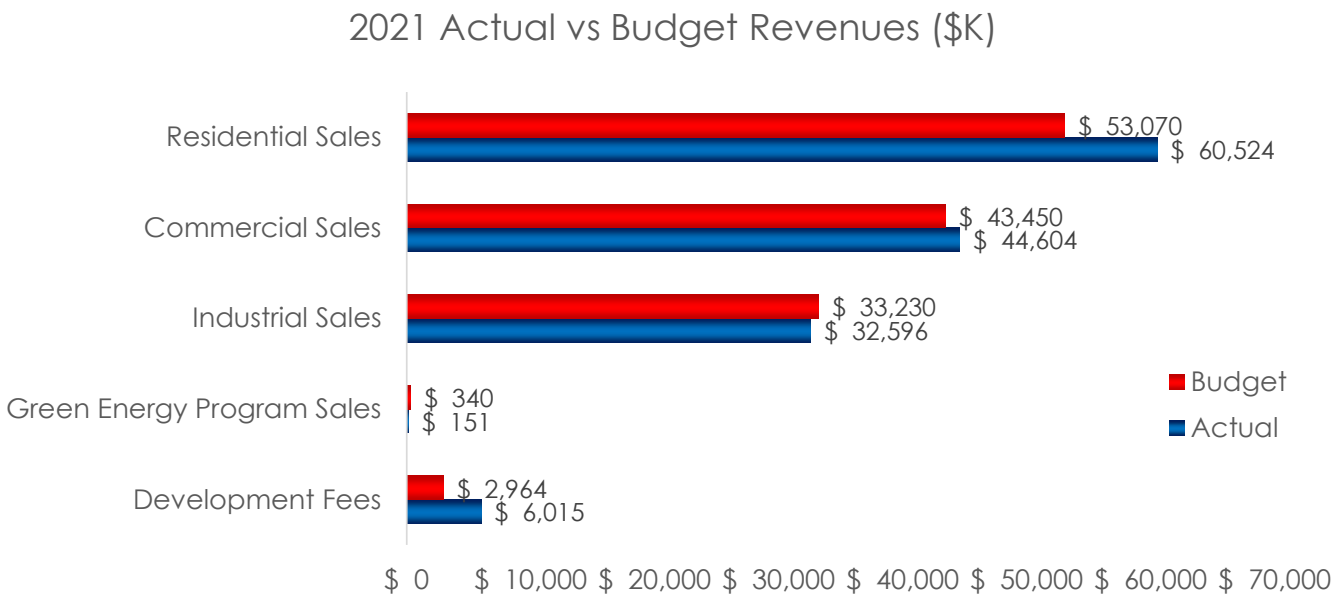


2021 Revenues

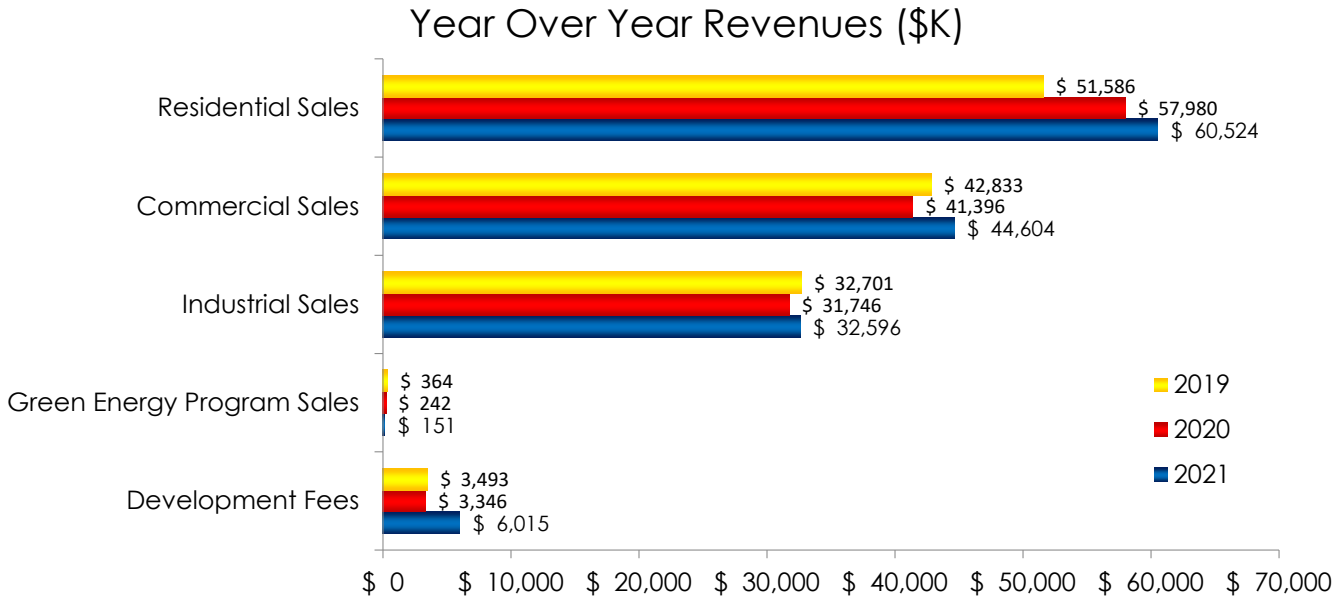
Total revenues associated with electric services grew by 7.0% in 2021 over 2020. Revenues for residential services remain the largest contributor.



Operating revenues exceeded the budget by $8.3M in 2021 primarily driven by continued growth in residential sales. This was consistent with what was seen in 2020, particularly after the COVID pandemic began in March of 2020. Commercial and industrial revenues were closer to the budgeted amounts in 2021 than in 2020 with commercial revenues slightly exceeding the budget. Non-operating revenues from development fees were twice what was realized in 2020 and were adequate to cover the system additions and replacements completed in 2021. Revenues are budgeted conservatively to account for weather variability and other uncertainties.

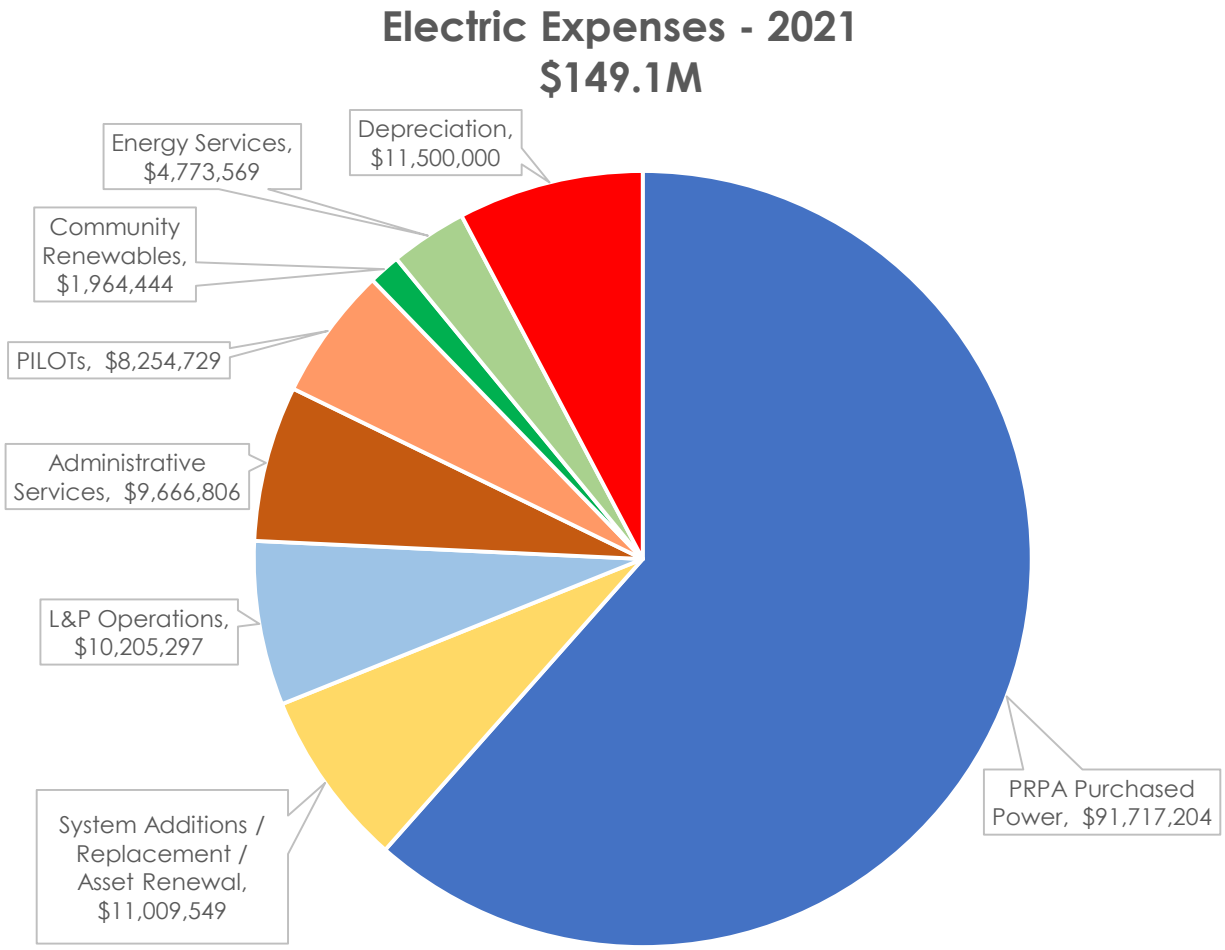


The three-year trend below shows stable revenues throughout the pandemic and reflects the associated shift from the workplace to remote work.

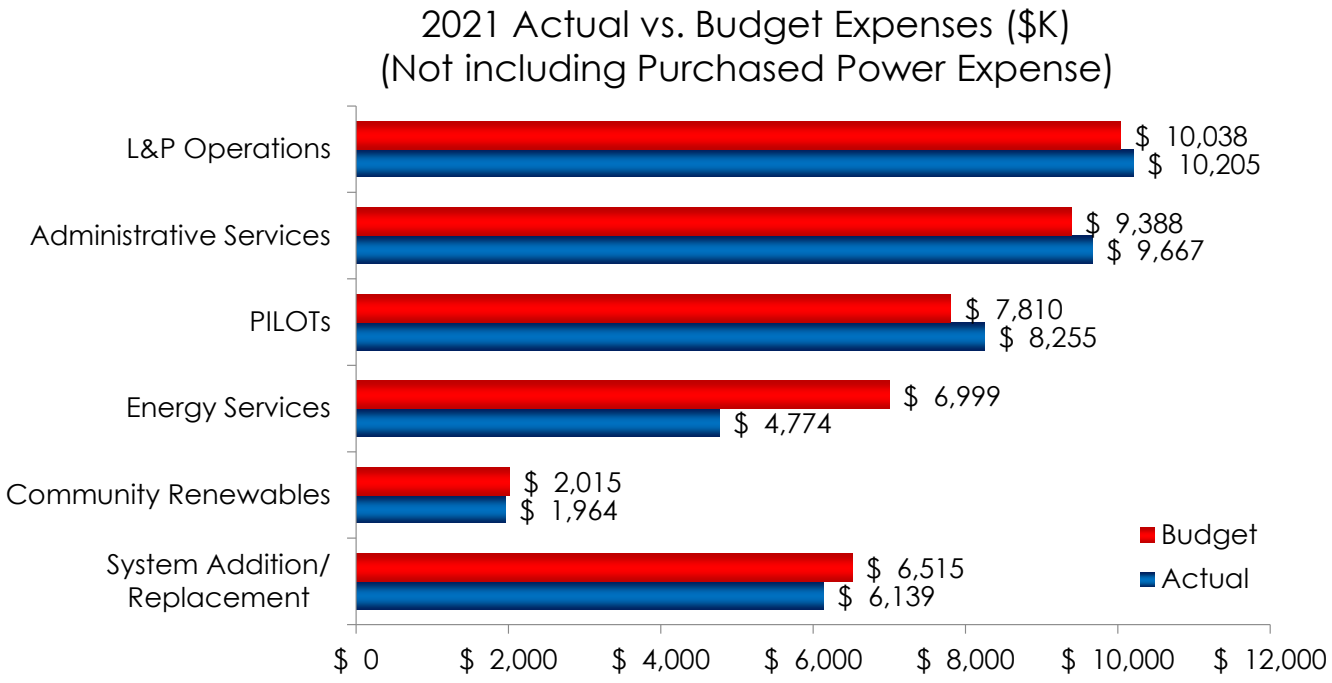


2021 Expenses

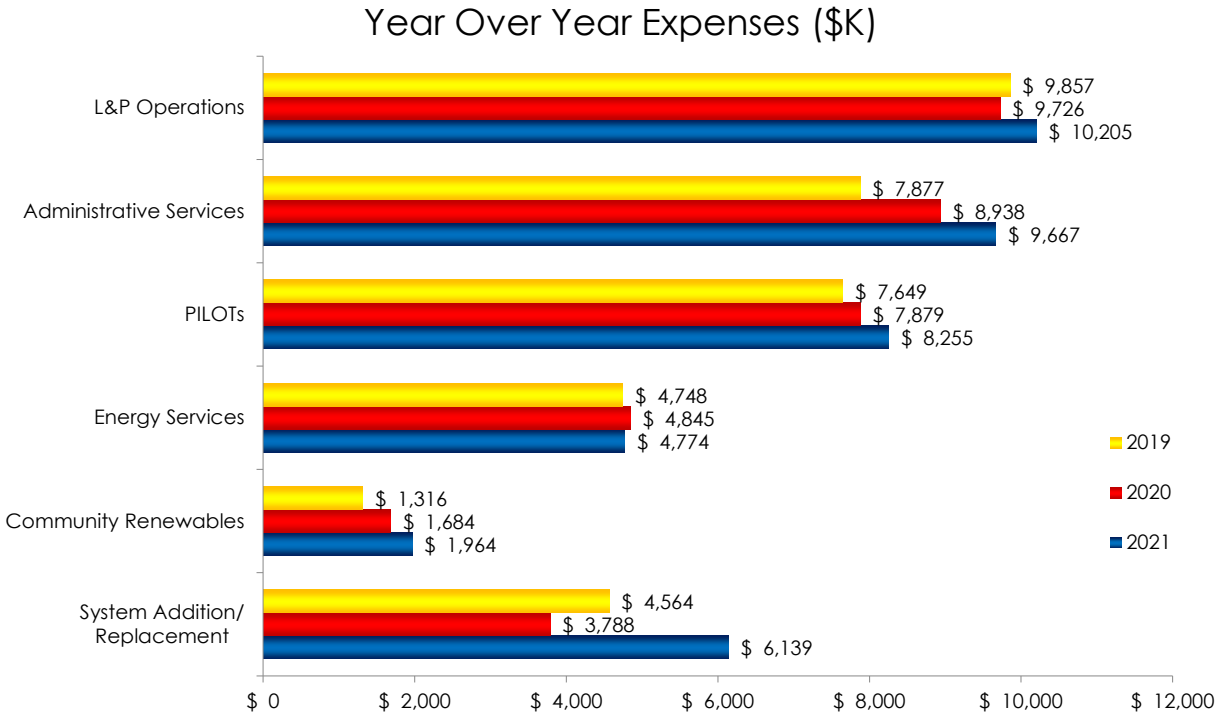
Total expenses for electric services and capital investment grew 3.8% in 2021 over 2020. With depreciation, PRPA purchased power costs comprised 62% of total expenses. Without depreciation and system additions, replacements and asset renewal expenses, none of which are included in rate considerations, these purchased power costs represent 72% of expenses.



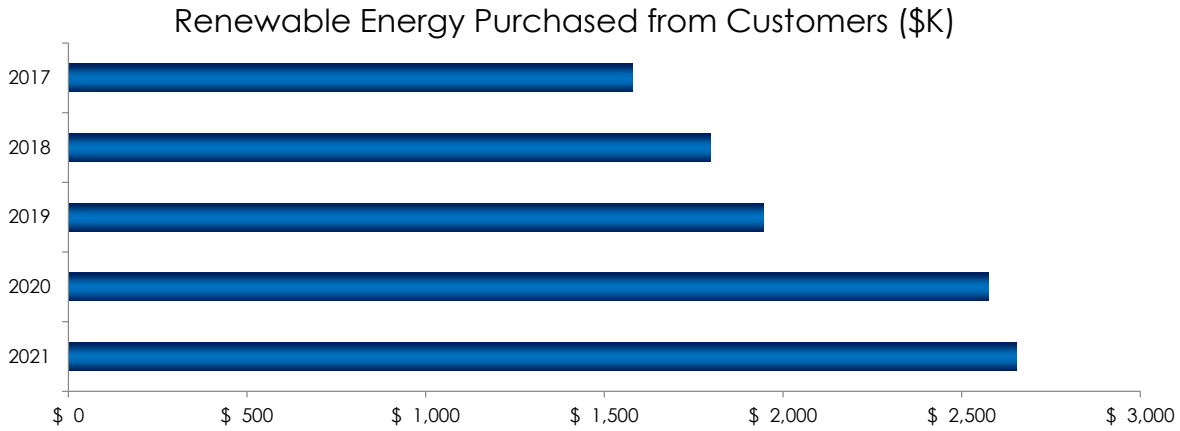
Operating expenses were below budget in 2021 by $6.4M primarily due to lower than anticipated energy purchases. The purchased power expense from Platte River Power Authority (PRPA) was $4.7M below budget before any weather normalization. Aside from the PRPA generation and transmission expense which is not included in the graph below, Light & Power operations and administrative expenses were very close to budget. Administrative expenses are expected to be below budget before the financials are fully settled for 2021 over the next few months. PILOTs refer to the 6% transfer to the General Fund for payment in lieu of taxes (PILOTs) and exceeded budget based on realized operating revenues which themselves were higher than budgeted. Energy Services were $2.5M, or 32%, below budget and essentially flat to the previous two years. Just as revenues are budgeted conservatively, expenses are budgeted adequately to ensure that the annual appropriations made by City Council are not exceeded per Municipal Code.



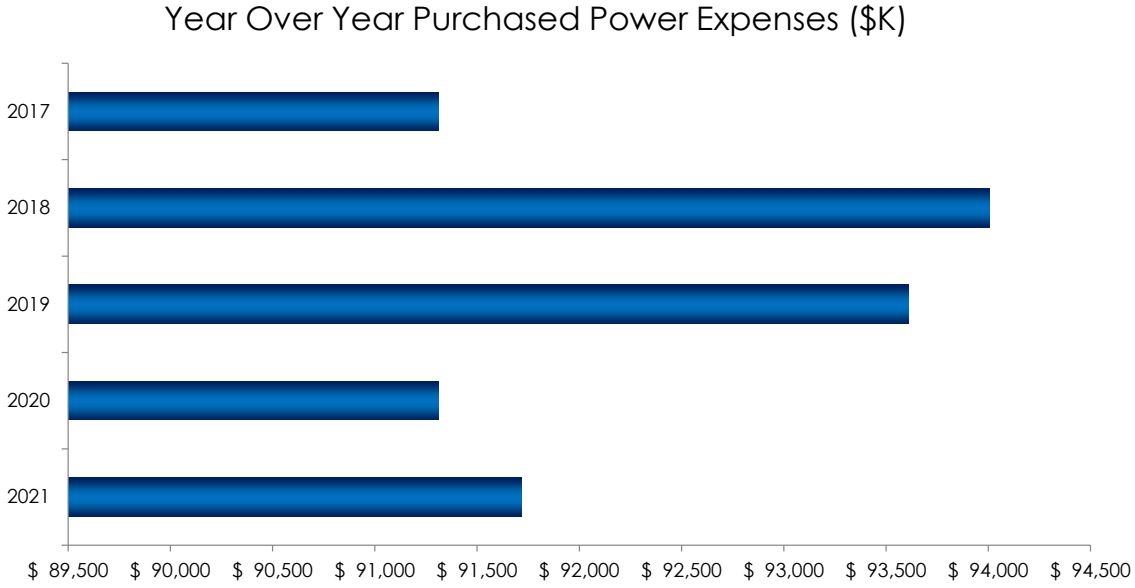
The three-year trend below shows growth by major expense categories. The growth in administrative expenses reflects increased costs associated with higher executive consulting expenses within Utilities, updating the administrative charges model from general municipal services as well as higher than anticipated bad debt expense related to the pandemic.



Community renewables consist of energy purchased from "customer-generators" producing energy through solar generation. The five-year trend shown below reflects the growth of such generation on the distribution system. Most of the renewable energy provided to our customers is still purchased through Platte River Power Authority (PRPA). These purchases are now part of the base Tariff 1 purchase power agreement with PRPA as the previous Tariff 7 was eliminated in 2020. In 2021, 38% of PRPA's generation was non-carbon emitting energy.



The following graph shows the recent trend in purchased power expense through PRPA. The 2018 peak in operating revenues was driven by the peak annual demand in energy which resulted in the highest annual purchased power expense being realized as shown by this graph.

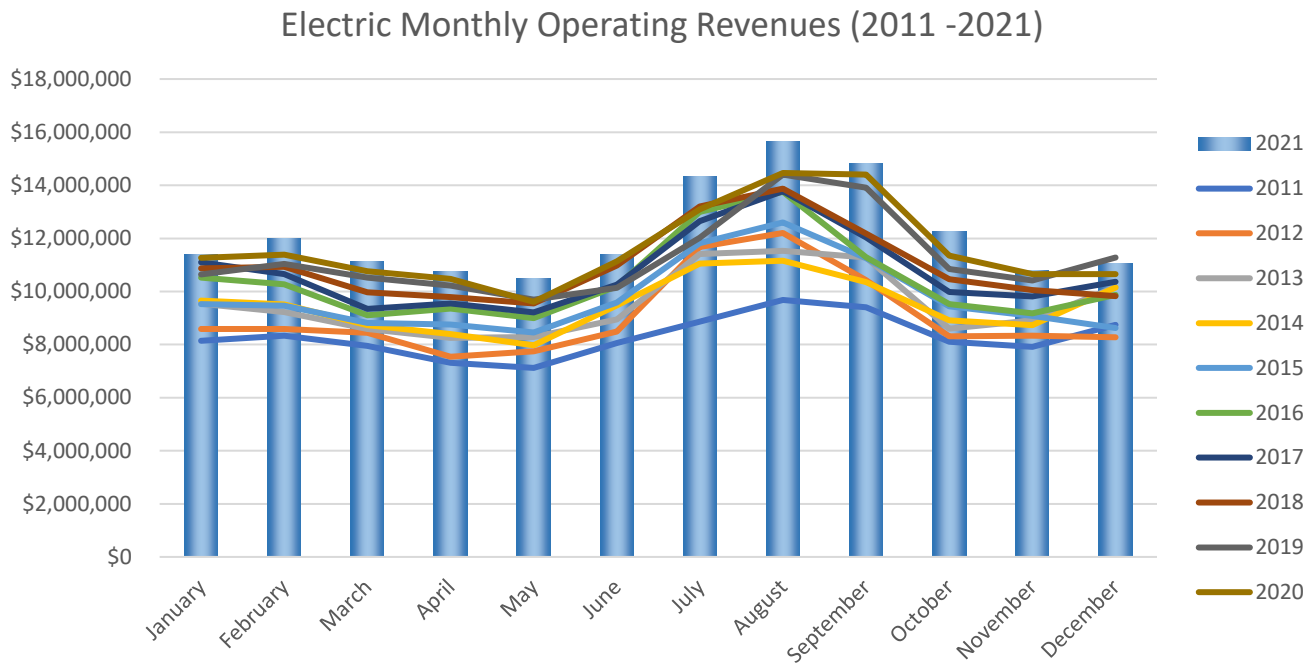


Long-Term Financial Analysis

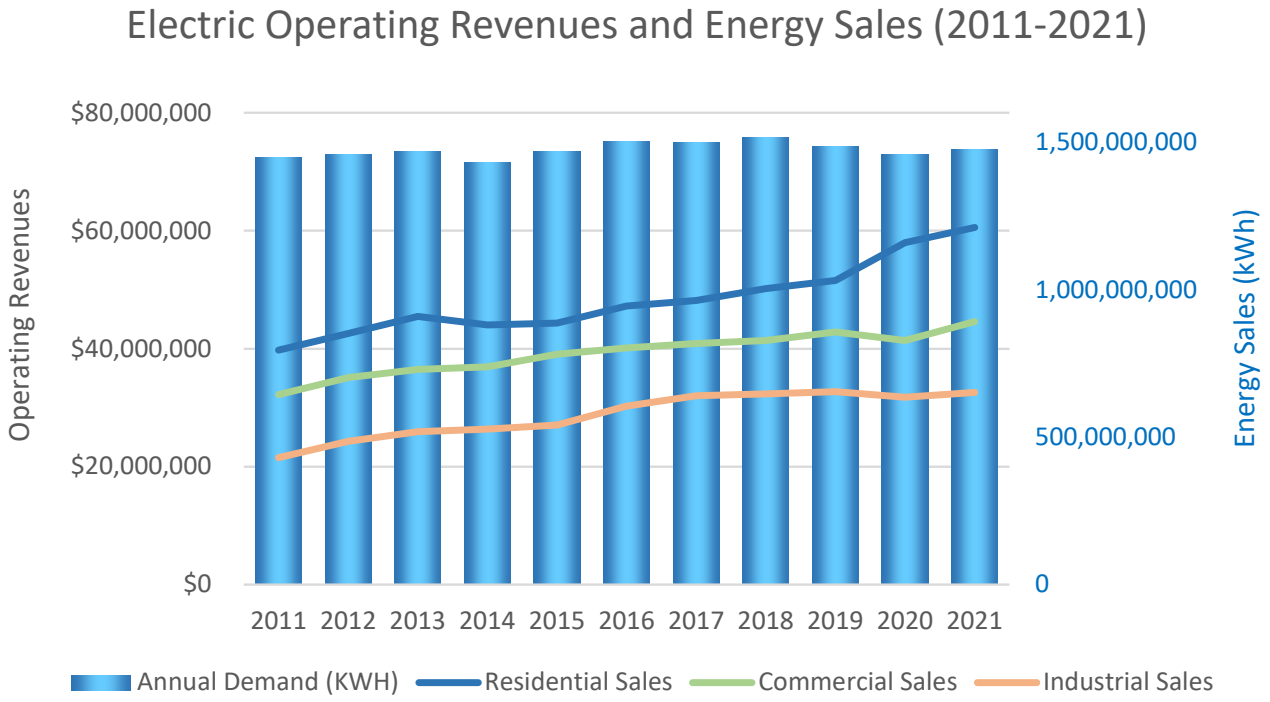
Revenue Analysis

Light & Power revenues consist of operating revenues from monthly charges for services which includes a 6% payment in lieu of taxes (PILOTs) that is transferred to the General Fund of the City and non-operating revenues which consist of development fees, other minor fees (dark fiber leases, warehouse fees, etc.) and miscellaneous revenues (interest, asset auctions, etc.). Approximately 59% of these revenues are passed directly through to Platte River for generation and transmission charges and the 6% PILOTs revenue is transferred to the General Fund. The remaining 35% of revenues consists of operating revenues and non-operating revenues which are available to the Light & Power Enterprise Fund for operational and capital expenses although, as a standing practice, non-operating revenue should not be relied upon for operational expenses. Energy conservation and renewable energy programs also need to be covered in the remaining 35%.

With widespread adoption of air conditioning, Light & Power shifted from a winter peaking utility to a summer peaking utility a few decades ago. The wholesale purchased power charges from Platte River Power Authority have a seasonal component to the demand charge which is reflected below in the monthly revenue stream along with the increased energy consumption in the summer months.



Operating revenues for this fund have grown substantially over the previous decade from $100M in 2011 to $146M in 2021 while the amount of energy consumed by the community has remained flat over the same period. Overall growth has just outpaced energy conservation efforts resulting in reduced energy use per customer but an overall 0.2% annual increase in total energy consumed. Thus, the significant growth in operating revenues is attributable entirely to rate increases that have occurred since 2011 and not growth in consumption.



The table below shows the annual revenues by major categories for the past 5 years. Residential revenues have been growing more steadily than commercial and industrial revenues over the last 5 years. (The data here is not adjusted for weather so as to accurately represent the revenues received.)

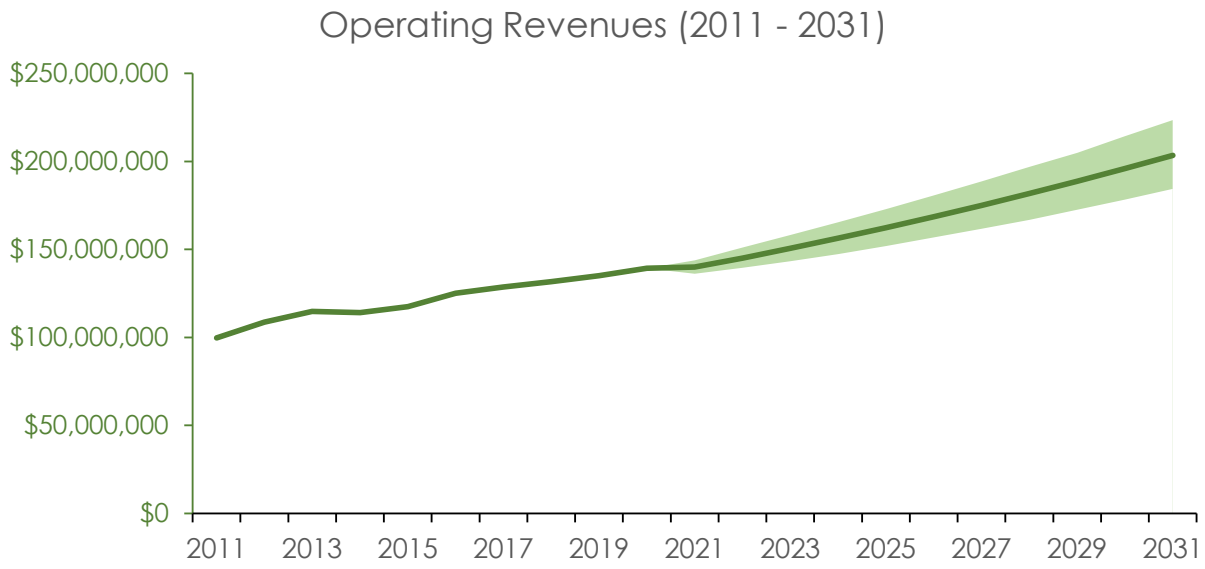
The table also shows that the non-lapsing revenues over this same period have come mostly from development fees. Electric development fees peaked in 2016 although strong growth returned in 2021. The volatility of development fees is much greater than that of operating revenues requiring caution before relying on development fee revenues for necessary capital improvements or forecasting revenues.

Year	2017	2018	2019	2020	2021	Budget 2021
Customers	72,523	74,585	75,656	76,821	77,741	77,741
Annual Rate Adjustment	3.45%	1.80%	5.00%	5.00%	3.00%	3.00%
Residential Elec Services	$ 48,155,049	$ 50,193,559	$ 51,585,680	$ 57,979,597	$ 60,523,864	$ 53,070,000
Commercial Elec Services	$ 40,883,514	$ 41,366,478	$ 42,832,683	$ 41,396,010	$ 44,604,468	$ 43,450,000
Industrial Charges for Services	$ 32,004,494	$ 32,305,145	$ 32,700,560	$ 31,746,182	$ 32,596,311	$ 33,230,000
Green Energy Program	$ 399,322	$ 380,138	$ 363,727	$ 241,815	$ 151,080	$ 340,000
PILOTs	$ 7,287,813	$ 7,453,720	$ 7,648,671	$ 7,879,394	$ 8,275,824	$ 7,810,000
Operating Revenue	$ 128,730,192	$ 131,699,040	$ 135,131,321	$ 139,242,998	$ 146,151,547	$ 137,900,000
Development Fees/PIFs/Contributions	$ 5,490,709	$ 4,302,440	$ 3,492,813	$ 3,345,800	$ 6,014,739	$ 2,895,000
Interest Revenue	$ 457,811	$ 429,785	$ 478,827	$ 422,134	$ 318,381	$ 247,660
Transfers In	$ -	$ -	$ -	$ -	$ -	$ -
Other Misc	$ 2,362,133	$ 1,758,453	$ 2,114,025	$ 1,258,384	$ 1,839,131	$ 1,155,000
Non-Operating Revenue	$ 8,375,563	$ 6,576,363	$ 6,395,988	$ 5,252,125	$ 8,172,251	$ 4,297,660
Revenue Bonds	$ -	$ -	$ -	$ -	$ -	$ -
Operating/Capital Grants & Contribution	$ -	$ -	$ -	$ 59,366	$ -	$ -
External Revenue	$ -	$ -	$ -	$ 59,366	$ -	$ -
Total Revenues	$ 137,105,754	$ 138,275,403	$ 141,527,308	$ 144,554,489	$ 154,323,798	$ 142,197,660

Looking at revenues on an annual percent change basis shows a longer-term trend of 3-4% annual growth since 2011 with 2021 showing 6.76% growth in revenues (see table below). Development fees accounted for $2.6M of the $9.8M increase in revenues in 2021 while the 3.0% retail rate increase accounted for most of the rest. Again, revenue growth is being driven by rate increases and those rates for monthly charges have increased well above the rate of inflation (0-2%) over each time horizon.

Year	2020	2021	Budget 2021	10 Yr Annualized Trend	5 Yr Annualized Trend	3 Yr Annualized Trend	1 Yr Annualized Trend
Customers	76,821	77,741	77,741	1.62%	1.74%	1.39%	1.20%
Annual Rate Adjustment	5.00%	3.00%	3.00%	3.80%	3.65%	4.33%	3.00%
Residential Elec Services	$ 57,979,597	$ 60,523,864	$ 53,070,000	4.29%	5.10%	6.44%	4.39%
Commercial Elec Services	$ 41,396,010	$ 44,604,468	$ 43,450,000	3.30%	2.14%	2.54%	7.75%
Industrial Charges for Services	$ 31,746,182	$ 32,596,311	$ 33,230,000	4.24%	1.49%	0.30%	2.68%
Green Energy Program	$ 241,815	$ 151,080	$ 340,000	-10.89%	-17.45%	-26.48%	-37.52%
PILOTs	$ 7,879,394	$ 8,275,824	$ 7,810,000	3.90%	3.17%	3.55%	5.03%
Operating Revenue	$ 139,242,998	$ 146,151,547	$ 137,900,000	3.90%	3.16%	3.53%	4.96%
Development Fees/PIFs/Contributions	$ 3,345,800	$ 6,014,739	$ 2,895,000	11.31%	-1.12%	11.82%	79.77%
Interest Revenue	$ 422,134	$ 318,381	$ 247,660	-7.76%	-9.15%	-9.52%	-24.58%
Transfers In	$ -	$ -	$ -				
Other Misc	$ 1,258,384	$ 1,839,131	$ 1,155,000	0.32%	-4.12%	1.51%	46.15%
Non-Operating Revenue	$ 5,252,125	$ 8,172,251	$ 4,297,660	5.71%	-1.65%	7.51%	55.60%
Total Revenues	$ 144,554,489	$ 154,323,798	$ 142,197,660	3.53%	2.86%	3.73%	6.76%

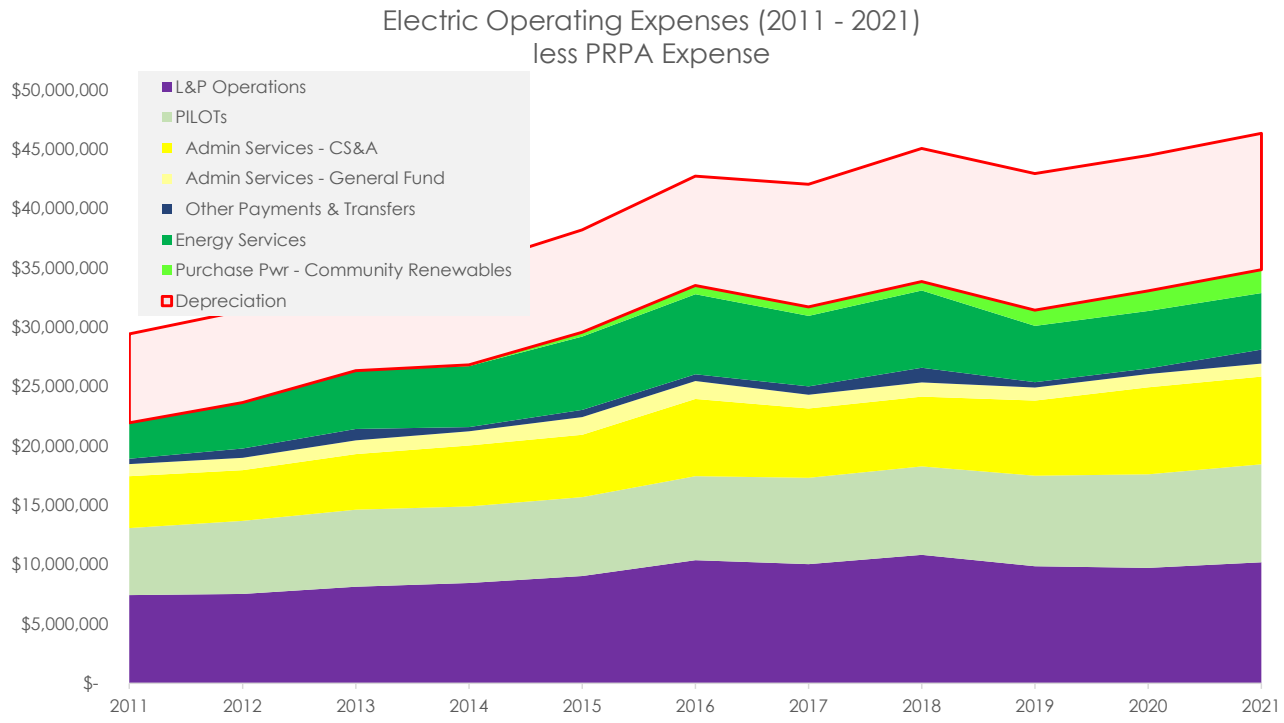
Looking out over the next ten years through the long-term financial model, revenues are expected to continue trending upward as residential development continues and modest rate adjustments are necessary for Platte River Power Authority to meet the 2030 climate goals and the distribution system is renewed. Beneficial Electrification will be a focus in the coming decade which may increase energy sales and in turn revenues. The graph below shows a forecasted annual growth of 3.8% in future operating revenue (solid green line) which is consistent with the growth over the past decade. The green area shows the range of revenues considered in the stochastic analysis for the long term financial model.



Non-operating revenues are expected to remain within the range seen over the past decade with modest inflation offsetting the impacts of redevelopment becoming more common requiring less development fees than "green field" development and investment policies remain conservative. The uncertainty over the next decade appears large due to the volatility of the development fees. Any unanticipated grant revenue would positively impact the financial health of the utility and as such is not modelled here.

Expenditure Analysis – Light & Power

Light & Power operating expenses are shown below in the categories consistent with the monthly financial operating report. The two expense categories on that monthly report made to Platte River Power Authority (PRPA) are not included to provide some relative scale for the expenses that remain within the municipality. The direct operational costs are shown in purple, community renewable and energy efficiency program expenses in shades of green and the administrative expenses in shades of yellow. The payment in lieu of taxes is shown second from the bottom. Depreciation is a non-budgetary expense so it is shown on top. Total operating expenses have grown at an annual rate of 3.6% over the past decade.



The table below shows operating and non-operating expenses by the major categories shown on the Monthly Financial Operating Report (MOR).

Year	2017	2018	2019	2020	2021	Budget 2021
Annual Demand (KWH)	1,499,034,911	1,516,929,428	1,483,954,714	1,457,336,159	1,476,408,624	1,495,938,741
Purchase Power -Tariff 1 PRPA	$ 89,413,232	$ 92,104,424	$ 91,707,977	$ 89,411,750	$ 91,717,204	$ 94,493,000
Purchase Power - Renewables PRPA	$ 1,900,007	$ 1,899,993	$ 1,900,000	$ 1,900,000	$ -	$ 1,900,000
Purchase Pwr - Community Renewables	$ 754,063	$ 770,017	$ 1,315,861	$ 1,683,711	$ 1,964,444	$ 2,014,700
L&P Operations	$ 10,034,802	$ 10,836,548	$ 9,857,112	$ 9,726,245	$ 10,205,297	$ 10,037,738
Energy Services	$ 5,952,237	$ 6,495,792	$ 4,747,851	$ 4,844,966	$ 4,773,569	$ 6,999,124
PILOTs	$ 7,287,813	$ 7,453,711	$ 7,648,671	$ 7,879,376	$ 8,254,729	$ 7,810,000
Admin Services - CS&A	$ 5,832,953	$ 5,883,633	$ 6,318,644	$ 7,335,602	$ 7,394,617	$ 7,394,617
Admin Services - General Fund	$ 1,163,489	$ 1,192,576	$ 1,107,453	$ 1,135,139	$ 1,090,628	$ 1,090,628
Other Payments & Transfers	$ 701,670	$ 1,236,452	$ 450,755	$ 466,839	$ 1,181,561	$ 1,181,561
Depreciation	$ 10,325,278	$ 11,209,564	$ 11,518,342	$ 11,420,843	$ 11,500,000	$ 12,000,000
Total Operating Expenses	$ 133,365,544	$ 139,082,709	$ 136,572,666	$ 135,804,472	$ 138,082,049	$ 144,921,368
Debt Service	$ 1,992,263	$ 142,254	$ 25,223	$ 25,228	$ 12,656	$ 12,660
System Addition/Replacement	$ 6,209,847	$ 4,490,883	$ 4,564,438	$ 3,788,421	$ 6,139,007	$ 5,559,120
Capital (other than Sys Add)	$ 8,950,979	$ 5,517,340	$ 5,758,112	$ 4,053,113	$ 4,870,542	$ 7,647,504
Total Non-operating Expenses	$ 17,153,090	$ 10,150,476	$ 10,347,772	$ 7,866,762	$ 11,022,205	$ 13,219,284

Purchased Power – Tariff 1 - Increased purchase power costs are offset directly by increased operating revenues through rate increases each year. The upward trend is driven mainly by year over year wholesale rate increases by Platte River. As PRPA moves toward its 2030 goal of 100% renewable energy, it is expected that annual retail rate adjustments of 1.5-2.5% will be needed until 2030. These rate increases are included in the rate projections modeled here.

Renewables PRPA - A set amount of renewable energy (76,000 MWh / yr) has been purchased each year from Platte River toward internal renewable energy goals until 2021. These costs were rolled into the Tariff 1 purchased power costs beginning in 2021.

Community Renewables – The growth seen here over the past decade was driven primarily by the Solar Purchased Power Program (SP3) which took advantage of a State program allowing for any renewable energy purchased under certain conditions to count triple toward the Renewable Energy Standard. This was accomplished through 20 year purchased power agreements at a fixed rate. Ongoing adoption of distributed generation will continue to increase this expense through similar purchased power agreements as well as rooftop solar excess energy purchases.

L&P Operations – This line item represents the largest and most direct expenses associated with providing electric services to the community. These expenses have been managed tightly in recent years although there was

an increase of 4.9% in these costs in 2021. Managing this growth to a more moderate level in the future will be very important to the financial success of this utility.

Energy Services – This expense category includes energy efficiency and conservation programs as well as customer rebates and incentives. As the table below shows, these expenses have been decreasing in recent years while the budget has remained closer to previous levels.

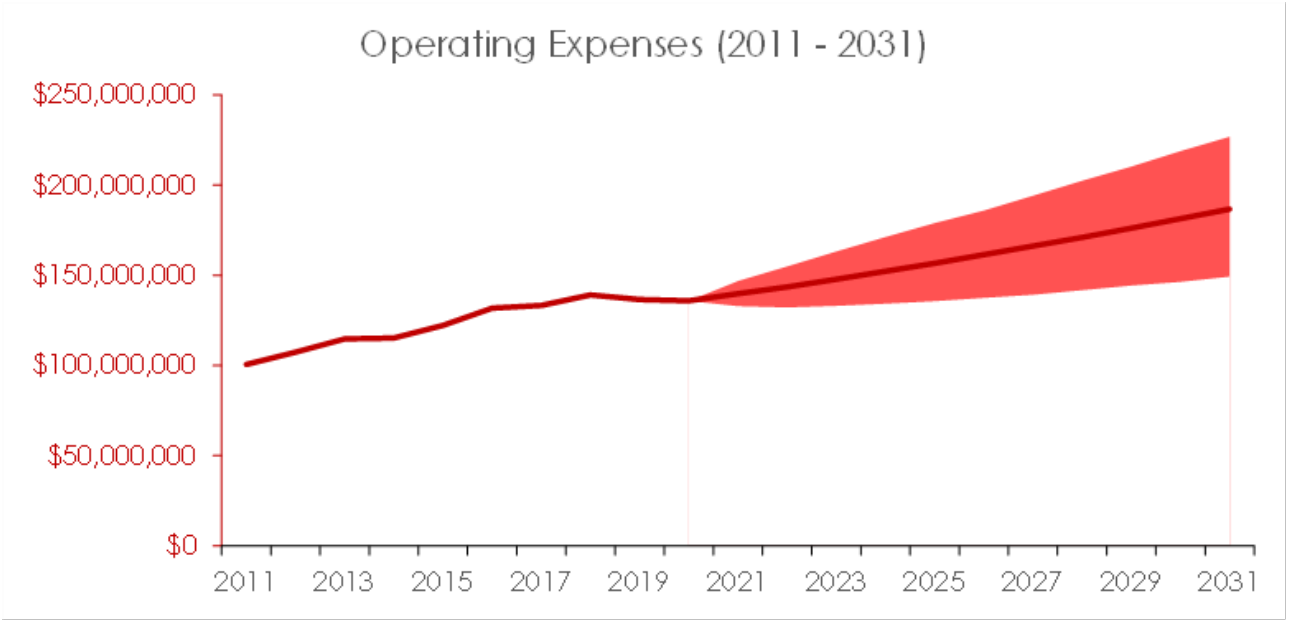
Payments in Lieu of Taxes (PILOTs) – This is a transfer to the General Fund set at 6% of operating revenues. As such, any increase in this expense is directly offset by higher operating revenues.

Administrative Services – Administrative Service expenses from the Utilities internal Customer Service and Administration areas increased significantly over the past few years. This is in part due to staffing issues related to upgrading the billing system and to higher consulting costs associated with having an interim Executive Director for almost two years. It will be important to limit growth in these expenses going forward. Administrative Services from the General Fund has seen more modest increases over this same period. In 2021, bad debt was also significantly higher than in previous years due to the "no shut-offs" policy implemented during the Covid-19 pandemic. This is expected to return to a more manageable level beginning in 2022.

System Additions and Capital – The intermediate term downward trend reflects the extraordinary capital investments made 3-7 years ago which included deployment of the advanced metering infrastructure ($36M investment) and the construction of the new Customer Service building at 222 LaPorte (~$15M investment). The one-year change reflects the level of development seen in 2021 consistent with the significant increase in development fees seen in the revenues over 2020.

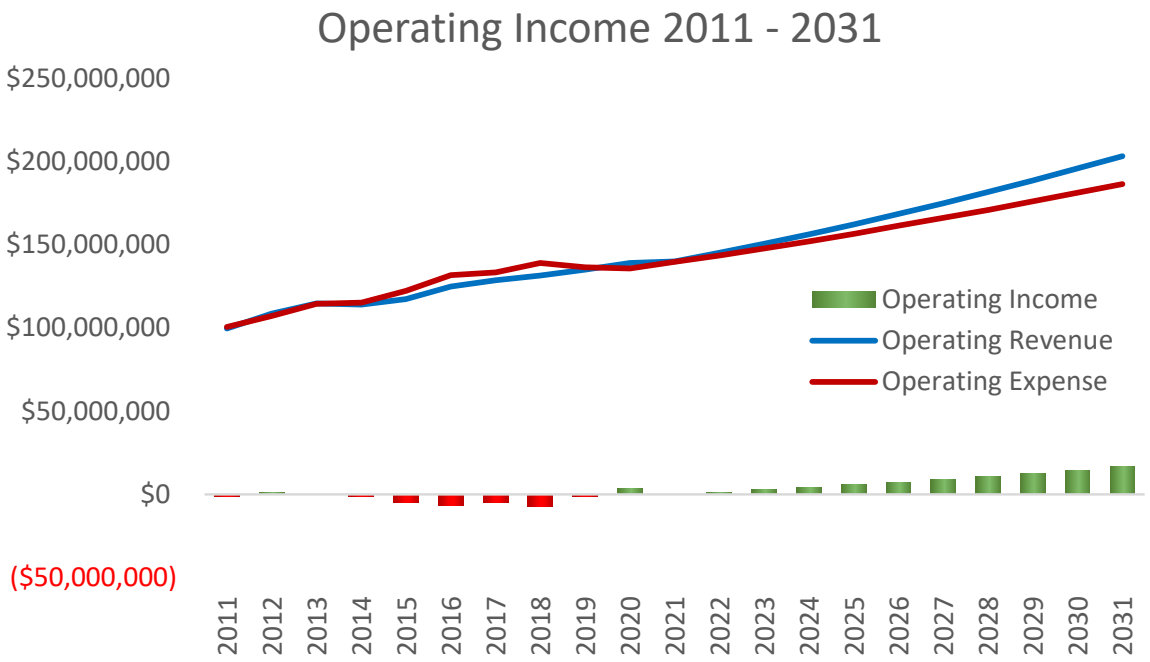
Year	2020	2021	Budget 2021	10 Yr Annualized Trend	5 Yr Annualized Trend	3 Yr Annualized Trend	1 Yr Annualized Trend
Annual Demand (KWH)	1,457,336,159	1,476,408,624	1,495,938,741	0.2%	-0.4%	-0.9%	1.3%
Purchase Power -Tariff 1 PRPA	$ 89,411,750	$ 91,717,204	$ 94,493,000	2.8%	1.0%	-0.1%	2.6%
Purchase Power - Renewables PRPA	$ 1,900,000	$ -	$ 1,900,000	-100.0%	-100.0%	-100.0%	-100.0%
Purchase Pwr - Community Renewables	$ 1,683,711	$ 1,964,444	$ 2,014,700		21.6%	36.6%	16.7%
L&P Operations	$ 9,726,245	$ 10,205,297	$ 10,037,738	3.2%	-0.3%	-2.0%	4.9%
Energy Services	$ 4,844,966	$ 4,773,569	$ 6,999,124	4.6%	-6.7%	-9.8%	-1.5%
PILOTs	$ 7,879,376	$ 8,254,729	$ 7,810,000	3.9%	3.1%	3.5%	4.8%
Admin Services - CS&A	$ 7,335,602	$ 7,394,617	$ 7,394,617	5.4%	2.6%	7.9%	0.8%
Admin Services - General Fund	$ 1,135,139	$ 1,090,628	$ 1,090,628	0.6%	-6.2%	-2.9%	-3.9%
Other Payments & Transfers	$ 466,839	$ 1,181,561	$ 1,181,561	10.2%	15.8%	-1.5%	153.1%
Depreciation	$ 11,420,843	$ 11,500,000	$ 12,000,000	4.4%	4.5%	0.9%	0.7%
Total Operating Expenses	$ 135,804,472	$ 138,082,049	$ 144,921,368	3.2%	0.9%	-0.2%	1.7%
Debt Service	$ 25,228	$ 12,656	$ 12,660	-38.5%	-63.6%	-55.4%	-49.8%
System Addition/Replacement	$ 3,788,421	$ 6,139,007	$ 5,559,120	0.1%	-12.8%	11.0%	62.0%
Capital (other than Sys Add)	$ 4,053,113	$ 4,870,542	$ 7,647,504	-7.7%	-14.8%	-4.1%	20.2%
Total Non-operating Expenses	$ 7,866,762	$ 11,022,205	$ 13,219,284	-5.1%	-15.1%	2.8%	40.1%
Total Expenses	$ 143,671,234	$ 149,104,254	$ 158,140,652	2.3%	-1.0%	0.0%	3.8%

This will be particularly challenging as most of the operating revenue goes to purchased power expenses which are expected to grow above the long-term rate of inflation – purchased power costs are assumed to increase at 2.25% annually. The dotted black line in the chart shows the current trend on operating expenses. The uncertainty in operating expenses is large and highlights the importance of stochastic modeling rather than showing a single forecasted value a decade into the future.



Operating Income Analysis – Light & Power

The operating income for this Fund has been negative for 6 of the last 10 years. This was initially an intentional effort to draw down Reserves but because of continued negative operating income rate increases were necessary beginning in 2017 as part of the solution to address this ongoing shortfall. Operating income turned positive beginning in 2019 with the proposed rate increases before the pandemic and has increased through 2021. This trend is expected to continue provided operating expenses are controlled.

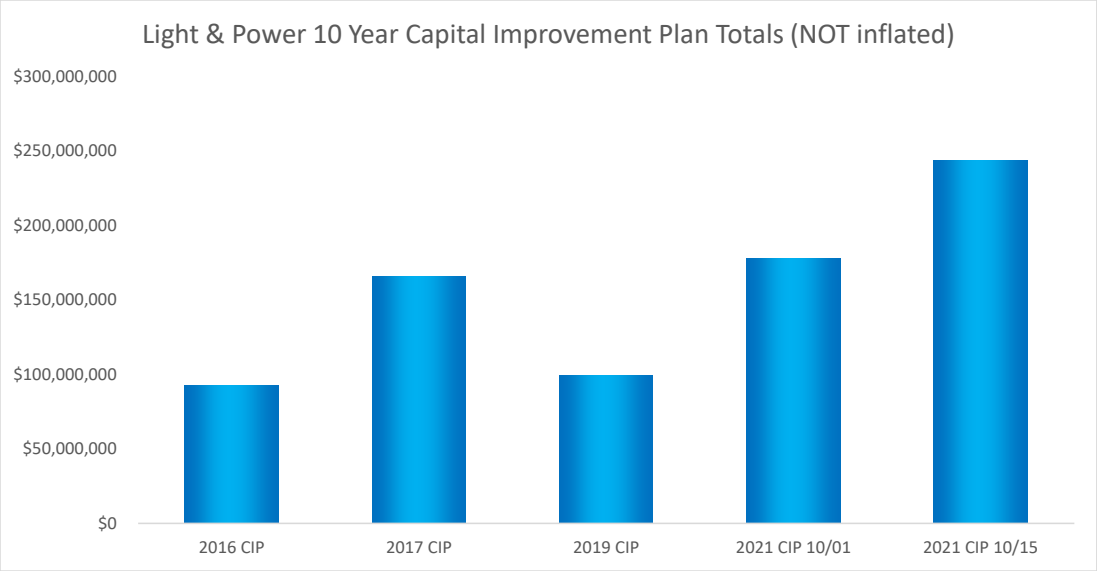


Capital Planning and Expenditure Analysis

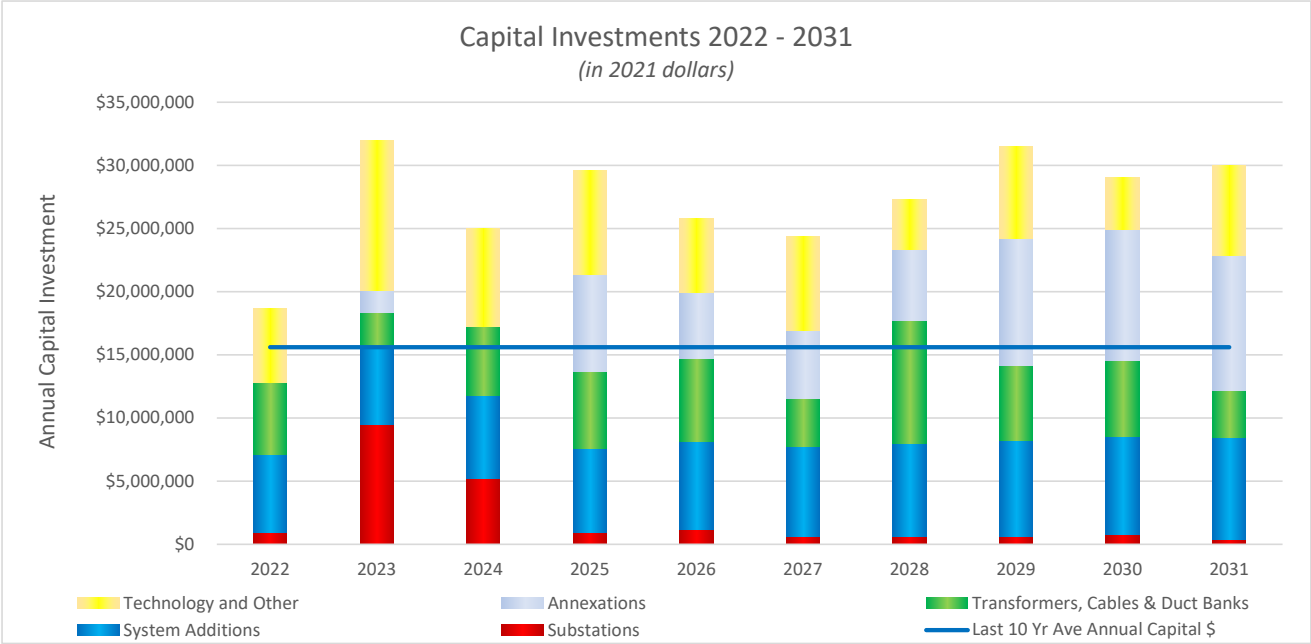
Note: Appendix A shows the anticipated capital investments and expected year of investment.

Ahead of the biennial budget cycle, the long-term financial models are updated to determine if any rate adjustments are needed as well as if there is a need to issue debt for upcoming capital investments. The financial models require a review of the 10-year capital investment plans and a need to re-prioritize the anticipated projects along with any new investments. An updated CIP was developed in October 2021 ahead of discussions with the Council Finance Committee.

The development of prioritized CIPs is necessary to ensure efficient use of capital to optimize the levels of service being provided to our community. This prioritization has been an elusive goal since the first CIP was developed in 2016. Progress has been made on identifying the service level metrics for this utility but setting service level targets and the relative weights of those service levels remains to be done. Additionally, the 10-year CIPs have fluctuated significantly from one budget cycle to the next (every 2 years) which makes financial planning more challenging than more stable and refined CIPs would require for each utility including this one. After the 2021 CIP deadline of October 1st an additional $65M was added to it over the next two weeks which increased the 10-year capital needs by 40%. This type of volatility in long-term planning efforts is very unsettling.

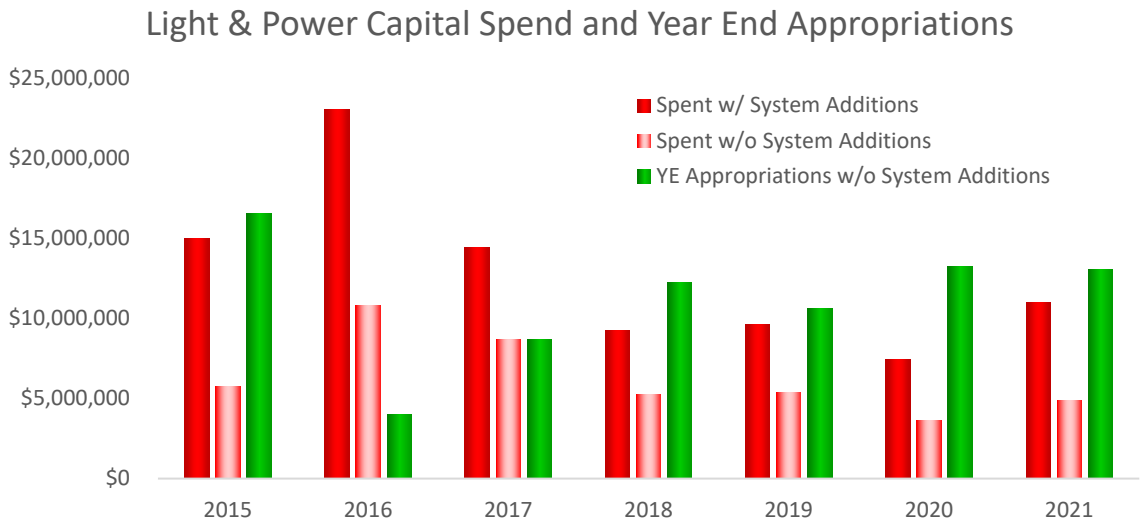


The current 10 Year capital improvement plan (CIP) anticipates almost 50% more capital investment over the coming decade than was realized in the previous decade. The investments over the past decade involved significant work by outside labor including the Utility Customer Service Building and the deployment of smart meter infrastructure suggesting the amount of capital work intended to be done in house over the coming decade is much more than a 50% increase. This increase is largely driven by new capacity needs, anticipated annexations which require significant capital investment with no associated development fee revenue, a new substation, and asset replacement of aging infrastructure.



The current 10 Year CIP consists of $221M of identified capital investments which consists of $57M of new capital needs for the anticipated growth in system demands over the decade as well as $52M for system renewal investments, $43M for anticipated annexations, $40M for new technology, $18M for substation investments and $10M for facilities and vehicles. (All projects are identified in 2021 dollars so that a consistent inflation can be applied to all future projects.)

The following chart shows the annual capital investment made each year with the amount of approved capital investment remaining at the end of the year. In addition to the annual lapsing appropriation for System Additions / Replacements which is intended to provide adequate funding to meet all new infrastructure associated with new development, each year new capital appropriations are made for asset renewal programs and specific projects which add the capital investment remaining from previous years. The amount of capital appropriations remaining at the end of each year exceeds the realized annual capital investment made each year. At the end of 2021, the amount of capital appropriated from previous budget cycles was $13,045,076. This $13M shown in green will require more than two years to invest at the recent rate of investment shown in light red without any additional capital appropriations being requested.



While there is some lead time related to capital investments because of the policy of fully funding each capital investment up front, this build-up of capital work reduces the agility to adapt capital investments as priorities may change. The capital improvement plan discussed below and included in Appendix A is recommending that an additional 46.7M be appropriated in the 2023-24 budget cycle for capital work

The electric system is almost entirely an underground distribution system that has been built over the last 30-50 years. These underground assets have performed well over their useful life, allowing the community to benefit from a very reliable electric system, but based on the current CIP it is expected that significant capital investment will need to be made in the coming decades to renew this aging infrastructure. The need for asset lifecycle management strategies (from installation to replacement) for all major electric assets needs to be an area of focus for Asset Management and L&P Operations in the next few years so that the necessary investments are prioritized and adequate funding is available as needed in the future.

Annexations into the City limits typically result in this utility taking over service from a neighboring utility. This requires compensating the neighboring utility for stranded assets and sometimes for lost future revenue. Additionally, it involves reconfiguring and rebuilding the existing infrastructure without any development fee to offset the capital investment. Thus, annexations can be a significant expense for this utility. The Mulberry Annexation is the most significant contributor to the Annexations category as this annexation is estimated to cost electric ratepayers at least $50M to acquire and rebuild the infrastructure to meet standards as well as requiring the addition of a new substation to adequately serve these customers and other growth in the northeast corner of the growth management area. A deferment of this annexation by a few years would relieve some of the potential constraints on this fund.

Debt Analysis

Last Bond Rating: **AA- (in 2021)**

While operating revenues are intended to cover all operating expenses, debt issuances are an important source of funding for capital investments for any utility. Debt issuances also establish generational equity by having the generation of customers benefiting from the investment funding the investment through the debt repayment rather than having current customers pay for investments that are necessary to serve future generations. Given the

significant increase in capital investment that is expected over the next decade, significant levels of debt will be necessary even after the use of all available reserves and anticipated development fees.

The long-term financial modeling relies on objective criteria to drive financial decisions such as when to issue debt. The use of objective criteria allows for future debt issuances to be modeled and to provide clear reasoning as to why an issuance is needed in any given year based on the current CIP. Debt issuances are based on the following criteria.

1. If capital investments are anticipated to exceed available reserves over the next 3 years a debt issuance is assumed to be sufficient to cover the next 2 years capital investments and leave 125% of the minimum required reserve. This recommendation is presented to the Council Finance Committee ahead of the biennial budget cycle.

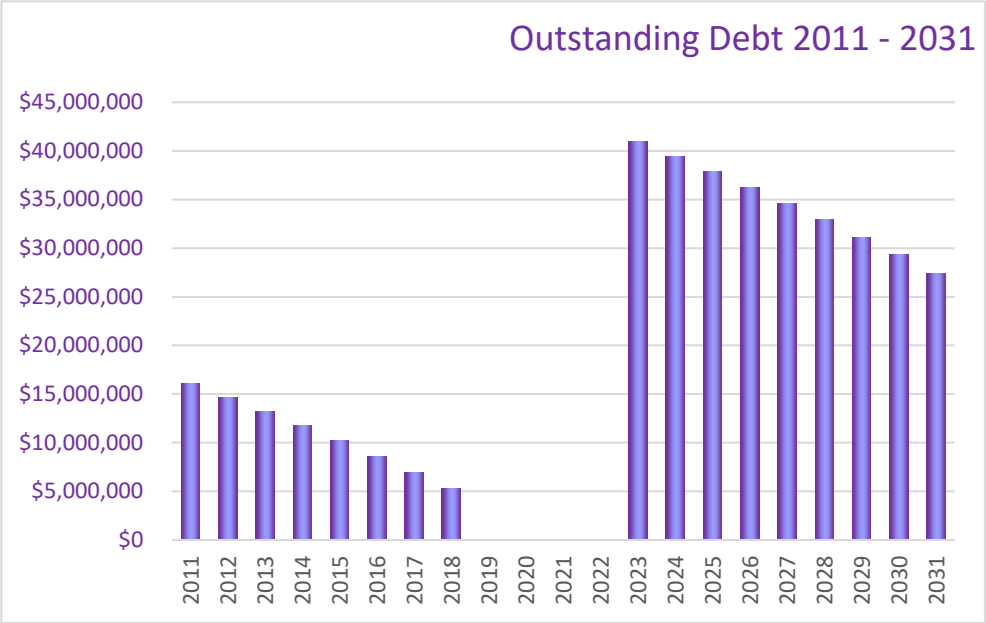
2. Because there are costs associated with debt issuances a balance is struck between frequently issuing debt and making efficient use of the generated capital by limiting the frequency of debt issuances to no more than once every 3 years.

The electric utility had historically operated without any debt prior to 2010. While this was a very strong financial position, it was one that resulted in cross generational subsidies as assets were bought by one generation of ratepayers and then effectively used by subsequent generations of the community. This should be revisited particularly when interest rates are extremely low which may not last much longer based on recent inflationary pressures.

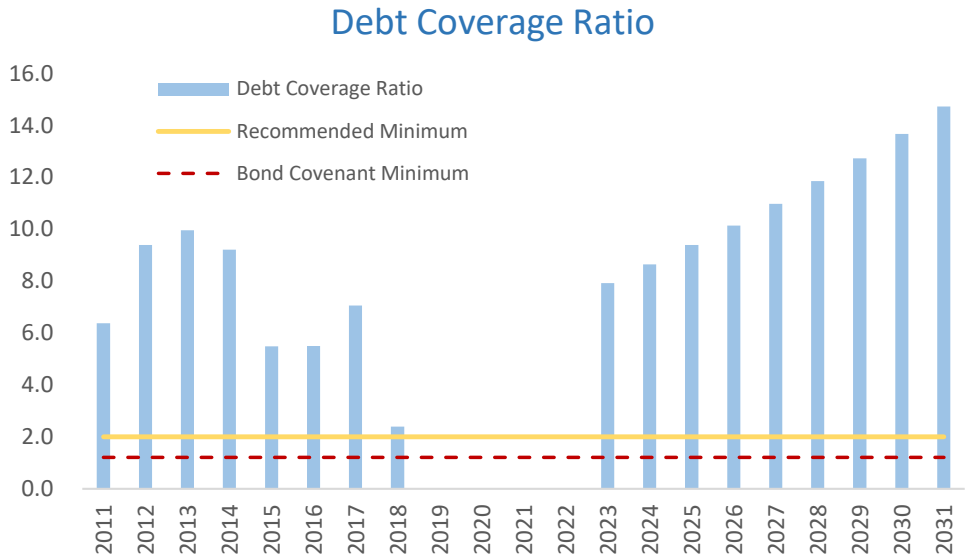
In 2010 this utility issued two revenue bonds totally $16M to receive a matching grant from the Department of Energy for the deployment of advanced metering infrastructure. This debt was retired early in 2018 from reserves to allow for the issuance of $142M in electric revenue bonds to support the ballet approved initiative to build Connexion.

The existing debt was reviewed by Standard and Poor's again in 2021 which reaffirmed the debt's (AA-) bond rating based on the realized electric revenues and financial outlook. The output from the long-term financial model that is the basis of this plan was provided to the analysts for their revised bond rating. This modeling indicates that based on the most recent CIP it will be necessary to issue debt likely in the 2023-24 budget cycle to fund the anticipated $50M in capital investments over these two years. Given capital investment was $11M in 2021 with an additional $13M of work identified and funded at the end of 2021 before adding another $13M in 2022, it is recommended that resources are identified to complete this work before any debt is issued.

The chart below shows the historical and future debt related with electric capital investments including a potential $41M issuance in the 2023-24 budget cycle. (This chart does not include the $130M outstanding debt related to Connexion which is tied through the bond covenants to electric revenues.)



The debt coverage ratio for this Fund has been well above the bond covenant minimum requirements of 1.15-1.2 as well as above the internally recommended ratio of 2.0 necessary to be viewed as favorably as possible by the rating agencies. This is true even when recognizing the debt associated with Connexion (although the chart below does not include that debt).



The actual debt capacity for this utility Enterprise Fund is very large due to the large amount of revenues collected from development fees as well as the utility's operating income before depreciation. As such, any necessary debt issuance is not expected to degrade the bond rating below the current (AA-) rating. The stochastic modeling assumes that future interest rates would fluctuate within a range between 2.0 and 4.0%.

Debt Capacity Estimation

Interest Rate: 3.00%

Net Pledged Revenue (5yr ave): $15,296,600

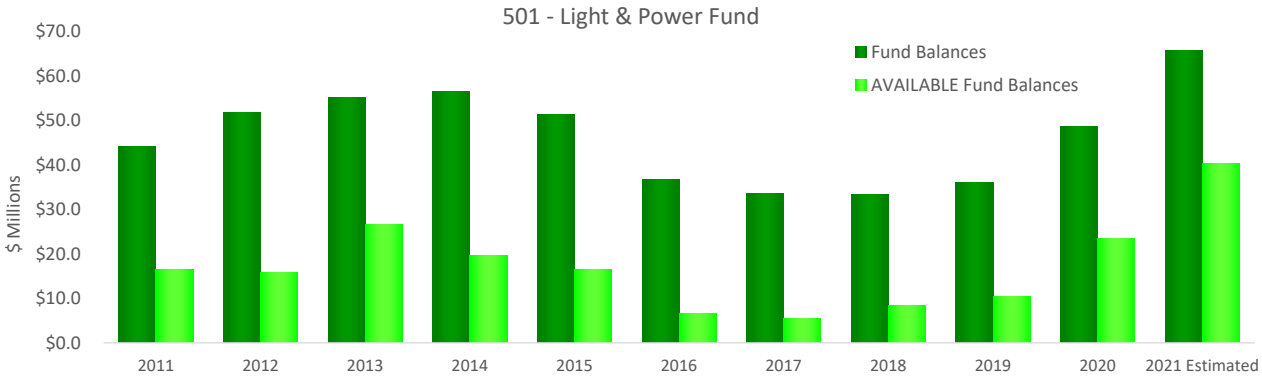
Debt Coverage Ratio	Debt Capacity (10 yr Debt)	Debt Capacity (15 yr Debt)	Debt Capacity (20 yr Debt)
1.0	$131	$183	$228
1.2	$109	$152	$190
1.4	$93	$130	$163
1.6	$82	$114	$142
1.8	$73	$101	$127
2.0	***$65***	***$91***	***$114***
2.2	$59	$83	$104
2.4	$54	$76	$95
2.6	$50	$70	$88
2.8	$47	$65	$81
3.0	$44	$61	$76

Outstanding Debt in 2021: $129.6 M

Reserves Analysis

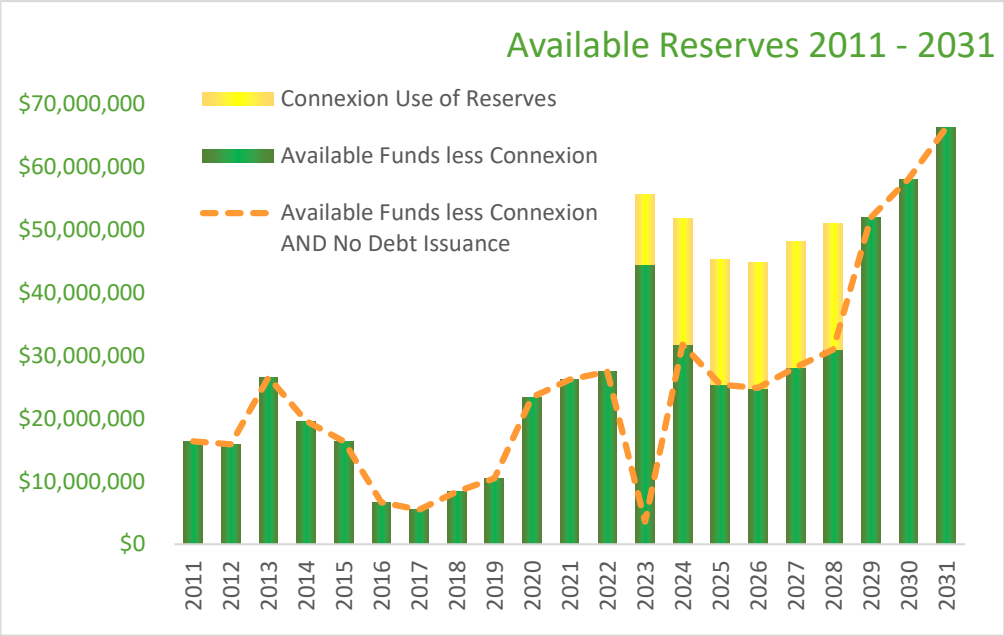
Financial Management Policy 5 specifies Fund Balance Minimums for Enterprise Reserves. It also states that additional reserves should be set aside for anticipated capital investments. The graph below reflects the total Fund Balance as well as the portion of that balance that is available for capital appropriations above and beyond the minimum required reserve balance and any existing capital appropriations. The long-term financial modeling objectively determines when additional capital investment should come from Available Reserves and when it should come through rates or more immediately through debt issuances.

Based on the strong revenues realized in 2021 that exceeded the budget by $12.0M along with operating expenses being $6.4M below budget, it is estimated that over $18M was added to Available Reserves in 2021.



The available fund balance is expected to continue to increase due to positive operating income through the necessary rate adjustments and operating expenses are limited in their year over year growth. This increased Available Reserve balance will allow for more system renewal investments to be made without significant rate increases in the future. The actual increase in Available Reserves reflected below is larger than recommended but it is being driven by the timing of capital investments in the unprioritized CIP.

In early 2022 it was determined that an additional $20M in funding was needed for Connexion to complete the initial build-out of the fiber infrastructure. After consideration of several potential financing approaches including issuing new debt, it was determined that use of Available Reserves within the shared enterprise fund was the best approach. If a debt issuance is needed in this enterprise fund before this drawdown is covered by Connexion revenues, Connexion will adhere to the terms of that issuance. If no such issuance is necessary, then Connexion will compensate the electric utility for the lost interest it would have earned on the Available Reserves. This intra-enterprise agreement will be presented for formal consideration by the City Council in March 2022. The chart below reflects this anticipated arrangement being formally adopted at that time and reflects the anticipated drawdown based on the most current financial modeling for Connexion and assumes all capital appropriations are made as presented currently in the CIP.



Rate Analysis

Prior to the 2015-16 budget cycle rate adjustments were subjectively determined. Beginning with the 2015-16 budget cycle objective financial metrics were established to determine necessary rate adjustments. This change allowed for future rate adjustments to be modeled and to provide clear reasoning as to why a rate adjustment is needed in any given year. There are three financial metrics which drive a need for a rate adjustment.

1. Operating Income – If the combined operating income for the previous two years was negative, a rate increase is made in the next year sufficient to generate enough operating income in the coming two years to offset those losses. The two-year period allows for some weather or economic variability and is consistent with the City's biennial budget cycle.

2. Debt Coverage Ratio – A debt coverage ratio is recommended by the bond rating agencies to support the current enterprise fund bond ratings. This debt coverage ratio is well above the minimum specified in the bond covenants which could trigger bondholders to request a rate increase on their behalf. If the debt coverage ratio is forecasted to drop below 2.0 in the coming year, a rate increase sufficient to raise the debt coverage ratio to 2.1 is assumed in the financial modeling and is recommended to the Council Finance Committee ahead of the biennial budget cycle.

3. Available Reserves – If an enterprise's reserve balance is anticipated to drop below the minimum required reserve level in the next year, a rate increase sufficient to maintain the minimum required reserve is made at the beginning of that year in the financial modeling and is recommended to the Council Finance Committee ahead of the biennial budget cycle.

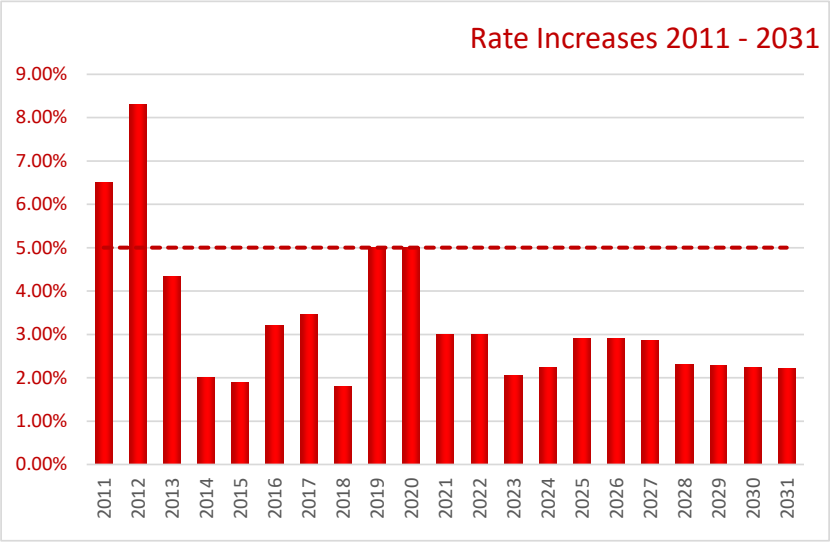
The sum of these three rate adjustments is the needed rate adjustment for the following year. In addition to these three objective criteria for rate adjustments, a 5.0% ceiling is imposed in any given year, consistent with the stated objective of "gradual, modest rate adjustments", which may require smoothing such an increase over the two years of a budget cycle to not have a large rate increase one year and then no rate adjustment the next. These same objective criteria are applied to the other 3 utility's financial models.

For this enterprise fund there is also a need to adjust rates to offset any wholesale purchased power rate increases from PRPA. As purchased power expenses are approximately 70% of annual operating expenses, 70% of any wholesale rate increase is needed to be made to retail rates to offset this cost increase. This is included within the 5.0% rate ceiling.

The results of the financial modeling which applies the same objective strategies for raising rates and issuing debt as the other utilities are presented below along with the forecasted debt issuance in 2023.

Light & Power	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
Rate Increase	2.0%	3.0%	4.1%	3-4%	3-4%	3-4%	2-3%	2-3%	2-4%	2-4%
Debt Issued ($M)		$41.0								

Modest rate adjustments will be necessary each year in the coming decade of approximately 2% to offset anticipated PRPA wholesale rate increases toward their 100% renewable by 2030 goal. Additional rate increases will be necessary for distribution investments as well.

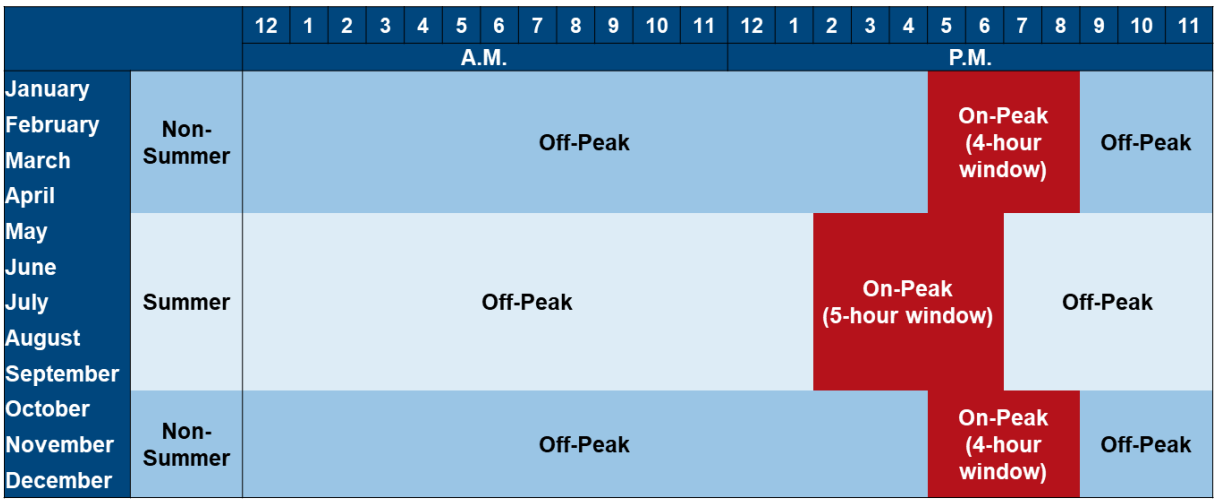


The rate structure for residential customers has changed twice in the past decade. In 2012, a three-tiered, seasonal increasing block rate structure was adopted with the intent of encouraging energy conservation. This change from a flat, non-seasonal rate structure was implemented along with an 8.3% rate increase which resulted in significant

community pushback that first year. The intent of the three-tiered residential rate structure was to promote energy conservation. Based on analysis done in 2013 comparing weather normalized residential use in 2011 and 2012 there was no measurable change in energy consumption.

Then in 2015, after the deployment of the advanced metering infrastructure, a twelve-month rate pilot study was done considering a seasonal, time-of-use residential rate as well as a seasonal, tiered, time-of-use residential rate. The result of this pilot was the adoption of the seasonal, tiered, time-of-use residential rate for all customers beginning in October of 2018. The result of this implementation was reviewed in 2019 and showed a statistically significant reduction of 1.9% in total energy consumption as well as a statistically significant reduction in the residential contribution to the coincident peak of 7.5

The chart below shows the weekday residential TOU rate schedule. Weekends and holidays are considered off-peak.



In 2019 a pilot rate was implemented for low-income customers called the Income Qualified Assistance Program (IQAP). This program is intended to reduce the utility burden for these customers to the same portion of household income as a customer with the median area household income by providing a discount of almost 25% on their electric, water and wastewater monthly charges. In 2021, IQAP customers average monthly electric bill was $57.02 compared to other residential customers who paid $76.26 on average. It is expected that this pilot rate will be formally adopted in the coming years.

Financial Risk Assessment

Below is a list of identified financial risks for this utility. Further assessment of these financial risks, particularly with operational input, may change the likelihood and consequence of each and may identify other significant financial risks. This additional assessment should be done as part of the biennial budget cycle. These financial risks are associated with operational management and anticipated capital needs and highlight the need for close collaboration between the financial and operational departments within Utilities as well as the importance of having a refined, prioritized 10-year capital improvement plan rather than an a more exhaustive list of potential capital needs that may or may not be necessary.

		Risk Realization			
Risk ID	Risk	Likelihood	Consequence	Mitigation Needed?	Risk Description
LPFR1	CIP Volatility	High	High	Yes	Long-term financial planning requires planning for uncertainties with more uncertainty requiring more conservative planning to achieve expected financial metrics; significant volatility on long-term capital plans increases uncertainty in the actual capital investment needs leading to inefficient use of capital, higher rate increases and less financial agility to meet operational needs
LPFR2	Undefined Service Level Metrics / Targets / Weights	Medium	High	Yes	The impact of high CIP volatility can be lessened by optimizing such investments to meet expected levels of service through an objective, quantitative prioritization methodology based on predefined service level metrics with established targets and relative weights; not having these tools to optimize capital investment poses a significant financial risk to the utility
LPFR3	Operating Expense Increases	Medium	High	Yes	OpEx assumed to not exceed 3.0%; exceedance would limit funds for capital needs and drive further rate increases
LPFR4	PRPA 100 % by 2030 costs	Medium	Medium	Beyond Control	Wholesale increases are expected annually of 2-3% through 2030; higher increases will limit room for increases to meet distribution needs and contribute to rate fatigue
LPFR5	Retail Rate Fatigue	Medium	Medium	Beyond Control	Annual rate adjustments will be necessary to meet both wholesale and distribution needs; rate fatigue would require a financial reassessment of ability to meet operational targets
LPFR6	Mulberry Annexation	Medium	Medium	Beyond Control	The timing and how this annexation is implemented could result in costs being shared by all ratepayers and require investment on a schedule that may impact other planned capital investments
LPFR7	Unidentified Capital Projects	Medium	Low	No	As service level targets are established and asset management plans developed and Beneficial Electrification is implemented unanticipated capital needs may require more capital investment than currently planned
LPFR8	Municipal Broadband Financial Support	Low	Medium	No	Any additional financial support from electric ratepayers will limit capital for L&P needs
LPFR9	System Reliability	Low	Low	No	A real or perceived decline in service reliability could accelerate system renewal investments and lead to less efficient use of capital

Appendix A: Capital Improvement Plan

Below is a list of identified capital projects expected to be completed over the next decade. These projects are grouped into the following categories:

System Additions – infrastructure that will be necessary to serve new growth areas

Substation Improvements – system renewal costs for substation infrastructure as well as an additional substation to serve the northeast portion of the community

Transformers, Cables and Duct Banks – system renewal costs for existing distribution transformers, cables and duct banks

Annexations – anticipated annexation areas will require acquisition of existing infrastructure from neighboring utility providers as well as upgrading that infrastructure to the City's standards

Technology and Other Improvements – improvements to existing buildings used to house staff and warehouse stock as well as capital projects associated with updating / adopting new technologies

501 - Light & Power Utility 10-Year CIP Funding Recommendation

	Project Name	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032
System Additions	1680 Subdivision Construction											
	16800000 System Addition/Replacement	$5,725,243	$5,700,000	$5,700,000	$5,700,000	$5,700,000	$5,700,000	$5,700,000	$5,700,000	$5,700,000	$5,700,000	$5,700,000
Substations	501001 Substations											
	501001A001 Battery Banks	$20,000			$59,000					$20,000		$20,000
	501001A002 Battery Chargers			$40,000			$20,000			$40,000		
	501001A003 LTC (Load Tap Changer) Inspection and Repair	$105,000						$105,000	$105,000	$105,000		$105,000
	501001A004 Oil Containment Walls	$70,000	$70,000	$70,000								
	501001A005 Replace HVAC Units	$44,000	$44,000	$44,000	$22,000	$22,000	$22,000	$22,000	$22,000	$22,000		
	501001A006 Transformer Radiator Replacements	$78,000	$103,000	$103,000			$78,000	$78,000	$78,000	$78,000		
	501001A009 Feeder Relay Replacements	$189,000		$95,000								
	501001A011 Transformer Re-furbishing		$120,000	$120,000	$120,000	$120,000	$120,000	$120,000	$120,000	$120,000	$120,000	$120,000
	501001A012 Install Capacitor Banks		$80,000	$80,000	$80,000	$80,000	$80,000					
	501001A013 Transformer Oil Filtration	$170,000	$170,000	$85,000	$85,000	$85,000	$85,000	$85,000	$85,000	$85,000	$85,000	$85,000
	501001A014 Substation Security	$15,000	$15,000	$15,000	$15,000	$15,000	$15,000	$15,000	$15,000	$15,000	$15,000	$15,000
	501001A016 Install New 735 Power Quality Meters	$13,000	$13,000	$13,000	$13,000	$13,000						
	501001A017 Substation Misc Capital	$100,000	$100,000	$100,000	$60,000	$60,000	$60,000	$60,000	$60,000	$60,000	$60,000	$60,000
	501001A018 Substation Basalite Walls				$305,000	$594,000						
	501001A020 Equipment For CVR (Conservation Voltage Reduction)		$75,000	$75,000								
	501001A021 PRPA Circuit Switcher Installations	$40,000										
	501001A022 New Northeast Substation		$6,649,200	$3,761,000	$0							
	501001A023 New Northeast Substation Land Acquisition		$1,085,000									
Transformers, Cables & Duct Banks	501005 Feeders											
	501005D004 Install circuit 936 to unload circuits 804, 834, and 906									$514,000		
	501005D011 Install circuit 324 to unload circuit 308	$1,040,000										
	501005D012 Install circuit 302 to serve Mulberry Annexation					$2,160,000						
	501005D055 Circuit 602 to serve NE Developments - Ph3 Mt Vista							$1,300,000				
	501005D060 Install circuit 624 to serve Developments in NE Ft. Collins									$1,080,000		
	501005D076 Install circuit 706 to unload circuits 704 and 738 (see also 501005D079)							$500,000				
	501005D077 Install circuit 322 to serve Mulberry Annexation	$720,000										
	501005D078 Circuit 628 to serve NE developments - Ph1 Mt Vista			$1,300,000								
	501005D079 Upgrade and Extend 722 to unload circuits 704 and 738 (See 501005D076)							$1,050,000				
	501005D080 Extend East Vine Circuit 622 - Railroad to I25		$395,000									
	501005D081 Circuit 324 Carriage pky ph1 - Prospect to fox grove	$220,000										
	501005D082 New Circuit 338 to serve Mulberry road developments				$1,080,000							
	501005D083 Circuit - NE Sub Ckt 1					$528,000						
	501005D084 Circuit - NE Sub Ckt 2					$648,000						
	501005D085 Circuit - NE Sub Ckt 3							$628,800				
	501005D086 Circuit - NE Sub Ckt 4						$744,000					
	501005D087 Circuit - NE Sub Ckt 5								$744,000			
	501005D088 Circuit - NE Sub Ckt 6									$1,044,000		
	501005D089 Circuit - NE Sub Ckt 7										$888,000	
	501005D090 Circuit - NE Sub Ckt 8											$1,044,000
	501005D091 Circuit - Timberline 338 extension								$612,000			
	501008 Duct Banks											

Transformers, Cables & Duct Banks	501008D081 Duct Bank to serve NE FC Devel Ph 1			$1,102,200								
	501008D090 Duct Bank on Carriage Pkwy Phase 2 - Fox Grove to Forelock Dr (1X2 w/ 20% Contingency)			$693,000								
	501008D091 Duct Bank on Carriage Pkwy Ph 3- Forelock Dr to Mulberry (1X2 w/ 20% Contingency)				$140,000							
	501008D093 Duct Bank on Mulberry -Timberline to Carriage Pkwy (2X4 w/ 20% Contingency)				$2,239,200							
	501008D094 Overland Trail Duct Bank Drake to Prospect (1X2 w/ 20% Contingency)						$570,000					
	501008D095 Duct Bank Extend East Vine Circuit 622 - Railroad to I25	$825,000										
	501008D096 Duct Bank on Carriage Pkwy Phase 1 - Prospect to Fox Grove	$693,000										
	501008D097 Duct Bank - NE circuit 1 & 2					$352,800						
	501008D098 Duct Bank - NE circuit 3							$2,376,000				
	501008D099 Duct - Timberline 338 Extension								$1,368,000			
	501012 System Cable Replacements											
	501012C009 CAPITAL - Replacement Area 9 - Valley Hi	$149,000										
	501012C012 CAPITAL - Replacement Area 12 - Woodlands PUD	$86,000										
	501012C013 CAPITAL - Replacement Area 13 - Village West 9th	$207,000										
	501012C016 CAPITAL - Replacement Area 16 - Parkwood East		$130,000									
	501012C017 CAPITAL - Replacement Area 17 - Trail West PUD		$182,000									
	501012C018 CAPITAL - Replacement Area 18 - Edora Acres	$101,000										
	501012C019 CAPITAL - Replacement Area 19 - Evergreen Park		$69,000									
	501012C020 CAPITAL - Replacement Area 20 - The Ridge PUD	$117,000										
	501012C021 CAPITAL - Replacement Area 21 - West Azalea		$32,000									
	501012C022 CAPITAL - Replacement Area 22 - Larkborough	$131,000										
	501012C023 CAPITAL - Replacement Area 23 - Village West 3rd		$84,000									
	501012C024 CAPITAL - Replacement Area 24 - Wagon Wheel		$66,000									
	501012C025 CAPITAL - Replacement Area 25 - Brown Farm 4th		$58,000									
	501012F020 Cable Replacements - Ongoing			$690,000	$690,000	$690,000	$690,000	$690,000	$690,000	$690,000	$690,000	$690,000
	501012F021 Feeder Cable Replacements - Ongoing	$230,000	$230,000	$230,000	$230,000	$230,000	$230,000	$230,000	$230,000	$230,000	$230,000	$230,000
	501014 Transformers											
	501014F022 Distribution Transformer Purchases & Replacements	$792,811	$1,041,257	$795,000	$795,000	$795,000	$795,000	$795,000	$795,000	$795,000	$795,000	$795,000
Annexations	501004 Annexations											
	501004C005 Clydesdale Park First & Second Annexations		$1,011,000									
	501004D001 Miller Enclave		$277,000									
	501004D002 Mulberry Enclave		$324,000		$6,529,000	$4,322,500	$4,322,500	$4,322,500	$7,551,700	$7,551,700	$7,551,700	$10,572,000
	501004D003 East Horsetooth (PVREA) Enclave											
	501004D003 East Horsetooth (Xcel) Enclave											
	501004D004 Taft Hill & Harmony Enclave											
	501004E001 PVREA GMA Area											
	501004E002 Xcel GMA Area											
Technology and Other	501002 Service Center											
	501002B003 Cable Handling Facility for Cut-To-Length Program			$1,575,000								
	501002B004 700 Wood Street Backup Power and Dual Feed ATO	$519,000										
	501002B005 Overland Disaster Recovery Site for SCO	$450,000										
	501002B006 Warehouse Storage Yard Covered Structure					$199,000						
	1940 Minor Capital - Vehicles & Equipment											
	19400000 Minor Capital - Vehicles & Equipment	$929,000	$625,000	$625,000	$625,000	$625,000	$625,000	$625,000	$625,000	$625,000	$625,000	$625,000
	501009 CMMS–Maintenance Management											

Technology and Other	501009G002 Operational Technology - Maximo	$300,000										
	501015 Streetlights											
	501015F023 Streetlight System Replacement	$986,866	$986,866	$986,866	$986,866	$986,866	$986,866	$100,000	$100,000	$100,000	$100,000	$100,000
	501015G009 LED Streetlight Control and Automation	$120,000	$120,000	$120,000	$120,000	$120,000	$120,000	$120,000	$120,000	$120,000	$120,000	$120,000
	501016 Distribution Automation											
	501016G010 Distribution Automation/FLISR	$200,000	$200,000	$200,000	$200,000	$200,000	$200,000	$200,000	$200,000	$200,000	$200,000	$200,000
	501017 System Relocations											
	501017J001 System Relocations - Road & Intersection Projects	$230,000	$250,000	$250,000	$250,000	$250,000	$250,000	$250,000	$250,000	$250,000	$250,000	$250,000
	501025 Advanced Metering Infrastructure											
	501025G004 AMI Equipment and Tech Upgrade	$650,300	$664,000	$10,700	$10,700	$10,700	$10,700	$10,700	$10,700	$10,700	$10,700	$10,700
	501025G005 AMI Wide Area Network (WAN)	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
	501025G006 AMI Backhaul Network Hardware Tech Refresh	$0	$234,600		$42,650				$112,000			
	501025G007 AMI Test Network Expansion		$191,900									
	501025G008 AMI New Technology Testing and Miscellaneous Capital	$100,000	$100,000	$100,000	$100,000	$100,000	$100,000	$100,000	$100,000	$100,000	$100,000	$100,000
	501026 Demand Respond Technology Upgrade											
	501026G013 Energy Services Peak Partners - DCU3 Refresh	$435,500										
	501026G014 Energy Services Peak Partners - GIWH	$0	$1,402,500	$1,402,500	$1,402,500	$1,402,500	$1,402,500	$1,402,500	$1,402,500	$1,402,500	$1,402,500	$1,402,500
	501026G015 Energy Services Peak Partners - EVSE		$200,000	$200,000	$200,000	$200,000	$200,000	$200,000	$200,000	$200,000	$200,000	$200,000
	501026G016 Energy Services Peak Partners - PRO1 Thermostat Sunset		$200,000									
	501026G017 Energy Services Peak Partners - Inverter Supervision & Control				$250,000							
	501013 Operational Technology											
	501013G001 ADMS Strategic Upgrades - Business Releases 3-6	$450,000	$580,000	$970,106	$660,951	$714,254			$351,797			
	501013G003 eSCADA Hardware/Software	$74,624	$74,624	$74,624								
	501013G011 Radio System Upgrades	$0	$628,970	$42,642	$42,642	$42,642	$42,642	$42,642	$42,642	$42,642	$42,642	$42,642
	501013G012 GPS & Underground Facilities Visualization			$127,926								
	501013G014 L&P/Energy Services Systems Alignment		$106,605	$106,605	$106,605							
	501013G015 Utility Scale Energy Storage		$150,000		$2,000,000		$2,000,000		$2,000,000		$2,000,000	
	Utility Billing System Upgrade		$4,000,000									
	Total	$17,326,344	$28,838,521	$21,903,168	$25,160,114	$21,266,262	$19,469,208	$21,128,142	$23,690,339	$21,200,542	$21,185,542	$22,486,842

COUNCIL FINANCE COMMITTEE
AGENDA ITEM SUMMARY

Staff: Jill Hueser

Date: 7/6/23

SUBJECT FOR DISCUSSION
Appropriation of Opioid Settlement Funds to Municipal Court Drug Court Program

EXECUTIVE SUMMARY
I am asking Council Finance to support the appropriation of funding already paid and scheduled for future payments to the Court to be utilized in creating a municipal court drug program to address high needs individuals with substance abuse disorders in our local community.

GENERAL DIRECTION SOUGHT AND SPECIFIC QUESTIONS TO BE ANSWERED

Does Council Finance support an appropriation of current and future opioid settlement funds to the court for a substance use disorder probation program/drug court?

BACKGROUND/DISCUSSION

Council has consistently expressed support for a drug court program in municipal court. The court has worked over the last two years to plan for a drug court. This would be the first of its kind in the state but other municipal courts have already expressed interest in creating a similar program.

Drug courts are proven to reduce recidivism, provide savings in criminal justice and resource costs, and help individuals struggling with substance use disorders achieve sobriety and become positively contributing members of the community.

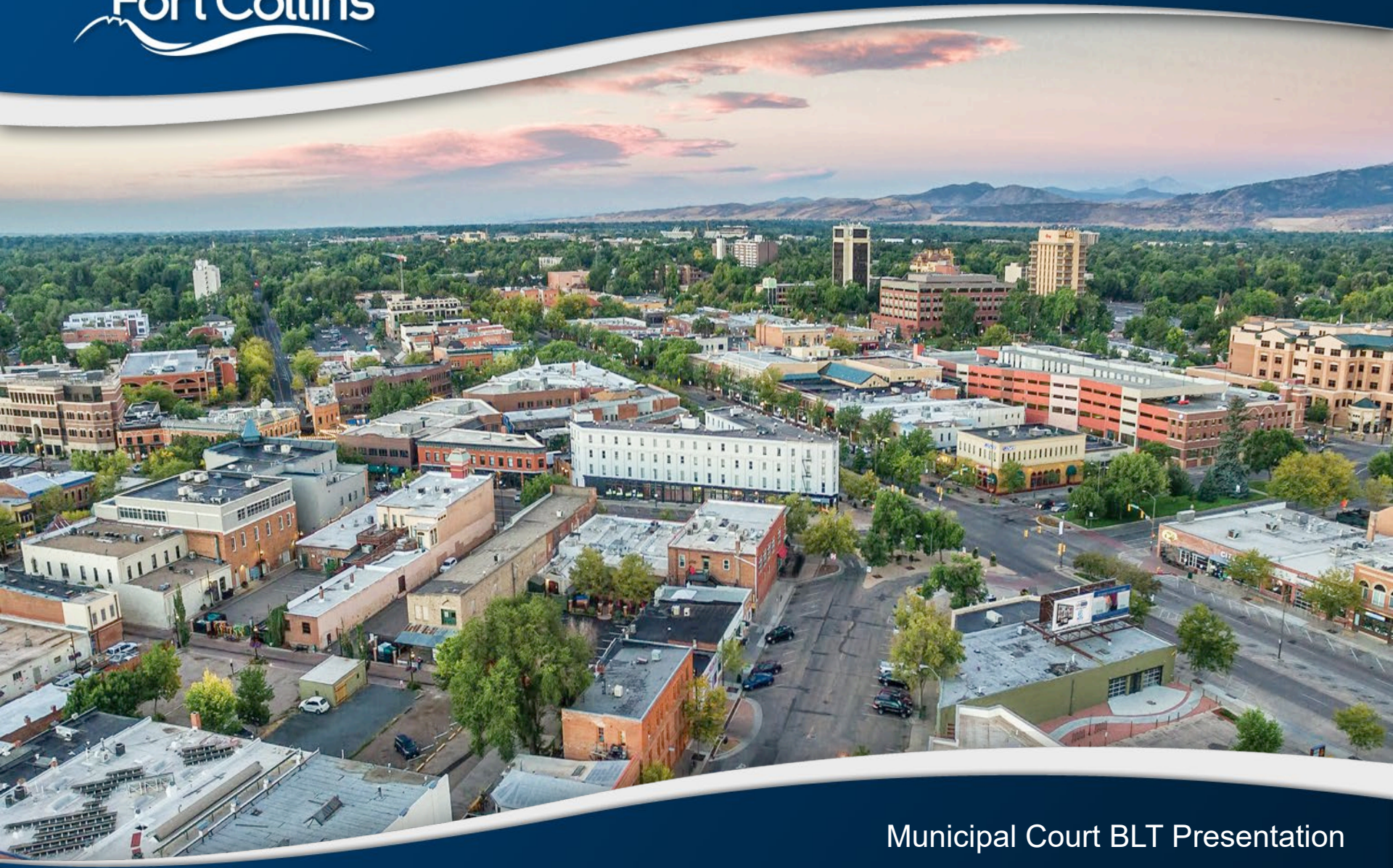
The opioid settlement money has to be used for certain types of programs, and drug court fits those parameters. While it is not a huge amount of money, it is a starting point for our program and can hopefully be leveraged through grant-writing. In the past, we have not been able to apply for many federal grants that could fund this type of program because we did not have dedicated matching funds.

The group working on the opioid settlement funding agreed unanimously that the impact of this funding would be maximized by the court in developing its drug court program.

ATTACHMENTS
Attachment 1: PowerPoint Presentation

City of Fort Collins

July 9, 2021



Municipal Court BLT Presentation

Chief Judge Jill Hueser

Drug Courts Generally

- The first drug court opened in 1989 in Miami, Florida, to address how often individuals would cycle in and out of prison due to drug addiction.
- Today there are around 4,000 treatment courts nationwide.
- Adult drug courts are the most prevalent treatment court, making up about half of all treatment courts in the United States.
- Drug courts, which combine treatment with incentives and sanctions, mandatory and random drug testing, and aftercare, are a proven tool for improving public health and public safety. They provide an innovative mechanism for promoting collaboration among the judiciary, prosecutors, community corrections agencies, drug treatment providers, and other community support groups.
- Every $1 spent on drug courts yields more than $2 in savings in the criminal justice system alone. This does not include healthcare savings, emergency resource savings, and other areas of savings.

Our Goals

Drug courts vary somewhat in terms of their structure, scope, and target populations, but they all share three primary goals:

1. Reduced Recidivism Rates
2. Reduced Substance Use Among Participants
3. Rehabilitation of Participants

What does drug court look like?

The core organizational structure and attributes of the drug court model, which has successfully been replicated in thousands of courtrooms nationwide, includes the following key components:

- Integration of alcohol and other drug treatment services within justice system case processing;
- A non-adversarial approach, through which prosecution and defense counsel promote public safety while protecting participants' due process rights;
- Early identification of eligible participants and prompt placement in the drug court;
- Access to a continuum of alcohol, drug and other treatment, and rehabilitation services;
- Frequent alcohol and other drug testing to monitor abstinence;
- A coordinated strategy governing drug court responses to participants' compliance or noncompliance;
- Ongoing judicial interaction with each participant;
- Monitoring and evaluation to measure achievement of program goals and gauge effectiveness;
- Continuing interdisciplinary education to promote effective drug court planning, implementation and operations; and
- Forging of partnerships among drug courts, public agencies, and community-based organizations to generate local support and enhance drug court program effectiveness.

Drug Court Statistics

- Drug courts operate on the local level to divert non-violent offenders with substance use problems from incarceration into supervised programs with treatment and rigorous standards of accountability.
- Drug courts help participants recover from addiction and prevent future criminal activity while also reducing the burden and costs of repeatedly processing low-level, non-violent offenders through the courts, jails, and prisons.
- Drug court programs have a tangible effect on criminal recidivism. A study funded by the Department of Justice examined re-arrest rates for drug court graduates and found that nationally, 84 percent of drug court graduates have not been re-arrested and charged with a serious crime in the first year after
  graduation, and 72.5 percent have no arrests at the two-year mark.
- Additionally, an analysis of drug court cost-effectiveness conducted by The Urban Institute found that drug courts provided $2.21 in benefits to the criminal justice system for every $1 invested.
- When expanding the program to all at-risk arrestees, the average return on investment increased even more, resulting in a benefit of $3.36 for every $1 spent.

Drug Court Impacts

- A review of five independent meta-analyses concluded that drug courts significantly reduce crime by an average of 8 to 26 percentage points; well-administered drug courts were found to reduce crime rates by as much as 35 percent, compared to traditional case dispositions.
- The success of drug courts has led to development of Tribal Wellness, Veterans Treatment, Mentally Ill Offender, Community, and Family Treatment courts.

OUR GOAL IS TO REPLICATE THESE SUCCESSES ON THE LOCAL LEVEL BY EARLY IDENTIFICATION OF AT-RISK INDIVIDUALS AND INTERVENTION!

Our municipal drug court would be the first of its kind in Colorado.

https://obamawhitehouse.archives.gov/ondcp/ondcp-fact-sheets/drug-courts-smart-approach-to-criminal-justice#:~:text=A%20review%20of%20five%20independent,compared%20to%20traditional%20case%20dispositions.

How will the Opioid Funding help?

- Initial funding will be used to hire a dedicated probation officer to build the drug court team.
- Many federal grants are available for this type of program. However, they require the City have dedicated matching funding. We are hoping to leverage this funding through grant-writing.
- The team working on the opioid settlement funding, which included members of the City Manager's Office, Social Sustainability, the City Attorney's Office, and Police Services agreed that, given the funding available, this request represents the best usage of that money.

Opioid Settlement Funds

Over the next 18 years, the City will receive $948,562.96 in annual allotments.

In 2023, the City received it first payment of $106,672.20.

Department of Justice (DOJ) grants are only available for established drug court programs. These grants can help offset specialized training costs, counseling services, and add additional resources/probation officers as the program grows.

Program Cost Breakdown

- New 1.0 FTE Probation Officer:
  - $90,000 annually

- Computer Equipment/ Case Management Licensing Fees:
  - $18,000 first year
  - $2,000 on-going

- Contract Drug Court Therapist/Counseling services:
  - $25,000 annually

The total annual program costs is approx. $118,000.

Request

The Court requests an appropriation of $75,000 of the 2023 Opioid Settlement funds into the Court's budget to start a Municipal Drug Court program.

- This amount includes approx. 4 months of salary for the new Probation Officer, licensing and computer equipment costs, and the costs for therapist/counseling services for 2023.

The Court will, through the 2025/2026 BFO process, request funds (approx. $65,000) in addition to the annual settlement appropriation to support the on-going program.

The Court will seek DOJ grants to help offset the costs of this program.