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AGENDA
Council Finance & Audit Committee Zoom Meeting
August 3, 2023
4:00 - 6:00 pm
Zoom Meeting <https://zoom.us/j/8140111859>

Approval of Minutes from the July 6, 2023, Council Finance Committee meeting.

- | | | |
|--------------------------------------|----------|----------|
| 1. 2023 Stormwater Debt - Oak Street | | B. Dunn |
| Presentation: | 10 mins. | |
| Discussion: | 20 mins. | |
| 2. Police Radios | | Z. Mozer |
| Presentation: | 10 mins. | J. Allar |
| Discussion: | 10 mins. | |
| 3. 2022 Financial Audit Results | | B. Dunn |
| Presentation: | 15 mins. | |
| Discussion: | 15 mins. | |
| 4. 2022 Fund Balances | | B. Dunn |
| Presentation: | 10 mins. | |
| Discussion: | 20 mins. | |

Council Finance Committee
2023 Agenda Planning Calendar
Revised 7/24/23 ck

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

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		
	TCEF Reimbursement	30 min	M. Virata M. Martinez
	Revolving Loan Fund	30 min	K. Geiger A. Kailburn
	2024 Budget Revisions - continued	40 min	L. Pollack

Nov. 2nd	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)



Council Finance Committee Zoom Meeting
July 6, 2023
Via Zoom

Council Attendees: Julie Pignataro, Emily Francis, Kelly Ohlson

Staff: Tyler Marr, Travis Storin, John Duval, Nina Bodenhamer, Ginny Sawyer, Lockie Woods, Lawrence Pollack, Dawn Downs, Victoria Shaw, Aaron Reed, Kendall Minor, Lance Smith, Gretchen Stanford, Chad Crager, Jeff Rochford, Molly Saylor, Jacob Castillo, Terri Runyan, Gerry Paul, Blaine Dunn, Adam Halvorson, Jo Cech, Randy Bailey, Renee Reeves, Dave Lenz, Sheena Freve, SeonAh Kendall, Zack Mozer, Erik Martin, Jill Hueser, Patty Netherton, Carolyn Koontz

Others: Kevin Jones, Chamber
Sady Swanson, Coloradoan

Meeting called to order at 4:00 pm

Approval of minutes from the May 4, 2023, Council Finance Committee Meeting. Kelly Ohlson moved for approval of the minutes as presented. Emily Francis seconded the motion. The minutes were approved unanimously via roll call by; Julie Pignataro, Emily Francis, and Kelly Ohlson

A. Utility Customer Information System

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

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	<u>\$750,000</u>
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	<u>\$750,000</u>
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	<u>\$1,212,500</u>
	\$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	<u>\$9,700,000</u>
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)
Remaining Available Reserves	\$17.3	\$22.5	\$10.6	\$11.7

GENERAL DIRECTION SOUGHT AND SPECIFIC QUESTIONS TO BE ANSWERED

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?

DISCUSSION / NEXT STEPS

Kelly Ohlson; how am I supposed to know that this is even close to the right amount of money?

Lance Smith; we did have a failed implementation a few years ago. When we issued the RFP, we got 6 responses. There were some that were less than this and there were tier one solutions that were considerably more than this. We are in the middle of the range we saw with the 5 proposals. We are also leaning heavily on our outside consulting firm, and they are advising us we should expect somewhere between \$12M - \$15M.

Kelly Ohlson; why does this take so long to implement?

Lance Smith; our vendor was proposing an 18-month implementation, but we ask for a longer 24-month implementation as we want to go live while our current system is still available to us.

Kelly Ohlson; how long will this last?

Lance Smith; this is fundamentally different than what we did before - we didn't regularly update that as we went along before. This time, we will be running software on their computers. They are going to be maintaining the hardware and they will update the software a couple times per year so we will be current. We do have to agree to an update at least once per year.

Kelly Ohlson; assuming that this company has a pretty good track record in the US.

Lance Smith; we did 13 reference checks with entities using their software across the US. The reference checks were favorable.

Kelly Ohlson; I am good.

Julie Pignataro; I was surprised that you have to pay all of the licenses up front. How many licenses?

Lance Smith; we are paying for a subscription so there is not a limit on the number of licenses. They are standing up a server with the software which is why they are wanting us to pay from day 1. It feels strange to pay for something I can't really use it on day 1, but that is the business model they use.

Julie Pignataro; does this provide as many licenses as we will need?

Lance Smith; yes

Julie Pignataro; 5-year contract at \$1.25M per year - is there an annual percentage increase in that?

Lance Smith; we will try to limit that to 3% for the first 5 years in the contract.

Julie Pignataro; will this be a 5-year contract?

Lance Smith; yes

Julie Pignataro; so, could you put this out for another company to pick up the system after 5 years?

Lance Smith; correct, after 5 years if we did not want to continue this contract, we would be looking at another vendor.

Travis Storin; the Council adopted a code revision for software specifically, we are now able to go up to 10 years. This implementation meets the criteria for an enterprise resource platform – those are long relationships. It takes substantial work to go live - a big leap of faith at the outset – we have to trust our due diligence.

Lance Smith; we are talking with them about getting the same terms for either 7 or 10 years.

Julie Pignataro; after five years if things are going well, they have the leverage. We want to be careful that they do not increase their subscription fees. Is this company reputable? I know you said you talked with their references. Do they have a reason to want to keep their reputation?

Lance Smith; this is a significant investment on our part. The situation we won't have is the situation we have today with a highly customized system that we can't move away from easily. We are trying to avoid fee increases.

Julie Pignataro; so, this is approximately a \$300K increase, right?

Lance Smith; correct

Julie Pignataro; where will these costs come from long term?

Lance Smith; it will be passed on to the customer which works out to be approximately \$1.10 per customer per month. That cost will be included in bills before the system goes live. There will be a 2-year period where we will continue to pay our current vendor to license their software and continue to use it while we are implementing this. We will be paying for 2 systems for that period.

Julie Pignataro; what is a healthy fund balance to have? What are reserves typically used for?

Lance Smith; the reserves are typically utilized for capital investments. This is a capital project, but there is not a wire or pipe that goes into the ground. As far as what is a healthy balance, after this proposal, we would have at least 2 years of capital spend in each utility which is fairly healthy.

Travis Storin; that reserve is 25% of operating costs for each individual utility – we never go below that level.

Action Item;

Julie Pignataro; when this comes to the full Council, it would be helpful to have a visual showing all fund balances and the safe thresholds.

Travis Storin; absolutely - we do have all fund balances coming to the Council Finance meeting in August to coincide with the upcoming budget revision cycle.

Julie Pignataro; what are the possibilities of bundling Connexion into this?

Lance Smith; we are not looking to do that – we just stood up the billing system for Connexion. And this vendor doesn't currently have an internet module, but it is something that they are working on. This could be something we could do in the future.

Travis Storin; possible from a customer standpoint to have bill merging software where it takes data from the two systems and a customer is presented with one bill - but that would be pretty far down the road.

Result; The Council Finance Committee approved this to be brought forward to the full Council.

B. Sustainable Timberline Recycling Center

Molly Saylor, Interim Manager, Environmental Sustainability
Jacob Castllo, Chief Sustainability Officer

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	<ul style="list-style-type: none"> • Data - Driver embedded in hauling • Delta - City pays more competitive wages
Equipment Replacement	\$29k	\$81k	\$52k	\$67k - \$95k	<ul style="list-style-type: none"> • Data - Depreciation of operator equipment embedded elsewhere
Hauling & Maintenance	\$150k	\$124k	\$(26k)	\$111k - \$137k	<ul style="list-style-type: none"> • Data - Also includes driver
Site expenses	\$58k	\$58k	-	\$49k - \$65k	<ul style="list-style-type: none"> • Not operator dependent
Commodities	\$(1k)	\$(1k)	-	\$(47k) - \$45k	<ul style="list-style-type: none"> • Not operator dependent
Gate fees	\$(50k)	\$(50k)	-	\$(46k) - \$(54k)	<ul style="list-style-type: none"> • 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.

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?

DISCUSSION / NEXT STEPS

Emily Francis; if we move to in-house, would we be able to recycle more items than going through a contractor?

Molly Saylor; a way to think about that is the level of direct control versus influence. We can add items now working with our contractor but if we went in-house, those steps would be in our purview. We intend all costs to be neutral, to be passed through. On the hard to recycle side, we are looking to charge appropriate fees for the different materials. So, our customers pay for the cost to recycle them. On the everyday recyclable side, we do our best to recover as much of the costs for the different commodities as possible.

Emily Francis; does the contractor charge us more if we add items?

Molly Saylor; short answer is no but I might look to others for a more nuanced answer.

Gerry Paul; as Molly indicated, there would be an incremental cost associated with disposal of additional recyclable materials, depending on what the market is for that particular material. We will try to recover that cost whether the service is being provided by the city or by a third party.

Emily Francis; where is the additional money coming from?

Travis Storin; the start-up costs would be proposed in this revision offer to come from General Fund reserves and the operational costs would be on-going General Fund revenues offset by any fees we collect at the site.

Emily Francis; if we bring it in-house, would there be any change to the fee structure?

Molly Saylor; from where we are sitting now, there are no immediate plans to change the fee structure. That could change as we move forward with our next phase of the planning process and take a bigger picture look at the whole site.

Emily Francis; I am supportive. I think it makes sense to bring this in-house. I just don't want us to bring it in-house and then change the fee structure for our residents. This is a great community asset and I want to keep it that way.

Kelly Ohlson; I am a huge fan of this center. I appreciate the work and the center, and I think there is a lot of room for improvement. I wish we had been in-house from day 1. The quicker we can get there the better, for the community, the city organization, and our residents.

We recently took a trip to the Arvada hard to recycle site. They take so many more types of items than we do. If Arvada can do it, so can we and I think we have a much better opportunity to do that bringing it in-house.

Venting a bit, it has been two years since we green lit it while also requesting additional information.

I am supportive without any hesitation of bringing this forward in the budget revision cycle.

The sooner the better. The timeframe laid out seems to be contingent on how long it takes to get a truck.

I am looking for something a whole lot quicker than that, 18 months to get a truck then transition time. I think the timetable of three years is absurd. Three years from now to make this transition is extremely problematic for me.

Travis Storin; we have been looking at several alternatives in addition to flat out purchase of a vehicle. We spent some time looking at the possibility of a rental and secondary markets, both options are unsatisfactory.

Unfortunately, we are at the mercy of the vehicle manufacturers. We are seeing this city wide from a fleet perspective, particularly for electric, diesel, natural gas, but also for gasoline as well. We are seeing 12 + months of lead time for vehicles that we would consider customary that we turn around frequently as part of the fleet.

Gerry Paul; We have done preliminary outreach in terms of what the lead time is in the lease and used market. The vehicle market is extremely tight right now.

Travis Storin; once the funding is in place, we would move as fast as allowed while also being realistic on some of the barriers we have on big equipment purchases right now.

Kelly Ohlson; if you get Council approval, I understand that you will move as fast as you can. I think it is going to be better on every level, more adaptable for more products, better service. I trust the city organization to do a fine job. The equity things, we will be able to adapt to change and more quickly. I will be supportive of the budget request. I am disappointed in the time frame but appreciate what you brought forward today.

Julie Pignataro; on the timeline - why couldn't you, with the exception of hiring the driver, work on strategizing the transition and all of the other equipment and hit the ground running if procuring the truck is the long pole in the tent?

Molly Saylor; if our offer is funded, we can start to put a transition plan together for the site and we can get a lot of the other pieces in place before we have a truck. Until we have a truck, we cannot fully take over operations.

Julie Pignataro; it might be helpful to see a chart which shows what can run concurrently and isn't dependent on other things happening. The way it is laid out, it makes it look like nothing is happening between January 2024 and Q2 of 2025 while you are waiting for a truck. That is the PM is me, but I am curious to see if it possible to run enough things concurrently that we could shorten this timeline. I appreciate all of the research. Is staff recommendation that we move forward with bringing it in house?

Travis Storin; we have had a hard time with that. I think what tips it to a yes as far as a staff recommendation is what we are seeing in the hauling market right now in terms of costs. If we knew we would have static hauling costs with the current contractor, it would not have been our recommendation. We have seen some pretty strong signals of 40% - 220% (depending on the material) of potential increases after the current contract term. Even with our waste hauling, we are seeing signals of some pretty significant cost escalation. In spite of the increased costs, we have reason to believe over the long run it would be more financially beneficial in addition to the service benefits that were discussed.

Result: Council Finance Committee supports this going forward to the full Council. Great job!

DRAFT

C. 2023 Light & Power / Broadband Financing

Blaine Dunn, Accounting Director

EXECUTIVE SUMMARY

City staff is seeking \$60M in financing through a bond offering for an 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	<u>\$12M</u>	<u>\$11M</u>	<u>\$12M</u>
Subtotal Business Plan	\$109M		
Contingency & Re-deploy – Sept. 2021	\$13M		
L&P Reserves Appropriated – Apr. 2022	<u>\$20M</u>		
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.

GENERAL DIRECTION SOUGHT AND SPECIFIC QUESTIONS TO BE ANSWERED

- 1) Does the Committee support bringing a bond issuance Ordinance to Council on August 15th?
- 2) Does the Committee support bringing an appropriation Ordinance to Council on August 15th?

DISCUSSION / NEXT STEPS

Kelly Ohlson; what did the new substation in the northeast part of town cost approximately?

Lance Smith; we are currently estimating the new substation to cost between \$12-15M for the actual equipment itself and when we can get that equipment – transformers are hard to get at this point.

Kelly Ohlson; how do we fair share recovery? How do we make sure that new development and growth is paying their fair share for a new substation that is driven by new growth and development - how do we factor that into our finances?

Lance Smith; this would be a project that when are looking at electric capacity fees, we will look at our capital investments. Is this something to replace an existing asset and should fall on existing rate payers or are we adding capacity to the system – if that is the case, that would be rolled into the electric capacity fee. We develop our Utility Plant Investment Fees based on the premise that growth should pay their own way. We are fully loading those costs into our development and electric capacity fees.

Kelly Ohlson; I was just talking about the part that is growth and new development and confirming that we are covering those costs in a different way. Do we currently have some equivalent to the parks refresh for other aging infrastructure (mini-infrastructure plan)? Does what we are doing today relate to that in any way?

Lance Smith; we have an existing 10-year Capital Improvement Plan and are in the process of refreshing that this year ahead of the next BFO cycle. Phillip Amaya, our new Light & Power Director, joined us 6-9 months ago and he is wanting to look at all of that again, so we have been looking at that in depth. We do have a lot of replacement renewal infrastructure in the CCIP. I don't recall seeing vaults themselves but it is more of the infrastructure within the vaults.

Kelly Ohlson; I was using that as an example as I was told we might have let that slide for awhile and need to do some catch up.

Lance Smith; we do have a lot of infrastructure that we need to renew. We are looking at a revised design for the vaults. We do have a long-term capital improvement plan.

Travis Storin; the 10-year utilities capital plans are done for each utility and are updated on a 2-year cadence to coincide with BFO, so that there is a constant refresh of capital and infrastructure needs there. This financing is for projects that are copacetic with that CIP.

Kelly Ohlson; this is more the annexation costs, the supply chain issues, the substation and then it says 'additional system additions'. I would like to have some more definition around 'additional system additions'. I don't think this helps fund the CIP.

Travis Storin; I will defer to Lance on the 'additional system additions' piece of that question, but the CIPs are not exclusively funded from debt. We accomplish a great deal of that planned work through the generation and use of reserves.

Kelly Ohlson; so, I do need some additional definition around 'additional system additions' I am reading this that it doesn't really fund the classic refresh, replace, update. Does this really channel any money over to the CIP? I am going to support this, but I want to understand what we are saying yes to.

Lance Smith; the system additions are new growth, so we are adding something to the existing system. What we have seen in the past has been significant amounts of development fees coming in for electric service. So last year, we had to do a mid year appropriation to fund some of the new development because it was higher than we had originally planned for. When we say, 'additional system additions' what we are saying is higher than anticipated – development fees have come in. On the refresh part, the new substation is obviously going to serve new customers. The challenges on the supply side – we do have plans to renew cables and transformers which is a big supply chain challenge as they have an 18 month + lead time. We had previously used a 12-month time frame. Now we need to order them 2 years in advance so that will require additional funding at this point so some of that is being brought forward here.

Kelly Ohlson; I don't believe this actually helps the refresh, renewal, replacement of things – like infrastructure down in the vault for example need a clear answer.

Lance Smith; I would say - yes, it is but I think when we bring this to Council if you are supportive of that, we will provide the CIP and I will be clear about what is refresh versus what is new.

Kelly Ohlson; I am good - thank you

Emily Francis; I am good.

Julie Pignataro; I am good too.

Result; The Council Finance Committee supports bringing this forward for First Reading with the full Council. Blaine will add more information on the use of the Light & Power funds on refresh and new capital.

D. Opioid Settlement

Judge Jill Hueser

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 must 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.

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?

DISCUSSION / NEXT STEPS

Kelly Ohlson; I can't think of a better use – I like the direct correlations from what the money comes from to what it goes to. This is a go for me.

Judge Jill Hueser; it must be used for certain types of programs. We have verified that this program does quality for use of these funds.

Emily Francis; I support this.

Julie Pignataro; I questioning the small amount (\$75K). Do you feel good about the amount?

Judge Jill Hueser; we will be coming back to Council next year to appropriate the next year's funding from the opioid funding. We won't be able to spend more than \$75K between now and the end of the year to get this program off the ground. That will also give us some time to start with the grant writing and see how much traction we are able to get with that. When we come back next year to request an appropriation, we will hopefully have a better idea if this will be sufficient funding. We may be able to fund it from grants and the opioid funding settlement. For right now, this is a good start for us.

Julie Pignataro; by this year you mean December 2023?

Judge Jill Hueser: it is for the next 6 months. It may not be January 2024. It might be more in the spring once we have someone hired. Part of it is, are we going to be able to get these funds from the federal government? We are going to start grant writing as a big part of our work the rest of 2023 and getting the team up and running. We are not waiting until BFO next year to talk about this again.

Meeting adjourned at 5:30 pm.

COUNCIL FINANCE COMMITTEE AGENDA ITEM SUMMARY

Staff: Blaine Dunn, Accounting Director

Date: August 3, 2023

SUBJECT FOR DISCUSSION

Bond Issuance: Stormwater

EXECUTIVE SUMMARY

City staff is seeking \$40M in financing through a bond offering for a November 2023 closing. These funds will be used for the Oak Street Stormwater Improvement project.

GENERAL DIRECTION SOUGHT AND SPECIFIC QUESTIONS TO BE ANSWERED

Does the Committee support bringing a bond issuance Ordinance to Council on September 19th?

Does the Committee support bringing an appropriation Ordinance to Council on October 17th?

BACKGROUND/DISCUSSION

Project

This project has been identified as a top priority stormwater project for the City because it will contribute to resolving urban flooding issues in downtown Fort Collins. The Oak Street Project is one of several stormwater outfall projects, recently identified as part of the Downtown Stormwater Improvement Program, otherwise known as the “DSIP”. The DSIP was recently developed (2017-2019) as a basin-wide evaluation of existing stormwater improvements and is the development of a comprehensive strategy to mitigate flood risk and damages in the Old Town Basin with the implementation of additional stormwater improvements. This project will remap a portion of the floodplain in downtown.

Flood hazards in downtown Fort Collins are generally caused by the inability of the existing streets and storm sewers to adequately convey storm runoff. The downtown area was built before there were standards in place for stormwater, so like many older urban areas, downtown Fort Collins has flooding issues. Addressing the flooding issues will:

- Provide resilience for the future of the community
- Improve public safety
- Avoid costly flood damages (estimated damage costs between \$151M and \$165M for the downtown area)
- Address recurring street and intersection flooding

One goal of the project is to improve water quality into the Poudre River. Outfall is currently into the Udall Water Quality Pond (or Natural Area). Enhancing water quality treatment at the source through green infrastructure located along the corridor and within the road ROW is the goal.

The design includes three different “rain garden” locations. One at the Howes/Canyon/Oak intersection, another at the Washington/Oak intersection, and a third at the Oak/Jackson intersection at the northeast corner of City Park. These rain garden locations will help improve the water quality that ultimately ends up flowing into the river.

Debt Structure

The City is seeking to borrow a total of \$40.4M, \$40M (\$35.6M of principal) for the project and \$400k in closing costs, with the bonds. The bonds will have a fixed interest rate and a repayment term of 20 years. Stormwater will make average debt service payments of \$2,866,000 each year. The City will make semiannual payments starting in 2024 with the last payment occurring in December 2043.

ATTACHMENTS

Attachment 1 – PowerPoint

2023 Stormwater Financing

Blaine Dunn

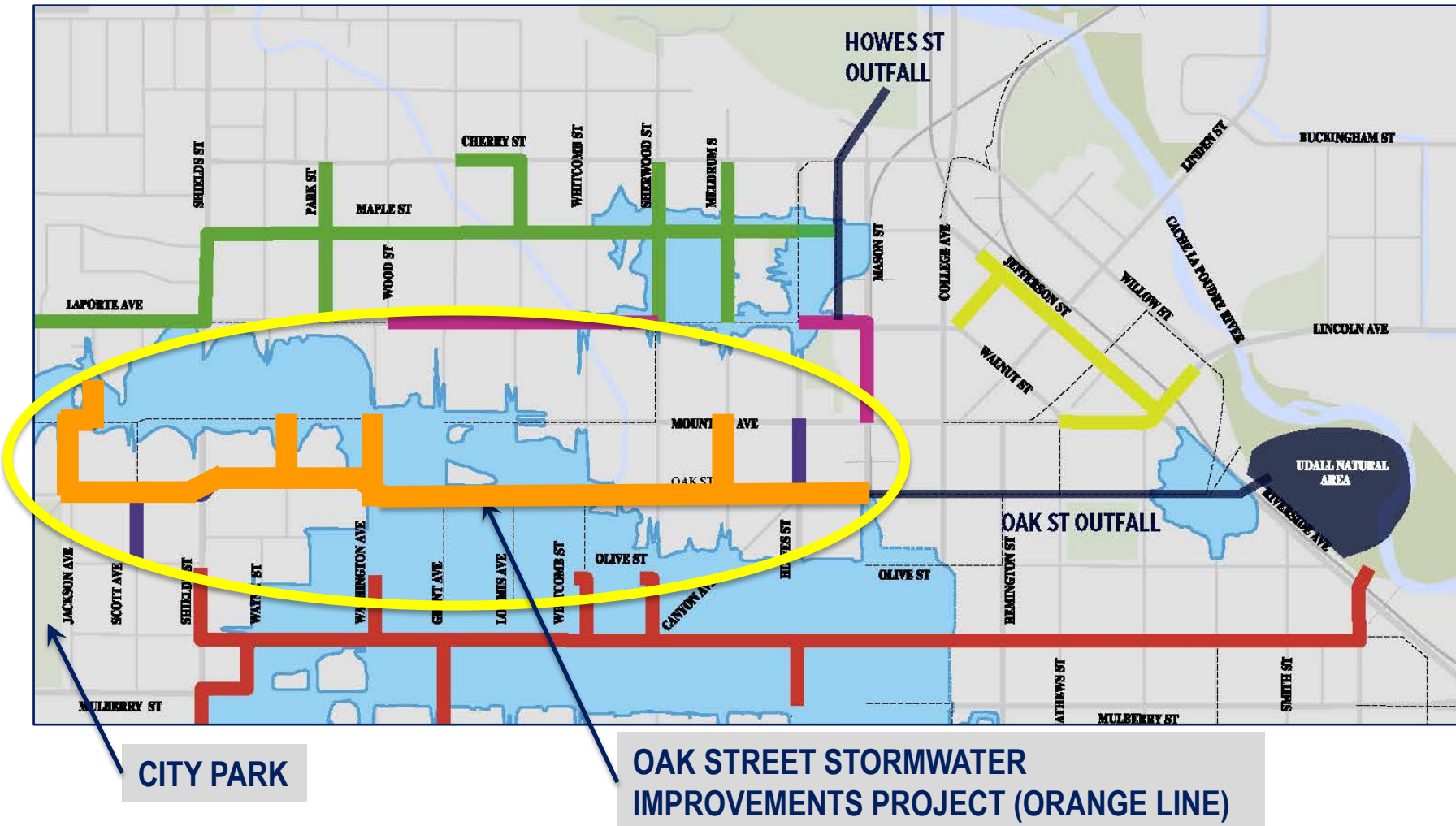
Accounting Director



- Project information
- Debt Issuance Process
- Debt structure

Does the Committee support bringing forward a bond issuance Ordinance to Council on September 19th?

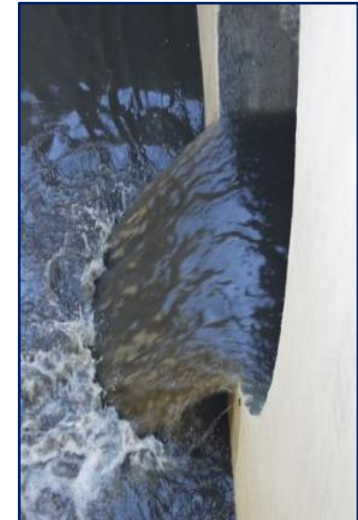
Does the Committee support bringing forward an appropriation Ordinance to Council on October 17th?



- The **Oak Street Stormwater Improvements Project** has been identified as a top priority stormwater project for the City because it will significantly contribute to resolving the urban flooding issues for downtown Fort Collins neighborhoods and businesses.

Project Goals

- Reduce flooding in downtown Fort Collins
- Improve water quality to the river
- Enhance streetscapes
- Engage the community



Data Collection & History

- Aerial Imagery (with drone)
- Detailed Ground Survey and Utility Locates along 20 blocks in downtown
- Interviewing residents
- SS and SW manhole investigations
- >300 Utility Potholes
- Geotech Drilling (4 bores, 7 wells)
- Groundwater Monitoring & Testing

Design & Modeling

- 100% Design as of July 1st!
- Coordination with W/WW Replacement Program, SMP Program, Broadband installs
- SWMM Modeling and Floodplain Impacts
- Pilot Study using 2D and 1D software

Risk Identification

- Tunneling locations and extents
- Utility Crossings and Deep Excavation
- Subsurface: Soil and/or Groundwater concerns
- Weather and Construction in the Floodplain
- Impacts to downtown businesses and residents including public safety

Cost Estimating

- Project Costs estimated from 60% Cost Estimate (2022)

Construction RFP

- Post RFP in August
- Contractor on board by end of 2023



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

- **Currently planning Competitive Bid**
 - Leverage market conditions for municipal utilities
 - Market appears to favor competitive bid
 - Leverage strong credit rating for Stormwater utility
 - Will take competitive bids from underwriters in early November

Item	Details	Cost
Design and Consulting Fees	Consultant Design Team, Field Work & Data Collection, Permitting, Cost Estimating, Public Outreach	\$2.2M
Estimated Construction Costs	Construction, Permitting, Fees, Easements, Misc Project Support, Public Outreach	\$39.5M
Total Overall		\$41.7M
Appropriated Funds To-Date	From budget cycles 2019-2021	\$2.9M
Anticipated Debt Service		\$38.8M

Anticipate \$40M bond issuance

- 20 year term
- Interest rate of 3.94%*
- Average annual payment of \$2,866,000
- Semiannual payments starting in 2024
- Last payment 2043

• Proceeds:	Issuance Costs**	\$0.4M
	Project Amounts (Principal)	\$35.6M
	Premium*	\$4.4M
	Total Proceeds	\$40.4M

Key Upcoming Dates

- **September 15-19** Conference calls with rating agencies
- **September 19** City Council First Reading of Authorizing Ordinance
- **September 29** Rating results received
- **October 3** City Council Second Reading
- **October 13** Notice of sale posted
- **October 17** City Council First Reading of Appropriation Ordinance
- **October 24** Marketing of bonds on Parity
- **November 7** Closing and delivery of proceeds
- **November 21** Second reading of Appropriation Ordinance

Does the Committee support bringing forward a bond issuance Ordinance to Council on September 19th?

Does the Committee support bringing forward an appropriation Ordinance to Council on October 17th?



Backup

- **Presentations and Outreach:**

- City Council, Water Commission, ELT, Chamber of Commerce, DDA, Arthur Ditch Board, Otter Box / Blue Ocean, Key Bank, CSU, Farmer's Market

- **Events:**

- 2 Design Workshops (June 2021, April 2022), Camp Sol

- **Online:**

- Website, with email signup for updates, DSIP Video, Facebook, Twitter, Dedicated Phone Number for the Public

Internal Coordination and City Partners:

Engineering, Planning, Streets, Traffic Ops, Parks, Park Planning, Forestry, Customer Connections, FC Moves, APP, Light & Power, Broadband, Water Utility Field Ops, Stormwater Masterplanning & Floodplain Admin, Key Accounts, ERA, Historic Preservation

+25 Departments coordinated with and +100 individuals across the City have been involved in this project in some capacity since 2020



<https://ourcity.fcgov.com/oak-street-workshop>

<https://www.fcgov.com/utilities/oak-street-stormwater-improvements-project>



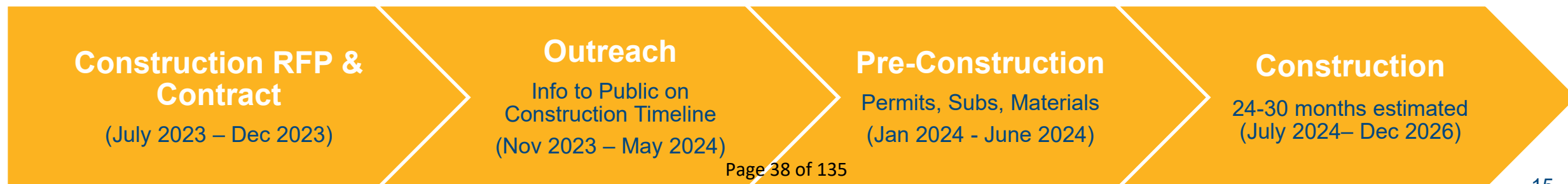
Design



Financing



Pre-Construction & Construction



COUNCIL FINANCE COMMITTEE AGENDA ITEM SUMMARY

Staff:

Justin Allar, Director of Information Services
Zack Mozer, Analyst II, Finance

Date: August 3, 2023

SUBJECT FOR DISCUSSION

Police- Handheld Radio Replacement

EXECUTIVE SUMMARY

The purpose of this agenda item is to discuss the need to replace the remaining mission-critical handheld radios utilized by police. The ability to transmit information regarding an in-progress call or evolving situation is critical for responding personnel. As the dynamics of a given situation change, broadcasting information over the radio system allows for first responders to approach the event, an individual, or tactical situation with vital information. First responders frequently utilize radios to communicate with regional partners and the radio system allows for seamless transmissions and critical interoperability at the county and state levels. There are currently 242 total handheld radios with 130 replaced in 2022. This leaves the remaining 112 radios needing to be replacement.

GENERAL DIRECTION SOUGHT AND SPECIFIC QUESTIONS TO BE ANSWERED

1. Does the Council Finance Committee support an appropriation of \$620,000 to purchase Police Radios.

BACKGROUND/DISCUSSION

Police Services rely heavily on radio communication as their primary means for transmitting critical information to and between emergency responders. These devices allow field responders to receive and communicate not only life-saving information, but the information required to maintain the safety of the community, their partners, and their own personal safety. The ability to transmit information regarding an in-progress call or evolving situation is critical for responding personnel.

Having a supported and updated radio is critical to ensuring officer safety. Police Services utilizes the public safety emergency radio system on a continuous basis to communicate and receive updates from the 911 Center, convey information to other responders, and/or direct incoming resources for an incident. The current radio devices include handheld radios, mobile/vehicle radios, and dispatch radios. Currently, the handheld radios are needing to be replaced.

Police Services utilizes Motorola radios, and the manufacturer as phased out the old APX AN model for the new APX BN model. Motorola will no longer support the old model in December

of 2023. These radios will still function, but replacement parts will no longer be produced. Police Services has done well in extending the life of all radio equipment, with industry standards suggest replacing handheld radios every 5-7 years. The remaining old Police Services handheld radios were purchased in 2013 and are 10 years old, beyond the suggested use standards. Out of the total 242 handheld radios, 130 radios were replaced with the newer BN model in 2022, leaving 112 still needing to be replaced in 2023.

The cost to replace the remaining 112 radios is \$620,000 which equates to roughly \$5,500 per radio. The Manufactured Suggested Retail Price (MSRP) is \$7,500 and is reduced to \$5,500 when applying National Association of State Procurement Officials (NASPO) discount. If approved the next step would be to order and replace the remaining radios in 2023.

ATTACHMENTS

1- PowerPoint attachment.



Police Radios

Justin Allar

Director of Information Services
Police Services

Zack Mozer

Analyst II, Finance
Police Services

- 1. Does the Council Finance Committee support bringing an appropriation of \$620,000 to support the purchase of Police Radios.**

Radio Communication



- Police Services rely heavily on radio communication as their primary means for transmitting critical information to and between emergency responders.
- These devices allow field responders to receive and communicate not only life-saving information, but the information required to maintain the safety of the community, their partners, and their own personal safety.
- Police Services utilize the public safety emergency radio system on a continuous basis to communicate and receive updates from the 911 Center, convey information to other responders, and/or direct incoming resources for an incident.
- Having a supported and updated radio is critical to ensuring officer safety.
- Radio devices include handhelds, mobiles in the vehicle, and dispatch console radios. **Handhelds are end of life and need to be replaced.**



New Radio Enhancements

WiFi, Adaptive Audio Engine, and Bluetooth® 4.0 wireless technology

Adaptive Gain Control

Adjusts microphone gain based on how loud you talk into the radio to ensure a consistent audio level on the receiving end.

Adaptive Noise Suppression

Adjusts the audio algorithm so you can cancel out the noise as it changes in the environment.

Cost and Proposal

Cost

The cost to replace the remaining 112 radios is \$617,435.16 which equates to roughly \$5,500 per radio.

Discount

The Manufactured Suggested Retail Price (MSRP) is \$7,500 and is reduced to \$5,500 when applying National Association of State Procurement Officials (NASPO) discount.

Proposal

Replace the remaining 112 handheld radios in 2023 with secured pricing. General Fund Reserves were held at year-end 2022 assigned to this purpose.

- 1. Does the Council Finance Committee support an appropriation of \$620,000 to purchase Police Radios.**

**COUNCIL FINANCE COMMITTEE
AGENDA ITEM SUMMARY**

Staff: Blaine Dunn, CPA, Accounting Director
Randy Bailey, Controller
Chris Telli, CPA, FORVIS LLP
Anna Thigpen, CPA, FORVIS LLP

Date: August 3, 2023

SUBJECT FOR DISCUSSION

Independent Auditors' Report on 2022 Financial Statements
Independent Auditors' Report on Compliance for Major Federal Programs

EXECUTIVE SUMMARY

FORVIS will be presenting an overview of the *Results of the 2022 Financial Statement Audit*. This report covers the audit of the basic financial statements and compliance of the City of Fort Collins for year-end December 31, 2022.

NOTE: The Annual Comprehensive Financial Report has been sent to the printer, but the printing has not yet been completed. We will get hard copies distributed as soon as they are available, for those requesting one. A copy of the report can be found online here:

<https://www.fcgov.com/finance/files/2022-city-of-fort-collins-acfr.pdf>

GENERAL DIRECTION SOUGHT AND SPECIFIC QUESTIONS TO BE ANSWERED

Staff seeks input on areas of priority or concern, other than those established in this Report to the City Council, for matters of recordkeeping and/or the City's internal control environment.

Otherwise, there are no specific questions to be answered as this is a 2022 year-end report.

BACKGROUND/DISCUSSION

In compliance with *Government Auditing Standards*, the City undergoes an independent external audit on an annual basis. FORVIS finalized its financial statement audit and compliance report on June 26, 2023, and the firm is required to report the results of the audit to those charged with governance.

Attachment 1 to this agenda item contains the full report, findings of note are summarized below:

Identified Deficiencies (Attachment 1, pages 6-7):

Other findings/deficiencies identified by the auditors but not rising to the level of a significant deficiency can be found in the Report to the City Council. Staff will provide a written response to the audit findings at a fourth quarter Council Finance Committee meeting.

ATTACHMENTS

1. Results of the 2022 Financial Statement Audit
2. Single Audit Report

FORVIS Report Honorable Mayor and Members of City Council and City Manager

City of Fort Collins, Colorado

Results of the 2022 Financial Statement Audit,
Including Required Communications

December 31, 2022

Required Communications Regarding Our Audit Strategy & Approach (AU-C 260)

Overview & Responsibilities

Matter	Discussion
Scope of Our Audit	<p>This report covers audit results related to your financial statements and supplementary information:</p> <ul style="list-style-type: none">• As of and for the year ended December 31, 2022• Conducted in accordance with our contract dated January 12, 2023
Our Responsibilities	<p>FORVIS is responsible for forming and expressing an opinion about whether the financial statements that have been prepared by management, with the oversight of those charged with governance, are prepared in accordance with accounting principles generally accepted in the United States of America (GAAP).</p>
Audit Scope & Inherent Limitations to Reasonable Assurance	<p>An audit performed in accordance with auditing standards generally accepted in the United States of America (GAAS) and <i>Government Auditing Standards</i> issued by the Comptroller General of the United States (GAGAS) is designed to obtain reasonable, rather than absolute, assurance about the financial statements. The scope of our audit tests was established in relation to the opinion unit being audited and did not include a detailed audit of all transactions.</p>
Extent of Our Communication	<p>In addition to areas of interest and noting prior communications made during other phases of the engagement, this report includes communications required in accordance with GAAS that are relevant to the responsibilities of those charged with governance in overseeing the financial reporting process, including audit approach, results, and internal control. The standards do not require the auditor to design procedures for the purpose of identifying other matters to be communicated with those charged with governance.</p>
Independence	<p>The engagement team, others in our firm, as appropriate, and our firm, have complied with all relevant ethical requirements regarding independence.</p>

FORVIS

FORVIS is a trademark of FORVIS, LLP, registration of which is pending with the U.S. Patent and Trademark Office

Matter	Discussion
Your Responsibilities	Our audit does not relieve management or those charged with governance of your responsibilities. Your responsibilities and ours are further referenced in our contract.
Distribution Restriction	<p>This communication is intended solely for the information and use of the following and is not intended to be, and should not be, used by anyone other than these specified parties:</p> <ul style="list-style-type: none"> • City Council • Management • Others within City of Fort Collins, Colorado (the City)

Government Auditing Standards

Matter	Discussion
Additional GAGAS Reporting	<p>We also provided reports as of December 31, 2022 on the following as required by GAGAS:</p> <ul style="list-style-type: none"> • Internal control over financial reporting and on compliance and other matters based on an audit of the financial statements performed in accordance with GAGAS
Reporting Limitations	Our consideration of internal control over financial reporting and our tests of compliance were not designed with an objective of forming an opinion on the effectiveness of internal control or on compliance, and accordingly, we do not express such an opinion.

Uniform Guidance Overview & Responsibilities

Matter	Discussion
Scope of Our Audit	<p>We also provided reports as of December 31, 2022, on the following as required by U.S. Office of Management and Budget, (<i>OMB</i>) <i>Uniform Guidance</i>:</p> <ul style="list-style-type: none"> • Opinion on compliance for each major federal award program • Report on internal control over compliance • Schedule of Expenditures of Federal Awards
Audit Scope & Inherent Limitations to Reasonable Assurance	A compliance audit performed in accordance with OMB Uniform Guidance is designed to obtain reasonable, rather than absolute, assurance about whether noncompliance with the types of compliance requirements described in the <i>OMB Compliance Supplement</i> that could have a direct and material effect on a major federal award program occurred.


Other Information Accompanying the Audited Financial Statements

The audited financial statements are presented along with the introductory and statistical sections, and debt continuing disclosures under SEC Rule 15c2-12 as listed in the table of contents. Management is responsible for preparing the annual comprehensive financial report (ACFR).

We were not engaged to audit the information contained in the ACFR, and as a result, our opinion does not provide assurance as to the completeness and accuracy of the information contained therein.

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As part of our procedures, we read the entire report to determine if financial information discussed in sections outside the financial statements materially contradicts the audited financial statements. If we identify any such matters, we bring them to management's attention and review subsequent revisions.

Auditor Objectives Related to Other Information

Our objectives related to the other information accompanying the audited financial statements were to:

- Consider whether a material inconsistency exists between the other information and the financial statements
- Remain alert for indications that:
 - A material inconsistency exists between the other information and the auditor's knowledge obtained in the audit, or
 - A material misstatement of fact exists or the other information is otherwise misleading
- Respond appropriately when we identify that such material inconsistencies appear to exist or when we otherwise become aware that other information appears to be materially misstated. Potential responsive actions would include requesting management to correct the identified inconsistency.
- Include the appropriate communication in our auditor's report, disclosing the procedures performed on the Other Information, as well as the results obtained
 - In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements

Qualitative Aspects of Significant Accounting Policies & Practices

Significant Accounting Policies

Significant accounting policies are described in Note I of the audited financial statements.

With respect to new accounting standards adopted during the year, we call to your attention the following topics detailed in the following pages:

- GASB Statement No. 87, *Leases*

Unusual Policies or Methods

With respect to significant unusual accounting policies or accounting methods used for significant unusual transactions (significant transactions outside the normal course of business or that otherwise appear to be unusual due to their timing, size, or nature), we noted the following:

- No matters are reportable

Alternative Accounting Treatments

We had discussions with management regarding alternative accounting treatments within GAAP for policies and practices for material items, including recognition, measurement, and disclosure considerations related to the accounting for specific transactions as well as general accounting policies, as follows:

- No matters are reportable

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Management Judgments & Accounting Estimates

Accounting estimates are an integral part of financial statement preparation by management, based on its judgments. Significant areas of such estimates for which we are prepared to discuss management's estimation process and our procedures for testing the reasonableness of those estimates include:

- Self-insurance reserves (IBNR)
- Net pension liability and related deferred outflows
- Fair value of investments
- Allowances for accounts, grants and notes receivable
- Useful lives of capital and lease assets
- Leases discount/incremental borrowing rates

Financial Statement Disclosures

The following areas involve particularly sensitive financial statement disclosures for which we are prepared to discuss the issues involved and related judgments made in formulating those disclosures:

- Revenue recognition
- Investments
- Long-term debt

Our Judgment About the Quality of the City's Accounting Principles

During the course of the audit, we made the following observations regarding the City's application of accounting principles:

- Adoption of GASB Statement No. 87, *Leases*

Adjustments Identified by Audit

During the course of any audit, an auditor may propose adjustments to financial statement amounts. Management evaluates our proposals and records those adjustments that, in its judgment, are required to prevent the financial statements from being materially misstated.

A misstatement is a difference between the amount, classification, presentation, or disclosure of a reported financial statement item and that which is required for the item to be presented fairly in accordance with the applicable financial reporting framework.

Proposed & Recorded Adjustments

Auditor-proposed and management-recorded entries include the following:


- Adjustments to remove lessee activity related to the implementation of GASB 87 from fund financial statements to government-wide full accrual statements

Uncorrected Misstatements

Some adjustments proposed were **not recorded** because their aggregate effect is not currently material; however, they involve areas in which adjustments in the future could be material, individually or in the aggregate.

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Uncorrected audit misstatements pertaining to the latest period presented that were determined by management to be immaterial, both individually and in the aggregate, but more than trivial to the financial statements as a whole are included as an attachment to this communication.

While these uncorrected misstatements were deemed to be immaterial to the current-year financial statements, it is possible that the impact of these uncorrected misstatements, or matters underlying these uncorrected misstatements, could potentially cause future-period financial statements to be materially misstated.

Nature of Uncorrected Misstatements

- Turn around effect of passed adjustment identified during the December 31, 2021 audit

Other Required Communications

Disagreements with Management

The following matters involved disagreements which if not satisfactorily resolved would have caused a modified auditor's opinion on the financial statements:

- No matters are reportable

Significant Issues Discussed with Management

Prior to Retention

During our discussion with management prior to our engagement, the following issues regarding application of accounting principles or auditing standards were discussed:

- No matters are reportable

During the Audit Process

During the audit process, the following issues were discussed or were the subject of correspondence with management:

- Adoption of GASB 87

Difficulties Encountered in Performing the Audit

Our audit requires cooperative effort between management and the audit team. During our audit, we found significant difficulties in working effectively on the following matters:

- No matters are reportable

Other Material Communications

Listed below are other material communications between management and us related to the audit:

- Management representation letter (see Attachments)
- We orally communicated to management other deficiencies in internal control identified during our audit that are not considered material weaknesses or significant deficiencies

Required Communications Regarding Internal Control (AU-C 265)

Consideration of Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements of the City of Fort Collins, Colorado (the City) as of and for the year ended December 31, 2022 in accordance with GAAS and GAGAS, we considered the City's internal control over financial reporting (internal control).

This consideration served as a basis for designing audit procedures that are appropriate in the circumstance for the purpose of expressing our opinion on the financial statements.

However, this consideration was **not** for the purpose of expressing an opinion on the effectiveness of the City's internal control.

Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraphs and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified.

Given these limitations, during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Categorizing Deficiencies by Severity

Deficiency

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis.



Significant Deficiency

A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.



Material Weakness

A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that material misstatements of the City's financial statements will not be prevented or detected and corrected on a timely basis.



Identified Deficiencies

We identified certain deficiencies in internal control that we consider to be deficiencies.

Deficiencies

Escrow Account Reconciliations

The City continues to review and reconcile various escrow accounts and while some progress was made towards reconciling long-outstanding items, due to staffing restraints the City was unable to fully reconcile these accounts. The City should ensure escrow accounts are properly reconciled and adjusted, as necessary, and maintain appropriate documentation of the reconciliation process and determination to adjust escrow accounts.

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Purchasing Card Policies

During the 2020 audit, we identified certain processes within the purchasing card policies and procedures were not being completed such as random audits. An evaluation as to the importance of the random audits and possible revision to the purchasing card policies and procedures has not been performed, and therefore we again recommend a review of purchasing card policies and procedures.

Grants Receivable and Grants Account Structure

We recommend the City create an account structure to facilitate the separate identification of grants-related accounts. The creation of these accounts should facilitate the identification of certain items not received within the availability period and to efficiently identify intergovernmental receivables for various reporting purposes.

Future Accounting Pronouncements

GASB Statement No. 96, *Subscription-Based Information Technology Arrangements (GASB 96)*

The standard defines a subscription-based information technology arrangements (SBITA), establishes that a SBITA would result in a right-to-use (RTU) asset and a corresponding liability, provides capitalization criteria, and requires new note disclosures. The statement's language and concepts closely mirror the lease guidance provided in Statement 87, *Leases*. This statement requires governments report a subscription asset and subscription liability for a SBITA and to disclose essential information about the arrangement. The disclosures will allow users to understand the scale and important aspects of a government's SBITA activities and evaluate a government's obligations and assets resulting from SBITAs.

The requirements of this statement are effective for the City's December 31, 2023 reporting period. SBITA assets and liabilities should be recognized and measured using the facts and circumstances at the beginning of the fiscal year of implementation. Governments are permitted—but not required—to include in the measurement of the subscription asset capitalizable outlays associated with the initial implementation stage and the operation and additional implementation stage incurred prior to the implementation.

GASB Statement No. 101, *Compensated Absences (GASB 101)*

GASB 101 updates the recognition and measurement guidance for compensated absences under a unified model. It defines compensated absences and requires that liabilities be recognized in financial statements prepared using the economic resources measurement focus for leave that has not been used and leave that has been used but not yet paid or settled. A liability for compensated absences should be accounted for and reported on a basis consistent with governmental fund accounting principles for financial statements prepared using the current financial resources measurement focus. GASB 101 amends the existing requirement to disclose the gross increases and decreases in a liability for compensated absences to allow governments to disclose only the net change in the liability (as long as they identify it as a net change). In addition, governments are no longer required to disclose which governmental funds typically have been used to liquidate the liability for compensated absences.

The requirements of GASB 101 are effective for fiscal years beginning after December 15, 2023, and all reporting periods thereafter. Earlier application is encouraged. The changes adopted at transition to conform to the provisions of GASB 101 should be reported as a change in accounting principle in accordance with Statement No. 100, *Accounting Changes and Error Corrections*, including the related display and disclosure requirements.

Consideration of Internal Control Over Compliance

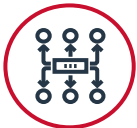


In planning and performing our audit of the City, we considered the City's internal control over compliance with the requirements that could have a direct and material effect on a major federal award program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with the OMB Uniform Guidance.

However, this consideration was **not** for the purpose of expressing an opinion on the effectiveness of the City's internal control over compliance.

Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraphs and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified.

Categorizing Compliance Deficiencies by Severity

Deficiency	Significant Deficiency	Material Weakness
A deficiency in internal control <i>over compliance</i> exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal award program on a timely basis.	A significant deficiency is a deficiency, or combination of deficiencies, in internal control over compliance that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.	A material weakness is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal award program will not be prevented or detected and corrected on a timely basis.
		

Identified Compliance Deficiencies

We identified certain deficiencies in internal control over compliance that we consider to be deficiencies.

Reporting

The City could not provide documentation to support that the second and third quarter reports for the State and Local Fiscal Recovery Funds (SLFRF) were properly reviewed. The City also could not provide documentation to support that the first quarter report and May monthly report for the State Energy Program were properly reviewed. The review of the State Energy Program annual report also could not be provided. However, FORVIS reviewed e-mail documentation indicating that the reviewer had provided feedback regarding the report. Employee turnover within the City contributed to the inability to provide supporting documentation.

FORVIS recommends that the City implement documented review and approval requirements for programs with reporting requirements to ensure that documentation exists to support review and approval processes.

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Attachments

Management Representation Letter

As a material communication with management, included herein is a copy of the representation letter provided by management at the conclusion of our engagement.

Schedule of Uncorrected Misstatements

The detail of uncorrected misstatements identified as a result of our engagement are included herein.

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Representation of:

City of Fort Collins
215 North Mason Street, 2nd Floor
PO Box 580
Fort Collins, Colorado 80522

Provided to:

FORVIS, LLP

Certified Public Accountants
1801 California Street, Suite 2900
Denver, Colorado 80202

The undersigned ("We") are providing this letter in connection with FORVIS' audit(s) of our financial statements as of and for the year ended December 31, 2022.

We are also providing this letter in connection with:

- Your audit of our compliance with requirements applicable to each of our major federal awards programs as of and for the year ended December 31, 2022.

Our representations are current and effective as of the date of FORVIS' report: June 26, 2023.

Our engagement with FORVIS is based on our contract for services dated: January 12, 2023.

Our Responsibility & Consideration of Material Matters

We confirm that we are responsible for the fair presentation of the financial statements subject to FORVIS' report in conformity with accounting principles generally accepted in the United States of America.

We are also responsible for adopting sound accounting policies; establishing and maintaining effective internal control over financial reporting, operations, and compliance; and preventing and detecting fraud.

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement. An omission or misstatement that is monetarily small in amount could be considered material as a result of qualitative factors.

Confirmation of Matters Specific to the Subject Matter of FORVIS' Report

We confirm, to the best of our knowledge and belief, the following:

Broad Matters

1. We have fulfilled our responsibilities, as set out in the terms of our contract, for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America.
2. We acknowledge our responsibility for the design, implementation, and maintenance of:
 - a. Internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

- b. Internal control to prevent and detect fraud.
3. We have provided you with:
- a. Access to all information of which we are aware that is relevant to the preparation and fair presentation of the financial statements, such as financial records and related data, documentation, and other matters.
 - b. Additional information that you have requested from us for the purpose of the audit.
 - c. Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
 - d. All minutes of governing body meetings held through the date of this letter or summaries of actions of recent meetings for which minutes have not yet been prepared. All unsigned copies of minutes provided to you are copies of our original minutes approved by the governing body, if applicable, and maintained as part of our records.
 - e. All significant contracts and grants.
4. We have responded fully and truthfully to all your inquiries based on the relevant information

Government Auditing Standards

5. We acknowledge that we are responsible for compliance with applicable laws, regulations, and provisions of contracts and grant agreements.
6. We have identified and disclosed to you all laws, regulations, and provisions of contracts and grant agreements that have a direct and material effect on the determination of amounts in our financial statements or other financial data significant to the audit objectives.
7. We have identified and disclosed to you any violations or possible violations of laws, regulations, including those pertaining to adopting, approving, and amending budgets, and provisions of contracts and grant agreements, tax or debt limits, and any related debt covenants whose effects should be considered for recognition and/or disclosure in the financial statements or for your reporting on noncompliance.
8. We have taken or will take timely and appropriate steps to remedy any fraud, abuse, illegal acts, or violations of provisions of contracts or grant agreements that you or other auditors report.
9. We have a process to track the status of audit findings and recommendations.
10. We have identified to you any previous financial audits, attestation engagements, performance audits, or other studies related to the objectives of your audit and the corrective actions taken to address any significant findings and recommendations made in such audits, attestation engagements, or other studies.
11. We have provided our views on any findings, conclusions, and recommendations, as well as our planned corrective actions with respect thereto, to you for inclusion in the findings and recommendations referred to in your report on internal control over financial reporting and on compliance and other matters based on your audit of the financial statements performed in accordance with *Government Auditing Standards*.

Federal Awards Programs (Uniform Guidance)

12. We have identified in the schedule of expenditures of federal awards all assistance provided (either directly or passed through other entities) by federal agencies in the form of grants, contracts, loans, loan guarantees, property, cooperative agreements, interest subsidies, commodities, insurance, direct appropriations, or in any other form.
13. We have disclosed to you all contracts or other agreements with service organizations, and we have disclosed to you all communications from the service organizations relating to noncompliance at the service organizations.
14. We have reconciled the schedule of expenditures of federal awards (SEFA) to the financial statements.
15. Federal awards-related revenues and expenditures are fairly presented, both in form and content, in accordance with the applicable criteria in the entity's financial statements.
16. We have evaluated all recipient organizations that received federal funding and have correctly identified all subrecipients on the schedule of expenditures of federal awards.
17. We have identified the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Compliance Supplement* regarding activities allowed or unallowed; allowable costs/cost principles; cash management; eligibility; equipment and real property management; matching, level of effort, earmarking; period of performance of federal funds; procurement and suspension and debarment; program income; reporting; subrecipient monitoring; and special tests and provisions that are applicable to each of our federal awards programs. We have identified to you our interpretation of any applicable compliance requirements subject to varying interpretations.
18. We are responsible for complying, and have complied, with the requirements of Uniform Guidance.
19. We are responsible to understand and comply with the requirements of federal statutes, regulations, and the terms and conditions of federal awards related to each of our federal awards programs and have disclosed to you any and all instances of noncompliance with those requirements occurring during the period of your audit or subsequent thereto to the date of this letter of which we are aware. Except for any instances of noncompliance we have disclosed to you, we believe the entity has complied with all applicable compliance requirements.
20. We are responsible for the design, implementation, and maintenance of internal controls over compliance that provide reasonable assurance we have administered each of our federal awards programs in compliance with federal statutes, regulations, and the terms and conditions of the federal awards.
21. We have made available to you all federal awards (including amendments, if any) and any other correspondence or documentation relevant to each of our federal awards programs and to our compliance with applicable requirements of those programs.
22. The information presented in federal awards program financial reports and claims for advances and reimbursements is supported by the books and records from which our financial statements have been prepared.
23. The costs charged to federal awards are in accordance with applicable cost principles.

City of Fort Collins
Page 4

24. The reports provided to you related to federal awards programs are true copies of reports submitted or electronically transmitted to the federal awarding agency, the applicable payment system, or pass-through entity in the case of a subrecipient.
25. Amounts claimed or used for matching were determined in accordance with Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) regarding cost principles.
26. We have monitored any subrecipients to determine that they have expended federal awards in accordance with federal statutes, regulations, and the terms and conditions of the subaward and have met the audit and other requirements of the Uniform Guidance.
27. We have taken appropriate corrective action on a timely basis after receipt of any subrecipient's auditor's report that identified findings and questioned costs pertaining to federal awards programs passed through to the subrecipient by us.
28. We have considered the results of any subrecipient's audits received and made any necessary adjustments to our books and records.
29. We have disclosed to you any communications from federal awarding agencies and pass-through entities concerning possible noncompliance with the applicable compliance requirements for each of our federal awards programs, including any communications received from the end of the period of your audit through the date of this letter.
30. We have identified to you any previous compliance audits, attestation engagements, and internal or external monitoring related to the objectives of your compliance audit, including findings received and corrective actions taken to address any significant findings and recommendations made in such audits, attestation engagements, or other monitoring.
31. Except as described in the schedule of findings and questioned costs, we are in agreement with the findings contained therein and our views regarding any disagreements with such findings are consistent, as of the date of this letter, with the description thereof in that schedule.
32. We are responsible for taking corrective action on any audit findings and have developed a corrective action plan that meets the requirements of Uniform Guidance.
33. The summary schedule of prior audit findings correctly states the status of all audit findings of the prior audit's schedule of findings and questioned costs and any uncorrected open findings included in the prior audit's summary schedule of prior audit findings as of the date of this letter.
34. The reporting package does not contain any protected personally identifiable information.
35. No changes have been made in internal control over compliance or other factors that might significantly affect internal control, including any corrective action we have taken regarding significant deficiencies or material weaknesses in internal control over compliance subsequent to the period covered by the auditor's report.

Misappropriation, Misstatements, & Fraud

36. We have informed you of all current risks of a material amount that are not adequately prevented or detected by our procedures with respect to:
 - a. Misappropriation of assets.

- b. Misrepresented or misstated assets, deferred outflows of resources, liabilities, deferred inflows of resources, or net position.
- 37. We have no knowledge of fraud or suspected fraud affecting the entity involving:
 - a. Management or employees who have significant roles in internal control over financial reporting, or
 - b. Others when the fraud could have a material effect on the financial statements.
- 38. We understand that the term “fraud” includes misstatements arising from fraudulent financial reporting and misstatements arising from misappropriation of assets. Misstatements arising from fraudulent financial reporting are intentional misstatements, or omissions of amounts or disclosures in financial statements to deceive financial statement users. Misstatements arising from misappropriation of assets involve the theft of an entity’s assets where the effect of the theft causes the financial statements not to be presented in conformity with accounting principles generally accepted in the United States of America.
- 39. We have no knowledge of any allegations of fraud or suspected fraud affecting the entity received in communications from employees, customers, regulators, suppliers, or others.
- 40. We have assessed the risk that the financial statements may be materially misstated as a result of fraud and disclosed to you any such risk identified.

Ongoing Operations

- 41. We acknowledge the current economic volatility presents difficult circumstances and challenges for our industry. Entities are potentially facing declines in the fair values of investments and other assets, declines in the volume of business, contributions, constraints on liquidity, difficulty obtaining financing or bonding, significant credit quality problems, including significant volatility in the values of real estate and other collateral supporting loans, etc. We understand the values of the assets and liabilities recorded in the financial statements could change rapidly, resulting in material future adjustments to asset values, allowances for accounts and notes or contributions receivable, capital, net realizable value of inventory, etc., that could negatively impact the entity’s ability to meet debt covenants or maintain sufficient liquidity.

We acknowledge that you have no responsibility for future changes caused by the current economic environment and the resulting impact on the entity’s financial statements. Further, management and governance are solely responsible for all aspects of managing the entity, including questioning the quality and valuation of investments, inventory, and other assets; loan underwriting practices, reviewing credit monitoring and loan workout activities, evaluating assumptions regarding defined benefit pension plan obligations, reviewing allowances for uncollectible amounts; evaluating capital needs and liquidity plans; etc..

Related Parties

- 42. We have disclosed to you the identity of all of the entity’s related parties and all the related-party relationships of which we are aware. The entity has not entered into any new agreements with a related party or modified terms related to an existing related-party transaction during the year under audit, or as of the date of this letter. Further, we do not have any existing or ongoing agreements with related parties that are still in effect as of the date of this letter, and we have disclosed to you the identity of all of the entity’s related parties and all the related-party relationships of which we are aware.

43. Related-party relationships and transactions have been appropriately accounted for and disclosed in accordance with accounting principles generally accepted in the United States of America
44. We understand that the term related party refers to:
- Affiliates
 - Entities for which investments are accounted for by the equity method
 - Trusts for the benefits of employees, such as pension and profit-sharing trusts that are managed by or under the trusteeship of management
 - Principal owners and members of their immediate families
 - Management and members of their immediate families
 - Any other party with which the entity may deal if one party can significantly influence the management or operating policies of the other to an extent that one of the transacting parties might be prevented from fully pursuing its own separate interests.

Another party is also a related party if it can significantly influence the management or operating policies of the transacting parties or if it has an ownership interest in one of the transacting parties and can significantly influence the other to an extent that one or more of the transacting parties might be prevented from fully pursuing its own separate interests.

The term affiliate refers to a party that directly or indirectly controls, or is controlled by, or is under common control with, the entity.

Litigation, Laws, Rulings, & Regulations

45. We have disclosed to you all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements. The effects of all known actual or possible litigation and claims have been accounted for and disclosed in accordance with accounting principles generally accepted in the United States of America.
46. We have no knowledge of communications, other than those specifically disclosed, from regulatory agencies, governmental representatives, employees, or others concerning investigations or allegations of noncompliance with laws and regulations, deficiencies in financial reporting practices, or other matters that could have a material adverse effect on the financial statements.
47. We have disclosed to you all known instances of violations or noncompliance or possible violations or suspected noncompliance with laws and regulations whose effects should be considered when preparing financial statements or as a basis for recording a loss contingency.
48. We have no reason to believe the entity owes any penalties or payments under the Employer Shared Responsibility Provisions of the *Patient Protection and Affordable Care Act* nor have we received any correspondence from the IRS or other agencies indicating such payments may be due.
49. Except as has been previously disclosed to FORVIS, we have not been designated as a potentially responsible party (PRP or equivalent status) by the Environmental Protection Agency (EPA) or other cognizant regulatory agency with authority to enforce environmental laws and regulations.

City of Fort Collins
Page 7

Nonattest Services

50. You have provided nonattest services, including the following, during the period of this engagement:

- Preparing a draft of the schedule of expenditures of federal awards.
- Completing the auditee portion of the Form SF-SAC (Data Collection Form) through the Federal Audit Clearinghouse

51. With respect to these services:

- a. We have designated a qualified management-level individual to be responsible and accountable for overseeing the nonattest services.
- b. We have established and monitored the performance of the nonattest services to ensure they meet our objectives.
- c. We have made any and all decisions involving management functions with respect to the nonattest services and accept full responsibility for such decisions.
- d. We have evaluated the adequacy of the services performed and any findings that resulted.
- e. Established and maintained internal controls, including monitoring ongoing activities.
- f. We have received the deliverables from you and have stored these deliverables in information systems controlled by us. We have taken responsibility for maintaining internal control over these deliverables.

Financial Statements & Reports

52. With regard to supplementary information

- a. We acknowledge our responsibility for the presentation of the supplementary information in accordance with the applicable criteria.
- b. We believe the supplementary information is fairly presented, both in form and content, in accordance with the applicable criteria.
- c. The methods of measurement and presentation of the supplementary information are unchanged from those used in the prior period, and we have disclosed to you any significant assumptions or interpretations underlying the measurement and presentation of the supplementary information.
- d. We believe the significant assumptions or interpretations underlying the measurement and/or presentation of the supplementary information are reasonable and appropriate.

Transactions, Records, & Adjustments

53. All transactions have been recorded in the accounting records and are reflected in the financial statements.

54. We have everything we need to keep our books and records.

55. We have disclosed any significant unusual transactions the entity has entered into during the period, including the nature, terms, and business purpose of those transactions.

City of Fort Collins
Page 8

56. We are in agreement with the adjusting journal entries you have proposed, and they have been posted to the entity's accounts.
57. We believe the effects of the uncorrected financial statement misstatements and omitted disclosures summarized in the attached schedule and aggregated by you during the current engagement are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

Governmental Accounting & Disclosure Matters

58. Interfund, internal, and intra-entity activity and balances have been appropriately classified and reported.
59. With regard to deposit and investment activities:
 - a. All deposit and investment transactions have been made in accordance with legal and contractual requirements.
 - b. Investments, derivative instrument transactions, and land and other real estate held by endowments are properly valued.
 - c. Disclosures of deposit and investment balances and risks in the financial statements are consistent with our understanding of the applicable laws regarding enforceability of any pledges of collateral.
 - d. We understand that your audit does not represent an opinion regarding the enforceability of any collateral pledges.
60. The financial statements include all component units, appropriately present majority equity interests in legally separate organizations and joint ventures with an equity interest, and properly disclose all other joint ventures and other related organizations.
61. We have identified and evaluated all potential fiduciary activities. The financial statements include all fiduciary activities required by GASB Statement No. 84, *Fiduciary Activities*, as amended.
62. Components of net position (net investment in capital assets, restricted, and unrestricted) and classifications of fund balance (nonspendable, restricted, committed, assigned, and unassigned) are properly classified and, if applicable, approved.
63. Capital assets, including infrastructure and intangible assets, are properly capitalized, reported, and, if applicable, depreciated or amortized.
64. We have appropriately disclosed the entity's policy regarding whether to first apply restricted or unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position/fund balance is available and have determined that net position is properly recognized under the policy.
65. The entity has properly separated information in debt disclosures related to direct borrowings and direct placements of debt from other debt and disclosed any unused lines of credit, collateral pledged to secure debt, terms in debt agreements related to significant default or termination events with finance-related consequences, and significant subjective acceleration clauses in accordance with GASB Statement No. 88.

City of Fort Collins
Page 9

66. We have identified and evaluated all potential tax abatements, and we believe there are no material tax abatements other than those that have been disclosed in the notes to the financial statements
67. The entity's ability to continue as a going concern was evaluated and that appropriate disclosures are made in the financial statements as necessary under GASB requirements.
68. The supplementary information required by the Governmental Accounting Standards Board, consisting of management's discussion and analysis modified approach to infrastructure and pension information, has been prepared and is measured and presented in conformity with the applicable GASB pronouncements, and we acknowledge our responsibility for the information. The information contained therein is based on all facts, decisions, and conditions currently known to us and is measured using the same methods and assumptions as were used in the preparation of the financial statements. We believe the significant assumptions underlying the measurement and/or presentation of the information are reasonable and appropriate. There has been no change from the preceding period in the methods of measurement and presentation.
69. With regard to other information that is presented in the form of our annual comprehensive financial report:
 - a. We confirm that the Annual Comprehensive Financial Report comprises the annual report for the entity
 - b. We have provided you with the final draft of the annual report.
 - c. Due care has been exercised in the preparation of the introduction and statistical sections of the City's Annual Comprehensive Financial Report and we are not aware of any information contained in those sections of the Annual Comprehensive Financial Report that is inconsistent with information contained in the financial statements and notes thereto
70. With regard to pension:
 - a. We believe that the actuarial assumptions and methods used to measure pension and Liabilities and costs for financial accounting purposes are appropriate in the circumstances.
 - b. We have provided you with the entity's most current pension plan instrument for the audit period, including all plan amendments.
 - c. The participant data provided to you related to pension and plan are true copies of the data submitted or electronically transmitted to the plan's actuary.
 - d. The participant data that we provided the plan's actuary for the purposes of determining the actuarial present value of accumulated plan benefits and other actuarially determined amounts in the financial statements were complete.

71. The City has complied with all debt covenants.

72. We believe we are in compliance with the requirements of the Taxpayers Bill of Rights (TABOR).

General Government Matters

73. The financial statements properly classify all funds and activities in accordance with GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, as amended.

74. All funds that meet the quantitative criteria in GASB Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments, as amended*, and No. 37, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments: Omnibus—an amendment of GASB Statements No. 21 and No. 34*, for presentation as major are identified and presented as such and all other funds that are presented as major are particularly important to financial statement users.
75. Expenses have been appropriately classified in or allocated to functions and programs in the statement of activities, and allocations have been made on a reasonable basis.
76. Revenues are appropriately classified in the statement of activities within program revenues, general revenues, contributions to term or permanent endowments, or contributions to permanent fund principal.
77. We have appropriately disclosed that the entity is following either its established accounting policy regarding which governmental fund resources (that is, restricted, committed, assigned, or unassigned) are considered to be spent first for expenditures for which more than one resource classification is available or is following paragraph 18 of GASB Statement No. 54 to determine the fund balance classifications for financial reporting purposes and have determined that fund balance is properly recognized under the policy.

Accounting & Disclosure

78. All transactions entered into by the entity are final. We are not aware of any unrecorded transactions, side agreements, or other arrangements (either written or oral) that are in place.
79. Except as reflected in the financial statements, there are no:
 - a. Plans or intentions that may materially affect carrying values or classifications of assets deferred outflows of resources, liabilities, deferred inflows of resources, net position, or fund balance.
 - b. Material transactions omitted or improperly recorded in the financial records.
 - c. Material unasserted claims or assessments that are probable of assertion or other gain/loss contingencies requiring accrual or disclosure, including those arising from environmental remediation obligations.
 - d. Events occurring subsequent to the statement of net position date through the date of this letter, which is the date the financial statements were available to be issued, requiring adjustment or disclosure in the financial statements.
 - e. Agreements to purchase assets previously sold.
 - f. Arrangements with financial institutions involving compensating balances or other arrangements involving restrictions on cash balances, lines of credit, or similar arrangements.
 - g. Guarantees, whether written or oral, under which the entity is contingently liable.
 - h. Known or anticipated asset retirement obligations.

80. Except as disclosed in the financial statements, the entity has:

- a. Satisfactory title to all recorded assets, and those assets are not subject to any liens, pledges, or other encumbrances.
- b. Complied with all aspects of contractual and grant agreements, for which noncompliance would materially affect the financial statements.

Revenue, Accounts Receivable, & Inventory

81. Adequate provisions and allowances have been accrued for any material losses from:

- a. Uncollectible receivables.
- b. Excess or obsolete inventories.
- c. Sales commitments, including those unable to be fulfilled.
- d. Purchase commitments in excess of normal requirements or at prices in excess of prevailing market prices.

Estimates

- 82. We have identified all accounting estimates that could be material to the financial statements, and we confirm the appropriateness of the methods and the consistency in their application, the accuracy and completeness of data, and the reasonableness of significant assumptions used by us in making the accounting estimates, including those measured at fair value reported in the financial statements.
- 83. Significant estimates that may be subject to a material change in the near term have been properly disclosed in the financial statements. We understand that "near term" means the period within one year of the date of the financial statements. In addition, we have no knowledge of concentrations, which refer to volumes of business, revenues, available sources of supply, or markets, existing at the date of the financial statements that would make the entity vulnerable to the risk of severe impact in the near term that have not been properly disclosed in the financial statements.

Fair Value

- 84. With respect to the fair value measurements of financial and nonfinancial assets and liabilities, if any, recognized in the financial statements or disclosed in the notes thereto:
 - a. The underlying assumptions are reasonable and they appropriately reflect management's intent and ability to carry out its stated course of action.
 - b. The measurement methods and significant assumptions used in determining fair value are appropriate in the circumstances for financial statement measurement and disclosure purposes and have been consistently applied.
 - c. The significant assumptions appropriately reflect market participant assumptions.
 - d. The disclosures related to fair values are complete, adequate, and in conformity with U.S. GAAP.
 - e. There are no subsequent events that require adjustments to the fair value measurements and disclosures included in the financial statements.


City of Fort Collins
Page 12

Tax-Exempt Bonds

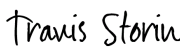
85. Tax-exempt bonds issued have retained their tax-exempt status.
86. We have notified you of any instances of noncompliance with applicable disclosure requirements of the SEC Rule 15c2-12 and applicable state laws.

GASB Statement 87, *Leases*

87. In connection with the adoption of GASB Statement No. 87, *Leases* (GASB 87), we represent the following:
- a. We have identified a complete population of potential leases as of the implementation date.
 - b. We have reviewed all significant contracts to identify lease and nonlease components as of the earliest date of adoption. Allocation of contract prices between lease and nonlease components are based upon standalone prices or other reasonable factors.
 - c. Measurements of the lease assets and liabilities are based upon facts and circumstances that existed at the beginning of the period of implementation.
 - d. The estimates related to any options to extend or terminate the lease terms within the measurement of lease assets and liabilities agree to management's plans for the leases.
 - e. The discount rates for each lease are based upon what would be obtained by the entity for similar loans as an incremental rate.
 - f. The classification and accounting of related-party leases between entities, for which separate financial statements are issued, have been modified to recognize the substance of the transaction rather than only its legal form.
 - g. We have adequate controls in place to prevent and/or detect errors in lease assets and liabilities on a recurring basis.
 - h. The footnotes to the financial statements appropriately describe the adoption of GASB 87 and include all additional disclosures required under the Statement.

DocuSigned by:

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City of Fort Collins
ATTACHMENT

This analysis and the attached "Schedule of Uncorrected Misstatements (Adjustments Passed)" reflect the effects on the financial statements if the uncorrected misstatements identified were corrected.

Governmental Activities (Government-Wide Statements)

QUANTITATIVE ANALYSIS

	Before Misstatements	Misstatements	Subsequent to Misstatements	% Change
Current Assets	399,177,779		399,177,779	
Non-Current Assets & Deferred Outflows	980,173,303		980,173,303	
Current Liabilities	(51,789,537)		(51,789,537)	
Non-Current Liabilities & Deferred Inflows	(117,308,336)		(117,308,336)	
Current Ratio			7.71	
Total Assets & Deferred Outflows	1,379,351,082		1,379,351,082	
Total Liabilities & Deferred Inflows	(169,097,873)		(169,097,873)	
Total Net Position	(1,210,253,209)		(1,210,253,209)	
General Revenues & Transfers	(239,527,056)		(239,527,056)	
Net Program Revenue/Expenses	(221,030,645)	(503,915)	(221,534,560)	0.23%
Change in Net Position	(18,496,411)	(503,915)	(19,000,326)	2.72%

Client: City of Fort Collins
Period Ending: December 31, 2022

Governmental Activities (Government-Wide Statements)
SCHEDULE OF UNCORRECTED MISSTATEMENTS (ADJUSTMENTS PASSED)

		Assets & Deferred Outflows				Liabilities & Deferred Inflows				General Revenues & Transfers		net program Revenues/Expense s		Net Position		Net Effect on Following Year				
Description	Financial Statement Line Item	Factual (F), Judgmental (J) or Projected (P)	Current		Noncurrent		Current		Noncurrent		DR	(CR)	DR	(CR)	DR	(CR)	Change in Net	Net Position		
			DR	(CR)	DR	(CR)	DR	(CR)	DR	(CR)							DR	(CR)	DR	(CR)
To post turn around effect of prior year passed adjustment for capital assets additions improperly added		F	0		0		0		0		0		(503,915)		503,915		0	0		
	Net Position														503,915					
	Net Program Revenues/Expense												(503,915)							
Total passed adjustments			0		0		0		0		0		(503,915)		503,915		0		0	
															Impact on Change in Net Position		(603,915)			
															Impact on Net Position		0			

City of Fort Collins
ATTACHMENT

This analysis and the attached "Schedule of Uncorrected Misstatements (Adjustments Passed)" reflect the effects on the financial statements if the uncorrected misstatements identified were corrected.

Discretely Presented Component Units (Government-Wide Statements)

QUANTITATIVE ANALYSIS

	Before Misstatements	Misstatements	Subsequent to Misstatements	% Change
Current Assets	16,652,221	218,993	16,871,214	1.32%
Non-Current Assets & Deferred Outflows	4,608,132		4,608,132	
Current Liabilities	(115,703)		(115,703)	
Non-Current Liabilities & Deferred Inflows	(11,211,585)		(11,211,585)	
Current Ratio	143.92		145.82	1.32%
Total Assets & Deferred Outflows	21,260,353	218,993	21,479,346	1.03%
Total Liabilities & Deferred Inflows	(11,327,288)		(11,327,288)	
Total Net Position	(9,933,065)	(218,993)	(10,152,058)	2.20%
General Revenues & Transfers	(8,025,021)		(8,025,021)	
Net Program Revenues/ Expenses	(6,232,979)		(6,232,979)	
Change in Net Position	(1,691,422)		(1,691,422)	

Client: City of Fort Collins
Period Ending: December 31, 2022

Governmental Activities (Government-Wide Statements)											
SCHEDULE OF UNCORRECTED MISSTATEMENTS (ADJUSTMENTS PASSED)											
		Assets & Deferred Outflows				Liabilities & Deferred Inflows				Net Effect on Following Year	
Description	Financial Statement Line Item	Factual (F), Judgmental (J) or Projected (P)	Current		Noncurrent		Current		Noncurrent		Net Position
			DR	CR	DR	CR	DR	CR	DR	CR	
To record the 12/31/2022 activity of the Tourism Improvement District, which is considered a discretely presented component unit of the City		F	218,993		0		0		0		(218,993)
											(218,993)
	Assets		218,993								(218,993)
	Net Position										218,993
Total passed adjustments			218,993	0	0	0	0	0	0	0	(218,993)
Impact on Change in Net Position											0
Impact on Net Position											(218,993)

City of Fort Collins
ATTACHMENT

This analysis and the attached "Schedule of Uncorrected Misstatements (Adjustments Passed)" reflect the effects on the financial statements if the uncorrected misstatements identified were corrected.

Business Type Activities (Government-Wide Statements)

QUANTITATIVE ANALYSIS

	Before Misstatements	Misstatements	Subsequent to Misstatements	% Change
Current Assets	242,957,811		242,957,811	
Non-Current Assets & Deferred Outflows	867,999,180		867,999,180	
Current Liabilities	(32,274,911)		(32,274,911)	
Non-Current Liabilities & Deferred Inflows	(172,987,810)		(172,987,810)	
Current Ratio	7.53		7.53	
Total Assets & Deferred Outflows	1,110,956,991		1,110,956,991	
Total Liabilities & Deferred Inflows	(205,262,721)		(205,262,721)	
Total Net Position	(905,694,270)		(905,694,270)	
General Revenues & Transfers	8,036,626		8,036,626	
Net Program Revenues/ Expenses	(12,065,260)	(675,000)	(12,740,260)	5.59%
Change in Net Position	(4,028,634)	(675,000)	(4,703,634)	16.76%

Client: City of Fort Collins
Period Ending: December 31, 2022

Governmental Activities (Government-Wide Statements)
SCHEDULE OF UNCORRECTED MISSTATEMENTS (ADJUSTMENTS PASSED)

		Assets & Deferred Outflows				Liabilities & Deferred Inflows				General Revenues & Transfers		Net Program Revenues/Expenses		Net Effect on Following Year													
Description	Financial Statement Line Item	Factual (F), Judgmental (J) or Projected (P)	Current		Noncurrent		Current		Noncurrent		DR	CR	DR	CR	DR	CR	Change in Net Position		Net Position								
			DR	CR	DR	CR	DR	CR	DR	CR							DR	CR	DR	CR							
To post turn around effect of prior year passed adjustment for capital assets additions improperly added		F		0		0		0		0					0	(675,000)		675,000		0		0					
	Net Position																	675,000									
	Net Program Revenues/Expense																	(675,000)									
Total passed adjustments					0		0		0		0				0		(675,000)		675,000		0		0				
											Impact on Change in Net Position											(675,000)					
											Impact on Net Position											0					

City of Fort Collins
ATTACHMENT

This analysis and the attached "Schedule of Uncorrected Misstatements (Adjustments Passed)" reflect the effects on the financial statements if the uncorrected misstatements identified were corrected.

General Fund

QUANTITATIVE ANALYSIS

	Before Misstatements	Misstatements	Subsequent to Misstatements	% Change
Total Assets & Deferred Outflows	148,423,877		148,423,877	
Total Liabilities & Deferred Inflows	(62,263,498)		(62,263,498)	
Total Fund Balance	(86,160,379)		(86,160,379)	
Revenues	(210,132,231)	(251,023)	(210,383,254)	0.12%
Expenditures	170,887,793		170,887,793	
Change in Fund Balance	1,107,134	(251,023)	856,111	-22.67%

Client: City of Fort Collins
Period Ending: December 31, 2022

General Fund
SCHEDULE OF UNCORRECTED MISSTATEMENTS (ADJUSTMENTS PASSED)

Net Effect on Following Year														
		Factual (F), Judgmental (J) or Projected (P)	Assets & Deferred Outflows		Liabilities & Deferred Inflows		Revenues	Expenditures	Fund Balance	Change in Fund Balance	Fund Balance			
Description	Financial Statement Line Item		DR	(CR)	DR	(CR)	DR	(CR)	DR	(CR)	DR	(CR)		
Turn around effect of passed adjustment to reflect revenue accrual which was not received within the 60 day available policy.		F		0		0	(251,023)	0	251,023		0	0		
	Fund Balance								251,023					
	Revenues						(251,023)							
Total passed adjustments			0		0		(251,023)		0		251,023		0	0
Impact on Change in Fund Balance										(251,023)				
Impact on Fund Balance										0				

City of Fort Collins

ATTACHMENT

This analysis and the attached "Schedule of Uncorrected Misstatements (Adjustments Passed)" reflect the effects on the financial statements if the uncorrected misstatements identified were corrected.

Water

QUANTITATIVE ANALYSIS

	Before Misstatements	Misstatements	Subsequent to Misstatements	% Change
Current Assets	93,088,119		93,088,119	
Non-Current Assets & Deferred Outflows	262,281,487		262,281,487	
Current Liabilities	(12,797,575)		(12,797,575)	
Non-Current Liabilities & Deferred Inflows	(1,795,136)		(1,795,136)	
Current Ratio	7.274		7.274	
Total Assets & Deferred Outflows	355,369,606		355,369,606	
Total Liabilities & Deferred Inflows	(14,592,711)		(14,592,711)	
Total Net Position	(340,776,895)		(340,776,895)	
Operating Revenues	(162,807,497)		(162,807,497)	
Operating Expenses	162,264,263	(675,000)	161,589,263	-0.42%
Nonoperating (Revenues) Exp	6,787,792		6,787,792	
Change in Net Position	(2,150,668)	(675,000)	(2,825,668)	31.39%

Client: City of Fort Collins
Period Ending: December 31, 2022

Water
SCHEDULE OF UNCORRECTED MISSTATEMENTS (ADJUSTMENTS PASSED)

		Assets & Deferred Outflows				Liabilities & Deferred Inflows				Net Effect on Following Year							
Description	Financial Statement Line Item	Factual (F), Judgmental (J) or Projected (P)	Current		Noncurrent		Current		Noncurrent		Operating Revenues	Operating Expenses	Nonoperating (Revenues) Exp.	Net Position			
			DR	CR	DR	CR	DR	CR	DR	CR							
													Change in Net Position		Net Position		
To post turn around effect of prior year passed adjustment for capital assets additions improperly added	F		0	0	0	0				0	(675,000)	0	675,000	0	0		
	Net Position												675,000				
	Operating Expense											(675,000)					
Total passed adjustments			0	0	0	0				0	(675,000)	0	675,000	0	0		
												Impact on Change in Net Position		(675,000)			
												Impact on Net Position		0			

City of Fort Collins

Single Audit Reports

Year Ended December 31, 2022

City of Fort Collins
December 31, 2022

Contents

Schedule of Expenditures of Federal Awards 1

Notes to Schedule of Expenditures of Federal Awards..... 4

**Report on Internal Control Over Financial Reporting
and on Compliance and Other Matters Based on an Audit
of Financial Statements Performed in Accordance with
Government Auditing Standards – Independent Auditor’s Report..... 5**

**Report on Compliance for Each Major Federal
Program; Report on Internal Control Over Compliance;
and Report on Schedule of Expenditures of Federal
Awards Required by the Uniform Guidance –
Independent Auditor’s Report 7**

Schedule of Findings and Questioned Costs 10

Status of Prior Audit Findings 13

City of Fort Collins

Schedule of Expenditures of Federal Awards

Year Ended December 31, 2022

Federal Grantor/ Pass-through Grantor/Program or Cluster Title	Direct/Pass-through	Pass-through Entity	Project/Grant (FAIN) No. Pass-through Entity Identifying Number	Federal Assistance Listing Number	Pass-through to Subrecipients	Total Federal Expenditures
Department of Housing and Urban Development						
CDBG Entitlements Grants Cluster						
Community Development Block Grants/Entitlement Grants						
Grant Year 2017 / 2018	Direct	N/A	B-17-MC-08-0008	14.218	\$ 15,000	\$ 15,000
Grant Year 2019 / 2020	Direct	N/A	B-19-MC-08-0008	14.218	86,066	86,066
Grant Year 2021 / 2022	Direct	N/A	B-21-MC-08-0008	14.218	151,290	308,395
Grant Year 2022 / 2023	Direct	N/A	B-22-MC-08-0008	14.218	49,316	87,217
COVID-19 Community Development Block Grant	Direct	N/A	B-20-MW-08-0008	14.218	224,432	224,432
Total CDBG Entitlement Grants Cluster					<u>526,104</u>	<u>721,110</u>
Home Investment Partnerships Program						
Grant Year 2020 / 2021	Direct	N/A	M-20-MC 08-0209	14.239	528,417	528,450
Grant Year 2021 / 2022	Direct	N/A	M-21-MC-08-0209	14.239	450,000	493,777
Grant Year 2022 / 2023	Direct	N/A	M-22-MC 08-0209	14.239	-	32,446
Subtotal					<u>978,417</u>	<u>1,054,673</u>
Total Department of Housing and Urban Development					<u>1,504,521</u>	<u>1,775,783</u>
Department of the Interior						
Bureau of Reclamation						
WaterSMART (Sustaining and Manage America's Resources for Tomorrow)	Direct	N/A	R19AP00169	15.507	-	3,937
Total Department of the Interior					<u>-</u>	<u>3,937</u>
Department of Justice						
Crime Victim Assistance Program	Pass-through	Colorado Department of Public Safety	2020-VA-21-440-8	16.575	26,171	26,171
Edward Byrne Memorial Justice Assistance Grant Program	Pass-through	Larimer County	2019-DJ-BX-0879	16.738	31,291	31,291
Total Department of Justice					<u>57,462</u>	<u>57,462</u>

City of Fort Collins
Schedule of Expenditures of Federal Awards (continued)
Year Ended December 31, 2022

Federal Grantor/ Pass-through Grantor/Program or Cluster Title	Direct/Pass-through	Pass-through Entity	Project/Grant (FAIN) No. Pass-through Entity Identifying Number	Federal Assistance Listing Number	Pass-through to Subrecipients	Total Federal Expenditures
Department of Transportation						
Highway Planning and Construction Cluster						
Highway Planning and Construction	Pass-through	Colorado Department of Transportation	SAR M455-127 (23025)	20.205	-	17,761
Highway Planning and Construction	Pass-through	Colorado Department of Transportation	SHO M455-124 (21966)	20.205	-	239,051
Highway Planning and Construction	Pass-through	Colorado Department of Transportation	N/A	20.205	-	10,753
Total Highway Planning and Construction Cluster					-	267,565
Federal Transit Cluster						
Federal Transit - Capital Investment Grants	Direct	N/A	CO-2021-013-00	20.500	-	220,071
Federal Transit Formula Grants	Direct	N/A	N/A	20.507	-	250,000
Federal Transit Formula Grants	Direct	N/A	N/A	20.507	-	320,640
Federal Transit Formula Grants	Direct	N/A	1138-2021-3	20.507	-	673,428
COVID-19 Federal Transit Formula Grants	Direct	N/A	1138-2021-5	20.507	-	3,829,098
COVID-19 Federal Transit Formula Grants	Direct	N/A	CO-2021-031	20.507	-	14,770
Buses and Bus Facilities Formula, Competitive, and Low or No Emissions Programs	Direct	N/A	N/A	20.526	-	353,242
Buses and Bus Facilities Formula, Competitive, and Low or No Emissions Programs	Direct	N/A	CO-2020-013-00	20.526	-	9,560
Buses and Bus Facilities Formula, Competitive, and Low or No Emissions Programs	Direct	N/A	CO-2020-013-00	20.526	-	170,384
Buses and Bus Facilities Formula, Competitive, and Low or No Emissions Programs	Direct	N/A	1138-2022-1	20.526	-	328,744
Buses and Bus Facilities Formula, Competitive, and Low or No Emissions Programs	Direct	N/A	CO-2022-025-00	20.526	-	204,101
Total Federal Transit Cluster					-	6,374,038
Transit Services Programs Cluster						
Enhanced Mobility of Seniors and Individuals with Disabilities	Direct	N/A	CO-2019-031-00	20.513	-	108,952
Enhanced Mobility of Seniors and Individuals with Disabilities	Direct	N/A	CO-2022-024-00	20.513	-	110,193
					-	219,145
Highway Safety Cluster						
National Priority Safety Programs	Pass-through	Colorado Department of Transportation	22 NHTSA405B.0504	20.616	-	10,641
Total Highway Safety Cluster					-	10,641
Total Department of Transportation					-	6,871,389

City of Fort Collins
Schedule of Expenditures of Federal Awards (continued)
Year Ended December 31, 2022

Federal Grantor/ Pass-through Grantor/Program or Cluster Title	Direct/Pass-through	Pass-through Entity	Project/Grant (FAIN) No. Pass-through Entity Identifying Number	Federal Assistance Listing Number	Pass-through to Subrecipients	Total Federal Expenditures
Department of the Treasury						
COVID-19 Coronavirus State and Local Fiscal Recovery Funds	Direct	N/A	N/A	21.027	1,163,773	4,753,508
COVID-19 Coronavirus State and Local Fiscal Recovery Funds	Pass-through	Larimer County Economic and Workforce Development Department	SLFRP0126	21.027	-	33,190
Total Department of Treasury					<u>1,163,773</u>	<u>4,786,698</u>
Institute of Museum and Library Sciences						
National Leadership Grants	Direct	N/A	ARPML-250868-OMLS-22	45.321	-	44,745
Total Institute of Museum and Library Sciences					<u>-</u>	<u>44,745</u>
Small Business Administration						
COVID-19 Shuttered Venue Operators Grant Program	Direct	N/A	SBAHQ21SV008061	59.075	-	1,361,737
Total Small Business Administration					<u>-</u>	<u>1,361,737</u>
Environmental Protection Agency						
State Environmental Justice Cooperative Agreement Program	Direct	N/A	95820412	66.312	-	50,727
Performance Partnership Grants	Pass-through	Colorado Department of Public Health and Environment	96877320	66.605	-	8,940
Total Environmental Protection Agency					<u>-</u>	<u>59,667</u>
Department of Energy						
State Energy Program	Pass-through	Colorado Department of Energy	DE-EE0007470	81.041	-	800,000
Total Department of Energy					<u>-</u>	<u>800,000</u>
Department of Health and Human Services						
Child Care and Development Block Grant						
Child Care and Development Block Grant	Pass-through	Colorado Department of Human Services	1737253	93.575	-	73,993
COVID-19 Child Care and Development Block Grant	Pass-through	Colorado Department of Human Services	MIS00001078	93.575	-	24,117
Total Department of Health and Human Services					<u>-</u>	<u>98,110</u>
Total Expenditures of Federal Awards					<u>\$ 2,725,756</u>	<u>\$ 15,859,528</u>

City of Fort Collins

Notes to Schedule of Expenditures of Federal Awards

Year Ended December 31, 2022

Notes to Schedule

1. The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of the City of Fort Collins (the City) under programs of the federal government for the year ended December 31, 2022. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because this Schedule presents only a selected portion of the operations of the City, it is not intended to and does not present the financial position, changes in net position or cash flows of the City.
2. Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Uniform Guidance or other applicable regulatory guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through identifying numbers are presented where available. The City has elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.
3. The federal loan program listed subsequently is administered directly by the City, and balances and transactions relating to these programs are included in City's basic financial statements. Loans outstanding at the beginning of the year and loans made during the year are included in the federal expenditures presented in the Schedule. The balance of loans outstanding at December 31, 2022, consists of:

Assistance Listing Number	Program Name	Outstanding Balance at December 31, 2022
81.041	State Energy Program	\$ 681,207

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards

Independent Auditor's Report

Honorable Mayor and Members of City Council
City of Fort Collins
Fort Collins, Colorado

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of City of Fort Collins (the City), as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated June 26, 2023, which contained an emphasis of matter paragraph regarding a change in accounting principle.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Honorable Mayor and Members of City Council
City of Fort Collins

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

FORVIS, LLP

Denver, Colorado
June 26, 2023

Report on Compliance for Each Major Federal Program, Report on Internal Control Over Compliance, and Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

Independent Auditor's Report

Honorable Mayor and Members of City Council
City of Fort Collins
Fort Collins, Colorado

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the City of Fort Collins (the City) compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended December 31, 2022. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the City complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the "Auditor's Responsibilities for the Audit of Compliance" section of our report.

We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the City's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the City's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the City's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the City's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the City's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the City's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in*

Honorable Mayor and Members of City Council
City of Fort Collins

internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the “Auditor’s Responsibilities for the Audit of Compliance” section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of the City, as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the City’s basic financial statements. We issued our report thereon dated June 26, 2023, which contained unmodified opinions on those financial statements and an emphasis of matter paragraph regarding a change in accounting principle.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

FORVIS, LLP

Denver, Colorado
July 25, 2023

City of Fort Collins

Schedule of Findings and Questioned Costs

Year Ended December 31, 2022

Section I – Summary of Auditor’s Results

Financial Statements

1. The type of report the auditor issued on whether the financial statements audited were prepared in accordance with accounting principles generally accepted in the United States of America (GAAP):
☒ Unmodified ☐ Qualified ☐ Adverse ☐ Disclaimer
2. Internal control over financial reporting:
 Significant deficiency(ies) identified? ☐ Yes ☒ None reported
 Material weakness(es) identified? ☐ Yes ☒ No
3. Noncompliance material to the financial statements noted? ☐ Yes ☒ No

Federal Awards

4. Internal control over major federal awards programs:
 Significant deficiency(ies) identified? ☐ Yes ☒ None reported
 Material weakness(es) identified? ☐ Yes ☒ No
5. Type of auditor’s report issued on compliance for major federal program(s):
☒ Unmodified ☐ Qualified ☐ Adverse ☐ Disclaimed
6. Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? ☐ Yes ☒ No
7. Identification of major federal programs:

Assistance Listing Number	Name of Federal Program or Cluster
21.027	COVID-19 - Coronavirus State and Local Fiscal Recovery Funds
20.500, 20.526, 20.507	Federal Transit Cluster
59.075	COVID-19 - Shuttered Venue Operators Grant
81.041	State Energy Program

8. Dollar threshold to distinguish between Type A and Type B programs: \$750,000.
9. Auditee qualified as low-risk auditee? ☒ Yes ☐ No

City of Fort Collins
Schedule of Findings and Questioned Costs (continued)
Year Ended December 31, 2022

Section II – Financial Statement Findings

Reference Number	Finding
	No matters are reportable.

City of Fort Collins
Schedule of Findings and Questioned Costs (continued)
Year Ended December 31, 2022

Section III – Federal Award Findings and Questioned Costs

Reference Number	Finding
	No matters are reportable.

City of Fort Collins
Status of Prior Audit Findings
Year Ended December 31, 2022

Reference Number	Summary of Finding	Status

No matters are reportable.

COUNCIL FINANCE COMMITTEE AGENDA ITEM SUMMARY

Staff: Blaine Dunn, Accounting Director

Date: August 3, 2023

SUBJECT FOR DISCUSSION: Status of Fund Balances and Working Capital

EXECUTIVE SUMMARY:

The attached presentation gives a status of fund balances and working capital. Fund balances are primarily considered for funding one-time offers during the Budgeting for Outcomes process. To a lesser extent, available monies are also used to fund supplemental appropriations between BFO cycles.

GENERAL DIRECTION SOUGHT AND SPECIFIC QUESTIONS TO BE ANSWERED

General update to Council Finance Committee

BACKGROUND/DISCUSSION

To aid in answering the question of what funding is available to support emerging issues and initiatives in the next budget cycle. In each fund the balances are shown vertically by the accounting classifications. The amounts are then additionally categorized into Appropriated, Available with Constraints, and Available for Nearly Any Purpose.

Appropriated, Minimum Policy or Scheduled is comprised of minimum fund balances established by policy, funds from the 2022 balance that have been appropriated in 2023, and amounts for projects specifically identified by voters. An example of the latter is Community Capital Improvements Plan.

Available with Constraints are those balances available for appropriation but within defined constraints. An example are donations received through City Give. They are restricted for the purpose of the donation, but still available for appropriation.

Available for Nearly Any Purpose are balances that are available for appropriation at the discretion of the City Council.

ATTACHMENTS

1. PowerPoint presentation

Status of Fund Balances

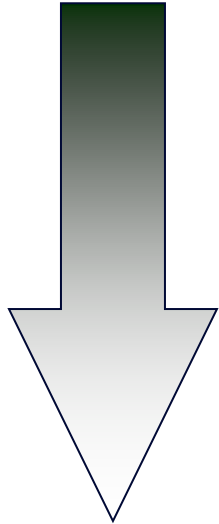
Blaine Dunn

Accounting Director



- Inform Committee on Types of Constraints
- Review fund balances as of 12/31/2022
- How Fund Balances are used in the budget process

Most
Constrained



Least
Constrained

Non-spendable

- Non-liquid in form (e.g. inventory, long-term receivables, land)
- Legally or contractually required to be maintained intact (e.g. permanent endowments)

Restricted

- Externally / 3rd Party enforceable legal restrictions (e.g. TABOR emergency reserve, debt covenants, re-development agreements, IGA's)

Committed

- Constraint formally imposed at the Council or Board Level through Ordinance (e.g. Capital Expansion fees, Neighborhood Parkland fees)

Assigned

- Intended to be used for specific purposes (e.g. Affordable Housing, Camera Radar, Encumbrances), not authoritative

Unassigned

- Available for any City purpose

Available but with some constraints

- Street Maintenance Program within Transportation fund are restricted but available as defined in the ballot language
- Donations made within a fund are available, but for the donations purpose

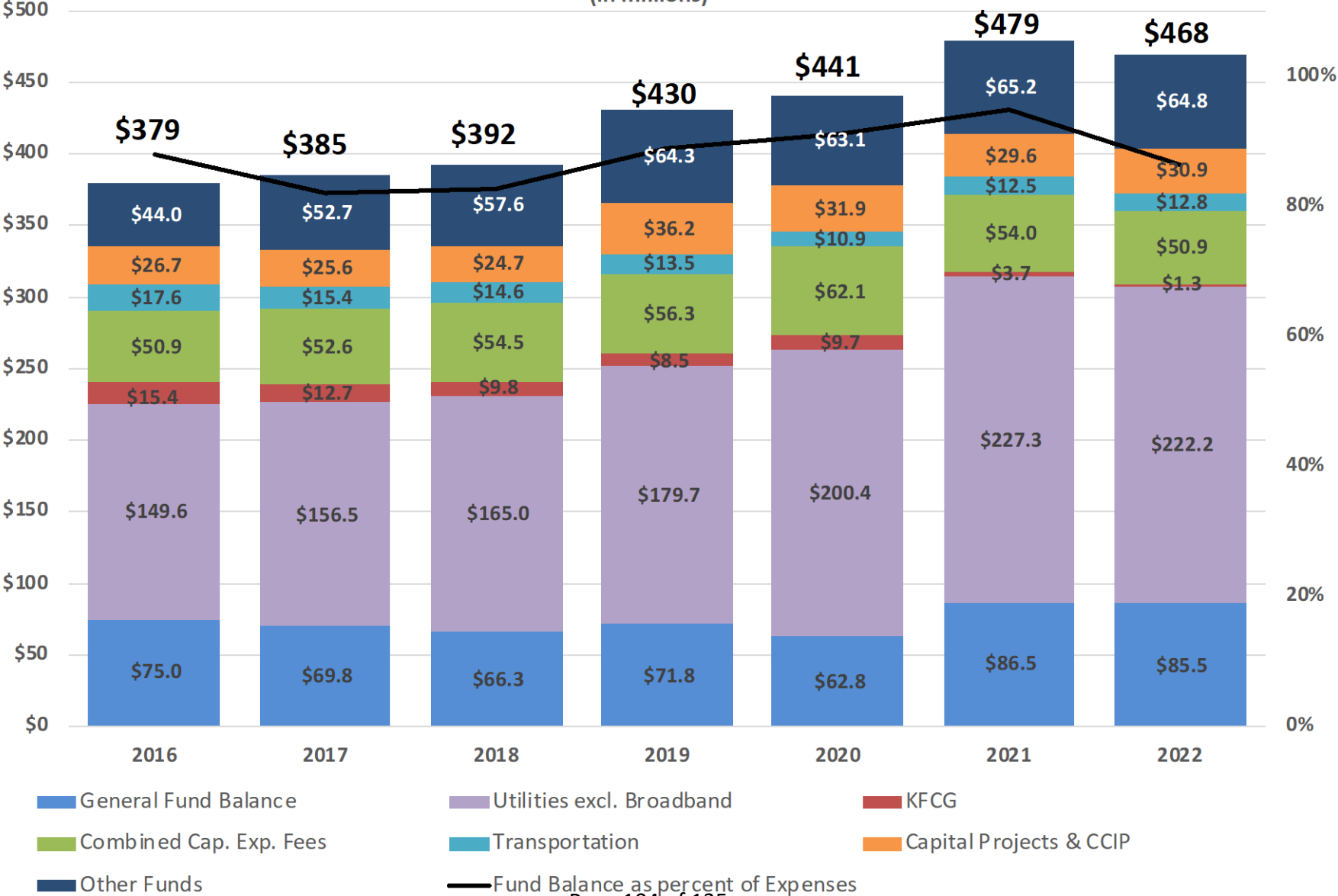
Available for nearly any purpose

- Funds available at the discretion of the City Council for any municipal purpose

All City Funds						
	2021	2022	Appropriated, Min. Policy, or Scheduled	Available but with some Constraints	Available for Nearly Any Purpose	
General Fund	\$ 86.5	\$ 85.5	\$ 70.1	\$ 2.1	\$ 13.3	
Capital Expansion Fund	28.8	27.7	1.5	26.2	-	
Sales & Use Tax Fund	2.7	2.4	2.4	-	-	
GID #1 Fund	0.5	0.6	0.2	0.4	-	
Keep Fort Collins Great Fund	3.7	1.3	1.2	0.1	-	
Community Capital Imprvmt Plan	20.5	23.0	10.5	12.5	-	
Neighborhood Parkland Fund	6.7	5.2	0.6	4.6	-	
Conservation Trust Fund	2.6	3.6	2.2	1.4	-	
Natural Areas Fund	20.7	20.9	14.3	6.6	-	
Cultural Services Fund	2.7	3.1	0.9	0.8	1.4	
Recreation Fund	1.7	2.9	0.7	2.2	-	
Cemeteries Fund	0.8	1.0	0.2	0.8	-	
Perpetual Care Fund	2.1	2.1	-	2.1	-	
Museum Fund	0.7	0.7	0.1	0.6	-	
Transit	4.5	(4.9)	(4.9)	-	-	
Transportation Capital Expansion	18.5	18.0	8.9	9.1	-	
Transportation	12.5	12.8	6.5	6.3	-	
Parking Fund	1.7	2.7	0.5	2.2	-	
Capital Projects Fund	9.1	7.9	7.9	-	-	
Golf Fund	2.7	5.3	3.8	1.5	-	
Light & Power Fund (excl. Broadband)	64.6	60.5	36.2	24.3	-	
Water Fund	84.3	80.3	56.3	24.0	-	
Wastewater Fund	46.9	46.7	34.4	12.3	-	
Storm Drainage Fund	29.2	32.3	18.9	13.4	-	
Equipment Fund	3.5	5.9	5.6	0.3	-	
Self Insurance Fund	(0.1)	1.7	2.0	(0.3)	-	
Data & Communications Fund	2.3	1.8	0.5	-	1.3	
Benefits Fund	16.1	15.0	7.8	7.2	-	
Utility Customer Service Fund	2.3	2.4	0.7	1.7	-	
TOTAL	\$ 478.8	\$ 468.4	\$ 290.0	\$ 162.4	\$ 16.0	

Fund Balance / Reserves by Year

(in millions)



General Fund - Year End 2022 - \$85.5M

	2021	2022	Appropriated, Min. Policy, or Scheduled	Available but with some Constraints	Available for Nearly Any Purpose
Assigned - Minimum 60 day Policy	\$ 34.2	\$ 37.7	\$ 37.7	\$ -	\$ -
Non-spendable					
Landbank inventory	2.5	2.5	2.5	-	-
Udall Endowment	0.1	0.1	0.1		
Restricted					
TABOR Emergency	7.7	7.7	7.7	-	-
Police Radio Network	0.3	0.3	0.1	0.2	-
Donations & Misc	1.0	1.6	-	1.6	-
Economic Rebates	-	0.1	-	0.1	-
Committed					
Traffic Calming	-	-	-	-	-
Culture & Recreation	0.3	0.3	0.3	-	-
Affordable Housing Land Bank	0.1	0.1	-	0.1	-
Police Regional Training Facility	0.1	0.1	-	0.1	-
Assigned					
Prior Year Purchase Orders	6.9	5.3	5.3	-	-
Manufacturing Use Tax Rebate	0.2	0.1	0.1	-	-
Digital Equity	0.1	0.5	-	-	0.5
Golf Irrigation System	0.4	-	-	-	-
Opioid Settlement	-	0.1	-	-	0.1
Camera Radar	1.2	1.4	0.5	-	0.9
Waste Innovation	0.2	0.2	-	-	0.2
Cultural Services	0.5	0.6	0.6	-	-
Reappropriation	0.8	0.6	0.6	-	-
Budgeted use of reserves	5.5	5.5	5.5	-	-
Child Care Needs	0.3	0.3	-	-	0.3
Police Radios	0.6	0.7	-	-	0.7
Hughes Land Purchase	2.0	2.0	2.0	-	-
ERP Replacement	2.5	2.5	-	-	2.5
Unassigned	19.0	15.2	7.1	-	8.1
Year End Total	\$ 86.5	\$ 85.5	\$ 70.1	\$ 2.1	\$ 13.3

- \$2.5M Land-bank program inventory, held at lower of cost or market
- \$7.7M is an emergency reserve required by TABOR, equal to 3% of qualified governmental revenue; City also has policy setting an additional \$37.7M aside
- Traditionally fund balances are assigned for camera radar and photo red-light, public safety dispatch system, affordable housing and waste innovation
- \$11.4M is set aside for prior year purchase orders, reappropriation, and budgeted use of reserves

Transportation Fund - Year End 2022 - \$12.8M					
	2021	2022	Appropriated, Min. Policy, or Scheduled	Available but with some Constraints	Available for Nearly Any Purpose
Restricted				-	
Street Maintenance - 1/4 Cent	3.6	4.9	3.0	1.9	
Assigned					
Prior Year Purchase Orders	1.6	1.9	1.9	-	-
Capital Projects	1.4	1.4	1.4	-	-
Harmony Road	5.0	4.6	0.2	4.4	-
Transportation Surplus	0.9	-	-	-	-
Year End Total	\$ 12.5	\$ 12.8	\$ 6.5	\$ 6.3	\$ -

Natural Areas Fund - Year End 2022 - \$20.9M					
	2021	2022	Appropriated, Min. Policy, or Scheduled	Available but with some Constraints	Available for Nearly Any Purpose
Restricted					
Natural Areas	19.9	20.1	13.6	6.5	-
Donations	0.1	0.1	-	0.1	
Assigned					
Prior Year Purchase Orders	0.6	0.7	0.7	-	-
Capital Projects	0.1	-	-	-	-
Year End Total	\$ 20.7	\$ 20.9	\$ 14.3	\$ 6.6	\$ -

Transit Fund - Year End 2022 - (\$4.9)M					
	2021	2022	Appropriated, Min. Policy, or Scheduled	Available but with some Constraints	Available for Nearly Any Purpose
Assigned					
Transit Surplus(Deficit)	4.5	(4.9)	(4.9)	-	-
Year End Total	<u>\$ 4.5</u>	<u>\$ (4.9)</u>	<u>\$ (4.9)</u>	<u>\$ -</u>	<u>\$ -</u>

Self Insurance Fund - Year End 2022 - \$1.7M

	2021	2022	Appropriated, Min. Policy, or Scheduled	Available but with some Constraints	Available for Nearly Any Purpose
Minimum Policy - 25% Operations	\$ 1.7	\$ 1.4	\$ 1.4	\$ -	\$ -
Non-spendable				-	
Prepays	0.9	0.6	0.6	-	
Committed					
Self Insurance surplus / (deficit)	(2.7)	(0.3)	-	(0.3)	-
Year End Total	\$ (0.1)	\$ 1.7	\$ 2.0	\$ (0.3)	\$ -

Light & Power Fund (excl. Broadband) - Year End 2022 - \$60.5M

	2020	2021	Appropriated, Min. Policy, or Scheduled	Available but with some Constraints	Available for Nearly Any Purpose
Minimum Policy - 25% Operations Assigned	\$ 8.1	\$ 9.3	\$ 9.3	\$ -	\$ -
Prior Year Purchase Orders	2.5	1.5	1.5	-	-
Approved Capital Projects	12.6	20.7	20.7	-	-
Budgeted Use of Reserves	23.7	4.7	4.7	-	-
Available for Capital and Operations	17.7	24.3	-	24.3	-
Year End Total	\$ 64.6	\$ 60.5	\$ 36.2	\$ 24.3	\$ -

Water Fund - Year End 2022 - \$80.3M

	2021	2022	Appropriated, Min. Policy, or Scheduled	Available but with some Constraints	Available for Nearly Any Purpose
Minimum Policy - 25% Operations Assigned	\$ 5.8	\$ 6.5	\$ 6.5	\$ -	\$ -
Prior Year Purchase Orders	6.1	2.2	2.2	-	-
Approved Capital Projects	25.2	28.5	28.5	-	-
Budgeted Use of Reserves	5.9	19.1	19.1	-	-
Available for Capital and Operations	41.3	24.0	-	24.0	-
Year End Total	\$ 84.3	\$ 80.3	\$ 56.3	\$ 24.0	\$ -

Wastewater Fund - Year End 2022 - \$46.7M

	2021	2022	Appropriated, Min. Policy, or Scheduled	Available but with some Constraints	Available for Nearly Any Purpose
Minimum Policy - 25% Operations Assigned	\$ 3.8	\$ 3.8	\$ 3.8	\$ -	\$ -
Prior Year Purchase Orders	1.0	0.7	0.7	-	-
Approved Capital Projects	22.5	22.7	22.7	-	-
Budgeted Use of Reserves	0.5	7.2	7.2	-	-
Available for Capital and Operations	19.1	12.3	-	12.3	-
Year End Total	\$ 46.9	\$ 46.7	\$ 34.4	\$ 12.3	\$ -

Storm Drainage Fund - Year End 2022 - \$32.3M

	2021	2022	Appropriated, Min. Policy, or Scheduled	Available but with some Constraints	Available for Nearly Any Purpose
Minimum Policy - 25% Operations Assigned	\$ 1.9	\$ 2.2	\$ 2.2	\$ -	\$ -
Prior Year Purchase Orders	0.9	0.7	0.7	-	-
Approved Capital Projects	11.8	14.4	14.4	-	-
Budgeted Use of Reserves	0.1	1.6	1.6	-	-
Available for Capital and Operations	14.5	13.4	-	13.4	-
Year End Total	\$ 29.2	\$ 32.3	\$ 18.9	\$ 13.4	\$ -



Additional Funds

Capital Expansion Fund - Year End 2022 - \$27.7M

	2021	2022	Appropriated, Min. Policy, or Scheduled	Available but with some Constraints	Available for Nearly Any Purpose
Committed					
General Government	13.7	17.5	1.5	16.0	-
Police	0.6	0.5	-	0.5	-
Fire	3.0	3.5	-	3.5	-
Community Parkland	11.5	6.2	-	6.2	-
Year End Total	\$ 28.8	\$ 27.7	\$ 1.5	\$ 26.2	\$ -

Sales & Use Tax Fund - Year End 2022 - \$2.4M

	<u>2021</u>	<u>2022</u>	<u>Appropriated, Min. Policy, or Scheduled</u>	<u>Available but with some Constraints</u>	<u>Available for Nearly Any Purpose</u>
Restricted					
Natural Areas	2.7	2.4	2.4	-	-
Year End Total	\$ 2.7	\$ 2.4	\$ 2.4	\$ -	\$ -

General Improvement District #1 Fund - Year End 2022 - \$0.6M

	2021	2022	Appropriated, Min. Policy, or Scheduled	Available but with some Constraints	Available for Nearly Any Purpose
Committed					
Capital Improvements	0.5	0.6	0.2	0.4	-
Year End Total	\$ 0.5	\$ 0.6	\$ 0.2	\$ 0.4	\$ -

Keep Fort Collins Great Fund - Year End 2022 - \$1.3M

	2021	2022	Appropriated, Min. Policy, or Scheduled	Available but with some Constraints	Available for Nearly Any Purpose
Restricted					
Street Maintenance	1.7	0.1	-	0.1	-
Other Transportation	0.8	0.8	0.8	-	-
Police Services	-	-	-	-	-
Fire & Emergency Services	-	-	-	-	-
Parks & Recreation	0.1	0.1	0.1	-	-
Other	1.1	0.3	0.3	-	-
Year End Total	\$ 3.7	\$ 1.3	\$ 1.2	\$ 0.1	\$ -

Community Capital Improvement Plan - Year End 2021 - \$20.5M					
	2021	2022	Appropriated, Min. Policy, or Scheduled	Available but with some Constraints	Available for Nearly Any Purpose
Restricted					
Available for ballot projects	11.0	12.5	-	12.5	-
City Park Train	0.1	0.1	0.1	-	-
Club Tico Renovation	-	-	-	-	-
Poudre River Proj (CCIP only)	-	-	-	-	-
Gardens Visitor Center Expansion	0.1	0.1	0.1	-	-
Nature in the City	0.3	0.4	0.4	-	-
Affordable Housing Fund	0.6	0.6	0.6	-	-
Arterial Intersection Imprvmnt	1.2	1.8	1.8	-	-
Bicycle Infrastructure Imprvmt	0.2	0.8	0.8	-	-
Bike/Ped Grade Separated Cross	2.0	1.5	1.5	-	-
Lincoln Avenue Bridge	0.3	0.3	0.3	-	-
Pedestrian Sidewalk - ADA	0.1	0.1	0.1	-	-
Transfort Bus Replacements	-	-	-	-	-
Willow Street Improvements	0.1	0.1	0.1	-	-
Linden Street Renovation	2.3	-	-	-	-
Carnegie Bldg Renovation	2.2	2.2	2.2	-	-
SE Community Center	-	2.4	2.4	-	-
Bus Stop Improvements	-	0.1	0.1	-	-
Year End Total	\$ 20.5	\$ 23.0	\$ 10.5	\$ 12.5	\$ -

Neighborhood Parkland Fund - Year End 2022 - \$5.2M

	2021	2022	Appropriated, Min. Policy, or Scheduled	Available but with some Constraints	Available for Nearly Any Purpose
Committed					
Neighborhood Parks	6.7	5.2	0.6	4.6	-
Year End Total	\$ 6.7	\$ 5.2	\$ 0.6	\$ 4.6	\$ -

Conservation Trust Fund - Year End 2022 - \$3.6M

	2021	2022	Appropriated, Min. Policy, or Scheduled	Available but with some Constraints	Available for Nearly Any Purpose
Restricted					
Parks, Rec & Open Space Capital Improver	2.6	3.6	2.2	1.4	-
Year End Total	\$ 2.6	\$ 3.6	\$ 2.2	\$ 1.4	\$ -

Cultural Services & Facilities Fund - Year End 2022 - \$3.1M

	2021	2022	Appropriated, Min. Policy, or Scheduled	Available but with some Constraints	Available for Nearly Any Purpose
Restricted					
Opera Donation	0.1	0.1	-	0.1	-
Committed					
Art in Public Places	1.2	0.7	0.2	0.5	-
Assigned					
Prior Year Purchase Orders	0.1	0.1	0.1	-	-
Gardens on Spring Creek	-	0.2	-	0.2	
Cultural Services Surplus	1.3	2.0	0.6	-	1.4
Year End Total	\$ 2.7	\$ 3.1	\$ 0.9	\$ 0.8	\$ 1.4

Recreation Fund - Year End 2022 - \$2.9M					
	2021	2022	Appropriated, Min. Policy, or Scheduled	Available but with some Constraints	Available for Nearly Any Purpose
Assigned					
Prior Year Purchase Orders	0.1	0.2	0.2	-	-
Recreation Programs	0.3	0.3	-	0.3	-
Recreation Surplus	1.3	2.4	0.5	1.9	-
Year End Total	\$ 1.7	\$ 2.9	\$ 0.7	\$ 2.2	\$ -

Cemeteries Fund - Year End 2022 - \$1.0M

	2021	2022	Appropriated, Min. Policy, or Scheduled	Available but with some Constraints	Available for Nearly Any Purpose
Assigned					
Prior Year Purchase Orders	-	0.1	-	0.1	-
Cemeteries Surplus	0.8	0.9	0.2	0.7	
Year End Total	\$ 0.8	\$ 1.0	\$ 0.2	\$ 0.8	\$ -

Perpetual Care Fund - Year End 2022 - \$2.1M					
	2021	2022	Appropriated, Min. Policy, or Scheduled	Available but with some Constraints	Available for Nearly Any Purpose
Restricted					
Perpetual Care	2.1	2.1	-	2.1	-
Year End Total	<u>\$ 2.1</u>	<u>\$ 2.1</u>	<u>\$ -</u>	<u>\$ 2.1</u>	<u>\$ -</u>

Museum Fund - Year End 2022 - \$0.7M					
	2021	2022	Appropriated, Min. Policy, or Scheduled	Available but with some Constraints	Available for Nearly Any Purpose
Assigned					
Cultural Services Surplus	0.7	0.7	0.1	0.6	-
Year End Total	\$ 0.7	\$ 0.7	\$ 0.1	\$ 0.6	\$ -

Transportation CEF Fund - Year End 2022 - \$18.0M

	2021	2022	Appropriated, Min. Policy, or Scheduled	Available but with some Constraints	Available for Nearly Any Purpose
Restricted					
Transportation CEF Surplus	9.2	9.1	-	9.1	-
Assigned					
Capital Projects	6.3	6.4	6.4	-	-
Prior Year Purchase Orders	0.1	0.1	0.1	-	-
Budgeted use of reserves	2.9	2.4	2.4	-	-
Year End Total	\$ 18.5	\$ 18.0	\$ 8.9	\$ 9.1	\$ -

Parking Fund - Year End 2022 - \$2.7M					
	2021	2022	Appropriated, Min. Policy, or Scheduled	Available but with some Constraints	Available for Nearly Any Purpose
Restricted					
CC Parking Garage IGA	1.8	2.4	0.3	2.1	-
Assigned					
Prior Year Purchase Orders	0.1	0.2	0.2	-	-
DT Parking	(0.2)	0.1	-	0.1	-
Year End Total	\$ 1.7	\$ 2.7	\$ 0.5	\$ 2.2	\$ -

Capital Project Fund - Year End 2021 - \$7.9M					
	2021	2022	Appropriated, Min. Policy, or Scheduled	Available but with some Constraints	Available for Nearly Any Purpose
Restricted					
Building on Basics (BOB)	0.4	-	-	-	-
CCIP	-	0.8	0.8	-	-
Donations and Grants	0.1	0.1	0.1	-	-
Committed					
General Fund Supported Projects	7.5	6.9	6.9	-	-
Other Fund Supported Projects	-	0.1	0.1	-	-
Misc. projects					
Other Investment Earnings	1.1	-	-	-	-
Year End Total	\$ 9.1	\$ 7.9	\$ 7.9	\$ -	\$ -

Golf Fund - Year End 2022 - \$5.3M

	2021	2022	Appropriated, Min. Policy, or Scheduled	Available but with some Constraints	Available for Nearly Any Purpose
Minimum Policy - 12.5% Operations Assigned	\$ 0.4	\$ 0.4	\$ 0.4	\$ -	\$ -
Available for Capital and Operations	2.3	4.9	3.4	1.5	-
Year End Total	\$ 2.7	\$ 5.3	\$ 3.8	\$ 1.5	\$ -

Equipment Fund - Year End 2022 - \$5.9M

	2021	2022	Appropriated, Min. Policy, or Scheduled	Available but with some Constraints	Available for Nearly Any Purpose
Minimum Policy - 8.3% Operations Assigned	\$ 0.7	\$ 0.7	\$ 0.7	\$ -	\$ -
Prior Year Purchase Orders	0.1	0.5	0.5	-	-
Equipment surplus	2.7	4.7	4.4	0.3	-
Year End Total	\$ 3.5	\$ 5.9	\$ 5.6	\$ 0.3	\$ -

Data and Communications Fund - Year End 2022 - \$1.8M

	2021	2022	Appropriated, Min. Policy, or Scheduled	Available but with some Constraints	Available for Nearly Any Purpose
Assigned					
Prior Year Purchase Orders	0.4	0.4	0.4	-	-
Reappropriation	0.1	0.1	0.1	-	-
Budgeted Use of Reserves	0.7	-	-	-	-
Data & Communication Surplus	1.1	1.3	-	-	1.3
Year End Total	\$ 2.3	\$ 1.8	\$ 0.5	\$ -	\$ 1.3

Benefits Fund - Year End 2022 - \$15.0M					
	2022	2023	Appropriated, Min. Policy, or Scheduled	Available but with some Constraints	Available for Nearly Any Purpose
Policy minimum - 25% Operations Assigned	\$ 6.2	\$ 5.8	\$ 5.8	\$ -	\$ -
Prior Year Purchase Orders	1.1	0.2	0.2	-	-
Budgeted Use of Reserves	3.7	1.8	1.8	-	-
Benefit Surplus	5.1	7.2	-	7.2	-
Year End Total	\$ 16.1	\$ 15.0	\$ 7.8	\$ 7.2	\$ -

Utility Customer Service Fund - Year End 2022 - \$2.4M

	2020	2021	Appropriated, Min. Policy, or Scheduled	Available but with some Constraints	Available for Nearly Any Purpose
Assigned					
Prior Year Purchase Orders	0.6	0.7	0.7	-	-
Budgeted Use of Reserves	-	-	-	-	-
Unrestricted	1.7	1.7	-	1.7	-
Year End Total	\$ 2.3	\$ 2.4	\$ 0.7	\$ 1.7	\$ -