

WORK SESSION AGENDA ITEM SUMMARY

City Council



STAFF

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SUBJECT FOR DISCUSSION

Poudre Fire Authority Intergovernmental Agreement and Annual Report.

EXECUTIVE SUMMARY

The purpose of this item is to provide Council and the Poudre Valley Fire Protection District Board with a review of the 2023 Poudre Fire Authority (PFA) Annual Report. Additionally, staff will provide an update on the joint work currently in process by the City and Poudre Fire Authority staff to revise the existing Intergovernmental Agreement (IGA) between the City and the Poudre Valley Fire Protection District.

GENERAL DIRECTION SOUGHT AND SPECIFIC QUESTIONS TO BE ANSWERED

1. What questions do Councilmembers and District Board members have about the Poudre Fire Authority 2023 Annual Report?
2. What concerns or curiosities do Councilmembers and District Board members have about the existing Intergovernmental Agreement (IGA)?
3. What questions do Councilmembers and District Board members have about the work to date on the IGA update?
4. What guidance do Councilmembers and District Board members have for City or PFA staff in evaluating the IGA?

BACKGROUND / DISCUSSION

The City of Fort Collins ("City") and the Poudre Valley Fire Protection District ("District") established the Poudre Fire Authority ("PFA") with an Intergovernmental Agreement ("IGA") in 1981. This agreement was further adjusted in 1983 and 1987 to include a revenue allocation formula ("RAF"). This agreement was further amended and restated in 2014 to include an update to the RAF and Support Services provided to PFA by the City. The full 2014 amended and restated IGA including the RAF (Exhibit A to the IGA) and Support Services provided (Exhibit B to the IGA) is included as Attachment 2.

In early 2023, City staff and PFA staff (with District Board approval), began discussions about revisiting the agreement to update their understanding of the costs and details of the services provided under the terms of the agreement. The intent is to update the existing Support Services provided (Exhibit B to the IGA), with a detailed understanding of the cost of services being provided either in-kind or through direct charges. An additional goal is to make necessary adjustments to the RAF (Exhibit A to the IGA) to reflect

the updated level of services provided, and to account for changes impacting the underlying Property Tax and Sales Tax funding sources. This includes an updated analysis of the relative risk sharing of the funding mechanisms. Staff intend for agreed upon updates to the IGA to be completed for inclusion in the current 2025/26 Budgeting for Outcomes (BFO) cycle.

During the second quarter of 2023, City and PFA staff began the joint review of the Support Services Provided in Exhibit B (to the IGA). This effort involved over 30 collaborative meetings with both City and PFA personnel. The interviews and analysis involved investigation on the scope of services being provided by City personnel, including support areas that were not specifically outlined in Exhibit B as services to be provided. Additionally, certain services had transitioned to PFA over the ensuing time since the agreement update in 2014. In all instances, efforts were made to identify the time and costs involved in each City department or PFA division providing the support.

Preliminary costing of the services provided indicates the City provides PFA with approximately \$728,000 annually of in-kind costs and an additional \$3.5 million in direct charges (\$3.0 million is for Benefits and Wellness). PFA’s cost of services provided is estimated at approximately \$452,000 annually (\$320,000 is for two positions – IT Analyst III and Battalion Chief - Emergency Management). Functional breakout of the costs is highlighted below.

| Preliminary - Cost of City Services to PFA | | | |
|---|-----------------------------|-----------------------|--|
| Service Area | Annual In-Kind Costs | Annual Charged | Total Cost of Services Provided |
| Finance | \$182,115 | \$18,402 | \$200,517 |
| Human Resources | \$145,963 | \$2,969,712 | \$3,115,675 |
| Information Technology | \$191,481 | \$47,000 | \$238,481 |
| Police - Dispatch | \$159,462 | \$207,229 | \$366,691 |
| Op Services | \$5,390 | \$194,643 | \$200,033 |
| All Other | \$43,215 | \$20,000 | \$63,215 |
| Total | \$727,626 | \$3,456,986 | \$4,184,611 |

| Preliminary - Cost of Services Absorbed by PFA | |
|---|------------------|
| Service | Cost |
| Emergency Management | \$176,214 |
| Finance | \$12,976 |
| Risk Management | \$23,296 |
| Human Resources | \$3,539 |
| Information Technology | \$72,138 |
| Miscellaneous | \$3,576 |
| Total | \$291,738 |

The RAF specifies how both the City and the District make contributions to the PFA. The District’s contribution is annually through 100% of their annual mill levy. The City’s contribution is through a combination of a portion of the City’s base sales and use tax revenue, revenue from the Keep Fort Collins Great tax measure dedicated to fire protection and other emergency services funding, and 67.5% of the City’s property tax revenue. The City’s contributions are based on the biennial budgeted amounts for sales/use and property taxes. These amounts are not adjusted for actual collections (*please refer to Exhibit A of the existing IGA for the RAF calculation details*).

In the 2023 budget, the City contributed approximately \$35.9 million in revenue sharing to PFA (\$19.2 million in property tax and \$16.9 million in sales/use tax, less \$0.2 million for PFA contribution agreements). For the 2024 budget, the revenue contribution increased to approximately \$38.7 million (\$21.7 million in property tax and \$17.3 million in sales/use tax, less \$0.3 million in PFA contribution adjustments). The District contributed \$8.8 million in 2023 and \$12.4 million in 2024.

City and PFA staff are in the process of evaluating the existing RAF. Goals of this evaluation are to:

1. Align the updated costs of service with the existing funding mechanism,
2. Memorialize the Keep Fort Collins Great (KFCG) 0.6% base rate increase (which is currently accounted for as an agreed adjustment to the RAF),
3. Consider the concept of a “risk corridor” to share revenue risks and opportunities,
4. Add further definition around future growth and annexations.

The work plan is centered on fostering agreement between City and PFA staff on the scope and structure of the services to be provided in Exhibit B, determination of the form and extent of compensation for both parties, identifying needed service level agreements, adjustments needed to the RAF and other terms and conditions needing update in the body of the IGA. Work to date has highlighted the desire to create named administrators from each party to the agreement and to include more specificity as to the timing and structure of future agreement updates (i.e., contract re-openers).

NEXT STEPS

The goal is to complete the update of the IGA for inclusion in the 2025/26 BFO Cycle. City and PFA staff are working jointly to reach agreement on terms and conditions to include in an update to bring to both the City Council and District Board for approval. Tentative schedule for moving forward:

Work Streams:

April/May: Complete Support Services and Revenue Allocation Formula Analyses
May/June: Combined Agreement Terms and City/District Legal Evaluation

Communications/Actions:

May: District Board - Update
June: Council Finance Committee - Recommendation
June: District Board - Recommendation
July: City Council Adoption Consideration - 1st
July: District Board Adoption Consideration
August: City Council Adoption Consideration - 2nd

ATTACHMENTS

1. Poudre Fire Authority 2023 Annual Report
2. Amended and Restated Intergovernmental Agreement Establishing the Poudre Fire Authority (including RAF Exhibit A and Support Services Exhibit B)
3. Presentation