

Finance Administration 215 N. Mason 2nd Floor PO Box 580 Fort Collins, CO 80522

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AGENDA

Council Finance & Audit Committee October 19, 2020 10:00 am - noon

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

Approval of Minutes from the September 21, 2020 Council Finance Committee meeting.

1. Third Party Food Delivery Fees	30 mins.	J. Birks
2. 2021 Light & Power and Water Rate Adjust	tments 30 mins.	L. Smith
3. 2021 Revenue Contingency Planning	30 mins.	T. Storin
4. 2020 Fee Updates	20 mins.	J. Poznanovic

Council Finance Committee Agenda Planning Calendar 2020 RVSD 10/12/20 ck

Oct. 19 th			
	Third Party Food Delivery Fees		J. Birks
	2021 Light & Power and Water Rate Adjustments	30 min	L. Smith
	2021 Revenue Contingency Planning	30 min	T. Storin
	2020 Fee Updates	20 min	J. Poznanovic
Nov. 16 th			
1407. 10	2020 Financial Policy Updates	30 min	B. Dunn
	Supplemental Appropriation for Increased Premium for Self Insurance	20 min	C. Goodwin Z. Mozer
Dec. 21 st			

Future Council Finance Committee Topics:

- Park/Median Design Standards & Maintenance Costs TBD
- Metro District Policy Update TBD 2020



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Finance Committee Meeting Minutes
September 21, 2020
10:30 am - noon
Zoom Meeting

Council Attendees: Mayor Wade Troxell, Ross Cunniff, Emily Gorgol, Susan Gutowsky

Absent: Ken Summers, Darin Atteberry

Staff: Kelly DiMartino, Travis Storin, Carrie Daggett, Lawrence Pollack, Tyler Marr

John Stokes, Honore Depew, Bob Adams, Kurt Friesen, Mike Calhoon, John Duval, Kelley Vodden, Blaine Dunn, Cody Forst, Andrew Dobshinsky,

Kurt Friesen, Evan McNaught, John Duval, Teresa Roche, Jo Cech, Jennifer Selenske, Zack Mozer, Dave Lenz, Dawna Gorkowski,

Janice Saeger, Renee Callas, Carolyn Koontz

Others: Mike Svetz - PROS Consulting

Andrew Dobshinsky - Consultant with Oren Group

Kevin Jones, Chamber of Commerce

Meeting called to order at 10:32 am

Approval of Minutes from the August 17, 2020 Council Finance Committee Meeting. Emily Gorgol moved for approval of the minutes as presented. Ross Cunniff seconded the motion. Minutes were approved unanimously.

A. Annual Adjustment Ordinance

Lawrence Pollack, Budget Director

SUBJECT FOR DISCUSSION

First Reading of Ordinance No. , 2020, Appropriating Unanticipated Revenue in Various City Funds. First Reading of Ordinance No. , 2020, Appropriating Prior Year Reserves in Various City Funds.

EXECUTIVE SUMMARY

The purpose of these Annual Adjustment Ordinances is to combine dedicated and unanticipated revenues or reserves that need to be appropriated before the end of the year to cover the related expenses that were not anticipated and, therefore, not included in the 2020 annual budget appropriation. The unanticipated revenue is primarily from fees, charges, rents, contributions, donations, and grants that have been paid to City departments to offset specific expenses.

GENERAL DIRECTION SOUGHT AND SPECIFIC QUESTIONS TO BE ANSWERED

- What questions or feedback does the Council Finance Committee have on the 2020 Annual Adjustment Ordinance?
- Does the Council Finance Committee support moving forward with bringing the 2020 Annual Adjustment Ordinance to the full City Council?

BACKGROUND/DISCUSSION

This Ordinance appropriates unanticipated revenue and prior year reserves in various City funds and authorizes the transfer of appropriated amounts between funds and/or projects. The City Charter permits the City Council to appropriate unanticipated revenue received as a result of rate or fee increases or new revenue sources, such as grants and reimbursements. The City Charter also permits the City Council to provide, by ordinance, for payment of any expense from prior year reserves. Additionally, it authorizes the City Council to transfer any unexpended appropriated amounts from one fund to another upon recommendation of the City Manager, provided that the purpose for which the transferred funds are to be expended remains unchanged; the purpose for which they were initially appropriated no longer exists; or the proposed transfer is from a fund or capital project account in which the amount appropriated exceeds the amount needed to accomplish the purpose specified in the appropriation ordinance.

If these appropriations are not approved, the City will have to reduce expenditures even though revenue and reimbursements have been received to cover those expenditures.

The table below is a summary of the expenses in each fund that make up the increase in requested appropriations. Also included are transfers between funds and/or projects which do not increase net appropriations, but per the City Charter, require City Council approval to make the transfer. A table with the specific use of prior year reserves appears at the end of the AIS.

Funding	Unanticipated Revenue	Prior Year Reserves	Transfers	TOTAL
General Fund	\$1,047,839	\$340,623	\$0	\$1,388,462
Capital Projects Fund	15,800	0	23,650	39,450
Equipment Fund	347,587	0	0	347,587
KFCG Fund (PFA)	0	52,335	0	52,335
Transit Services Fund	53,670	0	0	53,670
Transportation Services Fund	5,499	1,323,650	0	1,329,149
Transportation CEF Fund	0	0	0	0
GRAND TOTAL	\$1,470,395	\$1,716,608	\$23,650	\$3,210,653

A. GENERAL FUND

1. Title: Manufacturing Equipment Use Tax Rebates

Finance requests the appropriation of \$291,518 to cover the amount due for the 2019 Manufacturing Equipment Use Tax Rebate program as established in Chapter 25, Article II, Division 5, of the Municipal Code. The rebate program was established to encourage investment in new manufacturing equipment by local firms. Vendors have until December 31st of the following year to file for the rebate. This item appropriates the use tax funds to cover the payment of the rebates.

FROM:	Prior Year Reserves (Manufacturing Use Tax Rebate)	\$291,518
FOR:	Manufacturing Use Tax Rebates	\$291,518

2. Title: Northern Colorado Drug Task Force Rent

Real Estate Services, part of the Operation Services Department, has a rental agreement with the Northern Colorado Drug Task Force (NCDTF). NCDTF pays \$63,748 annually to Real Estate Services, and this revenue is used to pay the mortgage on the building.

FROM:	Unanticipated Revenue	\$63,748
FOR:	Building Mortgage	\$63,748

3. Title: 212 West Mountain Avenue Insurance Payment for Water Damage

Operation Services will be receiving an insurance payment for all costs associated with water damage at 212 West Mountain Avenue. This request is to appropriate those funds to cover the expenses of repairs from the water damage.

FROM: Unanticipated Revenue \$167,648 FOR: Water damage repair \$167,648

- **4. Parks' Forestry Division** is requesting appropriation of new revenues, as well as prior year reserves. The characteristics of the two funding sources are described below:
 - a. \$32,550 Forestry Unanticipated Revenue this request is to appropriate various unanticipated revenues for the Forestry Division in 2020. These funds will be used for tree plantings.
 - b. \$1,350 Forestry City Give Donations this request is to appropriate the balance of City Give Reserves for Forestry from year end 2019. These funds will be used for tree plantings.

TOTAL APPROPRIATION

FROM: Unanticipated Revenue	\$32,550
FROM: Prior Year Reserves	\$1,350
FOR: Tree Plantings	\$33,900

- **5. Fort Collins Police Services (FCPS)** has received revenue from various sources. A listing of these items follows:
 - a. \$36,356 Battle Grant 2020-2021 The Beat Auto Theft Through Law Enforcement [BATTLE] Grant is a state funded grant for overtime for officers to reduce auto theft and bring those who steal automobiles to justice. This grant pays for overtime on a reimbursable basis. This grant also includes the expenses for the purchase and installation of an automatic license plate reader (ALPR).
 - b. \$750 Explorers Gift through City Give The Police Explorers help the with many tasks at Santa Cops, and as a way to say thank you Santa Cops has given a gift for the use of the Explorers.
 - \$5,000 2020 Click it or Ticket Grant In 2020 Police Services was awarded a Click it or Ticket Grant from the Colorado Department of Transportation to pay for officers to work overtime to conduct enforcement activities.

- d. \$19,061 Police Reimbursement from City of Loveland for CRISP project software As a part of the Colorado Regional Information Sharing Program (CRISP) upgrade project some additional software for Easy Street needed to be purchased for the City of Loveland. Based on the contracts and agreements in place, Loveland needed additional software, but the City of Fort Collins needed to make the purchase. The City of Loveland has reimbursed the City of Fort Collins for the purchase.
- e. \$11,745 HVE Grant 2020-2021 In 2020 Police Services was awarded a High Visibility Impaired Driving Enforcement grant from the Colorado Department of Transportation to pay for overtime for DUI enforcement during specific holiday time periods.
- f. \$66,580 Sale of Police records and other miscellaneous Police revenue FCPS receives revenue from the sale of Police reports along with other miscellaneous revenue
- g. \$10,831 Contribution to Northern Colorado Drug Taskforce As a part of the City of Fort Collins contribution to the Northern Colorado Drug Taskforce, any Drug Offender Surcharge, or Court Ordered Restitution that is remitted from Larimer County Court to Fort Collins Police, is then passed along to the NCDTF. Any additional restitution that is collected by FCPS is additionally passed along to the NCDTF.
- h. \$133,490 Police Overtime Reimbursement Police Services help schedule security and traffic control for large events. Since these events are staffed by officers outside of their normal duties, officers are paid overtime. The organization which requested officer presence is then billed for the costs of the officers' overtime. FCPS also partners with Larimer County to staff events at The Ranch. Police receives reimbursement from Larimer County for officers' hours worked at Ranch events.

TOTAL APPROPRIATION FROM: Unanticipated Revenue (2020 BATTLE Grant) \$36,356 \$750 FROM: Unanticipated Revenue (Explorers Gift through City Give) \$5,000 FROM: Unanticipated Revenue (2020 Click it or Ticket Grant) FROM: Unanticipated Revenue (CRISP project software reimbursement) \$19,061 \$11,745 FROM: Unanticipated Revenue (HVE Grant) FROM: Unanticipated Revenue (Miscellaneous) \$66,580 FROM: Unanticipated Revenue (Northern Colorado Drug Task Force) \$10,831 FROM: Unanticipated Revenue (Overtime Reimbursement) \$133,490 FOR: 2020 BATTLE Grant \$36,356 FOR: Police Explorers within Community and Special Services \$750 FOR: 2020 Click it or Ticket Grant \$5,000 FOR: \$19,061 CRISP project software FOR: 2020 HVE Grant \$11,745 FOR: Police Administration \$66,580 FOR: Transfer of funding to Larimer County \$10,831 FOR: **Police Services** \$133,490

6. Title: For Fort Collins Partnership

This is a contribution made through the Midtown Business Improvement District to support the For Fort Collins campaign. In response to the crippling impacts the Coronavirus and stay-at-home orders have had on our local business community, the Economic Health Office in partnership with CPIO, will implement a marketing and public relations campaign to encourage community members to support local, especially the most impacted industries.

FROM: Unanticipated Revenue \$5,000 FOR: Campaign to encourage local business support \$5,000

7. Title: Radon Kits

Environmental Services sells radon test kits at cost as part of its program to reduce lung-cancer risk from inhome radon exposure. This appropriation would recover kit-sales for the purpose of restocking radon test kits.

FROM: Unanticipated Revenue (radon kit sales) \$1,554
FOR: Radon test kit purchase \$1,554

8. Title: Urban Sustainability Directors Network - Transforming Climate Planning and Practice Grant

In 2019, the City, along with 10 other U.S. cities, was awarded a grant from the Urban Sustainability Directors Network (USDN) to develop a framework for how to transform climate planning and practice to be centered in equity. While the total grant is \$89,500, per the award letter the majority of the grant was to be paid directly to Arup and Movement Strategy Center for payment of their services for the project. This portion (\$8,500) was awarded to the City of Fort Collins to fund part of the City's contractual position's salary to advance this work through the remainder of 2020. The development of this framework is intended to scale to the over 220 cities and counties across U.S. and Canada who are members of USDN and who are centering their climate efforts in equity. This work is aligned with the City's Our Climate Future efforts, the combined update to the Energy Policy, Road to Zero Waste, and Climate Action Plans.

FROM: Unanticipated Revenue (grant) \$8,500 FOR: Portion of Contractual Position to develop framework \$8,500

9. Title: Municipal Industrial Waste Opportunities Analysis

Funds for the Municipal Industrial Waste Opportunities Analysis were allocated in 2019 after being recommended by the interdepartmental Waste Innovation Program. The project came to completion in 2020 rather than in 2019. It has identified current programs that reuse or recycle waste that could be at risk, as well as identifying opportunities for additional reuse and recycling.

FROM: Prior Year Reserves (Waste Innovation reserve) \$29,155 FOR: Waste innovation Program \$29,155

10. Title: Land Bank Operational Expenses

This request is intended to cover expenses related to the land bank property maintenance needs for 2020. As expenses vary from year-to-year, funding is requested annually mid-year to cover these costs. Expenditures for 2020 include general maintenance of properties, raw water and sewer costs, electricity, and other applicable expenses.

FROM: Prior Year Reserves (Land Bank reserve) \$18,600

FOR: Land Bank Expenses \$18,600

11. Title: Restorative Justice Services Additional Grant Funding

Restorative Justice (RJ) Services received \$7,800 in additional grant funds to add to an already active grant from CO Dept. of Public Safety, Division of Criminal Justice Juvenile Diversion grant # 2021-DV-21-30008-08. The grant will pay for additional hours for the half-time supervisor of Mediation and Restorative Justice to provide additional support for RJ programming. Providing RJ services virtually is requiring more than 100% more staff time than delivering in person services. This will add an additional 5 hours/week of the supervisor's time Oct. 2020 - June 2021.

FROM: Unanticipated Revenue (grant) \$7,800 FOR: Restorative Justice Services Program \$7,800

12. Title: 2020 DTS and Finance Charges

This item is administrative in nature; it will not increase expenses to the City as expenses exist today. In past years, fees to finance and IT for support services provided to the Development Review Center were not properly classified as expenses to the Development Review Center, but rather as direct revenue to IT from the customer. This practice was out of compliance with Generally Accepted Accounting Principles (GAAP). During 2020 journal entries have been posted monthly to ensure GAAP compliance for revenue/expense. As this was corrected during 2020, no expense budget was in existence for these items. These entries and the needed budget reflect no change in cash flows for the City. In 2021 the budget has been adjusted to ensure appropriate accounting standards are being followed for revenue recognition.

FROM:	Previously acknowledged revenue	\$350,000
FROM:	Previously acknowledged revenue	\$91,000
FOR:	Development Review Center expenses	\$441,000

13. Title: Community Economic Development Support - Platte River Power Authority

Since 1982, Platte River Power Authority has granted funds annually to support municipalities' economic development efforts. This year, The City of Fort Collins will receive \$36,226. In accordance with Resolution No. 32-12, payments will be directed to help support the Small Business Capital Access Loan Program.

FROM: Unanticipated Revenue (grant) \$36,226 FOR: Small Business Capital Access Loan Program \$36,226

B. CAPITAL PROJECTS FUND

1. Title: Gardens on Spring Creek Capital Project donation through City Give

The Gardens on Spring Creek received an additional \$15,800 from the Friends of the Gardens on Spring Creek to help with some remaining expenditures from the capital project to complete the Master Plan of the Gardens.

FROM: Transfer from General Fund (City Give donation) \$15,800 FOR: Master Plan of the Gardens on Spring Creek \$15,800

2. Title: Engineering Payment In Lieu for Projects (see item #F4 for additional information)

Occasionally, when a development comes into the City, a major capital project is already planned along the development's Right of Way (ROW) frontage. Typically, in the City's process, the developer is required to put in amenities along the ROW (such as curb/gutter/sidewalk). When a major capital project is planned, instead of

having the developer build their frontage, the City collects a Payment in Lieu (PIL) and applies that toward the Capital Project. This request appropriates PILs that have previously been collected for 2 projects: One along Laporte Ave and one at the major intersection of College and Trilby.

FROM: Transfer from Transportation Services Fund \$23,650
FOR: College and Trilby Intersection \$19,250
FOR: Laporte Ave \$4,400

C. EQUIPMENT FUND

1. Title: State CNG vehicle and Electric Charging infrastructure Grants

This revenue is from the Alt Fuels Colorado (\$330,376) and Charge ahead (\$17,211) grant programs administered by the State Energy Office and the Regional Air Quality Council. Alt Fuels Colorado provides 80% reimbursement on the incremental cost of Natural Gas vehicles, while the Charge Ahead provides infrastructure for vehicle charging stations.

FROM: Unanticipated Revenue (grants) \$347,587 FOR: Natural Gas Vehicles & Charging Stations \$347,587

D. KEEP FORT COLLINS GREAT FUND (PFA)

1. Title: KFCG Reserve for Fire

Requesting the Keep Fort Collins Great Reserve for Fire to pay for two FC911 Dispatch Consoles (\$40,000) and for equipment (hydrafusion pump, chain saw and accessories, and a Stearns ice suit) for the new Heavy Rescue Apparatus (\$12,335).

FROM: Prior Year Reserves (KFCG PFA) \$52,335 FOR: Dispatch consoles and equipment \$52,335

E. TRANSIT SERVICES FUND

1. Title: Purchase of Cutaways Hardware to be reimbursed by Colorado State University

Requesting for the purchase of 3 Intelligent Vehicle Network (IVN) Retrofits from Clever Devices for Cutaway Buses. Hardware will provide ridership data for CSU. CSU has agreed to reimburse City of Fort Collins for this purchase.

FROM: Unanticipated Revenue (CSU reimbursement) \$53,670 FOR: IVN Retrofits for ridership data \$53,670

F. TRANSPORTATION SERVICES FUND

1. Title: FC Moves City Give FONDO Foundation Philanthropic donation

This is a donation from an organization who normally puts on an event every year to help benefit the Safe Routes to School (SRTS) program. Even though they were not able to put on their event this year, they were still able to raise and provide money to the City to help further the reach of the program. These dollars go toward supplies and programming costs for the Safe Routes to School work that is done annually.

FROM: Transfer from General Fund (City Give donation) \$1,843

FOR: Safe Routes to School program \$1,843

2. Title: Snow & Ice Removal

The 2020 snow budget has been consumed due to large snowstorms in February and March. The total annual budget is \$1.5M and YTD spending is \$1.9M. Extremely cold temperatures require more deicer material to keep the roads safe, which drives up the cost of snow operations significantly. Ice cutting can be required due to the weather pattern where daytime thawing and nighttime freezing. Additional funding of \$1.3M is requested to provide snow removal services from September through December 2020.

FROM: Prior Year Reserves \$1,300,000 FOR: Snow and ice removal \$1,300,000

3. Title: 243 N. College Sidewalk Improvements

The previous tenant of 243 N. College Avenue never completed their obligated sidewalk improvement work. The City still held the cash escrow from the previous tenant. The building was sold and vacated before work was complete. With the new tenant moving in, additional work was needed, and the City partnered with the new tenant to complete the sidewalk improvements. The money the City used was from the prior tenant's escrow (which has already been recognized as revenue). Work was completed in the spring.

FROM: Unanticipated Revenue (forfeited escrow) \$3,656 FOR: Sidewalk Improvements \$3,656

4. Title: Engineering Payment In Lieu for Projects (see item #B2 for additional information)

Occasionally, when a development comes into the City, a major capital project is already planned along the development's Right of Way (ROW) frontage. Typically, in the City's process, the developer is required to put in amenities along the ROW (such as curb/gutter/sidewalk). When a major capital project is planned, instead of having the developer build their frontage, the City collects a Payment in Lieu (PIL) and applies that toward the Capital Project. This request appropriates PILs that have previously been collected for 2 projects: One along Laporte Ave and one at the major intersection of College and Trilby.

FROM: Prior Year Reserves \$23,650 FOR: Transfer to Capital Projects Fund \$23,650

G. TRANSPORATION CAPITAL EXPANSION FUND

1. Title: Transportation Capital Expansion Developer Reimbursements (transfer to Non-lapsing)

The Transportation Capital Expansion Fee (TCEF) Program reimburses development for eligible improvements after they are constructed and accepted by the City. In the past, reimbursements were always budgeted in lapsing funds, but this did not adequately portray the financial position of the overall TCEF Fund. For major projects that are under construction, appropriating the estimated reimbursement amounts into non-lapsing business units ensures that the City accounts for the financial liability that has already been incurred.

FROM: Previously appropriated expenses (lapsing business unit) \$1,400,000 FOR: Transfer to Non-lapsing business units in the same Fund \$1,400,000

FINANCIAL / ECONOMIC IMPACTS

This Ordinance increases total City 2020 appropriations by \$3,210,653. Of that amount, this Ordinance increases General Fund 2020 appropriations by \$1,388,462, including use of \$340,623 in prior year reserves. Funding for the total increase to City appropriations is \$1,470,395 from unanticipated revenue, \$1,716,608 from prior year reserves, and \$23,650 from transfers between Funds.

The following is a summary of the items requesting prior year reserves:

Item #	Fund	Use	Amount
A1	General	Manufacturing Equipment Use Tax Rebate	291,518
A4b	General	Forestry City Give Donations	1,350
A9	General	Municipal Industrial Waste Opportunities Analysis	29,155
A10	General	Land Bank Operational Expenses	18,600
D1	KFCG	KFCG Reserve for Fire	52,335
F2	Transportation	Snow & Ice Removal	1,300,000
	Services		
F4	Transportation	Engineering Payment In Lieu for Projects	23,650
	Services		
		Total Use of Prior Year Reserves:	\$1,716,608

Discussion / Next Steps;

Ross Cunniff; \$67K under sale of police records - Can we change that to time spent gathering records for public records requests?

Lawrence Pollack; the title will be changed as requested.

Committee good with data as presented.

B. Parks & Recreation – Master Plan Review

John Stokes, Interim Community Services Director Honore Depew, Sr. Project Manager Bob Adams, Director Recreation Kurt Friesen, Director, Park Planning Mike Calhoon, Director, Parks

Andrew Dobshinsky - Consultant with Oren Group Mike Svetz - PROS Consulting

EXECUTIVE SUMMARY

The purpose of this item is to seek direction on possible funding options to include in the Parks and Recreation Master Plan for further exploration in the future. Staff will follow up from the July 20, 2020 Council Finance Committee meeting with additional details from a funding analysis of parks and recreation facilities. Consultants and department directors available for discussion/questions.

GENERAL DIRECTION SOUGHT AND SPECIFIC QUESTIONS TO BE ANSWERED

- 1. Is CFC comfortable with the funding options presented being included in the Master Plan?
- 2. Does CFC have a preference for any of the proposed funding strategies?

BACKGROUND/DISCUSSION

The Parks and Recreation Master Plan update process began in November 2019 and has included extensive system analysis and community engagement. Staff has been working with a consultant team, stakeholders, and the community to identify parks and recreation desires, assess how Fort Collins compares to other peer and benchmark communities, and identify key issues and priorities the plan should address – including a long-term financial framework.

Staff and the consulting team are conducting a thorough and detailed analysis of the entire inventory of parks and recreational facilities. The assessment includes an appraisal of assets and amenities throughout the system using benchmark communities, national trends, and survey data as guideposts. From this work current levels of service can be compared, and future amenities and services anticipated.

Several approaches are being used to develop an understanding of how current facilities compare to benchmark communities, and how those facilities relate to what Fort Collins' community members have highlighted in through surveys, open houses, etc. The analysis also includes an evaluation of the funding structures in place to support development, maintenance, replacement, and programing.

The Total Cost of Ownership for Parks and Recreation facilities includes four buckets:

- 1) New Parks and Facilities
 - a. the capital needed to construct
- 2) Operations and Maintenance (O&M)
 - a. the funds needed to maintain
- 3) Lifecycle Replacement
 - a. the funds to replace/upgrade parts and equipment
- 4) Park and Facility Refresh
 - a. the funds to completely redesign or remodel when necessary

Fort Collins has historically funded the first bucket with tax initiatives for new recreation facilities and dedicated impact fees for new parks. This model does not fully account for new infill parks. The other three buckets compete for general funds as part of the budget process every two years. As a result, the long-term financial sustainability of these assets is not assured.

For example, when compared with industry standards, Parks operations and maintenance is currently underfunded by approximately \$300,000 annually. Best practices also call for investing 3% of total asset value each year in replacement and upgrades of amenities. Based on Fort Collins Parks assets, the annual funding for lifecycle replacement of Parks amenities is approximately \$3.5 million below the recommended target investment. Recreation facilities face their own shortfalls for equipment replacement. The funding for Recreation facilities themselves (buildings, boilers, HVAC, etc.) falls within Operation Services' budget and also competes for general funds. Refresh of Parks and Recreation facilities does not have a consistent funding stream currently identified.

As part of the Master Plan update, several staff workshops have been held to develop a Capital Improvement Plan for all Parks and Recreation Facilities. This deliverable will be a useful tool to help better align timing and funding for projects by creating a rough lifecycle / refresh schedule for each park and facility. And it will estimate the cost of improvements, by location. In the long term, one tangible benefit of having this type of road map is

the avoidance of unnecessary work (e.g., if a park is slated for refresh in a couple of years, investing in lifecycle replacement now should be avoided).

Based on consultant team research and staff guidance, numerous possible options for funding have been identified. They are listed in the attached PowerPoint presentation on slides 11-14.

Next Steps

- Complete a forward-looking asset management financial projection for individual parks and recreational facilities (capital improvement plan)
- Refine strategies for funding alternatives and options for inclusion in Master Plan
- Conduct additional community outreach
- City Council Work Session: Oct. 27

Discussion / Next Steps;

GENERAL DIRECTION SOUGHT

Is CFC comfortable with the funding options presented being included in the Master Plan? Does CFC have a preference for any of the proposed funding strategies?

Ross Cunniff; we talked about revenue diversification a few years ago - we talked about an on-bill impact tax - why is that not listed as an option on funding? Assess a park maintenance fee based on whatever we think the impact will be on a utilities customer.

John Stokes; the idea of a park fee has been floating around since I joined the city.

Ross Cunniff; I realize it would be a heavy lift for community support for that idea.

Ticket sales - certainly higher revenue - they are also regressive — bigger impact on lower income folks relative to their income - if we had an alternative funding mechanism that we spread across the city that would impact lower income people less - structured so it is less regressive. My personal preference is not putting sponsorships on our parks — that commercializes something that is public good - I know we have done that with garden sponsorships which is distasteful to me as that is intended for the public good.

John Stokes; in Recreation that is where that question matters most - 72% cost recovery. We have a reduced admission program - we have options for folks to be able to opt into those programs at a reduced rate. We have a very high costs recovery compared to most peer cities. We do not have a ton of room there - fairly limited opportunity.

Ross Cunniff; not increasing ticket sales and admissions but back filling programs for reduced ticket price. Do they have to apply separately for this program?

Bob Adams; Recreation uses a reduced rate program - we use PSD reduced lunch program eligibility If they quality for any of those programs they also quality for ours. Different percentage discounts which are based on income. Annually a customer comes in and provides detail and we give them 12 months and then we send a letter letting them know that their pass is expiring and they can come in and reapply. We have worked with Utilities to try to combine programs - there is a committee trying to make it a one stop shop but it has not been turned around yet. An Income Qualified Navigator role was addressed on a recent SAR which would use different funding sources - federal / state or local dollars – the idea is to make it seamless for folks. Nina Bodenhamer is leading the charge.

Travis Storin; this will be part of the discussion tomorrow evening. Redeploy - Income Qualified Navigator. We don't yet know if it will be 'qualify for one and you have applied for all'. We would anticipate a highly streamlined process for our citizens.

Mike Svetz; I wanted to mention that your methodology is best practice. Parks & Recreation are not utilizing resources to determine eligibility. Create more awareness and efficiency. Important to recognize that your program is funded by taxpayer dollars. One way these programs have been funded in other places is through corporate sponsorship. You do not have to splash their logos everywhere, but a lot of people can get beyond that - one reason that this jumps out is the potential to offset the financial assistance program. In essence - funded by taxpayer dollars.

Carrie Daggett; maintenance fee issue - it may throw people's connection in their brain to call it on-bill — we had referred to it earlier as a parks maintenance fee using the utility billing system as a way to implement the fee - a little different than things we have called on-bill. We have discussed a parks maintenance fee in the past, but I cannot recall when that was most recently on the table for discussion.

Ross Cunniff; no nexus to utilities other than most people get a bill

Emily Gorgol; why do we require people to apply to get lower rates?

Bob Adams; it has been set up by the city for a number of years - that is why we have tried to create a nexus with utilities – there are some federal guidelines

ACTION ITEM

Travis Storin; that is a wonderful question and I am not familiar with the legal questions around that I will be happy to take this as a follow up and provide a more detailed response in memo form, including other low income programs and the genesis of this verification.

Carrie Daggett; driving determining whether the low-income threshold is met by someone who is applying is practical there is a pretty significant aspect of these verifications to qualify.

Emily Gorgol; if we have federal requirements - it is a full-time job to be low income and I do not buy into that everyone will apply. It would be a good discussion. I do not know what other cities do. Thank you Travis- a memo will be helpful.

Sales tax is also regressive. In Portland Oregon they have an Arts Fund - \$25 per year per household even if you are renting - other creative ideas or options - a good array of options to bring forth. Why are hotel and beverage lower on the feasibility?

Mike Svetz; #1 more or less and from a policy perspective if it had to go to the voters it would be an easier implementation.

John Stokes; what about a Parks & Recreation taxing district? We have a Library District and a Fire District. Common approach across the county. I would like to spend some time exploring – mil levy – less regressive than a sales tax approach.

Mayor Troxell; what would be the span of the district?

John Stokes; we did not get into that level of detail. We talked about PSD / PFA – could be Library District or GMA. Several approaches. We know we have a lot of folks using our facilities who are not from Fort Collins – many are from surrounding communities including Timnath, Windsor, Wellington – Natural Areas, Parks

Mayor Troxell; good point as we have always been a regional and visitor destination. One way of thinking about a hotel tax - more of a visitor destination. I am sensitive to how much head room we would have there - true with any tax conversation – what is it displacing? what are you bumping into? Economic Health needs to be part of the conversation. Citizen initiative related to Parks & Recreation - with some level of appetite as to how we fund this going forward. Appreciative of the menu of options. When we had the Work Session I was suggesting some of the ways we might expand the mission / visibility of Parks & Recreation; flowers, trees and shrubbery in medians etc. – is to make that more Parks & Recreation - not just Parks – thinking about it more broadly – Gardens at Spring Creek - the value proposition changes between how one might think about Park & Recreation - beauty in our community in a broader sense – how it if perceived in the community – downtown area -assets to our community much like a park – things to think about – very supportive of City Give as a strategy – partnership/gifts. Would like to explore options In terms of sales tax, citizen's initiative or special district. I support John's curiosity in respect to a district - a lot of content - headroom and support. How we can represent it within our community? Important -It should be part of our master plan and options should be explored – things that are fundamental to our community. We have been good stewards – general fund. More permanent and broadening the concept of what is Parks & Recreation - beautification of our community, natural environmental, nook and crannies and open space.

Mike Svetz; a lot of consistency in conversations we are currently having – improving your current park system - planting – we are working those very comments and narrative – overarching conversation - very specific improvements – is this type of improvement needed in this park or that park? Common thread is important to the advocacy you can create.

John Stokes; some final thoughts

I want to thank Mike for the comment he just made. We are going through every single facility - 50 parks — future needs. All of the experts on those calls from Park Operations and Park Planning — detail level on what is going to be needed in the future. When Wendy left, I became the Interim Director of Community Services — I had some familiarity with the budget. What has really crystallized for me is that we do have some long term funding issues — we have talked about a parks maintenance fee as well as a trail maintenance fee - we have had some conversations s around the edges — challenging as we go forward. Real impacts at the ground level. Infrastructure is failing and instead of responding proactively we are reacting. That is concerning — whoever ends up being the Community Services Director — keeping this conversation alive — after we adopt the Parks & Recreation Master Plan. The challenges we are describing. This is a terrible time with Covid and our budget crisis to be talking about a 20-30-year plan, but it is our charter to shine a light on this.

Mayor Troxell; regarding corporate sponsorship - I agree with Ross and Emily that we don't want 'City Hall brought to you by xxx' City Give - donative framework - there could be tasteful elements that are not over the top - not big corporate signs everywhere.

C. Code Revisions for Self-Insurance Fund

Travis Storin, Interim Chief Financial Officer John Duval, Deputy City Attorney

SUBJECT FOR DISCUSSION: 2020 City Code Updates Concerning City Self-Insurance Fund and City's Employee Defense and Indemnity Obligations—City Financial Administration

EXECUTIVE SUMMARY: The purpose of this agenda item is to propose amendments to the City Code for three primary purposes:

- 1) Clarify that the Self-Insurance Fund exists for payment of "covered expenses," but that other Funds are permitted to be used to pay these covered expenses.
- 2) Update and revise the Code provisions related to the City's defense and indemnification obligations to its employees in civil lawsuits, including revisions related to City police officers as now required by SB 20-217.
- 3) Clarify that in addition to paying the defense costs of City employees in certain civil and criminal matters, employees defense costs may also be paid by the City in certain in administrative matters related to an employee's licensure/certification/accreditation held as a condition of City employment.

GENERAL DIRECTION SOUGHT AND SPECIFIC QUESTIONS TO BE ANSWERED

Is the Finance Committee supportive of the proposed Code updates?

BACKGROUND/DISCUSSION

This series of Code updates are intended to clarify the administrative practices in accordance with Colorado law and staff practices. In addition to minor maintenance updates, there are three key areas proposed by staff:

1) Self-Insurance Program Administration

The Self-Insurance Fund was established to pay for the uninsured portion of "covered expenses" as defined by Section 8-106 of the Code. The Fund collects its revenues from other City Funds as determined during the biennial budget in order to cover the cost of these covered expenses.

In recent years, there has been a small population of claims settled and paid by the City for which, in staff's judgment based on the facts and circumstances of the claim, were more appropriately charged to the department budget from which the claim originated. This department charge would be in conjunction with or instead of the amount paid by the Self-Insurance Fund.

In carrying out this direct department charge administratively, a concern was identified in that the current Code is ambiguous as to whether the Self-Insurance Fund is obligated to pay these claims vs. simply authorized to do so. Staff hopes to resolve this by clarifying in the Code that the Finance Officer is able to administratively allocate the costs of a specific claim to other Funds apart from the Self-Insurance Fund in accordance with the factors as proposed in Sections 8-107 and 8-108.

2) Peace Officer Indemnification and Defense

In June of 2020, Senate Bill 20-217 (SB 217), the Enhance Law Enforcement Integrity Bill, was signed into law by Governor Polis. City Council was provided with an overview of this legislation in executive session at the July 14, 2020, meeting. While there are still additional research and dialogue ongoing surrounding the impacts of SB-217, this proposed Code change clarifies and establishes the City's obligations for defending and indemnifying its police officers in the manner now required by SB 20-217 and under preexisting law.

3) Payment of Employee Defense Costs in Certain Administrative Actions

Current City Code is clear on the conditions for payment of a City employee's defense costs in civil lawsuits and criminal matters. It does not currently address whether this also includes payment of an employee's defense costs in an administrative matter related to a complaint or grievance filed against an employee concerning any

licensure, certification, accreditation, or permit that the employee is required to hold as a condition of their employment. This Code update clarifies the conditions for which the City will pay these defense costs.

Discussion / Next Steps;

These are maintenance type updates to code

1) Self-Insurance Program Administration

Staff proposes updates to Sections 8-107 and 8-108 to specify that the Finance Officer may administratively allocate the costs of a specific claim.

Language to clarify when a claim is obligated and when other funds may contribute. Under what circumstances can relief come from another fund? When a department bears some responsibility for that claim such as negligence (i.e. operating a city vehicle) charges across the self-insurance fund - code amendment to address how to allocate costs across funds.

John Duval; with respect to accessing funds and monies in other funds – there could be circumstances where in order for those funds to be used a transfer of funds to self-insurance would be needed - could be circumstances where you would have to go to Council for approval for the transfer.

2) Peace Officer Indemnification and Defense

Proposed Code change clarifies and establishes City obligations in a manner consistent with SB 20-217 and under preexisting law.

John Duval; SB 20- 217 the Enhance Law Enforcement Integrity Bill, has created this new cause of action. Brought against local law enforcement – imposes on local entities who have police to indemnify - marrying this into our Code specific to peace officers - special statue that existed - bringing into consistency with state law.

Susan Gutowsky; question for clarification – when SB 20-217 passed – frightening for police to think they could be personally sued for an amount that could break a family – is it a helpful thing?

John Duval; mirrors what SB provides - civil action brought against an officer - City indemnifies the peace officer — whatever the judgement - City would pay 100% - Unless City decides that the officer acted in bad faith - not to exceed \$25K — statue also says discharge in bankruptcy so City would have to pay if the officer filed for bankruptcy. If circumstances arose -bad faith — officer could be responsible for up to \$25K. All other cities would have to do the same thing per state law.

Susan Gutowsky; one of the things I have heard from officers – it makes them tentative and it could cost them their career - if they are working within the law – what is acceptable – greater sense of freedom to do what they are doing with greater confidence.

John Duval; officers may look at it in another way - that has always been a risk to them, and this adds one more thing that creates risk. The way the bill is written – the City would pay unless in bad faith then the officer could be liable for up to \$25K

Mayor Troxell; SB217 - in their haste during an extended session over the weekend - there were some articles related to loopholes; state prisons / state patrol not included. I envision some level of follow on legislation to addressed what may have not been included or considered.

Carrie Daggett; there is a working group that CML is coordinating and they are looking at those type of issues which might lead to some clean up changes to this statutory provision – work is under way to identify some of those issues. City staff is participating in those discussions – we should be able to provide feedback.

3) Employee Defense Costs in Certain Administrative Actions

Proposed Code change clarifies conditions for reimbursement, including that the licensure/ certification is held as a condition of employment.

John Duval; important to understand – reimbursement for administrative matter - obligation to reimburse only if action taken - ultimately a finding or decision not to revoke. Employee must have not committed the violation where charged which is different from civil cases. Reimbursement for criminal case only in case employee is not guilty. If employee loses or is convicted the city does not reimburse.

Ross Cunniff; I am supportive - Question about the licensure - Is that required by state statue?

John Duval; no, criminal costs are not in state statue yet. We really have not had anything related to administrative matters in the course of your duties - an example could be a grievance against an engineer, surveyor or attorney who might be required to have a license to work for the city - even if not a requirement – but in the context of their work with the city we ask them to put their engineering stamp on something – that is what would be covered

Ross Cunniff; how often has this arisen?

John Duval; I have seen it happen in other places – grievances are filed - attorneys are most common, but I have also heard of professional engineers

Ross Cunniff; I am supportive, but I wonder - attorney / judge / that makes sense -Should that be Council?

John Duval; we did not address the judge. Right now, it is set up for the City Manager to make the decision We could change that to Council – decision on whether to defend or not.

Mayor Troxell; professional licensure - Do we require that of our engineers?

Teresa Rochel; we are redoing all of our job descriptions to include what absolutely has to have certification / license. We are being mindful of that – we do not want to have barriers where it is absolutely not required. ICMA accreditation – not a requirement - a choice that you make but not a requirement

Mayor Troxell; professional exception – if you are working for a public entity - civil engineers -part of certification – other professions are like that - Police Services accreditations, Parks, Senior Center – where we have been very intentional – professional group – get certified – quality and assurance

Carrie Daggett; indemnification applies not only to employees who are required to have certification but also to an employee who is asked to use that credential in the performance of their work. Engineers who are not required - but in performing their work they may be asked to carry out functions and may be asked to use that certification - this covers both.

Mayor Troxell; is a degree considered a credential?

Teresa Roche; a degree is not considered a credential in this sense Mayor Troxell; good to go forward

Meeting adjourned at noon



COUNCIL FINANCE COMMITTEE AGENDA ITEM SUMMARY

Staff: Josh Birks, Economic Health Office

Date: October 19, 2020

SUBJECT FOR DISCUSSION

Proposal to Cap 3rd Party Food Delivery Fees

EXECUTIVE SUMMARY

Several local restaurateurs and the Colorado Restaurant Association (CRA) have requested the City consider capping 3rd Party Delivery Fees on food for the duration of the COVID-19 pandemic. Capping these fees may provide much needed relief for restaurants helping them bridge the cold months when patio dining will slow reducing other sources of revenue. According to the Colorado Restaurant Association:

- Typical fees for 3rd party delivery can range as high as 30-35%
- Fees are negotiated independently
- A fee over 20% typically erases all profit for the restaurant
- Small, single location locally owned restaurants are the hardest hit they do not have negotiating power to get lower fees

GENERAL DIRECTION SOUGHT AND SPECIFIC QUESTIONS TO BE ANSWERED

- 1. Does the Council Finance Committee feel the proposal is ready for Council consideration?
- 2. What additional information should be shared with the full Council?

BACKGROUND/DISCUSSION

Many independently owned restaurants face a daunting task – earning revenues while simultaneously aiding in the fight against the spread of COVID. As a result, the primary revenue generator for most restaurants has been significantly diminished – dining room capacity. These businesses have turned to 3rd Party Delivery Companies (3rd Parties) to capture added revenue from delivery orders. These companies make money by charging both the restaurant and the customer for the delivery.

Business Case

Based on conversations with numerous restaurateurs, carry-out now accounts for a significant portion of their business revenue. One restaurant owner stated that previously carry-out and

delivery apprised three to five percent (3-5%) of their revenue. Today, during restricted dining room capacity, delivery and carry-out accounts for one-third of their revenue. This is a 10x increase. Additionally, this same operator indicated that outdoor patio dining accounts for another third of their revenue. Numerous restaurant operators report similar impacts from COVID on the make-up of their sales and thus revenue.

These same operators report that 3rd Party fees are erasing the narrow margin they have traditionally operated their business upon. Capping these 3rd Party fees would help many independently owned restaurants retain a greater portion of their sales allowing them to invest in their employees, businesses, and pay rent/mortgage costs. Restaurants report 3rd Party Fees that range between 15 and 35%. Larger operators – national chains or independent businesses with a high number of locations – can negotiate lower delivery charges – sometime below 15%. Independent single-location restaurants typically pay the highest fees – upwards of 30% on average.

The existing remedies to small independent operators are limited:

- 1. Many lack the power of scale to negotiate better fees and choosing to forgo food delivery may impact their revenue during the winter months leading to closure.
- 2. The cost of starting and operating their own delivery service is high (insurance increase to cover employee cars, point of sales adjustments, online ordering software, training, etc.)

Engagement

The Economic Health Office has heard from restaurateurs in one on one meetings and through our business partners meetings (conducted each week) that a cap on 3rd Party Delivery Fees would provide much needed support during this crisis. To validate the extent of this sentiment, EHO has added a few questions to a questionnaire being distributed to restaurants with expanded patio seating. The results of that questionnaire are not available yet and should be in place ahead of Council consideration.

At the request of the individual restaurants, EHO cannot share the names of the operators that have expressed their support for this policy. However, EHO can summarize that the restauranteurs in support have included both local operators with multiple locations (currently reporting a fee of 21%) and local independent single location restaurants. One operator, participated in and supported the ordinance in Denver, as they operate venues in that market. Many restaurants may increase the cost of food for delivery. However, initial outreach suggests that these increases, typically in the range of 5% to 8% does not cover the entire cost of delivery fees. As a result, many restaurants still struggle with covering the cost of the delivery fee and a reasonable margin.

Context

Comparing the Anatomy of a Restaurant Bill

A restaurant delivery bill is comprised of three main components:

- 1. Charge for meal Cost of the food ordered by the customer
- 2. Delivery fee Charge paid by customer to 3rd Party Delivery Company

3. Tip to Driver – Gratuity paid by the customer to the driver (comparable to tips to a waiter)

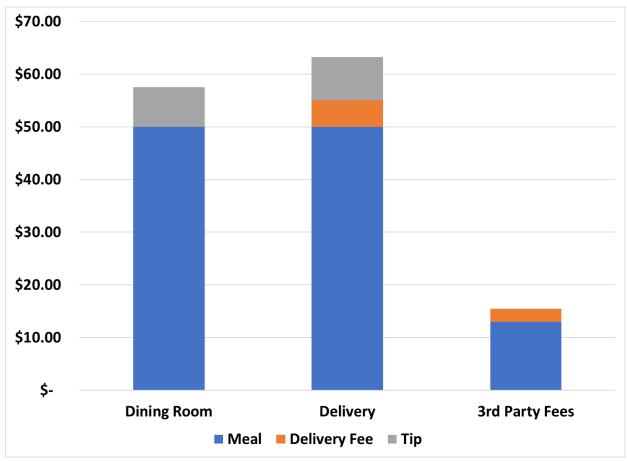


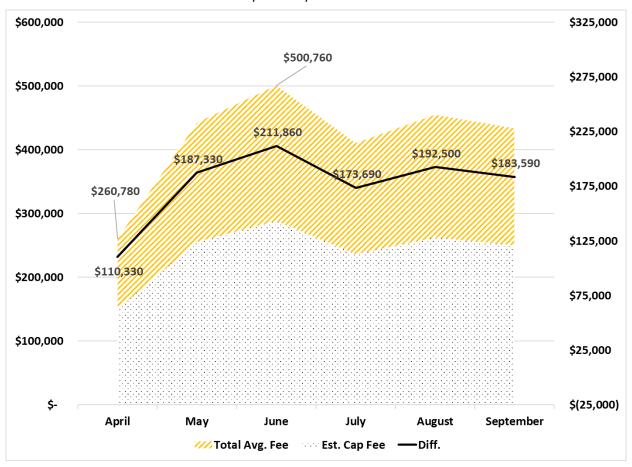
Figure 1
Restaurant Bill Comparison

A 3rd Party Delivery Company retains a portion of both Item 1 and 2 above. The restaurant pays a fee to the 3rd Party Delivery Company out of the charge for the meal (Item 1) – this is the 3rd Party Delivery Fee that would be capped by the proposed ordinance. Additionally, the company splits the delivery charge (Item 2) with the driver, often a contractor. Therefore, a restaurant makes less on a delivery sale than a dining room sale. However, current conditions are forcing more and more restaurants to rely on delivery sales to keep their doors open.

3rd Party Delivery Charges

Using sales tax data, a comparison of 3rd Party Delivery Fees can be inferred and shows a steep rise in these fees since the beginning of COVID. The data shows that starting in April estimated 3rd Party fees (assumes an average rate of 26 percent) rose from approximately \$261,000 per month to a height of \$501,000 per month (nearly double). During the warm weather months of July to September (or June to August sales as data is reported one month in arrears) fees have stabilized at an average of approximately \$433,000 per month.

Figure 2
Comparison of 3rd Party Fees (as Collected) vs. Capped
April to September 2020



Capping fees would have increased retained earnings by restaurant operators over an average of \$190,000 per month during this period (May to September). Assuming 3rd Party fees maintain their current level, capping fees could result in approximately \$2.3 million in increased retained earnings for restaurant operators annually.

Estimated Economic Impact

Using the Bureau of Economic Analysis (BEA) Regional Input-Output Modelling System (RIMS II) an estimate of the economic impact from the proposed ordinance can be developed. This estimate evaluates the potential changes from increased restaurant revenues in the community. The impact is provided in four measures:

- Change in Output Includes two components value-added activity (see below) and increase in demand to the local supply chain
- Change in Earnings Change in household income a subset of the Value-Added impact
- **Change in Employment** Expected retained or created jobs
- Value-Added Impact Potential net change in Gross Regional Product represents the ability put money back into businesses and the economy

Table 1
Estimated Economic Impact of Capping 3rd Party Delivery Fees

	Multiplier	Amount
Net Change in Retained Restaurant Revenue		\$ 2,280,000
Change in Output	1.6862	\$ 3,844,536
Change in Earnings	0.4479	\$ 1,021,212
Change in Employment	15.879	36.20
Value-Added Impact	0.9431	\$ 2,150,268

Based on an assumption that approximately \$2.3 million in additional annual revenue would be retained by restaurants operating in Fort Collins, total economic impact of the proposed ordinance would be \$3.9 million in increased annual economic activity (Change in Output). This impact includes \$2.2 million in potential increase to the Gross Regional Product (Value-Added Impact) of which \$1.0 million would be retained by workers as increased household income (Change in Earnings). Finally, the savings to restaurants would allow operators to retain or increase employment by approximately 36 positions or 28 full-time equivalents.

Proposed Ordinance

The proposed ordinance will be based on an ordinance adopted unanimously by the Denver City Council on September 28, 2020 (See **Attachment 1**). Denver developed its ordinance in consultation with the Colorado Restaurant Association (CRA), local restauranteurs, and several of the 3rd party delivery service providers. The highlights of the proposed ordinance include:

- 1. Cap delivery fee at 15% marketing fees and other fees charged by 3rd parties through an agreement with the restaurant are not capped
- 2. Precludes a 3rd party from charging additional fees to the customers to "make-up" the difference between the original fee and the reduced fee, and forbids the 3rd party from taking the difference from the driver's fee or tip
- 3. Prohibits 3rd parties from delivering food from a restaurant without an agreement (still happening; especially when a 3rd party gets a lot of searches for a specific restaurant)
- 4. Starts upon approval by City Council and sunsets at the end of the current emergency (tied to Governor's executive order on changes to the liquor enforcement law) designed as a temporary cap to support restaurants during the current crisis

ATTACHMENTS

- Example ordinance adopted by Denver
 Staff Presentation

1	BY AUTHORITY	
2	ORDINANCE NO COUNCIL BILL NO	
3	SERIES OF 2020 COMMITTEE OF REFERENCE:	
4		
5	<u>A BILL</u>	
6		
7	For an Ordinance restating Article X of Chapter 53, of the Denver Revised	
8	Municipal Code to establish a temporary maximum fee that can be charged for	
9	third-party food delivery services in the city.	
0		
1	WHEREAS, the council finds and determines that the recent COVID-19 crisis and emergen	су
2	orders continue to restrict all food service establishments from operating freely within the city, there	by
3	increasing the need for take-out meal services; and,	
4	WHEREAS, the council finds and determines that the restrictions from freely operating with	nin
5	the city have had severe financial impacts on all food service establishments within the city; and,	
6	WHEREAS, the council finds that while some restaurants may receive take-out orders direct	ιly,
7	there are many third-party food delivery platforms and other services that operate through websit	es
8	and/or mobile phone applications used by consumers to quickly and easily order pick-up and delive	∍ry
9	meals from local restaurants; and,	
20	WHEREAS, the council finds that in most instances the third-party food delivery platforms a	nd
21	services, without the local restaurant's knowledge or consent, will purport to sell meals from the lo	cal
22	restaurant to consumers, and sometimes charge exorbitant fees to the already struggling lo	cal
23	restaurants during the time of and following the declared emergency that restricts on-premises dini	ng;
24	and,	
25	WHEREAS, the council finds that the fees charged by a third-party food delivery platfo	rm
26	should be capped for a period of time while on-premises dining remains restricted to avoid furth	ıer
27	harm to food establishments in the city.	
28		
29	NOW, THEREFORE, BE IT ENACTED BY THE COUNCIL OF THE CITY AND COUNTY)F
80	DENVER:	
31	Section 1. That Chapter 53, Article X, of the Denver Revised Municipal Code shall be delet	ed

and restated to as follows:

ARTICLE X. THIRD PARTY FOOD DELIVERY FEES

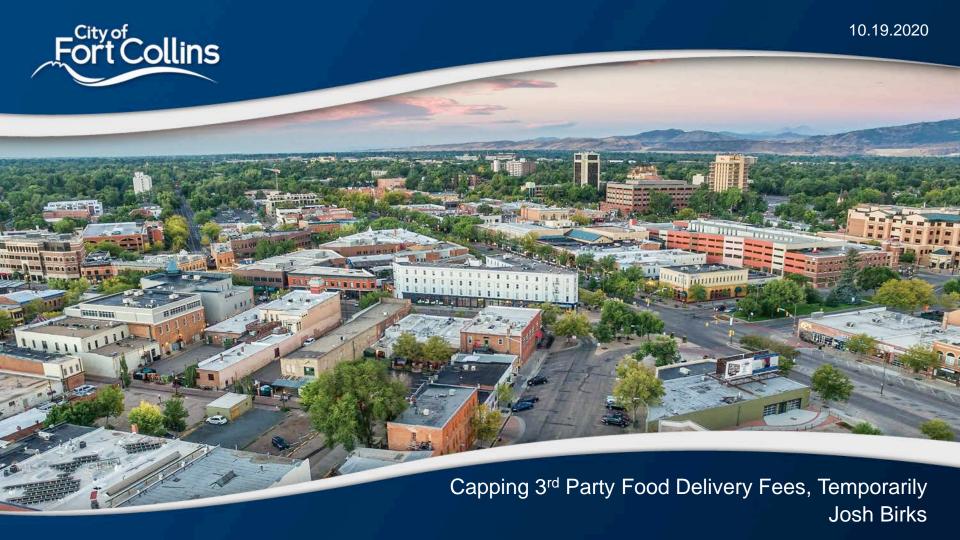
Sec. 53-471. Third-party food delivery commissions.

- (a) A third-party food delivery platform shall not perform any service for or disclose any information about a retail food establishment without their consent.
- (b) (1) No person shall cause a third-party food delivery platform to charge a retail food establishment a commission fee for the use of the platform's services for delivery or pick-up that exceeds 15% of the purchase price per online order.
- (2) The provisions of this section shall not limit the ability of any retail food establishment to choose to pay a higher commission or supplemental fee to access additional advertising or other products and services offered by any third-party food delivery platform.
- (c) No person shall cause a third-party food delivery platform to reduce the compensation rate paid to a delivery service driver or garnish gratuities in order to comply with subsection (b) of this section.
- (d) A third-party delivery food platform shall not charge any additional fee to a retail food establishment that it has not voluntarily agreed to pay;
- (e) At the time a final price is disclosed to a customer for the intended purchase and delivery of food from a retail food establishment through a third-party food delivery platform and before that transaction is completed by the customer, the third-party food delivery platform shall disclose to the customer, in plain language and in a conspicuous manner, any commission, fee, or any other monetary payment charged to the customer by the third-party food delivery platform.
- (f) After a transaction occurs for the purchase and delivery of food from a retail food establishment through a third-party food delivery platform, the third-party food delivery platform will provide an electronic or printed receipt to the customer. The receipt shall disclose, in plain and simple language and in a conspicuous manner:
 - (1) The menu price of the food;
 - (2) Any sales or other tax applied to the transaction;
- (3) Any delivery charge or service fee, imposed on and collected from the customer by the thirdparty food delivery platform and by the covered establishment, in addition to the menu price of the food;
- (4) Any tip that will be paid to the person delivering the food, and not to the third-party food delivery platform, that was added into the transaction when it occurred, and
 - (5) Any commission associated with the transaction.
- (g) No third-party food delivery platform may charge any fee from a retail food establishment for a telephone order if a telephone call between such retail food establishment and a customer does

- not result in an actual transaction during such telephone call.
 - (h) For purposes of this section, the term:

- (1) "Manager" means the manager of finance or designee.
- (2) "Online order" means an order placed by a customer through a platform provided by the third-party food delivery platform for delivery or pickup within the city.
- (3) "Purchase price" means the menu price of an online order, excluding taxes, gratuities, or any other fees that may make up the total cost to the customer of an online order.
- (4) "Retail Food Establishment" shall have the same meaning as provided in section 23-2(30) of the Revised Municipal Code.
- (5) "Telephone order" means an order placed by a customer to a restaurant through a telephone call forwarded by a call system provided by a third-party food delivery platform for delivery or pickup within the city.
- (6) "Third-party food delivery platform" means any person, website, mobile application, or other internet service that offers or arranges for the sale of food and beverages prepared by, and the sameday delivery or same-day pickup of food and beverages from, retail food establishments.
- (i) Complaints. Subject to any rules and regulations that may be issued by the manager, any retail food establishment may submit a complaint of a violation of this section to the manager. The burden of demonstrating to the manager's satisfaction that a violation has occurred rests with the retail food establishment making the complaint and shall be demonstrated by a preponderance of the evidence. Any such complaint shall be made in writing to the manager and shall include all information relied upon by the retail food establishment.
- (j) *Investigation*. The manager shall investigate written complaints, shall notify any third-party food delivery platform alleged to have violated this section of any complaint, and shall provide a summary of findings regarding any such complaint to both the complainant and the third-party delivery platform. Third-party food delivery platforms shall maintain books and records sufficient for the manager to conduct an investigation an issue an assessment under this article. Such books and records shall be made available to the manager upon demand.
- (k) *Civil or Administrative Penalty.* If the manager determines a violation of this article has occurred, the third-party food delivery platform shall be subject to a civil penalty of not more than nine hundred ninety-nine dollars (\$999.00) per violation, each day a violation of this article occurs. For purposes of this article, the continuation of a violation shall be a separate violation for each day the manager determines a third-party food delivery platform has violated this article. The manager is hereby authorized to waive for good cause shown any civil penalty assessed under this article.
 - (I) Administrative Hearing. Any person who disputes an assessment arising out of or regarding

1	a civil penalty assessed pursuant to this Article shall b	e resolved by administrative hearing	pursuant to
2	the procedure established by section 53-50, regarding	g hearings before the manager. The	decision of
3	the manager is the final decision which may only b	e appealed to Denver district cour	t under the
4	provisions of Colorado Rule of Civil Procedure 106(a)(4) within thirty (30) days of the da	te the order
5	becomes final.		
6	(m) Interest on late payments, penalty. Interes	and penalties shall be assessed in t	he amounts
7	and pursuant to the procedure established by sectio	า 53-46.	
8	Sec. 53-472. Sunset.		
9	Chapter 53, Article X shall be repealed effective Feb	ruary 9, 2021.	
10			
11	COMMITTEE APPROVAL DATE:, 2	020.	
12	MAYOR-COUNCIL DATE:, 2	2020.	
13	PASSED BY THE COUNCIL		2020
14		PRESIDENT	
15	APPROVED:	MAYOR	2020
16 17 18 19	ATTEST:	- CLERK AND RECORDER, EX-OFFICIO CLERK OF THE CITY AND COUNTY OF DENVE	R
20 21	NOTICE PUBLISHED IN THE DAILY JOURNAL	2020;	2020
22 23	PREPARED BY: Jonathan Griffin, Assistant City	Attorney DATE: September	14, 2020
24 25 26 27 28	Pursuant to section 13-12, D.R.M.C., this proposed of City Attorney. We find no irregularity as to form, ordinance. The proposed ordinance is not submitted 3.2.6 of the Charter.	and have no legal objection to the	e proposed
29	Kristin M. Bronson		
30	City Attorney		
31			
32	BY:,City Attorn	ey DATE:	







1. Does the Council Finance Committee feel the proposal is ready for Council consideration?

2. What additional information should be shared with the full Council?



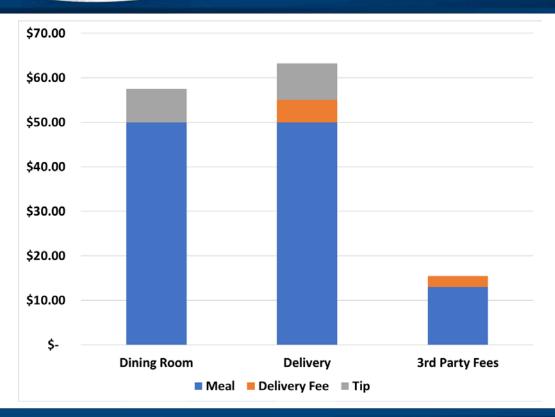


- Typical fees for 3rd party deliver range as high as 35%
- Fees are negotiated independently
- A fee over 20% reportedly erases all profit to the restaurant
- Small, single location do not have negotiating power





What Happens to Your Money?

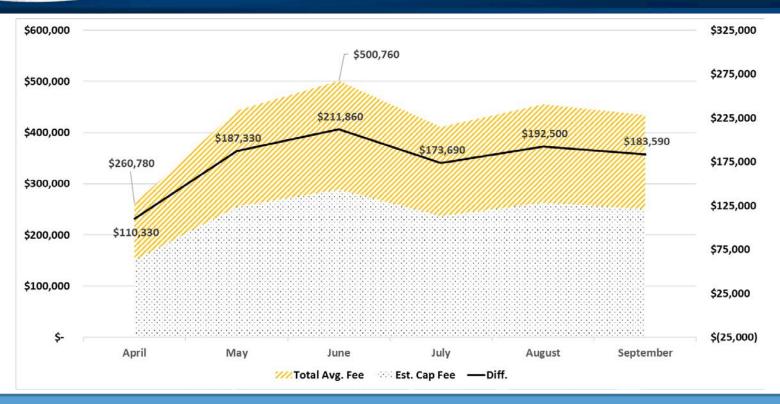


 3rd Party Fee comes from the Meal Cost

- Reduces Restaurants earnings by \$13 on a \$50 meal
- 3rd Party makes \$15.50 on delivery



Potential Retained Earnings





Potential Economic Impact

	Multiplier	Amount
Net Change in Retained Restaurant Revenue		\$ 2,280,000
Change in Output	1.6862	\$ 3,844,536
Change in Earnings	0.4479	\$ 1,021,212
Change in Employment	15.879	36.20
Value-Added Impact	0.9431	\$ 2,150,268

Capping Fees: Could support \$3.8 million annual in Economic Activity



Proposed Ordinance



- Cap delivery fee at 15%
- 3rd Party cannot recover cost from customers or drivers
- Prohibits delivery without Restaurant agreement
- Terminate: With Crisis or Liquor Enforcement





1. Does the Council Finance Committee feel the proposal is ready for Council consideration?

2. What additional information should be shared with the full Council?

COUNCIL FINANCE COMMITTEE AGENDA ITEM SUMMARY

Staff: Lance Smith, Utilities Strategic Finance Director

Date: October 19, 2020

SUBJECT FOR DISCUSSION

2021 Utility Rates and Fees Adjustments

EXECUTIVE SUMMARY

The revenue requirements to support the 2021 City Manager's Recommended Budget include increasing monthly charges for electric service by 3.0%. While no increase was anticipated during the budget process for water service, the ongoing Cameron Peak Fire will require some investment in water shed protection for which staff is proposing to bring forward the 2.0% rate increase that was anticipated as being needed in 2022 into 2021. The purpose of this discussion is to continue the dialogue with the Council Finance Committee ahead of bringing the appropriate rate Ordinances forward to the full City Council in November.

The Capital Improvement Plans (CIPs) for each of the 4 traditional utility services (electric, water, wastewater and stormwater) were updated in 2019 ahead of the anticipated 2021-22 Budgeting For Outcomes (BFO) process. These updated plans along with the associated 10 year rate and debt issuance forecasts were presented to the Council Finance Committee ahead of the 2021-22 BFO process initiation at the December 2019 and January 2020 committee meetings. However, with the Covid-19 pandemic the two year budget process became a one year process focused on keeping the 2021 operating budgets the same as the mid-year reduced 2020 operating budgets.

The proposed 3.0% electric rate increase in 2021 is being driven by the ongoing effort to increase operating revenues for this utility enterprise while managing operating expenses, both being necessary to generate positive operating income. The significant rate increases to this utility over the past few years have been smoothed by limiting increases to no more than 5.0% annually. Given the 2020 increase was limited to 5%, the excess is included in the proposed 2021 rate adjustment. The cost of service study for the electric utility has been updated for 2021. Some adjustments between rate classes are being suggested for 2021 based on this study update.

Before considering any adjustment to the water service charges, from a residential customer perspective the average net increase to their 4 service utility bill is expected to be \$2.36 per month, or 1.3% more than they are paying in 2020. With a 2.0% increase in water service charges, the average 4 service utility bill would increase by \$3.33 per month, or 1.8%.

	Fort Collins Utilities Comparative Residential Monthly Bill											
Utility	2020			2021		\$ Change	% Change					
Electric	\$	78.83	\$	81.19	\$	2.36	3.0%					
Water	\$	48.07	\$	49.03	\$	0.96	2.0%					
Wastewater	\$	34.25	\$	34.25	\$	-	0.0%					
Stormwater	\$	21.74	\$	21.74	\$	-	0.0%					
Total Average Bill	\$	182.89	\$	186.22	\$	3.33	1.8%					

Bringing the previously anticipated 2022 rate increase for water services forward into 2021 would generate approximately \$600K in 2021 that would offset much of the anticipated water shed mitigation costs associated with the fire.

As part of the City-wide effort to better align development fees, the plant investment fees associated with the 4 utility services are part of the 2021 Fee Update that is being proposed. The increase in these fees for 2021 is a flat 3.0% inflationary adjustment. (This is being presented as part of the 2020 Fee Updates item during this same meeting.)

GENERAL DIRECTION SOUGHT AND SPECIFIC QUESTIONS TO BE ANSWERED

- 1. Does the Council Finance Committee support bringing the 3.0% rate increase in electric monthly charges being proposed forward for consideration by the Mayor and City Council?
- 2. Does the Council Finance Committee support implementing the rate class level adjustments for electric monthly charges or a flat 3.0% for all rate classes?
- 3. Does the Council Finance Committee support bringing the 2.0% rate increase in water monthly charges being proposed forward for consideration by the Mayor and City Council?

BACKGROUND/DISCUSSION

The updates to the Strategic Financial Plan for each utility were presented to this Committee ahead of the budget process last Winter. The rate strategy that was developed as part of the Strategic Financial Plans provides for objective rate adjustments based on financial metrics. This strategy is included in the financial modeling for the plan and has served as the basis of the rate projections presented to Council since the 2015-16 BFO process.

Rate Strategy and Smoothing

The following criteria objectively determine when, why and how much rates should be adjusted to maintain the financial health of each utility:

- 1. Adjust electric rates sufficient to meet Platte River Power Authority wholesale rate adjustments.
- 2. If the previous 3 years have averaged negative operating income, raise rates next year to the lessor of 5% or the level sufficient to have offset the average operating loss.
- 3. If debt coverage is less than 2.0, increase rates the lessor of 5% and a level sufficient to raise the debt coverage ratio to 2.1 the next year.
- 4. If the Available Reserve fund balance is projected to be negative at the end of any year, increase rates the lessor of 5% and an amount sufficient to increase reserves to the minimum required reserve.
- 5. Add up all of the previous criteria driven rate adjustments and take the lessor of 5% and the sum as the recommended rate adjustment.

By limiting the annual increase to no more than 5.0% in any given utility, the average customer should not see an increase in their utility bill by more than 5% in one year. This constraint results in some smoothing of larger rate increases over 2 or more years. Moreover, because the total utility bill is considered, adjustments in one utility may be less than needed in order to smooth out the overall bill impact. In the 2019-20 Budget cycle, for example, water and wastewater rates were unchanged while electric rates were adjusted up 5.0% in each year while stormwater rates were increased 2.0% in 2019.

Electric Rate Increase

The ten-year rate forecast presented to this Committee last December reflected a 5.0% rate increases in 2019 and 2020 followed by lesser increases in the subsequent years, including a projected 2% rate increase in 2021. That forecast served as the basis for the 2019 Strategic Financial Plan for the Light & Power Enterprise Fund and the subsequent revenue projections utilized in the development of the 2021 City Manager's Recommended Budget. However, even with the budget reductions, there is now a need to request a 3.0% rate increase for 2021.

The proposed 3.0% rate increase for 2021 is being driven by 2 factors.

- 1. Wholesale Generation and Transmission costs are increasing
- 2. There remains a need to increase operating revenues to generate positive operating income for this Enterprise Fund.

Platte River Power Authority (Platte River) is proposing a 1.5% increase to the wholesale rate for 2021, but the impacts to each of the 4 cities varies, with Fort Collins seeing less of an impact than the other cities and is projected to be 0.4% (0.3% retail). The lesser impact is driven largely by the elimination of the premium intermittent energy charge, where Fort Collins has up to this point purchased a higher percentage of renewables than the load share allocation. The increase is also lower due to a more favorable load factor, as compared to Loveland, Longmont, and Estes Park.

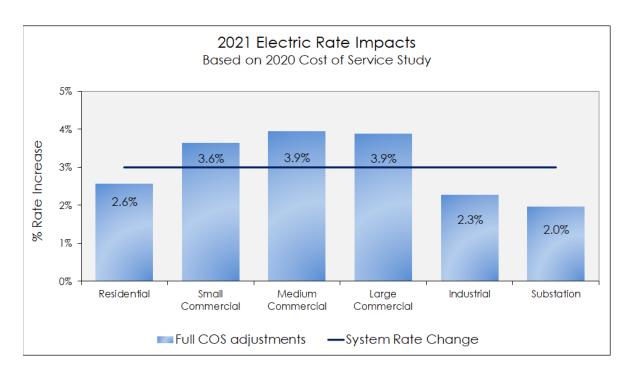
The percentage changes in the wholesale rate will vary, with an overall shift from energy charges to the demand charges. There will also be a 5.7% increase in the owner charge. The largest change is in a lower intermittent energy charge, where the cost will be lower by just over 1 cent per kWh, or 25.1%, and is the result of the lower trending costs of renewables.

The rate increases implemented in the previous budget cycle were necessary to increase operating revenues at a rate faster than operating expenses have been growing. Operating expenses are being actively managed. The proposed 2021 ongoing operations and maintenance (O&M) budget of \$130.8M reflects these efforts. The 5 year growth on O&M is 4.4% (1.1% annualized) higher than the 2017 actual O&M which is below inflation for the same period. The mid-year budget reductions made in 2020 are continued into 2021, as well.

The table below summarizes the implementation of the rate strategy for the electric utility:

Criteria		2019	2020	2021
			1.4%	0.3%
1. PRPA wholesale energy costs		1.4%		0.3%
2. 3 yr ave Operating Income < 0		5.0%	3.9%	2.4%
3. Debt Coverage Ratio < 2.0				
4. Available Reserves less Capital Need < 0				
	Sum of Above	6.4%	5.3%	3.0%
5. Lesser of 5.0% or the sum of above		5.0%	5.0%	3.0%
Increase Carried Forward		1.4%	0.3%	

The electric cost-of-service (COS) model is updated every two years. Rate class adjustments are driven by many factors, including rate class consumption, growth in customer counts, load factors, and the peak demands put on the distribution system. Recent model updates show slightly larger impacts for small to mid-sized commercial classes, and slightly less for residential, industrial, and substation customers. All of the rate class variations are within 1%, up or down, from the 3% baseline.



Green Energy Program

Utilities Green Energy (fcgov.com/greenenergy) program allows customers to subscribe to purchase additional renewable electricity above and beyond that provided in the resource mix provided to all customers. Utilities will be updating several aspects of the program for 2021, including the price, resource mix and outreach materials. The change to the pricing is proposed to happen with the other 2021 electricity rate revisions. The other changes to the program will be completed pending prioritization and scheduling vis-à-vis other Utilities priorities.

Several key resource changes are driving these updates. The new Roundhouse wind and Rawhide Prairie solar projects will both be fully operational next year, joining other existing wind and solar resources from Platte River and dramatically increasing the amount of renewable energy supplied to the cities. In addition, the legacy renewable energy specific wholesale tariff (Tariff 7) will be eliminated in 2021. Fort Collins has historically purchased Tariff 7 energy in amounts greater than the City's load ratio share.

The Green Energy Program provides an option for customers to subscribe to renewable electricity for 100% of their monthly usage or in predetermined kWh blocks. The proposed 2021 retail price premium is 1.6 cents per kWh, a reduction of over 20% from the current 1.9 cents.

The revised product mix will include:

- Local solar energy generated from the Solar Power Purchase Program, which includes over 4.5 megawatts of solar from fifteen systems located in Fort Collins.
- A mix of wind and solar energy from Platte River's renewable resources.
- The overall mix will be approximately one quarter solar and three quarters wind.

The Green Energy premium cost of 1.6 cents per kWh takes into account that customers receive over 50% of their electricity from non-carbon sources from the standard resource mix. In other

words, the premium is adjusted by the non-carbon percentage to be accurate when applied to all of the monthly usage for a customer who wants to be 100% renewable. There is also a small amount built into the premium which will be used to develop future investments in the distribution system over time to allow for higher penetration of local renewables.

Green Energy Program Summary									
Program 2021 2020 Notes									
Price per kWh	1.6 cents	1.9 cents	20+% decrease						
Wind Mix	77%	100%	Colorado and Wyoming sources						
Solar	23%	0%	Local and Rawhide locations						

Water Rate Increase

The Cameron Peak Fire (CPF) ignited on August 13th, 2020 in the Arapaho and Roosevelt National Forests. Prior to the fire as the budget process was starting a 10-year rate and debt issuance forecast was presented to the Council Finance Committee. The table below shows the 10 year rate and debt issuance forecast for this utility as it stood then. It reflects the anticipated capital investment needs and ongoing operations and maintenance (O&M) expenses associated with the water utility for the next decade without the fire.

-											
	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
Rate Increase	0%	0%	2%	0-2%	0-2%	0-2%	1-3%	1-3%	1-3%	2-4%	2-4%
Debt Issuance					\$55-65M			\$30-35M			
					,			•			
\$209M of capital work is expected to be needed between 2020 and 2030 in addition to the current capital appropriations											

As discussed at the October 13th Work Session, it is anticipated that there will be some costs associated with this fire that will be the obligation of the Water Enterprise Fund. Additional capital investments and O&M expenses resulting from the fire will require either realizing additional revenues through a rate increase, drawing down reserves ahead of the next debt issuance or delaying other capital investments. While it is still not certain what mitigations will be necessary or allowed on the burned areas, the impacts to the water quality will need to be addressed.

Fort Collins is again partnering with other affected water providers to realize both economies of scale in the mitigation efforts and a coordinated request for federal assistance. At this point mitigation costs are estimated to cost between \$8M and \$32M depending on several factors. It is expected that there will be a matching federal grant available for these efforts which would reduce the cost to ratepayers to \$1-4M. If the proposed 2.0% rate increase for 2022 were to be implemented in 2021 this would increase revenues in 2021 by approximately \$600,000.

Ten Year Rate Forecast

The table below shows the rate adjustments that are anticipated to be necessary over the next 10 years to provide adequate revenues to maintain the financial health as determined by the bond rating agencies criteria for assessing new debt issuances.

Rate Forecast 2021-2030

Enterprise Fund	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
501 - Light & Power	3%	1-3%	1-3%	1-3%	1-3%	1-3%	1-3%	1-3%	1-3%	1-3%
502 - Water	2%	0-2%	0-2%	0-2%	0-2%	1-3%	1-3%	1-3%	2-4%	2-4%
503 - Wastewater	0%	0%	0-2%	0-2%	0-2%	0-2%	0-3%	0-3%	0-3%	0-3%
504 - Stormwater	0%	0%	0-2%	0-2%	0-2%	0-2%	0-2%	0-2%	0-2%	0-2%

Inflationary Adjustment to Development Fees

As part of the alignment in all city-wide fees in recent years that are taken to City Council, it was determined that in alternating years, an inflationary increase would be applied to help smooth out potentially larger increases that have occurred in the past. For 2021, staff is proposing a 3.0% increase to development fees. This percentage is based on the Engineering News Record's average construction cost index for the past 3 years. This change will apply to all charges for residential and commercial development, and become effective January 1, 2021, if approved.

Development Fee	Proposed 2021 Increase
Electric Capacity Fee	3.0%
Water Plant Investment Fee	3.0%
Water Supply Requirement	3.0%
Wastewater Plant Investment Fee	3.0%
Stormwater Development Fee	3.0%

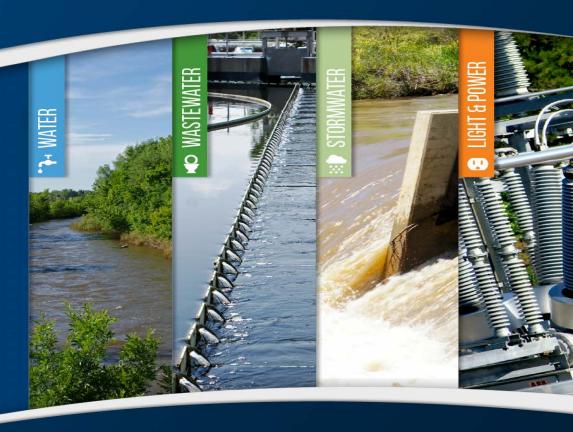
The Excess Water Use surcharge for those commercial customers with an allotment will also increase 3.0% as the Water Supply Requirement increases.

ATTACHMENTS

Attachment 1 – PowerPoint presentation



2021 PROPOSED RATES



Lance Smith, Utilities Strategic Finance Director





- 1. Does the Council Finance Committee support bringing the 3.0% rate increase in electric monthly charges being proposed forward for consideration by the Mayor and City Council?
- 2. Does the Council Finance Committee support implementing the rate class level adjustments for electric monthly charges or a flat 3.0% for all rate classes?
- 3. Does the Council Finance Committee support bringing the 2.0% rate increase in water monthly charges being proposed forward for consideration by the Mayor and City Council?



2021 ELECTRIC RATES



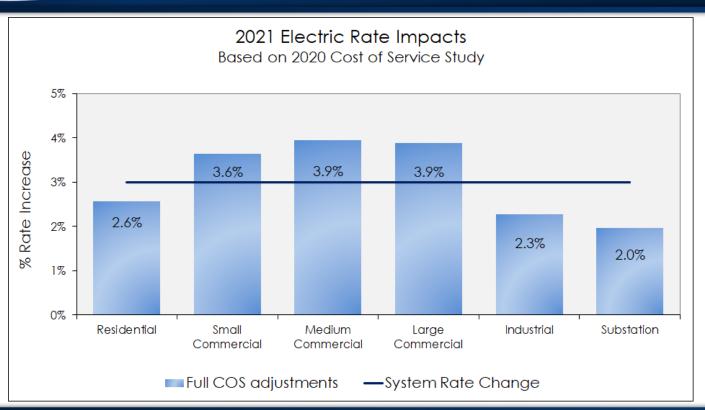


Electric Rate Adjustment Financial Metrics

Criteria		2019	2020	2021
			1.4%	0.3%
1. PRPA wholesale energy costs		1.4%		0.3%
2. 3 yr ave Operating Income < 0		5.0%	3.9%	2.4%
3. Debt Coverage Ratio < 2.0				
4. Available Reserves less Capital Need < 0				
	Sum of Above	6.4%	5.3%	3.0%
5. Lesser of 5.0% or the sum of above		5.0%	5.0%	3.0%
Increase Carried Forward		1.4%	0.3%	



2021 COS Model Updates





Electric Rate Increase

Increase to all distribution components evenly											
	With PILOT										
Component	2020			2021	\$ difference						
Monthly Base	\$	8.00	\$	8.59	\$	0.59					
Distribution kWh	\$	0.0271	\$	0.0292	\$	0.0021					
Over 700 Tier Charge	\$	0.0229	\$	0.0246	\$	0.0017					



2021 WATER RATES





Fire Mitigation Funding

- 0% City Manager's Recommended 2021 Budget
- Cameron Peak Fire watershed mitigation costs are still uncertain
 - Fort Collins will share costs with other water providers
 - Est. Fort Collins share of costs after federal grant range: \$1-4M
- Previously anticipated 2% rate increase being necessary in 2022 due to the significant capital investments coming over the next decade
- Bringing this rate increase forward into 2021 would add \$600,000 of previously unanticipated operating revenue which would partially offset these previously unanticipated fire mitigation costs.



10 YEAR RATE FORECASTS





Ten Year Rate Forecasts

Rate Forecast 2021-2030

Enterprise Fund	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
501 - Light & Power	3%	1-3%	1-3%	1-3%	1-3%	1-3%	1-3%	1-3%	1-3%	1-3%
502 - Water	2%	0-2%	0-2%	0-2%	0-2%	1-3%	1-3%	1-3%	2-4%	2-4%
503 - Wastewater	0%	0%	0-2%	0-2%	0-2%	0-2%	0-3%	0-3%	0-3%	0-3%
504 - Stormwater	0%	0%	0-2%	0-2%	0-2%	0-2%	0-2%	0-2%	0-2%	0-2%



Neighboring Utility Rate Adjustments



2021 Proposed Changes

	2021 Projected Rate Increases											
	Electric	Water	ww	Stormwater								
Longmont	5.9%	9%	0%	0%								
Greeley	N/A	6.0%	10%	8%								
Loveland	3%	7%	7%	1.9%								
Fort Collins	3%	0%	0%	0%								
Boulder	N/A	8%	5%	12%								
Colorado Springs	0%	0%	0%	N/A								



Residential Bill Impact



Proposed 2021 Residential Average Bill

	F	ort	Collins Utilit	ies		
	Comparati	ive	Residential N	No	nthly Bill	
Utility	2020	2021			\$ Change	% Change
Electric	\$ 78.83	\$	81.19	\$	2.36	3.0%
Water	\$ 48.07	\$	49.03	\$	0.96	2.0%
Wastewater	\$ 34.25	\$	34.25	\$	-	0.0%
Stormwater	\$ 21.74	\$	21.74	\$	-	0.0%
Total Average Bill	\$ 182.89	\$	186.22	\$	3.33	1.8%





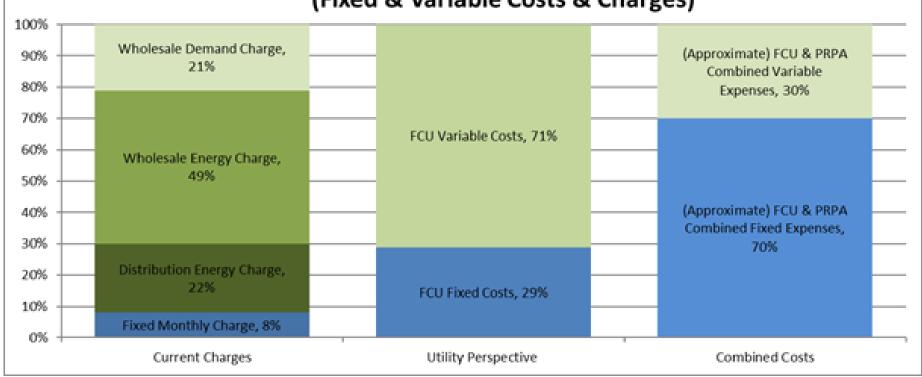
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2020 Revenue Components

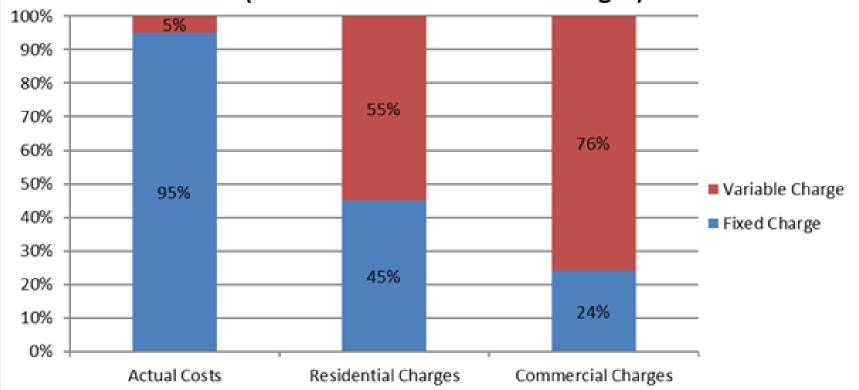


Residential Electric (Fixed & Variable Costs & Charges)



City of_

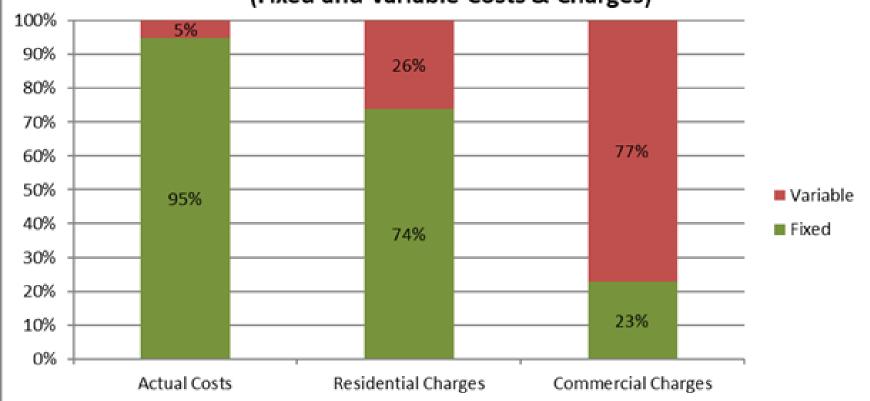
Water Utility
(Fixed and Variable Costs & Charges)



City of

Wastewater Utility

(Fixed and Variable Costs & Charges)





Alternative Scenarios

Entire increase in Monthly Base Charge												
Component		2020		2021	% increase	\$ c	lifference					
Monthly Base (with PILOT)	\$	8.00	\$	10.12	26%	\$	2.12					
Entire increase in Distribution Energy Charge												
Component		2020		2021	% increase	\$ c	lifference					
Distribution kWh (with PILOT)	\$	0.0271	\$	0.0304	12%	\$	0.0033					
Entire	Entire increase in Tier Charge											
Component		2020		2021	% increase	\$ c	lifference					
Over 700 Tier Charge (with PILOT)	\$	0.0229	\$	0.0374	63%	\$	0.0145					



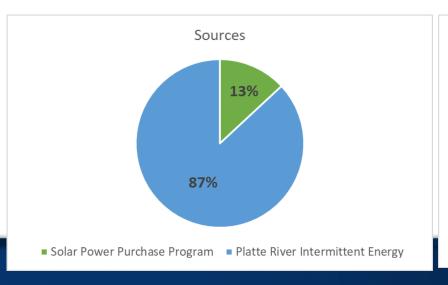
2021 Wholesale Adjustments

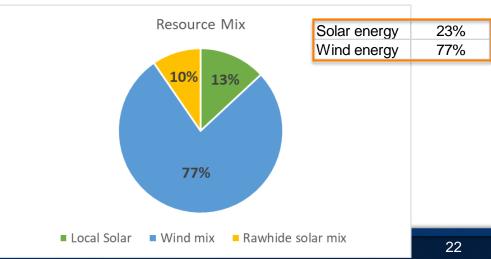
Wholesale Costs								
	2020		2021		\$ Change		% Change	
Owner Charge	\$	9,979	\$	10,546	\$	567	5.7%	
Demand Charges								
Transmission	\$	5.74	\$	6.14	\$	0.40	7.0%	
Generation - Summer	\$	6.24	\$	5.90	\$	(0.34)	-5.4%	
Generation - Non-Summer	\$	4.34	\$	4.45	\$	0.11	2.5%	
Energy Charges								
Fixed	\$	0.01544	\$	0.01462	\$	(0.00082)	-5.3%	
Dispatchable Variable	\$	0.01779	\$	0.01511	\$	(0.00268)	-15.1%	
Intermittent	\$	0.04122	\$	0.03088	\$	(0.01034)	-25.1%	
Premium intermittent	\$	0.04279	\$	-	\$	(0.04279)	-100.0%	



Green Energy Program

Green Energy Program Summary								
Program 2021 2020 Notes								
Price per kWh	1.6 cents	1.9 cents	20+% decrease					
Wind Mix	77%	100%	Colorado and Wyoming sources					
Solar	23%	0%	Local and Rawhide locations					





COUNCIL FINANCE COMMITTEE AGENDA ITEM SUMMARY

Staff: Travis Storin

Date: October 19, 2020

SUBJECT FOR DISCUSSION Budget Contingency Planning

EXECUTIVE SUMMARY

Sales Tax results through September 2020 show a revenue shortfall of \$10.5M from budget, with additional risks in the coming months due to the economic fallout of COVID-19. The purpose of this agenda item is to describe the staff approach to assessing and responding to continued revenue risks in 2021.

Staff will review year-to-date revenue and expenditures, 2021 budget assumptions and sensitivities, and a framework for budget adjustments if revenue continues to underperform vs. budget.

GENERAL DIRECTION SOUGHT AND SPECIFIC QUESTIONS TO BE ANSWERED

What questions does the Council Finance Committee have about the proposed contingency framework?

BACKGROUND/DISCUSSION

Sales tax is the most significant revenue stream for the governmental functions of the City. In the aftermath of the early stages of the pandemic, staff is currently managing to a shortfall of \$20M in 2020 and \$21M in 2021 vs. the previous budget trajectory.

Historically, the 1st quarter of the year is not a good predictor of annual sales tax revenue; but it will be financially prudent to have a contingency plan that would be implemented upon specified and agreed upon trigger points. The contingency plan being presented to the Council Finance Committee is a framework of the actions that would occur based on those trigger points. If those triggers would occur, specific reductions to programs and other budget line items would be brought back to the Council Finance Committee.

ATTACHMENTS

Attachment #1 – Presentation





- YTD Results budget vs actuals vs forecast
- 2021 Budget Assumptions
- 2021 Budget Sensitivities
- Contingency Plan Framework
- Summary



YTD Revenue Results

Governmental Funds (without Internal Service Funds)

\$ in thousands

2020 Revenue Percent of Year: 75%

September Year to Date

		Over/(Under)			Over/(Under)		% Bud
	Actual 2020	Budget	Budget 2020	Actual 2020	Budget	Inc/(Dec) 2019	Recvd 2020
Sales & Use Tax	12,209	(5)	105,084	100,644	(4,440)	(5,276)	72%
Property Taxes	298	123	31,312	33,256	1,944	3,655	102%
Intergovt. Shared Revenues	1,496	234	8,923	8,576	(347)	(1,935)	65%
Culture, Parks, Rec & Nat A. Fees	886	(333)	12,824	8,667	(4,157)	(4,050)	52%
Payment in Lieu of Taxes	1,157	145	8,481	8,384	(97)	326	75%
General Government Fees	1,142	23	8,934	8,429	(505)	768	70%
Transportation Fees	421	(234)	5,096	4,151	(945)	(734)	56%
Interest Revenue	189	(107)	2,473	2,487	15	(295)	65%
Unrealized Invst. Gains/Losses	(235)	(235)	0	1,733	1,733	(635)	0%
Other Miscellaneous	1,324	(1,536)	18,546	14,850	(3,696)	(22,173)	59%
TOTAL	18,887	(1,925)	201,672	191,177	(10,495)	(30,349)	73%



Revenue Outlook Comparison

Item	June 10 Scenario C	July 14 Update	August 12 Update	Sept. 22 Update
2Q Economic Downturn Depth	(20%)	(20%)	(20%)	(20%)
2Q Revenue Impact (Expected/Realized)	(18%)	(16%)	(16%)	(16%)
Downturn months (Expected/Realized)	3	3	2	2
Recovery months	8	8	9	9
Recovery level (% of base)	92.5%	92.5%	92.5%	92.5%
Sales Tax 2020 (% change)	(12%)	(9%)	(8%)	(6%)
Use Tax 2020 (% change)	(19%)	(15%)	(12%)	(9%)
2020 Revenue Shortfall	(\$31 M)	(\$27 M)	(\$24 M)	(\$20 M)
2021 Revenue Shortfall	(\$19 M)	(\$18 M)	(\$19 M)	(\$21 M)



Year-over-Year Assumptions

	2019	Actuals	2020) Budget	202	0 Forecast	202	1 Budget
Sales Tax	\$	120,239,915	\$	119,703,200	\$	113,031,378	\$	112,768,549
Use Tax	\$	22,428,120	\$	20,000,000	\$	18,207,395	\$	18,000,000
General Governmental Fees	\$	10,836,595	\$	12,199,532	\$	11,312,102	\$	11,971,148
Total	\$	153,504,631	\$	151,902,732	\$	142,550,875	\$	142,739,697
% Change year-over-year				-1.0%		-6.2%		0.1%
% Change over 2019 Baseline				-1.0%		-7.1%		-7.0%

- Possible upside to 2020 forecast tracking to 5.1% YTD
- 2021 Budgeted revenues down 7% vs. 2019; flat to 2020
- A 2% miss against plan would be roughly \$2.9M of shortfall



Revenue Sensitivities

Item	September Update	Stronger Recovery	Robust Recovery	Languish
Downturn months	2	2	2	2
Recovery months	9	5	4	12
Recovery level (% of base)	92.5%	95%	97.5%	90%
Sales Tax 2020 (% change)	(6%)	(5%)	(4%)	(6%)
Use Tax 2020 (% change)	(9%)	(8)%	(6%)	(10%)
2020 Revenue Shortfall	(\$20 M)	(\$18 M)	(\$16 M)	(\$22 M)
2021 Revenue Shortfall	(\$21 M)	(\$17 M)	(\$10 M)	(\$27 M)



Contingency Plan Framework

Establish Trigger Points (Phase 1)

- Monitor revenue monthly (all revenue streams in all funds)
- Trigger Point #1: 2 consecutive months of negative Sales Tax growth
- Trigger Point #2: Q1 2021 Actual Sales Tax and Fee growth vs. Q1 2020

Budget Adjustment Actions (Phase 2)

- Sweep Vacancy & Fuel savings
- TBD % reduction in Purchased & Tech Services, Supplies....10% equals \$1.1M
- BFO Drilling Platform stop doing list of programs

Monitor Trigger Points; Develop Tiered Prioritization of Adjustments





- Sales and Use Tax Revenue has settled into a trend of -5% to -3% after a sharp -22% downturn in April
- GF and Total Expenditures under budget even after frozen appropriations
- No Further Budget Adjustments Necessary in 2020
- Revenue sensitivities project a worst-case downside of \$6M and a best-case upside of \$11M in 2021
- Staff will monitor triggers throughout Q1 2021; ELT is prepared to develop a line-item contingency plan (Phase 2) if needed



Discussion



Supporting Data



Governmental Actuals vs. Budget

Governmental

\$ in thousands

2020 Expense Type

Percent of Year: 75%

September Year to Date

								% Annual
								Budget Spent
		(Over)/Under			(Over)/Under		Actual +	&
	Actual 2020	Budget	Budget 2020	Actual 2020	Budget	(Inc)/Dec 2019	PO's 2020	Encumbered
Personnel Costs	9,263	587	91,205	89,135	2,069	(438)	89,135	70%
Purchased Prof & Tech Services	3,561	838	36,167	33,196	2,971	1,757	37,124	75%
Purchased Property Services	5,054	163	32,717	30,038	2,678	(88)	36,849	79%
Other Purchased Services	2,533	1,926	31,563	28,490	3,074	334	32,657	70%
Supplies	1,077	686	13,530	10,965	2,565	1,438	13,477	71%
Capital Outlay	800	624	14,788	10,225	4,563	(4,427)	11,221	46%
Other	249	(66)	3,637	3,032	605	592	4,035	62%
Debt & Other Uses	158	(158)	6,085	6,172	(87)	1,169	6,172	61%
TOTAL	22,696	4,599	229,690	211,253	18,437	337	230,670	70%
					<u> </u>			<u> </u>
Frozen Appropriations	0	(297)	12,023	0	12,023	0	0	0%
	0	(297)	12,023	0	12,023	0	0	0%

Governmental Funds	•						2020 Fur	nd Expense
\$ in thousands								nt of Year: 75%
	Septem	ber		Υe	ear to Da	ate		
	•	(Over)/Unde		Actual	(Over)/ Under	(Inc)/Dec	Actual +	% Annual Budget Spen &
	Actual 2020	r Budget	Budget 2020	2020	Budget	2019	PO's 2020	Encumbered
General Fund	11,386		116,166	107,421	8,745	1,728	112,013	
Keep Fort Collins Great	2,362	596	· ·	16,075	2,758	2,492	19,443	
Natural Areas	1,053		12,652	10,654	1,998	(202)	11,126	
Cultural Services	166	184	2,751	2,200	551	`870	2,390	
Recreation	217	616		3,729	1,141	1,584	3,885	
Transportation	1,794	1,249	20,342	18,695	1,646	(31)	21,370	739
Golf	252	21	2,755	2,540	215	60	2,540	69°
Benefits Fund	2,182	1,656	26,071	23,451	2,620	(1,558)	27,690	719
Self Insurance Fund	274	48	3,747	4,139	(393)	362	4,241	899
URA - N. College District	24	4	266	313	(47)	14	327	189
Other Funds	5,066	423	74,207	44,800	29,407	5,684	48,407	51°
TOTAL	24,776	5,891	282,659	234,017	48,642	11,002	253,433	65°
Frozen Appropriation								
General Fund	0	585	4,415	0	4,415	0	0	0'
Keep Fort Collins Great	0		1,659	0	1,659	0	0	
Natural Areas	0	, ,	222	0	222	0	0	0,
Cultural Services	0	0	877	0	877	0	0	
Recreation	0	9	932	0	932	0	0	
Transportation	0	(445)	1,145	0	1,145	0	0	
Golf	0	` ó	5	0	5	0	0	
Benefits Fund	0	0	143	0	143	0	0	0'
Self Insurance Fund	0	0	129	0	129	0	0	00
URA - N. College District	0	0	2	0	2	0	0	
Other Funds	0	0	2,494	0	2,494	0	0	0,
TOTAL	0	(297)	12,023	0	12,023	0	0	0%

COUNCIL FINANCE COMMITTEE AGENDA ITEM SUMMARY

Staff:

Jennifer Poznanovic, Sr. Revenue & Project Manager

Date:

October 19, 2020

SUBJECT FOR DISCUSSION

220 Fee Roadmap

EXECUTIVE SUMMARY

Coordination of Council approved fees began in 2016 to provide a more holistic view of the total cost impact. Previously, fee updates were presented to Council on an individual basis. After the 2020 fee update, fee phasing will be complete with regular two and four-year cadence updates beginning in 2021.

2020 fee updates include: Building Development fees, Electric Capacity fees, Water Supply Requirement fees, Water, Sewer and Stormwater Plant Investment fees, Capital Expansion fees and Transportation Capital Expansion fees.

GENERAL DIRECTION SOUGHT AND SPECIFIC QUESTIONS TO BE ANSWERED

1. Does Council Finance Committee support the proposed 2020 roadmap for fee updates?

BACKGROUND/DISCUSSION

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

Development related fees that are approved by Council are CEFs, the TCEF, and five Utility Fees.

Type of Fee	Fee Name
Capital Expansion	Neighborhood Park
Capital Expansion	Community Park
Capital Expansion	Fire
Capital Expansion	Police
Capital Expansion	General Government
Capital Expansion	Transportation
Utility	Water Supply Requirement
Utility	Electric Capacity
Utility	Sewer Plant Investment
Utility	Stormwater Plant Investment
Utility	Water Plant Investment
Building	Development Review, Building
Development	Permit & Engineering Fees

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

Fee coordination includes a detailed fee study analysis for CEFs, the TCEFs and Development Review/Building Fees every four years. This requires an outside consultant through a request for proposal (RFP) process where data is provided by City staff. Findings by the consultant are also verified by City staff. For Utility Fees, a detailed fee study is planned every two years. These are internal updates by City staff with periodic consultant verification. In the future, fee study analysis will be targeted in the odd year before Budgeting for Outcomes (BFO). In years without an update, an inflation adjustment occurs.

Below is the current fee timeline:

	Phas	se 1	Phase 2	Phase 3		
	2016	2017	2018	2019	2020	2021
Capital Expansion Fees		Update	Step II	Step III	Inflation	Update
Transportation CEFs		Update	Step II		Inflation	Update
Electric Capacity Fees		Update		Update	Inflation	Update
Water Supply Requirement		Update		Update	Inflation	Update
Water, Sewer, Stormwater PIFs			Update	Update	Inflation	Update
Building Development Fees					Update	Update
Fee Working Group		Active	Active	Active		

Phase I of the fee updates included CEFs, TCEFs, Electric Capacity Fees, and Raw Water/CIL and were adopted in 2017. Phase II included Wet Utility PIFs and step II of CEFs and TCEFs, which were approved in 2018. Development review and building permit fees were originally included in Phase II but were de-coupled from the 2018 update.

Due to the concern in the development and building community around fee changes, Council asked for a fee working group to be created to foster a better understanding of fees prior to discussing further fee updates. In August of 2017, the Fee Working Group commenced comprised of a balanced group of stakeholders – citizens, business-oriented individuals, City staff and a Council liaison. The Fee Working Group met 14 times and was overall supportive of the fee coordination process and proposed fee updates.

The 2019 phase III update included Development Review fees, Electric Capacity fees, Water Supply Requirement fees, Water, Sewer and Stormwater Plant Investment Fees and Step III of the 2017 Capital Expansion Fees.

2020 fee updates include: Building Development fees, Electric Capacity fees, Water Supply Requirement fees, Water, Sewer and Stormwater Plant Investment fees, Capital Expansion fees and Transportation Capital Expansion fees. All fee updates are inflation only adjustment except for Building Development fees. Building Development fees were planned to update on April 1, 2020; however, due to software (Accela) upgrades and conflicts implementation was delayed. The CPI-U index for Denver-Aurora-Lakewood is used for CEF inflation and the Engineering News Record for TCEFs. Utility fees use a 3-year average of the Engineering News Record Construction Cost Index.

After the 2020 fee update, fee phasing will be complete with regular two and four-year cadence updates beginning in 2021.

Below is the proposed 2020 fee roadmap:

	October	November	1/1/2021
Capital Expansion Fees	CFC	Council	Effective
Transportation CEFs	CFC	Council	Effective
Electric Capacity Fees	CFC	Council	Effective
Water Supply Requirement	CFC	Council	Effective
Water, Sewer, Stormwater PIFs	CFC	Council	Effective
Building Development Fees	CFC	City Manager	Effective

ATTACHMENTS

- 1. PowerPoint Presentation 2020 Fee Roadmap
- 2. Development Review Fees Effective Date Memo
- 3. October 2019 CFC Meeting Minutes







Why We Have Them

 To support the cost of providing public services and additional infrastructure to support new development

How We Use Them

- Can only be used for the stated purpose of each fee
- Revenue source to build new and maintain assets and infrastructure



Fee Coordination

Objective:

- Review fee updates together to provide a holistic view of the total cost impact
- Bring impact fees forward per a defined cadence..... 2 - 4 years

Type of Fee	Fee Name
Capital Expansion	Neighborhood Park
Capital Expansion	Community Park
Capital Expansion	Fire
Capital Expansion	Police
Capital Expansion	General Government
Capital Expansion	Transportation
Utility	Water Supply Requirement
Utility	Electric Capacity
Utility	Sewer Plant Investment
Utility	Stormwater Plant Investment
Utility	Water Plant Investment
Building	Development Review, Building
Development	Permit & Engineering Fees



Fee Timeline

l l	Phase 1 Phase 2 Phase 3				>	
	2016	2017	2018	2019	2020	2021
Capital Expansion Fees		Update	Step II	Step III	Inflation	Update
Transportation CEFs		Update	Step II		Inflation	Update
Electric Capacity Fees		Update		Update	Inflation	Update
Water Supply Requirement		Update		Update	Inflation	Update
Water, Sewer, Stormwater PIFs			Update	Update	Inflation	Update
Building Development Fees					Update	Update
Fee Working Group		Active	Active	Active		

Detailed Fee Studies:

- 4 years for CEF, TCEFs & Development fees
- 2 years for Utility fees

In years without updates inflation adjustment occurs

Building Development Fees:

- Approved by City Manager
- Implementation delayed due to software (Accela)
 Flat fees, Engineering Inspection, and erosion
 control effective 1/2021
- Building, Tenant Improvements, and Planning will be effective 1/2022





	October	November	1/1/2021
Capital Expansion Fees	CFC	Council	Effective
Transportation CEFs	CFC	Council	Effective
Electric Capacity Fees	CFC	Council	Effective
Water Supply Requirement	CFC	Council	Effective
Water, Sewer, Stormwater PIFs	CFC	Council	Effe cti ve
Building Development Fees	CFC	City Manager	Effective

- Phasing complete with regular two and four-year cadence
- Most fee categories updates effective in 2021
 - Three building development fee categories delayed to 2022



Does Council Finance Committee support the proposed 2020 roadmap for fee updates?



Planning, Development & Transportation Services

Community Development & Neighborhood Services 281 North College Avenue P.O. Box 580 Fort Collins, CO 80522.0580

970.416.2740 970.224.6134- fax fcgov.com

MEMORANDUM

DATE: March 3, 2020

TO: Darin Atteberry, City Manager 🕮 📐

THRU: Jeff Mihelich, Deputy City Manager

Travis Storin, Interim Chief Financial Officer

Kevin Gertig, Utilities Executive Director

Caryn Champine, Planning, Development & Transportation Director

FROM: Tom Leeson, Community, Development & Neighborhood Services Director 1

Noelle Currell, Planning, Development & Transportation Finance Manager

RE: Development Review Fees Effective Date

<u>Introduction</u>

The purpose of this memo is to inform the City Manager of the updates to the Development Review, Engineering Inspection and Building Permit fees. Staff was originally planning on implementing the new fee schedule on April 1, 2020; however, the extensive effort to update the fees in the Accela program conflicts with the work the Accela team is currently working on to upgrade the electronic building permit review process. Staff is recommending delaying the fee implementation until the fall of 2020, so there is no delay to the building permit review project.

Project Details

The updates to the development review fees require a significant amount of coding in the Accela software to ensure the new fees are calculated correctly, the new building permit calculation methodology from valuation to square footage is accurately coded, and all the fees are allocated to the correct accounts (funds).

The existing city staff (and the City's consultant) that would be updating the development review fees in the Accela program are at capacity working on integrating the electronic building permit review into Accela. This has been a major effort and a priority for the last couple years. Shifting their time to the development review fees would delay that project.

Discussions with the Accela team presented the following options:

- Shift all the IT resources to upgrade the development review fees and delay the building permit integration project by at least 8 weeks.
- Shift some of the IT resources to work on a limited scope of the development review fee revisions and continue to work on the building permit integration with limited resources. This would delay the building permit integration project by at least 4-6 weeks.
- Delay the development review fee update project until after completion of the building permit integration project. This would most likely mean the development reviews could be effective in the fall of 2020.

The option of adding additional resources to update the development review fees into Accela was discussed; however, given that the IT team is in the Accela system as part of the building permit integration project, this would cause conflicts and delay both projects as well.

Given the importance of the building permit integration project and the momentum that project currently has, staff is recommending the implementation of the development review fee update be delayed until the fall.

Next Steps

Once a date is determined for when fee updates can be input into Accela, staff will ensure customers are given at least two months of communication on the pending fee changes. Staff will also ensure all stakeholders who were consulted during public outreach are informed of the delay.



Finance Administration 215 N. Mason

2nd Floor PO Box 580 Fort Collins, CO 80522

970.221.6788 970.221.6782 - fax fcgov.com

Finance Committee Meeting Minutes 10/21/19 10 am - noon CIC Room - City Hall

Council Attendees: Mayor Wade Troxell, Ross Cunniff, Ken Summers

Staff: Mike Beckstead, Travis Storin, Carol Webb, Theresa Connor, Lance Smith, Shane Boyle,

Dean Klingner, Tom Leeson, Noelle Currell, Jennifer Poznanovic, Kelley Vodden, Jennifer Selenske, Kerri Ishmeal, Renee Callas, John Duval, Tyler Marr, Dave Lenz, Jo Cech, Katie Ricketts, Zach Mozer, Josh Birks, Victoria Shaw, Shannon Hein, Clay Frickey, Carolyn

Koontz

Others: Kevin Jones, Chamber of Commerce

Dale Adamy, R1st.org

Meeting called to order at 10:05 am

Approval of Minutes from the August 19, 2019 Council Finance Committee Meeting. Ken Summers moved for approval of the minutes as presented. Ross Cunniff seconded the motion. Minutes were approved unanimously.

A. Development Review Fee Update

Tom Leeson, Director, Community Development & Neighborhood Services Noelle Currell, Manager, Financial Planning and Analysis Jennifer Poznanovic, Sr. Manager, Sales Tax / Revenue

SUBJECT FOR DISCUSSION

Development Review and Building Permit Fees Study

EXECUTIVE SUMMARY

As part of the City's coordinated fee update process, City Staff along with MGT Consulting Group (MGT) conducted an in-depth analysis of the City's development review and building permit fees. This study evaluated whether these fees are set at appropriate levels, inclusive of all costs, consistent with the City's goals for cost recovery, and how fees compare to other communities regionally.

Due to the complexities, processes and number of departments involved in development review and the permitting, the Council Finance Committee requested an advisory committee be created to better understand potential impacts of fee and methodology changes and collect feedback and advisement regarding proposed changes.

Staff has extensively evaluated the methodology for calculating fees and is requesting feedback on the change in methodology for calculating building permit and plan check fees from using the valuation of a project to using the square footage of a project (not all project types apply), a flat fee for over-the-counter permits, addition of a new erosion control and storm water inspection fees, as well as updates to current development review fees based on a simplified fee schedule. No methodology changes are being requested for development review fees; however, timing of collection of Utilities development review is being shifted to when services are provided.

GENERAL DIRECTION SOUGHT AND SPECIFIC QUESTIONS TO BE ANSWERED

Is Council Finance supportive of updated fees and methodology?

Is Council Finance supportive of new Erosion Control & Stormwater Inspection fees?

BACKGROUND/DISCUSSION

Development Review Fee Advisory Committee

A Development Review Fee Advisory Committee was formed based on Council Finance Committee's directive to better understand how to simplify the current fee schedule. This included calculation of fees, timing of collection, validation and acceptance of a new methodology and other recommendations. This balanced group was comprised of industry professionals, Fort Collins Citizens, and City staff.

Advisory Committee List: A Blend of Citizens, Industry and Staff

Industry: Jennifer Bray: Affordable Housing Board

Adam Eggleston: Ft. Collins Board of Realtors Doug Braden: Home Builders Association

Citizen: Matt Robenalt: Downtown Development Authority

Cathy Mathis: Local Legislative Affairs Committee, Development Consultant

Braulio Rojas: South Ft. Collins Business Association Linda Stanley: Economic Advisory Commission

City Staff: Mike Beckstead: Project Sponsor

Russ Hovland: Fee Owner Building Permit Fees

Tim Kemp: Fee Owner Engineering Fees

Noelle Currell: Project Manager

Tom Leeson: Fee Owner Development Review Fees

Overview of Meetings and Topics Covered

The group convened for five (5) two-hour sessions starting in May 2019 with the final meeting September 2019.

Fee History

Currently, there are numerous fees across CDNS (Community Development and Neighborhood Services), Utilities, and Engineering, spread over three (3) types of fees; development review, infrastructure inspection (engineering), and building permit. Examples include building permit fee, plan review fee, transportation development review, over-the-counter permits, and engineering inspection fees. The current percentage for cost recovery is set at 100%.

The City Manager is authorized to set fees based on the costs of providing development and building permit review services, pursuant to City Code Sec. 7.5-2. The Land Use Code (Sec. 2.2.3.D) establishes the cost recovery model for development and building permit fees:

- 1. Recovery of Costs. Development review fees are hereby established for the purpose of recovering the costs incurred by the City in processing, reviewing and recording applications pertaining to development applications or activity within the municipal boundaries of the City, and issuing permits related thereto. The development review fees imposed pursuant to this Section shall be paid at the time of submittal of any development application, or at the time of issuance of the permit, as determined by the City Manager and established in the development review fee schedule.
- 2. Development Review Fee Schedule. The amount of the City's various development review fees shall be established by the City Manager and shall be based on the actual expenses incurred by or on behalf of the City. The schedule of fees shall be reviewed annually and shall be adjusted, if necessary, by the City Manager on the basis of actual expenses incurred by the City to reflect the effects of inflation and other changes in costs. At the discretion of the City Manager, the schedule may be referred to the City Council for adoption by resolution or ordinance.

Fee Calculation Review

To accurately calculate where fee levels should be set, an inclusive listing of fees was thoroughly reviewed, every staff member involved in a fee activity was identified, and staff members that complete fee related activities were interviewed to determine the amount of time spent per fee item. Calculations were carried out to determine the fully burdened cost of employees. Overhead calculations were also reviewed and included things like buildings, managers, and IT support. Fees were set based on the time and the overhead allocated. Validation steps were taken to ensure proper cost recovery, which included:

- ensuring no individual groups were over-allocated (available work hours versus total time of fee activities)
- estimating revenue forecasts based on 2018 volumes (ensuring revenue does not end higher than cost)
- confirmation with management teams to ensure accurate allocation of each person's time to the fees (e.g. only allocating 25% of some positions).

Methodology Changes and Impacts

Development Review Fees

No methodology change for the development review fees (pre-building permit activity, such as Project Development Plan, Minor Amendment, Final Development Plan) is proposed. However, one goal in this area was to reduce the number of fees, through fee consolidation or deletion (e.g. Affected Property Owner mailing costs removed).

Additional changes within the development review fees include adding staff members that are fully engaged in development review activities that have not historically been included within the fee calculations. This includes City Attorney's Office staff, Forestry staff, and Parks Planning staff. Additionally, Utilities development review fees have historically been collected at time of Building Permit, and those will now be collected at time of development review application to more accurately reflect the time of service.

The impacts of these changes are an increase in development review fees for all application types Infrastructure Inspection Fees

No methodology change is proposed for the infrastructure inspection fees. These fees were last updated in 1997, so the impact of these changes is an increase in the infrastructure inspection fees.

Building Permit Fees

Staff is proposing a methodology shift for new construction building permit fees from being based on valuation to square footage/building type. The square footage of a project is not subject to disagreements as it is a definite quantity provided within the application; it is known in the early phases of a project, so it provides a stronger basis for calculating accurate fee estimate. Additionally, square footage has a strong correlation to the amount of time it takes to review/process an application and the time it takes to complete inspections.

To help with efficiency and overall fee consistency, over-the-counter permits will go to a flat fee versus valuation based (examples: residential roof, water heater, furnace). Staff time in this area is driven by type of work, not the value.

Tenant finishes and remodels will remain valuation based. Valuation cost breakouts were updated based upon interviews with building inspectors with the result being a decrease in fees for these application types.

It should be noted that sales and use tax is still based on valuation, so applicants will still need to provide the project valuation for tax purposes.

The impacts of these changes, including shifting the timing of collection of the Utility development review fees, are a decrease in building permit fees.

New Fees: Erosion Control & Storm Water Construction Inspection

These are proposed new fees that will cover field inspection personnel. Currently, no fees are collected, and this activity is subsidized by the rate payers and not by established fees. Staff is requesting implementation of an erosion control fee & storm water infrastructure inspection fee to cover the costs of inspections that are currently being executed.

The process completed by Utilities is as follows; Field verification by a City Stormwater Inspector is now required as stated in the project Development Agreement, City Land Use Code Section 3.3.2(E)(1)(e), and Fort Collins Stormwater Criteria Manual Ch 3, Sec 3.1). Project managers should request inspections prior to installation of stormwater features, or at a minimum, keep the City inspector up to date on scheduling.

Inspections target the milestones listed in the feature's corresponding <u>construction checklist</u>, which is submitted as part of the Site Grading and Drainage Certification (checklists may change as the program evolves).

As part of the certification process, certification checklist documentation is submitted to Utilities' Water Engineering Department and requires acknowledgment that verification occurred at the intervals specified therein.

Utilities Light and Power are not included in this study.

Developer/Builder Cost Impacts

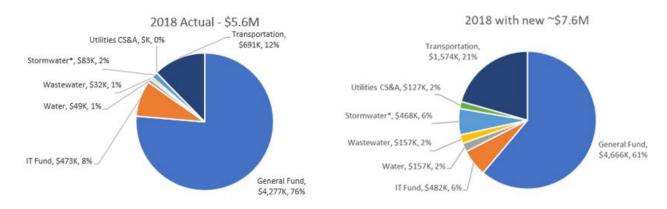
In order to understand/quantify the impact on development, staff did a comparative study on existing developments. Samples were chosen based upon common application types including: Infill development, Single Family Homes, Multi-family, Affordable Housing, Commercial Buildings and Industrial Uses. Fees within this study generally increased ~30%, however as part of the overall fee stack, the updates resulted in minor changes (from less than 1% to 10% of total City Fees). Additional details are included in attachment 1.

City Cost/Revenue Impacts

Since the fees charged are intended to cover the costs to provide the service, an analysis was done to evaluate the costs to the City of development review, infrastructure inspection, and building permits based on the 2018 volume of permit applications. In 2018, the City collected \$5.6 million in development related fees, which were intended to cover the costs of those services. The actual total cost in 2018 was closer to \$7.6M.

Fee Type	Current Collections*	Future*
1. Development Review	\$583K	\$3,654K
2. Infrastructure Inspection	\$322K	\$898K
New Stormwater Fees	\$0	\$75k-\$100K
3. Building Permit	\$4,751K	\$3,008K
<u>Total</u>	\$5.6M	\$7.6M

The greatest impact on collections is seen in the Utilities Funds and the Transportation fund. In Utilities the changes are driven by the timing of collection, updated cost inputs and addition of Erosion Control and Stormwater Infrastructure Inspections. Within the Transportation fund changes are driven primarily by the infrastructure inspections (which as noted had not had fee updates since 1997) and update to number of Transportation funded Development Staff (e.g. Traffic Engineers and Civil Engineers).

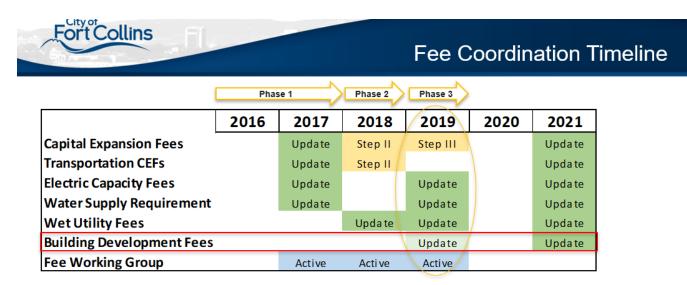


Next Steps and Public Outreach

Advisory Group Summary of Findings

The group acknowledges and agrees with the overall methodology changes, fee structure, calculations and inputs. The group agrees that though there are increases in some areas, overall the changes make sense and fees will be less complicated. The group agrees with 100% cost recovery. Fees must reflect the cost it takes to provide the service and nothing more. The group notes that any fee increases, particularly to housing, are a concern.

Discussion / Next Steps;



Detailed fee studies:

- · 4 years for CEF, TCEFs & Development fees
- 2 years for Utility fees

In years without updates, an annual inflation adjustment occurs

2019 Fee Group - Development Review/Building Fees only

Decoupled from 2019 fee update

Separate fee for each permit application type
Consolidated and reduced total number of fees from 150 to 106

Mike Beckstead; they have also created a fee calculator which makes it easier early on in the process to understand how much and when fees will be payable. This is a benefit and a simplification.

Ken Summers; what are the overhead costs?

Tom Leeson; direct cost, hourly rate plus overhead costs such as vehicles and uniforms and admin costs. More detail to follow later in the presentation.

Mike Beckstead; we approached this with 100% cost recovery, and we looked at it not just direct costs but including health benefits, retirement contributions, materials used in process and support costs that go with it.

Ken Summers; Is there double accounting? Are we going to reduce the allocation we need for legal?

Mike Beckstead; for the Development Plan Review and Legal -both come out of the General Fund so the revenue we collect doesn't go into a specific fund - all flows into the General Fund. We don't segregate the funding or the expenditures that way because they are co-mingled in the General Fund.

Ross Cunniff; what are the pros and cons of creating a dedicated mini fund for obvious transparency? I like the 100% cost recovery but the responsibility that comes with that is for us to ensure that we are not double counting as well as that we are working to try to constrain those costs to exactly what they need to be.

Mike Beckstead; we are having those conversations - we had provided Council some information before trying to estimate costs - this has always been very challenging as it is diffused across the organization. There is clear benefit to going to a dedicated fund - I am not ready to recommend one way or the other yet The more specific the revenue is the more restrictive we are. We currently have 41 reportable funds - our closest neighbor /peer has 21-25 range. Within Finance, we are discussing – what is the right mix of dedicated / restricted fund revenue? There is complexity and overhead that goes with each fund - but good to discuss this during BFO.



Fee Type	Methodology Changes	Cost Recovery	Impact to Fees
Development Review Fees	 All Cost Inputs Updated Some Costs Previously in Permits now in Development Review Fees Fees Consolidated Utility Fees Based on Full Cost Recovery Utility Fees Collected at Time of Service 	100%	↑
Infrastructure Inspections	All Cost Inputs updatedNew Fees Proposed	100%	↑
Building Permit	 All Cost Inputs updated New construction → square footage based vs. value based Over the counter → Flat Fees 	100%	↓

We have 1 City Attorney who spends 100% of his time on Development Review Applications. 2.5 FTEs from Forestry as well

Building Permit Fees - we changed the way we calculate - now based on square footage not valuation -

Have a fair amount of over the counter fees – simple flat rate fees.

Valuation is not going away because we charge sales and use tax.

Ross Cunniff; future number - \$2M subsidy towards development review - \$1.6M from other entities Stormwater rates were higher because we weren't capturing these fees

Mike Beckstead; a bigger portion of it is actually transportation and utilities - General Fund subsidy

The Committee reviewed slides illustrating several different kinds of development and the associated fees and impact of the recent changes;

Infill/ Mixed Use - Uncommon,
Residential Single Family - Timbervine
Residential Multi-Family -The Wyatt
Affordable Housing - Village on Redwood,
Commercial - Harmony Commons
Industrial - South College Storage=

Tom Leeson; we reviewed this information with Darin Atteberry last week and he administratively approved the process changes. The intent is to do an Adoption in Q1 2020 to be effective at the beginning of Q2 2020.

Mike Beckstead; we have this scheduled to come back to Council Finance in December if we get controversy out of outreach, but if the future outreach is similar to what we have had in the past, I am not sure we would need to come back to Council Finance - I wanted to see if there was Committee concurrence on this approach.

Ross Cunniff; a memo would be sufficient.

Mayor Troxell; I have a question about the fee stack, conversations going around to try to get some alignment - continue that in support of our residents - meaningful adjustments in the right direction. I appreciate the amount of work that has gone into this

Mike Beckstead; in 2016 there was a request to take this on because of the sporadic nature of the updates which would come to you at different times - This was great guidance and I applaud Jennifer and her predecessors for the work that has gone into the organization of this - it has taken us 3 years to get through the first round. Starting in 2021, we will be on a 4-year cadence for development fees and 2-year review cadence for utility fees. We had big increases in impact fees in 2017 - \$ value increases here but now that we are on a prescribed cadence with routine reviews, we will minimize any big pops.

Ross Cunniff; community measured approach - In answer to questions for Council Finance, I am a yes and a yes This presentation answered a lot of questions I had and makes it very clear what we are doing and looking for is to specifically support the operations and funding of the development review process. We will want to ratchet up to look at how we could reduce costs – this is not intended to be punitive – it is making sure that we are diligently working to make those costs as low as practical.

Mayor Troxell; I appreciated the specific examples of different types of development - very helpful



Fees recover the costs to process, review, inspect and record applications pertaining to development applications/activity and issuance permits related thereto.

Ken Summers; I have a question regarding slide 4 (see above) under Development Construction Permit you have Erosion Control and Stormwater – is the proposal to pull these out and put them somewhere else?

Tom Leeson; we are not currently charging for the Erosion Control or stormwater efforts we do as part of the Development Construction Permit. Erosion Control - we have 2 full time dedicated employees who go out to inspect multiple times during the construction phase. The Stormwater -more of the final stormwater measures that put in that also require inspection prior to occupancy - we are proposing to add those into the Infrastructure Inspection Fees.

Mike Beckstead; the costs have always been there, but they were being paid for by the rate payers of those utilities - we didn't have a unique fee to charge the developer for those activities -

Tom Leeson; the development review center will be reimbursing utilities for that time - that will go into the waste / storm water fund - in essence that fund has been subsidizing the Development Review effort -this has been happening for many years.

Mike Beckstead; the next time Lance does his cost of service / rate analysis he will take all of those into consideration – we have a new revenue source for those kinds of costs which will have an impact on future rate requests - to the degree that it is incremental and isolated I am not sure - I would have to go back and talk with Lance. That is where the other side of this transaction will occur.

Ken Summer; thinking about erosion control measures - seems that these are already tightly regulated at the state level -so, with all the current state regulations in place in terms of keeping dirt on the site and fencing, etc. - Have there been problems with erosion in the past?

Theresa Connor; The city has an S4 Permit that allows our storm water to drain directly into the river and does not need to go through our sanitary sewer system. Because of having that permit we have to do erosion control inspection; we need to have this in place in order to stay in compliance this is a requirement to do construction inspection. Driven by development taking place in the community.

Ken Summers; I see a couple things happening – for example the \$5M we lent to the URA, etc. – feels a bit like we are shaking the couch cushions looking for more money - wondering what are the best ways for us to increase our revenue instead of nickel and diming, fees etc. I think we need to be looking at some efficiencies in this area as well - I want to be comfortable that we have some safeguards in place and are looking at efficiencies - be conscientious in terms of how many visits, how much time it takes. If there is an inspector who is consistently finding lots of problems - the problem may be with the inspector. These are legitimate concerns from the city standpoint.

Theresa Connor; we do have stormwater and the municipal separate stormwater permit through the state and the EPA. We are finding the better part of prescriptive requirements from the state recently on erosion control, visiting every few weeks based on the conditions on the site - so there are some very prescriptive requirements for us from federal and status regulators that we are doing and have been doing for some time. We are constantly looking for efficiency measures out of that and are open to new ideas but we have had these 2 positions on erosion control compliance for some time and tt protects our water ways - an ounce of prevention is worth a pound of cure – especially in erosion control keeping that dirt on site will protect our streams - we do comply with prescriptive requirements.

Ross Cunniff; can you speak to what efforts you take to oversee and audit.

Tom Leeson; this question has come up a couple of times in our outreach and is a fair question because we are charging based on time – one of the complaints was if you were more efficient you could charge us less – we took that very seriously and in parallel to this effort, we have spent last 2 years implementing the Lean Methodology on every development application type - trying to get as efficient as we can in terms of development review and our permit processing. We have seen an appropriation recently for our Accela program (the software program that administers all of the permits) was not functioning at a level that could make us as efficient as we want to be – so we are spending a lot of time going through the bidding process to identify the business process and get that fully integrated into Accela - and we are developing a set of metrics around development review so we can understand how long each step should take – how long the review of each stage takes.

Ken Summers; thank you - I appreciate the reassurance that we have systems in place to monitor and that you are on top of it and it shows efficiencies. Sometimes that motivation isn't as great for a government entity.

Mayor Troxell; Baldrige looks at constant improvements - looking at best practices - by mentioning the Lean Methodology - government can run with efficiency and high performance and be very intentional — we have processed - recognize and make them better and that is built into the entire organization - talk about high performing government and set those expectations - this is one reason we get to a high level of trust with the community because you see activities happen for the purpose they are intended and frankly, I am proud

Tom Leeson; getting into this new regular cadence for reviews will be a good cross check and will ensure that those fees are aligned with the processes we have.

Mike Beckstead; to me the drivers of this fee increase are;

- 1) we have not updated some of these fees in a long time some of the methodologies and the cost drivers are different now
- 2) some of the allocations of cost only assumed a 50% absorption which has now gone to 100%
- 3) there are the 2 new utility fees that used to be paid by utility rate payers and are now paid by the development fees.

There is a series of methodology and process drivers that are really behind this - we saw the same thing in our Capital Expansion Fees in 2016-17 when we did a deep dive on those because they had not been updated in a while – I truly anticipate a much smoother trajectory going forward with the routine updates and we will avoid these price spikes from infrequent updates.

Mayor Troxell; I appreciate Ken's concern and this discussion - show me - what is your process and that is the evidence - we are obligated to do things that other governments have been mandated and that adds costs.

Mayor Troxell; we are good

Mike Beckstead; we will come back in December if need be or we will provide a memo at the minimum.

B. Revolving Loan Program Review

Josh Birks, Director Economic Health Office Shannon Hein, Sr. Specialist, Economic Sustainability

SUBJECT FOR DISCUSSION

Economic Health Revolving Loan Fund – Good News

EXECUTIVE SUMMARY

The purpose of this item is to share the good news that the City of Fort Collins Revolving Loan Fund has officially launched and provide an overview of the program. The Revolving Loan Fund is intended to support small businesses and startup companies operating in Fort Collins. The City has pledged funds to support access to capital for small businesses in Fort Collins, which have historically not had access to traditional financial capital markets ("under banked" or "non-bankable") The demographic focus of this program will be low-income, minority, veteran, and women-owned small businesses.

GENERAL DIRECTION SOUGHT AND SPECIFIC QUESTIONS TO BE ANSWERED

1. Does the Committee have any questions about the program?

BACKGROUND/DISCUSSION

A revolving loan fund (RLF) is a gap financing tool used for the development and expansion of small businesses and startup companies. This Ordinance will support the first step in the development of the City's RLF that over time will become an "evergreen" source of capital for underserved and disadvantaged borrowers in the community. "Evergreen" is the term used to refer to a self-replenishing pool of money through interest and principal payments from previous loans to be used for new loans as budgeted and appropriated in future years.

Businesses with 1-100 employees make up 98% of all firms in Fort Collins. These businesses employ 47% of the workforce and provide 40% of the total wages in our community.

Demonstrated need:

- Data from the small business needs assessment deployed in 2018 demonstrated the need and interest for capital resources from women-owned businesses, specifically women-owned businesses in the revenue band of \$100,000 - \$499,000.
- A report by Minority Business Development Agency http://www.mbda.gov/sites/default/files/DisparitiesinCapitalAccessReport.pdf, found that, "Among firms with gross receipts under \$500,000, loan denial rates for minority firms were about three times higher, at 42 percent, compared to those of non-minority-owned firms, 16 percent."
- The City's Economic Health Office (EHO) has identified access to capital as a barrier to the small business community within the Economic Health Strategic Goal, B.4, Increase Capital to Support Startup Companies and Entrepreneurs. As such, EHO believes a revolving loan fund can support in meeting Strategic Objective B.4.

Goals - The goals of the RLF include:

A. Encouraging business starts, strengthening and/or expansion of businesses through self-employment. This in turn facilitates job creation as a means of economic self-sufficiency for low-and moderate-income individuals.

- B. Helping bridge the financial gap for small businesses which might eventually qualify for bank financing and preparing the small business owner for traditional bank relationships.
- C. Foster diversity in the business community by encouraging business ownership among traditionally underserved minorities, women, and the disabled.
- D. Promote entrepreneurship and business innovation as a means of harnessing the creative potential of small businesses and investing in the economic success of the community.

Contributions to this RLF comes from two sources:

- Platte River Power Authority (PRPA) support of economic development efforts (2017, 2018, 2019 and beyond)
- 2019 City of Fort Collins Cluster Funding (one-time contribution)

Since 1982, Platte River has granted funds annually to support economic development efforts. Prior to 2017, these contributions received by the City of Fort Collins were directed toward Rocky Mountain Innosphere (Innosphere). In August 2017, the City requested PRPA to remit the funds directly to our organization in order to support the development of a small business lending program. These funds were received in 2017 and 2018 and are in the City's General Fund reserve available for appropriation.

Funds to be appropriated are as follows:

Source	Fund	Amount
2017 PRPA Contribution	General Fund	\$21,878
2018 PRPA Contribution	General Fund	21,916
2019 PRPA Contribution	General Fund	36,436
City of Fort Collins Cluster Contribution	KFCG (transfer to General Fund)	98,500
Total RLF Appropriation and Transfer		\$178,730

Summer 2019, the City issued Request for Proposal (RFP) #8963 seeking a qualified, licensed and accredited capital vendor to manage and administer the revolving loan fund on the City's behalf. The City selected Colorado Lending Source ("CLS") as the vendor. CLS will lend its own funds and use the City's contribution only in the case of default on a loan. The total loan pool will be \$1.0 million.

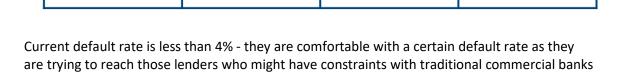
Term loans would be available to eligible small businesses for up to \$50,000 for the following purposes:

- Working capital
- Equipment
- Inventory
- Business purchase

Oversight

A representative from the selected vendor will meet with City of Fort Collins staff at least semi-annually to review the program, lending data, and to provide updates. Staff will provide updates to City Council annually.

Discussion / Next Steps: Timeline 870 1. 2. 3. 4.



No

Administrative

fee

Service partner

manages and

leverages the

fund 10x

Shannon Hein and Josh Birks; character based loans - have a committee they work with - mentor or circle surrounding them - we get referrals from banks - they work with banks on the front side of the opportunity and on the back side - after 2 years of credit history they encourage the borrowers to change to a conventional bank - They know the criteria the banks are looking for - they run a number of different programs as well - so if a candidate is better for a different program they will slot them there – these are \$50K max loans- typical term of 8 years – give it some length to manage cash flow and then move them through the program and get them into the private sector – that way you get the money back and can start over with another borrower.

Opportunity

for women,

minority, and

veteran-

owned businesses

Advisory board

reporting

Ross Cunniff; great

Mayor Troxell; this is great, thank you

Ken Summers; great

C. Stormwater – Land Acquisition

Theresa Connor, Deputy Director, Utilities Shane Boyle, P.E. Stormwater Lance Smith, Director, FP&A Utilities

SUBJECT FOR DISCUSSION Off-Cycle Budget Amendment for Strategic Land Acquisition in the West Vine Stormwater Basin

EXECUTIVE SUMMARY

The West Vine Stormwater Master Plan envisions an open channel connection between the City-owned Forney Property and City-owned land located adjacent to this parcel to the east. The parcel at 1337 West Vine came in for conceptual development review. Staff has negotiated a price for purchasing the rear portion of the property while the West Vine road frontage portion is being subdivided into residential lots. The purpose of this item to appropriate prior year reserves in the Storm Drainage Fund to purchase the parcel.

GENERAL DIRECTION SOUGHT AND SPECIFIC QUESTIONS TO BE ANSWERED

Does Council Finance Committee have any questions or suggestions regarding the off-cycle budget amendment to fund strategic land acquisition in support of the West Vine Stormwater Master Plan?

BACKGROUND/DISCUSSION

Much of the West Vine Basin, located in western Fort Collins generally along Vine Drive and Laporte Avenue, was developed in the County prior to stormwater and floodplain regulations being adopted. For this reason, there is significant potential for flooding in the basin during a large rainstorm event. The City's Stormwater Master Drainage Plan for the West Vine Basin identifies improvements that would help to mitigate and convey flood flows through the basin to the Poudre River.

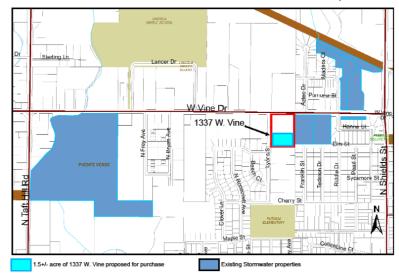
A portion of the property at 1337 West Vine lies within the proposed alignment for the West Vine Outfall Stormwater Project and is currently for sale (see attached presentation). The purpose of this appropriation is to authorize the purchase of the portion of the property that is needed in order to construct the West Vine Outfall project. If the City does not purchase the property, it may be sold to a third party and developed, which would hinder the City's ability to construct this important Stormwater project.

Recent projects and property acquisition in the area that are part of the West Vine Outfall include construction of a portion of the West Vine Outfall from Vine Drive to the Poudre River in 2013-2014 and acquisition of the Forney Property for a future regional detention pond in 2012.



West Vine Master Plan

1337 W. Vine Drive—West Vine Basin—Stormwater Acquisition



- West Vine Outfall is constructed.
- Currently own two properties of regional stormwater facilities.
- Opportunity to create a channel and trail system between properties.

Discussion / Next Steps:

1337 W. Vine Drive - sub dividing into 3 lots — we are interested in southern parcel Budget of \$255K in case there are some unknowns

Reason this land is strategic for us - if you look at the West Vine Master Plan

West Vine outfall constructed a few years ago – Stormwater currently owns two parcels of land here - one next door – been renamed to Pucntc Verde – do an open channel – with potential for trails, etc - future plan – Because this parcel was in for review and available now we thought it would be prudent to bring forward an off cycle offer to purchase the – gives us flexibility if we were to do an open channel in this area and construct large diameter culverts - we don't get multi use

Mayor Troxell; what is the time frame

Theresa Connor; the parcel is in for development - West Vine Master Plan will take a decade or so to do – our attention would shift to West Vine after the Downtown plan is completed.

Ross Cunniff; I am supportive - Intent is through acquisition of undeveloped parcels, easements - overflow channel

Theresa Connor; it would be an open channel which gives us more flexibility - it has multi-function

Ross Cunniff; - I think we should move forward – benefits the community as it protects several neighborhoods - real estate happens when it happens

Theresa Connor; improvements needed especially as area developments - manage the stormwater flow and bring it through to the Poudre River

Mayor Troxell; this is necessary - Ross, any concerns about the mid cycle?

Ross Cunniff; If this was General Fund I would say yes, but since this is restricted funding focused on a specific utility purpose, benefits stormwater rate payers and is protecting several neighborhoods, I am good with it.

Ken Summers; you do what you need to do when the opportunity arises, and the money is there

D. URA Bond Refinancing

Travis Storin, Director, Accounting
Josh Birks, Director, Economic Health Office

SUBJECT FOR DISCUSSION

Prospect South Loan Refinance Moral Obligation

EXECUTIVE SUMMARY

In 2013, the City loaned the Fort Collins Urban Renewal Authority ("Authority") \$5 million from the General Fund to reimburse a developer for eligible expenses as part of the Summit development in the Prospect South Tax Increment Financing District. The City has requested the Authority consider refinancing this loan to free up the \$5 million for investing in other community priorities. The Authority may also benefit from refinancing by being able to issue bonds with lower interest rates than the existing loan. As part of this refinance, the Authority is seeking a moral obligation from the City. The moral obligation would result in improved bond ratings and reduced debt service costs to the Authority.

GENERAL DIRECTION SOUGHT AND SPECIFIC QUESTIONS TO BE ANSWERED

Does the Council Finance Committee agree with moving forward with the proposed loan refinance and the associated moral obligation?

What additional information would be useful prior to presenting this item to City Council?

BACKGROUND

The City and Authority have entered into two loan agreements for development projects in the Prospect South TIF District. What follows is a summary of each loan agreement.

The Summit

On September 6, 2011, City Council established the Prospect South Tax Increment Financing (TIF) District within the Midtown Urban Renewal Plan Area. After the establishment of Prospect South as a TIF district, Capstone Development Corporation sought TIF assistance for The Summit, a 220-unit student housing development. On September 13, 2011, the Authority Board approved a financial agreement where the Authority would reimburse \$5 million of eligible expenses to Capstone. Per the agreement, the \$5 million reimbursement was due upon completion of the project. At the time, staff estimated The Summit would generate \$8 million of tax increment over the life of the project.

When Capstone completed The Summit in 2013 and received a Certificate of Occupancy, Capstone requested reimbursement. The Authority was unable to reimburse Capstone for two reasons:

- 1. The original estimate of tax increment generation for the Summit was inaccurate. Staff's updated tax increment generation estimate in 2013 showed the Summit should generate \$7 million, not \$8 million as predicted in 2011.
- 2. Interest rates rose from 4% to 4.96%.

As such, the City and Authority negotiated a loan agreement at that time to reimburse Capstone. The City agreed to loan the Authority \$5 million with a 2.68% interest rate. This interest rate was based on the known revenue stream of the Prospect South TIF District at the time. This left a \$1.78 million interest rate gap. To fill that gap, the Authority agreed to pledge 50% of future unencumbered revenue from the Prospect South TIF District to the City. Both City Council and the Authority Board approved this loan agreement on November 5, 2013. Prospect Station

In October 2013, the Authority executed a Redevelopment Agreement with Prospect Station LLC. The Redevelopment Agreement obligated the Authority to reimburse the developer up to \$494,000 for eligible expenses. The Agreement required 50% of the reimbursement obligation (\$274,000) to be paid in a single payment upon completion of the project with the remaining 50% paid by the Authority over a 21-year period. Knowing the Authority would not have sufficient funds to make a single payment upon completion of Prospect Station, the City approved Resolution 2013-079 declaring City Council's intent to provide a loan to the Authority for half of the Authority's reimbursement obligation.

Prospect Station received a Certificate of Occupancy in September 2014 and subsequently requested reimbursement. In response, the City and Authority entered into a loan agreement for \$247,000 to fulfill the Authority's Redevelopment Agreement with Prospect Station. The loan has a 23-year term and 4.5% interest rate. The Authority Board approved the loan agreement on November 18, 2014 with City Council approval following on December 16, 2014.

DISCUSSION

Finance staff approached Authority staff in the summer of 2019 with the idea of refinancing the Prospect South loan. Refinancing the loan could allow the City to allocate the \$5 million to other priorities. A refinance could also allow the Authority to get a lower interest rate than the effective interest rate of 4.96% on the Prospect South loan.

To assess the viability of a refinance, the City and Authority contracted with their own bond and finance counsel. The Authority has contracted with Ehlers for their finance counsel and GreenbergTraurig for their bond counsel. Based on the current tax increment projections, the Authority anticipates receiving between a BBB+ and AArating for their bond issuance. The attached proforma outlines the differences between BBB+, A, and AA- rated bonds. The URA expects the following terms for this bond issuance:

Amount Borrowed	Outstanding balance and cost of issuance
	(Approx. \$5 million)
Term	18 years
Interest Rate	2.587% - 2.929%
Coverage Ratio	1.94 - 2.01
Total Cost	\$6,150,782 - \$6,343,395

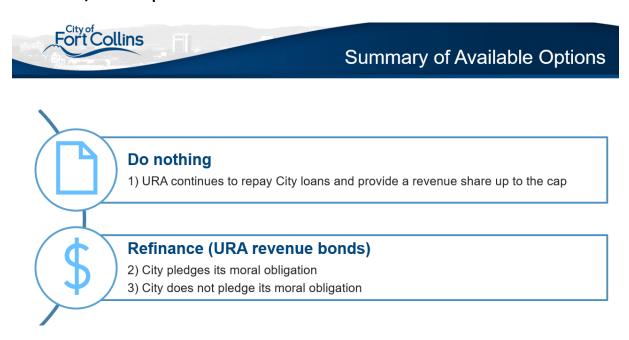
The Authority is seeking a moral obligation from the City to receive a more favorable bond rating and interest rate. A moral obligation allows the City to meet any debt service costs from the bond issuance in the case of a default. Council is not obligated to meet these debt service costs in the event of a default by the URA. Council may elect to appropriate funds to service this debt or Council can elect to not service this debt. A moral obligation would likely result in a rating increase from BBB+ to A or higher. The savings between these two ratings is \$165,192 over the life of the loan. The moral obligation will also make it easier for investors to trade the bonds in the secondary market, reducing the interest cost upon issuance by the Authority.

In summary, this refinance will allow the City to allocate \$5 million to other community priorities during the upcoming Budgeting for Outcomes process while potentially saving the URA \$794,000 - \$986,000 over the life of the loan. This loan refinance would also honor the strong partnership between the City and the URA.

NEXT STEPS

The Authority Board will consider the proposed loan refinance at their regular meetings on October 24 and November 7. City Council will consider the moral obligation on November 19. Staff aim to complete the refinance by the end of 2019.

Discussion / Next Steps:



Staff Recommendation is Option #2 - refinance with the city's moral obligation pledge. You do pay a higher rate without the moral obligation component.

Mike Beckstead; I just received notification that Moody's reaffirmed us as stable at AAA rating If we go back to the Mall discussion, we spent a good amount of time around evaluating our moral obligation around the \$53M - we talked with the rating agencies in pretty good detail at that time – no adverse effect to our credit rating as it is not considered or counted as debt. If we were called upon to exercise that moral obligation and we elected not to honor that moral obligation pledge - our credit rating could drop several levels

Josh Birks; 2 times debt coverage ratio is really solid - borrowing capacity being left on the table at this time intentionally because how URA wants to use those future funds is unknown.

Ross Cunniff; from the city's perspective, we are getting \$5M that we are obligated - we can then choose to help the property taxpayers or the URA (depending on how you want to look at it) by reducing their interest rate with the moral obligation- that is the choice - first choice is do we want that \$5M back or not

Mike Beckstead; we could get the \$5M back either way - there is still savings to the URA

Ross Cunniff; do we want that \$5M back or not? If we do want it back, we go with the moral obligation You can look at it two ways; more dollars available for projects or more dollars being refunded to tax entities or both. Cosign or walk away and suffer a lower credit rating as a result.

Mike Beckstead; that was a great summary - I like the moral obligation - refinancing is a good thing for the URA either way - there are benefits to both - we have access to the \$5M for city's future needs - Lower expense over the next 18 years - the moral obligation just increases the amount due by about \$200K due to the lower interest rates.

Ken Summers; support the moral obligation or keep the \$5M and make 4.5% interest on our investment - I am comfortable with either of them – because if we are letting the URA finance, let's help them and do the whole thing. I think they are pretty solid businesses.

Mike Beckstead; with the 2 times deb coverage ratio this is not even in the gray zone for me in terms of future risk - property tax is pretty stable right now - we don't see a downside

Ross Cunniff; let's go with the moral obligation - I don't see much downside - seems unlikely that a future Council would be called upon to act on it.

Mayor Troxell; I support the moral obligation consistent with our discussion in Council. This is really following through on what was discussed then.

Meeting Adjourned at 11:35 am