

ORDINANCE NO. 162, 2018
OF THE COUNCIL OF THE CITY OF FORT COLLINS
AMENDING CHAPTER 26 OF THE CODE OF THE CITY OF FORT COLLINS
TO REFERENCE THE FINANCIAL OFFICER'S RULES AND REGULATIONS FOR
INTEREST RATES FOR THE ON-BILL FINANCING PROGRAM

WHEREAS, under Ordinance No. 033, 2012, the City established a Home Efficiency Loan Program, also known as On-Bill Utility Financing (OBF), which enabled Fort Collins Utilities to offer financing and on-bill servicing of customer loans for energy efficiency, water efficiency and renewable energy upgrade projects; and

WHEREAS, between 2013 through 2016, OBF provided low-cost financing for energy efficiency, solar photovoltaic, and water conservation improvements, in support of Utilities' efficiency and conservation efforts, and policy goals from Plan Fort Collins, the Climate Action Plan, Energy Policy and Water Conservation Plan; and

WHEREAS, on February 17, 2015, City Council adopted Ordinance No. 012, 2015, which expanded eligibility for OBF program participation to Utilities' business customers, set the term for new loans at 20 years, and set a range of loan interest rates to be applied pursuant to procedures and standards adopted by the Financial Officer under Section 26-720 of the City Code; and

WHEREAS, in 2016, the City transitioned the funding methodology for OBF to a third-party commercial model relying on an outside financing partner; and

WHEREAS, the rate of OBF residential customer energy efficiency building upgrades under the third-party commercial loan model has lagged below levels required to achieve City energy and climate policy goals; and

WHEREAS, in February 2018, the City was selected as a Champion City as part of the 2018 Bloomberg Philanthropies U.S. Mayors' Challenge competition; and

WHEREAS, in conjunction with selection as a Champion City, Bloomberg Philanthropies awarded the City a \$100,000 grant to develop a program to improve energy efficiency of low- to moderate-income rental households, which grant amount City Council appropriated under Ordinance No. 082, 2018; and

WHEREAS, the Colorado Energy Office also awarded to the City a grant of \$200,000 to provide capital for a loan program to improve energy efficiency and renewable energy for Fort Collins households; and

WHEREAS, Chapter 26 of the City Code governs the provision of utility services and sets forth definitions of terms used to describe and applicable to conditions for receipt of utility services; and

WHEREAS, such provisions require updating and modification from time to time, for purposes of clarification and to ensure the Code remains a dynamic document capable of responding to issues identified by staff, customers, and citizens and changes in the law regarding

the delivery of public utility services; and

WHEREAS, Utility Customer Connections staff has identified portions of Chapter 26 of the City Code regarding setting OBF loan interest rates within the range approved by City Council which can be more efficiently executed by allowing adjustments to be set by the Financial Officer pursuant to Section 26-720 of the Code; and

WHEREAS, the Financial Officer has established rules and regulations for the administration of OBF with respect to the billing and collection of utility fees and charges, credit and lending standards, and rates and administrative practices pursuant to Section 26-720; of the Code; and

WHEREAS, the City Council has determined it is desirable to maintain an appropriate and predictable range of interest rates for OBF loans, while providing flexibility within rate ranges approved by Council for administration of specific loans based on administrative procedures and standards adopted by the Financial Officer, pursuant to Section 26-720 of the Code; and

WHEREAS, the City Council has determined, in exercising his or her authority to adopt administrative procedures and standards for OBF loans, the Financial Officer shall adjust OBF loan rates within the range set by Ordinance No. 012, 2015 and based on evaluation of the program's blended cost of capital and conditions (e.g., grants and any third-party capital); administrative costs of loan implementation; the term of loan products; past realized program participation savings results; the local market's commercial and residential lending rates; and to otherwise avoid using ratepayer funds to subsidize OBF loan interest rates; and

WHEREAS, the City Council has further determined, in exercising his or her authority to adjust OBF loan rates, the Financial Officer shall present updated loan rates to the Council Finance Committee, or another committee designed by City Council, prior to such loan rates going into effect; and

WHEREAS, the City Council has also determined it is desirable to enhance incentives and financing options for new OBF loans by applying grants from the Bloomberg Foundation and Colorado Energy Office and providing flexibility in the administration of OBF loans, which will benefit utility ratepayers by expanding access for efficiency upgrades at customer premises and furthering the conservation benefits available to ratepayers through the OBF program, as required by Article XII, Section 6 of the City Charter; and

WHEREAS, in light of the foregoing, the City Council has determined the proposed amendments to Chapter 26 of the City Code are necessary and will be beneficial for the ratepayers of the City's utilities and for the efficient administration of the OBF program.

NOW, THEREFORE, BE IT ORDAINED BY THE COUNCIL OF THE CITY OF FORT COLLINS as follows:

Section 1. That the City Council hereby makes and adopts the determinations and findings contained in the recitals set forth above.

Section 2. That Section 26-129(f) of the Code of the City of Fort Collins is hereby amended to read as follows:

Sec. 26-129. - Schedule D, miscellaneous fees and charges.

The following fees and service charges shall be paid by water users, whether inside or outside the City limits:

...

- (f) The interest rate for water service-related loans shall be no less than two and five tenths (2.5) percent and no more than ten (10.0) percent, per annum, with the interest rate for new loans to be based on factors set forth in §26-720(b) and as provided in the administrative rules and regulations adopted by the Financial Officer pursuant to §26-720.

...

Section 3. That Section 26-289 of the Code of the City of Fort Collins is hereby amended to read as follows:

Sec. 26-289. - Miscellaneous fees and charges.

The following is a schedule of miscellaneous fees and charges:

<i>Description</i>	<i>Basis</i>	<i>Amount</i>
...		
(6) Interest for wastewater service-related loans:	2.5% - 10% per annum; to be set for new loans annually, with the rate for new loans to be based on factors set forth in §26-720(b) and as provided in the administrative rules and regulations adopted by the Financial Officer pursuant to § 26-720.	
...		

Section 4. That Section 26-464(q) of the Code of the City of Fort Collins is hereby amended to read as follows:

Sec. 26-464. - Residential energy service, schedule R.

...

- (q) *Loans.* Services in the form of loans for electric service-related improvements, conservation measures or efficiency enhancements shall be documented on forms determined by the Utilities Executive Director and the Financial Officer. Any such loans shall be made consistent with the applicable program requirements, credit and risk standards and interest rate provisions as set forth in this Article and in the administrative rules and regulations adopted by the Financial Officer pursuant to §26-720. The interest rate for such loans shall be no less than two and five-tenths (2.5) percent and no more than ten (10.0) percent per annum, with the interest rate for new loans to be based on factors set forth in §26-720(b) and as provided in the administrative rules and regulations adopted by the Financial Officer. Obligations for repayment of any such loans are subject to the provisions of Article XII of this Chapter. Loan-related fees for electric service-related loans shall be set annually based on related program costs, in the administrative rules and regulations of the Financial Officer pursuant to §26-720.

...

Section 5. That Section 26-465(s) of the Code of the City of Fort Collins is hereby amended to read as follows:

Sec. 26-465. - Residential demand service, schedule RD.

...

- (s) *Loans.* Special services in the form of loans for electric service-related improvements, conservation measures or efficiency enhancements shall be documented on forms determined by the Utilities Executive Director and the Financial Officer. Any such loans shall be made consistent with the applicable program requirements, credit and risk standards and interest rate provisions as set forth in this Article and in the administrative rules and regulations adopted by the Financial Officer pursuant to §26-720. The interest rate for such loans shall be no less than two and five-tenths (2.5) percent and no more than ten (10.0) percent per annum, with the interest rate for new loans to be based on factors set forth in §26-720(b) and as provided in the administrative rules and regulations adopted by the Financial Officer. Obligations for repayment of any such loans are subject to the provisions of Article XII of this Chapter. Loan-related fees for electric service-related loans shall be set annually based on related program costs, in the administrative rules and regulations of the Financial Officer pursuant to §26-720.

Section 6. That Section 26-466(s) of the Code of the City of Fort Collins is hereby amended to read as follows:

Sec. 26-466. - General service, schedule GS.

...

- (s) *Loans.* Special services in the form of loans for electric service-related improvements, conservation measures or efficiency enhancements shall be documented on forms determined by the Utilities Executive Director and the Financial Officer. Any such loans shall be made consistent with the applicable program requirements, credit and risk standards and interest rate provisions as set forth in this Article and in the administrative rules and regulations adopted by the Financial Officer pursuant to §26-720. The interest rate for such loans shall be no less than two and five-tenths (2.5) percent and no more than ten (10.0) percent, per annum,

with the interest rate for new loans to be based on factors set forth in §26-720(b) and as provided in the administrative rules and regulations adopted by the Financial Officer. Obligations for repayment of any such loans are subject to the provisions of Article XII of this Chapter. Loan-related fees for electric service-related loans shall be set annually based on related program costs, in the administrative rules and regulations of the Financial Officer pursuant to §26-720.

Section 7. That Section 26-467(s) of the Code of the City of Fort Collins is hereby amended to read as follows:

Sec. 26-467. - General service 25, schedule GS25.

...

- (s) *Loans.* Special services in the form of loans for electric service-related improvements, conservation measures or efficiency enhancements shall be documented on forms determined by the Utilities Executive Director and the Financial Officer. Any such loans shall be made consistent with the applicable program requirements, credit and risk standards and interest rate provisions as set forth in this Article and in the administrative rules and regulations adopted by the Financial Officer pursuant to §26-720. The interest rate for such loans shall be no less than two and five-tenths (2.5) percent and no more than ten (10.0) percent, per annum, with the interest rate for new loans to be based on factors set forth in §26-720(b) and as provided in the administrative rules and regulations adopted by the Financial Officer. Obligations for repayment of any such loans are subject to the provisions of Article XII of this Chapter. Loan-related fees for electric service-related loans shall be set annually based on related program costs, in the administrative rules and regulations of the Financial Officer pursuant to §26-720.

Section 8. That Section 26-712(b) of the Code of the City of Fort Collins is hereby amended to read as follows:

Sec. 26-712. - Utility bill and account charges authorized; procedures.

...

- (b) The following account and miscellaneous fees and charges shall apply to all City utility customers receiving service pursuant to the terms of Chapter 26, whether within or outside of the corporate limits of the City, except as otherwise expressly stated:

<i>Fees and Charges</i>	<i>Amount</i>
...	
Interest rate for utility service-related loans:	2.5% - 10% per annum; to be set annually for new loans, with the rate for new loans to be based on factors set forth in §26-720(b) and as provided in the administrative rules

	and regulations adopted by the Financial Officer pursuant to § 26-720
...	

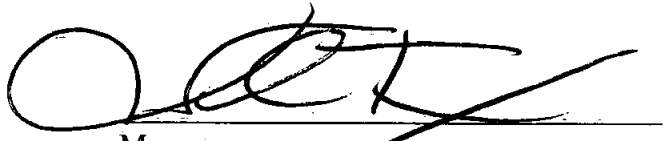
Section 9. That Section 26-720 of the Code of the City of Fort Collins is hereby amended to read as follows:

Sec. 26-720. - Administrative rules and regulations.

(a) The Financial Officer shall formulate and promulgate rules and regulations for the administration of this Article, not inconsistent with the provisions of this Article with respect to the billing and collection of utility fees and charges, credit and lending standards and rates and administrative practices for utility loan programs, which shall include, but not be limited to, efficiency-related conditions on loans for renewable energy development; extension of utility loans of up to twenty (20) years in total term length, at the option of the borrower, not to exceed the useful life of the funded improvements; and other matters relating to the administration of customer accounts. Said rules and regulations may regulate without limitation, the forms and procedures for giving notice to customers; policies for adjusting billed amounts as necessary to correct errors or for administrative efficiency or to achieve equity; procedures for appeals; and procedures for the documentation of liens. Any rules or regulations promulgated by the Financial Officer hereunder shall be effective upon the Financial Officer's filing of the same with the City Clerk.


(b) The Financial Officer shall periodically adjust the interest rate for utility service-related loans at no less than two and five-tenths (2.5) percent and no more than ten (10.0) percent per annum, based on evaluation of the loan program's blended cost of capital and conditions due to grants and third-party capital; administrative costs of loan implementation; the term of loan products available to utility customers; past realized program participation savings results; regional commercial and residential lending rates; and so as to otherwise avoid subsidizing loan interest rates with utility service revenues. The Financial Officer shall present loan interest rates to a City Council committee prior to such rates going into effect.

Introduced, considered favorably on first reading, and ordered published this 4th day of December, A.D. 2018, and to be presented for final passage on the 18th day of December, A.D. 2018.



 Mayor

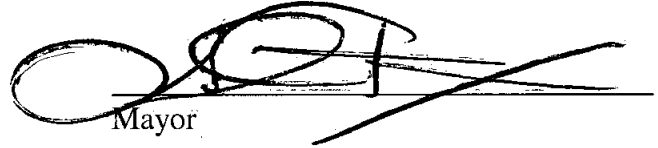
ATTEST:



 City Clerk

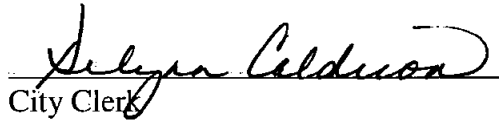


Passed and adopted on final reading on the 18th day of December, A.D. 2018.



Mayor

ATTEST:



City Clerk

