

WORK SESSION AGENDA ITEM SUMMARY

City Council



STAFF

Travis Storin, Chief Financial Officer
Dean Klingner, Community Services Director
Jacob Castillo, Chief Sustainability Officer

SUBJECT FOR DISCUSSION

2050 Tax – Update and Discussion.

EXECUTIVE SUMMARY

The passage of the 2050 tax by the community in 2023 represents an opportunity for the City to advance community goals in the areas of Parks and Recreation, Transit and Climate. The purpose of this item is to discuss strategies and approaches to each of the funding areas (Parks & Recreation, Climate and Transit) in the 2050 0.50% sales tax.

GENERAL DIRECTION SOUGHT AND SPECIFIC QUESTIONS TO BE ANSWERED

1. What thoughts or questions do Councilmembers have regarding the uses of 2050 Tax revenue to date?
2. Do Councilmembers have additional thoughts or questions on the 2050 Tax Parks & Recreation, Climate, or Transit uses?

BACKGROUND / DISCUSSION

In 2022 and 2023 City staff worked with the Council Finance Committee and the full Council to strategically address a funding deficit in Parks and Recreation and implementation needs to address goals outlined in the Transit Master Plan, the Housing Strategic Plan, and Our Climate Future initiative.

The results of this work were two ballot measures on the November 2023 ballot. One of these measures, a combined 0.50% sales tax increase for Parks & Recreation, Transit and Climate passed and went into effect January 1st, 2024.

The ballot language is as follows:

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 ENERGY, AND THE CITY'S 2050 GOAL OF COMMUNITYWIDE 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 BE RECONCILED TO THE STATED PERCENTAGES BY THE END OF 2030, 2040, AND WHEN THE LAST OF THE 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 Council has approved budgets for each of the ballot areas for 2024 and will be reviewing budgets for 2025-26 in the upcoming months.

Parks and Recreation, Climate, and Transit share funding from this ballot initiative. However, the types of programs, projects, initiatives, and staffing vary between and within each of the areas and staff anticipates funding needs will change and evolve over the 27 years of the tax.

Strategies for each of the ballot areas are summarized in the following sections.

Parks and Recreation

The funding needs in Parks and Recreation are based on the 2021 Parks and Recreation Master Plan (ReCreate) and on-going asset management plans for Park and Recreation assets.

Broadly the ballot language allows the Parks and Recreation funding to be using for two purposes: (1) replacement, upgrade, maintenance and accessibility of Parks Facilities and (2) replacement and construction of indoor and outdoor Recreation and pool facilities.

From an operational perspective, Parks and Recreation will be implementing the funding in two distinct ways. The first is building out asset management programs in Parks and for Recreation facilities. This work is well underway and includes on-going evaluation, prioritization, and optimizing replacement of all Parks and Recreation facilities. The second is for stand-alone large capital projects that are one-time in nature and could include replacement of an existing recreation facility (i.e. Mulberry Pool) and new facilities (i.e. Southeast Community Center (SECC)). Based on the demands for on-going asset replacement it is unlikely that the tax could support additional new Recreation centers beyond these two. However, the life of the tax is long enough that circumstances may change in the future to make this possible.

The ballot language is silent on the distribution of the tax funds between replacement of park and recreation facilities and large capital projects. However, based on an approach that maintenance of existing facilities should be prioritized above new facilities, staff is recommending a “guideline” policy to roughly allocate 80% of the resources (balanced over time) to the asset replacement category and 20% of the life-of-the-tax funding to major capital. Proposing a split of this nature allows decision makers to move forward with near term capital needs while preserving the long-term impact of asset management.

80% equates to about \$227M (all amounts in 2024 dollars) for asset management over the life of the tax or about \$8.4M/year. This amount will result in a substantial improvement over time in the condition of our Parks and Recreation facilities and we project that within the life of the tax we will eliminate the accumulated deferred maintenance.

20% equates to about \$57M for large capital projects (Mulberry Pool replacement and additional funds for the Southeast Community Center).

Southeast Community Center Overview

- The 2015-2025 Community Capital Improvement Program (CCIP) ¼-cent sales tax mandates the construction of a Community Center with Outdoor Pool in Southeast Fort Collins. \$17M is currently allocated for this purpose. \$10M in CCIP reserves could be available based on a Council decision.
- Based on similar facilities in Fort Collins, the cost to build the ballot project today is in the range of \$35M-\$60M
- The SECC presents opportunities for partnership with Poudre School District to add indoor lap lanes.
- The SECC will include a partnership with Poudre River Public Library District for a new SE branch replacing and expanding the facility currently in Front Range Village. This creates exciting new public service opportunities and economies of scale.
- The project is currently under design. Staff will be working with Council on a range of scope and budget options in the first half of 2025.

Mulberry Pool Overview

Mulberry Pool is near the end of useful life. Any additional capital investments will be made on a case-by-case basis.

City staff is underway with an analysis to evaluate the potential of a partnership with Colorado State University and to evaluate potential new sites.

Costs to replace Mulberry Pool are highly dependent on the outcome of partnership opportunities, site selection, and scoping of the new facility. For planning purposes, we are using a cost range of \$35M-\$45M (2024 dollars).

2025-2035 Community Capital Improvement Program (CCIP renewal) and 2050 Tax

The CCIP and earlier versions have played a large role in funding large capital Parks and Recreation facilities. The 2050 tax provides a new revenue source but is intended to supplement existing funding mechanisms, not replace them.

Staff recommends consideration of strategies to utilize both of these funding sources for large one-time capital project eligible under the appropriate ballot language to broaden the flexibility available to decision makers and to reduce the burden on any singular funding source.

As an example, Mulberry Pool Replacement and Southeast Community Center funding strategies could look something like this:

SECC:	2015-2025 CCIP	\$17M
	2015-2025 CCIP Reserves	\$10M
	2050	\$31-36M
	Various grants/partnerships	\$2+

	Total	\$60-\$65M

Mulberry Pool Replacement:	2025-2035 CCIP Renewal	\$10-15M
	2050	\$20-25M

	Total	\$30-\$40M

Climate and Air Quality

The ballot language for use of the 25% of funds related to climate and air quality identifies four outcomes:

- Greenhouse Gas Reduction
- Air Pollution Reduction
- 2030 Goal: 100% Renewable Electricity
- 2050 Goal: Carbon Neutrality

For the 2024 “mini-BFO” and 2025-26 BFO, the process for determining a portfolio of offers for use of the climate portion of the 2050 Tax has been bottom-up, relying on the expertise of staff across the organization to know what is needed to advance the Big Moves their work supports. However, OCF staff will work to complete a Strategic Funding Plan for the climate and air quality portion for the 2050 Tax, which will pair the expertise of City staff with a higher-level strategy. Staff expect this to be complete by early 2025. It will include consideration of some key elements, such as:

- Our Climate Future Goals & Commitments
- The Role of the City and Other Partners
- Balancing Mitigation, Resilience, and Equity
- Community Impacts and Return on Investment
- Service Area Roles and Collaboration
- Leveraging State and Federal Resources
- Regional Alignment & Collaboration
- Phasing/sequencing of Investments for Greatest Impact
- One Time vs Ongoing Costs

The 2050 Tax alone will not solve the climate crisis and the City cannot do it alone. Therefore, a strategic, inclusive, and collaborative approach is needed. Strategic planning for climate funding is different than a capital plan for parks and recreation or transit planning, since the causes and impacts of climate change are embedded in almost every part of people’s day-to-day lives. Therefore, a strategic funding plan for the climate and air quality portion of this new revenue source takes a slightly different approach but will provide City Council, the community, and City staff with a guidebook for impactful investments. The City is in a unique position to lead in climate action in our community but is not the only entity taking action. Part of the City role is to bring others to the table (and bring the table to them) so we can support organizations and individuals that are contributing to this effort.

To inform the City Manager’s Recommended Budget for 2025-26 staff conducted a methodical offer review process for how to invest 2050 Tax revenue that built on the 2024 “mini-BFO” process. The result is a series for “Optimized Offers” that align with the intention of the ballot language *and* advance multiple OCF outcomes.

Overall Strategy for 2050 Tax Funding Recommendations:

- Maximize potential to become a carbon neutral city by 2050
- Complement existing (significant) climate investments across City budget
- Scale & accelerate rather than replace existing funding
- Support projects that advance multiple outcomes
 - including resilience and equity
- Maintain reserves for upcoming developments in progress

Specific Criteria Used for Offer Assessment and 2050 Tax Funding Recommendations:

- Ballot alignment
- Advance at least one OCF Big Move/strategy
- Direct community benefit
- Advance equitable outcomes for most impacted groups
- Advance trusting partnerships
- Inclusion of considerations of climate change implications
- Supports communities’ well-being in disruptive events

Next Steps

- Share potential impacts on climate goals for the City Manager’s Recommended 2025-26 Budget
- Develop Strategic Funding Plan for 2050 Tax revenue by end of Q1 2025
- Allocate reserved funds through the 2026 budget revision process in Q2 2025

Transit

Ballot language for use of the 25% funds is related to transit infrastructure improvements, purchase of

equipment, and upgraded and expanded services. The primary objective of the 2050 Transit Tax strategy is to enhance ridership and advance the goals outlined in the Transit Master Plan that was adopted by Council in 2019.

Short term strategy and critical to the success of the Transit Master Plan is the stabilization of the workforce and the improvement of safety and security across the transit system. In 2024, revenue generated from the 2050 Transit Sales Tax was allocated to several key initiatives, including increased wages for Bus Operators, Dispatchers, and Transit Service Officers, and an increase in the number of benefited Bus Operator positions. Additionally, two new Safety and Security roles were created. These positions include an additional Transit Service Officer and a Lead Transit Service Officer who is responsible for overseeing the field operations of Transit Service Officers and contracted security personnel. After funding these initiatives, approximately \$3.5 million was reserved for future needs.

Long-term strategy includes support for system optimization and implementation, including optimizing existing service levels and prioritizing elements in the Transit Master Plan that enhance the transit system to maximize ridership and access based on the available funding. Additional strategy includes improved financial resiliency through building reserve funds to support future buildout and local match needs that support the buildout of the Transit Master Plan, such as West Elizabeth Enhanced Travel Corridor, and the implementation of the system optimization.

Specific criteria used for 2050 tax fund recommendations include offers that support:

- Ballot alignment
- Local match for capital grants that support transit infrastructure
- System optimization support
- Transit Master Plan buildout
- Service and workforce stabilization
- Reserve funds for system optimization and Transit Master Plan buildout

Next Steps

- Complete system optimization and implementation
- Continue design work on West Elizabeth Enhanced Travel Corridor
- Continue seeking federal grant funding to further Transit Master Plan initiatives

ATTACHMENTS

1. Presentation