



Council Finance Committee Hybrid Meeting  
CIC Room / Teams  
April 3, 2025  
4:00 - 6:00 pm

Council Attendees: Emily Francis, Kelly Ohlson,

Staff: Kelly DiMartino, Tyler Marr, Gretchen Stanford, Carrie Daggett, Dianne Criswell, Denzel Maxwell, Teresa Roche, Chris Martinez, Terri Runyan, Kevin Wilkins, Jeff Rochford, Ginny Sawyer, Max Valadez, Sylvia Tatman-Burruss, Joe Wimmer, David Wolfe, Dana Hornkohl, Josh Birks, Andy Smith, Dean Klingner, Leeann William, Aaron Harris, Jill Wuertz, Victoria Shaw, Jennifer Poznanovic, Randy Bailey, Trevor Nash, Adam Halvorson, Renee Reeves, Barb Brock, Lawrence Pollack, Claire Turney, Jo Cech, Carolyn Koontz

Other: Caleb Weitz  
Kim Medina, Chamber

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Meeting called to order at 4:00 pm

Approval of minutes from the March 6, 2025, Council Finance Committee meeting.  
Motion made to approve by Kelly Ohlson and seconded by Emily Francis.  
Approved via roll call.

**A. FY23 Audit Report – Staff Correction Plan**  
Randy Bailey, Controller

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**EXECUTIVE SUMMARY**

Plante & Moran presented the Results of the 2023 Financial Statement Audit this past October. While the City received an unqualified opinion, two deficiencies were noted regarding grant expense reporting and reporting for the City's Tourism Improvement District (TID).

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**STAFF RECOMMENDATION**

Continued investment and maturation of Grant Administration across the City. Prioritizing governance, training, and efficient compliance reporting to mitigate compliance risk, reduce overhead in tracking and reporting, and optimize benefit from this critical funding source.

Reporting for the TID has been integrated into the City ACFR and processes adjusted to increase collaboration with TID accounting support during the preparation of financial statements and annual audit.

Accounting has integrated Purchasing and IT into the process for identifying, tracking and accounting for right-to-sue lease assets and Subscription Based IT Arrangements. Additionally, the team implemented an application to more effectively manage right-to-use assets and the supporting accounting calculations and entries.

## **BACKGROUND / DISCUSSION**

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A recap of Plante & Moran's report dated June 29, 2024, is provided in summary for context.

### **Planned Scope and Timing of the Audit**

We performed the audit according to the planned scope and timing previously communicated to you in our letter about planning matters dated May 21, 2024.

### **Corrected and Uncorrected Misstatements**

- Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management.
- The following material misstatements detected as a result of audit procedures were corrected by management.
  - The City had recorded a right-of-use asset and liability for a software-based information technology arrangement for which the subscription period had not commenced, rather than recording a prepaid item until the subscription commences.
  - The City had recorded unavailable revenue and receivables related to grants for which expenditures had been incurred but for which the grants had not been formally executed. These unavailable revenue and receivable have been removed.
  - The Tourism Improvement District is being included in the City's financial statements as a discretely presented component unit.

## **CITY FINANCIAL IMPACTS**

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Staff time to develop and implement process improvements and additional tracking for the oversight in grant administration.

## **PUBLIC OUTREACH**

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None

### **Discussion / Next Steps;**

Kelly Ohlson; happy with slides – brief editorial -I don't believe it is a fee – wish I hadn't voted for it – glad we are taking care of the bookkeeping

Kelly Ohlson; how do we close the loop? Is there anything from them back to us? Council took this seriously and we have done these things.

Trevor Nash; we are required to submit an official response for every finding

Randy Bailey; response to Council – organization responded very well here – just some brief things that will close the loop.

## **B. North College Urban Renewal Bond Issuance – Moral Obligation**

Josh Birks, Deputy Director, Sustainability Services & Acting Executive Director,  
Fort Collins Urban Renewal Authority

### **EXECUTIVE SUMMARY**

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The Fort Collins Urban Renewal Authority (the “Authority”) will be issuing additional bonds against the North College projected tax increment revenues. The bond proceeds will be used to fund the acquisition of blighted properties, support blight remediation through redevelopment of the same properties, and invest in additional public infrastructure. All proceeds will be expended at the direction and with the approval of the Authority board. As part of this bond issuance, the Authority is seeking a moral obligation from the City of Fort Collins (the “City”). The moral obligation would result in improved bond ratings and reduced debt service costs to the Authority. Council would consider a Replenishment Resolution that codifies its “Moral Obligation Pledge” and approves a Cooperation Agreement between the City and the Authority in connection with the revenue bond issuance.

### **STAFF RECOMMENDATION**

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Staff recommends forwarding the item to the full City Council for consideration at an upcoming meeting.

### **BACKGROUND / DISCUSSION**

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In 2018, the Authority commissioned a professional third-party analysis of opportunities for potential investment within the North College Urban Renewal Plan Area (the “Plan Area”). The analysis culminated in a report, and in 2019, the report was followed and considered by key community stakeholders. The report culminated with three categories of proposed investment and targeted allocations for each:

1. Complete, Vibrant neighborhoods (25%)
2. Community Hub (50%)
3. Infrastructure Improvements (25%)

Since 2020 and the completion of the Community Investment Plan, an assortment of opportunities, challenges, and policy objectives have emerged. The Authority has responded to these opportunities by entering into purchase and sale agreements for two blighted properties, pursuing additional blighted properties within the plan area, considering support of a proposed middle income deed restricted housing project, support of pedestrian improvements at the intersection of Jerome and Vine Drive.



### **Current Authority Plans**

At this time, the Authority is considering a range of investments that could total over \$19.2 million. Current cash on hand (approximately \$8.0 million) falls short of this amount. At the end of 2024, Authority staff ask the Authority's municipal advisor (Melissa Buck with UMB) to analyze a number of scenarios to fund the proposed projects. These scenarios included pay-as-you-go and issuing bonds. The projected cash balance, both now and in the future, will not fund the projects based on current anticipated timing. However, an initial analysis suggests that the projected TIF to be collected within the Plan Area could be leveraged into a bond issuance of approximately \$12.4 million. This would create cash-on-hand sufficient to meet the projected needs of the Authority.

### **City's Moral Obligation Pledge**

The Authority is seeking a moral obligation from the City to receive a more favorable bond rating and interest rate. The moral obligation expresses the City's intent to meet any debt service obligations under the bond issuance in the event the Authority defaults. However, the City will not be legally obligated to make any debt service payments in the event of default by the Authority. In addition, any such payments by the City will be subject to appropriation by City Council, which the Council may elect in its sole discretion to do or not. Furthermore, the City and Authority will enter into a Cooperation Agreement to govern the terms and conditions surrounding any payments made by the City should the Authority default on the bonds.

### **Past Moral Obligation Pledges**

The City has provided moral obligations pledges on all previous Authority revenue bonds. These include both the North College Series 2013 Revenue Bonds and the Prospect South Series 2019 Revenue Bonds. Since those pledges, the Authority has made on-time and full payments on each of those Bonds. Additionally, current financial forecasts indicate that the Authority will have sufficient revenue – barring any unforeseen changes in property values – to make all remaining payments.

## **CITY FINANCIAL IMPACTS**

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The City's moral obligation result in more favorable bond rating and interest rate for the Authority. This will enable the Authority to expend more of the available TIF on blight remediation and improvements to the Plan Area. At the termination of the TIF collection period, this will result in increased property tax revenues to the City and may translate into additional revenues through sales tax or other sources.

The moral obligation pledge remains contingent upon further Council action – most importantly the need to appropriate any funds necessary to meet the debt service obligations of the Authority under the bonds. The financial risk to the City comes from any potential changes to TIF collection or property values in the area. At this time, the Authority is not aware of any recent events or factors that might affect the tax base of the Plan Area or Authority's operations or financial condition.

## **PUBLIC OUTREACH**

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None

### **Discussion / Next Steps;**

Created in 2004 – issued debt in 2013

## URA Financial Stability and Debt Service Coverage



	FYE	2025	2026	2027	2028	2029	2030	2031
<b>Revenues</b>								
TIF		4,204,451	4,288,540	4,288,540	4,374,310	4,374,310	4,461,797	-
Bond Proceeds (New money net of COI, etc.)		12,400,000	-	-	-	-	-	-
Other (Investment Income, etc.)		16,000	12,000	12,000	10,000	10,000	-	-
<b>Total</b>		<b>16,620,451</b>	<b>4,300,540</b>	<b>4,300,540</b>	<b>4,384,310</b>	<b>4,384,310</b>	<b>4,461,797</b>	<b>-</b>
<b>Expenditures</b>								
Cash Funded Projects		(8,000,000)	-	-	-	-	-	-
Bond Funded Projects		(12,400,000)	-	-	-	-	-	-
Series 2013 Debt Service		(946,363)	(945,363)	(948,163)	(944,563)	(948,675)	-	-
Series 2025 Debt Service*		(2,323,179)	(2,389,500)	(2,383,250)	(2,452,750)	(2,449,000)	(3,470,250)	-
Other Debt Service		(27,591)	-	-	-	-	-	-
Operations & Project Supplements (From FCURA Financial Forecast)*		(594,827)	(360,510)	(377,727)	(391,742)	(400,353)	86,678	-
Trustee Fees*		(4,000)	(4,000)	(4,000)	(4,000)	(4,000)	(4,000)	-
County Collection Fee (2.00%)		(84,089)	(85,771)	(85,771)	(87,486)	(87,486)	(89,236)	-
Developer Payments (From FCURA Financial Forecast)		(26,791)	(28,311)	(29,406)	(30,187)	(31,338)	(32,167)	(35,241)
<b>Total</b>		<b>(24,406,840)</b>	<b>(3,813,454)</b>	<b>(3,828,316)</b>	<b>(3,910,728)</b>	<b>(3,920,852)</b>	<b>(3,508,975)</b>	<b>(35,241)</b>
<b>Operating Income Over/(Under)</b>		<b>(7,786,389)</b>	<b>487,085</b>	<b>472,223</b>	<b>473,583</b>	<b>463,458</b>	<b>952,822</b>	<b>(35,241)</b>
<b>BOP Net Available Fund Balance</b>		<b>10,489,588</b>	<b>2,703,199</b>	<b>3,190,284</b>	<b>3,662,507</b>	<b>4,136,090</b>	<b>4,599,548</b>	<b>5,552,370</b>
<b>Ending Net Available Fund Balance</b>		<b>2,703,199</b>	<b>3,190,284</b>	<b>3,662,507</b>	<b>4,136,090</b>	<b>4,599,548</b>	<b>5,552,370</b>	<b>5,517,129</b>

**Strong Revenue Stream:** Forecasts show revenues sufficient to cover existing and proposed debt, City's pledge unlikely to ever been called upon.

**Healthy Reserves:** The URA is projected to hold ~\$2.6M (2025), growing to ~\$5.5M (2030).

\* Preliminary, subject to change. Assumes City of Fort Collins Moral Obligation on proposed Series 2025 Bonds.

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Healthy reserves - \$2.6M in cash on hand – will grow over the next 5 years to \$5.5M  
More dollars toward remediation –

Kelly Ohlson; in the future, executive summary (see below),, let's use the term 'consider' issuing additional bonds. We don't like assumptions being made. I am fine with this moving forward.

## EXECUTIVE SUMMARY

The Fort Collins Urban Renewal Authority (the "Authority") will be issuing additional bonds against the North College projected tax increment revenues. The bond proceeds will be used to fund the acquisition of blighted properties, support blight remediation through redevelopment of the same properties, and invest in additional public infrastructure. All proceeds will be expended at the direction and with the approval of the Authority board. As part of this bond issuance, the Authority is seeking a moral obligation from the City of Fort Collins (the "City"). The moral obligation would result in improved bond ratings and reduced debt service costs to the Authority. Council would consider a Replenishment Resolution that codifies its "Moral Obligation Pledge" and approves a Cooperation Agreement between the City and the Authority in connection with the revenue bond issuance.



### What It Is

- A pledge to consider replenishing the URA's debt service reserve if ever needed, subject to annual appropriation (not a legally binding debt guarantee). This mechanism boosts investor confidence and lowers the URA's interest costs.



### Consistent with City Policy

- Used only for "highest priority projects" where City risk is minimal and credit standing is not impacted. Fort Collins has successfully utilized moral obligation pledges in past URA revitalization efforts (e.g. North College Series 2013 and South Prospect Series 2019).



### No Impact on City's Budget Unless Needed

- The City is not obligated to pay under this pledge unless TIF revenues fall short (an unlikely scenario given strong financial projections). This approach mirrors past City actions and demonstrates our continued partnership.

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Kelly Ohlson; Moral Obligation Pledge (see above) -We are pledging we are going to do this but in 2-3 other places it says, 'we really don't have to do that'?

Josh Birks; this moral obligation is an oddity in the financial / bond markets. It is basically saying that we believe enough in the entity and the projects. If they get into real trouble, we will consider helping them. How is that enough of a pledge to really make a difference? The market has never seen a city that made a moral obligation. It is kind of like a vote of support plus.

Kelly Ohlson; what happens if some council didn't honor that and there wasn't enough money and the URA is going out of business?

Josh Birks; the bond holders taking that risk because the pledge is not a pledge of certainty more of we like this. The URA could refund its debt to meet its obligations, or it could default on bonds and bondholders. Most bondholders feel confident that a city wouldn't let that happen. Community provides a character reference as opposed to being a cosigner.

This will go to the full Council on May 7<sup>th</sup>

Meeting adjourned