

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

970.221.6788 970.221.6782 - fax fcgov.com

AGENDA Council Finance & Audit Committee December 1, 2022 4:00 - 6:00 pm

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

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

1. Financial Policy Updates B. Dunn Presentation: 15 mins. Discussion: 15 mins. 2. Northfield Suniga Road TCEF Major Reimbursement M. Virata Presentation: 10 mins. M. Martinez Discussion: 10 mins. 3. Municipal Court Renovations J. Hueser Presentation: 10 mins. Discussion: 20 mins. 4. Rental Licensing Pilot Programming M. Yoder Presentation: 15 mins. M. Overton Discussion: 25 mins.

Council Finance Committee

2022 Agenda Planning Calendar RVSD 11/23/22 ck

Dec. 1 st	2022		
	Financial Policy Updates		
	15 mins. presentation	30 min	B. Dunn
	15 mins. discussion		
	Northfield Suniga Road TCEF Major Reimbursement		M. Virata
	10 mins. presentation	20 min	M. Marinez
	10 mins. discussion		IVI. IVIGITITE2
	Municipal Court Renovations		
	10 mins. presentation	30 min	J. Hueser
	20 mins. discussion		
	Rental Licensing Pilot Programming		M. Yoder
	15 mins. presentation	40 min	M. Overton
	25 mins. discussion		ivi. Overton



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Council Finance Committee Meeting November 3, 2022, 4-6 pm Via Zoom

Council Attendees: Julie Pignataro, Kelly Ohlson, Emily Francis

Staff: Kelly DiMartino, Travis Storin, John Duval, Ginny Sawyer, Dean Klingner,

Jen Poznanovic, Nina Bodenhamer, Blaine Dunn, Jo Cech, Amanda Newton, Holly Mason, Randy Bailey, Trevor Nash, Renee Reeves, Caryn Champine,

Drew Brooks, Honore Depew, John Phelan, Javier Echeverria-Diaz, Megan Valliere, Josh Birks, SeonAh Kendall, Linday Ex, Gerry Paul, Dave Lenz, Kerri Ishmael, Zack Mozer, Erik Martin, Carolyn Koontz

Others:

Kevin Jones, Chamber

Molly Bohannon, Coloradoan

Patrick Picard, Fehr & Peers (Consultant) Rachel Shindman, EPS (Consultant)

Emily Gallichotte, CSU

Meeting called to order at 4:00 pm

Approval of minutes from the October 20, 2022, Council Finance Committee Meeting. Emily Francis moved for approval of the minutes as presented. Kelly Ohlson seconded the motion. Minutes were approved unanimously via roll call by; Julie Pignataro, Kelly Ohlson and Emily Francis.

A. General Employee Retirement Plan (GERP) Review

Blaine Dunn, Accounting Director Amanda Newton, Sr. Treasury Analyst

EXECUTIVE SUMMARY

The General Employee Retirement Plan "the Plan" was established in 1971 and was closed to new members in 1999. There are currently 352 total members left in the Plan including active employees, terminated vested employees, and employees receiving a benefit. In 2021 the total pension liability was \$59.6M and the fiduciary net position for the Plan was \$54.6M, leaving a net pension liability of \$5.1M.

GENERAL DIRECTION SOUGHT AND SPECIFIC QUESTIONS TO BE ANSWERED

Inform and educate Council Finance Committee on the Plan Does Council Finance desire any additional information?

BACKGROUND/DISCUSSION

The Plan is overseen by the General Employees Retirement Committee (GERC). The GERC is comprised of 6 members, 1 from financial services and 5 current or former employees covered by the Plan. The GERC administers the Plan including setting the investment policy and making any changes to assumptions used in the actuarial valuations. After studying the actuarial valuation report prepared by Milliman, an independent actuarial and consulting firm, the GERC decided to make no changes in the assumptions for 2022. The 15-year average return for the plan is currently 7.7%.

In 2013 Council approved increasing the supplementary contribution to \$1.1M annually. This was to help reach full funding of the plan sooner than previously projected. Based on the present value of future benefits (\$60.2M), the current market value of assets (\$54.6M), and the present value of future payroll contribution (\$1.0M), the shortfall of \$4.6M is anticipated to be funded through the annual supplemental contribution of \$1.1M over the next 5 years. Therefore, it is currently estimated the plan will meet full funding by 2026. This is when the City supplemental contributions will end. However, the full funding year might change year over year based on the actuarial valuation.

The current net pension liability of \$5.1M is the lowest amount the Plan has had since 2007. The current funding ratio of 91% is the highest the Plan has had since 2007 and compares favorably with other public sector plans. The Plan continues to be able to meet all obligations and overall is in a healthy financial status.

DISCUSSION / NEXT STEPS

GENERAL DIRECTION SOUGHT

Inform and educate Council Finance Committee on the Plan Does Council Finance desire any additional information?

Julie Pignataro and Emily Francis; no questions – thank you



Funding Comparison

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	As of 2021	Through Q3 2022
Net Pension Liability	\$5.1M Lowest since 2007	\$17.0M \$3M higher than 15-year average
Funded Ratio	91% Highest since 2007	72% 4% lower than 15-year average
Full Funding* Target Year	Reach full funding in 2026 with current assumptions	Reach full funding in 2037 with current assumptions

^{*} Supplemental contribution should end when full funding is reached

Kelly Ohlson; (slide 12) see above

It appears now we will need to continue the supplemental funding out to possible 2037 due to stock market performance YTD in 2022.

Blaine Dunn; that is correct – that date changes every year based on the actuarial report. In my tenure, I have seen it out as far as 2042 and as soon as 2026. The 2037 date is a staff estimate not an actuarial estimate.

Kelly Ohlson; I would like to have historical data on the supplemental contribution – when it started and how much by year. I think they absolutely made the right decision in 1999 to close the plan. I support defined contribution but not defined benefit.

Fort Collins		Investment Policy Category Allocation				
		Minimum	Target	Maximum		
	Mutual Funds					
	Domestic	35%	45%	55%		
	International	5%	15%	25%		
	Fixed Income/Bonds	30%	40%	50%		
	Total	-	100%	_		

Current portfolio distribution in red (approximate)

Investment Policy Category Allocation (slide 9) see above

Kelly Ohlson; Domestic Mutual Funds at top end of scale -

Travis Storin; from an asset allocation standpoint, with a plan that won't truly sunset until the 2060's, it is actually prudent to have a stomach for the ups and downs of the equity markets. Loading up on fixed income (bonds) in the long haul it is the belief of staff that would cost the city more. It is our belief that over the 40-year horizon, the equity market is the right place to be

Kelly Ohlson; I agree with your answer.

B. Sustainable Funding - Transit

Drew Brooks, Director, Transit

EXECUTIVE SUMMARY

This session is intended to provide an overview of work performed over the last year in development of the Transfort Funding & Fare Free Study. The presentation will include an overview of the project, a summary of the fare free analysis, updates to funding projections for operational and capital needs to buildout the Transit Master Plan (TMP), and a review of new possible transit revenue development and sources.

GENERAL DIRECTION SOUGHT AND SPECIFIC QUESTIONS TO BE ANSWERED

What questions do Councilmembers have regarding the information presented?
What additional information would aid in decision-making regarding sustainable funding for transit?

BACKGROUND/DISCUSSION

In the Fall of 2021, Transfort & FC Moves staff conducted a competitive Request for Proposal (RFP) process to hire a consultant team to conduct a funding study for Transfort. The funding study was a key short-term priority of the Transit Master Plan (TMP), adopted in 2019. The TMP identified that significant new funding sources were needed to build and operate the projected new services adopted in the plan.

In December of 2021, work began with Fehr & Peers and their partners EPS and FHU. The study, which will be complete by the end of 2022, will include the following key deliverables:

- Public and partner engagement
- Review of current operations and revenue
- Update of expense projections from the 2019 TMP
- Development of future funding options
- Fare structure review including a fare free analysis
- Implementation plan

The following overview of completed and in process work from the study are illustrated in the presentation:

Fare Free Analysis

The analysis found that Transfort's current farebox recovery is quite low and the costs associated with fare collection are high. Excluding the contractual contribution towards fares with CSU (\$638,000 in 2021), under the current collection system, Transfort has a negative farebox recovery.

Benefits to remaining a fare free system include:

- Cost savings
- Increased equity and access
- Ridership growth (long-term)
- Ease of operations
- Fulfilling community transit, equity, and climate goals

There are also possible barriers to remaining fare free that require consideration, though mitigation strategies are possible:

Potential loss of CSU revenue

- Negotiate a partnership agreement uncoupled from fare-based
- Create funding scenarios linked to service levels
- · Look to other national examples

Safety and security perception concerns

- · Front door boarding only
- · Policy of destination-based use
- Work with health and human community resource providers
 Enhance transit security presence

Increased demand for paratransit

- Follow/update eligibility policies
- · Travel training to encourage fixed route use
- Collaboration with human service transportation providers
- · Increase service levels and funding

Political concerns

- · Educate on true farebox recovery
- · Articulate benefits of fare free
- · Link to established city priorities

Increased demand

- · Quantify that large percentage of existing riders already ride free
- Educate on off-peak ridership gains vs. peak ridership gains
- Understand which routes ridership gains are likely (most have excess capacity)

Updated Revenue Needs

A complete update of the capital and operational expense projections associated with the TMP has been completed. These estimates are divided into three milestone categories with associated projects and service expansions:

Short Term Service Expansion (2022 – 2027)

- West Elizabeth BRT replaces Route 3 & 32
- Add vehicle on Route 6 for reliability
- Increase frequency on Drake from 30 to 15
- Increase frequency on North College from 30 to 15
- Increase off-peak frequency on Shields from 60 to 30
- Add new route with 30 minute frequency on Lemay/Trilby
- New southeast microtransit service
- Add additional trips to city of Boulder on the FLEX
- Add regional service to the town of Wellington

Midterm Service Expansion (2028 - 2033)

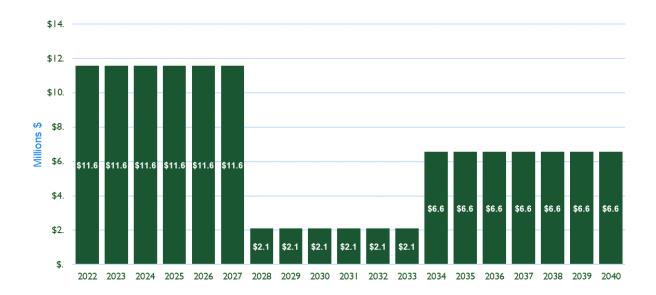
- North College BRT replaces Route 8
- Increase frequency on Route 5 from 60 to 30, realign
- Increase frequency on Taft/Laporte from 60 to 30 combine to new route
- Increase frequency for CSU-DT-Lincoln Route from 30/60 to 15
- Increase frequency on Horsetooth (Route 12) from 60 to 30, realign
- Increase frequency on Route 14 from 60 to 30, realign
- New southwest microtransit service

Long Term Service Expansion (2034 – 2040)

- Harmony BRT replaces Route 16
- Increase frequency on Timberline/Prospect from 60 to 15/30 restructure route 18
- Add new route to Mountain Vista at 15/30 frequency
- Increase frequency on Shields from 30 to 15/30
- New northwest microtransit service
- Add Saturday FLEX Trips to Boulder
- Increase frequency on the Poudre Express
- Add regional service to the town of Laporte

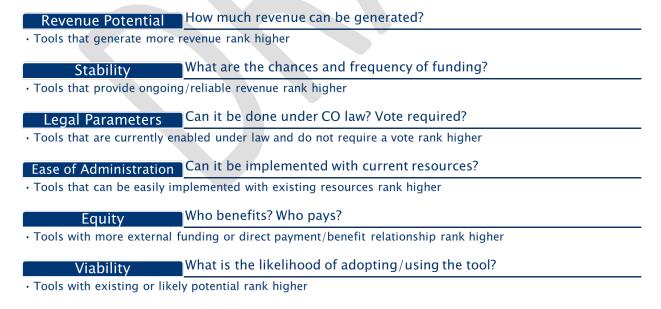
It is important to note that many of the most expensive capital projects are slated in the short-term category, resulting in an uneven distribution of capital funding needs over the 20-year plan:

Forecast Transfort Additional Capital Needs (2022 Dollars)



Revenue Sources Under Consideration

The team performed a comprehensive analysis of all possible funding sources utilized by transit agencies nationwide. The current task is a detailed evaluation of all preferred tools using six key criteria:



The comprehensive list of revenue sources is divided into three broad categories: Federal & State, Local Recurring, and Districts & Other. The current evaluation process is intended to inform

development of an overall funding strategy to be complete by the end of the year and to inform and augment Council's current sustainable funding discussions.

DISCUSSION / NEXT STEPS

GENERAL DIRECTION SOUGHT

What questions do Councilmembers have regarding the information presented?

What additional information would aid in decision-making regarding sustainable funding for transit?



Table 9. Estimated Net Farebox Recovery

Revenue & Expenses	Option 1: Maintain Old System with TVMs	Option 2: Convert to New POS System
2019 Farebox Revenue	\$1,201,000	\$1,201,000
Annual Cost of Fare Collection	\$482,000	\$288,000
Net Farebox Recovery (Average Annual)	\$720,000	\$913,000
Net Farebox Recovery Percent	4.1%	5.1%
Net Farebox Recovery Excluding Contributions	\$27,000	\$220,000
Net Farebox Recovery Percent Excluding Contributions	0.1%	1.2%

Key takeaway - If CSU funding partnership can be maintained, going fare-free is straightforward decision, financially

NOTE: Slide #6 was replaced as the table used in the version distributed wasn't the correct one. (see above for updated slide)

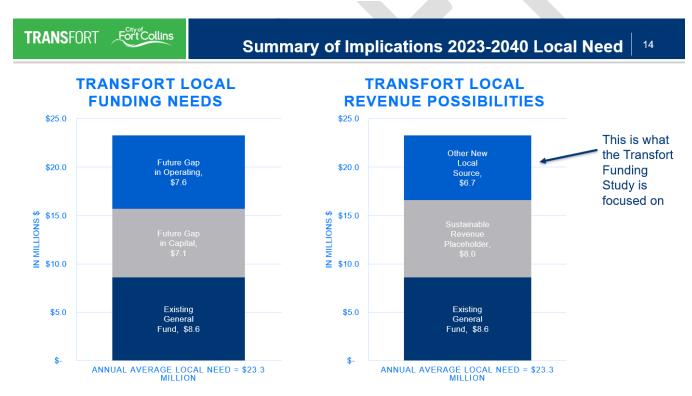
Patrick Picard, Fehr & Peers (Consultant) Rachel Shindman, EPS (Consultant)



Ongoing Efforts

- Baseline of existing funding commitment, minimum \$5 million annually from new citywide strategy
- Determine revenue generation potential for shortlist of revenue tools
- Understand potential of general purpose bond as a financing strategy
 - Case study research (Oklahoma City, Wyoming, Denver)
- Package funding sources and financing strategies

Kelly Ohlson; slide 21 Key Questions (see above) says \$5M but slide 14 (see below) which says \$13.7M short per year. Why aren't we simply saying we have a \$14.7M problem?



Drew Brooks; we have heard in the discussion you have been having regarding what a potential sustainable funding source might be – numbers in the range of \$5-8M, potentially \$10M. We know we have a gap, the total being approximately \$14M per year if we average it over the entire 18–20-year timeframe. We have been working with scenarios of - if what you come up with is \$5M per year or \$8M per year and we are trying to figure out where do we come up with the gap after that.

Kelly Ohlson; I am flummoxed – why aren't we just saying we have a \$14-15M transit problem? Let's not complicate it.

Drew Brooks; we were talking about the \$8-10M number initially which was prior to this study being conducted to evaluate what was in the Transit Master Plan and update all those numbers. So, now we have the updated numbers. We were basing numbers off what was in the Transit Master Plan which was dated - 2016 and 2017. The numbers today have been updated.

Kelly Ohlson; you have refined the numbers which is what we asked for and this is good work – why don't we just say we have a \$14-15M transit problem? This would be confusing to our residents whose job is not to study this in depth. I recommend we call it what it is - a \$14-15M transit gap.

Travis Storin; we are likely going to have to prioritize under the \$14M and struggle to deliver on the whole transit master plan and we will have to make some difficult decisions on whether BRT versus certain fixed route expansions versus para transit would take place. I found the \$8-10M to be pragmatic and consistent with what we have talked about here in the past. Difficult decisions regarding what elements of the master plan we really want to put our energies behind.

Kelly Ohlson; I would say we have a \$14.7M transit issue - realistically we won't do it - the sustainable revenue holder which is \$8M – come up with a number that we think is realistic and work toward that goal that dollar figure and prioritize what that buys us. That is my take on this whole thing.

Julie Pignataro; what makes you think one number is more realistic that the other?

Travis Storin; the early part was linked to previous master plans - should update our knowledge if the number has gone higher - some of the mechanisms we have talked about in terms of an additional ¼ cent of sales tax would generate around \$9.5M and is already probably a tall order in and of itself. My own judgment in looking across all four priorities, each of which are indicating a need of between \$6-10M each is that it would be a struggle to meet all four of those priorities and go all the way to the top of the range – as always, we are open to a different level of input from committee members

Julie Pignataro; I like what Kelly is saying - it is what it is - if the number is \$14M -it is confusing the issue

Emily Francis; I think it would be more grounding to say we have this \$14M problem we are talking about and this is where the other dollars may be coming from - a more holistic picture. If we aren't going to do \$14M, are we doing \$8M? Why would we have a plan of \$14M when we can't pay for it even with other revenue sources? Why make a plan outside of what we can feasibly do?

Drew Brooks; this was a plan that was adopted by a very different council – there were probably assumptions made at the time that the funding could or would be found in some way, shape or form. The number has increased due to project costs and inflationary impacts over time. Many of these plans are very aspirational but we do have an intent to build - if we don't find a funding source that reaches the \$14.7M, then we would have to go back to this plan and make an amendment or revision that meets as many of the goals as we possibly can if council feels that is prudent.

Rachel Shindman; part of our job is to understand how we can do it - there are tools out there that can help us do this – whether we can implement them and use them may or may not be possible depending on whether an election is needed or other things – what else is in the hopper for funding? Our role is to help understand what

tools are out there and what could be done to get us to that level – looking at the overall need of \$14M and then understanding the 2 buckets; one is the ongoing sustainable revenue conversation of which transit is a part and the second piece is what are we left with in addition to that and how might we address that and understanding the best tools that meet our needs – there are a lot of grants out there that are only available for capital improvement – understanding of the need – what is the level of grant funding out there for capital so can we start to understand what the need looks like under the \$14M - How much of the grant revenue can we get - How much to capital – how much to revenue - Our job is to try to understand the different ways we can meet it.

Kelly Ohlson; we are putting this through a funnel and making good progress since the last time we discussed this. In my opinion, start with what the master plan is - we have the \$14.7M which is an aspirational plan. So, staff and consultants go back and say - we can't do everything (much like the Natural Areas plan) and then put it through and come up with what we think we absolutely should be doing in transit and what is that number The goals are great but what we really need to make sure we need to get done – if the number you come up with is low - Council still has the prerogative to move some things up and other things down. I think the next iteration needs to be – the \$14.7M – good work there but is it realistic –most of our plans are aspirational and that is ok, but we need get it to a number we can work toward and how we fund it.

An example - Do I want transit to Boulder for people? Yes - Is it as important as more routes for people living in Fort Collins? No. I would like staff to do the heavy lifting first, both financial and otherwise.

Julie Pignataro; I was thinking along those same lines – if you say the funding commitment based on the plan is \$14.7M and the funding commitment based on your recommendation is \$8M or whatever and the minimum funding commitment would be just to keep the lights on - that would be super helpful in framing what we are talking about. This presentation is divided into 3 sections; 1) fare free transit 2) revenue needs 3) revenue funding to meet those needs

Drew Brooks; we have heard from council members asking us about the option of going fare free. We have been fare free since the beginning of the pandemic. Our costs to collect fares are high but we wanted to do a fully analysis there. If we can work with CSU and retain their contribution – if we keep that there is a pretty good argument that collecting fares doesn't really do much for us and adds additional costs.





Table 9. Estimated Net Farebox Recovery

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Key takeaway - If CSU funding partnership can be maintained, going fare-free is straightforward decision, financially

Julie Pignataro: what was the difference with the updated slide #6? (see above) the 4.1%

Patrick Picard; slide #6 that went out with the packet included outdated assumptions and was from a previous version -we updated the assumptions for life cycle of the equipment, when it needs to be replaced. Made the assumption that it would be a little bit longer (10 years instead of 7)





Considerations of Fare Free

BENEFITS

- Cost savings
- · Increased equity and access
- Ridership growth (long-term)
- Ease of operations
- · Fulfilling community transit, equity, and climate goals

BARRIERS

Potential loss of CSU revenue

Perceived safety and security concerns

Increased demand for paratransit

Political pushback

Meeting increased demand

Julie Pignataro; Benefit and Barriers Slide #7 (see above) Did we derive these from other communities who have done something similar? Where did these all come from?

Patrick Picard; Benefits are from doing research on what has occurred in other communities.

The report includes some peer studies that we did. The issues are slightly different in each community. The barriers that we identified are ones that either staff is already experiencing are just seem more likely given the context of Fort Collins. I think cost is a major issue in other communities but is not the issue in Fort Collins

RTD gets 25-30% of their revenue from fares. If they went fare free, it would be a much bigger barrier. For Fort Collins, If you can overcome the CSU thing it is not much of a barrier.

Drew Brooks; one thing to add is the increased demand for paratransit and Dial-A-Ride services. The cost per ride is \$42. If we had zero fare, we would have to do that for Dial-A-Ride as that is a federal requirement. We would probably see an increase in costs to cover this but we don't know what that percentage would be.

Julie Pignataro; what kind of riders are using that service? Could our buses be equipped to support them?

Drew Brooks; if we had much more frequent and more broad-based system, probably more people who have a disability would use the system as opposed to Dial-A-Ride. The intent of Dial-A-Ride is to provide a complementary service to those who can't access the fixed route system. Users are all members of our community who have a disability and qualify to use this service.

Julie Pignataro; what percentage of our riders is that?

Drew Brooks; we don't have that as a percentage of our riders because it is a service that they must qualify for. I can get back to you with how many actual riders are utilizing the service. We have 30-35K rides per year and that has started to increase as the pandemic has been dwindling.

Patrick Picard; it is a requirement for federal funding that they provide this service and the most you can charge is 2x the fare. Any agency that converted to fare free saw an increase in para transit service. We listed some Of the mitigation strategies and one of the ones that is commonly done is being stricter on eligibility — a lot of times there is a little more leeway given as this is a very vulnerable population that probably needs it. Some that have gone fare free just budget more for their para transit services which is a basic need of the community.

Julie Pignataro; if we stay at fare free which I didn't realize we were still fare free. The pandemic policies we started didn't end at the same time and some didn't end. My family loves the free bus, and we may have ridden more in the last year if we had known.

Drew Brooks; we remained fare free for a few reasons – one if that jour services are reduced we can afford to remain fare free at this time because we don't have as many expenses. As we are hopefully able to increase our services that will be a consideration going forward. Another consideration is the equipment we use to collect fares has been dormant and some has become obsolete so we would have to use some other method. Ticket Vending Machines (TVM) on the Max – even if we go back to collecting fares, we won't use them again as they are past their useful life so we would go to some other method of collecting fares. We were waiting to finish this study and see where that led us and see where the breakpoint is where we need to collect fares or fill that gap.

Julie Pignataro; we want more ridership growth (better for the environment and the system as a whole). Does that lead to a more expensive system?

Drew Brooks; not necessarily, we have the capacity today if we have the growth - we are still at significantly lower rider levels – pre-pandemic – we have not returned anywhere near what ridership was in 2019. We are still down about 50% - which is a typical reduction for a university town.

Julie Pignataro; would higher ridership lead to more potential grants?

Drew Brooks; it does have a relationship, but it hasn't been the case currently because of the impacts of the pandemic – the federal dollars have not been tied to ridership over the last few years.

Julie Pignataro; CSU subsidizes for students to ride free

Drew Brooks; We also have a grant from the Bohemian Foundation which is intended for youth (17 and under) to ride free.

Patrick Picard; CSU likes the data they can get from students tapping a card which seemed like a bigger issue than funding.

Emily Francis; presumably other communities collect fares and make money - why is our system different where we are losing money? Why wouldn't we just get a new fare collection system?

Drew Brooks; the primary reason is that so much of our ridership is based on CSU and they pay a fee so that all students, faculty, and staff ride free so that brings down the number significantly. What we collect at the fare box is very small. If we were to go back to collecting fares, we would use a new system that would be less expensive to operate.

Patrick Picard; smaller cities don't get much money from fares. (often less than 10% of their operating expenses). It is usually the urban areas – and many are moving to fare free (Kansas City and Albuquerque have changed to fare free recently). Ridership varies from place to place.

Travis Storin; rarely do transit / bus agencies recover more than 20% of their costs from fares. Public transit is generally speaking heavily taxpayer funded (federally / locally). The vast majority of transit agencies are money losers if you just look at fares.

Patrick Picard; RTD is 25-30%. The best in the country is New York City which is at 55% - so 45% of their funding is not from fares but from local and federal funding.

Emily Francis; where are we with the PSD study? Is that also being discussed with the funding?

Drew Brooks; that study is just getting underway - we are hoping to have that one bid by the end of the year and planning to get started right after the first of the year. That is in the pipeline and will be a piece of any future discussions. Learn more about if there are opportunities to share resources with PSD, The study should be rather short in duration.





Revenue Sources: Federal & State

Federal and State Funding Sources	Revenue Potential	Stability	Legal Parameters	Ease of Administration	Equity	Viability
Federal						
1 RAISE Grant	High	Low	High	M edium	High	M edium
2 New Starts Capital Investment Grant	High	Low	High	M edium	High	Low
3 Small Starts Capital Investment Grant	High	Low	High	M edium	High	High
4 Core Capacity Investment Grant	High	Low	High	M edium	High	Low
5 Expedited Delivery Program for CIG Pilot Program	N/A	Low	High	M edium	High	M edium
6 * Buses and Bus Facilities Grant	Medium	M edium	High	High	High	Currently U sed ¹
7 Transportation Infrastructure Finance and Innovation Act	N/A	High	High	M edium	High	Low
8 Private Activity Bonds	N/A	High	High	M edium	High	Low
9 Grant Anticipation Notes (GANS)	N/A	High	High	M edium	High	Low
10 Immigrant Investor Program EB-5	Medium	Low	High	Low	High	Low
Federal/State						
11 Surface Transportation Block Grants	Medium	Low	High	High	High	High
12 * Congestion Mitigation and Air Quality Improvement Program	Medium	M edium	High	High	High	Currently U sed ⁴
13 * Enhanced Mobility of Seniors & Individuals with Disabilities	Low	M edium	High	High	High	Currently U sed
14 Urbanized Area Formula Grants	High	M edium	High	High	High	Currently U sed
State						
15 FASTER Transit Grants	Low	M edium	High	High	High	High
16 Colorado High Performance Transportation Enterprise (CTIO)	Unknown	N/A	High	M edium	High	Low
17 Revitalizing Main Streets Grant Program	Low	M edium	High	High	High	M edium
18 Multimodal Transportation and Mitigation Options Fund	Medium	M edium	High	High	High	High
19 Volksvægen Settlement Trust Bus Replacement Program	Medium	Low	High	High	High	M edium
20 Clean Transit Enterprise	Low	M edium	High	High	High	M edium

Current work:

- · Identify grants & programs that correspond to project and operations needs
- Understand revenue potential of various grants & programs
- **Determine local** funding needs if grants & programs are utilized

TRANSFORT Fort Collins

Revenue Sources: Local Recurring

Local Recurring Funding Sources	Revenue Potential	Stability	Legal Parameters	Ease of Administration	Equity	Viability
21 *General Fund	Low	High	High	High	Medium	Low
22 *Community Capital Improvement Program	High	High	High	High	Medium	High
23 * Agreements and Partner Contributions	Medium	Medium	High	High	High	High
24 Transportation Utility Fee	High	High	High	Medium	Medium	Medium
25 Parking Charges	Medium	High	High	Low	Low	Medium
26 Motor Vehicle Registration Fee	Low	High	Medium	Medium	Low	Low
27 Climate Action Plan Tax	Low	Medium	Medium	Medium	Low	High
28 ** Special Purpose Sales Tax	High	High	Medium	High	Medium	High
29 **Property Tax	Medium	High	Medium	High	Medium	High
30 ** Transportation Capital Expansion Fee	Medium	Medium	Medium	High	High	Low
31 Excise Tax/Fee	Medium	Medium	Medium	Medium	High	High
32 Occupational Privilege Tax	High	High	Medium	Low	Low	Medium
33 Road Usage Charge/Vehicle Miles Traveled Tax	Low	Medium	Medium	Low	Low	Low
34 Marijuana Tax	Low	High	Medium	Medium	Low	High
35 Rideshare Fees	Low	Medium	Medium	Low	Medium	High
36 Scooter/Bikeshare Fees	Low	Medium	High	Medium	Medium	High

Current work:

- · Calculate revenue potential of high priority tools
- · Compare revenue potential to funding needs (one-time and ongoing)
- Understand different impacts of new and existing revenue tools, as well as those currently under consideration for citywide strategies



Revenue Sources: Districts & Other

ocal District Tools Funding Sources	Revenue Potential	Stability	Legal Parameters	Ease of Administration	Equity	Viability
37 Regional Transportation Authority	High	High	High	Low	Medium	High
38 Local Improvement District (LID)	Medium	High	High	Low	Medium	Low
39 ** General Improvement District (GID)	Medium	High	High	Medium	Medium	Medium
40 Transportation Reinvestment Zones (TRZ)	Low	Low	Low	Low	High	Low
41 Tax Allocation District	Low	Low	Low	Low	High	Low
42 TOD/Multi-Station TIF District	Low	Low	Low	Low	High	Low

Other Local Tools Funding Sources	Revenue Potential Stability	Legal Parameters	Ease of Administration	Equity	Viability	
43 ** Certificates of Participation	N/A	High	High	High	N/A	High
44 Public-Private Partnerships	Medium	High	High	Low	High	Low
45 Naming Rights/Sponsorship	Low	Low	High	Medium	High	Medium
46 Joint Development & Sale/Lease of Assets	Low	High	High	Low	High	Low
47 TIF & Value Capture Concepts of TOD	Low	M edium	High	Low	High	Medium

* Committee and for tennal funding

Revenue Sources (slides 18-20) see above

Kelly Ohlson; #37 on the list above, Regional Transportation Authority (RTA)

I played a role in defeating two RTAs that weren't for transit but were for road projects.

Assuming this RTA would be a transit RTA – not one masquerading

Rachel Shindman; the tools listed don't complete on the same field – we wanted to share information on what it could look like. Understand an RTA can be used for transit and other transportation projects but we are not at that point in our analysis yet to know – it is still in the hopper and there is no recommendation

Kelly Ohlson; I don't want to see an RTA that isn't almost all exclusively transit. It did get defeated for those other reasons.

Drew Brooks; any items in the Revenue Sources List (see slides above) that you want us to run away from or any that you want to move forward with?

Kelly Ohlson; I don't want naming rights that come bring in 3% of the money I despise naming rights - involved in sponsorships 45 on the list.

Drew Brooks; we are only looking seriously at the options highlighted in green

Travis Storin; we are bringing all four priorities to the December 13th as a status check with the full council

Julie Pignataro; maybe specifically ask that question about the list of revenue sources of the full council.

Current work:

- Determine revenue potential of various district and financing tools
- Consider how funding and financing tools can be combined into a comprehensive strategy

Emily Francis; some guidance on funding sources - aligning with our values and priorities

C. Sustainable Funding - Climate Options

Honore Depew, Sr. Manager, Environmental Sustainability John Phelan, Energy Services, Senior Manager Javier Echeverria Diaz, Sr. Analyst Finance Megan Valliere, Coordinator, Project Management

EXECUTIVE SUMMARY

The purpose of this item is to respond to the requests at the September 1, 2022, Council Finance Committee (CFC) meeting and provide several models for climate revenue generation for consideration. Five options for generating climate-focused revenue are summarized, along with the current revenue built into Utilities' electricity rate structure that supports climate initiatives.

The options presented include:

- 1) Sustainable Revenue for parks, transit, housing, and climate (in alignment with the ongoing CFC discussions)
- 2) OPTION 1: Dedicated Sales Tax specifically for climate initiatives
- 3) OPTION 2: Natural Gas excise tax
- 4) OPTION 3: Natural Gas as proxy fee for emissions
- 5) OPTION 4: Large Emitter Fee

These options are summarized based on initial research and case studies of peer municipalities. If directed, extensive additional legal and policy analysis will be needed for those options selected to be explored further in 2023. Given the additional time needed to conduct in-depth analysis for further consideration of each option, staff is requesting to know which approaches CFC members would like to remove from consideration at this time. Staff recommends exploring Options 1 & 2 further. Greater detail on future revenue use will be part of the December 13 Council Work Session.

GENERAL DIRECTION SOUGHT AND SPECIFIC QUESTIONS TO BE ANSWERED

Which climate revenue generating approaches would CFC members like to see prioritized for further analysis in 2023 and which should be removed from consideration?

BACKGROUND/DISCUSSION

Over the last year, City staff have identified and presented to Council Finance Committee (CFC) various revenue generation mechanisms to provide necessary resources for parks, housing, and transit. Since the conversation began, CFC has indicated a desire to see climate funding included as the "fourth corner" of the dedicated funding discussion. During the September 1, 2022, CFC meeting, staff presented a brief and general overview of potential revenue generation mechanisms for ongoing climate funding. After the staff presentation, which included only brief remarks on fees for large emitters, staff heard a clear request by committee members to present additional research and data exploring ways to both generate climate revenue and drive changes to systems and behaviors.

The analysis contained in this agenda item summary details the high-level, conceptual research in this area for CFC review. Should CFC desire more information about any of these options, it will require more in-depth policy and legal analysis in 2023 to determine how they would be implemented in the context of the City of Fort Collins, our existing finance and revenue generation tools, and the suite of options being presented to Council for sustainable revenue for parks, housing, transit, and climate.

The options detailed below and included in an attached summary table (See **Appendix 1**) are divided into two categories - *Core, Ongoing Climate Funding* and *Acceleration Opportunities / Enhancements to Core.* Staff considers *Core Funding* to include funding from the existing Utilities rate structure and possible new funding from the outcomes of the broader Sustainable Revenue project. Potential *Acceleration Opportunities* include options that would generate dedicated climate revenue while also working toward Our Climate Future goals using financial incentives and disincentives that encourage systems and behavior change within the community. The options are summarized below with detailed discussion available in the attached Appendix 2. The summaries include a brief overview of the funding mechanism (i.e., description, potential uses of funding, revenue potential (when available), flexibility of funds) and key policy considerations (equity considerations and implementation notes).

Core, Ongoing Climate Funding

Core Funding includes revenue from the existing Utilities electricity rate structure and possible new funding from the outcomes of the broader Sustainable Revenue project.

Existing Revenue (Utilities)

Overview

The existing electrical rate structure generates funds directly from customers to help manage community electricity use and carbon emissions. Current electric use would be 21% higher without this funding, which has been in place since 2005. A portfolio evaluation of Utility programs confirmed that for every \$1.00 invested, Utility efficiency programs recognized \$1.80 in local community benefits.

- **Uses**: Program resources are available for residential, commercial, and industrial customers and are closely coordinated with Platte River Power Authority. The funds are used to support a range of climate initiatives, including energy efficiency, increased renewables, and enhanced grid flexibility.
- **Revenue**: Fort Collins Utilities generates more than \$6 million annually from the existing rate structure. City Council approves the Utility customer electric rate structure by ordinance annually or when needed.
- **Flexibility**: Funds are allocated through the Fort Collins Budgeting for Outcomes (BFO) process. As a result, the funds can be used for a wide array of purposes that align with the Fort Collins Utility charter.

Key Policy Considerations

- **Equity**: The BFO process and staff program design can support equitable distribution of the funds. Past examples include Epic Homes focus on rental properties, the Larimer County Conservation Corp Energy and Water Program and targeted small business lighting incentives.
- Other Considerations: These ongoing and evolving programs have a proven track record of positively
 impacting environmental, social, and economic conditions in Fort Collins and contributing to the
 outcomes of the Our Climate Future plan.

Sustainable Revenue (Climate, Transit, Housing, Parks)

Overview

The New Revenue Core Team has presented and discussed the pursuit of sustainable revenue via a repurposed sales tax, property tax, excise tax, user fee, or other mechanisms identified and discussed in past CFC meetings. Splitting this revenue between parks, transit, housing, and climate will provide ongoing funding for all four areas, enabling targeted spending on climate initiatives that will support the City and community in reaching our climate mitigation and resilience goals.

- **Uses**: A wide range depending on the structure of the revenue funding model which could support residential, commercial, and industrial structures and users.
- Revenue: Depends on the chosen structure.
- **Flexibility**: Since any of the revenue generation mechanisms included in past discussion can be written broadly to allow for a wide variety of investments and last for as many years as the Council and community would like, this revenue will provide for both flexibility and consistency in our approach.

Key Policy Considerations

- **Equity**: These mechanisms affect a broad swath of the community and collect revenue from most individuals in the city. Depending on structure, this approach will likely be regressive (having a proportionally greater impact on low-income community members). Equity considerations should be built into these revenue options to reduce the impact on specific community populations.
- Implementation: These mechanisms, aside from user fees, require voter approval.

Acceleration Opportunities / Enhancements to Core

Potential Acceleration Opportunities include options that would generate dedicated climate revenue while also working toward Our Climate Future goals using financial incentives and disincentives that encourage systems and behavior change within the community.

OPTION 1: Dedicated Sales Tax for Climate Initiatives

Overview

This option could be considered separately from or as part of the new sustainable revenue package being developed for parks, housing, transit, and climate funding. One possibility would be to put forth a voter-approved tax for climate (inclusive of parks, housing, and/or transit) to help accomplish Our Climate Future goals, or it could be an additional dedicated tax separate from the package of new revenue tools discussed above. Examples include Denver's Climate Protection Fund and the Portland Clean Energy Community Benefits Fund (both are described in detail in the attached *Appendix 2*).

- **Uses**: Both Denver and Portland's funds can be applied to a wide range of allowable uses, including buildings, renewables, workforce, transportation, environmental & climate justice, regenerative agriculture, green infrastructure, adaptation & resiliency, future innovations, and administration.
- **Revenue**: Denver's fund generates \$40 million annually and Portland's generates \$30 to \$60 million depending on the source. Local revenue generation would depend on the rate and applicability of the tax and should be expected to be significantly lower given the population differential between Fort Collins and Denver/Portland.
- Flexibility: A dedicated sales tax can be written to have a wide range of allowable uses, as in the Denver and
 Portland case studies. Staff views this potential revenue source as highly flexible as well. As in the case of core
 new revenue, this funding could last as long as Council and the community would like, and it would impact
 the entire community as well as visitors who enter the City and pay sales tax as part of their purchases while
 in town.

Key Policy Considerations

Equity: Sales taxes are inherently regressive, but Denver has found a way to distribute resources generated
from their tax equitably. Denver's ordinance creating the Climate Protection Fund (CPF) states that it "should,
over the long term, endeavor to invest fifty percent (50%) of the dedicated funds directly in the community
with a strong lens toward equity, race and social justice." Portland only assesses a surcharge on gross revenues

from large retailers due to their outsized impact on climate change. Small retailers were excluded to minimize impacts on small- and medium-sized businesses within the community.

• Implementation: A dedicated sales tax requires voter approval.

OPTION 2: Natural Gas Excise Tax

Overview

One policy option that could both raise revenue and disincentivize emissions is an excise tax on natural gas use. A new tax could be assessed on the delivery of natural gas and charged directly to the entities that deliver natural gas (e.g., Xcel Energy). The delivery entity would have discretion on how to pass the cost along to customers. A local example is Boulder's experience in environmental revenue generation through a similar tax structure (for a detailed description of the current and proposed Boulder approaches see the attached *Appendix 2*).

- Uses: In Boulder, the revenue collected from their existing climate taxes has been put toward rebates and
 incentives to help residents and businesses reduce energy usage and implement solar solutions, piloting
 innovative technologies, implementing local policies, lobbying and advocacy for regulatory changes at other
 levels of government, and other initiatives related to reaching the City's clean energy goals. Their proposed
 natural gas excise tax includes allowable uses for revenue such as direct cash assistance for energy efficiency,
 microgrid energy storage, building electrification, transportation infrastructure electrification, natural climate
 solutions, and wildfire resilience.
- Revenue: Revenue generation locally will vary depending on how it is structured and could be one of the higher-impact options to consider. Because staff expects the community to slowly phase out its dependence upon natural gas, revenue generated from an excise tax of this type will likely endure for greater than ten years and into the foreseeable future. In Boulder, the combined total of average annual revenue for their existing two taxes is roughly \$3.9 million per year and could increase to \$6.5 million per year with their tax consolidation proposal this November.
- **Flexibility**: The Council can structure allowable uses for the tax as broadly as it would like in the ballot language, therefore, this revenue generation mechanism could be highly flexible.

Key Policy Considerations

If Council is interested in pursuing this option, staff will need to conduct additional research and analysis to determine estimates for implementation and administrative costs.

- **Equity**: Staff would classify this mechanism as regressive since the City maintains little control over how natural gas providers pass costs onto their customers and because an excise tax on a utility will likely impact low-income customers to a greater degree than middle- and high-income customers. Boulder is pursuing options to enhance the equitable application of the tax.
- Implementation: A new excise tax requires voter approval. There may be several legal complexities with implementing a general tax on natural gas providers that is then passed onto consumers, especially given the City's current contract with Xcel Energy. The City currently maintains a franchise fee agreement with Xcel Energy which grants them the nonexclusive right to use City streets, public utility easements, and other City property for the purpose of providing natural gas service in exchange for a fee, which they pass down to consumers. More information about the City's franchise agreement with Xcel Energy can be found below.

OPTION 3: Natural Gas as Proxy Fee

Overview

When considering potential revenue from medium-sized emitters (entities not required to report to the EPA because they are under the 25k MT CO2e/year) natural gas consumption could be used as a proxy for emissions, and a fee could be charged to medium-sized emitters. This option is the least-well understood due to staff's inability to find local, regional, or other peer examples of this type of program.

- **Uses**: The use of these funds would need to be tied to the actions or behavior of the feepayer limiting the ability to achieve broader Our Climate Future goals and objectives.
- **Revenue**: For the same reason as the previous option, staff believes that revenue generated from this mechanism will endure for greater than ten years and into the foreseeable future.
- Flexibility: Fees must legally have a narrower use that applies these recovered dollars to the cost of programs
 that address shortfalls imposed by feepayers. The use of revenue generated via this mechanism would be
 restricted to a greater degree than a voter-approved tax. Council and City Staff would need to brainstorm
 creative ways to use revenue to target emissions in a way that ties the fee revenue to the costs incurred due
 to activities related to GHG emissions by the City's largest emitters.

Key Policy Considerations

Since the City does not supply natural gas, staff does not currently have access to consumption levels by account within the community. Should Council be interested in pursuing this type of revenue generation, staff will need to invest time and resources into understanding the legal and policy-related complications that may arise from the use of a fee-based mechanism. Researching how staff will collect data on the largest natural gas emitters in the community will present an additional hurdle for this option.

- **Equity**: Since the fee would directly target the community's largest emitters, it would be levied equitably. Nonetheless, Council and staff would still need to make intentional investments of fee revenue in ways that are both legal and equitable to enhance the community-wide impact of the revenue.
- Implementation: A fee does not require voter approval. The largest barrier to this type of program is determining exactly which consumers would be subject to the fee (i.e., the top 50 or 100 consumers, consumers above a certain threshold, etc.) and how the City would collect that information. At this time, staff does not have an estimate of the implementation/administrative costs of a natural gas proxy fee, in part due to a lack of peer examples in this space.

OPTION 4: Large Emitter Fee

Overview

A "large emitter" would be defined as those entities reporting more than 25,000MT CO2e annually, as reported to the EPA. The recommended fee would be based on the Social Cost of Carbon, which is priced at \$51/MT of carbon emitted. At this level of carbon emissions, there are three facilities within City limits to which the fee would apply, Broadcom, Colorado State University, and Anheuser Busch (details on emissions available in the attached *Appendix 2*).

• **Uses**: Fees require the organization to use the recovered revenue in pursuit of programs and policies that connect to the issue caused by the behavior or actions of the feepayer. Consequently, the safest investment of fee revenue would result in the City providing programs or rebates that earmark funding for these entities to address large sources of emissions and their impact on climate and environment in our community.

- Revenue: Assuming a fee of \$51/MT of carbon emitted this revenue mechanism could generate as much as \$10.9 million annually (details of the revenue calculation available in the attached Appendix 2). As with many behavior-based policy interventions, revenue is expected to decrease over time as emitters align their behavior with the expectations of the policy in an attempt to reduce their overall costs.
- **Flexibility**: Fees must legally have a narrower use that applies these recovered dollars to the cost of programs that address shortfalls imposed by feepayers, the use of revenue generated via this mechanism would be restricted to a greater degree than a voter-approved tax. Council and City Staff would need to brainstorm creative ways to use revenue to target emissions in a way that ties the fee revenue to the costs incurred due to activities related to GHG emissions by the City's three largest emitters.

Key Policy Considerations

Further staff analysis is necessary to understand the resource-intensiveness of this approach in terms of administrative costs as staff is unaware of other analogous programs for comparison. In terms of equity, staff's evaluation is that this mechanism is generally more progressive in nature than other options since it targets the highest emitters in the community. Nonetheless, it also creates an arbitrary line between emitters that are required to report to EPA and those just under the threshold of 25MT, potentially creating equity issues between entities just above and below the line.

- Equity: Since the fee would directly target the community's largest emitters, it would be levied equitably.
 Nonetheless, Council and staff would still need to make intentional investments of fee revenue in ways that are both legal and equitable to enhance the community-wide impact of the revenue.
- Implementation: Because this revenue generation strategy is not a traditional tax, it does not require voter approval via ballot initiative. This may ultimately lessen the procedural hurdles toward implementation. CSU is a separate governmental entity unlike the other two private enterprises, the likelihood of legal complexity is relatively high according to analysis by the City Attorney's Office.

Additional Lever - Natural Gas Franchise Fee

The City assesses a tax called an occupational privilege gas service tax paid by Xcel Energy to the City in exchange for the non-exclusive right of the company to use City streets, public utility easements, and other City property for the purpose of providing utility service to the City and residents. The franchise agreement specifies that Xcel must collect the fee via a surcharge upon City residents who are customers of the company. The fee is then remitted to the City in monthly installments.

Allocation of Existing Franchise Fee Revenue

The revenue generated from this tax averages nearly half a million dollars per year (historical detail available in the attached *Appendix 2*), all of which is then funneled directly into the general fund.

The franchise fee was originally instated in 1987, and several updated agreements between the City and Xcel have been executed in the decades since. The latest agreement was signed in 2018 and stipulates the terms of the franchise fee, including the maximum surcharge to be collected from customers, which is set at 3%. The current franchise agreement is set to terminate in 2038.

While franchise fees can provide reliable and sustainable revenue for the general fund which can then be allocated flexibly based upon the needs of the greater organization (as is currently the case in Fort Collins, Greeley, Thornton, Lakewood, and Frisco, CO) some municipalities have leveraged these funds creatively in pursuit of climate and environmental health goals (examples are available in the attached *Appendix 2*).

Importantly, redirecting the use of franchise fee revenue at its currently negotiated level of 3% for climate-related goals, policies, and programs does not constitute new revenue generation in the context of the present sustainable revenue conversation.

Renegotiation of Franchise Fee

While redirecting the use of current franchise fees solely to climate-related programs does not create new revenue, Council could endeavor to reopen and renegotiate the terms of the current agreement to raise the surcharge on customers. If, for example, the surcharge was doubled to 6%, the City could generate an additional \$300k - \$500k per year on average. This could raise the annual revenue to a total yearly average of between \$600k - \$1M which could be leveraged in pursuit of GHG reduction goals outlined in Our Climate Future plans.

Staff Recommendation and Next Steps

Staff recommends further legal and policy analysis of Options 1 & 2 as part of the broader Sustainable Revenue conversation. These tax-based options for climate revenue generation are anticipated to have longer timeframes, higher flexibility for use of funds, and fewer legal complications compared with (fee-based) Options 3 & 4.

Next steps for this process will be:

- Take CFC guidance on which options to investigate further
- Provide a timeline to the full City Council at the December 13 Sustainable Funding Work Session that includes future analysis of the selected revenue generation strategies

The December Work Session will also be an opportunity to go deeper into what new revenue may be used for. As shared in the recent OCF Work Session, there will be many investments needed to achieve adopted climate and waste goals, in alignment with the OCF Pathways and the Council OCF Action Roadmap.

DISCUSSION / NEXT STEPS

GENERAL DIRECTION SOUGHT

Which climate revenue generating approaches would CFC members like to see prioritized for further analysis in 2023 and which should be removed from consideration?

Recommended funding options	Flexibility of funds use	Legal complications	Time-frame
Sustainable Revenue (Climate, Transit, Housing, Parks)	Higher	Low	Longest
OPTION 1: Dedicated Sales Tax for Climate Initiatives	Higher	Low	Longest
OPTION 2: Natural Gas Excise Tax	High	Low/Med	Long
OPTION 3: Natural Gas as Proxy Fee	Low	High	Medium
OPTION 4: Large Emitter Fee	Lowest	Highest	Short/Med

Julie Pignataro; the reason we know who the top 3 emitters are, is because they must report to the EPA, correct?

Honore Depew: the EPA defines a large emitter as anyone over 25K metric tons of CO2 equivalent (can be various greenhouse gas emissions) annually - three such emitters in the city of Fort Collins

Julie Pignataro; is there anything like a medium / medium high classification?

Honore Depew: not so much about the classification but more about the reporting requirement – if you are less than 25K metric tons per year, you are not required to report to the EPA.

Julie Pignataro: so, we couldn't define a medium?

John Phelan; the other key distinction for a large emitter is that those units (metric tons) are directly in carbon dioxide, once you get below that threshold, there is no carbon dioxide metric to report so you have to switch to some other measurement to determine medium, medium high etc. From our initials research, it looks like natural gas use would be the next best option that would apply in a broad way across the community. There simply isn't anything that measures carbon as an emission.

Julie Pignataro; is the natural gas use information private or available / public?

John Phelan; we would have to go through some extensive work to get that information - we get aggregate information currently from Xcel Energy – large blocks of commercial, residential - not detail. In order to get the specific information, we would have to ask as part of our research. Our attorneys and our policy staff. The data does exist but is a matter of us getting access to it.

Julie Pignataro; would I have to give permission for someone to get the data for my home? Businesses would have to give their permission too.

John Phelan; You would have to give permission and the same for a business. Boulder is our best proxy for this as they have been using a similar approach for many years. They have worked with Xcel to apply the tax through their billing system. Boulder is not getting the usage information on individual customers, but, they have an agreement with Xcel. We would have an additional challenge as we want to go beyond Xcel We want the buyers who buy from any natural gas provider, the City of Fort Collins as an example, only uses Xcel pipes but does not buy the gas from Xcel. It seems plausible that we could find out through our regulations, requirements and working with our partners—but we don't have any specific examples of seeing it done that way.

Javier Echeveria-Diaz; Boulder is trying to achieve and pass a tax rate on transport natural gas providers, There are 14 of them. They will do it on revenue versus gas usage because it is easier to track. I don't know if it was a legal barrier or just the intricacy of the detail work.

Julie Pignataro; it might be worth finding out why they do it that way. Question for John Duval, if it is a fee, there must be a connection, right? Could it be a fee that could fund transit (because it is somewhat connected to air quality) or would it need to be more connected than that?

John Duval; any fee we collect must reasonable benefit the fee payers. The difficulty with transit would be how do the emitters benefit with the fee going toward transit? There is the example of the Aspen case where they charged a fee for the plastic bags and used the money for recycling and recycling education, so it is possible to look into that framework. The Supreme Court upheld that as a valid fee. Might be useful in coming up with a process or a use of the fees that at least, indirectly benefit the fee payers (the emitters). If you wanted us to pursue that route, we would have to look more into the detail of how we would set up the program so we could defend it as in some way benefitting the fee payers.

Julie Pignataro; Option 2 - Natural Gas Excise Tax – was it stated that would just be turned over to the customer or did I misread that?

John Phelan; so, the large emitter fee with only 3 entities potentially paying that fee would be most restrictive in terms of potential uses. Whereas, a Natural Tax Excise Tax, because it is a tax, would require voter approval and uses could be framed in the ballot and would have quite a bit of flexibility. Its kinds of hits a middle spot between longevity and intending natural gas use to decrease over time over a course of a larger group of customers would be providing revenue for quite a few years versus the large emitter fee which could drop off a cliff rather quickly if any of the 3 go below the 25K metric tons per year and they all have intentions of doing so.

Travis Storin; what is passed through to the end user and equitability. The example around Boulder (we will find out next Tuesday when that goes to the voters) is being levied on the 15 gas transporters. It is a safe assumption that that increase will get passed on to the user. Presumably, large consumers like a big commercial entity utilizing higher volumes of natural gas will pay a greater share than an individual resident would.

Emily Francis; my understand is that option #2 is only for gas providers – the amount they are emitting is just a tax

Travis Storin; the correlation we were looking to draw is that you would disincentive consumption of natural gas – the optimal amount of revenue is \$0 – maybe someday, over time we reach that point but the less gas you use the less tax you pay – for the end user – assuming this would be done in a Boulder like type model.

Emily Francis; most homes are still built with gas so what do I do, not turn my stove on? The reason we were looking at those large emitters is because we want them to reduce their emissions. To my knowledge, they aren't doing it that quickly so yes, that funding could run out or decline but say over 5 years we have revenue that we could choose what to do with, knowing that it is going to end. The goal is we want it to go down. so we are going to put a fee on it until you do. The end goal of why we are trying to do the emitter fee is different that the natural gas. That is one way to tax, but I think it is regressive still and people can't choose right now as most homes are built to use gas.

Does option #3 incentive people to reduce their emissions?

John Phelan; in all cases, fee, or tax, we are using this to get them to reduce their use whether it be carbon emission or gas. For either option #2 or #3, you could define thresholds where it doesn't impact residential or has a very small impact on residential users and only target the larger users. If approved as a tax, there would be more flexibility in use than as a fee, so they are very similar, just different approaches. You could draw a line as to who you are targeting with a variety of levels to shield those who cannot pay.

Honore Depew; to bring it back to Emily's point earlier about how it feels regressive -asked to turn off their gas stoves but in the long run, yes as you saw at the work session in the Council Action Roadmap, the performance standards – we need to electrify our building stock, both new and existing. While providers can decide how to pass along a fee to their customers / end users. We can also build in equity-based exemptions to the way that is designed to incentivize or directly fund that type of convergent away from natural gas using devices in the home.

I am going to turn it over to Lindsay Ex to address the concern Emily also brought up about the declining rate of fees paid by large emitters over time,

Lindsay Ex; what we do know, there are three entities that were identified as large emitters that do the federal reporting. CSU and Anheuser-Busch are two of those and they have publicly stated goals to reduce emissions over time and are actively working on that. While Broadcom doesn't have public goals yet, we have been meeting with them quarterly particularly since the inclusion of the industrial process and product emissions were built into our inventory by council a few years ago to better understand what they are doing as a company to reduce your emissions. We are able to share that between 2015 and 2021, they have reduced their emissions by nearly 60% and they are doing so at such a fast rate that as an example when we did the initial numbers as a result of this inquiry, in 2020 that revenue would have been approximately \$7.1M but based on their decreases in 2021 alone, that revenue would have decreased to \$6.4M, so that helps to show at a high level how these large emitters are already taking action. Because of the nexus requirements of any fee, all the benefits would go right back to these 3 emitters anyway.

Emily Francis; some organizations make goals and don't accomplish them. That was helpful I am not opposed to natural gas but would like to see more of a phased approach as I don't think as a city we are ready to implement and move forward with requiring electrification of all home or to converting homes. I would be hesitant to start that fee or tax now when we don't have that in place. Like Julie, I am not opposed to any of

them. For the sustainable funding source, I would like to see that in a stack related to how that would play out with the others. Maybe a combination

John Phelan; if that natural gas approach was targeting large users rather than residential, does that change how you think about those options?

Emily Francis; I guess I just don't see how it wouldn't be passed on.

Travis Storin; the point in us bringing it up is that it goes to an end user and with a minimum threshold could exempt certain households or residential entirely. But our high-volume users and high-volume emitters would be given that incentive because whatever amount they get passed through they will pay less if their gas bill is lower. This tax will likely manifest itself in a higher per therm rate or some kind of surcharge on their bill.

Kelly Ohlson; for the large emitters, is this self-reporting – how do we know there are not more hitting that number but just not reporting.

John Phelan; there could be some risk there – it is self-reported based on protocols for how to do greenhouse gas emissions. I can't state categorically that there is not someone else who should be reporting. Reporting is related to the regulatory environment of the air permits that they have – the size of the plants they have.

Kelly Ohlson; cutting to the chase - we are not making any decisions. I am reluctantly willing to perhaps save some time to take the large emitter fee off the table for a couple reasons; CSU is a tad questionable (legally) and if PRPA was located within our city limits, they would fall into that category.

John Phelan; yes, they would fall into that category

Kelly Ohlson; I am not willing to eliminate the other options. I think staff wanted to discontinue work on option #3 I am not willing to let that go yet until we have more data Willing to let option #4 go and keep the others alive and request more work.

Julie Pignataro; I am willing to let option #4 go for now but it does bring up an interesting question when we talk about all of the electrification if PRPA isn't lock step with us – because they will have to use more natural gas as they bring down the coal use.

Honore Depew:

Continue looking at climate revenue sources as part of the larger sustainable revenue Conversation to include a potential sales tax

Research further using natural gas as a proxy with options around a fee or a tax – not excluding either at this point

Letting the large emitter fee go as we move into the December work session.

Kelly Ohlson; coming up on this work session – it is Council's prerogative to not do what we recommend We are letting the large emitter fee go but are not giving any direction on the first part -we have spent 5 meetings on these

Travis Storin; I wanted to reinforce that the previous topic is very much in the conceptual stage, and I don't want the committee to have the expectation that the climate topic will be fully flushed out by the December 13th work session. The work session is intended to be holistic around all four priorities.

Meeting Adjourned at 6:10 pm



COUNCIL FINANCE COMMITTEE AGENDA ITEM SUMMARY

STAFF: Blaine Dunn, Accounting Director

DATE: December 1, 2022

SUBJECT FOR DISCUSSION: 2022 Financial Policy Review

EXECUTIVE SUMMARY: Once a year a portion of Financial Policies are reviewed and updated as needed. Staff is committed to reviewing each policy no less than every 3 years. Policy 7 and Policy 8 were reviewed in January 2022, but additional concerns were brought forward with some of those changes, so staff has adjusted the recommendations around the Local Government Investment Pools. Staff is also adding one change under Policy 5, to be reviewed by the Committee during this meeting. Policies up for review this year are:

Financial Management Policy 5 – Fund Balance

Financial Management Policy 7 – Debt

Financial Management Policy 8 – Investment

GENERAL DIRECTION SOUGHT AND SPECIFIC QUESTIONS TO BE ANSWERED

1. Does Council Finance Committee support the changes as recommended?

BACKGROUND/DISCUSSION

Financial Management Policy 5 – Fund Balance Minimums: This policy has one change:

- Section 5.3 Minimum Balances
 - o Change Benefits Fund minimum balance from 30% to 25%

Financial Management Policy 7 – Debt: This policy has four sections with recommended changes

- Section 7.3 Types of Debt and Financing Agreements
 - o Clarify when equipment leases can be used
 - o Clarify parameters for conduit debt
- Section 7.4 Debt Structure and Terms
 - o Remove language of capitalizing interest per new accounting standards
- Section 7.8 Inter-agency Loan Program
 - o Section is being moved from Policy 8 Investment, with no additional changes
- Section 7.9 Other
 - o Clarify additional items to be included on future Debt Administration Policy

Financial Management Policy 8 – Investment: Throughout the Policy the Poudre River Library District is added for who this policy applies to. This policy has four sections with recommended changes:

- Section 8.1 *Policy*
 - o Clean up language
- Section 8.6 Suitable and Authorized Investments
 - o Clarify there are no split ratings allowed on purchased investments
- Section 8.7 Diversification and Liquidity
 - o Renaming section to remove duplicate
 - o Increase amount allowed in Local Government investment pools to be changed from 20% to 60%
- Section 8.8 *Inter-agency Loan Program*
 - o Removed from policy and added to Policy 7 Debt

ATTACHMENTS

- Presentation Slides
- Policy 5 Fund Balance, redline version
- Policy 5 Fund Balance, clean version
- Policy 7 Debt, redline version
- Policy 7 Debt, clean version
- Policy 8 Investment, redline version
- Policy 8 Investment, clean version





Financial Management Policies Review



Does Council Finance Committee support the changes as recommended?



Policy #	Policy Name	Last CFC Review Date	Next CFC Review Date
1	Budget	November 2020	November 2023
2	Revenue	November 2020	November 2023
3	General	November 2020	November 2023
5	Fund Balance	Today	November 2023
7	Debt	Today / January 2022	November 2024
8	Investments	Today / January 2022	November 2024



- Change to Fund Balance Policy
 - Reduce the Benefits Fund balance minimum policy from 30% down to 25% of annual medical and dental expenses

- After January discussion at Council Finance concerns were raised about holding 100% of funds in Local Government Investment Pool (LGIP)
 - Staff believes these are safe a prudent investment options for the City
 - Policy was originally changed to allow 100% of funds to be invested in LGIPs
 - While in practice this is will never happen, it would still be possible
 - After further review, staff is recommending changing LGIP max to 60% of portfolio



Policy 5 – Fund Balance



Sections:

- 1. Governmental Funds and Fund Balance
- 2. Proprietary Fund and Working Capital
- 3. Minimum Balances (change Benefits Fund minimum from 30% to 25%)
- 4. Below Minimum

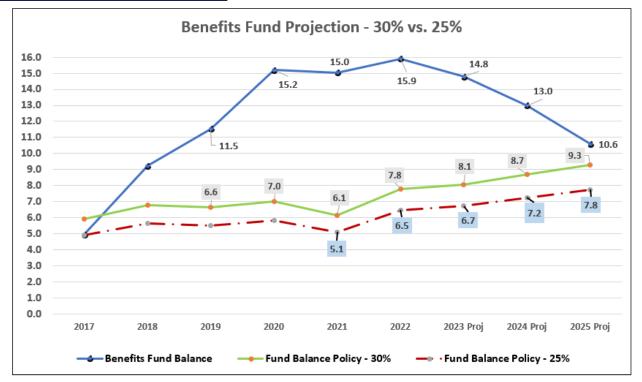


5.3 Minimum Balances, Section F – Internal Service Funds

Change benefits minimum from 30% to 25%

Impact and Projections of Fund Balance

	Budget		Projected		Projected		Projected	
		2022		2023		2024		2025
Medical/Rx	\$	24.3	\$	25.4	\$	27.3	\$	29.3
Dental	\$	1.6	\$	1.5	\$	1.6	\$	1.7
Total	\$	25.9	\$	26.9	\$	28.9	\$	31.0
30% Policy Min.	\$	7.8	\$	8.1	\$	8.7	\$	9.3
25% Policy Min.	\$	6.5	\$	6.7	\$	7.2	\$	7.8
Policy Differential	\$	1.3	\$	1.3	\$	1.4	\$	1.6
* - in millions								





Policy 7 – Debt



Sections:

- 1. Authorization for Municipal Borrowing
- 2. Purpose and Uses of Debt
- 3. Types of Debt and Financing Agreements (clean up)
- 4. Debt Structure and Terms (remove section per new accounting standards)
- 5. Refinancing Debt
- 6. Debt Limitations and Capacity
- 7. Debt Issuance Process
- 8. Inter-agency Loan Program (new section moved from Investment policy)
- 9. Other (adding additional information)



7.3 Types of Debt and Financing Agreements

- Clarification on where lease purchases shall be recognized
- Updating which policies additional information can be found

7.8 Inter-agency Loan Program

- This section used to exist within the Investment Policy, but closer aligns with Debt Policy
- No other changes to the policy are recommended

7.9 Other

- Additional clarification on what is included within Debt Administration Policy
- Debt Administration Policy is still under development by staff



Policy 8 – Investment



Sections:

- 1. Policy
- 2. Scope (add Library District to applicability of policy)
- 3. Investment Objectives
- 4. Standards of Care
- 5. Safekeeping and Custody
- 6. Suitable and Authorized Investments (clarify no split ratings)
- 7. Suitable and Authorized Investments Diversification and Liquidity (Rename and change Local Government Investment Pools (LGIP) to 60% max, from 20%)
- 8. Inter-agency Loan Program (remove and put in Debt policy)
- 9. Reporting
- 10. Policy Adoption (clarify cadence of policy updates)



8.2 Scope

Add Poudre River Public Library District to scope of policy

8.6 Suitable and Authorized Investments

Update ratings rules to clarify no split ratings for investments will be allowed

8.7 Diversification and Liquidity

- Update name; previously had two sections named Suitable and Authorized Investments
- Increase amount allowed to be held in LGIP to 60% (from 20%)

8.8 Inter-agency Loan Program

Remove from Investment Policy and add to the Debt Policy



What is an LGIP?

- A short-term investment vehicle available to governmental entities
- Money of participating governments is combined to invest in short term securities
- Operates like a money market mutual fund with stable net asset value

What are the main characteristics?

- Maximum safety
- High liquidity
- Competitive yields

How do we invest in LGIP?

- Invest in two AAAm rated Colorado pools: COLOTRUST and CSAFE
- Account for 12% of the City's investment portfolio as of November 2022
- Daily access to cash withdrawal and contribution



- Bring Policy changes to City Council for consideration as soon as practical
- These specific policies will be reviewed again no later than 2024



Does Council Finance Committee support the changes as recommended?



Additional Information on LGIP's



How did COLOTRUST do in 2008?

- Navigated through the crisis without limiting redemptions, and maintaining the stable \$1 NAV
- Robust credit research and portfolio management teams saw flags before downturn
- Maintained AAAm rating through financial crisis

How did CSAFE do in 2008?

- Owned a small position in Lehman Brothers in the Reserve Fund
- A temporary 5% redemption limitation
- No Participant lost any principal or interest and CSAFE maintained its AAAm rating.



A Money Market Fund Reform implemented by SEC in 2016:

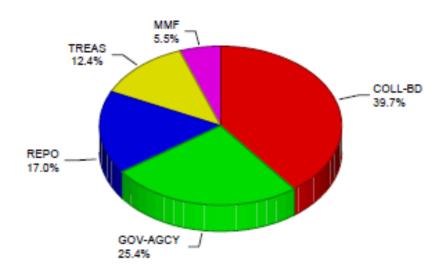
- Enhance the stability of money market funds and to reduce investor risks
- Limit investments to short-term, high-quality debt securities with little value fluctuation
- Maintain a significant amount of liquid assets to meet reasonably foreseeable redemptions
- Diversity portfolios by limiting the funds to investing no more than 5% in any one issuer

COLOTRUST & CSAFE Policy Adoption Highlights:

- Amend investment parameters and maturity limitations in investment policy to comply with MMF reform by SEC
- Move away from prime MMF to Government Securities and a diversified A1 rated Commercial Paper of individual names
- Exposure to a single corporate or municipal issuer limited to 5% of total fund portfolio

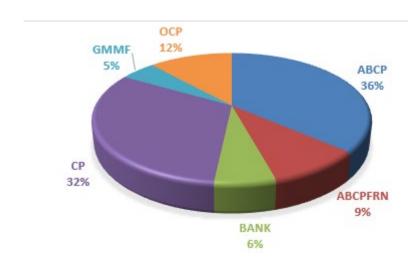


COLOTRUST Holdings Overview



- No exposure to oil/gas companies
- Eligible investments include:
 - US Treasury Securities
 - US Agency Securities
 - Collateralized Bank Deposits
 - Repurchase Agreements
 - Commercial paper not rated below A-1, P-1, or F-1

CSAFE Holdings Overview



- No exposure to oil/gas companies
- Eligible Investments Include:
 - U.S. Treasury & Agency Securities
 - U.S. Government Instrumentalities
 - Municipal Securities
 - Repurchase Agreements
 - U.S. dollar denominated senior debt instruments issued by corporations

Fund Balance Minimums

Issue Date: 01/12/21

Version: 5

Issued by: City Council

Objective:

To set minimum fund balances as to mitigate risk, maintain good standing with rating agencies, and ensure cash is available when revenue is unavailable. The policy sets minimum fund balances, not targets or maximum balances. Each fund should be evaluated by staff to determine the appropriateness of maintaining fund balances above the minimums set in this policy. Contingencies for severe weather, prolonged drought, and anticipated capital spending should be considered independently from this policy.

Applicability:

Funds—This policy applies to all City funds. It does not apply to URA, DDA, PFA and Library.

Authorized by:

City Council Resolutions 1994-174, 2008-038, 2014-058, 2017-101, 2021-010

5.1 Governmental Funds and Fund Balances

To set minimum fund balances so as to mitigate risks, maintain good standing with rating agencies, and ensure cash is available when revenue is unavailable. The policy sets minimum fund balances, not targets or maximum balances. Each fund should be evaluated by staff to determine the appropriateness of maintaining fund balances above the minimums set in this policy. Contingencies for severe weather, prolonged drought, and anticipated capital spending should be considered independently from this policy.

The Equity on balance sheet of a governmental fund is called Fund Balance. The current classifications of Fund Balance in governmental funds are primarily based on the origin of the constraints. The following categories are in decreasing order of constraints.

Non-Spendable Permanent endowments or assets in a non-liquid form

Restricted Involve a third party: State Legislation or

Contractual Agreements

Committed Set by formal action of the City Council

Assigned By staff, and/or residual balances in a Special Revenue Fund

Unassigned Remaining balances in governmental funds

Minimums outlined in section 5.3 relate only to **Assigned and Unassigned** balances.

5.2 Proprietary Fund and Working Capital

Internal Service Funds and Enterprise Funds are accounted for nearly identical to the private sector. The balance sheets include long term assets and long term liabilities. The resulting Equity section on their balance sheet, called Net Position, is not always a good measure of spendable financial resources. To get to spendable financial resources, a common calculation is to take Current Assets and subtract Current Liabilities, with the net result called Working Capital.

To further refine, for purposes of this policy, certain required restrictions are further subtracted and result in **Available Working Capital**. Some examples of required restrictions are unspent monies for Art in Public Places, Water Rights, and existing appropriations for capital projects. The minimums outlined in section 5.3 relate to Available Working Capital.

5.3 Minimum Balances

The following Minimum Balances refers to Assigned and Unassigned Fund Balances in governmental funds and Available Working Capital in the Internal Service Funds and Enterprise Funds.

A. General Fund

<u>60 Day Liquidity Goal</u> - The Commitment for Contingency should be at least 60 days (17%) of the subsequent year's originally adopted budgeted expenditures and transfers out. The calculation for the minimum level shall exclude expenditures and transfers out for large and unusual one-time items.

Important note – the 60 Day Liquidity Goal is in addition to the Emergency Reserves required by Article X, Section 20(5) of the State Constitution. This reserve must equal 3% of non-exempt revenue and can only be used for declared emergencies. Fiscal emergencies are specifically excluded by the State Constitution as qualifying use of this reserve.

B. Special Revenue Funds

No minimum balance is required.

C. <u>Debt Service Funds</u>

No minimum balance is required.

D. <u>Capital Project Funds</u>

No minimum balance is required.

E. <u>Enterprise Funds</u>

Enterprise funds focus on working capital rather than fund balance.

Enterprise Funds shall maintain a minimum Available Working Capital equal to 25% of Operating Expenses, less Depreciation. Exception1: In the case of L&P, operating expenses will include purchased renewable energy for resale but will not include regular purchased power for resale (i.e. Platte River Power Authority). Exception 2: In the case of Golf, the minimum fund balance will be 12.5%.

Important note – The Water Fund holds a balance for Restricted Water Rights. The balance equals the amount of cash in-lieu-of water rights payments and raw water surcharges less any expenses for acquiring water rights and water storage;

The enterprises funds should also be accumulating available working capital above these minimums for the purposes of funding future capital projects.

F. <u>Internal Service Funds</u>

Each fund is a unique operation and will maintain a minimum Available Working Capital as follows:

601	Equipment Fund	8.3%	Of annual operating expenses, excluding
			depreciation
602	Self-Insurance Fund *	25.0%	Of annual operating expenses
603	Data & Communications	0.0%	N/A
	Fund		
604	Benefits Fund	<u>25.0</u> 30.0%	Of annual medical and dental expenses
605	Utility Customer Service	0.0%	N/A
	Fund		

^{*} Self Insurance Fund will be measured against Available Unrestricted Net Position instead of Available Working Capital.

5.4 Below Minimum

When circumstances result in balances below the minimum, staff should develop a plan to restore minimums fund balances and present it to Council Finance Committee.

Definitions

- Non Spendable Fund Balances: Applicable to governmental funds. Permanent endowments or assets in a non-liquid form such as long term inter-agency loans.
- **Restricted Fund Balances**: Applicable to governmental funds. Involve a third party such as State Legislative requirements, voter ballot language, or the Contractual Agreements with parties external to the City.
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 activities. Any unspent monies at end of year are classified as Committed to traffic calming in the

 General Fund.
- Assigned Fund Balances: Are applicable to governmental funds. Assignments can be made by senior management. They represent the intent to use the monies for a specific purpose. An example of this it this the one time Harmony Road monies transferred by the State to the City. Although required to be used on Harmony Road, staff intends to use the monies only on Harmony Road improvements. These monies are considered when measuring compliance with minimum fund balances.
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- **Liquidity**: Assets range from cash to land. The more easily and quickly an asset can be converted to cash determines its relative liquidity.
- **Reserves**: A legacy term that previously referred to fund balances, or fund balances set aside for a specific purpose. It is no longer used on financial statements.
- **Fund Balance**: Is a term applicable to governmental funds. Fund balance or Equity is the difference between assets ,liabilities, deferred outflows of resources and deferred inflows of resources. Since governmental funds do not have long term assets and long term debt on their balance sheet, fund balance is similar and approximates working capital in the private sector and enterprise funds.

Getting Help

Please contact the Controller with any questions at 970.221.6772.

Fund Balance Minimums

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Version: 5

Issued by: City Council

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Getting Help

Please contact the Controller with any questions at 970.221.6772.

Debt

Issue Date: 11-19-

13XXXX Version: 2

Issued by: City Council

ontroller/

Assistant Financial

Officer

Objective:

The purpose of this policy is to establish parameters and provide guidance governing the issuance of all debt obligations issued by the City of Fort Collins (City).

Applicability:

This debt policy applies to all funds and Service Areas of the City and closely related agencies such as the Downtown Development Authority (DDA), Fort Collins Leasing Corporation and the Fort Collins Urban Renewal Authority (URA).

Authorized by:

City Council Resolutions, 1994-174, 2013-093, <u>2022-xxx</u>

7.1 Authorization for Municipal Borrowing

The City Charter (Article V. Part II) authorizes the borrowing of money and the issuance of long term debt. The Charter and State Constitution determine which securities may be issued and when a vote of the electors of the City and approved by a majority of those voting on the issue.

7.2 Purpose and Uses of Debt

Long term obligations should only be used to finance larger capital acquisitions and/or construction costs that are for high priority projects. Debt will not be used for operating purposes. Debt financing of capital improvements and equipment will be done only when the following conditions exist:

- a) When non-continuous projects (those not requiring continuous annual appropriations) are desired;
- b) When it can be determined that future users will receive a significant benefit from the improvement;
- c) When it is necessary to provide critical basic services to residents and taxpayers (for example, purchase of water rights);

d) When total debt, including that issued by overlapping governmental entities, does not constitute an unreasonable burden to the residents and taxpayers.

7.3 Types of Debt and Financing Agreements

The types of debt permitted are outlined in State statute. The City will avoid derivative type instruments. In general the following debt types are used by the City:

- a) General obligation bonds—backed by the credit and taxing power of the City and not from revenues of any specific project. Colorado law limits general obligation debt to 10% of the City's assessed valuation. Under TABOR this type of debt must be approved by voters.
- b) Revenue Bonds—issued and backed by the revenues of a specific project, tax increment district (TIF), enterprise fund, etc. The holders of these bonds can only consider this revenue source for repayment. TABOR does not require that voters approve these types of debt.
- c) Lease Purchase issued whereby the asset acquired is used as collateral. Examples include Certificates of Participation (COP), Assignment of Lease Payments (ALP) and equipment leases. <u>Equipment leases shall be limited to financing within Internal Service Funds.</u> TABOR does not require that voters approve these types of agreements.
- d) Moral Obligation Pledge—a pledge to consider replenishing a debt reserve fund of another government agency if the reserve was used to make debt payments. This type of commitment will only be used to support the highest priority projects, or when the financial risk to the City does not increase significantly, or when the City's overall credit rating is not expected to be negatively impacted. Because it is a pledge to consider replenishing, it is not a pledge of the City's credit, and as such is not a violation of State statutes and City Charter. However, decision makers should keep in mind that not honoring a Moral Obligation Pledge will almost certainly negatively impact the City's overall credit rating. TABOR does not require that voters approve these types of agreements.
- e) Interagency Borrowing—issued when the credit of an agency (DDA, URA) of the City does not permit financing at affordable terms. Usually used to facilitate a project until the revenue stream is established and investors can offer better terms to the agency. Program parameters are outlined in City's Investment Policy 8.8section 7.8 of this policy. TABOR does not require that voters approve these types of agreements.
- f) Conduit Debt—Typically limited to Qualified Private Activity Bonds (PAB) defined by the IRS and limited to the annual allocation received from the State. Low income housing is one example of a qualified use of PAB. Program parameters are outlined the General Financial Policy 3.6.. There is no pledge or guarantee to pay by the City.
- g) Any other securities not in contravention with City Charter or State statute.

7.4 Debt Structure and Terms

The following are guidelines, and may be modified by the City to meet the particulars of the financial markets at the time of the issuance of a debt obligation:

- a) Term of the Debt: The length of the financing will not exceed the useful life of the asset or average life of a group of assets, or 30 years, whichever is less. Terms longer than 20 years should be limited to the highest priority projects.
- b) Structure of Debt: Level debt service will be used unless otherwise dictated by the useful life of the asset(s) and/or upon the advice of the City's financial advisor.
- c) Credit Enhancements: The City will not use credit enhancements unless the cost of the enhancement is less than the differential between the net present value of the debt service without enhancement and the net present value of the debt service with the enhancement.
- d) Variable Rate Debt: The City will normally not issue variable rate debt, meaning debt at rates that may adjust depending upon changed market conditions. However, it is recognized that certain circumstances may warrant the issuance of variable rate debt, but the City will attempt to stabilize the debt service payments through the use of an appropriate stabilization arrangement.
- e) Derivative type instruments and terms will be avoided.
- f) Interest during construction will be capitalized when the debt is in an enterprise fund.

7.5 Refinancing Debt

Refunding of outstanding debt will only be done if there is a resultant economic gain regardless of whether there is an accounting gain or loss, or a subsequent reduction or increase in cash flows. The net present value savings shall be at least 3%, preferably 5% or more. In an advanced refunding (before the call date), the ratio of present value savings to the negative arbitrage costs should be at least 2.

7.6 Debt Limitations and Capacity

Debt capacity will be evaluated by the annual dollar amount paid and the total amount outstanding with the goal to maintain the City's overall issuer rating at the very highest rating, AAA. Parameters are different for Governmental Funds, Enterprise Funds, and Related Agencies.

- a. Governmental Funds—Annual debt service (principal and interest) will not exceed 5% of annual revenues. For calculation, revenues will not include internal charges, transfers and large one-time grants. Outstanding debt in relation to population and assessed value will be monitored.
- b. Enterprise Funds—Each fund is unique and will be evaluated independently. Each fund's debt will be managed to maintain a credit score of at least an A rating. These funds typically issue revenue bonds and investors closely watch revenue coverage ratio. Coverage ratios are usually published in the Statistical Section of the City's Comprehensive Annual Financial Statement.

c. Related Agencies—Each agency will be evaluated independently, taking into account City Charter, State statutes, market conditions and financial feasibility.

7.7 Debt Issuance Process

When the City utilizes debt financing, it will ensure that the debt is soundly financed by:

- a) Selecting an independent financial advisor to assist with determining the method of sale and the selection of other financing team members
- b) Conservatively projecting the revenue sources that will be used to pay the debt;
- c) Maintaining a debt service coverage ratio which ensures that combined debt service requirements will not exceed revenues pledged for the payment of debt.
- d) Evaluating proposed debt against the target debt indicators.

7.8 Inter-agency Loan Program

- 1. Purpose: The purpose of the Inter-agency loan program is to support City services, missions, and values by making loans to outside entities such as the Urban Renewal Authority and the Downtown Development Authority while maintaining an adequate rate of return for the City.
- 2. Eligible Applicants: The following are examples of situations in which City loans to outside agencies may be appropriate:
 - A. An entity that was created wholly or in part by the City and is in a fledgling stage and does not yet have an established credit history to access the capital markets. Examples include the Urban Renewal Authority, etc.
 - B. An entity related to the City desires to issue debt that will be repaid over a timeframe that would be unrealistic for a private lender. Examples include bonds issued by the Downtown Development Authority for less than 10 years.
 - C. Any other situation in which the Council deems it appropriate to meet the financing needs of an entity that is engaged in services that support the mission and values of the City.

3. Program Guidelines:

- A. The borrowing entity must have approval from its governing body.
- B. The loan must be evidenced by a promissory note.

- C. There must be a reasonable probability of repayment of the loan from an identifiable source such as TIF revenues.
- D. The interest rate assigned to the loan must be the higher of the Treasury Note or Municipal Bond of similar duration (3 year, 5 year, etc.), plus 0.5%, subject to the following minimum (floor).

FLOOR - Minimum Loan Rates

<u>Term</u>	<u>Rate</u>
<u>0 – 5 years</u>	2.75%
<u>6 – 10 years</u>	3.25%
<u>11 - 15 years</u>	<u>3.75%</u>
<u>16 – 25 years</u>	4.00%

- E. The loans must be limited to 25 years.
- F. City Council must review the request and approve the amount and terms and conditions of the loan.
- G. Loans of Utility reserves must be reviewed by either the Energy Board or Water Board in advance of City Council, or other board consideration, and must meet the following additional criteria:
 - a. the City Council must make a formal finding that the funds will not be needed for utility purposes during the term of the loan, and that the terms and conditions of the loan represent a reasonable rate of return to the Utility; and
 - b. utility rates must not be increased for the purposes of funding the loan.
- 4. Limit on Funds available for Loan Program
 - A. Governmental Funds: Total loans shall not exceed 25% of the aggregate cash and investments balance of the governmental funds (i.e., General Fund and Special Revenue Funds).
 - B. Enterprise Funds: Total loans shall not exceed 5% of the aggregate cash and investments balance in the enterprise funds (i.e. Utility Funds and Golf Fund).

- C. Operating and capital needs of the loaning funds shall not be significantly impaired by these loans.
- D. Loans should not impact the loaning funds compliance with minimum fund balance policies, timing of intended uses, etc

7.87.9 Other

Debt Management - The City will also have an <u>a</u>Administrative<u>ly approved Debt Administration</u> Policy and Procedure <u>53</u> that includes guidance on:

- a) Investment of bond proceeds
- b) Market disclosure practices to primary and secondary markets, including annual certifications, continuing disclosures agreements and material event disclosures
- c) Arbitrage rebate monitoring and filing
- d) Federal and State law compliance practices
- e) Ongoing Market and investor relations efforts
- f) Identify a Chief Compliance Officer
- g) System of actions and deadlines
- fh) Records to be maintained

Getting Help

Please contact the Controller/Assistant Financial Officer Director of Accounting with any questions at 970.221.6784.

Related Policies/References

- The City of Fort Collins Charter (Article V., Part II)
- Investment Policy
- Debt Administration Policy and Procedures 53

Definitions

Conduit Debt: 1- An organization, usually a government agency, that issues municipal securities to raise capital for revenue-generating projects where the funds generated are used by a third party (known as the "conduit borrower") to make payments to investors. The conduit financing is typically backed by either the conduit borrower's credit or funds pledged toward the project by outside investors. If a project fails and the security goes into default, it falls to the conduit borrower's financial obligation, not the conduit issuer (City). 2- Common types of conduit financing include industrial development revenue bonds (IDRBs), private activity bonds and housing revenue bonds (both for single-family and multifamily projects). Most conduit-issued securities are for projects to benefit the public at large (i.e. airports, docks, sewage facilities) or specific population segments (i.e. students, low-income home buyers, veterans). 3- In some cases, a governmental entity issues municipal bonds for the purpose of making proceeds available to a private entity in furtherance of a public purpose, such as in connection with not-for-profit hospitals, affordable housing, and many other cases. These types of municipal bonds are sometimes referred to as "conduit bonds." One common structure is for the governmental issuer to enter into an arrangement with the private conduit borrower in which the bond proceeds are loaned to the conduit borrower and the conduit borrower repays the loan to the issuer. For most conduit bonds, although the governmental issuer of the bonds is legally obligated for repayment, that obligation usually is limited to the amounts of the loan repayments from the conduit borrower. If the conduit borrower fails to make loan repayments, the governmental issuer typically is not required to make up such shortfalls. Thus, unless the bond documents explicitly state otherwise, investors in conduit bonds should not view the governmental issuer as a guarantor on conduit bonds.

- <u>Credit Enhancements:</u> the requirement that a certain percentage or amount of non-federal dollars or inkind services be provided in addition to the grant funds.
- <u>Interagency:</u> the individual responsible for fiscally managing the grant award and the person who maintains the records in the City's financial system.
- <u>Debt Service Coverage Ratio</u>: is a common measure of the ability to make debt service payments. The formula is net operating income (operating revenue operating expense) divided by debt service (annual principal and interest)

Debt

Issue Date: XXXX

Version: 2

Issued by: City Council

Objective:

The purpose of this policy is to establish parameters and provide guidance governing the issuance of all debt obligations issued by the City of Fort Collins (City).

Applicability:

This debt policy applies to all funds and Service Areas of the City and closely related agencies such as the Downtown Development Authority (DDA), Fort Collins Leasing Corporation and the Fort Collins Urban Renewal Authority (URA).

Authorized by:

City Council Resolutions, 1994-174, 2013-093, 2022-xxx

7.1 Authorization for Municipal Borrowing

The City Charter (Article V. Part II) authorizes the borrowing of money and the issuance of long term debt. The Charter and State Constitution determine which securities may be issued and when a vote of the electors of the City and approved by a majority of those voting on the issue.

7.2 Purpose and Uses of Debt

Long term obligations should only be used to finance larger capital acquisitions and/or construction costs that are for high priority projects. Debt will not be used for operating purposes. Debt financing of capital improvements and equipment will be done only when the following conditions exist:

- a) When non-continuous projects (those not requiring continuous annual appropriations) are desired;
- b) When it can be determined that future users will receive a significant benefit from the improvement;
- c) When it is necessary to provide critical basic services to residents and taxpayers (for example, purchase of water rights);
- d) When total debt, including that issued by overlapping governmental entities, does not constitute an unreasonable burden to the residents and taxpayers.

7.3 Types of Debt and Financing Agreements

The types of debt permitted are outlined in State statute. The City will avoid derivative type instruments. In general the following debt types are used by the City:

- a) General obligation bonds—backed by the credit and taxing power of the City and not from revenues of any specific project. Colorado law limits general obligation debt to 10% of the City's assessed valuation. Under TABOR this type of debt must be approved by voters.
- b) Revenue Bonds—issued and backed by the revenues of a specific project, tax increment district (TIF), enterprise fund, etc. The holders of these bonds can only consider this revenue source for repayment. TABOR does not require that voters approve these types of debt.
- c) Lease Purchase issued whereby the asset acquired is used as collateral. Examples include Certificates of Participation (COP), Assignment of Lease Payments (ALP) and equipment leases. Equipment leases shall be limited to financing within Internal Service Funds. TABOR does not require that voters approve these types of agreements.
- d) Moral Obligation Pledge—a pledge to consider replenishing a debt reserve fund of another government agency if the reserve was used to make debt payments. This type of commitment will only be used to support the highest priority projects, or when the financial risk to the City does not increase significantly, or when the City's overall credit rating is not expected to be negatively impacted. Because it is a pledge to consider replenishing, it is not a pledge of the City's credit, and as such is not a violation of State statutes and City Charter. However, decision makers should keep in mind that not honoring a Moral Obligation Pledge will almost certainly negatively impact the City's overall credit rating. TABOR does not require that voters approve these types of agreements.
- e) Interagency Borrowing—issued when the credit of an agency (DDA, URA) of the City does not permit financing at affordable terms. Usually used to facilitate a project until the revenue stream is established and investors can offer better terms to the agency. Program parameters are outlined in section 7.8 of this policy. TABOR does not require that voters approve these types of agreements.
- f) Conduit Debt—Typically limited to Qualified Private Activity Bonds (PAB) defined by the IRS and limited to the annual allocation received from the State. Low income housing is one example of a qualified use of PAB. Program parameters are outlined the General Financial Policy 3.6. There is no pledge or guarantee to pay by the City.
- g) Any other securities not in contravention with City Charter or State statute.

7.4 Debt Structure and Terms

The following are guidelines, and may be modified by the City to meet the particulars of the financial markets at the time of the issuance of a debt obligation:

- a) Term of the Debt: The length of the financing will not exceed the useful life of the asset or average life of a group of assets, or 30 years, whichever is less. Terms longer than 20 years should be limited to the highest priority projects.
- b) Structure of Debt: Level debt service will be used unless otherwise dictated by the useful life of the asset(s) and/or upon the advice of the City's financial advisor.
- c) Credit Enhancements: The City will not use credit enhancements unless the cost of the enhancement is less than the differential between the net present value of the debt service without enhancement and the net present value of the debt service with the enhancement.
- d) Variable Rate Debt: The City will normally not issue variable rate debt, meaning debt at rates that may adjust depending upon changed market conditions. However, it is recognized that certain circumstances may warrant the issuance of variable rate debt, but the City will attempt to stabilize the debt service payments through the use of an appropriate stabilization arrangement.
- e) Derivative type instruments and terms will be avoided.

7.5 Refinancing Debt

Refunding of outstanding debt will only be done if there is a resultant economic gain regardless of whether there is an accounting gain or loss, or a subsequent reduction or increase in cash flows. The net present value savings shall be at least 3%, preferably 5% or more. In an advanced refunding (before the call date), the ratio of present value savings to the negative arbitrage costs should be at least 2.

7.6 Debt Limitations and Capacity

Debt capacity will be evaluated by the annual dollar amount paid and the total amount outstanding with the goal to maintain the City's overall issuer rating at the very highest rating, AAA. Parameters are different for Governmental Funds, Enterprise Funds, and Related Agencies.

- a. Governmental Funds—Annual debt service (principal and interest) will not exceed 5% of annual revenues. For calculation, revenues will not include internal charges, transfers and large one-time grants. Outstanding debt in relation to population and assessed value will be monitored.
- b. Enterprise Funds—Each fund is unique and will be evaluated independently. Each fund's debt will be managed to maintain a credit score of at least an A rating. These funds typically issue revenue bonds and investors closely watch revenue coverage ratio. Coverage ratios are usually published in the Statistical Section of the City's Comprehensive Annual Financial Statement.
- c. Related Agencies—Each agency will be evaluated independently, taking into account City Charter, State statutes, market conditions and financial feasibility.

7.7 Debt Issuance Process

When the City utilizes debt financing, it will ensure that the debt is soundly financed by:

- a) Selecting an independent financial advisor to assist with determining the method of sale and the selection of other financing team members
- b) Conservatively projecting the revenue sources that will be used to pay the debt;
- c) Maintaining a debt service coverage ratio which ensures that combined debt service requirements will not exceed revenues pledged for the payment of debt.
- d) Evaluating proposed debt against the target debt indicators.

7.8 Inter-agency Loan Program

- 1. *Purpose:* The purpose of the Inter-agency loan program is to support City services, missions, and values by making loans to outside entities such as the Urban Renewal Authority and the Downtown Development Authority while maintaining an adequate rate of return for the City.
- 2. *Eligible Applicants:* The following are examples of situations in which City loans to outside agencies may be appropriate:
 - A. An entity that was created wholly or in part by the City and is in a fledgling stage and does not yet have an established credit history to access the capital markets. Examples include the Urban Renewal Authority, etc.
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3. Program Guidelines:

- A. The borrowing entity must have approval from its governing body.
- B. The loan must be evidenced by a promissory note.
- C. There must be a reasonable probability of repayment of the loan from an identifiable source such as TIF revenues.

D. The interest rate assigned to the loan must be the higher of the Treasury Note or Municipal Bond of similar duration (3 year, 5 year, etc.), plus 0.5%, subject to the following minimum (floor).

FLOOR - Minimum Loan Rates

Term	Rate
0 – 5 years	2.75%
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- E. The loans must be limited to 25 years.
- F. City Council must review the request and approve the amount and terms and conditions of the loan.
- G. Loans of Utility reserves must be reviewed by either the Energy Board or Water Board in advance of City Council, or other board consideration, and must meet the following additional criteria:
 - a. the City Council must make a formal finding that the funds will not be needed for utility purposes during the term of the loan, and that the terms and conditions of the loan represent a reasonable rate of return to the Utility; and
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- 4. Limit on Funds available for Loan Program
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 - C. Operating and capital needs of the loaning funds shall not be significantly impaired by these loans.

D. Loans should not impact the loaning funds compliance with minimum fund balance policies, timing of intended uses, etc

7.9 Other

Debt Management - The City will also have an administratively approved Debt Administration Policy and Procedure 53 that includes guidance on:

- a) Investment of bond proceeds
- b) Market disclosure practices to primary and secondary markets, including annual certifications, continuing disclosures agreements and material event disclosures
- c) Arbitrage rebate monitoring and filing
- d) Federal and State law compliance practices
- e) Ongoing Market and investor relations efforts
- f) Identify a Chief Compliance Officer
- g) System of actions and deadlines
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Getting Help

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Related Policies/References

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- Investment Policy
- Debt Administration Policy and Procedures 53

Definitions

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- <u>Credit Enhancements:</u> the requirement that a certain percentage or amount of non-federal dollars or inkind services be provided in addition to the grant funds.
- <u>Interagency:</u> the individual responsible for fiscally managing the grant award and the person who maintains the records in the City's financial system.
- <u>Debt Service Coverage Ratio</u>: is a common measure of the ability to make debt service payments. The formula is net operating income (operating revenue operating expense) divided by debt service (annual principal and interest)

Investment Policy

Issue Date: 12/18/2012XXXX

Version: 5

Issued by: Investment AdministratorCity

Council

Objective:

This policy is to establish guidelines for the efficient management of City funds and for the purchase and sale of investments. The City's principal investment objectives, in priority order are: legal conformance, safety, liquidity and return on investment. All investments shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio.

Applicability:

This investment policy applies to the investment of all general and specific funds over which the City exercises financial control, including operating funds, Poudre Fire Authority, the Downtown Development Authority, <u>Poudre River Public Library District</u>. Fort Collins Leasing Corporation and the Fort Collins Urban Renewal Authority.

Authorized by:

City Council, Resolutions 90-44, 2008-121, 2009-109, 2010-065, & 2012-119. 2022-xxx.

8.1 Policy

The City of Fort Collins, Colorado (the "City") is a home rule municipality operating under the City Charter. Article V, Part III of the City Charter assigns to the Financial Officer the responsibility of investing City funds. Funds must be placed in investments authorized by the City Council ("Council"). The Financial Officer will administer the investment program to ensure effective and sound fiscal management.

It is the policy of the City to invest public funds in a manner which will <u>protect capital and meet liquidity needs while providing the highest investment return provide the highest investment return while protecting capital and meeting liquidity needs.</u>

8.2 Scope

This policy is to establish guidelines for the efficient management of City funds and for the purchase and sale of investments. This investment policy applies to the investment of all general and special funds over which the City exercises financial control, including operating funds, Poudre Fire Authority, the Downtown Development Authority, Poudre River Public Library District, Fort Collins Leasing Corporation and the Fort Collins Urban Renewal Authority. For purposes of this policy, operating funds include:

General Fund;
Special Revenue Funds;
Debt Services Funds (unless prohibited by bond ordinance);
Capital Projects Funds;
Enterprise Funds;
Internal Service Funds;
Trust and Agency Funds; and
Any newly created Fund, unless exempted by Council.

Unless specifically provided for in the bond ordinance, all bond proceeds, bond reserve funds and pledged revenues must be invested in accordance with the operating funds guidelines set forth in this Investment Policy. Guidelines for investing the funds of the City's defined benefit plan shall be included in the Investment Policy for the General Employees' Retirement Plan, which is monitored and approved by the General Employees' Retirement Committee.

8.3 Investment Objectives

The City's principal investment objectives, in priority order, are: legal conformance, safety, liquidity, and return on investment. All investments shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio.

- 1. Legal conformance: The investment portfolio will conform to all legal and contractual requirements.
- 2. Safety: Safety of investment principal and the preservation of capital are primary objectives of the investment program. When making investment decisions, the Financial Officer will seek to ensure the preservation of capital in the overall portfolio by mitigating credit risk and interest rate risk.
 - A. *Credit Risk*: The Financial Officer will minimize the risk of loss of principal and/or interest due to the failure of the security issuer or backer by:
 - a. Limiting investments to the safest types of securities.
 - b. Pre-qualifying financial institutions, securities brokers and dealers, and advisors.

c. Diversifying the investment portfolio to reduce exposure to any one security type or issuer.

Interest Rate Risk: The Financial Officer will minimize the risk that the market value of securities in the portfolio will fall due to changes in market interest rates by:

- a. Whenever possible, holding investments to their stated maturity dates
- b. Investing a portion of the operating funds in shorter-term securities, money market mutual funds, or local government investment pools.
- 3. Liquidity: The investment portfolio must be sufficiently liquid so as to meet all reasonably anticipated operating cash flow needs. This is accomplished by structuring the portfolio so that securities mature to meet cash requirements for ongoing operations. Investments shall be managed to avoid, but not prohibit, sale of securities before their maturities to meet foreseeable cash flow requirements. Since all possible cash needs cannot be anticipated, the portfolio must consist largely of securities with active secondary or resale markets.
- 4. Return on Investment: The investment portfolio will be designed with the objective of maximizing the rate of return on investment while maintaining acceptable risk levels and ensuring adequate liquidity. Return on investment is of secondary importance compared to the safety and liquidity objectives described above. Investment pooling may be used to maximize the City's investment income. Interest income, from pooling, will be distributed to the participating funds in proportion to each fund's level of contribution.

The Financial Officer will determine whether a security will be sold prior to maturity. The following are examples of when a security might be sold:

- a. A security with a declining credit rating may be sold early to minimize loss of principal;
- b. A security swap would improve the quality, yield, return, or maturity distribution of the portfolio;
- c. Liquidity needs of the portfolio require that the security be sold; or
- d. The Financial Officer will obtain the best rate of return on investments by taking advantage of market volatility and recognizing gains on a portion of the portfolio.

8.4 Standards of Care

1. Prudence: The City has a fiduciary responsibility to protect the assets of the City and to invest funds appropriately. The standard of care to be used by City officials is the "prudent person" rule as specified by CRS 15-1-304, which reads:

"Standard for investments: In acquiring, investing, reinvesting, exchanging, retaining, selling, and managing property for the benefit of others, fiduciaries shall be required to have in mind the responsibilities which are attached to such offices and the size, nature, and needs of the estates entrusted to their care and shall exercise the judgment and care, under the circumstances then prevailing, which men of prudence, discretion, and intelligence exercise in the management of the property of another, not in regard to speculation but in regard to the permanent disposition of funds, considering the probable income as well as the probable safety of capital. Within the limitations of the foregoing standard, fiduciaries are authorized to acquire and retain every kind of property, real, personal, and mixed, and every kind of investment, specifically including, but not by way of limitation, bonds, debentures, other corporate obligations, stocks, preferred or common, securities of any open-end or closed-end management type investment company or investment trust, and participations in common trust funds, which men of prudence, discretion, and intelligence would acquire or retain for the account of another."

The Financial Officer and designees, acting within the guidelines of this investment policy and written procedures, the City Charter and Code, all applicable state and federal laws and after exercising due diligence, will not be held personally liable and will be relieved or personal responsibility for an individual security's credit risk or market price changes, or for losses incurred as a result of specific investment transactions or strategies. (CRS 24-75-601.4, et seq.)

2. Ethics and Conflicts of Interest: City officers and employees involved in the investment process will refrain from personal business activity that could conflict with the proper execution and management of the investment program, or that could impair their ability to make impartial decisions. Employees and investment officials must disclose any material interests in financial institutions with which they conduct business. They must further disclose any personal financial and investment positions that could be related to the performance of the City's investment portfolio. In addition they must adhere to the rules of conflicts of interest as stated in Art. IV, Section 9(b) of the Charter of the City of Fort Collins, Colorado.

3. Delegation of Authority: The City Charter assigns the responsibility for the collection and investment of all city funds to the Financial Officer, subject to direction from Council by ordinance or resolution. The Financial Officer, subject to City Manager approval, may appoint other members of the Finance Department to assist in the investment function.

Administrative Procedures

- a. The Financial Officer is responsible for all investment decisions and activities, and must regulate the activities of subordinate employees for the operation of the City's investment program consistent with this investment policy.
- b. No person may engage in an investment transaction except as provided under the terms of this Investment Policy and the procedures established by the Financial Officer.

A. Authorized Designees

- a. The Financial Officer will maintain a list of individuals and institutions that are authorized to transfer, purchase, sell and wire securities or funds on behalf of the City.
- b. This list will be provided to the securities broker or dealer or financial institution prior to the City conducting any investment transactions with the institution.

B. Investment Advisors

- a. The Financial Officer has the discretion to appoint one or more investment advisors, registered with the Securities and Exchange Commission under the Investment Advisors Act of 1940, to assist in the management of all or a portion of the City's investment portfolio.
- b. All investments made through such investment advisors shall be within the guidelines of this Investment Policy.
- 4. Investment Committee: The Investment Committee consists of the Financial Officer and at least 2 other employees of the City that are knowledgeable in the area of governmental investments. The Investment Committee, at the discretion of the Financial Officer, may also include up to 2 private sector investment or banking professionals. The purpose of the Investment Committee shall be to provide advice to the Financial Officer regarding the operation of the investment program.

8.5 Safekeeping and Custody

- 1. Authorized Securities Brokers and Dealers and Financial institutions
 - A. The Financial Officer will maintain a list of financial institutions authorized to provide investment services. The Financial Officer will also maintain a list of approved securities brokers and dealers. This list may include "primary" dealers or regional dealers that qualify under Securities and Exchange Commission (SEC) Rule 15C3-1.
 - B. All financial institutions and securities brokers and dealers who wish to provide investment services to the City must supply the following (as appropriate):
 - a. Current audited financial statements;
 - b. Completed securities broker and dealer questionnaire;
 - c. Proof of National Association of Securities Dealers certification and registration in the State of Colorado; and
 - d. Certification of their review, understanding and agreement to comply with the City's Investment Policy.
 - C. If a financial institution or securities broker or dealer wishes to enter into a repurchase agreement with the city, the institution must sign a Master Repurchase Agreement approved as to form and content by the City Attorney's Office.
 - D. The Financial Officer must conduct an annual review of the financial condition of authorized financial institutions and securities brokers and dealers.
 - E. Investment transactions must be executed with an authorized financial institution or securities broker or dealer except in the following circumstances:
 - a. Commercial paper, banker acceptances and guaranteed investment contracts may be purchased and sold directly from the issuer;
 - b. Mutual funds and money market funds may be purchased, sold and held directly with the funds;
 - c. Investments in local government investment pools may be transacted directly with the pool; and
 - d. Bond refunding and lease escrow agreements will be executed as provided in the bond and lease documents.
 - F. The Financial Officer will establish a safekeeping agreement with an approved financial institution to act as a third party custodian. Investment securities will be held for the City by the custodian. When applicable, the Financial Officer shall establish a separate securities lending agreement with the custodian bank. The selection of the City's primary depository

- and primary custodian will be made through the City's competitive Request for Proposals process.
- 2. *Delivery versus Payment*: All trades will be executed by delivery versus payment to ensure that securities are deposited in an eligible financial institution prior to the release of funds. Securities will be held by the City's third-party custodian as evidenced by safekeeping receipts.
- 3. *Internal Controls*: The Financial Officer is responsible for establishing and maintaining an internal control structure designed to provide reasonable assurance that the assets of the city are protected from loss, theft or misuse.

8.6 Suitable and Authorized Investments

As a home rule city, the City may adopt a list of acceptable investment instruments differing from those outlined in CRS 24-75-601.1. Pursuant to Article V of the City's Charter the Council has adopted the following Ordinances and Resolutions establishing the framework under which the Financial Officer must conduct his duties: Ordinance 90, 1993; Ordinance 108, 1988, Resolution 85-134; and Resolution 82-70. Council may adopt additional Ordinances or Resolutions that require modification of these investment tools.

- 1. *Eligible Investments:* City funds may be invested in the following:
 - A. Any securities now or hereafter designed as legal investment for municipalities in any applicable statute of the State of Colorado;
 - B. Interest-bearing accounts or time certificates of deposit, including collateralized certificates of deposit and certificates of deposit through the Account Registry Service, of financial institutions designated as depositories for public moneys by the State of Colorado;
 - C. United States Treasury obligations for which the full faith and credit of the United States are pledged for payment of principal and interest. Such securities will include but not be limited to: Treasury bills, Treasury notes, Treasury bond and Treasury strips with maturities not exceeding five years from the date of purchase;
 - D. Obligations issued by any United States government-sponsored agency or instrumentality. Maturities may not exceed five years from the date of purchase;
 - E. Obligations issued by or on behalf of the City;
 - F. Obligations issued by or on behalf of any state of the United States, political subdivision, agency, or instrumentality thereof. At the time of

- purchase the obligation shall have an investment grade rating of not less than AA- from Standard & Poor's, Aa3 from Moody's Investors Service or AA- from Fitch Ratings Service. The ratings must be not less than above for all agencies rating the debt, no split ratings are allowed;
- G. Prime-rated bankers acceptances with a maturity not exceeding six months from the date of purchase, issued by a state or national bank which has a combined capital and surplus of at least 250 million dollars, whose deposits are insured by the FDIC and whose senior long-term debt is rated at the time of purchase at least AA- by Standard and Poor's, Aa3 by Moody's Investors Service, or AA- by Fitch Ratings Service. The ratings must be not less than above for all agencies rating the debt, no split ratings are allowed;
- H. U.S. dollar denominated corporate notes or bank debentures. Authorized corporate bonds shall be U.S. dollar denominated, and limited to corporations organized and operated within the United States with a net worth in excess of 250 million dollars. At the time of purchase the debenture or corporate note shall have an investment grade rating of not less than AA- from Standard & Poor's, Aa3 from Moody's Investors Service or AA- from Fitch Ratings Service. The ratings must be not less than above for all agencies rating the debt, no split ratings are allowed;
- I. Prime-rated commercial paper with a maturity not exceeding six months issued by U.S. corporations. At the time of purchase the paper shall be rated A1 by Standard and Poor's and P1 by Moody's Investors Service. If the commercial paper issuer has senior debt outstanding, the senior debt must be rated at the time of purchase at least AA- by Standard and Poor's or Aa3 by Moody's Investors Service;
- J. Guaranteed investment contracts of domestically-regulated insurance companies having a claims-paying ability rating of AA- or better from Standard & Poor's at the time of purchase;
- K. Repurchase and reverse repurchase agreements. The structure of the agreements (including margin ratios and collateralization) shall be contained in the Master Repurchase Agreements. Repurchase agreements shall include but are not limited to delivery-versus-payment, tri-party and flexible repurchase agreements;
- L. Local government investment pools authorized under the laws of the State of Colorado with a rating of AAAm; and
- M. Money market mutual funds regulated by the Securities and Exchange Commission and whose portfolios consist only of dollar denominated securities.
- 2. Repurchase Agreements

- A. Before any repurchase agreements shall be executed with an authorized securities broker or dealer or financial institution, a Master Repurchase Agreement approved as to form and content by the City Attorney's Office must be signed between the City and the securities broker or dealer or financial institution.
- B. The Financial Officer will maintain a file of all Master Repurchase Agreements.
- C. In addition to the straight forward repurchase agreement, wherein the financial institution or securities broker or dealer delivers the collateral versus payment to the City's custodian for a fixed term at a fixed rate, the City may enter into other types of repurchase agreements which may include but not be limited to flexible repurchase agreements, tri-party agreements and reverse repurchase agreements.
- D. Repurchase agreements must be collateralized as provided in individually executed Master Repurchase Agreements at a minimum of 102 percent.
- E. Zero coupon instruments will not be accepted as collateral.
- F. The collateralized securities of the repurchase agreement can include but are not limited to: U.S Treasuries, Collateralized Mortgage Obligations or Agency securities.

8.7 Suitable and Authorized Investments Diversification and Liquidity

- 1. Diversification and Asset Allocation: It is the intent of the City to diversify its investment portfolio. Investments shall be diversified to eliminate the risk of loss resulting from over-concentration of assets in a specific maturity, issuer or class of securities. Diversification strategies and guidelines shall be determined and revised periodically by the Financial Officer. The investments may be diversified by:
 - A. Limiting investments to avoid over-concentration in securities from a specific issuer or business sector (excluding U.S. Treasury securities);
 - B. Limiting investment in securities that have higher credit risks;
 - C. Investing in securities with varying maturities; and
 - D. Maintaining a portion of the portfolio in readily available funds such as local government investment pools, money market funds or short term repurchase agreements to ensure that City liquidity needs are met.

The maximum investment allowable for each investment category as a percentage of the entire portfolio is as follows (excluding collateral for repurchase agreements):

CASH AND CASH EQUIVALENTS	100%
TREASURY SECURITIES	90%
GOVERNMENT-SPONSORED AGENCY SECURITIES	90%
REPURCHASE AGREEMENTS	70%
LOCAL GOVERNMENT INVESTMENT POOLS	60%
CORPORATE NOTES OR BONDS*	40%
BANK DEBENTURES*	25%
COMMERCIAL PAPER*	25%
BANKER'S ACCEPTANCES*	25%
LOCAL GOVERNMENT INVESTMENT POOLS	20%
MONEY MARKET FUNDS AND MUTUAL FUNDS	15%
CD ACCOUNT REGISTRY SERVICE (MAXIMUM 50 MILLION)	15%
CERTIFICATES OF DEPOSIT	15%
GUARANTEED INVESTMENT CONTRACTS	5%

2. Investment Maturity and Liquidity

- A. A portion of the portfolio should be continuously invested in readily available funds such as local government investment pools, money market funds, or short-term repurchase agreements to ensure that appropriate liquidity is maintained to meet ongoing obligations. The City must at all times maintain 5 percent of its operating investment portfolio in instruments maturing in 120 days or less.
- B. Reserved funds may be invested in securities exceeding 5 years if the maturities of such investments are made to coincide as closely as possible with the expected use of funds.
- C. The weighted average final maturity limitation of the total portfolio, excluding pension funds and long-term reserve funds, **will not exceed 3 vears**.
- D. The City may collateralize repurchase agreements with longer-dated investments, final maturity not to exceed 30 years.

^{*} A maximum of 10 percent of the portfolio may be invested in any one provider or issuer.

8.8 Inter-agency Loan Program

- 1. Purpose: The purpose of the Inter-agency loan program is to support City services, missions, and values by making loans to outside entities such as the Urban Renewal Authority and the Downtown Development Authority while maintaining an adequate rate of return for the City.
- 2. Eligible Applicants: The following are examples of situations in which City loans to outside agencies may be appropriate:
 - A. An entity that was created wholly or in part by the City and is in a fledgling stage and does not yet have an established credit history to access the capital markets. Examples include the Urban Renewal Authority, etc.
 - B.—An entity related to the City desires to issue debt that will be repaid over a timeframe that would be unrealistic for a private lender. Examples include bonds issued by the Downtown Development Authority for less than 10 years.
 - C. Any other situation in which the Council deems it appropriate to meet the financing needs of an entity that is engaged in services that support the mission and values of the City.
- 3. Program Guidelines:
 - A. The borrowing entity must have approval from its governing body.
 - B.—The loan must be evidenced by a promissory note.
 - C. There must be a reasonable probability of repayment of the loan from an identifiable source such as TIF revenues.
 - D.—The interest rate assigned to the loan must be the higher of the Treasury Note or Municipal Bond of similar duration (3 year, 5 year, etc.), plus 0.5%, subject to the following minimum (floor).

FLOOR - Minimum Loan Rates

Term	Rate
0 5 years	2.75%
6 – 10 years	3.25%
11 – 15 years	3.75%

- E.—The loans must be limited to 25 years.
- F. City Council must review the request and approve the amount and terms and conditions of the loan.
- G. Loans of Utility reserves must be reviewed by either the Energy Board or Water Board in advance of City Council consideration, and must meet the following additional criteria:
 - a. the City Council must make a formal finding that the funds will not be needed for utility purposes during the term of the loan, and that the terms and conditions of the loan represent a reasonable rate of return to the Utility; and
 - b. utility rates must not be increased for the purposes of funding the
- 4. Limit on Funds available for Loan Program
 - A. Governmental Funds: Total loans shall not exceed 25% of the aggregate cash and investments balance of the governmental funds (i.e., General Fund and Special Revenue Funds).
 - B. Enterprise Funds: Total loans shall not exceed 5% of the aggregate cash and investments balance in the enterprise funds (i.e. Utility Funds and Golf Fund).
 - C. Operating and capital needs of the loaning funds shall not be significantly impaired by these loans.
 - D. Loans should not impact the loaning funds compliance with minimum fund balance policies, timing of intended uses, etc.

8.98.8 Reporting

- 1. Methods: The Financial Officer will prepare an investment report on a quarterly basis. In addition, a comprehensive investment report may be published on the City's website on an annual basis. All investment reports will be submitted in a timely manner to the City Manager.
- 2. *Performance Standards:* The investment portfolio will be managed in accordance with the parameters specified within this Investment Policy. The

Financial Officer will establish a benchmark yield for the City's investments equal to the average yield on the U.S. Treasury security which most closely corresponds to the portfolio's actual weighted average maturity. In order to determine the actual rate of return on any portion of the portfolio managed by an investment advisor, the Financial Officer must include all of the advisor's expenses and fees in the computation of the rate of return.

3. Marking to Market: The market value of the portfolio will be calculated at least quarterly and a statement of the market value will be included in the quarterly investment report.

8.108.9 Policy Adoption

This Investment Policy will be reviewed at least every threetwo years by the Investment Committee, City Manager and the Financial Officer and may be amended by Council as conditions warrant. The Investment Policy may be adopted by Resolution of the Council.

Definitions

- Agency: A bond, issued by a U.S. government-sponsored agency. The offerings of these agencies are backed by the U.S. government, but not guaranteed by the government since the agencies are private entities. Such agencies have been set up in order to allow certain groups of people to access low cost financing, especially students and first-time home buyers. Some prominent issuers of agency bonds are Student Loan Marketing Association (Sallie Mae), Federal National Mortgage Association (Fannie Mae) and Federal Home Loan Mortgage Corporation (Freddie Mac). Agency bonds are usually exempt from state and local taxes, but not federal tax.
- Average Life: The length of time that will pass before one-half of a debt obligation has been retired.
- **Bankers' Acceptance:** A short-term credit investment which is created by a non-financial firm and whose payment is guaranteed by a bank. Often used in importing and exporting, and as a money market fund investment.
- **Benchmark**: A comparative base for measuring the performance or risk tolerance of the investment portfolio. A benchmark should represent a close correlation to the level of risk and the average duration of the portfolio's investments.
- **Book Value**: The value at which a security is carried on the inventory lists or other financial records of an investor. The book value may differ significantly from the security's current value in the market.
- **Broker**: An individual who brings buyers and sellers together for a commission.
- <u>Cash Sale/Purchase</u>: A transaction which calls for delivery and payment of securities on the same day that the transaction is initiated.
- **Certificate of Deposit (CD)**: A time deposit with a specific maturity evidenced by a certificate.
- <u>Collateralization</u>: Process by which a borrower pledges securities, property, or other deposits for the purpose of securing the repayment of a loan and/or security.
- <u>Commercial Paper</u>: An unsecured short-term promissory note issued by corporations, with maturities ranging from 2 to 270 days.
- <u>Coupon Rate:</u> The annual rate of interest received by an investor from the issuer of certain types of fixed-income securities. Also know as the "interest rate".
- <u>Credit Quality:</u> The measurement of the financial strength of a bond issuer. This measurement helps an investor to understand an issuer's ability to make timely interest payments and repay the loan principal upon maturity. Generally, the higher the credit quality of a bond issuer, the lower the interest rate paid by the issuer because the risk of default is lower. Credit quality ratings are provided by nationally recognized rating agencies.

- <u>Credit Risk:</u> The risk to an investor that an issuer will default on the payment of interest and/or principal on a security.
- <u>Current Yield (Current Return)</u>: A yield calculation determined by dividing the annual interest received on a security by the current market price of that security.
- **<u>Debenture</u>**: A bond secured only by the general credit of the issuer.
- <u>Delivery versus Payment (DVP):</u> A type of securities transaction in which the purchaser pays for the securities when they are delivered either to the purchaser or to their custodian.
- **<u>Diversification</u>**: A process of investing assets among a range of security types by sector, maturity, and quality rating.
- **Duration**: A measure of the timing of the cash flows, such as the interest payments and the principal repayment, to be received from a given fixed-income security. This calculation is based on three variables: term to maturity, coupon rate and yield to maturity. The duration of a security is a useful indicator of its price volatility for given changes in interest rates.
- **Federal Deposit Insurance Corporation (FDIC):** A federal agency that insures deposits in member banks and thrifts up to \$100,000 (\$250,000 through 12/31/2013).
- Federal Funds: Funds placed in Federal Reserve banks by depository institutions in excess of current reserve requirements. These depository institutions may lend fed funds to each other overnight or on a longer basis. They may also transfer funds among each other on a same-day basis through the Federal Reserve banking system. Fed funds are considered to be immediately available funds.
- **Federal Funds Rate**: The interest rate that banks charge each other for the use of Federal funds.
- **Government Securities:** An obligation of the U.S. government, backed by the full faith and credit of the government. These securities are regarded as the highest quality of investment securities available in the U.S. securities market.
- Green Investments: Mutual funds that are considered "ethical investments." These funds screen companies to ensure that they have sound environmental practices such as: maintaining or improving the environment, industrial relations, racial equality, community involvement, education, training, healthcare and various other environmental criteria. Negative screens include but are not limited to: alcohol, gambling, tobacco, irresponsible marketing, armaments, pornography, and animal rights.
- <u>Interest Rate Risk:</u> The risk associated with declines or rises in interest rates which cause an investment in a fixed-income security to increase or decrease in value.
- Investment-grade Obligations: An investment instrument suitable for purchase by institutional investors under the prudent person rule. Investment-grade is restricted to those obligations rated BBB or higher by a rating agency.

- Liquidity: An asset that can be converted easily and quickly into cash without a substantial loss of value.
- **Local Government Investment Pool (LGIP):** An investment by local governments in which their money is pooled as a method for managing local funds.
- <u>Mark-to-Market:</u> The process whereby the book value or collateral value of a security is adjusted to reflect its current market value.
- Market Value: Current market price of a security.
- <u>Master Repurchase Agreement:</u> A written contract covering all future transactions between the parties to repurchase and reverse repurchase. Establishes each party's rights in the transaction.
- **Maturity:** The date on which payment of a financial obligation is due. The final state maturity is the date on which the issuer must retire a bond and pay the face value to the bondholder.
- <u>Money Market Mutual Fund:</u> Mutual funds that invest solely in money market instruments (short-term debt instruments, such as Treasury bills, commercial paper, bankers' acceptances, repurchase agreements, and federal funds).
- Mutual Fund: An investment company that pools money and can invest in a variety of securities, including fixed-income securities and money market instruments. Mutual funds are regulated by the investment company Act of 1940 and must abide by the Securities and Exchange Commission (SEC) disclosure guidelines.
- National Association of Securities Dealers (NASD): A self-regulatory organization of brokers and dealers in the over-the-counter securities business. Its regulatory mandate includes authority over firms that distribute mutual fund shares as well as other securities.
- Net Asset Value: The market value of one share of an investment company, such as a mutual fund. This figure is calculated by totaling a fund's assets which includes securities, cash, and any accrued earnings, subtracting this from the fund's liabilities and dividing this total by the number of shares outstanding. This is calculated once a day based on the closing price for each security in the fund's portfolio.
- **No Load Fund:** A mutual fund which does not levy a sales charge on the purchase of its shares.
- **Portfolio:** Collection of securities held by an investor.
- **Primary Dealer:** A group of government securities dealers who submit daily reports of market activity and positions and monthly financial statements to the Federal Reserve Bank of New York and are subject to its informal oversight.
- Real Estate Investment Trust (REIT): A company that buys, develops, manages and sells real estate assets. Allows participants to invest in a professionally managed portfolio of real-estate properties. The main function is to pass profits on to investors; business activities are generally restricted to generation of property rental income.

- **Repurchase Agreement (Repo):** An agreement of one party to sell securities at a specified price to a second party and a simultaneous agreement of the first party to repurchase the securities at a specified price or at a specified later date.
- **Reverse Repurchase Agreement:** An agreement of one party to purchase securities at a specified price from a second party and a simultaneous agreement of the first party to resell the securities at a specified price to the second party on demand or at a specified date.
- Rule 2a-7 of the Investment Company Act: Applies to all money market mutual funds and mandates such funds to maintain certain standards, including a 13-month maturity limit and a 90-day average maturity on investments, to help maintain a constant net asset value of one dollar (\$1.00).
- <u>Securities and Exchange Commission (SEC):</u> Agency created by Congress to protect investors in securities transactions by administering securities legislation.
- **Total Return:** The sum of all investment income plus changes in the capital value of the portfolio. For mutual funds, return on an investment is composed of share price appreciation plus any realized dividends or capital gains. This is calculated by taking the following components during a certain time period. (Price Appreciation) + (Dividends Paid) + (Capital Gains) = Total Return
- <u>Treasury Bills:</u> Short-term U.S. government non-interest bearing debt securities with maturities of no longer than one year.
- <u>Treasury Bonds:</u> Long-term U.S. government debt securities with maturities of more than ten years. Currently, the longest outstanding maturity is 30 years.
- **Treasury Notes:** *Intermediate U.S. government debt securities with maturities of two to ten years.*
- <u>Tri-party Repurchase Agreement:</u> In a "normal repurchase" transaction there are two parties, the buyer and the seller. A tri-party repurchase agreement adds a custodian as the third party to act as an impartial entity to the repurchase transaction to administer the agreement and to relieve the buyer and seller of many administrative details.
- Weighted Average Maturity (WAM): The average maturity of all the securities that comprise a portfolio.
- <u>Yield:</u> The current rate of return on an investment security. Generally expressed as a percentage of the security's current price.
- <u>Yield Curve:</u> A graphical representation that depicts the relationship at a given point in time between yields and maturity for bonds that are identical in every way except maturity. A normal yield curve may be alternatively referred to as a positive yield curve.
- <u>Yield-to-Maturity:</u> The rate of return yielded by a debt security held to maturity when both interest payments and the investor's potential capital gain or loss are included in the calculation of return.
- **Zero-Coupon Securities:** A security that is issued at a discount and makes no periodic interest payments.

 The rate of return consists of a gradual accretion of the principal of the security and is payable at par upon maturity.

Investment Policy

Issue Date: XXXX

Version: 5

Issued by: City Council

Objective:

This policy is to establish guidelines for the efficient management of City funds and for the purchase and sale of investments. The City's principal investment objectives, in priority order are: legal conformance, safety, liquidity and return on investment. All investments shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio.

Applicability:

This investment policy applies to the investment of all general and specific funds over which the City exercises financial control, including operating funds, Poudre Fire Authority, the Downtown Development Authority, Poudre River Public Library District, Fort Collins Leasing Corporation and the Fort Collins Urban Renewal Authority.

Authorized by:

City Council, Resolutions 90-44, 2008-121, 2009-109, 2010-065, 2012-119. 2022-xxx.

8.1 Policy

The City of Fort Collins, Colorado (the "City") is a home rule municipality operating under the City Charter. Article V, Part III of the City Charter assigns to the Financial Officer the responsibility of investing City funds. Funds must be placed in investments authorized by the City Council ("Council"). The Financial Officer will administer the investment program to ensure effective and sound fiscal management.

It is the policy of the City to invest public funds in a manner which will protect capital and meet liquidity needs while providing the highest investment return.

8.2 Scope

This policy is to establish guidelines for the efficient management of City funds and for the purchase and sale of investments. This investment policy applies to the investment of all general and special funds over which the City exercises financial control, including operating funds, Poudre Fire Authority, the Downtown Development Authority, Poudre

River Public Library District, Fort Collins Leasing Corporation and the Fort Collins Urban Renewal Authority. For purposes of this policy, operating funds include:

General Fund;
Special Revenue Funds;
Debt Services Funds (unless prohibited by bond ordinance);
Capital Projects Funds;
Enterprise Funds;
Internal Service Funds;
Trust and Agency Funds; and
Any newly created Fund, unless exempted by Council.

Unless specifically provided for in the bond ordinance, all bond proceeds, bond reserve funds and pledged revenues must be invested in accordance with the operating funds guidelines set forth in this Investment Policy. Guidelines for investing the funds of the City's defined benefit plan shall be included in the Investment Policy for the General Employees' Retirement Plan, which is monitored and approved by the General Employees' Retirement Committee.

8.3 Investment Objectives

The City's principal investment objectives, in priority order, are: legal conformance, safety, liquidity, and return on investment. All investments shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio.

- 1. Legal conformance: The investment portfolio will conform to all legal and contractual requirements.
- 2. Safety: Safety of investment principal and the preservation of capital are primary objectives of the investment program. When making investment decisions, the Financial Officer will seek to ensure the preservation of capital in the overall portfolio by mitigating credit risk and interest rate risk.
 - A. *Credit Risk*: The Financial Officer will minimize the risk of loss of principal and/or interest due to the failure of the security issuer or backer by:
 - a. Limiting investments to the safest types of securities.
 - b. Pre-qualifying financial institutions, securities brokers and dealers, and advisors.
 - c. Diversifying the investment portfolio to reduce exposure to any one security type or issuer.

Interest Rate Risk: The Financial Officer will minimize the risk that the market value of securities in the portfolio will fall due to changes in market interest rates by:

- a. Whenever possible, holding investments to their stated maturity dates.
- b. Investing a portion of the operating funds in shorter-term securities, money market mutual funds, or local government investment pools.
- 3. Liquidity: The investment portfolio must be sufficiently liquid so as to meet all reasonably anticipated operating cash flow needs. This is accomplished by structuring the portfolio so that securities mature to meet cash requirements for ongoing operations. Investments shall be managed to avoid, but not prohibit, sale of securities before their maturities to meet foreseeable cash flow requirements. Since all possible cash needs cannot be anticipated, the portfolio must consist largely of securities with active secondary or resale markets.
- 4. Return on Investment: The investment portfolio will be designed with the objective of maximizing the rate of return on investment while maintaining acceptable risk levels and ensuring adequate liquidity. Return on investment is of secondary importance compared to the safety and liquidity objectives described above. Investment pooling may be used to maximize the City's investment income. Interest income, from pooling, will be distributed to the participating funds in proportion to each fund's level of contribution.

The Financial Officer will determine whether a security will be sold prior to maturity. The following are examples of when a security might be sold:

- a. A security with a declining credit rating may be sold early to minimize loss of principal;
- b. A security swap would improve the quality, yield, return, or maturity distribution of the portfolio;
- c. Liquidity needs of the portfolio require that the security be sold; or
- d. The Financial Officer will obtain the best rate of return on investments by taking advantage of market volatility and recognizing gains on a portion of the portfolio.

8.4 Standards of Care

1. Prudence: The City has a fiduciary responsibility to protect the assets of the City and to invest funds appropriately. The standard of care to be used by City officials is the "prudent person" rule as specified by CRS 15-1-304, which reads:

"Standard for investments: In acquiring, investing, reinvesting, exchanging, retaining, selling, and managing property for the benefit of

others, fiduciaries shall be required to have in mind the responsibilities which are attached to such offices and the size, nature, and needs of the estates entrusted to their care and shall exercise the judgment and care, under the circumstances then prevailing, which men of prudence, discretion, and intelligence exercise in the management of the property of another, not in regard to speculation but in regard to the permanent disposition of funds, considering the probable income as well as the probable safety of capital. Within the limitations of the foregoing standard, fiduciaries are authorized to acquire and retain every kind of property, real, personal, and mixed, and every kind of investment, specifically including, but not by way of limitation, bonds, debentures, other corporate obligations, stocks, preferred or common, securities of any open-end or closed-end management type investment company or investment trust, and participations in common trust funds, which men of prudence, discretion, and intelligence would acquire or retain for the account of another."

The Financial Officer and designees, acting within the guidelines of this investment policy and written procedures, the City Charter and Code, all applicable state and federal laws and after exercising due diligence, will not be held personally liable and will be relieved or personal responsibility for an individual security's credit risk or market price changes, or for losses incurred as a result of specific investment transactions or strategies. (CRS 24-75-601.4, et seq.)

- 2. Ethics and Conflicts of Interest: City officers and employees involved in the investment process will refrain from personal business activity that could conflict with the proper execution and management of the investment program, or that could impair their ability to make impartial decisions. Employees and investment officials must disclose any material interests in financial institutions with which they conduct business. They must further disclose any personal financial and investment positions that could be related to the performance of the City's investment portfolio. In addition they must adhere to the rules of conflicts of interest as stated in Art. IV, Section 9(b) of the Charter of the City of Fort Collins, Colorado.
- 3. Delegation of Authority: The City Charter assigns the responsibility for the collection and investment of all city funds to the Financial Officer, subject to direction from Council by ordinance or resolution. The Financial Officer, subject to City Manager approval, may appoint other members of the Finance Department to assist in the investment function.

Administrative Procedures

- a. The Financial Officer is responsible for all investment decisions and activities, and must regulate the activities of subordinate employees for the operation of the City's investment program consistent with this investment policy.
- b. No person may engage in an investment transaction except as provided under the terms of this Investment Policy and the procedures established by the Financial Officer.

A. Authorized Designees

- a. The Financial Officer will maintain a list of individuals and institutions that are authorized to transfer, purchase, sell and wire securities or funds on behalf of the City.
- b. This list will be provided to the securities broker or dealer or financial institution prior to the City conducting any investment transactions with the institution.

B. Investment Advisors

- a. The Financial Officer has the discretion to appoint one or more investment advisors, registered with the Securities and Exchange Commission under the Investment Advisors Act of 1940, to assist in the management of all or a portion of the City's investment portfolio.
- b. All investments made through such investment advisors shall be within the guidelines of this Investment Policy.
- 4. Investment Committee: The Investment Committee consists of the Financial Officer and at least 2 other employees of the City that are knowledgeable in the area of governmental investments. The Investment Committee, at the discretion of the Financial Officer, may also include up to 2 private sector investment or banking professionals. The purpose of the Investment Committee shall be to provide advice to the Financial Officer regarding the operation of the investment program.

8.5 Safekeeping and Custody

- 1. Authorized Securities Brokers and Dealers and Financial institutions
 - A. The Financial Officer will maintain a list of financial institutions authorized to provide investment services. The Financial Officer will also maintain a list of approved securities brokers and dealers. This list may include "primary" dealers or regional dealers that qualify under Securities and Exchange Commission (SEC) Rule 15C3-1.

- B. All financial institutions and securities brokers and dealers who wish to provide investment services to the City must supply the following (as appropriate):
 - a. Current audited financial statements:
 - b. Completed securities broker and dealer questionnaire;
 - c. Proof of National Association of Securities Dealers certification and registration in the State of Colorado; and
 - d. Certification of their review, understanding and agreement to comply with the City's Investment Policy.
- C. If a financial institution or securities broker or dealer wishes to enter into a repurchase agreement with the city, the institution must sign a Master Repurchase Agreement approved as to form and content by the City Attorney's Office.
- D. The Financial Officer must conduct an annual review of the financial condition of authorized financial institutions and securities brokers and dealers.
- E. Investment transactions must be executed with an authorized financial institution or securities broker or dealer except in the following circumstances:
 - a. Commercial paper, banker acceptances and guaranteed investment contracts may be purchased and sold directly from the issuer;
 - b. Mutual funds and money market funds may be purchased, sold and held directly with the funds;
 - c. Investments in local government investment pools may be transacted directly with the pool; and
 - d. Bond refunding and lease escrow agreements will be executed as provided in the bond and lease documents.
- F. The Financial Officer will establish a safekeeping agreement with an approved financial institution to act as a third party custodian. Investment securities will be held for the City by the custodian. When applicable, the Financial Officer shall establish a separate securities lending agreement with the custodian bank. The selection of the City's primary depository and primary custodian will be made through the City's competitive Request for Proposals process.
- 2. *Delivery versus Payment*: All trades will be executed by delivery versus payment to ensure that securities are deposited in an eligible financial institution prior to the release of funds. Securities will be held by the City's third-party custodian as evidenced by safekeeping receipts.

3. *Internal Controls*: The Financial Officer is responsible for establishing and maintaining an internal control structure designed to provide reasonable assurance that the assets of the city are protected from loss, theft or misuse.

8.6 Suitable and Authorized Investments

As a home rule city, the City may adopt a list of acceptable investment instruments differing from those outlined in CRS 24-75-601.1. Pursuant to Article V of the City's Charter the Council has adopted the following Ordinances and Resolutions establishing the framework under which the Financial Officer must conduct his duties: Ordinance 90, 1993; Ordinance 108, 1988, Resolution 85-134; and Resolution 82-70. Council may adopt additional Ordinances or Resolutions that require modification of these investment tools.

- 1. Eligible Investments: City funds may be invested in the following:
 - A. Any securities now or hereafter designed as legal investment for municipalities in any applicable statute of the State of Colorado;
 - B. Interest-bearing accounts or time certificates of deposit, including collateralized certificates of deposit and certificates of deposit through the Account Registry Service, of financial institutions designated as depositories for public moneys by the State of Colorado;
 - C. United States Treasury obligations for which the full faith and credit of the United States are pledged for payment of principal and interest. Such securities will include but not be limited to: Treasury bills, Treasury notes, Treasury bond and Treasury strips with maturities not exceeding five years from the date of purchase;
 - D. Obligations issued by any United States government-sponsored agency or instrumentality. Maturities may not exceed five years from the date of purchase;
 - E. Obligations issued by or on behalf of the City;
 - F. Obligations issued by or on behalf of any state of the United States, political subdivision, agency, or instrumentality thereof. At the time of purchase the obligation shall have an investment grade rating of not less than AA- from Standard & Poor's, Aa3 from Moody's Investors Service or AA- from Fitch Ratings Service. The ratings must be not less than above for all agencies rating the debt, no split ratings are allowed;
 - G. Prime-rated bankers acceptances with a maturity not exceeding six months from the date of purchase, issued by a state or national bank which has a combined capital and surplus of at least 250 million dollars, whose deposits are insured by the FDIC and whose senior long-term debt

is rated at the time of purchase at least AA- by Standard and Poor's, Aa3 by Moody's Investors Service, or AA- by Fitch Ratings Service. The ratings must be not less than above for all agencies rating the debt, no split ratings are allowed:

- H. U.S. dollar denominated corporate notes or bank debentures. Authorized corporate bonds shall be U.S. dollar denominated, and limited to corporations organized and operated within the United States with a net worth in excess of 250 million dollars. At the time of purchase the debenture or corporate note shall have an investment grade rating of not less than AA- from Standard & Poor's, Aa3 from Moody's Investors Service or AA- from Fitch Ratings Service. The ratings must be not less than above for all agencies rating the debt, no split ratings are allowed;
- I. Prime-rated commercial paper with a maturity not exceeding six months issued by U.S. corporations. At the time of purchase the paper shall be rated A1 by Standard and Poor's and P1 by Moody's Investors Service. If the commercial paper issuer has senior debt outstanding, the senior debt must be rated at the time of purchase at least AA- by Standard and Poor's or Aa3 by Moody's Investors Service;
- J. Guaranteed investment contracts of domestically-regulated insurance companies having a claims-paying ability rating of AA- or better from Standard & Poor's at the time of purchase;
- K. Repurchase and reverse repurchase agreements. The structure of the agreements (including margin ratios and collateralization) shall be contained in the Master Repurchase Agreements. Repurchase agreements shall include but are not limited to delivery-versus-payment, tri-party and flexible repurchase agreements;
- L. Local government investment pools authorized under the laws of the State of Colorado with a rating of AAAm; and
- M. Money market mutual funds regulated by the Securities and Exchange Commission and whose portfolios consist only of dollar denominated securities.

2. Repurchase Agreements

- A. Before any repurchase agreements shall be executed with an authorized securities broker or dealer or financial institution, a Master Repurchase Agreement approved as to form and content by the City Attorney's Office must be signed between the City and the securities broker or dealer or financial institution.
- B. The Financial Officer will maintain a file of all Master Repurchase Agreements.

- C. In addition to the straight forward repurchase agreement, wherein the financial institution or securities broker or dealer delivers the collateral versus payment to the City's custodian for a fixed term at a fixed rate, the City may enter into other types of repurchase agreements which may include but not be limited to flexible repurchase agreements, tri-party agreements and reverse repurchase agreements.
- D. Repurchase agreements must be collateralized as provided in individually executed Master Repurchase Agreements at a minimum of 102 percent.
- E. Zero coupon instruments will not be accepted as collateral.
- F. The collateralized securities of the repurchase agreement can include but are not limited to: U.S Treasuries, Collateralized Mortgage Obligations or Agency securities.

8.7 Diversification and Liquidity

- 1. Diversification and Asset Allocation: It is the intent of the City to diversify its investment portfolio. Investments shall be diversified to eliminate the risk of loss resulting from over-concentration of assets in a specific maturity, issuer or class of securities. Diversification strategies and guidelines shall be determined and revised periodically by the Financial Officer. The investments may be diversified by:
 - A. Limiting investments to avoid over-concentration in securities from a specific issuer or business sector (excluding U.S. Treasury securities);
 - B. Limiting investment in securities that have higher credit risks;
 - C. Investing in securities with varying maturities; and
 - D. Maintaining a portion of the portfolio in readily available funds such as local government investment pools, money market funds or short term repurchase agreements to ensure that City liquidity needs are met.

The maximum investment allowable for each investment category as a percentage of the entire portfolio is as follows (excluding collateral for repurchase agreements):

CASH AND CASH EQUIVALENTS	100%
TREASURY SECURITIES	90%
GOVERNMENT-SPONSORED AGENCY SECURITIES	90%
REPURCHASE AGREEMENTS	70%
LOCAL GOVERNMENT INVESTMENT POOLS	60%

CORPORATE NOTES OR BONDS*	40%
BANK DEBENTURES*	25%
COMMERCIAL PAPER*	25%
BANKER'S ACCEPTANCES*	25%
MONEY MARKET FUNDS AND MUTUAL FUNDS	15%
CD ACCOUNT REGISTRY SERVICE (MAXIMUM 50 MILLION)	15%
CERTIFICATES OF DEPOSIT	15%
GUARANTEED INVESTMENT CONTRACTS	5%

2. Investment Maturity and Liquidity

- A. A portion of the portfolio should be continuously invested in readily available funds such as local government investment pools, money market funds, or short-term repurchase agreements to ensure that appropriate liquidity is maintained to meet ongoing obligations. The City must at all times maintain 5 percent of its operating investment portfolio in instruments maturing in 120 days or less.
- B. Reserved funds may be invested in securities exceeding 5 years if the maturities of such investments are made to coincide as closely as possible with the expected use of funds.
- C. The weighted average final maturity limitation of the total portfolio, excluding pension funds and long-term reserve funds, **will not exceed 3 vears**.
- D. The City may collateralize repurchase agreements with longer-dated investments, final maturity not to exceed 30 years.

8.8 Reporting

- 1. *Methods:* The Financial Officer will prepare an investment report on a quarterly basis. In addition, a comprehensive investment report may be published on the City's website on an annual basis. All investment reports will be submitted in a timely manner to the City Manager.
- 2. *Performance Standards:* The investment portfolio will be managed in accordance with the parameters specified within this Investment Policy. The Financial Officer will establish a benchmark yield for the City's investments

^{*} A maximum of 10 percent of the portfolio may be invested in any one provider or issuer.

equal to the average yield on the U.S. Treasury security which most closely corresponds to the portfolio's actual weighted average maturity. In order to determine the actual rate of return on any portion of the portfolio managed by an investment advisor, the Financial Officer must include all of the advisor's expenses and fees in the computation of the rate of return.

3. Marking to Market: The market value of the portfolio will be calculated at least quarterly and a statement of the market value will be included in the quarterly investment report.

8.9 Policy Adoption

This Investment Policy will be reviewed at least every three years by the Investment Committee, City Manager and the Financial Officer and may be amended by Council as conditions warrant. The Investment Policy may be adopted by Resolution of the Council.

Definitions

- Agency: A bond, issued by a U.S. government-sponsored agency. The offerings of these agencies are backed by the U.S. government, but not guaranteed by the government since the agencies are private entities. Such agencies have been set up in order to allow certain groups of people to access low cost financing, especially students and first-time home buyers. Some prominent issuers of agency bonds are Student Loan Marketing Association (Sallie Mae), Federal National Mortgage Association (Fannie Mae) and Federal Home Loan Mortgage Corporation (Freddie Mac). Agency bonds are usually exempt from state and local taxes, but not federal tax.
- **Average Life:** The length of time that will pass before one-half of a debt obligation has been retired.
- **Bankers' Acceptance:** A short-term credit investment which is created by a non-financial firm and whose payment is guaranteed by a bank. Often used in importing and exporting, and as a money market fund investment.
- **Benchmark**: A comparative base for measuring the performance or risk tolerance of the investment portfolio. A benchmark should represent a close correlation to the level of risk and the average duration of the portfolio's investments.
- **Book Value:** The value at which a security is carried on the inventory lists or other financial records of an investor. The book value may differ significantly from the security's current value in the market.
- **Broker**: An individual who brings buyers and sellers together for a commission.
- <u>Cash Sale/Purchase</u>: A transaction which calls for delivery and payment of securities on the same day that the transaction is initiated.
- **Certificate of Deposit (CD)**: A time deposit with a specific maturity evidenced by a certificate.
- <u>Collateralization</u>: Process by which a borrower pledges securities, property, or other deposits for the purpose of securing the repayment of a loan and/or security.
- <u>Commercial Paper</u>: An unsecured short-term promissory note issued by corporations, with maturities ranging from 2 to 270 days.
- <u>Coupon Rate:</u> The annual rate of interest received by an investor from the issuer of certain types of fixed-income securities. Also know as the "interest rate".
- <u>Credit Quality:</u> The measurement of the financial strength of a bond issuer. This measurement helps an investor to understand an issuer's ability to make timely interest payments and repay the loan principal upon maturity. Generally, the higher the credit quality of a bond issuer, the lower the interest rate paid by the issuer because the risk of default is lower. Credit quality ratings are provided by nationally recognized rating agencies.

- <u>Credit Risk:</u> The risk to an investor that an issuer will default on the payment of interest and/or principal on a security.
- <u>Current Yield (Current Return)</u>: A yield calculation determined by dividing the annual interest received on a security by the current market price of that security.
- **Debenture**: A bond secured only by the general credit of the issuer.
- <u>Delivery versus Payment (DVP):</u> A type of securities transaction in which the purchaser pays for the securities when they are delivered either to the purchaser or to their custodian.
- **<u>Diversification:</u>** A process of investing assets among a range of security types by sector, maturity, and quality rating.
- **Duration**: A measure of the timing of the cash flows, such as the interest payments and the principal repayment, to be received from a given fixed-income security. This calculation is based on three variables: term to maturity, coupon rate and yield to maturity. The duration of a security is a useful indicator of its price volatility for given changes in interest rates.
- **Federal Deposit Insurance Corporation (FDIC):** A federal agency that insures deposits in member banks and thrifts up to \$100,000 (\$250,000 through 12/31/2013).
- Federal Funds: Funds placed in Federal Reserve banks by depository institutions in excess of current reserve requirements. These depository institutions may lend fed funds to each other overnight or on a longer basis. They may also transfer funds among each other on a same-day basis through the Federal Reserve banking system. Fed funds are considered to be immediately available funds.
- <u>Federal Funds Rate</u>: The interest rate that banks charge each other for the use of Federal funds.
- **Government Securities:** An obligation of the U.S. government, backed by the full faith and credit of the government. These securities are regarded as the highest quality of investment securities available in the U.S. securities market.
- Green Investments: Mutual funds that are considered "ethical investments." These funds screen companies to ensure that they have sound environmental practices such as: maintaining or improving the environment, industrial relations, racial equality, community involvement, education, training, healthcare and various other environmental criteria. Negative screens include but are not limited to: alcohol, gambling, tobacco, irresponsible marketing, armaments, pornography, and animal rights.
- <u>Interest Rate Risk:</u> The risk associated with declines or rises in interest rates which cause an investment in a fixed-income security to increase or decrease in value.
- Investment-grade Obligations: An investment instrument suitable for purchase by institutional investors under the prudent person rule. Investment-grade is restricted to those obligations rated BBB or higher by a rating agency.

- Liquidity: An asset that can be converted easily and quickly into cash without a substantial loss of value.
- **Local Government Investment Pool (LGIP):** An investment by local governments in which their money is pooled as a method for managing local funds.
- <u>Mark-to-Market:</u> The process whereby the book value or collateral value of a security is adjusted to reflect its current market value.
- Market Value: Current market price of a security.
- <u>Master Repurchase Agreement:</u> A written contract covering all future transactions between the parties to repurchase and reverse repurchase. Establishes each party's rights in the transaction.
- **Maturity:** The date on which payment of a financial obligation is due. The final state maturity is the date on which the issuer must retire a bond and pay the face value to the bondholder.
- <u>Money Market Mutual Fund:</u> Mutual funds that invest solely in money market instruments (short-term debt instruments, such as Treasury bills, commercial paper, bankers' acceptances, repurchase agreements, and federal funds).
- Mutual Fund: An investment company that pools money and can invest in a variety of securities, including fixed-income securities and money market instruments. Mutual funds are regulated by the investment company Act of 1940 and must abide by the Securities and Exchange Commission (SEC) disclosure guidelines.
- National Association of Securities Dealers (NASD): A self-regulatory organization of brokers and dealers in the over-the-counter securities business. Its regulatory mandate includes authority over firms that distribute mutual fund shares as well as other securities.
- Net Asset Value: The market value of one share of an investment company, such as a mutual fund. This figure is calculated by totaling a fund's assets which includes securities, cash, and any accrued earnings, subtracting this from the fund's liabilities and dividing this total by the number of shares outstanding. This is calculated once a day based on the closing price for each security in the fund's portfolio.
- **No Load Fund:** A mutual fund which does not levy a sales charge on the purchase of its shares.
- **Portfolio:** Collection of securities held by an investor.
- **Primary Dealer:** A group of government securities dealers who submit daily reports of market activity and positions and monthly financial statements to the Federal Reserve Bank of New York and are subject to its informal oversight.
- Real Estate Investment Trust (REIT): A company that buys, develops, manages and sells real estate assets. Allows participants to invest in a professionally managed portfolio of real-estate properties.

 The main function is to pass profits on to investors; business activities are generally restricted to generation of property rental income.

- **Repurchase Agreement (Repo):** An agreement of one party to sell securities at a specified price to a second party and a simultaneous agreement of the first party to repurchase the securities at a specified price or at a specified later date.
- **Reverse Repurchase Agreement:** An agreement of one party to purchase securities at a specified price from a second party and a simultaneous agreement of the first party to resell the securities at a specified price to the second party on demand or at a specified date.
- Rule 2a-7 of the Investment Company Act: Applies to all money market mutual funds and mandates such funds to maintain certain standards, including a 13-month maturity limit and a 90-day average maturity on investments, to help maintain a constant net asset value of one dollar (\$1.00).
- <u>Securities and Exchange Commission (SEC):</u> Agency created by Congress to protect investors in securities transactions by administering securities legislation.
- Total Return: The sum of all investment income plus changes in the capital value of the portfolio. For mutual funds, return on an investment is composed of share price appreciation plus any realized dividends or capital gains. This is calculated by taking the following components during a certain time period. (Price Appreciation) + (Dividends Paid) + (Capital Gains) = Total Return
- <u>Treasury Bills:</u> Short-term U.S. government non-interest bearing debt securities with maturities of no longer than one year.
- <u>Treasury Bonds:</u> Long-term U.S. government debt securities with maturities of more than ten years. Currently, the longest outstanding maturity is 30 years.
- **Treasury Notes:** *Intermediate U.S. government debt securities with maturities of two to ten years.*
- <u>Tri-party Repurchase Agreement:</u> In a "normal repurchase" transaction there are two parties, the buyer and the seller. A tri-party repurchase agreement adds a custodian as the third party to act as an impartial entity to the repurchase transaction to administer the agreement and to relieve the buyer and seller of many administrative details.
- Weighted Average Maturity (WAM): The average maturity of all the securities that comprise a portfolio.
- <u>Yield:</u> The current rate of return on an investment security. Generally expressed as a percentage of the security's current price.
- <u>Yield Curve:</u> A graphical representation that depicts the relationship at a given point in time between yields and maturity for bonds that are identical in every way except maturity. A normal yield curve may be alternatively referred to as a positive yield curve.
- <u>Yield-to-Maturity:</u> The rate of return yielded by a debt security held to maturity when both interest payments and the investor's potential capital gain or loss are included in the calculation of return.
- **Zero-Coupon Securities:** A security that is issued at a discount and makes no periodic interest payments.

 The rate of return consists of a gradual accretion of the principal of the security and is payable at par upon maturity.

COUNCIL FINANCE COMMITTEE AGENDA ITEM SUMMARY

Staff: Marc Virata, Monica Martinez, Dana Hornkohl, Clay Frickey

Date: December 1, 2022

SUBJECT FOR DISCUSSION

Northfield Development Suniga Road Major Reimbursement

EXECUTIVE SUMMARY

The Northfield developer has constructed Suniga Road as a four-lane arterial to City standards as part of its development requirements. Per Section 24-112 of the City Code, the developer is eligible for reimbursement from Transportation Capital Expansion Fee (TCEF) funds for the oversized, non-local portion of Suniga Road not attributed to the local portion obligation. Staff is recommending appropriations totaling \$2,081,548 from TCEF funds.

While this reimbursement is considered routine as part of the code obligations under the TCEF Program, this request is coming before Council Finance Committee now because of the large dollar amount outside of the typical 2-year budgeting process. Previously, and since the inception of the TCEF Program, TCEF reimbursements to development were anticipated and appropriated through the 2-year budgeting process. As part of the process improvements identified first in the 2021 budget, the TCEF Program is now categorizing developer reimbursements as "Major" and "Minor" reimbursements, with "Major" developer reimbursements brought to Council individually rather than predicting what reimbursements are needed on a 2-year basis. This proposed reimbursement is the first request under this new process.

Staff has identified on the review of this reimbursement request that, as part of the metro district service plan for Northfield, the developer also is eligible to seek reimbursement from their metro districts for these same Suniga Road improvements that the developer is requesting from TCEF funds. The district manager of their metro districts has provided an affidavit, however, affirming that the metro districts will not reimburse the developer for these same costs that are proposed for reimbursement through TCEF funds.

GENERAL DIRECTION SOUGHT AND SPECIFIC QUESTIONS TO BE ANSWERED

- Does Council Finance Committee support an off-cycle appropriation of Transportation Capital Expansion Fee fund reserves to reimburse the Northfield developer for its construction of Suniga Road?
- As the first Major reimbursement through the identified process improvements, does Council Finance Committee desire that all Major reimbursements appear before Council Finance Committee?
- Does Council Finance Committee support TCEF funds being utilized as proposed by Staff, in light of the documentation provided from Northfield's metro district manager that the metro district will not also reimburse for these same improvements if TCEF funds are used to reimburse the developer?

BACKGROUND/DISCUSSION

TCEF Program

The TCEF Program (formerly Street Oversizing), instituted by ordinance in 1979, was established to manage the construction of new arterial and collector streets, and is an "Impact Fee" funded program. The TCEF Program determines and collects impact fees from development and redevelopment projects. The collection of these impact fees contributes funding to growth-related City Capital Projects and reimburses development for constructing roadway improvements above the local street access standards. Section 24-112 of the City Code allows for reimbursement to developers for the construction of collector and arterial streets.

TCEF funds for reimbursement to developers previously were appropriated through the 2-year budgeting process. The TCEF Manager would forecast when development projects would build improvements within the budget cycle for appropriation from City Council. Identifying when development will be entitled and construction of public infrastructure will be completed, however, is not always predictable. The appropriation for TCEF under the 2019-2020 Budget anticipated the Northfield developer's completion of Suniga improvements during that budget cycle. When that did not occur, there appeared to be a large underspend in the TCEF fund and concerns were raised by City Council. The TCEF Program updated its approach in the 2021 Budget to begin characterizing developer reimbursements as "Major" and "Minor." Staff has identified \$500K as the threshold between a Minor and Major reimbursement.

This reimbursement is for the Northfield developer's construction above the local street access standards of half a mile of Suniga Road between Redwood Street and Lindenmeier Road (former Lemay alignment). Suniga Road was built by the developer as a four-lane arterial street including the completion of construction of the median landscape and irrigation installation for the center median. TCEF funds for this reimbursement previously were appropriated under the 2019-2020 Budget and, when not utilized, were returned into TCEF reserves.

Under the 2021 process improvement to have Major reimbursements brought to City Council individually, the dollar amount as a Major reimbursement classification is being brought for consideration. TCEF funds previously have reimbursed the developer as minor reimbursements for both Suniga right-of-way (\$477,456 in 2020) and a bridge structure in Suniga Road over the Lake Canal (\$361,354 in 2021). This remaining reimbursement request would complete the reimbursement eligibility for Suniga Road to the Northfield developer.

Staff has reviewed the documentation provided by the Northfield developer and agrees that the requested reimbursement meets the requirements under City Code Section 24-112 for appropriation from TCEF funds. There are additional development projects nearing infrastructure completion (Water's Edge and Waterfield, and Country Club Reserve) that also would qualify as Major reimbursements and likely would appear before City Council for appropriation. One of staff's question is, does the Council Finance Committee desire that each of these Major reimbursements also appear before the Committee ahead of City Council?

Metro District Manager Affidavit and Resolutions of the Metro Districts

The Northfield developer's request for reimbursement from TCEF funds prompted review of the metro district service plan for Northfield. There are three metro districts serving the Northfield development. Staff's review determined that the developer is eligible to seek reimbursement from the developer's metro districts for the same improvements being requested for reimbursement from TCEF funds (but could not legally be reimbursed from both). Council

Finance Committee may have a preference on whether reimbursement to the developer should occur from TCEF funds or the developer's metro districts; however, with the developer meeting the requirements for reimbursement from TCEF funds under Section 24-112 of the City Code, staff does not have a reason to object to the developer's reimbursement request from TCEF funds.

An affidavit from the manager of Northfield's metro districts has been provided to the City affirming that the metro districts will not reimburse the developer for this same reimbursement request from TCEF funds and are prohibited from reimbursing the developer for any costs which the City would have reimbursed as this would be a violation of the service plan. Additionally, the affidavit asserts that the previous reimbursements for Suniga right-of-way and the bridge structure have not and will not be reimbursed by the metro districts. Resolutions adopted by the three metro districts also have been provided adopting that each district will not reimburse the developer for any costs for which they have been reimbursed from the City.

ATTACHMENTS

- 1. Northfield TCEF Cost Allocation
- 2. Affidavit from Metro District Manager
- 3. Resolution from Metro District 1
- 4. Resolution from Metro District 2
- 5. Resolution from Metro District 3



12-01-2022

Northfield Developer Suniga Road Major Reimbursement

Presented by:

Marc Virata
Civil Engineer

Dana Hornkohl
Capital Projects Manager

Clay Frickey
Redevelopment Manager



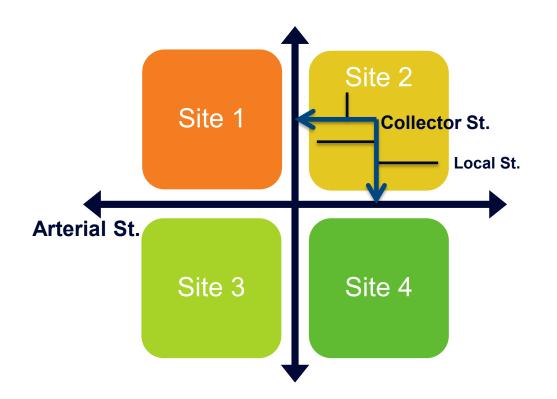


- 1. Does Council Finance Committee support an off-cycle appropriation of Transportation Capital Expansion Fee fund reserves to reimburse the Northfield developer for its construction of Suniga Road?
- 2. As the first Major reimbursement through the identified process improvements, does Council Finance Committee desire that all Major reimbursements appear before Council Finance Committee?
- 3. Does Council Finance Committee support TCEF funds being utilized as proposed by Staff, in light of the documentation provided from Northfield's metro district manager that the metro district will not also reimburse for these same improvements if TCEF funds are used to reimburse the developer?



- One time impact fee collected from development and redevelopment to mitigate impacts to the existing transportation network
 - Fee is proportional to anticipated impact
- Used to support growth related infrastructure improvements which add capacity to the system
 - Reimbursement to Developers
 - Contributions to transportation capital improvement projects
- Fees cannot be used for improvements which solely benefit an adjacent development, existing deficiencies, and for maintenance





- Reimbursement to Developers for constructing improvements beyond "local street"
- Contributions to Capital Projects
 - Complete Streets
 - Multimodal Improvements
 - Transit
 - Intersections/Signals



TCEF Reimbursement Appropriation Process

Since Program Inception through 2020

- Appropriation for reimbursement through standard budgeting process
- Forecast when development projects are entitled and constructed

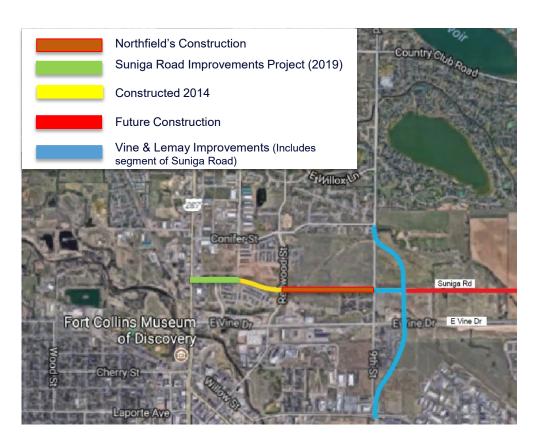
Northfield development Suniga Road appropriation

- Appropriated under the 2019-2020 Budget
- Road only now completed
- Appearance of large underspend

2021 Budget TCEF Program Update

- "Minor" reimbursements appropriated through 2-year budget process
- "Major" reimbursements instead individually appropriated





Limits: Redwood Street to Lindenmeier Road (former Lemay alignment)

Previous reimbursements: road right-of-way (\$477K, 2020); box culvert (\$361K, 2021)

TCEF Appropriation Request: \$2.1M





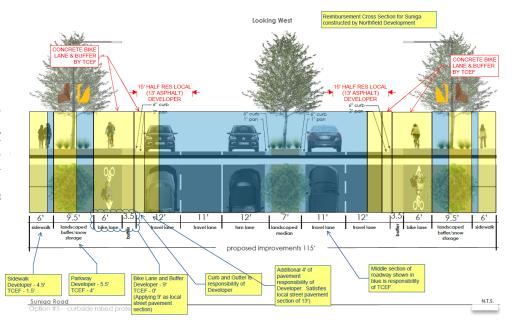
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								TCEF		D	evelo	per	
GLH No.	Description	Quantity	Units		Unit Cost	Total	Quantity		Cost	Quantity		Cost	Notes
360	8' Detached Sidewalk	102	LF	\$	47.77 \$	4,872.54	0.44	\$	2,143.92	0.56	\$	2,728.62	TCEF/Developer Unit Cost Based on walk widths (3.5/8=44%)
361	10' Detached Sidewalk	130	LF	\$	59.64 \$	7,753.20	0.55	\$	4,264.26	0.45	\$	3,488.94	TCEF/Developer Unit Cost Based on walk widths (5.5/10=55%)
362	Square Radii	24	EA	\$	2,856.00 \$	68,544.00	16.00	\$	45,696.00	8.00	\$	22,848.00	Local require intersection curb returns, remaining assumed related to median & bike lane
363	Handi-Cap Ramps w/ Trunc Domes	4	EA	\$	1,344.00 \$	5,376.00	0.00	\$		1.00	\$	5,376.00	Local Requirement
364	Bike Lane Ramps-No Domes	10	EA	\$	1,120.00 \$	11,200.00	1.00	\$	11,200.00	0.00	\$		All Suniga related, protected bike lane not required for local street
365	3.5' Conc Buffer Lane 6" Thick	11,841	SF	\$	5.77 \$	68,322.57	1.00	\$	68,322.57	0.00	\$		All Suniga related, protected bike lane not required for local street
366	6' Concrete Bike Lane 6" Thick	3,956	LF	\$	35.84 \$	141,783.04	1.00	\$	141,783.04	0.00	\$		All Suniga related, protected bike lane not required for local street
Asphalt F	Prep												
379	Subgrade Prep - Streets	12,260	SY	\$	2.89 \$	35,431.40	6,000	\$	17,339.36	6,260	\$	18,092.04	Local SY based on pavement width (EOA-EOA)
Asphal P	lacement												
381	Asphalt Mobilization	1	EA	\$	1,680.00 \$	1,680.00	0.49	\$	822.16	0.51	\$	857.84	TCEF/Developer Unit Cost based on pavement ratio [(12,260-6,260)/12,260=49%, reference GLH No. 379]
382	6" Road Base - 1' Behind TBC	15,277	SY	\$	10.08 \$	153,992.16	7,331	\$	73,899.84	7,946	\$	80,092.32	Local SY based on pavement width (FL-FL+3)
383	Fly Ash Subgrade Prep	13,458	SY	\$	12.87 \$	173,204.46	5,512	\$	70,943.73	7,946	\$	102,260.73	Local SY based on pavement width (FL-FL+3), Assuming fly ash extended beyond C&G
384	10" Asphalt on Suniga	12,260	SY	\$	45.98 \$	563,714.80	6,000	\$	275,869.78	6,260	\$	287,845.02	Local SY based on pavement width (EOA-EOA)
385	Asphalt Wedges	48	LF	\$	20.22 \$	970.56	0.00	\$		1.00	\$	970.56	Local Requirement
West of I	Box Culvert												
389	Curb & Gutter Prep	1,939	LF	\$	3.00 \$	5,817.00	954	\$	2,862.00	985	\$	2,955.00	Local responsible for outside C&G prep, assumed remaining is median C&G prep, referenced GLH quantity
390	Strip West Side of Box Culvert	650	CY	\$	3.97 \$	2,580.50	0.56	\$	1,436.10	0.44	\$	1,144.40	TCEF/Developer Unit Cost based on right-of-way ratio (51/115=44%)
391	Cut to Fill West Side of Box Culvert	975	CY	\$	5.03 \$	4,904.25	0.56	\$	2,729.32	0.44	\$	2,174.93	TCEF/Developer Unit Cost based on right-of-way ratio (51/115=44%)
392	Export Excess Dirt Stock Pile	530	CY	\$	10.03 \$	5,315.90	0.56	\$	2,958.41	0.44	\$	2,357.49	TCEF/Developer Unit Cost based on right-of-way ratio (51/115=44%)
393	Detached Sidewalk Prep	914	LF	\$	2.93 \$	2,678.02	0.25	\$	669.51	0.75	\$	2,008.52	TCEF/Developer Unit Cost Based on walk widths (1.5/6=25%)
394	Radius Prep	2	EA	\$	328.13 \$	656.26	0.00	\$		2.00	\$	656.26	Local require intersection curb returns
395	3.5' Buffer Lane & 6' Bike Lane Prep	85 9	LF	\$	3.54 \$	3,040.86	1.00	\$	3,040.86	0.00	\$	-	All Suniga related, protected bike lane not required for local street
396	18" Vertical Curb & Gutter	852	LF	\$	22.12 \$	18,846.24	1.00	\$	18,846.24	0.00	\$		All Suniga related, median not required for local street
397	18" Double Vertical	102	LF	\$	45.36 \$	4,626.72	1.00	\$	4,626.72	0.00	\$	-	All Suniga related, median not required for local street
398	30" Vertical Curb & Gutter	953	LF	\$	24.14 \$	23,005.42	0.00	\$		1.00	\$	23,005.42	Local Requirement
399	31" Rollover Curb & Gutter	32	LF	\$	31.36 \$	1,003.52	0.00	\$		1.00	\$	1,003.52	Local Requirement
400	Median Cover @ Box Culvert	344	SF	\$	12.32 \$	4,238.08	1.00	\$	4,238.08	0.00	\$	-	All Suniga related, median not required for local street
401	6' Detached Sidewalk	795	LF	\$	35.84 \$	28,492.80	0.25	\$	7,123.20	0.75	\$	21,369.60	TCEF/Developer Unit Cost Based on walk widths (1.5/6=25%)
402	8' Detached Sidewalk	119	LF	\$	47.77 \$	5,684.63	0.44	\$	2,501.24	0.56	\$	3,183.39	TCEF/Developer Unit Cost Based on walk widths (3.5/8=44%)
403	Square Radii	2	EA	\$	2,856.00 \$	5,712.00	0.00	\$		2.00	\$	5,712.00	Local require intersection curb returns
404	Handi-Cap Ramps w/ Trunc Domes	4	EA	\$	1,344.00 \$	5,376.00	0.00	\$		1.00	\$	5,376.00	Local Requirement
405	Bike Lane Ramps-No Domes	2	EA	\$	1,120.00 \$	2,240.00	0.00	\$		1.00	\$	2,240.00	All Suniga related, protected bike lane not required for local street
406	3.5' Conc Buffer Lane 6" Thick	2,577	SF	\$	5.77 \$	14,869.29	1.00	\$	14,869.29	0.00	\$	-	All Suniga related, protected bike lane not required for local street
407	6' Concrete Bike Lane 6" Thick	859	LF	\$	35.84 \$	30,786.56	1.00	\$	30,786.56	0.00	\$		All Suniga related, protected bike lane not required for local street
408	Subgrade Prep - Streets	2,735	SY	\$	2.89 \$	7,904.15	1,421	\$	4,105.41	1,314	\$	3,798.74	Local SY based on pavement width (EOA-EOA)
409	6" Road Base - 1' Behind TBC	3,584	SY	\$	10.08 \$	36,126.72	1,916	\$	19,309.92	1,668	\$	16,816.80	Local SY based on pavement width (FL-FL+3)
410	Fly Ash Subgrade Prep	6,630	SY	\$	12.87 \$	85,328.10	4,962	\$	63,856.65	1,668	\$	21,471.45	Local SY based on pavement width (FL-FL+3), Assuming fly ash extended beyond C&G
411	10" Asphalt on Suniga	2,735	SY	\$	45.98 \$	125,755.30	1,421	\$	65,317.14	1,314	\$	60,438.16	Local SY based on pavement width (EOA-EOA)
412	Asphalt Wedges	48	LF	\$	20.22 \$	970.56	0.00	\$		1.00	\$	970.56	Local Requirement
Change C	Orders												
436	Deduct 2" Asphalt	-15,074	SY	\$	9.18 \$	(138,379.32)	-7,499	\$	(68,843.88)	-7,575	\$	(69,535.44)	Local SY based on pavement width (EOA-EOA)
437	Add 9" Road Base	15,074	SY	\$	12.92 \$	194,756.08	7,499	\$	96,891.39	7,575	\$	97,864.69	Local SY based on pavement width (EOA-EOA)
					Total \$	2,883,032.94	TCEF	\$ 1	1,670,426.34	Developer	\$	1,212,606.60	
Roadway	Design												
	HDS (Invoice# 1296)	1	LS	\$	42,800.00 \$	42,800.00	0.58	\$	24,798.28	0.42	\$	18,001.72	Ratio based on total construction costs
Construc	tion Management												
	LCS (Invoice# 90-02929)	1	LS	\$	128,878.88 \$	128,878.88	0.58	\$	74,672.29	0.42	\$	54,206.59	Ratio based on total construction costs
Suniga M	ledian Landscaping												
	Irrigation Tap - POC D	1	LS	\$	29,593.51 \$	29,593.51	1.00	\$	29,593.51	0.00	\$		All Suniga related, median not required for local street
	Irrigation Tap - POC E	1	LS	\$	33,857.33 \$	33,857.33	1.00	\$	33,857.33	0.00	\$	-	All Suniga related, median not required for local street
	Medain Landscape & Irrigation Installation	1	LS	s	248,200.00 \$	248,200,00	1.00	s	248,200.00	0.00	s		All Suniga related, median not required for local street, Final Invoice from Landscape Conce





TCEF Major Reimbursement Appropriation Process

- Northfield's Suniga Road first major reimbursement appropriation request
- Previously appropriations embedded through budgeting process and routinely reimbursed through TCEF operating account
- Does Council Finance
 Committee desire all future
 major reimbursements appear
 before Council Finance
 Committee?

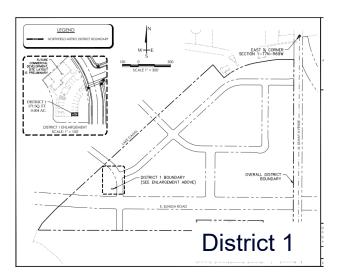
Future Major Reimbursements

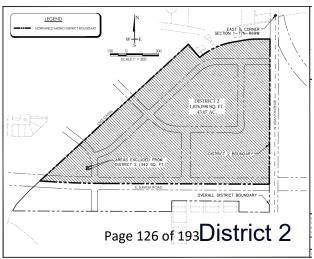
- Waters Edge
- Waterfield
- Country Club Reserve
- Bloom
- Montava

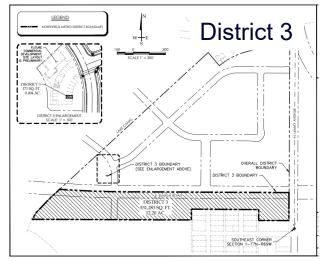


Northfield Has Three Metro District Areas

- Developer eligible to seek reimbursements from the metro districts for these same improvements requesting TCEF reimbursement
- Could be reimbursed from either TCEF or the metro districts but not both









Affidavit from Manager and Resolutions adopted by the Metro Districts are provided indicating:

- Proposed TCEF reimbursement will not also be reimbursed by the Metro Districts
- Previous right-of-way and bridge improvements have not and will not be reimbursed by the Metro Districts

Does Council Finance Committee support TCEF funds being utilized as proposed by Staff, considering the documentation provided from Northfield's Metro Districts?

AFFIDAVIT RE: REIMBURSEMENT FOR SUNIGA ROAD IMPROVEMENTS

I, Guy Johnson, as a principal of District Resource, LLC, a Colorado limited liability company, which serves as District Manager and Accountant for Northfield Metropolitan District Nos. 1-3 (the "Districts"), being first duly sworn upon oath under penalty of perjury, state and aver as follows:

- I have personal knowledge of and can testify in a court of competent jurisdiction regarding the facts set forth herein.
- I have reviewed the Consolidated Service Plan for the Districts, approved by the City of Fort Collins (the "City") on October 1, 2019 (the "Service Plan"), and I am familiar with the provisions of the Service Plan.
- Section VIII of the Service Plan states "the design, phasing of construction, location and completion of Public Improvements will be determined by the Districts to coincide with the phasing and development of the Planned Development and the availability of funding sources; (ii) the Districts may, in their discretion, phase the construction, completion, operation, and maintenance of Public Improvements or defer, delay,

reschedule, rephase. construction comple and such actions or det (iii) the Districts sh categories of the Publ and (iv) to the ext Improvements that w Act, the District s

constructed improve: roadway improveme improvements the C Improvements") Th and the Developer ha roadway improveme also aware that the C to the City of the ove

I hav acceptance by the Improvements to this date accepted costs f to the Suniga Improv

6. I also confirm that the governing boards of each of the Districts (the "Boards") have reaffirmed in the resolutions attached hereto as Exhibits A, B, and C (the "Resolutions") that, pursuant to Section VIII of the Service Plan, the Districts are prohibited from reimbursing the Developer, and its successors and assigns, for the cost of any Public Improvements for which they have been reimbursed by the City, and such a reimbursement would constitute a violation of this prohibition in Section VIII of the Service Plan. In addition, the City would have, concerning any such violation, the legal and equitable remedies available to it under the Intergovernmental Agreement dated May 14, 2020, that the City and the Districts have entered into pursuant to Section XVIII of the Service Plan.

STATE OF COLORADO

The foregoing instrument was acknowledged before me this 2nd day of November, 2022, by Guy Johnson, as the District Manager and Accountant for Northfield Metropolitan District Nos.

Witness my hand and official seal.

My commission expires: 0 26 26

Attachment 1 - Engagement Summary

Community Engagement Overview

Fort Collins has had a long-standing community dialogue about the best way(s) to ensure safe, healthy housing for renters, efficiently use existing housing stock, and address nuisance issues. During development of the HSP in 2020, extensive community engagement continued to highlight a need to explore rental registration/licensing and occupancy ordinance revisions. Over the last year, staff has built on the HSP community dialogue by engaging with a range of community members to ensure that multiple perspectives are included in the current exploration of rental housing strategies.

Groups Engaged:

Group	Engagement Activities Conducted
Renters, neighborhood groups,	Housing Strategic Plan engagement, 2020-2021
HOAs	Community Questionnaire, Aug. 2022
	Pop-up Engagement, Aug. 2022
	Rental Housing Taskforce
Landlords, realtors, property	Presentation to Northern CO Rental Housing Association,
managers	Feb. 2022
	Presentation to Board of Realtors, Feb. 2022
	Rental Industry Questionnaire, Feb./March 2022
	Rental Housing Taskforce
City Departments	Convening of Rental Housing and Occupancy Core Team
	Conversations with IT, Building Services, Communications
	and Public Involvement Office, City Attorney's Office
Council	Ad Hoc Housing Committee discussion, Dec. 2020
	Rental Strategies Work Session, Oct. 2021

Summary of Key Engagement Activities

Rental Industry Questionnaire, February/March 2022

This online questionnaire was primarily focused on soliciting feedback from rental owners, property managers, and landlords to better understand how potential rental programs (e.g., registry and occupancy regulations) might impact the industry, and to explore specific elements of program design. Assessor's data was used to identify and mail flyers to nearly 9,000 likely owners of rental property within Fort Collins to ensure wide awareness of the questionnaire. A total of 1,912 people responded to the questionnaire, 68% of whom identified themselves as rental owners, managers, or landlords. 20% of respondents were residents who live or work in Fort Collins but do not own or manage rental property.

Rental Housing Task Force, March-August 2022

In early 2022, the City convened a Task Force to support deeper exploration of the three HSP strategies to work collaboratively to propose modifications to current rental housing policy for consideration by City staff, the broader public, and City Council. A total of 76 people applied for

20 spots, and applications were reviewed by a committee of City staff. The top scoring applications for landlord/property managers, renters, and others were invited to participate. Staff consulted with the City Attorney's Office on the criteria utilized for selection and the information shared with the selection team. Demographic information was collected from applicants but was not used in the selection process; it was considered in aggregate for the entire application pool to evaluate the task force's representativeness.

A panel of applicants was selected to represent a diversity of perspectives, including rental housing tenants, property owners/landlords and property managers, and people who fit neither category. Fort Collins residents Jack Armstrong, Jade Beaty, Julia Berger, Lisa Cunningham, Brannan Davis, Adam Eggleston, Emily Gallichotte, Carrie Gillis, Cecilia Granby, Sean Haines, Nicole Hanson, Mike Herder, Torey Lenoch, Robert Long, Lindsay Mason, Amy Pezzani, Jose Luis Ramos, Carolyn J. Rasley, and Isabella Zapata served as Task Force members for the duration of ten meetings. One task force member withdrew from participation due to other commitments. The total composition of the group was 19 members, and all meetings were facilitated by a professional third-party facilitator.

The task force members shared multiple perspectives and affiliations. They are listed below:

Renter	Industry Representative	Other
Currently renting	Realtor	Non-profit executive
Single parent	Large landlord	Immigrant to U.S.
Experienced homelessness	Small landlord	HOA Board representative
Affordable housing tenant	Real estate appraiser	Fifth generation Fort Collins
		resident
Seeking home ownership	Contractor	CSU Off-Campus Life
Parent of renters	Property Manager	
Former CSU student	Former Housing Authority	
	employee	

The Task Force met a total of ten times between March 30 and August 3, 2022. The 19 Task Force members attended an average of 8.5 meetings each. Each meeting had an average of 16 Task Force members present. Task Force members completed homework assignments between meetings to ensure they were well informed. Early meetings were primarily informational as the Task Force members received presentations from staff as well as a panel including Paul Anderson, Lloyd Walker, David Roy, and Benton Roesler to explore opinions about the City's U+2 Policy.

Community Questionnaire, August 2022

This questionnaire sought opinions about how much the City's approach to rental housing regulation and occupancy should change, if at all. The questionnaire also asked respondents their opinions about a range of potential next steps for rental registration/licensing and occupancy ordinance revisions. Additional "pop-up" engagement utilizing the Neighborhood Services lemonade stand was conducted to increase awareness of the community questionnaire and encourage participation; particularly in areas where changes to occupancy and extra occupancy

have been raised as a concern. A total of 1,739 responded to the questionnaire: 64% indicated that they owned their home, 31% of respondents indicated that they rented their home, 19% of respondents were landlords. The charts below show respondents by Council District and housing tenure (rent/own):

Council District	Total	Owners	%Owners	Renters	%Renters
District 1	226	138	61%	82	36%
District 2	223	150	67%	62	27%
District 3	143	94	65%	46	32%
District 4	227	154	68%	63	28%
District 5	373	249	67%	113	30%
District 6	264	144	55%	111	42%



Northfield

TRANSPORTATION CAPITAL EXPANSION FEE (TCEF) - SUNIGA REIMBURSEMENT

Design Engineer: J.Claeys

Design Firm: Highland Development Services

Project Number: 18-1000-03
Date: October 10, 2022

REFERENCES:

GLH Construction - Request for Payment, Invoice # 201122707, Dated 11/24/2021

GLH Construction - Northfield - Phase 1, Suniga Reimbursements, Dated 1/7/22

Northfield - TCEF Suniga - Estimated Street Runoff Comparisons, prepared by HDS, Dated 5/11/22

Highland Development Services - Invoice # 1296, Dated 9/27/21

Landmark Construction Solutions - Invoice # 90-02929, Dated 12/31/21

City of Fort Collins - Irrigation Tap Invoice - Permit # 643873 & Permit # 643875

Landscape Concepts - Landscape & Irrigation Installation, Dated 6/2/22

Suniga Roadway Lengths

Onsite Length (east to Lemay)	2167	LF	
Offsite Length (west to Redwood)	455	LF	
Total	2622	I F	

Street Section References

		Local	(4-lane		
		Residential	Arterial)		
Right-of-Way	(ft)	51	115		
Pavement Wid	ement Width (FL-FL, ft) 30				
Median Width	lian Width (excluding turn lane, ft) N/A				
Protected Bike	ected Bike Lane Width (ft) N/A				
Bike Lane Buff	er Width (ft)	N/A	3.5		
Parkway Widt	h (ft)	6	9.5		
Sidewalk Widt	h (ft)	4.5	6		
Constructed	Fly Ash Depth (in)	12	12		
Pavement	Road Base (in)	6	15		
Sections	Asphalt (in)	4	8		

COST DETERMINATION/ALLOCATION:

	TCEF			Develop	per						
GLH No.	Description	Quantity	Units	Unit Cost	Total	Quantity	Cost	Quantity		Cost	Notes
General	Site Work										
001	General Site Work	1	LS	\$ 408,122.53 \$	408,122.53	0.65	\$ 265,279.64	0.35	\$	142,842.89	Assumed that majority of this is directly related to arterial section status and associated utility uses
Storm Se	wer										
225	SD-24 (NECCO A3 Lateral)	1	LS	\$ 32,583.28 \$	32,583.28	1.00	\$ 32,583.28	0.00	\$	-	This line is for offsite purposes only and installed w/ offsite Suniga
243	SD-19 (NECCO A8 Lateral)	1	LS	\$ 54,327.57 \$	54,327.57	0.40	\$ 21,731.03	0.60	\$	32,596.54	This line is sized for arterial, applied estimated ratio of local vs arterial flows, estimate accounts for Pond D outlet
266	SD-21 (NECCO A5 Lateral)	1	LS	\$ 72,099.62 \$	72,099.62	0.40	\$ 28,839.85	0.60	\$	43,259.77	This line is sized for arterial, applied estimated ratio of local vs arterial flows
273	SD-20 (NECCO A7 Lateral)	1	LS	\$ 62,809.82 \$	62,809.82	0.40	\$ 25,123.93	0.60	\$	37,685.89	This line is sized for arterial, applied estimated ratio of local vs arterial flows
295	Western Median Underdrain	1	LS	\$ 33,981.70 \$	33,981.70	1.00	\$ 33,981.70	0.00	\$	-	All Suniga related, median not required for local street
298	Central Median Underdrain	1	LS	\$ 28,885.52 \$	28,885.52	1.00	\$ 28,885.52	0.00	\$	-	All Suniga related, median not required for local street
301	Eastern Median Underdrain	1	LS	\$ 28,136.52 \$	28,136.52	1.00	\$ 28,136.52	0.00	\$	=	All Suniga related, median not required for local street
Concrete	Prep - Suniga										
349	Curb & Gutter Prep	8,975	LF	\$ 3.00 \$	26,925.00	4,876	\$ 14,628.00	4,099	\$	12,297.00	Local responsible for outside C&G prep, assumed remaining is median C&G prep, referenced GLH quantity
350	Detached Sidewalk Prep	4,093	LF	\$ 2.93 \$	11,992.49	0.25	\$ 2,998.12	0.75	\$	8,994.37	TCEF/Developer Unit Cost Based on walk widths (1.5/6=25%)
351	Radius Prep	24	EA	\$ 328.13 \$	7,875.12	16.00	\$ 5,250.08	8.00	\$	2,625.04	Local require intersection curb returns, remaining assumed related to median & bike lane
352	3' Buffer Lane & 6' Bike Lane	3,947	LF	\$ 3.54 \$	13,972.38	1.00	\$ 13,972.38	0.00	\$	-	All Suniga related, protected bike lane not required for local street
Concrete	Placement - Suniga			_			_				
354	18" Vertical Curb & Gutter	3,875	LF	\$ 22.12 \$	85,715.00	1.00	\$ 85,715.00	0.00	\$	-	All Suniga related, median not required for local street
355	18" Double Vertical	1,164	LF	\$ 45.36 \$	52,799.04	1.00	\$ 52,799.04	0.00	\$	-	All Suniga related, median not required for local street
356	30" Vertical Curb & Gutter	4,099	LF	\$ 24.14 \$	98,949.86	0.00	\$ -	1.00	\$	98,949.86	Local Requirement
357	Median Nose	5	EA	\$ 560.00 \$	2,800.00	1.00	\$ 2,800.00	0.00	\$	-	All Suniga related, median not required for local street
358	Median Cover @ Box Culvert	284	SF	\$ 12.32 \$	3,498.88	1.00	\$ 3,498.88	0.00	\$	-	All Suniga related, median not required for local street
359	6' Detached Sidewalk	3,861	LF	\$ 35.84 \$	138,378.24	0.25	\$ 34,594.56	0.75	\$	103,783.68	TCEF/Developer Unit Cost Based on walk widths (1.5/6=25%)

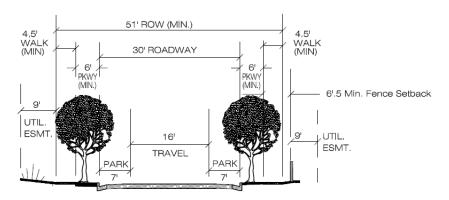
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COST DETERMINATION/ALLOCATION:

							TCEF		l na	eveloper	Ī	
GLH No	Description	Quantity	Units	Unit Cost	Total	Quantity	ICLI	Cost	Quantity	•	Cost	Notes
360	8' Detached Sidewalk	102	LF	\$ 47.77		0.44	\$	2,143.92	0.56	\$	2,728.62	TCEF/Developer Unit Cost Based on walk widths (3.5/8=44%)
361	10' Detached Sidewalk	130	LF	\$ 59.64	•	0.55	\$	4,264.26	0.45	\$	*	TCEF/Developer Unit Cost Based on Walk Widths (5.5/10=55%)
362	Square Radii	24	EA	\$ 2,856.00	•	16.00	Ś	45,696.00	8.00	\$,	Local require intersection curb returns, remaining assumed related to median & bike lane
363	Handi-Cap Ramps w/ Trunc Domes	4	EA	\$ 1,344.00		0.00	\$	43,030.00	1.00	\$		Local Requirement
364	Bike Lane Ramps-No Domes	-	EA	\$ 1,120.00	· ·	1.00	\$	11,200.00	0.00	\$	*	All Suniga related, protected bike lane not required for local street
365	3.5' Conc Buffer Lane 6" Thick	10	SF				ب خ			\$		All Suniga related, protected bike lane not required for local street
366	6' Concrete Bike Lane 6" Thick	11,841	LF		•	1.00	ې د	68,322.57	0.00	۶ \$		
phalt		3,956	LF	\$ 35.84	141,783.04	1.00	Ş	141,783.04	0.00	Ş	-	All Suniga related, protected bike lane not required for local street
379	Subgrade Prep - Streets	12,260	SY	\$ 2.89	35,431.40	6,000	Ś	17,339.36	6,260	\$	18 092 04	Local SY based on pavement width (EOA-EOA)
	Placement	12,200	<u> </u>	2.03	33,131.10	0,000	Ψ	17,555.50	0,200	7	10,032.04	2001 31 Based on parement wath (2011 2011)
381	Asphalt Mobilization	1	EA	\$ 1,680.00	1,680.00	0.49	\$	822.16	0.51	\$	857.84	TCEF/Developer Unit Cost based on pavement ratio [(12,260-6,260)/12,260=49%, reference GLH No. 379]
382	6" Road Base - 1' Behind TBC	15,277	SY	\$ 10.08	· ·	7,331	\$	73,899.84	7,946	\$		Local SY based on pavement width (FL-FL+3)
383	Fly Ash Subgrade Prep	13,458	SY	\$ 12.87		5,512	\$	70,943.73	7,946			Local SY based on pavement width (FL-FL+3), Assuming fly ash extended beyond C&G
384	10" Asphalt on Suniga	12,260	SY	\$ 45.98		6,000	\$	275,869.78	6,260			Local SY based on pavement width (EOA-EOA)
385	Asphalt Wedges	48	LF	\$ 20.22	•	0.00	ب خ	273,803.78	1.00	\$ 2		Local Requirement
	Box Culvert	40	LF	\$ 20.22	970.30	0.00	Ş	-	1.00	Ş	970.50	Local Requirement
389	Curb & Gutter Prep	1,939	LF	\$ 3.00	5,817.00	954	Ś	2,862.00	985	\$	2 955 00	Local responsible for outside C&G prep, assumed remaining is median C&G prep, referenced GLH quantity
	Strip West Side of Box Culvert	650	CY	\$ 3.00		0.56	\$ \$	1,436.10	0.44	\$ \$		TCEF/Developer Unit Cost based on right-of-way ratio (51/115=44%)
390	·				•		\$ \$					
391	Cut to Fill West Side of Box Culvert	975	CY	\$ 5.03	· ·	0.56	•	2,729.32	0.44	\$		TCEF/Developer Unit Cost based on right-of-way ratio (51/115=44%)
392	Export Excess Dirt Stock Pile	530	CY	\$ 10.03		0.56	\$	2,958.41	0.44	\$		TCEF/Developer Unit Cost based on right-of-way ratio (51/115=44%)
393	Detached Sidewalk Prep	914	LF	\$ 2.93	· ·	0.25	\$	669.51	0.75	\$		TCEF/Developer Unit Cost Based on walk widths (1.5/6=25%)
394	Radius Prep	2	EA	\$ 328.13		0.00	\$	-	2.00	\$		Local require intersection curb returns
395	3.5' Buffer Lane & 6' Bike Lane Prep	859	LF	\$ 3.54	· · ·	1.00	\$	3,040.86	0.00	\$		All Suniga related, protected bike lane not required for local street
396	18" Vertical Curb & Gutter	852	LF	\$ 22.12		1.00	\$	18,846.24	0.00	\$		All Suniga related, median not required for local street
397	18" Double Vertical	102	LF	\$ 45.36	· · ·	1.00	\$	4,626.72	0.00	\$		All Suniga related, median not required for local street
398	30" Vertical Curb & Gutter	953	LF	\$ 24.14	23,005.42	0.00	\$	-	1.00	\$	23,005.42	Local Requirement
399	31" Rollover Curb & Gutter	32	LF	\$ 31.36	1,003.52	0.00	\$	-	1.00	\$	1,003.52	Local Requirement
400	Median Cover @ Box Culvert	344	SF	\$ 12.32	4,238.08	1.00	\$	4,238.08	0.00	\$	-	All Suniga related, median not required for local street
401	6' Detached Sidewalk	795	LF	\$ 35.84	28,492.80	0.25	\$	7,123.20	0.75	\$	21,369.60	TCEF/Developer Unit Cost Based on walk widths (1.5/6=25%)
402	8' Detached Sidewalk	119	LF	\$ 47.77	5,684.63	0.44	\$	2,501.24	0.56	\$	3,183.39	TCEF/Developer Unit Cost Based on walk widths (3.5/8=44%)
403	Square Radii	2	EA	\$ 2,856.00	5,712.00	0.00	\$	-	2.00	\$	5,712.00	Local require intersection curb returns
404	Handi-Cap Ramps w/ Trunc Domes	4	EA	\$ 1,344.00	5,376.00	0.00	\$	-	1.00	\$	5,376.00	Local Requirement
405	Bike Lane Ramps-No Domes	2	EA	\$ 1,120.00	2,240.00	0.00	\$	-	1.00	\$	2,240.00	All Suniga related, protected bike lane not required for local street
406	3.5' Conc Buffer Lane 6" Thick	2,577	SF	\$ 5.77	14,869.29	1.00	\$	14,869.29	0.00	\$	-	All Suniga related, protected bike lane not required for local street
407	6' Concrete Bike Lane 6" Thick	859	LF	\$ 35.84	30,786.56	1.00	\$	30,786.56	0.00	\$	-	All Suniga related, protected bike lane not required for local street
408	Subgrade Prep - Streets	2,735	SY	\$ 2.89		1,421	\$	4,105.41	1,314	\$	3,798.74	Local SY based on pavement width (EOA-EOA)
409	6" Road Base - 1' Behind TBC	3,584	SY	\$ 10.08		1,916	\$	19,309.92	1,668	;		Local SY based on pavement width (FL-FL+3)
	Fly Ash Subgrade Prep	6,630	SY	\$ 12.87		4,962	\$	63,856.65	1,668	'		Local SY based on pavement width (FL-FL+3), Assuming fly ash extended beyond C&G
411	10" Asphalt on Suniga	2,735	SY	\$ 45.98			\$	65,317.14	1,314			Local SY based on pavement width (EOA-EOA)
412	Asphalt Wedges	48	LF	\$ 20.22		0.00	\$	-	1.00	\$		Local Requirement
	Orders	-10		7 20.22	370.30	0.00	Ψ		1.00	7	370.30	2000 Negativenent
436	Deduct 2" Asphalt	-15,074	SY	\$ 9.18	(138,379.32)	-7,499	¢	(68,843.88)	-7,575	¢	(69 535 44)	Local SY based on pavement width (EOA-EOA)
437	Add 9" Road Base	15,074	SY	\$ 12.92		7,499	\$	96,891.39	7,575			Local SY based on pavement width (EOA-EOA)
737	Add 5 Hodd base	13,074	31		\$ 2,883,032.94	TCEF		1,670,426.34	Developer			Education based on pavement width (EDA EDA)
adwa	y Design			iotai .	2,003,032.34	ICEF	, <u>1</u>	1,070,420.34	Developei	۶ 1,2.	12,000.00	
auwa	HDS (Invoice# 1296)	1	ıc	\$ 42,800.00	42,800.00	0.58	ċ	24,798.28	0.42	ċ	19 001 72	Ratio based on total construction costs
nstru	ction Management	1	LS	\$ 42,800.00	+2,000.00	0.36	Ą	24,/30.28	0.42	ې	10,001.72	natio pascu on total construction costs
าเรนเน	LCS (Invoice# 90-02929)	1	ıç	\$ 128,878.88	128,878.88	0.58	Ś	74,672.29	0.42	Ś	54 206 50	Ratio based on total construction costs
nice *	,	1	LS	\$ 128,878.88	128,878.88	0.58	Ą	74,072.29	0.42	Ş	J4,ZU0.39	מפניט אפטבע טוז נטנפו נטווטנו ענגנטוו נטטנט
nıga I	Median Landscaping	4	1.0	ć 20.502.51	20.502.51	4.00	ć	20 502 51	0.00	ć		All Control and the district mark to action of familiary between
	Irrigation Tap - POC D	1	LS	\$ 29,593.51		1.00	\$	29,593.51	0.00	\$		All Suniga related, median not required for local street
	Irrigation Tap - POC E	1	LS	\$ 33,857.33		1.00	\$	33,857.33	0.00	\$		All Suniga related, median not required for local street
	Medain Landscape & Irrigation Installation	1	LS	\$ 248,200.00	248,200.00	1.00	\$	248,200.00	0.00	\$	-	All Suniga related, median not required for local street, Final Invoice from Landscape Concepts

Page 2 of 2

FORT COLLINS ONLY



INTERSECTIONS (WHERE NEEDED)

ROADWAY WIDTH: 30' wide.

RIGHT OF WAY WIDTH: 51' (min), plus 18' (min.) utility easement.

TRAVEL LANES: 16' wide.

LEFT TURN LANES: None.

<u>BIKE LANES</u>: Bicyclists to share travel lane with motor vehicles. Additional street width, up to 4' wider, may be required in the travel lane to accommodate bike traffic to serve activity areas, such as schools and parks.

PARKING: Two lanes 7' wide.

SIDEWALK: 4.5' (min.) width. Additional width may be required for higher pedestrian traffic serving activity areas.

MEDIANS: None.

WHERE USED: May be used for residential local streets providing access to single family detached dwellings with driveways.

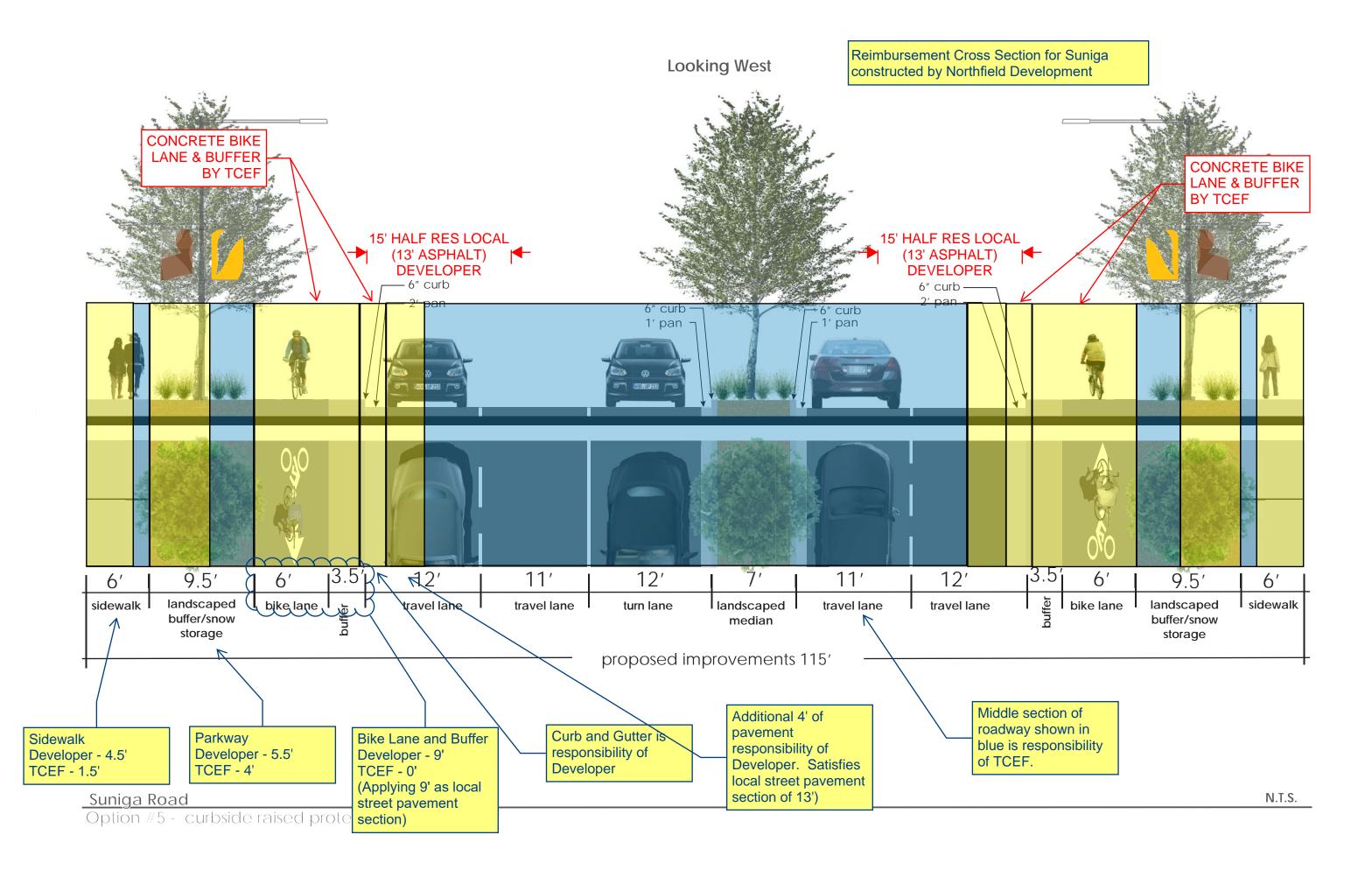
DESIGN SPEED: 25 MPH SPEED LIMIT: 25 MPH

ACCESS: Access will be unlimited in accordance with these standards.

CONTINUITY: The street shall be continuous for no more than 1320 feet.

FENCES: Fences shall be setback a minimum of 6.5' from the parkway edge of the sidewalk.

RESIDENTIAL LOCAL STREET									
LARIMER COUNTY URBAN AREA	DESIGN	REVISION NO:	FIGURE						
STREET STANDARDS	FIGURE	DATE: September, 2016	7-9F						



AFFIDAVIT RE: REIMBURSEMENT FOR SUNIGA ROAD IMPROVEMENTS

- I, Guy Johnson, as a principal of District Resource, LLC, a Colorado limited liability company, which serves as District Manager and Accountant for Northfield Metropolitan District Nos. 1-3 (the "Districts"), being first duly sworn upon oath under penalty of perjury, state and aver as follows:
- 1. I have personal knowledge of and can testify in a court of competent jurisdiction regarding the facts set forth herein.
- 2. I have reviewed the Consolidated Service Plan for the Districts, approved by the City of Fort Collins (the "City") on October 1, 2019 (the "Service Plan"), and I am familiar with the provisions of the Service Plan.
- 3. Section VIII of the Service Plan states "the design, phasing of construction, location and completion of Public Improvements will be determined by the Districts to coincide with the phasing and development of the Planned Development and the availability of funding sources; (ii) the Districts may, in their discretion, phase the construction, completion, operation, and maintenance of Public Improvements or defer, delay, reschedule, rephase, relocate or determine not to proceed with the construction, completion, operation, and maintenance of Public Improvements, and such actions or determinations shall not constitute a Service Plan Amendment; (iii) the Districts shall also be permitted to allocate costs between such categories of the Public Improvements as deemed necessary in their discretion; and (iv) to the extent that the City reimburses a developer for Public Improvements that would otherwise be reimbursable under the Special District Act, the District shall not reimburse the developer for such Public Improvements."
- 4. I am aware that DFC Northfield, LLC (the "Developer") has constructed improvements to Suniga Road. These include, without limitation, roadway improvements and box culvert improvements for which culvert improvements the City paid the Developer \$361,354 in 2021, (the "Suniga Improvements"). The Suniga Improvements benefit the Districts and the City, and the Developer has applied to the City for reimbursement of the remaining roadway improvement costs associated with the Suniga Improvements. I am also aware that the City paid the Developer in 2020 \$477,456 for its dedication to the City of the oversized portion of Suniga Road (the "ROW Dedication").
- 5. I have reviewed the records and reports related to the acceptance by the Districts for eligible costs associated with the Public Improvements to this date and have determined that the Districts have not to this date accepted costs for reimbursement, and have not reimbursed costs, related to the Suniga Improvements or the ROW Dedication.

6. I also confirm that the governing boards of each of the Districts (the "Boards") have reaffirmed in the resolutions attached hereto as Exhibits A, B, and C (the "Resolutions") that, pursuant to Section VIII of the Service Plan, the Districts are prohibited from reimbursing the Developer, and its successors and assigns, for the cost of any Public Improvements for which they have been reimbursed by the City, and such a reimbursement would constitute a violation of this prohibition in Section VIII of the Service Plan. In addition, the City would have, concerning any such violation, the legal and equitable remedies available to it under the Intergovernmental Agreement dated May 14, 2020, that the City and the Districts have entered into pursuant to Section XVIII of the Service Plan.

the Districts have entered into pursuant to Section XVIII of the Service Plan.					
	M12-				
	Guy Johnson				
	District Manager				
	Title				
STATE OF COLORADO)				
COUNTY OF WELD) ss.)				

The foregoing instrument was acknowledged before me this 2nd day of November, 2022, by Guy Johnson, as the District Manager and Accountant for Northfield Metropolitan District Nos. 1-3.

Witness my hand and official seal.

My commission expires: 10/26/26

SHERRY HOFFMAN
NOTARY PUBLIC
STATE OF COLORADO
NOTARY ID 20064044110
MY COMMISSION EXPIRES OCT. 26, 2026

Notary Public

RESOLUTION OF THE BOARD OF DIRECTORS OF NORTHFIELD METROPOLITAN DISTRICT NO. 1

PROHIBITING DISTRICT REIMBURSEMENT OF DEVELOPER FOR SUNIGA ROAD IMPROVEMENTS

WHEREAS, Northfield Metropolitan District No.1 (the "**District**") is a quasi-municipal corporation and political subdivision of the State of Colorado, duly organized pursuant to §§ 32-1-101, *et seq.*, C.R.S.; and

WHEREAS, pursuant to § 32-1-1001(1)(d), C.R.S., the Board of Directors of the District (the "Board") is authorized to enter into contracts and agreements affecting the affairs of the District; and

WHEREAS, pursuant to § 32-1-1001(1)(h) C.R.S., the Board has the management, control, and supervision of all the business and affairs of the District; and

WHEREAS, DFC Northfield, LLC (the "**Developer**") constructed certain oversized improvements to Suniga Road, an arterial roadway within District boundaries (the "**Suniga Oversized Improvements**"), and the Developer dedicated to the City of Fort Collins (the "**City**") the Suniga Oversized Improvements together with a corresponding right-of-way dedication (the "**ROW Dedication**"); and

WHEREAS, the Developer seeks reimbursement from, and/or has been reimbursed by the City for, the costs associated with the construction of the Suniga Oversized Improvements and the ROW Dedication; and

WHEREAS, pursuant to Section VIII of the Service Plan for the District, approved by the City on October 1, 2019 (the "Service Plan"), to the extent that the City reimburses a developer for Public Improvements that would otherwise be reimbursable under the Special District Act, the District shall not reimburse the developer for such Public Improvements; and

WHEREAS, the District's accountant has furnished an affidavit stating that the District has neither accepted costs for reimbursement nor reimbursed costs related to the Suniga Oversized Improvements or the ROW Dedication.

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF DIRECTORS OF THE DISTRICT AS FOLLOWS:

- 1. In accordance with Section VIII of the Service Plan, and to the extent the City reimburses the Developer, the District shall not reimburse the Developer for the costs associated with the construction of the Suniga Oversized Improvements or the ROW Dedication.
- 2. The District's accountant shall ensure that the District does not reimburse the Developer or its successors or assigns for the cost of any Suniga Oversized Improvements for which they have been reimbursed by the City

APPROVED AND ADOPTED THIS 2ND DAY OF NOVEMBER 2022.

NORTHFIELD METROPOLITAN DISTRICT NO. 1, a quasi-municipal corporation and political subdivision of the <u>State</u> of Colorado

Officer of the District

ATTEST:

APPROVED AS TO FORM:

WHITE BEAR ANKELE TANAKA & WALDRON Attorneys at Law

General Counsel to the District

Signature page to Resolution Prohibiting District Reimbursement of Developer for Suniga Road Improvements

RESOLUTION OF THE BOARD OF DIRECTORS OF NORTHFIELD METROPOLITAN DISTRICT NO. 2

PROHIBITING DISTRICT REIMBURSEMENT OF DEVELOPER FOR SUNIGA ROAD IMPROVEMENTS

WHEREAS, Northfield Metropolitan District No. 2 (the "**District**") is a quasi-municipal corporation and political subdivision of the State of Colorado, duly organized pursuant to §§ 32-1-101, *et seq.*, C.R.S.; and

WHEREAS, pursuant to § 32-1-1001(1)(d), C.R.S., the Board of Directors of the District (the "Board") is authorized to enter into contracts and agreements affecting the affairs of the District; and

WHEREAS, pursuant to § 32-1-1001(1)(h) C.R.S., the Board has the management, control, and supervision of all the business and affairs of the District; and

WHEREAS, DFC Northfield, LLC (the "**Developer**") constructed certain oversized improvements to Suniga Road, an arterial roadway within District boundaries (the "**Suniga Oversized Improvements**"), and the Developer dedicated to the City of Fort Collins (the "**City**") the Suniga Oversized Improvements together with a corresponding right-of-way dedication (the "**ROW Dedication**"); and

WHEREAS, the Developer seeks reimbursement from, and/or has been reimbursed by the City for, the costs associated with the construction of the Suniga Oversized Improvements and the ROW Dedication; and

WHEREAS, pursuant to Section VIII of the Service Plan for the District, approved by the City on October 1, 2019 (the "Service Plan"), to the extent that the City reimburses a developer for Public Improvements that would otherwise be reimbursable under the Special District Act, the District shall not reimburse the developer for such Public Improvements; and

WHEREAS, the District's accountant has furnished an affidavit stating that the District has neither accepted costs for reimbursement nor reimbursed costs related to the Suniga Oversized Improvements or the ROW Dedication.

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF DIRECTORS OF THE DISTRICT AS FOLLOWS:

- 1. In accordance with Section VIII of the Service Plan, and to the extent the City reimburses the Developer, the District shall not reimburse the Developer for the costs associated with the construction of the Suniga Oversized Improvements or the ROW Dedication.
- 2. The District's accountant shall ensure that the District does not reimburse the Developer or its successors or assigns for the cost of any Suniga Oversized Improvements for which they have been reimbursed by the City

APPROVED AND ADOPTED THIS 2ND DAY OF NOVEMBER 2022.

NORTHFIELD METROPOLITAN DISTRICT

NO. 2, a quasi-municipal corporation and political authorizing of Colorada

subdivision of the State of Colorado

Officer of the District

ATTEST:

APPROVED AS TO FORM:

WHITE BEAR ANKELE TANAKA & WALDRON Attorneys at Law

General Counsel to the District

Signature page to Resolution Prohibiting District Reimbursement of Developer for Suniga Road Improvements

2165.0007; 1268424

RESOLUTION OF THE BOARD OF DIRECTORS OF NORTHFIELD METROPOLITAN DISTRICT NO. 3

PROHIBITING DISTRICT REIMBURSEMENT OF DEVELOPER FOR SUNIGA ROAD IMPROVEMENTS

WHEREAS, Northfield Metropolitan District No. 3 (the "**District**") is a quasi-municipal corporation and political subdivision of the State of Colorado, duly organized pursuant to §§ 32-1-101, *et seq.*, C.R.S.; and

WHEREAS, pursuant to § 32-1-1001(1)(d), C.R.S., the Board of Directors of the District (the "Board") is authorized to enter into contracts and agreements affecting the affairs of the District; and

WHEREAS, pursuant to § 32-1-1001(1)(h) C.R.S., the Board has the management, control, and supervision of all the business and affairs of the District; and

WHEREAS, DFC Northfield, LLC (the "**Developer**") constructed certain oversized improvements to Suniga Road, an arterial roadway within District boundaries (the "**Suniga Oversized Improvements**"), and the Developer dedicated to the City of Fort Collins (the "**City**") the Suniga Oversized Improvements together with a corresponding right-of-way dedication (the "**ROW Dedication**"); and

WHEREAS, the Developer seeks reimbursement from, and/or has been reimbursed by the City for, the costs associated with the construction of the Suniga Oversized Improvements and the ROW Dedication; and

WHEREAS, pursuant to Section VIII of the Service Plan for the District, approved by the City on October 1, 2019 (the "Service Plan"), to the extent that the City reimburses a developer for Public Improvements that would otherwise be reimbursable under the Special District Act, the District shall not reimburse the developer for such Public Improvements; and

WHEREAS, the District's accountant has furnished an affidavit stating that the District has neither accepted costs for reimbursement nor reimbursed costs related to the Suniga Oversized Improvements or the ROW Dedication.

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF DIRECTORS OF THE DISTRICT AS FOLLOWS:

- In accordance with Section VIII of the Service Plan, and to the extent the City reimburses the Developer, the District shall not reimburse the Developer for the costs associated with the construction of the Suniga Oversized Improvements or the ROW Dedication.
- 2. The District's accountant shall ensure that the District does not reimburse the Developer or its successors or assigns for the cost of any Suniga Oversized Improvements for which they have been reimbursed by the City

APPROVED AND ADOPTED THIS 2ND DAY OF NOVEMBER 2022.

NORTHFIELD METROPOLITAN DISTRICT NO. 3, a quasi-municipal corporation and political subdivision of the State of Colorado

Officer

ATTEST:

APPROVED AS TO FORM:

WHITE BEAR ANKELE TANAKA & WALDRON Attorneys at Law

General Counsel to the District

Signature page to Resolution Prohibiting District Reimbursement of Developer for Suniga Road Improvements

COUNCIL FINANCE COMMITTEE AGENDA ITEM SUMMARY

Staff:

Date: December 1, 2022

SUBJECT FOR DISCUSSION: Municipal Court's 15- & 30-Year Design

EXECUTIVE SUMMARY:

Municipal Court is requesting appropriations from General Fund Reserves to complete the design work for either the 15 or 30 Year design to address future needs at 215 N Mason.

GENERAL DIRECTION SOUGHT AND SPECIFIC QUESTIONS TO BE ANSWERED

Does Council Finance support the appropriations of reserves to complete the design work for either the 15-Year or 30-Year build-out for Municipal Court

15-Year Design & Cost Estimate: \$1,507,500.00 30-Year Design & Cost Estimate: \$2,218,000.00

BACKGROUND/DISCUSSION

Municipal Court was moved into its current location at 215 N Mason in 2007 with minimal space changes taking place since that time. We are currently in the middle of the Urgent needs renovation funded by reserves in June 2022 which addresses some staff-client interaction issues but does nothing to address any real courtroom issues.

Municipal Court has put in BFO offers over the past 3-4 budget cycles to address these issues, but no funding has been awarded.

In 2021 Clark Enersen completed a thorough study of the Court's current space and future space needs. They identified the current space size and its limitations and developed both 15 year and 30-year plans addressing standard space requirements for courts. Staff again put in two new offers this year requesting funding for a plan that would address projected needs for a 15- or 30-year time horizon. Both options require more than doubling the current space and were multimillion dollar projects. Neither of these options were funded in the recent BFO process.

Staff is requesting appropriations from General Fund Reserves for the design work necessary to determine the full scope of what the future for Fort Collins Municipal Courts will look like along with getting up to date construction cost estimates so we can bring back a future budget request in the 2025-2026 BFO budget cycle.

ATTACHMENTS:

- 1. Council Finance Presentation
- 2. 15-Year Floor Plan
- 3. 30-Year Floor Plan
- 4. PMPD Budget Spreadsheet



12-01-22

Municipal Courts Phase II 1st Floor Renovation

Presented by:

Jill Hueser

Chief Judge - Municipal Court

Brian Hergott

Lead Sr. Facilities Project Manager





Does Council Finance support an appropriation for design of the 15- or 30-year 215 Municipal Court renovation using Capitol Expansion fees?

^{*}An offer for Construction would be submitted for the 2025/2026 budget cycle.

3



- Municipal Court moved into its current location at 215 N Mason in 2007.
- Minimal renovations done since 2007, primarily for safety and security needs.
- The City spent \$637,350 over the last 15 years (including initial move-in costs), but court caseloads have continued to grow and expand.
- Municipal Court is in the process of a \$700,000 Urgent Needs Renovation to address some critical staff needs on the north half of 1st floor.
- Staff submitted two new BFO offers this year requesting funding for a plan that would address projected needs for a 15- or 30-year time horizon. Both of these options require more than doubling the current space and will be multimillion dollar projects.

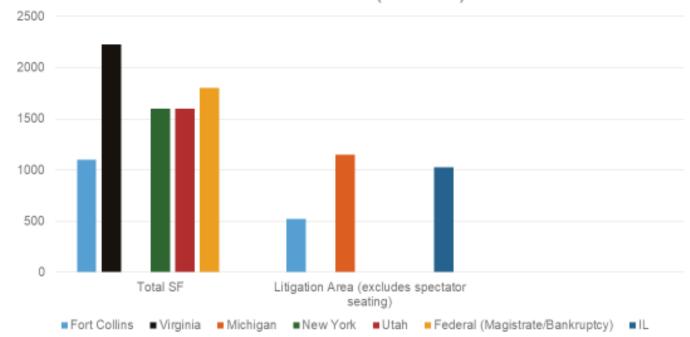


- In 2021 Clark & Enersen completed a thorough study of the Court's current space and future space needs. They identified the current space size and its limitations and developed both a 15-year and 30-year plan addressing standard space requirements for courts.
- The two plans we bring before you today will address Municipal Courts for years to come. The planned renovations we are proposing will require the courts to take over the entire first floor at 215 N Mason. The 30-year plan will also require an addition be added to the north side of the building.



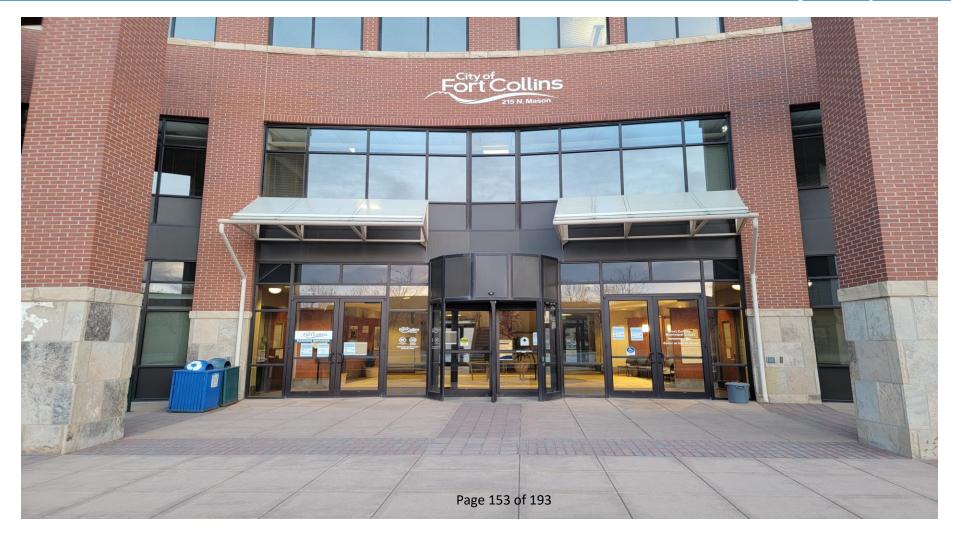


Minimum Standards for Courts per State Requirements vs. Fort Collins (usable sf)



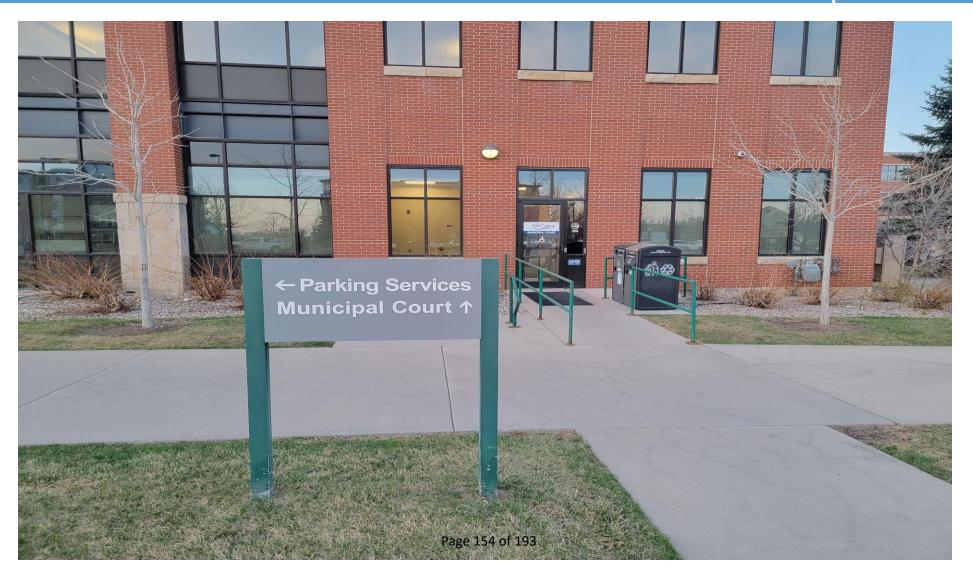


Current Conditions – This looks like the Public main Entrance – Currently not for Courts. This would be the new Courts Entrance for 15 and 30 year plans.



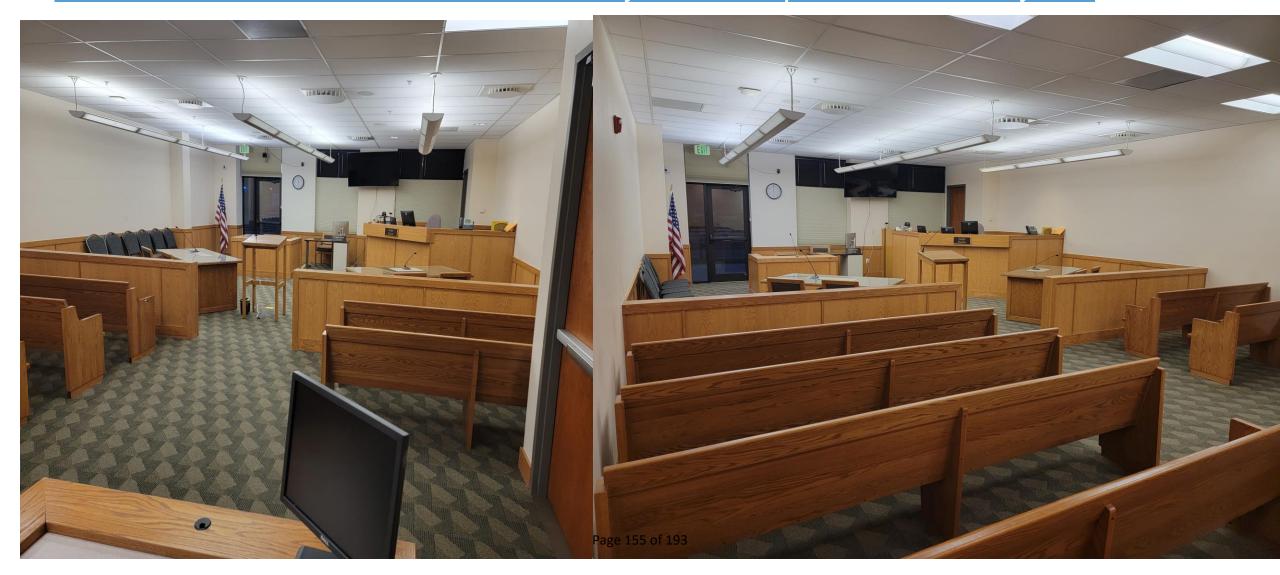


Current Conditions – This is the current entrance for Municipal Courts





Current Conditions - Courtroom with Very Limited Space and No Jury Box





Courtroom examples from other jurisdictions



Longmont

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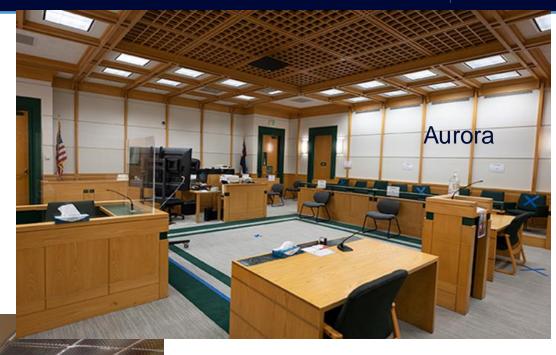




Courtroom examples from other jurisdictions

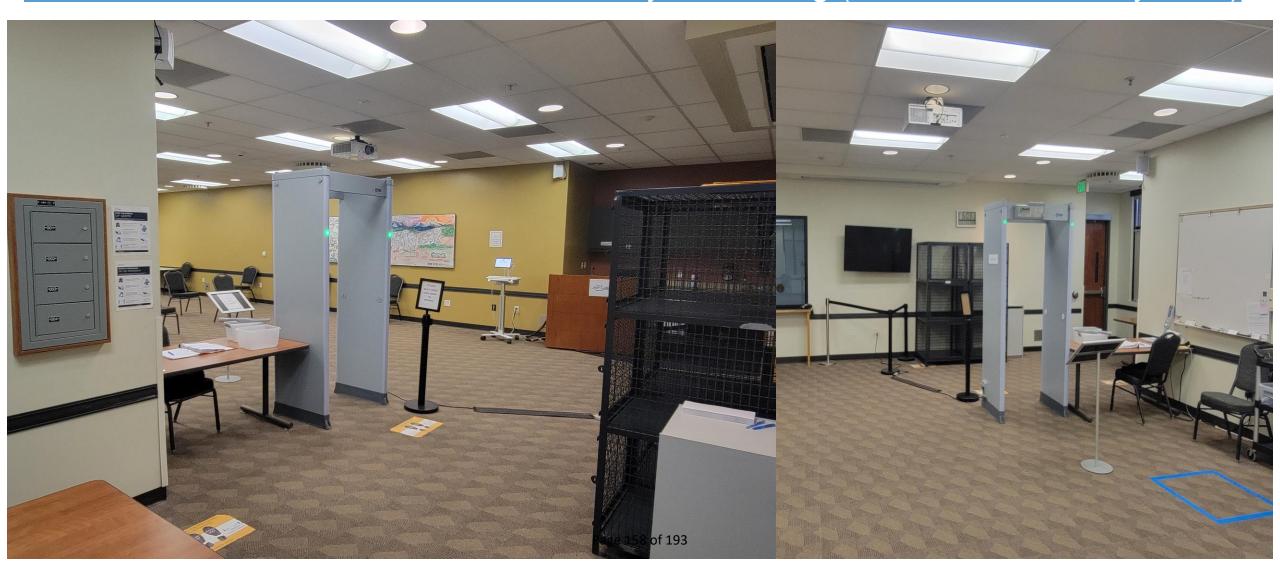


Boulder



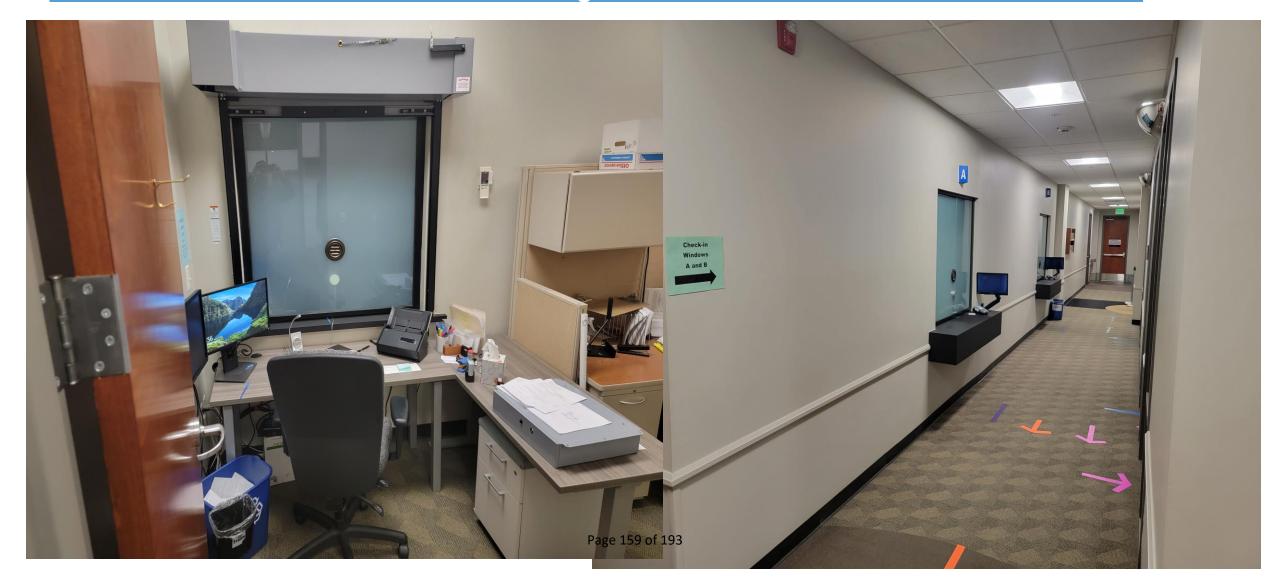


Current Conditions - Public Intake - Security Processing (Reuse of Community room)



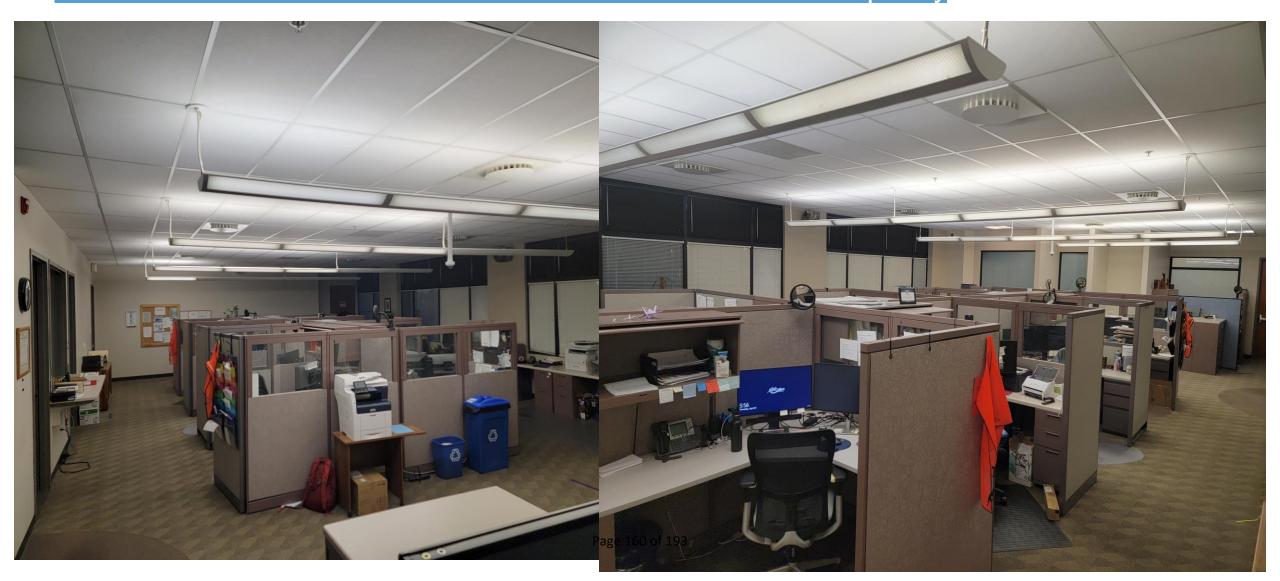


Current Conditions - Clerk Processing Windows with Traffic Arrows for Public

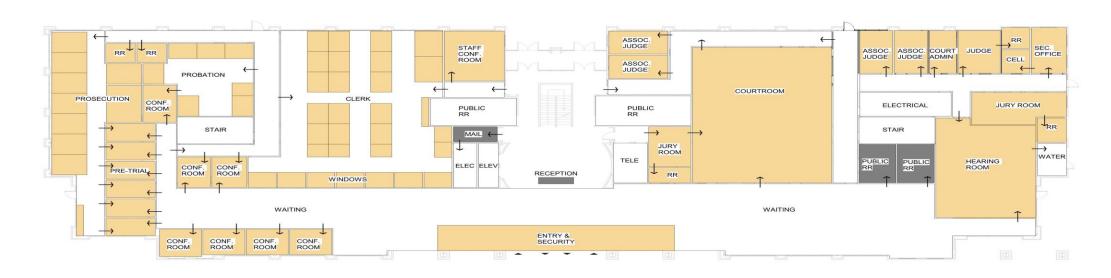




Current Conditions - Court Admin Area which is at full Capacity







ABBREVATION LEGEND:

CL - Collaboration Room COF. - Coffee ELEC - Electrical Room KIT - Kitchenette MECH - Mechanical Room M RR - Mens Restroom PH - Phone Room

QR - Quiet/Mother's Room

RR - Restroom STOR - Storage

TELE. - Telecom

W RR - Womens Restroom

OPTION - 15 Year Full

STAFF LEGEND:

PO-1 - Service Director PO-2 - Director/Department Head

WS-1 - Division Head

WS-2 - Supervisor/Manager WS-3 - Staff - Typ.

WS-4 - PTE/Inter/Temp/Volunteer

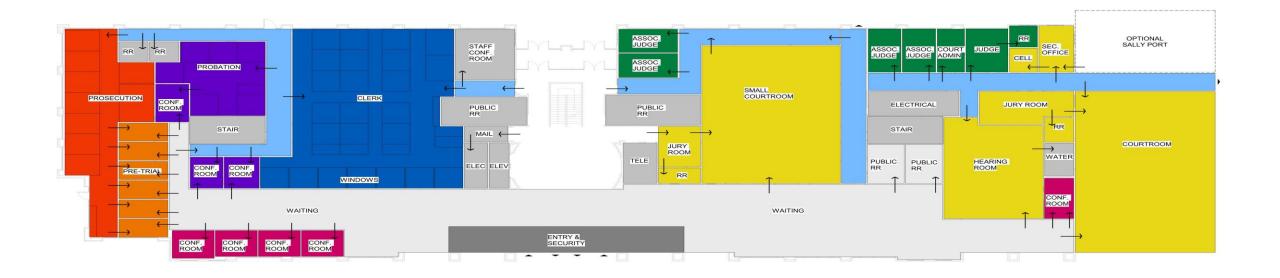
WS-5 Field/Crew

COLOR LEGEND AUX - Existing Building Support AUX - Shared Support DEPT - Municipal Court

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215 MASON - 1ST FLOOR **OPTION 1B** CLARK & ENERSEN

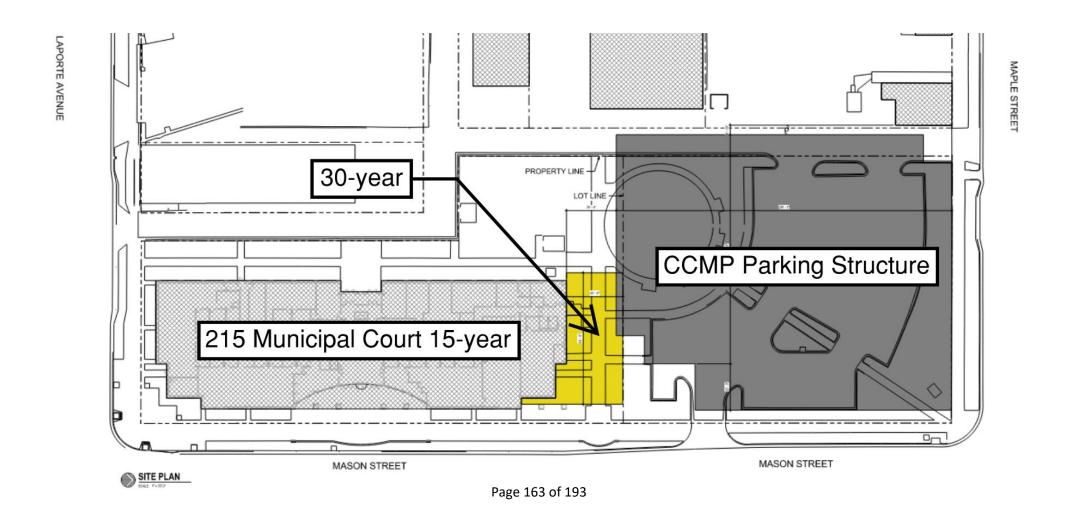








15-year & 30-year considerations:





Municipal Court renovations Design Cost

- 15-Year \$1.5M
- 30-Year \$2.2M

*Estimated Construction Cost (Includes 8% Escalation to 2025)

15-Year \$16.5 M

30 Year \$22.0 M



Other considerations:

215 – Building Wide HVAC Renovation

- Municipal Court renovation is entire 1st Floor, 1/3 of the building.
- 215 has aging HVAC and Controls (Installed in 2000)
- 15-year & 30-year design estimates would be retrofitting existing system
- Ordinance No. 005,202 for Building Energy & Water scoring calls for 7% reduction by 2026. In order to meet this goal, we would need a new HVAC system.
- Replacing the current HVAC and Controls Systems with a new systems which meets City goals and ordinances would exceed \$15M (On top of the Municipal Courts renovation)



Does Council Finance support moving forward with appropriations for design of either a 15-year or 30-year Municipal Court renovation at 215 N Mason using Capital Expansion Fees?



ABBREVATION LEGEND:

CL - Collaboration Room

COF. - Coffee

ELEC - Electrical Room

KIT - Kitchenette

MECH - Mechanical Room

M RR - Mens Restroom

PH - Phone Room

QR - Quiet/Mother's Room

RR - Restroom

STOR - Storage

TELE. - Telecom

W RR - Womens Restroom

OPTION - 15 Year Full

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STAFF LEGEND:

PO-1 - Service Director

PO-2 - Director/Department Head

WS-1 - Division Head

WS-2 - Supervisor/Manager

WS-3 - Staff - Typ.

WS-4 - PTE/Inter/Temp/Volunteer

WS-5 Field/Crew

COLOR LEGEND

AUX - Existing Building Support

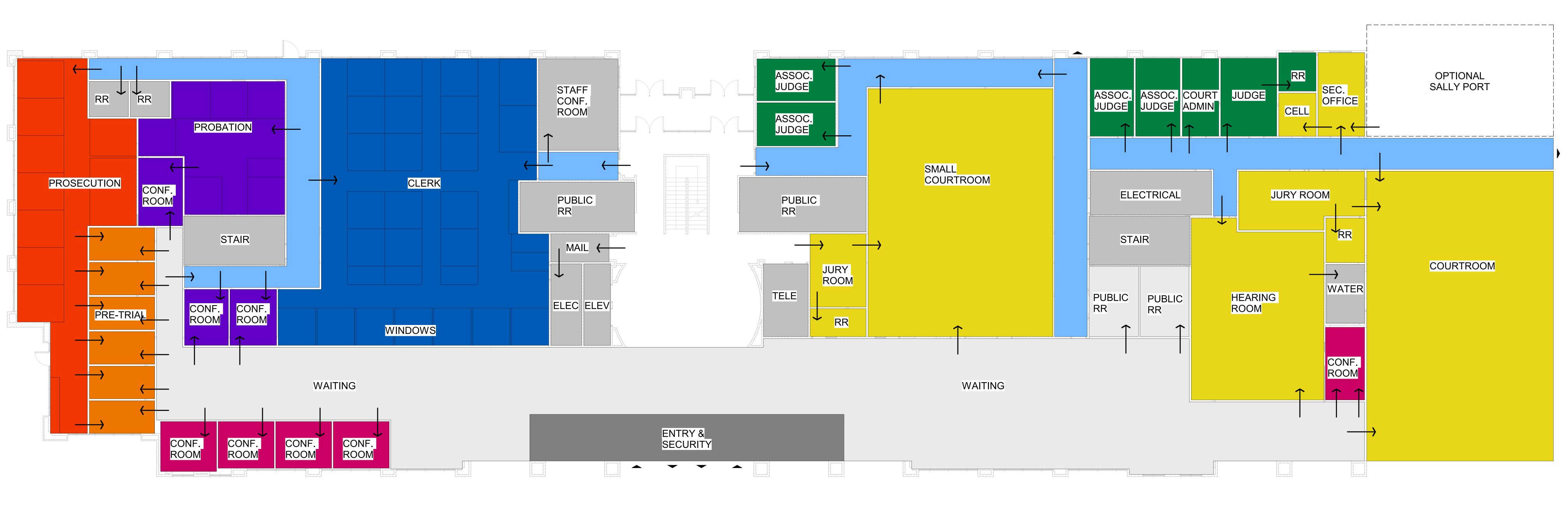
AUX - Shared Support

DEPT - Municipal Court

nicipal Court

215 MASON - 1ST FLOOR OPTION 1B







	<u>11/21/22</u>	<u>11/21/22</u>	<u>11/21/22</u>	<u>11/21/22</u>	11/18/2022 Entire Bldg.	11/18/2022 Entire Bldg.
215 Municipal Court Major Renovation	<u>15-Year</u> Design Budget	15-Year Construction	30-Year Design Budget	30-Year Construction	Mechical Energy Goals	Mechanical Like-Like
Development & Permit Fees	\$5,000.00	\$75,000.00	\$10,000.00	\$115,000.00	\$100,000.00	\$100,000.00
	\$5,000.00	\$75,000.00	\$10,000.00	\$115,000.00	\$100,000.00	
Real Estate Services	· ·	\$0.00	\$23,000.00	\$0.00	-	\$0.00
Engineering & Survey Services Environmental (Lead-Asbestos)	\$7,500.00 \$3,500.00	\$0.00	\$23,000.00	\$0.00	\$0.00 \$3,500.00	\$0.00 \$3,500.00
Construction Spotter Services	\$3,500.00 N/A	\$0.00	\$3,500.00 N/A	\$0.00	\$3,500.00 N/A	\$3,500.00 N/A
Environmental Cleanup	N/A N/A	\$0.00	N/A	\$0.00	N/A N/A	N/A N/A
	\$10,000.00	\$0.00	\$10,000.00	\$0.00	\$0.00	\$0.00
Geo-Tech Soils Report					* * * * * * * * * * * * * * * * * * * *	*
Materials Testing Services	\$0.00 \$1,000,000.00	\$0.00 \$100,000.00	\$0.00 \$1,540,000.00	\$0.00 \$125,000.00	\$0.00 \$970,000.00	\$0.00 \$665,000.00
Architectural Design Services	. , ,	· · · · · · · · · · · · · · · · · · ·				
PMPD Project Management	\$30,000.00	\$262,138.00	\$45,000.00	\$334,779.40	\$145,000.00	\$145,000.00
Energy Modeling	\$25,000.00	\$25,000.00	\$35,000.00	\$30,000.00	\$12,000.00	\$12,000.00
Building Commissioning	\$10,000.00	\$45,000.00	\$15,000.00	\$55,000.00	\$90,000.00	\$90,000.00
LEED/Sustainability	\$0.00	\$0.00	\$5,000.00	\$20,000.00	\$0.00	\$0.00
Partnering Consultant	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Scheduling Consultant	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
IT/Communications	\$0.00	\$225,000.00	\$0.00	\$375,000.00	\$25,000.00	\$25,000.00
IT Fiber to site	\$0.00	\$95,000.00	\$0.00	\$95,000.00	\$0.00	\$0.00
Utilities - Electrical Service (Bigger Transformer)	\$0.00	\$15,000.00	\$0.00	\$30,000.00	\$200,000.00	\$0.00
Utilities - Gas Service	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Utilities - Water Service	\$0.00	\$40,000.00	\$0.00	\$200,000.00	\$0.00	\$0.00
Utilities - Sanitary Sewer Service	\$0.00	\$25,000.00	\$0.00	\$25,000.00	\$0.00	\$0.00
Capital Tools & Equipment - Pool	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
General Contractor. Design, & Construction	\$30,000.00	\$9,116,631.00	\$45,000.00	\$11,136,665.00	\$13,790,247.00	\$6,895,123.50
HVAC - Modify existing systems	\$0.00	In GC Budget	\$0.00	In GC Budget	\$0.00	\$0.00
HVAC Controls	\$0.00	\$250,000.00	\$0.00	\$300,000.00	\$500,000.00	\$500,000.00
Solar PV Design & Installation	\$10,000.00	\$200,000.00	\$10,000.00	\$350,000.00	\$0.00	\$0.00
Bonds & Insurance	\$0.00	By CM/GC	\$0.00	By CM/GC	By CM/GC	By CM/GC
Builders Risk Insurance	\$0.00	By CM/GC	\$0.00	By CM/GC	By CM/GC	By CM/GC
Other Insurance	\$0.00	N/A	\$0.00	N/A	N/A	N/A
FF&E - Furniture, Fixtures & Equipment	\$0.00	\$600,000.00	\$0.00	\$1,000,000.00	\$0.00	\$0.00
Safety & Other Supplies	\$0.00	\$15,000.00	\$0.00	\$20,000.00	\$3,000.00	\$3,000.00
Art in Public Places (1%)	\$6,500.00	\$163,500.00	\$6,500.00	\$220,000.00	\$0.00	\$0.00
Expendable Tools/Equip.(Barricades/Signs, etc.)	\$0.00	\$10,000.00	\$0.00	\$25,000.00	\$2,500.00	\$2,500.00
Relocate Staff (EOC)	\$30,000.00	\$959,285.00	\$30,000.00	\$959,285.00	\$0.00	\$0.00
Relocate Staff (Parking Services)	\$40,000.00	\$1,333,723.00	\$40,000.00	\$1,333,723.00	\$0.00	\$0.00
Weather Protection	\$0.00	\$10,000.00	\$0.00	\$80,000.00	\$0.00	\$0.00
Misc. Expenses (Relocate Office, Etc)	\$0.00	\$35,000.00	\$0.00	\$45,000.00	\$50,000.00	\$50,000.00
Misc. Landscaping Repairs	N/A	N/A	\$0.00	\$10,000.00	\$0.00	\$0.00
Project Contingency	\$300,000.00	\$1,300,000.00	\$400,000.00	\$3,100,000.00	\$900,000.00	\$900,000.00
Project Cost Subtotal	\$1,507,500.00	\$14,900,277.00	\$2,218,000.00	\$19,984,452.40	\$16,791,247.00	\$9,391,123.50
Escalation 8	%	\$16,492,299.16		\$21,983,208.59		
GRAND TOTAL		\$17,999,799.16		\$24,201,208.59		

COUNCIL FINANCE COMMITTEE AGENDA ITEM SUMMARY

Staff: Meaghan Overton, Marcy Yoder

Date: December 1, 2022

SUBJECT FOR DISCUSSION

Request for Appropriation in the amount of \$1,600,000 from General Fund for Rental Registration and Inspection Program Start-Up Phase

EXECUTIVE SUMMARY

In August 2022, Council directed staff to develop a rental housing program that included mandatory registration of rental properties and proactive inspections to ensure that rental housing is healthy and safe. Staff has conducted a detailed fee analysis with the intent of making the rental housing program self-sustaining if approved by City Council. However, setting up the program will require an initial outlay of funds to hire additional staff, purchase software, and conduct program activities. To that end, staff is seeking feedback from Council Finance on an initial appropriation in the amount of \$1,600,000 (2023: \$776,388 and 2024: \$823,612).

GENERAL DIRECTION SOUGHT AND SPECIFIC QUESTIONS TO BE ANSWERED

Is Council Finance Committee supportive of the request for a \$1,600,000 appropriation from the General Fund to support starting the rental registration and inspection program?

BACKGROUND/DISCUSSION

Previous Council Direction

At a work session on October 26, 2021, staff shared information with Council about the history of rental housing strategies, findings from recent demographic and market analysis, a summary of peer cities research, and an outline of a proposed roadmap to implement rental housing strategies. Several Councilmembers supported additional community engagement in early 2022 to further explore potential design of a rental registration/licensing program.

Upon receiving this Council direction at the October 26, 2021, work session, staff began an extensive community engagement process to assess feedback from rental owners, property managers, landlords, and renters. These efforts included an informational mailing to over 9,000 likely landlords identified through City Utilities and County Assessor's data; a rental industry questionnaire in February/March 2022 (1,912 responses); a formal Rental Housing Task Force that met ten times between March and August 2022; and a community questionnaire in August 2022 (1,739 responses). A comprehensive explanation of each of these engagement efforts is provided in Attachment 1.

On August 23, 2022, staff presented Council with findings from public engagement and best practice/peer cities research along with several options for potential next steps to implement Housing Strategic Plan (HSP) strategies related to rental licensing/registration (Strategy 20) and occupancy ordinance revisions (Strategy 21). Key topics for each strategy included a brief overview of existing conditions, an examination of outcomes and themes from community

engagement, a summary of recommendations and best practices, and potential next steps toward implementation.

During the August 23 work session, several Councilmembers supported rental registration, while several others supported rental licensing. There was general support for a rental housing program that includes proactive inspections. Based on this Councilmember feedback, a cross-departmental group of staff has designed a rental housing program that requires registration of all rental properties and proactive inspections. Council consideration of this rental housing program is currently scheduled for the January 17, 2023, Council Hearing.

Program Cost

One of the key components of the rental program is a thorough understanding of expected initial and ongoing costs to the City and a careful calibration of fees. Root Policy Research conducted a fee analysis based on staff's proposed program structure to provide a baseline cost estimate and the corresponding fees necessary to ensure full cost recovery over the first five years of implementation (Attachment 2).

The figure below shows program expenses for the City of Fort Collins over the first five years of implementation. Expenses include employee compensation, one-time upfront costs, and ongoing program costs. Employee salary and benefits (with 4.25 FTE inspectors) would cost \$723,438. One-time costs for the City are estimated at \$223,380. Ongoing annual program costs are estimated at \$73,775. Overall, the estimated program cost over the first five years is \$4,089,443 in administrative costs to the City (\$2.5 million is inspection-related and \$1.6 million is non-inspection related costs).

Though the ongoing rental housing program is designed to be self-sustaining if approved by City Council, the start-up phase will require an initial appropriation in the amount of \$1,600,000 to hire staff, purchase software, and fund program activities and engagement for the first two years of the program. This appropriation (including approximately 3% additional funding to account for inflation) has been included in the analysis of full cost recovery, which means that the initial outlay of funds will be recovered in full over the first five years of program implementation.

Program costs for 2023 and 2024 are estimated as follows:

	FTE	Per FTE Cost	2023 Estimate	2024 Estimate
Compensation				
Program Manager	1	\$90,000	\$67,500	\$90,000
Engagement Specialist	1	\$65,000	\$48,750	\$65,000
Admin/Tech	1	\$50,000	\$37,500	\$50,000
.25 Deputy CBO	0.25	\$25,000	\$4,688	\$6,250
Lead Bldg Inspector	1	\$80,000	\$60,000	\$80,000
Bldg Inspector	3.25	\$70,000	\$113,750	\$227,500
Bulding and Dev. Review Tech	1	\$60,000	\$30,000	\$60,000
Total Salaries	8.5		\$362,188	\$578,750
Benefits	0.25		\$90,547	\$144,688
One-Time Costs				
Software	1	\$75,000	\$75,000	\$0
Translation	1	\$10,000	\$10,000	\$0
Vehicle	4.25	\$30,000	\$127,500	\$0
Clothing	4.25	\$500	\$2,125	\$0
Boots	4.25	\$160	\$680	\$0
Tools	4.25	\$100	\$425	\$0
iPad	4.25	\$1,300	\$5,525	\$0
Destop Computer	4.25	\$500	\$2,125	\$0
Total One-Time Costs			\$223,380	\$0
Ongoing Annual				
Marketing	1	\$20,000	\$20,000	\$20,000
Postage	1	\$10,000	\$10,000	\$10,000
Phone	4.25	\$50	\$213	\$213
Clothing	4.25	\$250	\$1,063	\$1,063
Vehicle Maintenance and Fuel	4.25	\$10,000	\$42,500	\$42,500
Total Ongoing Annual Costs			\$73,775	\$73,775
Total Compensation/One-Time/Ongoing Costs			\$749,889	\$797,213
Total 2023-2024				\$1,547,102

Fee Structure

The program fee options are all designed to cover all administrative costs for the first five years of implementation. This includes the initial appropriation for the "start-up" phase of the program. Fees can be assessed per unit, per property, or using a hybrid approach. The fee analysis from Root Policy Research notes that a per unit structure is more expensive for larger multifamily properties whereas the per property fee is more expensive for single unit owners. The hybrid fee provides the most equitable distribution of fee costs among different property types and unit counts compared to the other two fee structures. Staff concurs with Root Policy Research's recommendation to pursue a hybrid fee structure. The figure below outlines all of the potential fee options and the costs to a range of property owners on an annual basis:

Approach 1:	Annua	Annual Fees		
Fee Options if first inspection included with registration	Per Property	Per Unit		
Fee Structure Options (includes registration and first inspection)				
Option 1. Per Unit Fee Structure	\$0	\$30		
Option 2. Per Property Fee Structure	\$65	\$0		
Option 3. Hybrid Fee Structure (75% property; 25% unit)	\$49	\$21		
Reinspection Costs				
Single inspector annual costs		\$80,300		
Cost of Reinspection (per unit inspected)		\$68		
Approach 2:	Annua	1 Fees		
Fee Options if registration separate from inspection fee	Per Property	Per Unit		
Fee Structure Options (registration and inspection fees assessed se	parately)			
Option 1. Per Unit Fee Structure				
Registration fee (paid by all properties)	\$0	\$11		
Inspection fee (paid only by non-exempt properties)	\$0	\$23		
Total Annual Fee (for non-exempt properties)	\$0	\$35		
Option 2. Per Property Fee Structure				
Registration fee (paid by all properties)	\$25	\$0		
Inspection fee (paid only by non-exempt properties)	\$43	\$0		
Total Annual Fee (for non-exempt properties)	\$68	\$0		
Option 3. Hybrid Fee Structure (75% property; 25% unit)				
Registration fee (paid by all properties)	\$19	\$5		
Inspection fee (paid only by non-exempt properties)	\$32	\$13		
Total Annual Fee (for non-exempt properties)	\$51	\$18		
Reinspection Costs				
Single inspector annual costs		\$80,300		
Cost of Reinspection (per unit inspected)		\$68		

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

- Engagement Summary
 Draft Rental Fee Structure Memo
- 3. PowerPoint



MEMORANDUM

To: Marcy Yoder

From: Mollie Fitzpatrick, Julia Jones, and Lucy McGehee

Re: Rental Registry Fee Structure

Date: November 15, 2022

Fort Collins Proposed Program Structure

This memo provides fee structure options for the proposed City of Fort Collins rental licensing/registry program for the City's consideration. The fee proposed for Fort Collins is designed to recover program administration costs and distribute such costs across the full inventory of rental units in the City. Fee structure alternatives are crafted to balance the total impact on program costs, number of units in a development, and number of properties owned/managed by payors.

Registration. The proposed rental licensing/registry program includes an annual enrollment /renewal with an accompanying fee. Enrollment includes basic information about property ownership and a local contact for the rental property. The City of Fort Collins will collect rental unit information for the licensing/registry program through an online application. All rental units will be required to register including:

- Single family detached units
- Attached units (duplex, row, townhouses)
- Multifamily units (apartments or condos)
- Mobile homes

Inspections . All rental properties in the City will be inspected unless the property falls under one of the exemptions below. Inspection of licensed/registered rentals will occur on a five-year schedule. The City will use in-house inspectors—separate from existing building inspectors—to complete inspections of rental units. Units will be inspected as follows:

- All individually owned rental units regardless of type (detached, mobile home, condo, attached housing)
- Multifamily rental properties with less than 100 units will be inspected using a random sample of 10% of total units.

Multifamily rental properties with more than 100 units will be inspected using a random sample of 5% of tot al units.

The following properties will be exempted from an inspection but are still required to renew their license/registration annually.

- Properties that were constructed (or substantially remodeled and inspected by the City's inspectors) within the pas t 10 years.
- Affordable housing units inspected under the U.S. Department of Housing and Urban Development (must provide a copy of the inspection report to the City).

Fee Structure Options

Rental registration programs are often designed to be full cost recovery programs, though some programs are "subsidized" through General Fund allocations for program administration. Registration and inspection fees can be structured by unit, by building, or by property; some programs separate registration and inspection fees, whereas others assess a single all-encompassing fee. Details on peer community fees are included at the end of this memo for context in evaluating the fee options proposed for Fort Collins.

This section provides a rationale for potential fee structure options in Fort Collins and fee costs for payors. It considers both per unit and per property fee options and focuses on a full -cost recovery fee.

Anticipated inspections. Overall, the City of Fort Collins has about 12,500 rental properties (with 27,500 total units). Of those, 678 properties (5,954 units) would likely be exempt from inspections (due to age or HUD inspections) leaving 11,818 rental properties (with 21,526 total units) that are likely to require inspections.

Figure 1 shows the number of rental units and properties in the City of Fort Collins that would be subject to inspections every five years (exclud ing properties that are less than 10 years old and affordable units inspected by HUD). A reinspection rate of 60% is used to account for units that need more than one inspection. This count of units and properties are used to calculate the number of inspections that will need to be completed annually.

With a random sample method for multifamily units, the number of inspections nee ded every five years is 11,965 unit inspections. A reinspection rate of 60% results in 7,179 additional inspections. Annually, the City of Fort Collins would have an estimated 3,829 inspections.

Figure 1. Rental Units and Properties in Fort Collins and

Estimated Annual Inspections

	Inspections				
Units and Properties	Pct. Inspected	Properties	Units	Estimated Inspections	
Inspection Exempt	0%	678	5,954	0	
Inspection Required		11,818	21,526	11,965	
Single Family Detached	100%	7,377	7,377	7,377	
Single Family Attached	100%	2,471	2,471	2,471	
Duplex	100%	1,134	1,134	1,134	
Multi Unit (less than 100 units)	10%	564	4,518	452	
Multi Unit (more than 100 units)	5%	30	5,784	289	
Mobile Homes	100%	242	242	242	
Reinspection Estimate	60%			7,179	
Total Annual Inspections	20%			3,829	

Source: 5-year 2020 ACS, Larimer County Assessor, Housing Catalyst, and Root Policy Research .

Program costs. Figure 2 shows the number of in -house inspectors needed to administer the program in the City of Fort Collins. The City would need to hire one lead inspector and 3.25 FTE inspectors. The following assumptions were used to calculate the number of inspectors needed:

- Each inspector can perform five inspections daily on average.
- Inspectors work 47 weeks (235 days) per year accounting for holiday and vacation.
- Each inspector can complete 1,175 inspections per year.
- The lead inspector can complete half the number of inspections as a regular inspector.
- Complaint based rental inspections will increase as the City educates tenants on their rights (0.25 FTE was added to cover this increase).

Figure 2. Estimated Inspector FTE's to Administer Program

Source:

City of Fort Collins and Root Policy Research.

	Inspecto	ors
	Assumptions	FTE
Units per day per inspector	5	
Days per year per inspector	235	
Inspector Capacity (units/year)	1,175	3.00
Lead Inspector Capacity (units/year)	588	1.00
Plus uptick in reporting		0.25
Estimated Inspectors Needed		4.25

Figure 3 shows program expenses for the City of Fort Collins. Expenses include employee compensation, one -time upfront costs, and ongoing program costs. Employee salary and benefits (with 4.25 FTE inspectors) would cost \$723,438. One-time costs for the City are estimated at \$253,380. Ongoing annual program costs are estimated at \$43,775.

Overall, the estimated program cost over the first five years is \$4,089,443 in administrative costs to the City (\$2.5 million is inspection -related and \$1.6 is non - inspection related costs). The program fee options , discussed in the subsequent section, are all designed to cover all administrative costs for the first five years of implementation.

Figure 3. Program Expenses

Source:

City of Fort Collins and Root Policy Research.

	Expenses				
Category	FTE	Per FTE Cost	Estimate		
Compensation					
Program Manager (M1)	1.00	\$90,000	\$90,000		
Engagement Specialist (P1)	1.00	\$65,000	\$65,000		
Admin/Tech	1.00	\$50,000	\$50,000		
.25 Deputy CBO (M1)	0.25	\$25,000	\$6,250		
Lead Bldg Inspector	1.00	\$80,000	\$80,000		
Bldg Inspector (each)	3.25	\$70,000	\$227,500		
Building and Dev. Review Tech.	1.00	\$60,000	\$60,000		
Total Salaries	8.50		\$578,750		
Benefits	0.25	\$578,750	\$144,688		
One Time Costs					
Software	1.00	75,000	\$75,000		
Marketing	1.00	20,000	\$20,000		
Postage	1.00	10,000	\$10,000		
Translation	1.00	10,000	\$10,000		
Vehicle	4.25	30,000	\$127,500		
Clothing	4.25	500	\$2,125		
Boots	4.25	160	\$680		
Tools	4.25	100	\$425		
IPAD	4.25	1,300	\$5,525		
Desktop computer	4.25	500	\$2,125		
Total One Time Costs			\$253,380		
Ongoing Annual Costs					
Per Inspector	4.25				
Phone	4.25	\$50	\$213		
Clothing (after year 1)	4.25	\$250	\$1,063		
Vehicle maintenance and gas	4.25	\$10,000	\$42,500		
Total Ongoing Annual Costs			\$43,775		
Total					
Upfront Costs Total			\$253,380		
Annual Costs Total			\$767,213		
First Five Years Cost	5.00		\$4,089,443		

Full cost recovery fee options for FortStructure options for complete cost recover y in the first five years of program implementation. Two different approaches are shown for fee calculation:

- One approach is to imbed the cost of inspections into the overall registrat ion fee. This approach effectively requires all registered properties to "share" the inspection cost, even though some properties will be exempt from the actual inspections.
- The second approach is to separate the cost of registration from the cost of inspection such that inspection-exempt properties pay a lower registration fee while properties that require inspection pay both a registration fee and an inspection fee. The inspection fee is modeled as an annual fee (even though inspections would only occur every 5 years) but could be assessed every five years instead (which would simply require multiplying the fee shown in the figure by five).

Within each approach, three annual fee assessment options are presented: a per property fee; a per-unit fee; and a hybrid fee (which assumes a base fee per property an a marginal per-unit fee for each additional unit in the property). The hybrid fee assumes 75% of the cost recovery occurs through the per-property assessment and the remaining 25% of costs are recovered through the marginal per-unit fee.

There is an additional cost calculated for reinspection per unit. The cost of reinspection is calculated by estimating the ongoing annual expenses for one inspector (\$80,300) divided by the number of inspections an inspector can complete annually on average (1,175 inspections). The cost of a reinspection would be \$68 per unit per reinspection required.

Under the first approach, which reflects an all-in-one registration + inspection fee, assessed on all rental properties in the City:

- Option one requires a per unit fee for all licensed/registered units of \$30 per unit.
- Option two requires a per property fee for all licensed/registered properties (regardless of unit count) of \$65 per property.
- Option three requires a combination of a fee per property (75% of cost recovery) and per unit (25%). This hybrid fee results in a \$49 fee per property (includes the first unit) and \$21 per additional unit.

Under the second approach, which reflects a registration fee for all rental units and an inspection fee for all rental properties that do not qualify for an inspection exemption:

• Option one requires a registration fee for all licensed/registered units of \$11 per unit and an additional \$23 per unit annually for properties requiring an inspection.

- Option two requires a per property fee for all licensed/registered properties (regardless of unit count) of \$25 per property plus an additional \$43 per property annually for properties that do qualify for an inspection exemption.
- Option thr ee requires a registration fee per of \$19 per property (75% of cost recovery) and \$5 per additional unit (25%). Properties that do not qualify for an inspection exemption would pay another \$32 per property and \$13 per additional unit annually.

Figure 4.
Fee Structure Options for Complete 5 -Year Cost Recovery

Approach 1:	Annua	l Fees
Fee Options if first inspection included with registration	Per Property	Per Unit
Fee Structure Options (includes registration and first inspection)		
Option 1. Per Unit Fee Structure	\$0	\$30
Option 2. Per Property Fee Structure	\$65	\$0
Option 3. Hybrid Fee Structure (75% property; 25% unit)	\$49	\$21
Reinspection Costs		
Single inspector annual costs		\$80,300
Cost of Reinspection (per unit inspected)		\$68
Approach 2:	Annua	l Fees
Fee Options if registration separate from inspection fee	Per Property	Per Unit
Fee Structure Options (registration and inspection fees assessed se	parately)	
Option 1. Per Unit Fee Structure		
Registration fee (paid by all properties)	\$0	\$11
Inspection fee (paid only by non-exempt properties)	\$0	\$23
Total Annual Fee (for non-exempt properties)	\$0	\$35
Option 2. Per Property Fee Structure		
Registration fee (paid by all properties)	\$25	\$0
Inspection fee (paid only by non-exempt properties)	\$43	\$0
Total Annual Fee (for non-exempt properties)	\$68	\$0
Option 3. Hybrid Fee Structure (75% property; 25% unit)		
Registration fee (paid by all properties)	\$19	\$5
Inspection fee (paid only by non-exempt properties)	\$32	\$13
Total Annual Fee (for non-exempt properties)	\$51	\$18
Reinspection Costs		
Single inspector annual costs		\$80,300
Cost of Reinspection (per unit inspected)		\$68

Notes: Per unit reflects cost per total unit (not per inspected unit) . In the hybrid fee structure, the first unit is included with property fee; per unit fee is assessed on each additional unit .

Source: Root Policy Research.

Figure 5 illustrates how the fee options described above would impact property owners of a variety of property type s and sizes. A per unit structure is more expensive for larger multifamily properties whereas the per property fee is more expensive for single unit owners. The hybrid fee provides the most equitable distribution of fee costs among different property types and unit counts compared to the other two fee structures. Root recommends the City of Fort Collins adopt hybrid fee structure.

Figure 5. Sample Fees by Property Type Using Fee Structure Options

	Total Fee by Property Type		
	Mobile Home	Building	Building
Approach 1: Fee Structure Options (includes registration an	nd first inspection)		
Option 1. Per Unit Fee Structure	\$30	\$1,488	\$7,441
Option 2. Per Property Fee Structure	\$65	\$65	\$65
Option 3. Hybrid Fee Structure (75% property; 25% unit)	\$49	\$1,081	\$5,294
Approach 2: Fee Structure Options (with registration and in	spection separate	e)	
Option 1. Per Unit Fee Structure			
Exempt from inspection	\$11	\$573	\$2,863
Option 2. Per Property Fee Structure			
Exempt from inspection	\$25	\$25	\$25
Inspection required	\$68	\$68	\$68
Option 3. Hybrid Fee Structure (75% property; 25% unit)			
Exempt from inspection	\$19	\$276	\$1,326
Inspection required	\$51	\$943	\$3,277
Reinspection Costs			
Number of Units Inspected	1	5	13
Cost of Reinspection	\$68	\$342	\$854

Source: Root Policy Research.

Figure 6 shows fee structures and costs f or peer communities interviewed by Root (additional details on peer community programs is included in the appendix to this memo). Overall, the recommended hybrid fee for the City of Fort Collins falls in the middle of the group in terms of costs to rental property owners.

Figure 6. Peer Community Fee Structures

Registration/License			Inspection		
	Frequency	Fee	Frequency	Fee	
Ames, Iowa	Annual	\$50 single family \$100 duplex \$23-\$30 per unit multifamily	1 to 4 years	\$50 for 3+ reinspections	
Austin, Texas	Annual	\$372 per property	Annual	Utility billing	
Boulder, Colorado	4 years	\$190 per single family or per building	4 years	3rd party	
Lawrence, Kansas	Annual	\$14-\$17 per unit	3-6 years	\$50 per unit	
Seattle, Washington	2 years	\$70 per property \$15 per unit	5-10 years	\$175 property \$35 per unit	
Westminster, Colorado	2 years	\$50 per unit	2-4 years	\$40 per unit	

Source: Root Policy Research.

Appendix: Peer Community Fee Detail

Root interviewed six peer communities with rental registration and inspection programs about their rental regulations and fees. These communities were selected because they are 1) university anchored (with a few exceptions); 2) have unique program requirements or methods of enforcement ; and 3) have proactive inspections.

- Ames, Iowa
- Austin, Texas
- Boulder, Colorado

- Lawrence, Kansas
- Seattle, Washington
- Westminster, Colorado

Peer community program details related to fee structure are shown in Figure A-1 on the following page.

The communities interviewed either directly fund their program through fees, allocate fees to the general fund to fund the program through the general fund, or collect fees and other department specific funding to run the program. Most communities are cost neutral, while some communities are working toward that goal or using a unique funding structure. Cost recovery depends on the frequency of registration/licensing renewals (ranges from 1 to 4 years in communities), the fee structure and frequency of inspections (varies). The fee structure for the program determines the staffing capacity.

Communities where fees collected fully fund the program include Ames, Boulder, and Seattle. Programs funded through the general fund include Lawrence and Westminster. Programs funded through the general fund can be cost neutral if fee revenue contributed to the general fund is adequate. Finally, the City of Austin charges a small fee that covers the cost of registration paperwork and funds the remainder of the program's administration (staff, inspectors, etc.) through a clean community fee—\$4.25 collected monthly as part of utility billing.

Communities interviewed indicated the fee calculation itself can be a challenge. Fees that are calculated per property have a larger impact on small properties whereas fees calculated per unit have a larger impact on large properties. Interviewees suggested the fee calculation be tailored to the amount of staff time and resources properties require. A tiered fee based on the size of the property was preferred.

Figure A -1. Peer Community Program Details

	Registration/ Licensing Fee	Inspection Fee	Cost Recovery	Inspections Complaint or Proactive	Inspection Frequency	Staffing
Ames, Iowa	Single family \$50; duplex \$100; multifamily \$23 - \$30 per unit	Included in registration fee; 3+ inspections \$50 each	100%	Proactive	1 to 4 year rotation; frequency based on performance	3 full time inspectors
Austin, Texas	\$372 per property	No fee for inspection; clean community fee \$4.25/month utility charge funds code enforcement	Covers registration, not staff	Registered repeat offender properties	Annual	8 full time inspectors, 1 supervisor
Boulder, Colorado	\$190 per SF unit or per building	Third party inspectors	100%; pre- 2021 60% fee recovery, 40% general fund	Proactive	4 years	3 full time licensing team, inspections conducted by 3rd party
Lawrence, Kansas	\$14-\$17 per unit	\$50 per unit	General fund	Proactive	3 years typical; 5 or less violations, 6 years	3 inspectors
Seattle, Washington	\$70 for property and 1st unit; \$15 per additional unit	\$175 for property and 1st unit; \$35 per additional units	Working toward self - sufficiency	Proactive; random selection of 10% of all rental units in city per year	At least once every 5-10 years	1 call center, 3 administrative, 1 cashier, 3 inspectors, 1 senior inspector, 1 manager
Westminster, Colorado	\$50 per unit	\$40 per unit	100%	Proactive	2 and 4 year schedule of inspections based on property age	3 inspectors, 1 part time admin





Council Finance: Housing Strategic Plan Implementation

Rental Registration and Inspection Program

Marcy Yoder, Neighborhood Services Manager Meaghan Overton, Housing Manager



Is Council Finance Committee supportive of the request for a \$1,600,000 appropriation from the General Fund to support the start-up phase of a rental registration and inspection program?















• **Strategy 20** - Explore the option of a mandated rental license/registry program and pair with best practice rental regulations.



Big Move 7: Healthy, Affordable Housing

HAH6: Explore mandated rental license/rental registry



Why are we looking at a rental registration and inspection program?

- Greatest Challenge #7: Housing policies have not consistently addressed housing stability and healthy housing, especially for people who rent
- Community engagement: a desire to proactively ensure healthy, safe units and maintain neighborhood quality of life





Over 40% of all housing in Fort Collins is renter-occupied

	Estimated # of homes*	Estimated % of all housing
Total (citywide)	87,863	100%
Owned Units	49,775	57%
Rental Units	38,088	43%
Single-household, duplex, and townhome rentals	14,419	16% (38% of all rentals)
Multi-household, mixed-use or manufactured housing rentals	23,669	27% (62% of all rentals)

^{*}Note: This data is the best available information at present but should be interpreted as an estimate because of potential data gaps or lags in reporting property information.



	Inspections				
Units and Properties	Pct. Inspected	Properties	Units	Estimated Inspections	
Inspection Exempt	0%	678	5,954	0	
Inspection Required		11,818	21,526	11,965	
Single Family Detached	100%	7,377	7,377	7,377	
Single Family Attached	100%	2,471	2,471	2,471	
Duplex	100%	1,134	1,134	1,134	
Multi Unit (less than 100 units)	10%	564	4,518	452	
Multi Unit (more than 100 units)	5%	30	5,784	289	
Mobile Homes	100%	242	242	242	
Reinspection Estimate	60%			7,179	
Total Annual Inspections	20% Page 190 of 193			3,829	



- Design for full cost recovery
- Separate registration and inspection costs; properties requiring inspection bear the cost
- Inspection exemptions:
 - Properties that are already HUD inspected
 - Properties under 10 years old
- Hybrid fee structure (75% per property, 25% per unit)
 - Registration: \$19/property and \$5/additional unit annually
 - Inspection: \$32/property and \$13/additional unit annually



What: \$1,600,000 appropriation from the general fund

 Why: Initial outlay for a rental registration and inspection program to hire staff, purchase software, and fund program activities and engagement

 Program is designed to recover the full cost of the initial outlay of funds over the first five years of implementation



Is Council Finance Committee supportive of the request for a \$1,600,000 appropriation from the General Fund to support the start-up phase of a rental registration and inspection program?









