

AGENDA ITEM SUMMARY

City Council



STAFF

Jennifer Poznanovic, Senior Revenue Manager
Ryan Malarky, Assistant City Attorney

SUBJECT

Second Reading of Ordinance No. 168, 2023, Amending Article III of Chapter 25 of the Code of City of Fort Collins for the Voter Approved One-Half Cent Sales Tax Rate Increase Effective January 1, 2024.

EXECUTIVE SUMMARY

This Ordinance, unanimously adopted on First Reading on December 5, 2023, amends Section 25-75 of City Code to reflect the 0.50% sales and use tax approved by the voters at the City's November 7, 2023, election. The City of Fort Collins tax rate will increase from 3.85% to 4.35% beginning January 1, 2024. The use of the revenue is specifically identified in the ballot measure and, in general, may be used for parks and recreation facilities, environmental sustainability, and for public transit system improvements. The tax will not apply to: (1) items exempt from sales and use tax under the City Code; (2) food for home consumption; and (3) for the use tax only, manufacturing equipment.

The Ordinance would also amend Section 25-75 to remove reference to a 0.85% sales and use tax that expired at midnight on December 31, 2020. City staff is recommending this change as a clean-up item to remove extraneous provisions from the City Code

STAFF RECOMMENDATION

Staff recommends adoption of the Ordinances on Second Reading.

BACKGROUND / DISCUSSION

On August 15, 2023, Council adopted Resolution 2023-074 to refer a ballot measure to the City's voters at the November 7, 2023, regular election. The ballot measure proposed to increase the rate of the City's sales and use tax rate by the addition of a 0.50% sales and use tax.

On November 7, 2023, Fort Collins's voters approved the 0.50% sales and use tax with the revenue pledged for specific purposes as set forth in the ballot measure. The tax is effective January 1, 2024, and will bring the City's cumulative sales and use tax rate to 4.35% (with the use tax rate for manufacturing equipment remaining at 3%). The tax expires at midnight on December 31, 2050. Below is the ballot language that more specifically sets out the limitations on use of the revenue:

City-Initiated Ballot Issue No. 1

SHALL CITY OF FORT COLLINS TAXES BE INCREASED BY \$23,800,000 IN THE FIRST FULL FISCAL YEAR (2024), AND BY SUCH AMOUNTS COLLECTED ANNUALLY THEREAFTER, FROM A .50% SALES AND USE TAX BEGINNING JANUARY 1, 2024, AND ENDING AT MIDNIGHT ON DECEMBER 31, 2050, WITH THE TAX REVENUES SPENT ONLY FOR THE FOLLOWING:

- 50% FOR THE REPLACEMENT, UPGRADE, MAINTENANCE, AND ACCESSIBILITY OF PARKS FACILITIES AND FOR THE REPLACEMENT AND CONSTRUCTION OF INDOOR AND OUTDOOR RECREATION AND POOL FACILITIES,
- 25% FOR PROGRAMS AND PROJECTS ADVANCING GREENHOUSE GAS AND AIR POLLUTION REDUCTION, THE CITY'S 2030 GOAL OF 100% RENEWABLE ELECTRICITY, AND THE CITY'S 2050 GOAL OF COMMUNITY-WIDE CARBON NEUTRALITY, AND
- 25% FOR THE CITY'S TRANSIT SYSTEM, INCLUDING, WITHOUT LIMITATION, INFRASTRUCTURE IMPROVEMENTS, PURCHASE OF EQUIPMENT, AND UPGRADED AND EXPANDED SERVICES;

AND WHILE CITY COUNCIL MAY EXERCISE ITS DISCRETION IN DECIDING THE TIMING OF SPENDING FOR EACH CATEGORY, THAT SPENDING SHALL SUPPLEMENT AND NOT REPLACE THE CURRENT CITY FUNDING FOR THE SPECIFIED PURPOSES AND SHALL BE RECONCILED TO THE STATED PERCENTAGES BY THE END OF 2030, 2040, AND WHEN THE LAST REVENUES COLLECTED FROM THE TAX ARE SPENT, BUT THIS TAX SHALL NOT APPLY TO:

- ITEMS EXEMPT UNDER THE CITY CODE FROM CITY SALES AND USE TAX;
- FOOD FOR HOME CONSUMPTION; AND
- MANUFACTURING EQUIPMENT, BUT FOR THE USE TAX ONLY;

AND WITH ALL THE TAX REVENUES, AND INVESTMENT EARNINGS THEREON, TO BE COLLECTED, RETAINED, AND SPENT AS A VOTER-APPROVED REVENUE CHANGE NOTWITHSTANDING THE SPENDING AND REVENUE LIMITATIONS OF ARTICLE X, SECTION 20 OF THE COLORADO CONSTITUTION?

CITY FINANCIAL IMPACTS

The 0.50% sales and use tax is estimated to generate \$23.8 million dollars in the first full fiscal year (2024).

BOARD / COMMISSION / COMMITTEE RECOMMENDATION

None.

PUBLIC OUTREACH

None.

ATTACHMENTS

First Reading attachments not included.

1. Ordinance for Consideration