



WORK SESSION AGENDA ITEM SUMMARY

City Council

STAFF

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SUBJECT FOR DISCUSSION

Sustainable Funding Update.

EXECUTIVE SUMMARY

The purpose of this item is to seek Council direction on revenue options and ballot language considerations for referral to the November 2023 ballot.

GENERAL DIRECTION SOUGHT AND SPECIFIC QUESTIONS TO BE ANSWERED

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?

BACKGROUND / DISCUSSION

Over the past year, staff worked with Council Finance Committee (CFC) and the full Council to seek ways to address identified funding needs in the areas of parks and recreation, transit, and housing. Along with these needs the criticality of advancing City climate action goals has also been identified as an area of need. Estimated annual shortfalls range from six to twelve million per area.

- Parks & Recreation - \$8 to \$12M annual shortfall (Parks & Recreation Master Plan)
- Transit - \$8M to \$14.7M annual shortfall (Transit Master Plan)
- Housing - \$8M to \$9.5M annual shortfall (Housing Strategic Plan)
- Climate - \$9.5M+ annual shortfall (Our Climate Future Plan)

Transit, Housing, and Climate are being combined as a "Climate Umbrella" based on Our Climate Future work and aligned goals.

Funding Options and Analysis

Through discussion and analysis at CFC and Council work sessions funding options have been narrowed significantly. A dedicated sales tax, property tax and an increase to the Xcel franchise fee have emerged as the most feasible mechanisms. A large emitter tax is also included in the options.

The table below demonstrates the potential revenue gain of these mechanisms along with estimated annual impact to residents.

Category	Funding Mechanism	Potential Use	Annual Revenue Estimate	Resident Annual Impact
Franchise Fee to 3%	Natural Gas Bills	Climate	\$1M	<ul style="list-style-type: none"> Council action only – does not require voter approval 2% increase. ~ \$14/household
Substance Tax	1 to 5% on Alcohol/MJ/ Nicotine	TBD	\$6 to \$11M	<ul style="list-style-type: none"> \$1 to 5 per \$100 purchase in Fort Collins Visitors also impacted
Property Tax	3 to 5 mills	Parks & Rec	\$11 to 18M+	<ul style="list-style-type: none"> Residential increase of \$29 to \$143 Commercial increase of \$125 to \$626
Sales Tax	Additional ¼ Cent Dedicated Tax	Climate Umbrella	\$10M	<ul style="list-style-type: none"> \$31 per resident/ \$78* per household Sales tax on food would remain at 2.25% Visitors also impacted
Large Emitter Tax	\$51/MT CO2e	Climate Umbrella	\$0.8M	<ul style="list-style-type: none"> N/A to residents Two applicable businesses
Total			\$29M to 41M+	<ul style="list-style-type: none"> \$121 to \$235 net annual increase per household* + impact of substance tax

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

Since the April work session, staff has developed initiatives and actions for Council consideration listed below.

Property Tax

Since 1992, the City has collected 9.797 mills of property tax. Poudre Fire Authority (PFA) gets 67% of the City's portion (approximately 6 of the City's 9 mills) of property tax amount through an intergovernmental agreement. There would not be a PFA contribution included in any new mills.

If the City were to refer an additional property to the voters, staff recommends considering 3-5 mills. From the work on identified needs, 3 mills (\$11M) covers the operation and replacement gap in parks and

recreation. Going to 5 mills (\$18M) allows for the addition of aquatics and future recreation capital (Recreation Center/Aquatic Facilities.)

Property Tax is collected in arrears. If additional mills were adopted in November 2023, the City would see those collections in 2025.

Dedicated Renewal Sales Tax

An additional ¼-cent sales tax dedicated to the “Climate Umbrella” would generate an estimated \$10M annually to be used for identified needs within transit, housing, and climate. These funds would be directed through the budgeting process. The sunset timeline on a new dedicated ¼-cent would need to be determined and could be 6 years (to align with 2030 climate goals and the Keep Fort Collins Great renewal); 10 years (which has been a “norm” for renewable taxes); or longer.

Large Emitter Tax

At the current reporting requirement of 25,000 MT CO₂e annually, only two entities (Broadcom and Anheuser-Busch) would be subject to a large emitter tax. Should both organizations follow through with their public statements regarding reductions, Broadcom would not be subject to the tax after 2025, and Anheuser-Busch would not be subject after 2030. The estimated \$0.8M in revenue would be dedicated to climate efforts and directed through the budgeting process.

NEXT STEPS

Per the recent ballot initiative, City elections will now be in November. Ballot referral would need to happen in August.

There is currently a work session scheduled on July 25, 2023 to finalize potential ballot language. Referrals would be scheduled on August 15, 2023.

ATTACHMENTS

1. Presentation