

AGENDA ITEM SUMMARY

June 6, 2017

City Council

STAFF

Kirsten Howard, PFA Senior Budget & Board Coordinator
Tom DeMint, PFA Fire Chief
Ann Turnquist, PFA Director of Administrative Services

SUBJECT

First Reading of Ordinance No. 070, 2017, Appropriating Prior Year Reserves in the Capital Improvement Expansion Fund and in the Keep Fort Collins Great Tax Fund For Disbursement to the Poudre Fire Authority.

EXECUTIVE SUMMARY

The purpose of this item is to appropriate funds from the Fire Capital Expansion Account to Poudre Fire Authority (PFA) for payment of debt on Fire Station 4. Station 4, located at 1945 West Drake Road, was built through a Lease/Purchase funding source at a rate of 4%, with 20 installments. The Fire Capital Improvement Expansion Fund has been used to make the annual Lease/Purchase payments. The Lease/Purchase agreement allows for prepayment after December 18, 2017. Paying off the Station 4 Lease/Purchase will save Poudre Fire Authority \$451,000 in interest payments over the next ten years, and will allow Capital Expansion Fees to build for the future construction of PFA's next fire station. During the 2017 PFA Budget process, the Board of Directors directed staff to pay off the outstanding debt on Station 4, utilizing Capital Expansion Fees that have been collected for the benefit of PFA and held in an earmarked account.

STAFF RECOMMENDATION

Staff recommends adoption of the Ordinance on First Reading.

BACKGROUND / DISCUSSION

A. Lease/Purchase Pay Off

In 2008, PFA procured a Lease/Purchase to build a replacement station for old Station 4. Since the lease purchase rate was 4%, it made sense to borrow \$3.16 million to build the new facility. The annual installments (20 installments) are \$234,354 per year, which have been paid back using the City's Capital Improvement Expansion Fee revenue for Fire.

PFA's remaining principle amount as of December 2017 is \$1.9 million. Per the terms of the Station 4 debt agreement, in 2017 PFA will be able to consider pre-paying all or a portion of the balance of the Lease-Purchase payments. The PFA Board directed staff to begin the process needed to pay the outstanding principal balance when it is possible after December 19, 2017. The lender, JP Morgan, has agreed to such a repayment. Prepaying the balance of the debt will result in a long-term savings of \$451,000 in interest payments.

In 2011, PFA staff implemented a Station 4 Lease/Purchase Capital Project to save two-years' worth of payments in the event the Capital Expansion Fee did not generate enough in any given year to pay the annual payment. This account has a balance of \$501,000, which will be used in addition to the requested amount from the City's Capital Expansion Fee revenue for Fire.

PFA staff is requesting \$1,392,000 be transferred to PFA from the City-held Fire Capital Improvement Expansion Fee, to be combined with funds held at PFA, in order to pay off the Station 4 Lease/Purchase, leaving a balance in the Fire Capital Expansion fee account of \$328,596.

B. KFCG Reserve

PFA staff is requesting the balance within the City-held KFCG Reserve for Fire (\$557,607) to be transferred by City Council to PFA to be appropriated by the PFA Board within PFA's capital budget for a new station alerting system, replacement of Mobile Data Terminals, and a new Records Management System.

Each year, PFA receives a portion of KFCG revenue through the revenue allocation formula as a part of the City's monthly contributions to PFA. In addition, when KFCG revenues exceed the amount projected in the revenue allocation formula (11% of the total KFCG collections), PFA's share of the excess revenue is held by the City in a KFCG reserve. PFA then requests transfer of the reserve revenue as part of an annual clean-up process. This action will disburse a majority of the City's current balance in the PFA KFCG reserve.

PFA's 2017 Budget includes the use of KFCG reserves for specific capital needs. PFA's Mobile Data Terminals are due for replacement, PFA's electronic Records Management System requires an upgrade, and PFA's Station Alerting technology is very dated and is limited in functionality causing a negative impact on response times. PFA staff requests the transfer of KFCG Reserves held by the City in order to replace and upgrade these PFA systems. The PFA Board of Directors will appropriate these funds within their capital budget once sufficient funds are available to purchase the equipment/upgrades.

CITY FINANCIAL IMPACTS

The funds being requested are held by the City of Fort Collins and are earmarked for use by the Poudre Fire Authority.

BOARD / COMMISSION RECOMMENDATION

The PFA Board recommends approval of the Ordinance.

ATTACHMENTS

1. PFA Board minutes, September 22, 2015 (PDF)
2. 2017 PFA Budget, recommending payoff (PDF)

PFA Board minutes

September 22, 2015

EXCERPT RE: Payoff of Station 4

2016 Preliminary Budget

Ann Turnquist and Kirsten Howard asked for the Board's direction in preparation of the Final 2016 Budget.

Ann Turnquist stated revenues are up from the City and the District and she reviewed the increases. Because of the capital contribution from Timnath to the District for Station 8, the funding ratio is different than in years past. Gerry Horak suggested a footnote on this percentage increase because it is capital. Gerry suggested an adjustment of the percentage rates. Kristin Stephens asked if an adjustment would adequately reflect what happened. Ann said the percentages can be shown both ways.

Dave Pusey asked if the District increase takes into account the Mulberry Annexation and do we want to project when that will happen. Dave suggested making a footnote for the Mulberry Annexation. Ann Turnquist advised it will be a different formula. The Board discussed impacts of the annexation.

Ann Turnquist stated the budget building blocks are basically three components: current services, service enhancements, and other recommendations. Ann briefly highlighted non-discretionary increases such as current labor market adjustment projecting 3%, health insurance premiums, and Workers' Compensation insurance increases. Ann noted that the Workers' Compensation Experience Modifier used to determine PFA's rate is projected to decrease to 0.75. Tom DeMint noted that the Safety Officer is having an impact and the position has had enough time to show causal link for the Safety Officer function.

Ann Turnquist reviewed the service enhancements. Gerry Horak asked about the Administrative support to CSS. Ann stated two current employees are working part-time and those positions would become full-time with benefits. Gerry asked about hiring three part-time positions instead of two full-time. Darin Atteberry stated the City is facing similar issues with healthcare reform in regard to hourly vs classified positions. Gerry asked for better justification for the \$66,000. Ann said these positions would be paid for with fee revenue from Community Safety Services. Darin stated costs for turnover rates should be considered also.

Mike DiTullio asked about healthcare cost increases for employees. Darin Atteberry stated some employees may see a 30% increase in costs as the City is going from two plans to one.

Ann Turnquist stated the Public Educator position started as a contractual employee and PFA would like to convert it to a classified position as it has become a key addition to the Public Education Program. Gerry Horak stated if it was advertised as contractual position originally, PFA should advertise the position as different folks may apply. Darin Atteberry agreed in some cases such as for an executive position, Darin likes to perform a national search even for an incumbent position. However, there are times in some

PFA Board minutes

September 22, 2015

EXCERPT RE: Payoff of Station 4

cases when you have someone performing well in that position and you know that going to fill the position, to do a search is disingenuous.

Ann Turnquist reviewed Other Recommended Changes and the highest priority expenditures such as the Apparatus Replacement of \$600,000. Tom DeMint stated some PFA apparatus is in the red category and at the end of the apparatus' useful life.

The Planning and Analysis position will shift from a captain to battalion chief position. Tom DeMint stated this position will be a competitive process.

Additions to equip replacement reserves include \$250,000 for radios and \$250,000 for SCBA. Mike Gress stated to replace SCBA the cost would be \$1.5 million. Tom DeMint added that we are looking at a grant.

Ann Turnquist reviewed the High Priority Needs: Deputy Fire Marshal, Station Alerting System (tones in stations), Facility Electronic entry system (key fobs), and program manager budget requests.

Mike DiTullio said he would like to pay off the Station 4 loan and asked if that will be a discussion a year from now? Tom DeMint stated staff and the Board can have that discussion beginning in 2017.

Ann Turnquist stated staff hopes to have salary information available by the November work session. Ann stated PFA currently has healthy reserves and in 2016, does the Board want to use some of those reserves to fund capital projects? Darin stated City Council has asked departments to spend KFCG reserves. Ann Turnquist asked if staff came back with a recommendation to spend some reserves would the Board be comfortable with that. Gerry Horak agreed he would like to see debt gone for Station 4. The Board agreed that they would like to spend KFCG and would like to see a plan for other reserves.

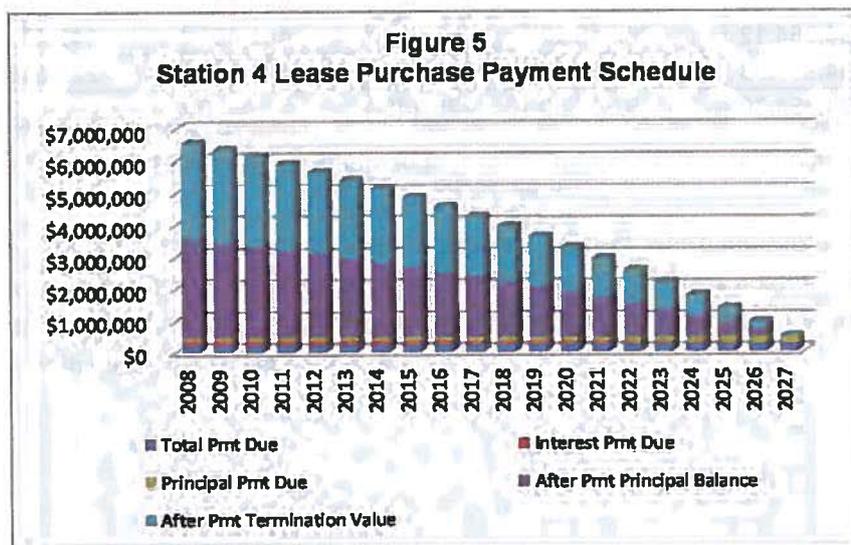
Ann Turnquist summarized, staff should not plan to spend down reserves for contingency in the 2016 budget but should spend KFCG funds and bring a plan to the November work session.

Station 4 Lease Purchase

In 2008, PFA procured a lease purchase to build a replacement Station for old Station 4. Since the lease purchase rate was 4%, it made sense to borrow \$3.16 million to build the new facility. The annual payments (20 installments) are \$234,354 per year, which will be paid back using the City’s Capital Expansion Fee (CEF) revenue for Fire. Historically, the fee generated \$350,000 annually, however during recession, CEF revenue and reserve funds were depleted to make the payment for the lease purchase. In 2011, a lease/purchase capital project was implemented to save funds for two years’ worth of payments in anticipation that the CEF would not generate enough to make the annual payment.

More recent years have seen significant additions to PFA’s Capital Expansion Fee account as development has occurred. The CEF generated \$537,425 in 2015, and has generated \$778,492 YTD in 2016, which is sufficient to make the Station 4 lease purchase payment and continue to build a positive balance in the CEF reserve fund. The CEF account balance currently stands at \$1,542,415. These funds must be used for capital expansion to meet service demand growth due to new development. Any reserves generated over the amount needed to service Station 4 debt may be considered for funding of Station 15 or other PFA facility needs. The City of Fort Collins is also currently in the process of updating its Capital Expansion Fee Study with adoption anticipated in 2017. These fee changes may represent a significant increase in fee revenue in the future if adopted.

PFA’s remaining principle amount as of December 2017 is \$1.9 million. Per the terms of the Station 4 debt agreement, in 2017 PFA will be able to consider pre-paying all or a portion of the balance of the Lease-Purchase payments. Capital Expansion Fee revenue could be used to pay-down the Lease-Purchase debt to save some of the interest costs for Station 4. **With the current balance in the City’s Fire Capital Expansion Fee account of \$1,542,415 and the \$500,000 in the Station 4 Lease Purchase Capital Project, staff recommends that PFA pay down the outstanding principle balance when it is possible after December 19, 2017. The lender, JP Morgan, has agreed to such a repayment. Prepaying the balance of the debt will result in a long-term savings of \$451,000 in interest payments. The 2017 Budget includes appropriations to make the Lease-Purchase prepayment in December 2017.**



ORDINANCE NO. 070, 2017
OF THE COUNCIL OF THE CITY OF FORT COLLINS
APPROPRIATING PRIOR YEAR RESERVES IN THE CAPITAL
EXPANSION FEE FUND AND IN THE KEEP FORT COLLINS GREAT
TAX FUND FOR DISBURSEMENT TO THE POUUDRE FIRE AUTHORITY

WHEREAS, City Code § 7.5-30 imposes on new development within the City a fire protection capital expansion fee to be used to fund capital improvements related to the provision of fire protection services (the “Fire CEF”); and

WHEREAS, all revenues collected from the Fire CEF are deposited into the fire protection capital expansion fee account established in Code § 8-97 (the “Fire CEF Account”); and

WHEREAS, the Fire CEF Account is a separate account in the City’s capital expansion fee fund established in Code § 8-92 (the “CEF Fund”); and

WHEREAS, in 2008, the Poudre Fire Authority (“PFA”) entered into a lease/purchase transaction to fund the construction of a replacement fire station for PFA’s Station 4, which has been built at 1945 West Drake Road, Fort Collins (the “Lease-Purchase”); and

WHEREAS, the Lease-Purchase requires PFA to make twenty (20) annual payments of \$234,354 each to be paid with funds from the Fire CEF Account; and

WHEREAS, PFA’s remaining principal amount as of December 19, 2017, under the Lease-Purchase will be \$1.9 million and under the Lease-Purchase, PFA may prepay any or all of this remaining principal at any time after December 19, 2017; and

WHEREAS, PFA’s Board has directed staff to begin the process needed to pay in full the remaining principal balance owed under the Lease-Purchase when it is possible to do so after December 19, 2017, which prepayment will result in a long-term savings of \$451,000 in interest payments; and

WHEREAS, PFA is therefore requesting that the City Council appropriate \$1,392,000 from the Fire CEF Account in the CEF Fund to be disbursed to PFA for it to use in paying the remaining principal balance owed under the Lease-Purchase; and

WHEREAS, at the end of 2016, the fund reserve in the Fire CEF Account was \$1,720,596, and a payment from it of \$1,392,000 to PFA would leave a remaining balance of \$328,596; and

WHEREAS, in 2010 the City’s voters approved the 0.85% Keep Fort Collins Great Sales and Use Tax (“KFCG Tax”); and

WHEREAS, pursuant to Ordinance No. 126, 2010, 11% of the KFCG Tax collected is to be used for fire protection and other emergency services; and

WHEREAS, at the end of 2016, the City's KFCG Tax reserve fund available for fire protection and other emergency services in the KFCG fund ("KFCG Fund") was \$557,607; and

WHEREAS, PFA has that requested \$557,607 be disbursed from the KFCG Fund to the PFA to be appropriated by the PFA Board within PFA's capital budget for a new station alerting system, replacement of mobile data terminals, and a new records management system; and

WHEREAS, Article V, Section 9 of the City Charter permits the City Council to appropriate by ordinance at any time during the fiscal year such funds for expenditure as may be available from reserves accumulated in prior years, notwithstanding that such reserves were not previously appropriated; and

WHEREAS, City staff has determined that sufficient, unappropriated funds are available in the Fire CEF Account of the CEF Fund and in the KFCG Fund for the appropriations requested by PFA as described above.

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 there is hereby appropriated from prior year reserves in the Fire CEF Account of the CEF Fund the sum of ONE MILLION THREE HUNDRED NINETY-TWO THOUSAND DOLLARS (\$1,392,000) for disbursement to the PFA for PFA to use to pay the remaining principal balance it owes under the Lease-Purchase.

Section 3. That there is hereby appropriated from prior year reserves in the KFCG Fund the sum of FIVE HUNDRED FIFTY-SEVEN THOUSAND SIX HUNDRED SEVEN DOLLARS (\$557,607) to be disbursed to PFA for it to use for a new station alerting system, the replacement of mobile data terminals, and a new records management system.

Introduced, considered favorably on first reading, and ordered published this 6th day of June, A.D. 2017, and to be presented for final passage on the 5th day of July, A.D. 2017.

Mayor

ATTEST:

City Clerk

Passed and adopted on final reading on the 5th day of July, A.D. 2017.

Mayor

ATTEST:

City Clerk