



## Sustainable Funding Update

06-13-2023



# Council Direction Requested

1

What adjustments, if any, need to be made to the current package of tax measures for Staff to develop ballot language?

2

Should a large emitter tax be included in the package?

3

Should staff bring forward a Resolution to update the natural gas franchise fee to 3%?

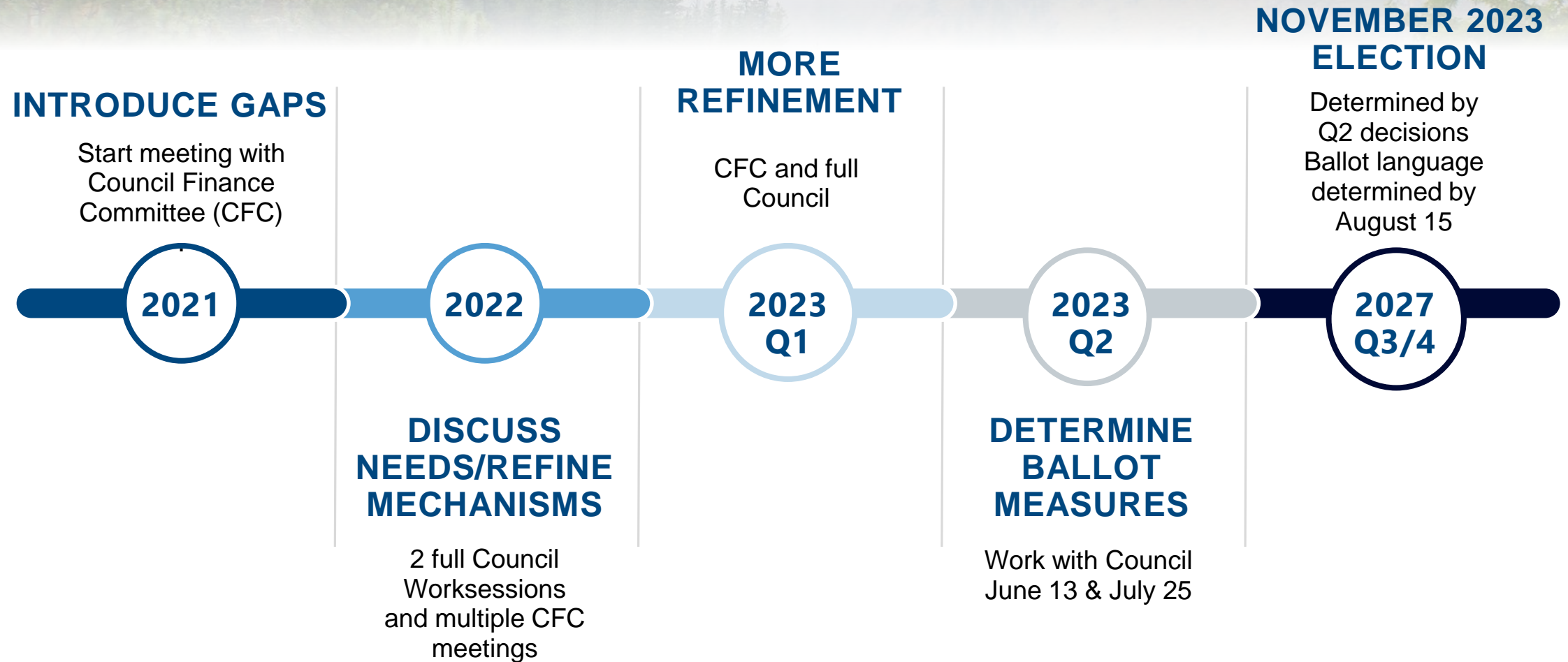
4


What additional information would Councilmembers like to see?



# April 2023 Council Work Session

- Support to continue the work
- No support for pursuing Utility Occupation Tax (Natural Gas)
- General direction on ¼-cent sales tax, property tax, and components of substance tax
- Mixed feedback on Large Emitter Tax
- Acknowledgement that achieving full funding gap of \$46M is unlikely

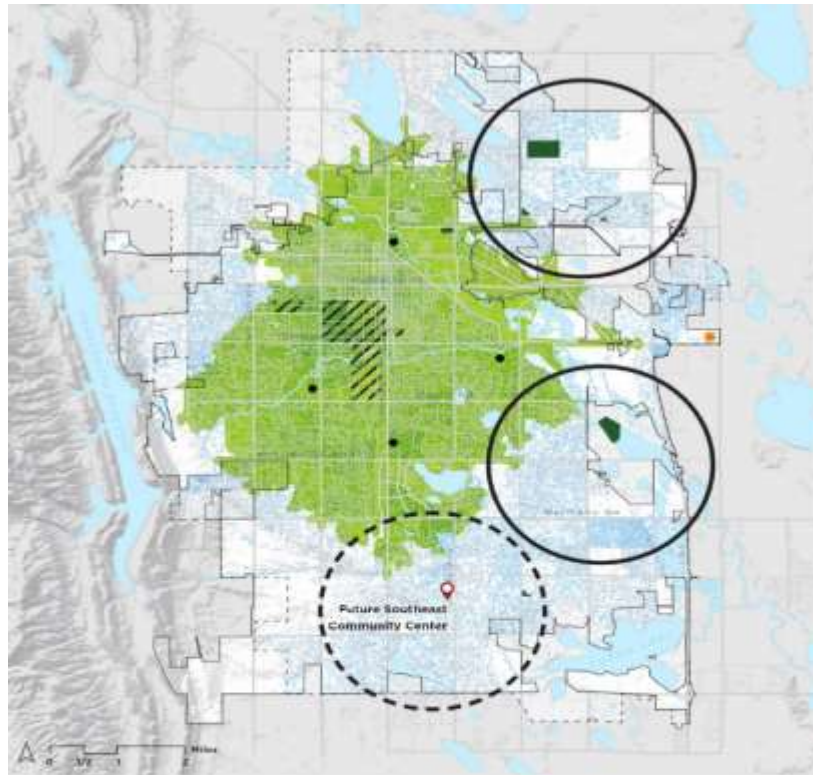


- 
- A horizontal banner image showing a misty or foggy forest scene with tall evergreen trees and a soft, hazy light.
1. Parallel Council dialogue on Aquatics (SE center, Mulberry replacement, NE center)
  2. Avoid building something City can't afford to operate/maintain
  3. Evolution of property tax dialogue with Council



# ReCreate: Parks & Rec Master Plan Recommendation

Community & Neighborhood  
Recreation Centers  
+3 by 2040



Community Centers — Access Standard — 5-Minute Drive

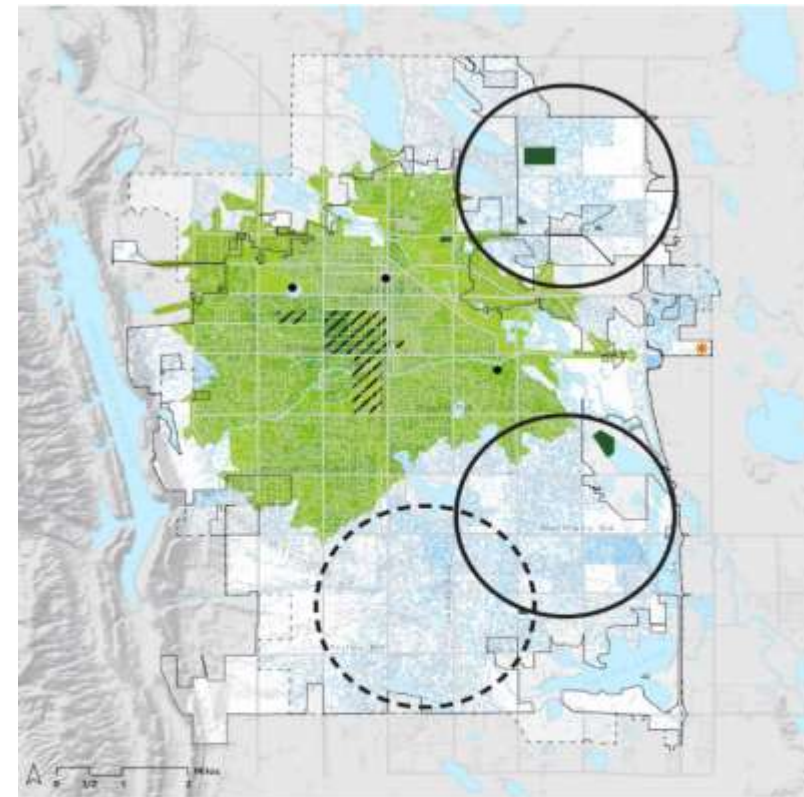


Fort Collins Parks and Recreation Master Plan / 64

Pool Priority  
Investment Rating  
was 197

Paved, Multi-use  
trails were second  
at 157

Pools  
+2 by 2040



Pools — Access Standard — 5-Minute Drive



# Recreation and Aquatics Considerations

- Build out calls for 3 new recreation centers including the Southeast.
- Build out calls for 2 new pools.
- Mulberry Pool needs replacement.
- Recreation has utilized CCIP  $\frac{1}{4}$ -cent:
  - \$3M EPIC match (1985)
  - \$10M replacement of Northside Aztlan (1997)
  - \$5.5M Senior Center Expansion (2006)
  - \$18M Southeast Facility (2015)
- Dedicated funding would free up space in the program for other priorities.
- Funding would support the infrastructure replacement at new facilities plus partial O&M



# Options

Category	Funding Mechanism	Timing	Potential Use	Annual Revenue Estimate	Resident Annual Impact
Franchise Fee to 3%	Natural Gas Bills		Climate	\$1M	<ul style="list-style-type: none"> <li><b>Council action only</b> – does not require voter approval</li> <li>2% increase. ~ <b>\$14/household</b></li> </ul>
Substance Tax	1 to 5% on Alcohol/MJ/Nicotine		TBD	\$6 to 11M+	<ul style="list-style-type: none"> <li><b>\$1 to 5 per \$100 purchase</b> in Fort Collins</li> <li>Visitors also impacted</li> </ul>
Utility Occupation Tax	<del>4.5% on Natural Gas Bills</del>		<del>Climate Umbrella</del>	<del>\$4M</del>	<ul style="list-style-type: none"> <li><del>4.5% residential increase per household</del></li> <li><del>~\$32 per residential household</del></li> </ul>
Property Tax	3 to 5 Mills		Parks & Rec	\$11 to 18M+	<ul style="list-style-type: none"> <li>Residential increase of <b>\$29 to \$143</b></li> <li>Commercial increase of <b>\$125 to \$626</b></li> </ul>
Sales Tax	Additional ¼ Cent Dedicated Tax		Climate Umbrella	\$10M	<ul style="list-style-type: none"> <li><b>\$31 per resident/ \$78* per household</b></li> <li>Sales tax on food would remain at 2.25%</li> <li>Visitors also impacted</li> </ul>
Large Emitter Tax	\$51/MT CO <sub>2</sub> e		Climate Umbrella	\$0.8M in 2024; decreasing thru 2030	<ul style="list-style-type: none"> <li>N/A to residents</li> <li>Two applicable businesses</li> </ul>
<b>Total</b>				<b>\$29M to 41M+</b>	<ul style="list-style-type: none"> <li><b>\$121 to \$235 net annual increase per household* + impact of substance tax</b></li> </ul>

\*Assumes a household size of 2.5 (American Community Survey 2021 1-year estimates, table DP04)



# Current Package

Category	Funding Mechanism	Timing	Use	Annual Revenue Estimate	Resident Annual Impact
Franchise Fee to 3%	Natural Gas Bills	2023 (Active in 2024)	Climate	\$1M	<ul style="list-style-type: none"> <li><b>Council action only</b> – does not require voter approval</li> <li>2% increase. ~ <b>\$14/household</b></li> </ul>
Property Tax	5 Mills	2023	Parks & Rec w/ Aquatics Capital	\$18M	<ul style="list-style-type: none"> <li>Residential increase of <b>\$143 on \$400K home</b></li> <li>Residential increase of <b>\$179 on \$500K home</b></li> <li>Residential increase of <b>\$268 on \$750K home</b></li> <li>Residential increase of <b>\$358 on \$1M home</b></li> <li>Commercial increase of <b>\$626</b></li> </ul>
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<b>Total</b>				<b>\$29M+</b>	<ul style="list-style-type: none"> <li><b>\$235 net annual increase per household* + impact of substance tax</b></li> </ul>

\*Assumes a household size of 2.5 (American Community Survey 2021 1-year estimates, table DP04)

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# Thank you!

Travis Storin, Chief Financial Officer  
Ginny Sawyer, Sr. Project Manager





## **Appendix / Back-up**

# Natural Gas Franchise Fee Increase

	2019-2022 AVG Revenue Baseline	2022 Revenue Baseline
<b>Current Fee Rate – 1.07%</b>	\$ 515,905	\$ 727,633
<b>Proposed Rate – 3.00%</b>	\$ 1,446,462	\$ 2,040,093
<b>Potential New Revenue for Climate Initiatives (estimated)</b>	<b>\$ 930,557</b>	<b>\$ 1,312,460</b>

## Considerations:

- Does not require voter approval
- Current franchise fee of 1.07% generates ~\$445k/yr to General Fund
- New portion of revenue could be allocated for a variety of climate uses
- Peer communities charge a 3% Franchise Fee
  - City's legal agreement allows up to a 3% fee

# Natural Gas Franchise Fee Increase

## MONTHLY ON-BILL FRANCHISE FEE COST

Customer Type	2022 Average Monthly Bill	Current Avg. Monthly Franchise Fee 1.07%	Total Avg. Monthly Franchise Fee 3.00%	Net Avg. Monthly Franchise Fee Increase 3.00%	Net Annual Franchise Fee Cost Increase
Residential	\$ 58.19	\$ 0.62	\$ 1.75	\$ 1.13	<b>\$ 13.56</b>
Commercial/ Industrial	\$ 344.02	\$ 3.68	\$ 10.32	\$ 6.64	<b>\$ 79.69</b>

### Considerations:

- Already appears as line item on customer bills
- City could adopt a rebate program to provide relief to low-income customers



# Substance Tax

Category	Substance	Funding Mechanism	Annual Revenue Estimate	Household Impact
Additional (Excise) Sales Tax	Alcohol*	1% Additional Tax	\$780K+	<ul style="list-style-type: none"> <li>• <b>\$1 per \$100 purchase</b> in Fort Collins</li> <li>• Visitors also impacted</li> </ul>
	Alcohol*	3% Additional Tax	\$2M+	<ul style="list-style-type: none"> <li>• <b>\$3 per \$100 purchase</b> in Fort Collins</li> <li>• Visitors also impacted</li> </ul>
	Alcohol*	5% Additional Tax	\$4M+	<ul style="list-style-type: none"> <li>• <b>\$5 per \$100 purchase</b> in Fort Collins</li> <li>• Visitors also impacted</li> </ul>
	Marijuana	1% Additional Tax	\$900K	<ul style="list-style-type: none"> <li>• <b>\$1 per \$100 purchase</b> in Fort Collins</li> <li>• Visitors also impacted</li> </ul>
	Marijuana	3% Additional Tax	\$3M	<ul style="list-style-type: none"> <li>• <b>\$3 per \$100 purchase</b> in Fort Collins</li> <li>• Visitors also impacted</li> </ul>
	Marijuana	5% Additional Tax	\$5M	<ul style="list-style-type: none"> <li>• <b>\$5 per \$100 purchase</b> in Fort Collins</li> <li>• Visitors also impacted</li> </ul>
	Nicotine**	1% Additional Tax	\$340K+	<ul style="list-style-type: none"> <li>• <b>\$1 per \$100 purchase</b> in Fort Collins</li> <li>• Visitors also impacted</li> </ul>
	Nicotine**	3% Additional Tax	\$1M+	<ul style="list-style-type: none"> <li>• <b>\$3 per \$100 purchase</b> in Fort Collins</li> <li>• Visitors also impacted</li> </ul>
	Nicotine**	5% Additional Tax	\$2M+	<ul style="list-style-type: none"> <li>• <b>\$5 per \$100 purchase</b> in Fort Collins</li> <li>• Visitors also impacted</li> </ul>

\*Liquor store estimate only

\*\*Cigarette estimate only

## TOTAL SALES TAX RATES

Taxing Authority	Cigarettes	Other Tobacco	Alcohol	Marijuana
State (Excise)	\$1.94 (per pack)	-	-	-
State	2.90%	2.90%	2.90%	15.00%
County	0.0%	0.80%	0.80%	0.80%
City	3.85%	3.85%	3.85%	3.85%
<b>Total</b>	<b>6.75% + excise tax</b>	<b>7.55%</b>	<b>7.55%</b>	<b>19.65%</b>

## MARIJUANA SALES TAX RATE COMPARISON

Taxing Authority	Fort Collins	Boulder	Thornton	Aurora	Denver	Commerce City	Berthoud	Englewood
State	15.00%	15.00%	15.00%	15.00%	15.00%	15.00%	15.00%	15.00%
County	0.80%	1.19%	0.75%	1.00%	0.00%	0.75%	0.80%	0.25%
City	3.85%	3.86%	3.75%	3.75%	4.81%	4.50%	4.90%	3.80%
City Additional	0.00%	3.50%	5.00%	5.00%	5.50%	7.00%	7.00%	10.30%
<b>Total*</b>	<b>19.65%</b>	<b>23.55%</b>	<b>24.50%</b>	<b>24.75%</b>	<b>25.31%</b>	<b>27.25%</b>	<b>27.70%</b>	<b>29.35%</b>

\*Does not include other taxes (RTD, cultural, etc.)

# Property Tax Breakdown

62.0%  
Poudre School District

24.0%  
Larimer County





# Property Tax at Varying Residential Valuations

Category	Funding Mechanism	Annual Revenue Estimate	Household Impact
Property Tax	1 Mill Property Tax	\$3.5M+	<ul style="list-style-type: none"><li>Residential increase of \$29 on \$400K home</li><li>Residential increase of \$36 on \$500K home</li><li>Residential increase of \$54 on \$750K home</li><li>Residential increase of \$72 on \$1M home</li><li>Commercial annual increase of \$125</li></ul>
	2 Mill Property Tax	\$7M+	<ul style="list-style-type: none"><li>Residential increase of \$57 on \$400K home</li><li>Residential increase of \$72 on \$500K home</li><li>Residential increase of \$107 on \$750K home</li><li>Residential increase of \$143 on \$1M home</li><li>Commercial annual increase of \$251</li></ul>
	3 Mill Property Tax	\$11M+	<ul style="list-style-type: none"><li>Residential increase of \$86 on \$400K home</li><li>Residential increase of \$107 on \$500K home</li><li>Residential increase of \$160 on \$750K home</li><li>Residential increase of \$214 on \$1M home</li><li>Commercial annual increase of \$376</li></ul>
	4 Mill Property Tax	\$14.5M+	<ul style="list-style-type: none"><li>Residential increase of \$114 on \$400K home</li><li>Residential increase of \$143 on \$500K home</li><li>Residential increase of \$214 on \$750K home</li><li>Residential increase of \$286 on \$1M home</li><li>Commercial annual increase of \$501</li></ul>
	5 Mill Property Tax	\$18M+	<ul style="list-style-type: none"><li>Residential increase of \$143 on \$400K home</li><li>Residential increase of \$179 on \$500K home</li><li>Residential increase of \$268 on \$750K home</li><li>Residential increase of \$358 on \$1M home</li><li>Commercial annual increase of \$626</li></ul>

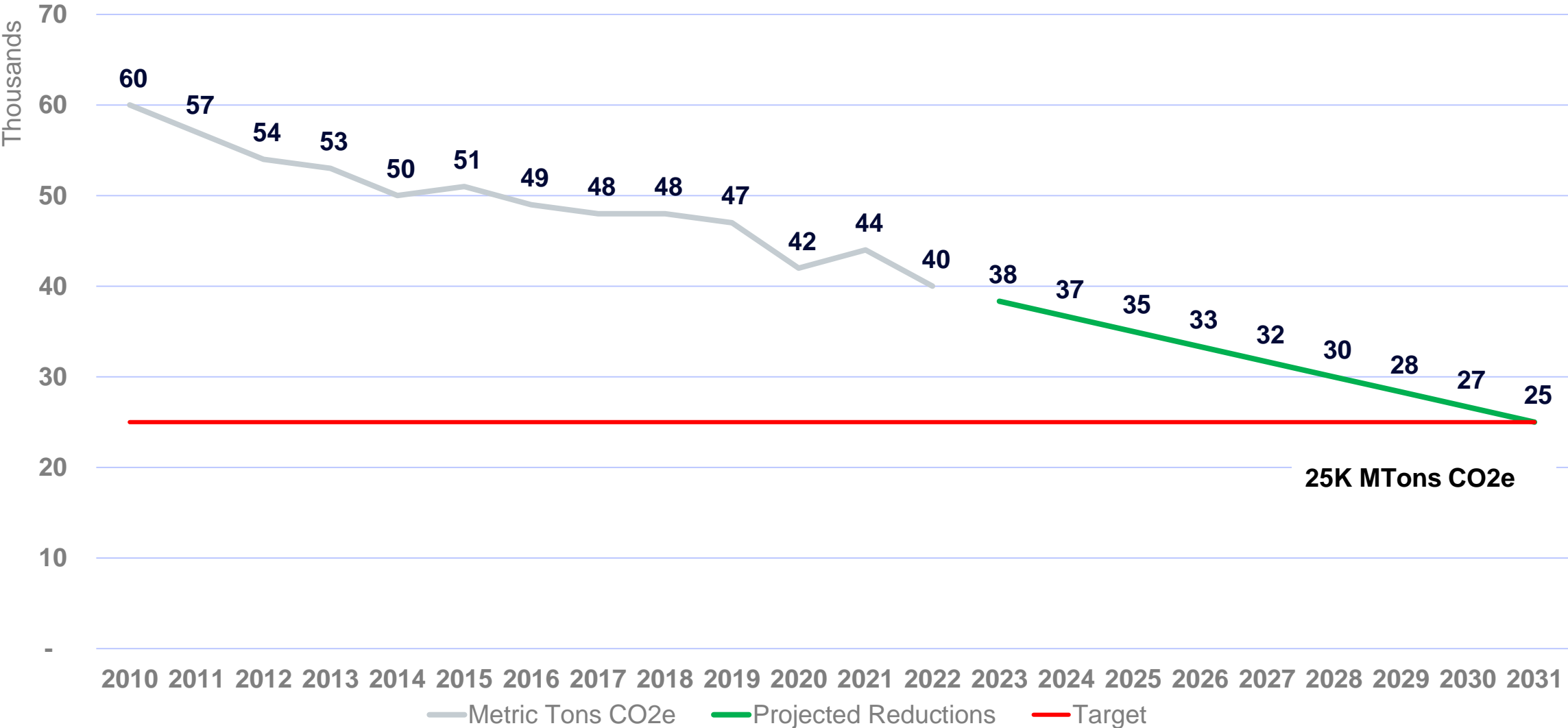
# Large Emitter Tax

Entity	Total Reported Emissions (MT CO <sub>2</sub> e) 2024 Forecast	Potential 2024 Revenue (\$51/MT)
Broadcom	33,496 MT	\$0.2M
Anheuser Busch	37,474 MT	\$0.6M
<b>Total</b>	<b>70,970 MT</b>	<b>\$0.8M</b>

## Considerations:

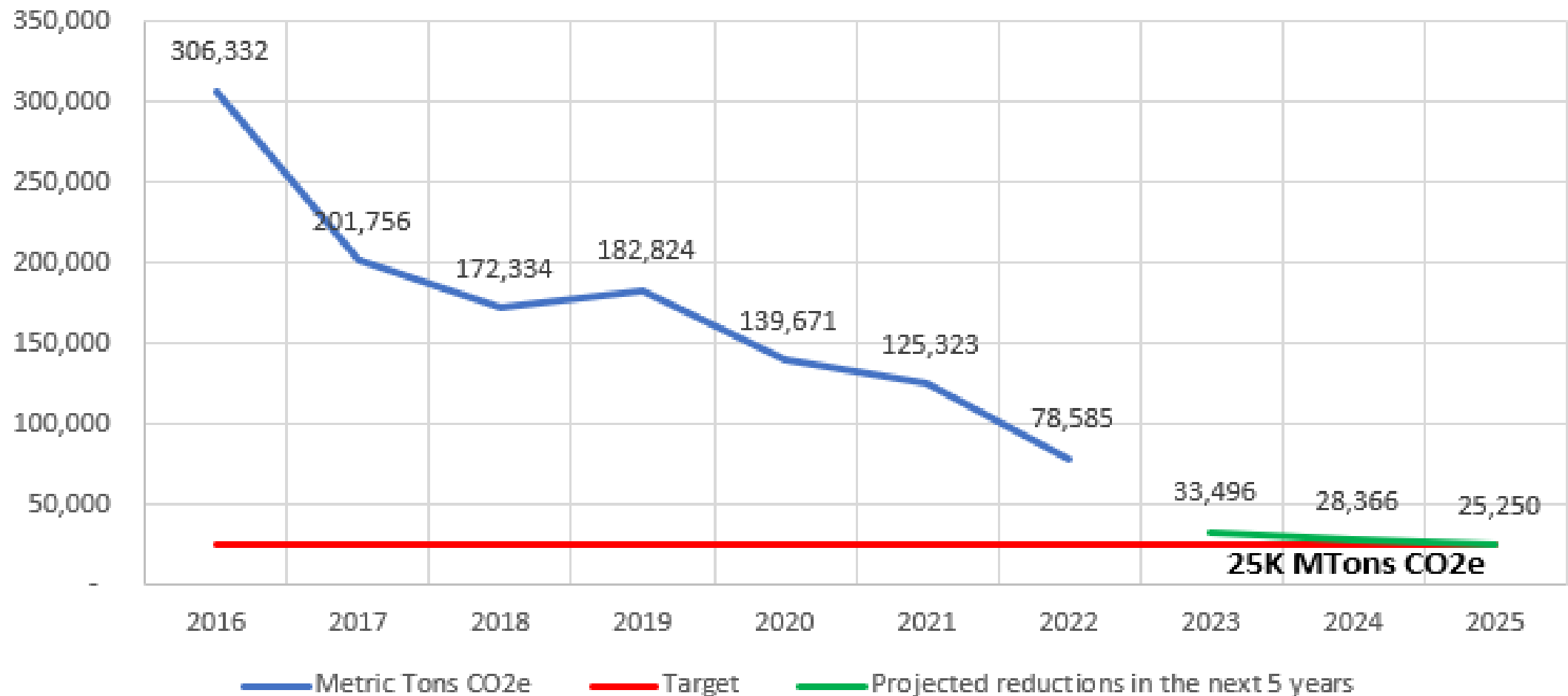
- Requires voter approval
- Potential to accelerate de-carbonizing of two entities currently emitting more than the EPA reporting threshold (25k MT CO<sub>2</sub>e/year)
- Revenue estimate uses current “Social Cost of Carbon” (\$51/MT CO<sub>2</sub>e)
  - Could change at federal level
- Diminishing returns – revenue declines as emissions decline
- Applies to net emissions above EPA reporting threshold of 25,000

## Anheuser Busch Annual CO2e Emissions

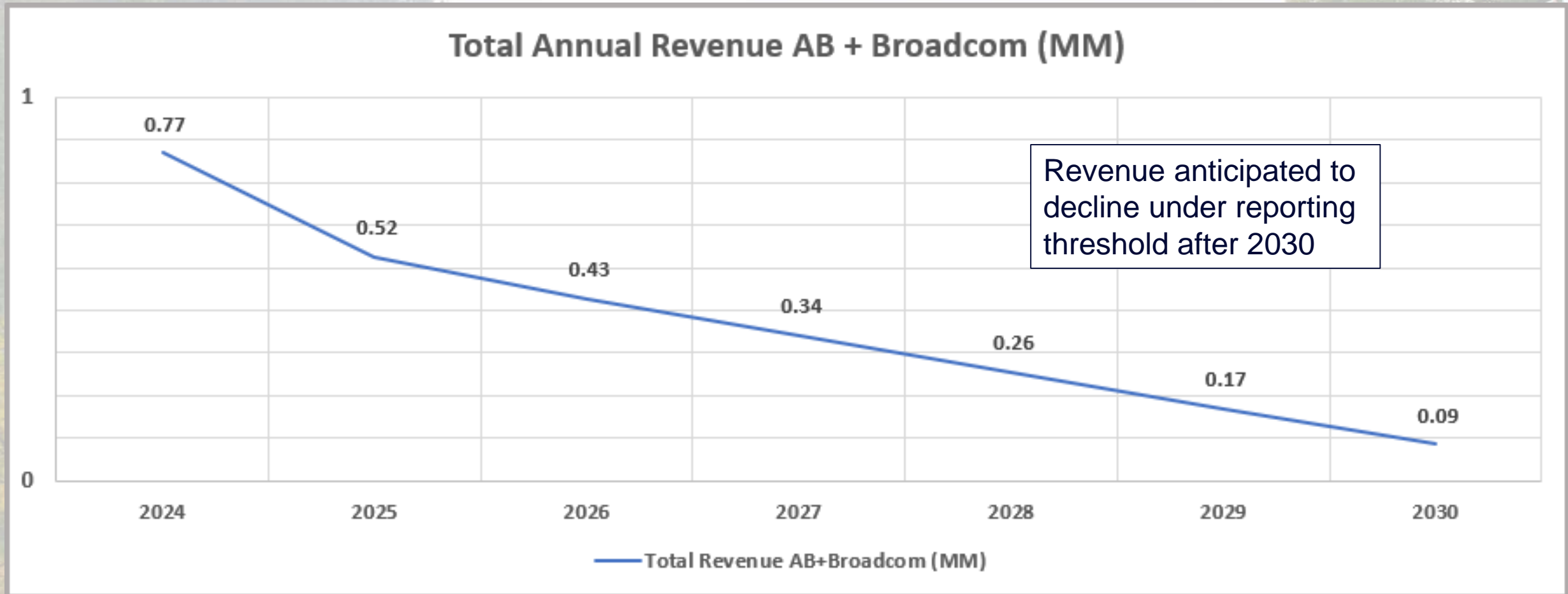


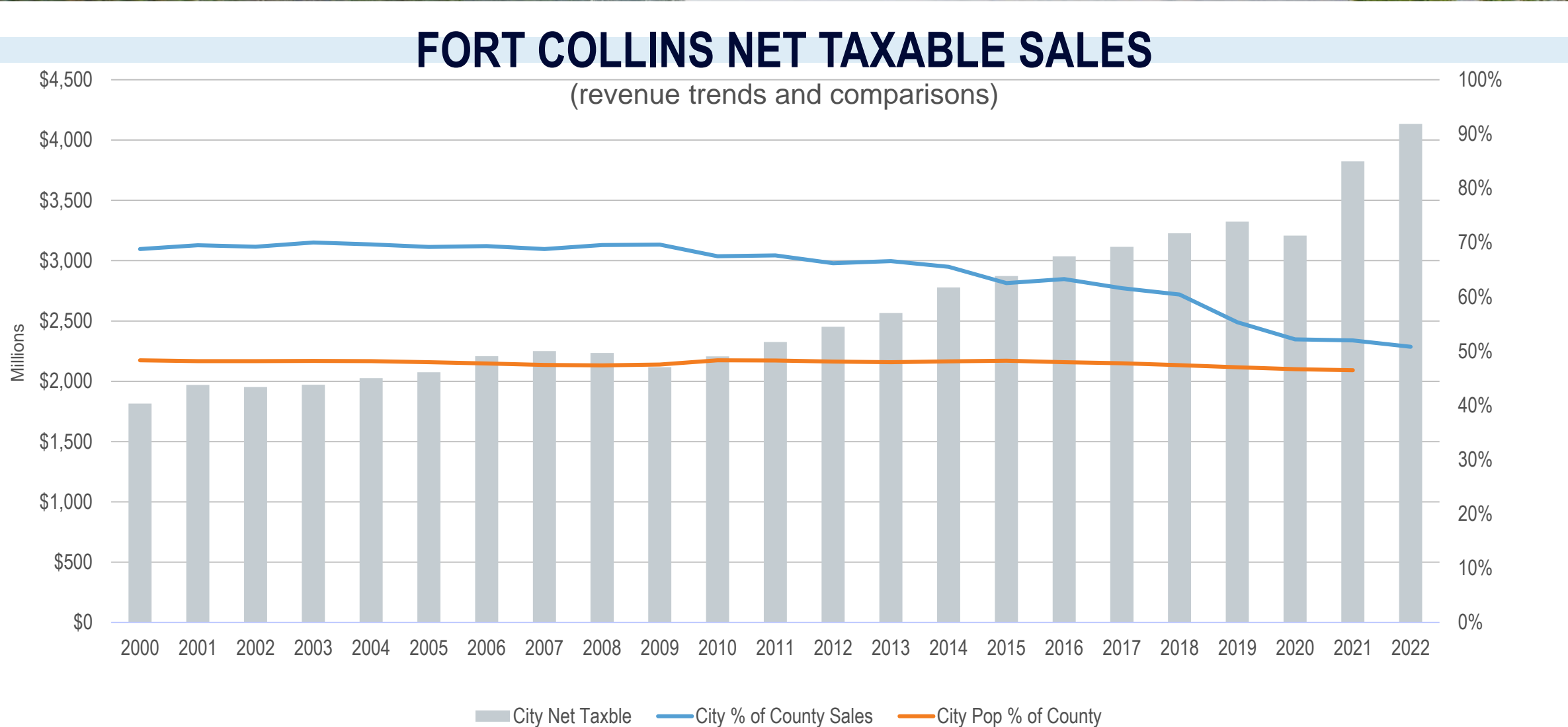


## Broadcom Annual CO2e emissions (Thousands)



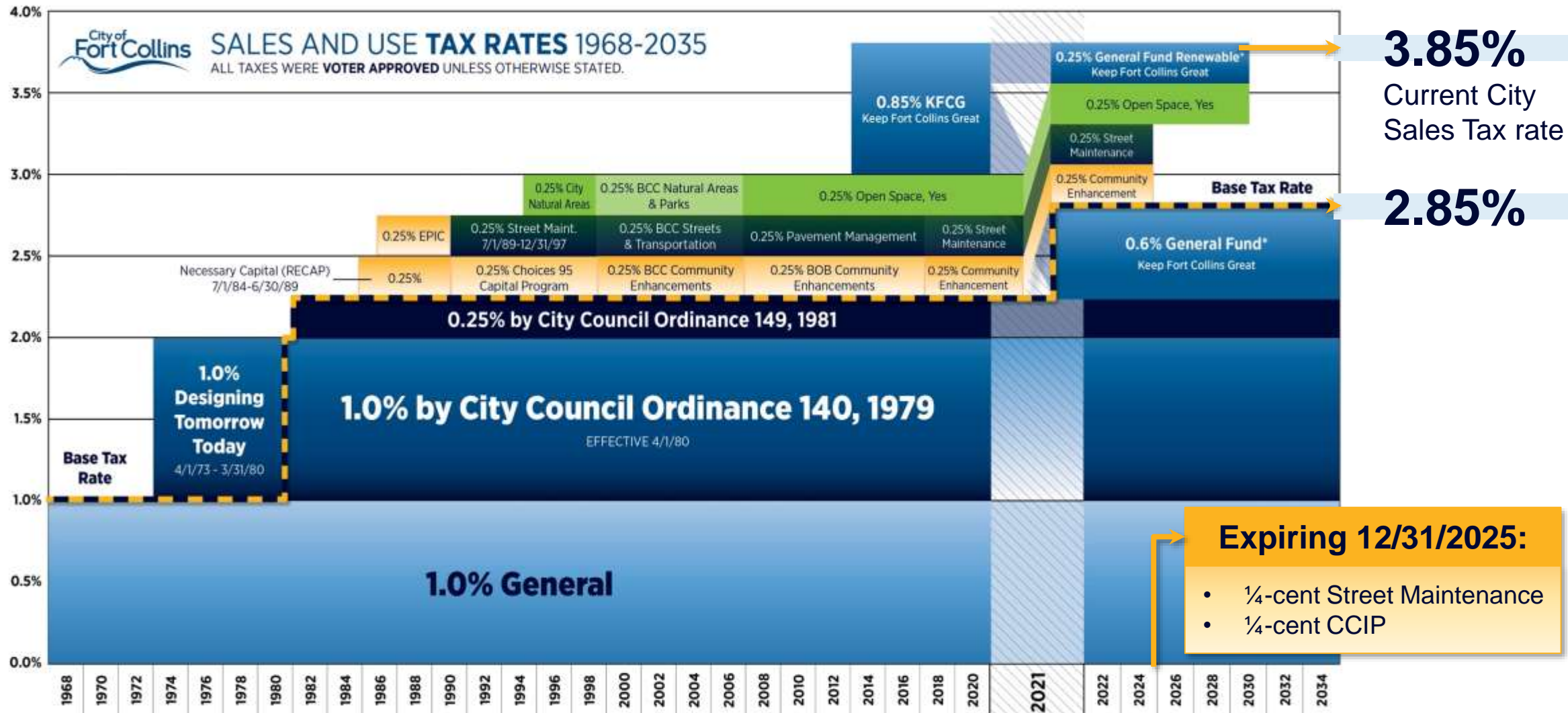
# Projected Revenue







# Tax Rate History

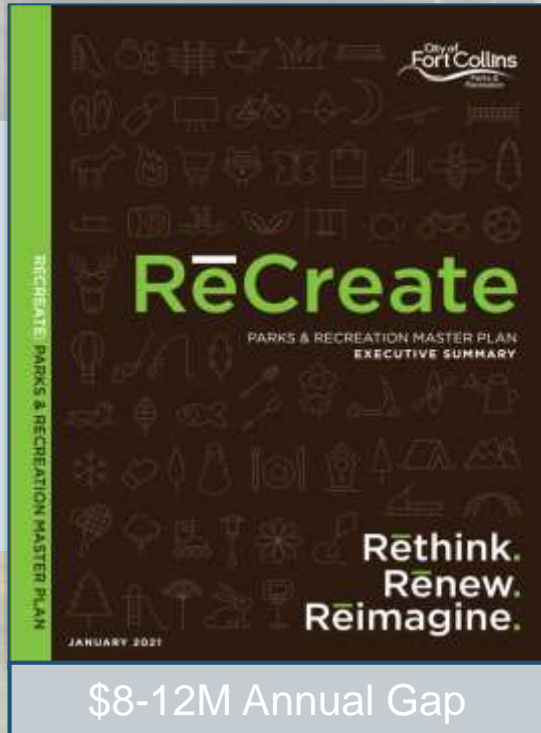


REVISED FEB 2021

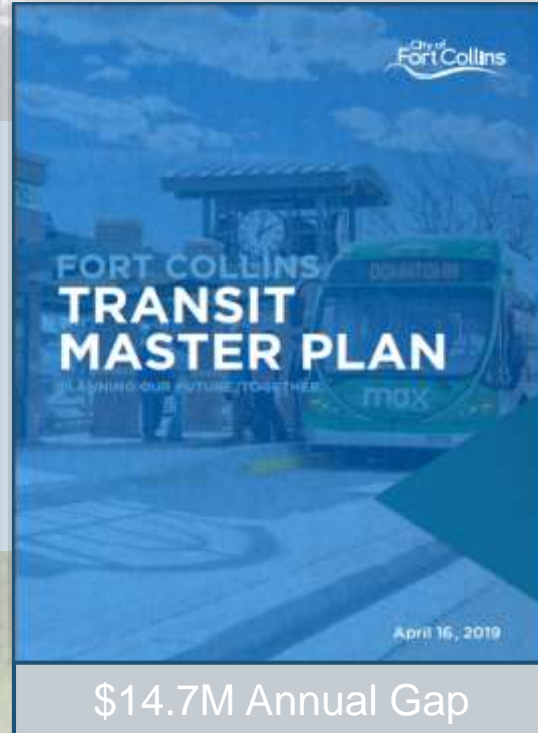
Auxiliary aids and services are available for persons with disabilities. V/TDO: 700 09-22/2021

\* KFCG revenue replacement will continue the 0.85% tax by increasing the on-going tax rate by 0.60% and adding a renewable 0.25% tax through 2030.

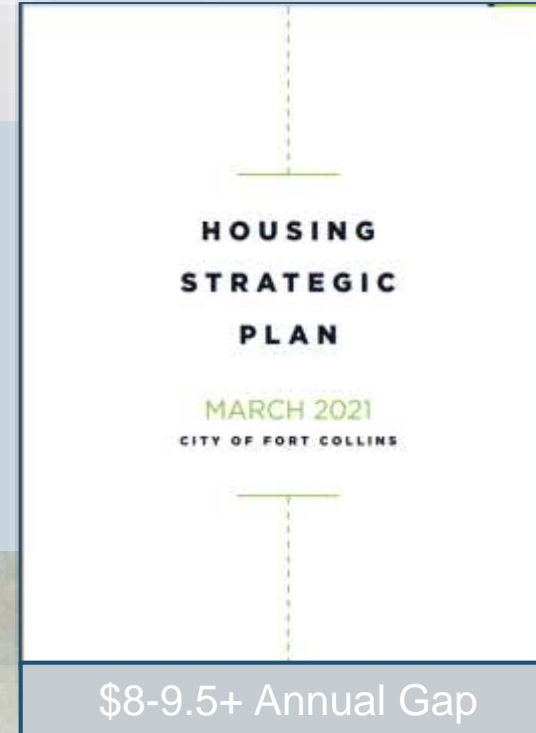
# Identified Funding Needs



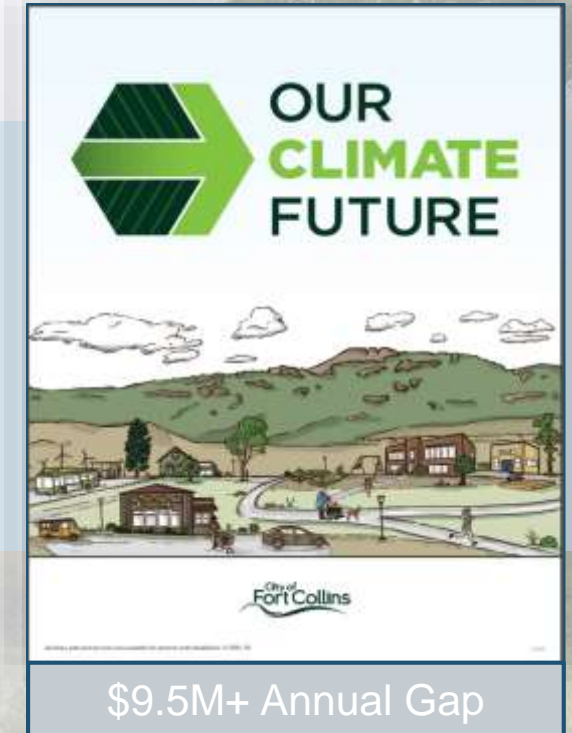
Masterplan Projects



Masterplan to Build Out  
Projects



To Achieve 10%  
Affordable Housing Stock



To Accelerate Community  
Transition From Fossil  
Fuels

**ANNUAL REVENUE GAP = \$40M TO \$46M+**

## Parks and Recreation Infrastructure Replacement

### ***Maintain appropriate levels of service***

- \$11M funding represents 2.4% of value
- Replacement value of recreation facilities \$200M+
- Park infrastructure asset value \$260M+

### ***Examples:***

- Repaving parking lots
- Roofing repairs/replacement, HVAC replacements, electrical upgrades including LED
- Conversion of courts from asphalt to post-tension concrete
- Irrigation system renovation, including replacement of water management equipment such as flow sensors & controllers

### ***Provide equitable access to parks & recreation experiences as identified in 2021 Parks and Recreation master plan.***

- Currently 51% of playgrounds are beyond expected lifespan.

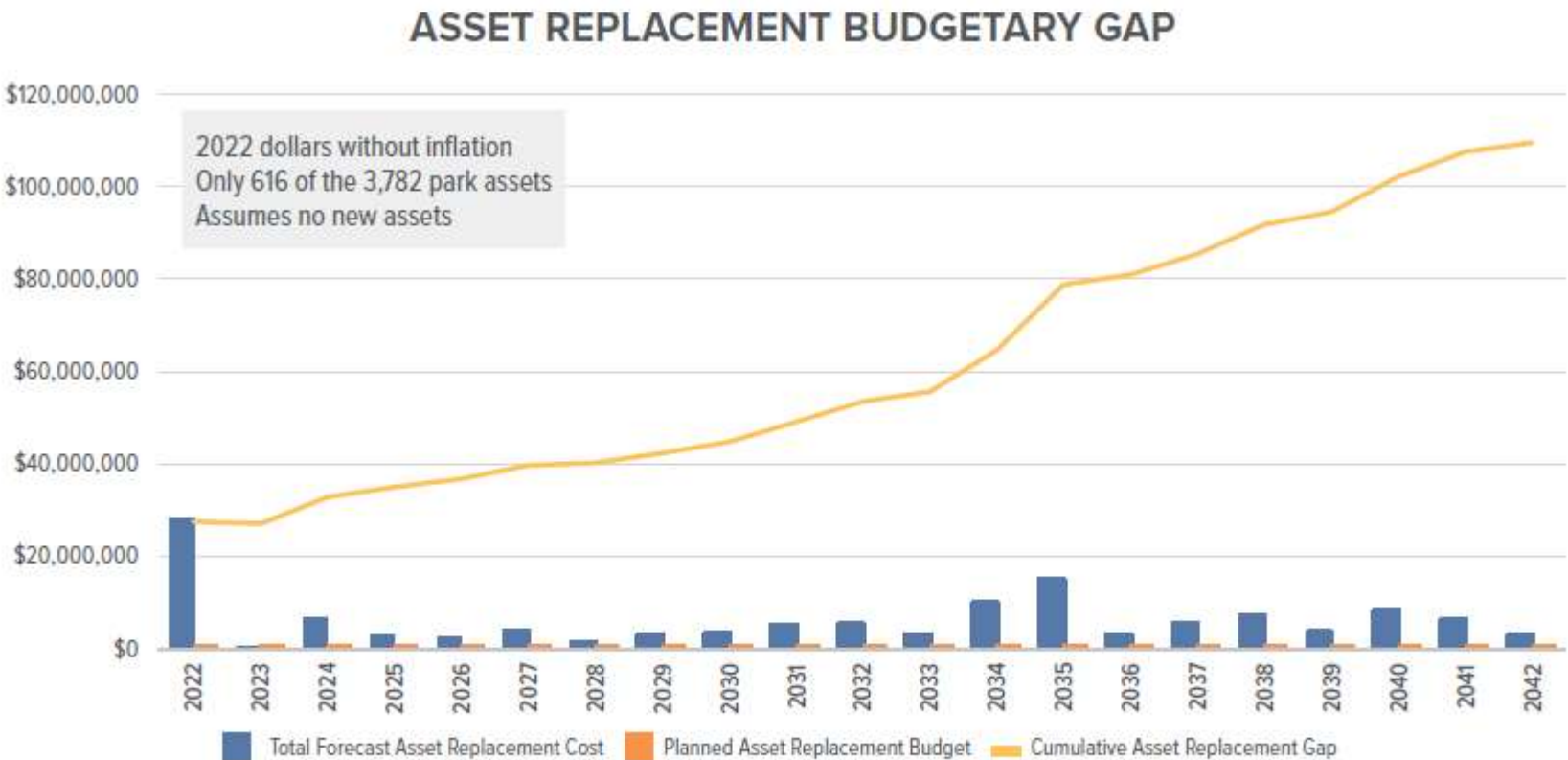
### ***Examples:***

- Replace play equipment, changing surfaces from sand to ADA compliant material
- Repair sections of cracked walkways, bringing walkway slopes up to ADA standards
- Locker room and restroom upgrades/replacement
- Pedestrian bridge replacements, fencing repairs, water feature renovations, bike park renovations, pedestrian lighting replacement



# Benesch Study: Parks Projected Asset Replacement Need

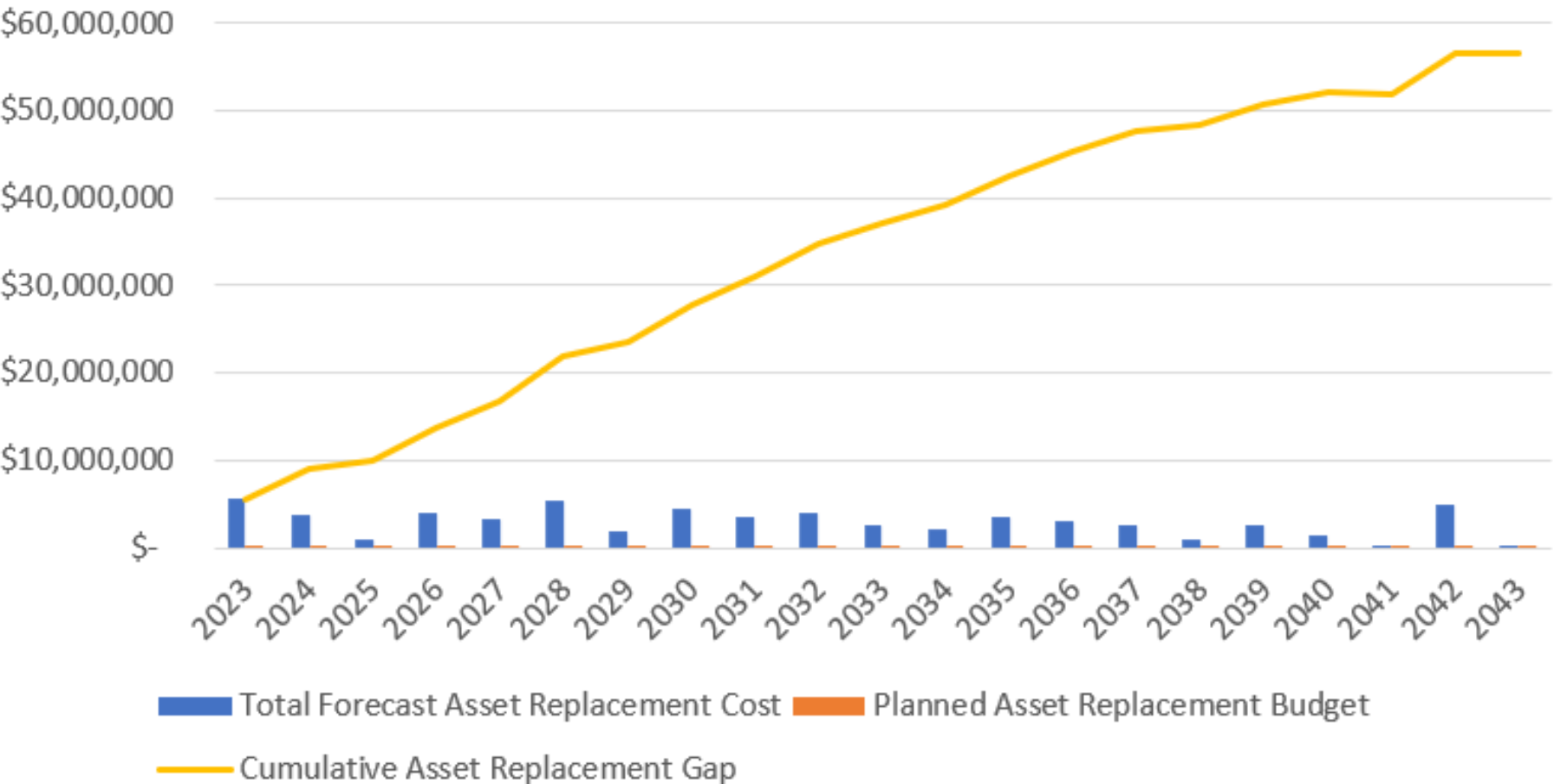
## PARKS ASSET REPLACEMENT BUDGETARY GAP



Based on a brief analysis, the amount necessary to maintain the current levels of service is approximately \$4,375,000 per year.

# Raftelis Study: Recreation Projected Investment Need

## RECREATION ASSET REPLACEMENT BUDGETARY GAP



EPIC  
\$1.1M

- Flooring
- HVAC
- Chillers
- Diving boards
- Plumbing
- Electrical

Rolland Moore Tennis Complex  
\$300K

- HVAC
- Interior
- Roof

City Park Pool  
\$1.3M

- Playground
- Slides

Mulberry Pool  
\$1M

- HVAC
- Roof
- Pool equipment

A background image showing a misty or foggy forest scene with tall evergreen trees and a soft, hazy atmosphere.

## Value of Parks and Recreation

- Environmental – air quality, water, biodiversity
- Social – livability, connection, gathering, health and well-being
- Economic – property value, tourism, sales activity

## Infrastructure Replacement Plan (IRP) Current State

- Fort Collins system includes over 50 parks, 45 miles of paved trails, and 10 recreation facilities
  - Parks IRP is currently funded at \$0.75M per year (originally \$0.6M in 1993)
  - Recreation IRP is currently funded at \$0.2M per year
- Deferred needs have been growing



# Sustainable Revenue Summary – Climate, Transit & Housing

## Climate Umbrella

Big Move	Focus	Investment Target
4	Transit	\$14.7M
4	Active Modes	\$1.5M
6	Building Efficiency & Electrification	\$2.85M
7	Housing Affordability	\$8-9.5M
13	Electric Vehicles	\$1.85M
2 & 10	Zero Waste	\$2M
Total Annual Investments:		\$31M+

- Ongoing FC Utilities Climate Investments:
  - Energy Efficiency, Customer Renewable and Grid Flexibility programs; \$6.6M annually
  - EPIC Loan program; up to \$2.5M annually in available financing
  - Streetlight LED conversion; \$1M annually
  - Efficiency Works programs (via Platte River budgeting); ~\$5M annually
- Ongoing Housing Investments:
  - Competitive Process for Affordable Housing Development; \$1.5-\$3M awarded annually
    - From all sources – Federal, City General Fund & CCIP
- Ongoing Transit Investments:
  - Building, Operating & Maintaining Routes; \$22M annually
    - Includes local, federal, grant, and partner funding

### OUR IMPACT

Community-wide total electricity use would be over 20% higher without Utilities energy programs since 2005

# Sustainable Revenue: Our Climate Future Investments

## Climate Umbrella



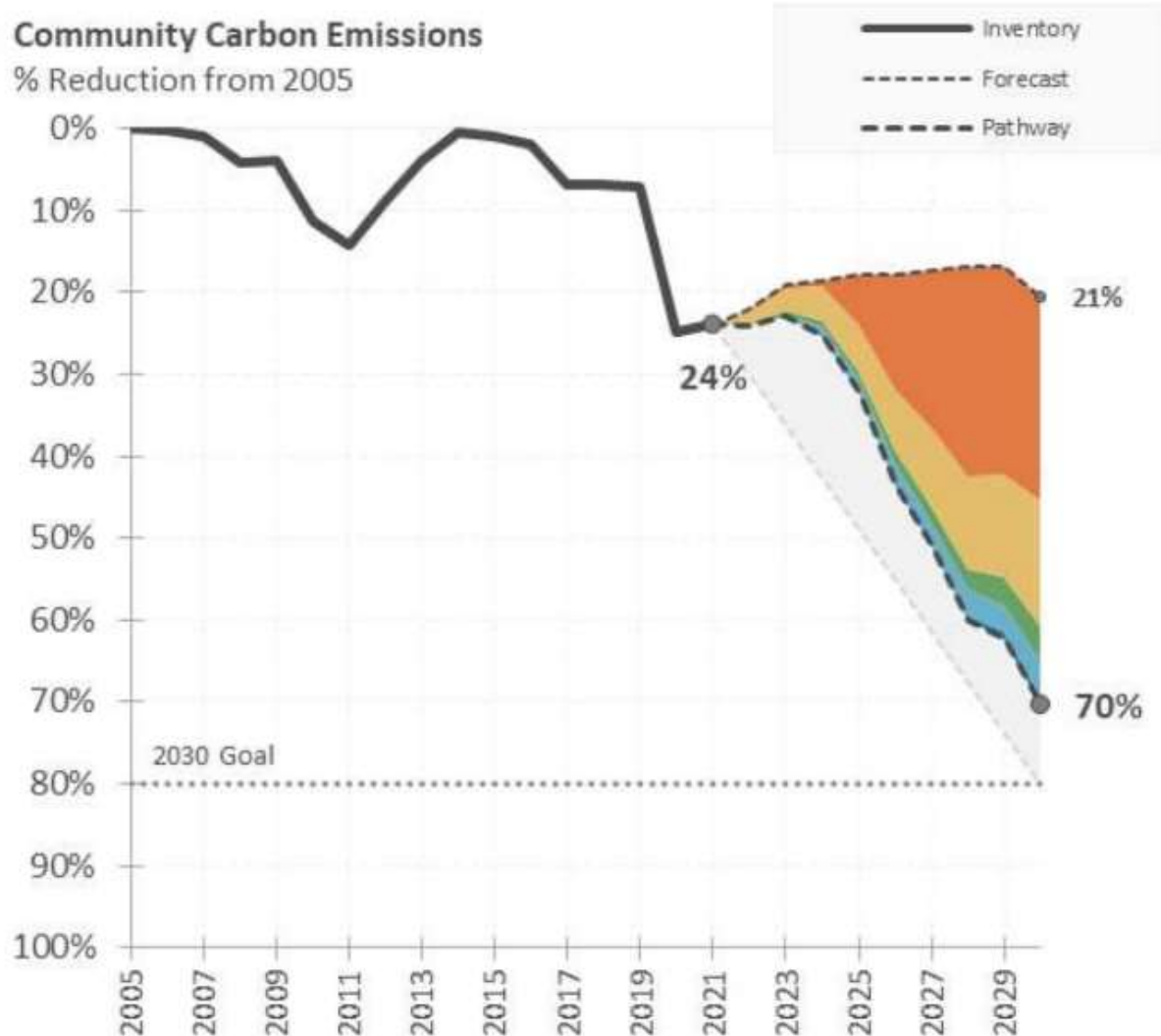
- **Our Climate Future Big Moves**

- 1 - Shared Leadership and Community Partnership
- **2 - Zero Waste Neighborhoods**
- 3 - Climate Resilient Community
- **4 - Convenient Transportation Choices**
- 5 - Live, Work and Play Nearby
- **6 - Efficient, Emissions Free Buildings**
- **7 - Healthy Affordable Housing**
- 8 - Local, Affordable and Healthy Food
- 9 - Healthy Local Economy and Jobs
- **10 - Zero Waste Economy**
- 11 - Healthy Natural Spaces
- 12 - 100% Renewable Electricity
- **13 - Electric Cars and Fleets**

- "Allowable Uses" from existing, community-driven planning
  - Centering Equity
- Inclusive of Transit and Housing funding priorities



# Community Emissions Pathways to 2030 GHG Goal



## Pathways

2030

Electricity

24.5%

Buildings

15.0%

Industrial Manufacturing

4.5%

Transportation

4.0%

Waste

0.9%

Land Use

0.1%

Undetermined to Goal

10%



### Big Move 4 – Convenient Transportation Choices: Transit

#### Scale / Accelerate

##### *Improve route frequencies and service resiliency*

Transit Master Plan initiatives to increase transit ridership.

- Bus operator resiliency
- Remain fare-free
- Procure additional buses and increase operational frequencies
- Add new route with 30-minute frequency on Lemay/Trilby
- New southeast micro-transit service

#### Transform

##### *Local match for major capital projects*

Unprecedented Federal dollars in grant funding available to fund 60-80% of large transit projects.

- West Elizabeth bus rapid transit
- North transit maintenance facility (needed for further expansion)
- Electrification and ultimate zero-emission of fleet
- Additional charging infrastructure
- North College MAX extension
- Mobility hubs

**Estimated investment needed: \$14.7M annually**

## Big Move 7 – Healthy Affordable Housing

### Scale / Accelerate

***Expand the City's competitive funding process*** to better support projects seeking to: Acquire land, develop new affordable housing, preserve existing affordable housing, support residents.

- Housing acquisition (redevelopment/preservation)
- Land acquisition
- New construction costs
- Affordable homeownership renovation
- Renovate affordable rental housing
- Homeownership assistance

### Transform

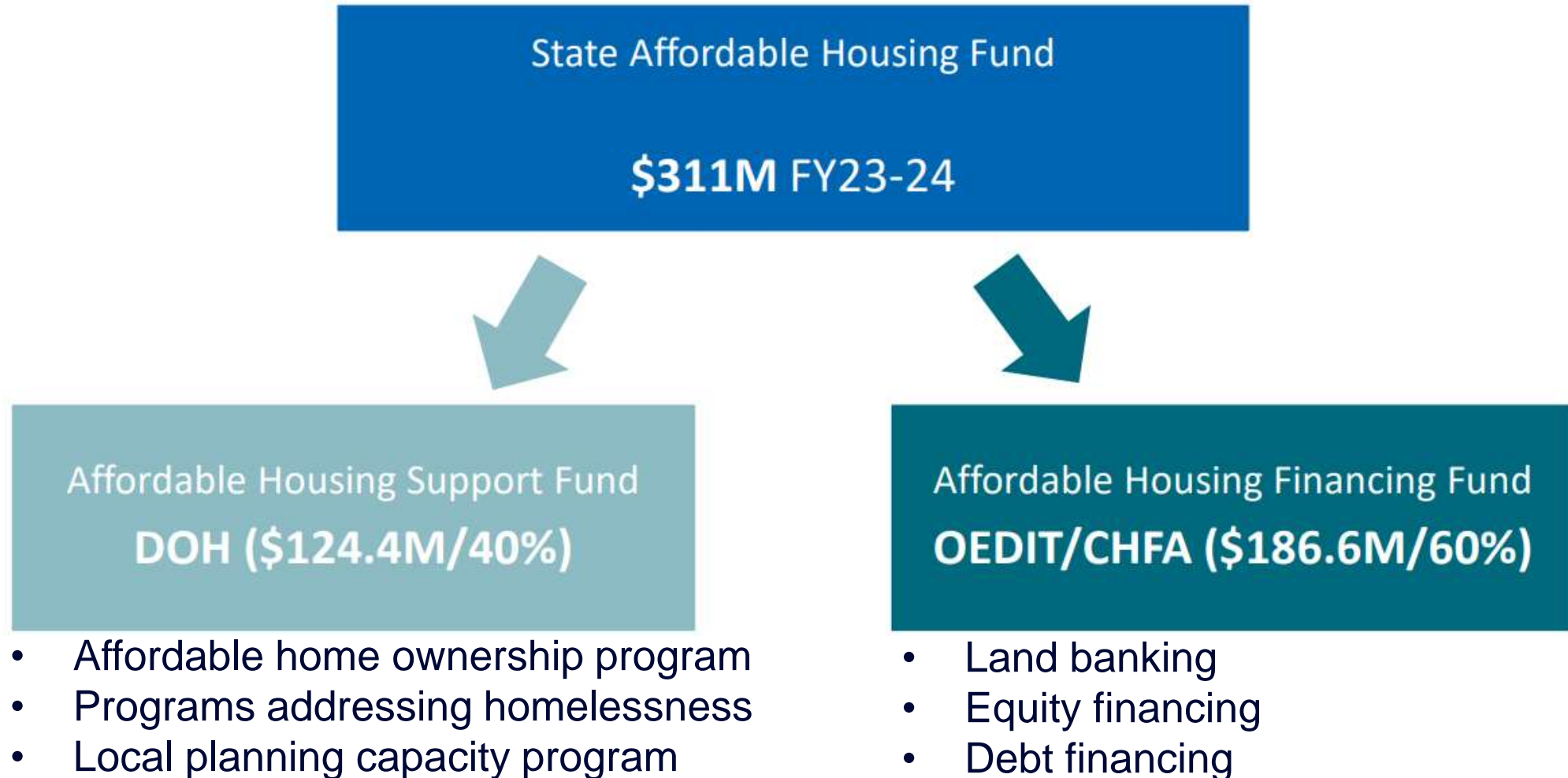
***Expand or initiate City-led efforts*** as identified in adopted policies including the Housing Strategic Plan, City Strategic Plan, and HUD Consolidated Plan.

- Acquire properties for Land Bank (expand)
- Offset fees for affordable projects (expand)
- Develop incentive programs (energy efficiency, voluntary affordability restrictions, etc.)
- Explore redevelopment partnerships
- Other innovative approaches (middle income, mixed income, etc.)

**Estimated investment needed: \$8-\$9.5M annually**

# Sustainable Revenue Uses – Climate, Transit & Housing

## Proposition 123 Funding Breakdown



***There is no estimate of the amount of local funds from Proposition 123. Funding for Proposition 123 is competitive and there is no guarantee of or entitlement to funding for municipalities.***

### • Big Move 13 – Electric Cars and Fleets

#### Scale / Accelerate

- Support home electrical panel and service upgrades for EVs
- Public charging strategy, implementation and maintenance
- Engagement with local cars dealerships to offer training to sales staff on education and benefits of EVs

#### Transform

- Transition all Transfort buses to zero emission vehicles by 2040
- Explore providing incentives for community members for installation of charging equipment in homes and businesses
- Explore expansion of level 3 public charging opportunities for EVs

**Estimated investment needed: \$1.85M annually**



### • Big Move 6 – Efficient, Emissions Free Buildings

#### Scale / Accelerate

- Expand programs for electrification of space and water heating
- Explore adding minimum building performance standards (BPS) for commercial building stock
- Explore requirement for residential energy disclosure at point of listing/sale
- Support home electrical panel and service upgrades for electrification

#### Transform

- Explore proactive upgrades of infrastructure and customer electric equipment to support building and transportation electrification.
- Explore opportunities to expand grid flexibility options in residential and commercial buildings through battery storage and other solutions
- Explore Utility scale distributed energy resource solutions (solar and battery installations)

**Estimated investment needed: \$2.65M annually**

### • Big Move 4 – Convenient Transportation Choices: Active Modes

#### Scale / Accelerate

- Rebates for E-bikes
- Install in-street protected bike lanes and bicycle and pedestrian crossing improvements
- Local match to leverage many state and federal grant opportunities available

#### Transform

- Same strategies with much higher investments
- Grade-separated crossings

**Estimated investment needed: \$1.5M annually**

### • Big Moves 2 & 10 – Zero Waste

#### Scale / Accelerate

- Improving recycling education and removing barriers to reusing and recycling
- Growing the circular/sharing/reuse economy
- Increasing recycling services through local waste infrastructure and operational support

#### Transform

- Local waste infrastructure investments
  - e.g. potential organics transfer station, etc

**Estimated investment needed: \$2M annually**