



Financial Services
300 Laporte Avenue
PO Box 580
Fort Collins, CO 80522
970.416.2259
fcgov.com/business

ATTACHMENT #1

M E M O R A N D U M

Date: October 14, 2011
To: Mayor and City Council
Through: Darin Atteberry, City Manager
From: Mike Beckstead, Chief Financial Officer
Re: Oct. 11, 2011 Work Session Summary Follow up – 2012 Budget Revisions

City Manager Darin Atteberry reviewed a high-level summary of the City Manager's Recommended 2012 Budget Revisions.

Councilmembers raised various questions in preparation for 1st reading of the budget. It was decided that it was appropriate to have an additional work session to continue the discussion. That work session is scheduled for October 18 and 1st reading of the 2012 Annual Appropriation Ordinance is postponed until November 1, 2011.

For questions that were not able to be answered during the meeting, the answers to the majority of those are included in this memo. Some questions may require additional time to adequately research and respond.

/sek

Attachment

October 11th Council Member Requests re: 2012 Budget Revisions

1) Question from Aislinn Kottwitz

Can trail connections in southeast Fort Collins be considered in 2012

Response from Craig Foreman, Director of Park Planning & Development

In 2012 the Fossil Creek Trail at east Trilby Road will be joined with the Power Trail and a new underpass installed under the road from which the Fossil Creek Trail will extend south along Stanton Creek. This section of trail will connect to the Fossil Creek Trail being constructed this fall in the Greenstone Development that is located just north of Carpenter Road along Stanton Creek.

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2) Question from Aislinn Kottwitz

What would be required, including cost, to do an ice rink or City funded holiday lights in south Fort Collins?

Response from J.R. Schnelzer, Director of Parks and Bill Whirty, Manager of Parks

Ice rink in south Fort Collins:

- A location and electricity requirements would need to be determined.
- An ice rink would cost approximately \$300,000 to \$1,000,000 depending on the size.
- If a permanent site could not be found, annual set up and tear down costs would be \$40,000 to \$50,000 depending on rink size. If a permanent sight was found, annual maintenance costs might be \$10,000 to \$15,000, but the City has no experience with permanent outdoor rinks, so this estimate is very preliminary. The Recreation Department could operate the ice rink. The Old Town Square ice rink generates sufficient revenue to cover Recreation's expenses to operate the rink.

Holiday lights in south Fort Collins:

- The City would need to work with businesses to determine locations and electricity availability.
- If the amount of lighting requested is similar to the lighting in downtown, the lights would cost approximately \$125,000, and the annual installation and removal would cost approximately \$70,000. A light replacement program would need to be established and would cost an additional \$20,000 per year after the first three years of use.

In Old Town Square, the DDA purchased a used ice rink in 2005 and paid for annual maintenance through the 2011 holiday season. Additionally, the DDA purchased the downtown lights in 2007 and initially a portion, and then in 2010 all, of the annual installation and removal of the lights through the 2011 holiday season.

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3) Question from Aislinn Kottwitz

Can transit service south of Harmony be considered in 2012

Response from Karen Cumbo, Director of PDT and Marlys Sittner, Transfort/DAR Gen. Mgr.
Transfort staff received feedback from City Council at the September 27th work session that the addition of transit service along Lemay Avenue south of Harmony Road should be considered in a more systematic, fully vetted manner as part of the 2013-2014 BFO process. Staff recommends this as the preferred course of action in consideration of the Transfort Strategic Operating Plan.

Should City Council choose to add this service in 2012, \$320,000 is needed to fund the fixed route service along with the ADA-mandated complementary paratransit (Dial a Ride) service. Please note that although this is a one-time budget amendment request, if accepted this would become an ongoing cost to be incorporated into Transfort's 2013-2014 BFO service provision offers.

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4) Request from Gerry Horak

Please provide a written 2012 Budget Revision Request for Regional Planning Assistance

Response from Karen Cumbo, Director of PDT and Mark Jackson, PDT Budget, Policy & Communications Manager

Please refer to Attachment #1A  
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5) Request from Gerry Horak

Please provide a written 2012 Budget Revision Request for a Neighborhood Planning Outreach Specialist (Ombudsman)

Response from Karen Cumbo, Director of PDT and Steve Dush, Community Development & Neighborhood Services Director

Please refer to Attachment #1B
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6) Request from Gerry Horak

Please provide a written 2012 Budget Revision Request for Affordable Housing Relocation Assistance

Response from Karen Cumbo, Director of PDT and Joe Frank, Advance Planning Director

Please refer to Attachment #1C  
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7) Question from Gerry Horak

What happens to the \$812k that won't be used for Below Market Pay Adjustments?

Response from Mike Beckstead, Chief Financial Officer

Excluding any additional requests from Council, that amount would go into fund balance of multiple funds. In the General Fund that amount would be \$140k.

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8) Statement from Gerry Horak

Not pleased with the process, or lack thereof, used for the additions to the 2012 budget, no public outreach, no options from which to choose.

Response from Mike Beckstead, Chief Financial Officer

Your concerns have been heard and changes will be made to the next budget revision process in 2013. Those changes include:

- Starting the process earlier including time at the annual Council workshop after Council elections
  - Public outreach will be included in the process
  - The revision requests will go to Council Finance earlier in the year
  - One or two Council Work Sessions will be conducted depending on the volume of revision requests.
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9) Question from Gerry Horak

How will the elimination of the Furlough day be funded?

Response from Mike Beckstead, Chief Financial Officer

The budgeted savings of \$130k in 2011 will be covered by forecasted underspending with the various funds. We do not need to appropriate an additional \$130k due to existing appropriations.

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10) Question from Gerry Horak and Aislinn Kottwitz

What is the forecasted General Fund balance at the end of 2011?

Response from Mike Beckstead, Chief Financial Officer

The forecasted General Fund balance at the end of 2010 was \$39.9 million. The actual fund balance at year-end was \$40.9 million.

For 2011, there was a budgeted use of \$4.1 million of reserves which contributed to a 2011 projected General Fund balance of \$35.8 million. Based on revenue changes, supplemental appropriations, and departmental underspending, we are now forecasting to end 2011 with a General Fund balance of \$38.6 million.

In 2012, we originally budgeted to use \$400k of General Fund reserves. Based on net changes to forecasted General Fund revenue and the 2012 Budget Revisions, the 2012 year-end General Fund balance is forecasted to be \$39.4 million, an increase of \$800k over 2011.

General Fund Fund Balance Reconciliation

amounts in millions

Fund Balance 2010 forecast	\$	39.9
Fund Balance 2010 actual	\$	40.9
2011 Budget Surplus (Deficit) Original		(4.1)
PO carryforward appropriations		(2.4)
Supplemental Appropriations		(5.0)
Grant Revenue (supplemental)		1.1
Revenue variance *		4.9
Department savings (underspending)		3.2
2011 forecasted deficit	\$	(2.3)
2011 Forecasted ending fund balance	\$	38.6
2012 Budget Surplus (Deficit) original		(0.4)
Net 2012 Budget Revision impact		1.2
2012 Forecasted ending fund balance	\$	39.4

* Includes \$2.2 million in Sales & Use Tax revenue greater than budget, as well as updated forecasts for other General Fund revenue items based on October YTD actuals

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11) Question from Kelly Ohlson

Can Old Town Properties contribute to downtown holiday lighting?

Response from J.R. Schnelzer, Director of Parks and Bill Whirly, Manager of Parks

The City will contact the DDA, DBA and Old Town Properties to determine if other funding options exist.

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12) Question from Kelly Ohlson

What is driving the \$3.1M increase in Sales Tax in 2012; is it an increase in the base or a change in the % increase; and what is the forecasted increase?

Response from John Voss, Interim Finance Director

The \$3.1 million increase is due to a change in the base. The forecasted increase in Sales Tax from 2011 to 2012 is 1.95%.

13) Question from Kelly Ohlson

What rate was the assumed interest income in 2011-12 budget, what is current rate forecasted, when was new forecast developed, why the change?

Response from Harold Hall, Investment Administrator

The interest rate assumption that was projected in year 2010 for the 2011-2012 budget was:

2011 = 2.25%

2012 = 2.50%

The current Interest rate forecast assumption was developed and revised in August 2011 as part of the 2012 Budget Revision Process.

2012 = 1.25%

YTD actual interest rate earned in 2011 = 1.42%. Reasons for the downward change in interest rate assumptions:

- 1) The expected recovery that was projected by economists for the US economy in year 2010 and beyond did not materialize
- 2) In an attempt to stimulate the economy, the Federal Reserve Bank lowered the Overnight Funds rate to a range of 0% to .25% in December 2008
- 3) The Federal Reserve is not expected to increase the Overnight Funds rate until mid 2013 or later
- 4) Because of the financial crisis unfolding in Europe and the continued weakness in the domestic economy investors have flocked to safe investment classes such as Treasury and Agency securities
- 5) The increase in demand for safe investments has increased their prices and lowered their interest rates to historic lows
- 6) The City investment policy restricts our investment options to the same fixed income securities that currently have historically low interest rates
- 7) The City investment portfolio is structured so that maturities are laddered from immediately to as long as 5 years
- 8) As older higher yielding investments mature they are reinvested at the new lower yields

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14) Statement from Kelly Ohlson

Disagree with the proposed uses of KFCG funds – change all to General Fund where appropriate

Response from Mike Beckstead, Chief Financial Officer

Those changes have been made and are reflected in the AIS for the October 18 Council Work Session. There is now no requested use of additional KFCG revenue that was not in the adopted 2011-12 budget.  
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15) Question from Lisa Poppaw

How will the new affordable housing/human services dollars be leveraged?

Response from Karen Cumbo, Director of PDT and Joe Frank, Advance Planning Director

This budget amendment request provides funding for necessary administration costs of the City's local Affordable Housing and Human Services programs and services. Federal funds are restricted from paying for local program administrative costs. As a result of federal funding reductions, there is only enough funding available for federal program administration. No funds are currently allocated for local program administration.

Several factors have led to the need for this budget request.

- The City's Human Services Program and Affordable Housing Fund programs have seen recent marked growth, both in terms of actual dollars and in corresponding administration /implementation resources required.
- To date, no local program funds have been allocated to cover the administration costs of the two growing City programs. All funds have been directed to programs.
- Federal funds, which until now have always covered oversight of those two City programs, have been cut—impacting the separate funding categories of administration and project financing. There are now only enough federal resources to administer the federal programs.
- Federal audits are bringing increased compliance scrutiny. It is inappropriate for federal funds to be used to administer our local programs.

This proposal does not add FTEs; it only shifts work responsibilities where most needed. The request also does not use City dollars to cover federal programs and tasks. Lastly, it does not take away program funding for 2012. Those direct service dollars have already been committed and allocated to needed programs and projects.

Managers of these local programs continue to seek opportunities to leverage funds with grants and partnerships as they arise. The goal is to maximize service provision to the Community while tracking, reporting and managing cases in a responsible and transparent manner.

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16) Question from Lisa Poppaw and Aislinn Kottwitz

Why are there no 2012 Budget Revision Requests that benefit south Fort Collins?

Response from Mike Beckstead, Chief Financial Officer

The biennial revision process is focused on the City's business needs, as well as the latest forecasts for revenue and expense changes since the original budget was adopted a year ago. It allows for mid course corrections to reflect those changes and a more accurate financial understanding of the second year of the biennial budget.

17) Question from Wade Troxell

Is it feasible to fund the Digester Gas Treatment System offer from 2011 in 2012?

Response from Link Mueller, Utilities Project Manager and Kevin Gertig, Water Resources and Treatment Operations Manager

Since the last BFO process, staff has been working on alternative methods of methane gas usage other than the gas treatment system offered in the 2011/2012 budget.

- A CSU graduate team is investigating DWRf's existing gas production capacity and the potential for utilizing CSU's waste food as a feed stock for additional gas production.
- Staff is participating in Natural Resources' solid waste analysis to identify other possible waste food sources for gas production
- A GEO phase 1 technology grant has been applied for to investigate the installation of micro-turbines at DWRf in the event a stable feedstock supply can be secured

Staff recommends that any available enhancement funds for the reclamation plants be applied to the elimination of chlorine gas disinfection

- As directed by Council, staff is preparing a ultra-violet (UV) enhancement offer for submission in the 2013-2014 BFO process
- A CSU senior design group is working with staff to investigate various ultra-violet disinfection alternatives for DWRf

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Attachment #1A - From the October 11 Work Session Summary Memo

2012 BUDGET REVISION REQUEST

Revision Title:	Regional Planning Assistance		
Fund:	100 - GENERAL FUND	Contact:	Cumbo/Jackson
Result Area:	Economic Health	Package/Offer #:	N/A
		Total Amount:	\$50,000
Funding Source #1:	General Fund	Funding Amount #1:	\$50,000
FTE Requested:	None		

Description:

This offer creates a funding source for participation in regional planning opportunities that arise from time to time. Some of these opportunities are regional partnerships that require financial participation. An example of a current funding partnership need is the currently ongoing "Embrace Northern Colorado" effort. Note: These funds are separate and in addition to annual dues allocated for membership in the North Front Range Metropolitan Planning Organization (regional transportation and air quality planning).

The cost for this proposal is suggested to be in the \$25,000 to \$50,000 range, and is requested to come from General Funds. Note: This is a one time (2012) budget amendment request. If accepted, this fund pool would have to be considered as part of the 2013-2014 BFO process as an ongoing expense.

Attachment #1B - From the October 11 Work Session Summary Memo

2012 BUDGET REVISION REQUEST

Revision Title:	Neighborhood Planning Outreach Specialist (Ombudsman)		
Fund:	100 - GENERAL FUND	Contact:	Cumbo/Dush
Result Area:	Neighborhood Livability	Package/Offer #:	N/A
		Total Amount:	\$75,000
Funding Source #1:	General Fund	Funding Amount #1:	\$75,000
FTE Requested:	1.0 FTE		

Description:

This request funds a new position to act in a liaison role between the City's Current Planning Department and citizens and neighborhood organizations potentially affected by proposed development. This Neighborhood Outreach Specialist would assist citizens throughout the development review planning process.

This position is to be housed in the Neighborhood Services Division of CDNS. Specific personnel costs have not been determined yet by CDNS and Human Resources, but it is anticipated that this position is likely to fall in or near the Administrative Professional (AP) level 03. Fully loaded personnel costs may be in the range of \$75,000. There may also be additional resources needed for materials, office expenses, etc.

Please note that this is a one time budget amendment request. If approved, these costs would be added as ongoing expenses as part of the 2013-2014 CDNS/Neighborhood Services BFO offers.

Attachment #1C - From the October 11 Work Session Summary Memo

2012 BUDGET REVISION REQUEST

Revision Title:	Affordable Housing Relocation Assistance		
Fund:	100 - GENERAL FUND	Contact:	Cumbo/Frank
Result Area:	Neighborhood Livability	Package/Offer #:	N/A
		Total Amount:	\$50,000
Funding Source #1:	General Fund	Funding Amount #1:	\$50,000
FTE Requested:	None		

Description:

This request creates a pool of funds to provide affordable housing relocation assistance. If deemed appropriate and legal, these funds are intended to serve as matching money to other services and resources provided by the developer and other public agencies (e.g. Larimer County). These funds would be managed by the City's local Affordable Housing/ Human Services programs.

Funds would be eligible only for documentable expenses such as, but not limited to, moving expenses, security deposits, first month rent, temporary hotel costs, and food vouchers.

General funds are requested for this fund pool. Other funding options could include use of 2012 local Affordable Housing and Human Services program funds. Note: If local AH/HS funds are used for this pool, this would mean fewer resources available to go to other program needs.

The City will not receive FY 2012 Federal funds (e.g. Community Development Block Grant) until October 1 and may not be available in time to address immediate relocation needs. Another consideration when contemplating use of federal funds, is the associated regulations and rules that come with federal funding. If these regulations and requirements are not followed, federal funds such as CDBG would not be eligible.

Note : This is a one time budget amendment request. If approved, these costs would be added to Advance Planning's ongoing services 2013-2014 BFO offer.

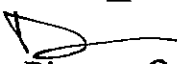




Utilities
electric · stormwater · wastewater · water
700 Wood Street
PO Box 580
Fort Collins, CO 80522
970.221.6700
970.221.6619 – fax
970.224.6003 – TDD
utilities@fcgov.com
fcgov.com/utilities

MEMORANDUM

DATE: October 14, 2011

TO: Mayor Weitkunat and City Councilmembers

THRU: Darin Atteberry, City Manager 
Brian Janonis, Utilities Executive Director 

FROM: Patty Bigner, Utilities Customer and Employee Relations Manager 

RE: Work Session Summary October 11, 2011, Item No. 3: Residential Electric Rate Options, Efficiency and Conservation

All City Councilmembers were present. Utilities Executive Director Brian Janonis provided introductions and a short presentation on the background of the Electric Residential Energy Rate Options being discussed by City Council and an overview of the responses to questions from Councilmembers at the Sept. 13, 2011 Work Session. Energy Services Manager John Phelan provided an overview of the history, programs, and results of the City's Energy Efficiency and Conservation programs, including Water Conservation. Staff answering questions included Brian Janonis, John Phelan, Patty Bigner, and SAIC consultant Joe Mancinelli.

The residential energy rate options proposed for Council discussion included:

- Single Tier (current rate structure)
- Seasonal (Platte River Power Authority [PRPA] pass-through)
- Three-Tier
- Five-Tier

Questions for City Council included:

1. Has sufficient information been provided to support City Council's decision to adopt a residential energy rate ordinance with one of the four options?
2. Which of the four options proposed for consideration does City Council prefer for implementation?

Councilmembers requested that two residential energy rate ordinances be prepared for consideration at the Nov. 15, 2011, one for the seasonal electric rate option and a second for the



seasonal three-tier electric rate. If adopted by Council, the new residential energy rate will be effective Feb. 1, 2012. No further questions were asked of staff.

Next Steps

At the Sept. 13, 2011 Work Session, staff also proposed phasing out the Residential Demand Rate and suggested limiting the rate to residential customers who could provide documentation of total electric residence (no natural gas). An additional commercial rate class is recommended. This change to the General Service (GS) or small commercial rate class would more accurately reflect electric use of this diverse group of small business customers. This change would create a fourth commercial rate class to include the lower end of the mid-sized commercial customers by splitting the GS customer class into two customer classes, GS (energy only) and GS 25 (energy-demand). A seasonal rate structure is recommended for all rate classes. Electric rates would increase 8.3 percent on average. These changes (exclusive of the Residential Energy rate options) will be considered by City Council at the Oct. 18, 2011 Regular Meeting.

1. Staff plans to move forward with the above rate changes with the exception of the Residential Energy Rate. Rate ordinances for the Residential Demand, GS, GS 25, GS 50 and GS 750 rate classes and proposed changes to water and wastewater rates will be discussed at the City Council Finance Committee on Oct. 17, 2011.
2. Public notification for the rate ordinances above began Oct. 1, 2011 per Public Utility Commission (PUC) requirements.
3. These ordinances will be considered by City Council at first reading Oct. 18, 2011. Second reading is scheduled for Nov. 1, 2011 (without changes to the Residential Energy Rate).
4. Public notification for consideration of the Residential Energy Rate options begins Nov. 1, 2011 per PUC requirements.
5. City Council considers two options for Residential Energy Rate on Nov. 15 and Dec. 6, 2011.
6. 2012 rates become effective Jan. 1, 2012 for all rates other than the Residential Energy Rate.
7. Residential Energy Rate will be effective Feb. 1, 2012.