



SUSTAINABLE FUNDING UPDATE

04-25-2023

QUESTIONS:

1

What feedback do Councilmembers have on the revenue options presented?

2

What feedback do Councilmembers have regarding ballot measures in November 2023?

3

What additional information would Councilmembers like to see?

A background image showing a misty or foggy forest scene with tall evergreen trees and a path leading into the distance.

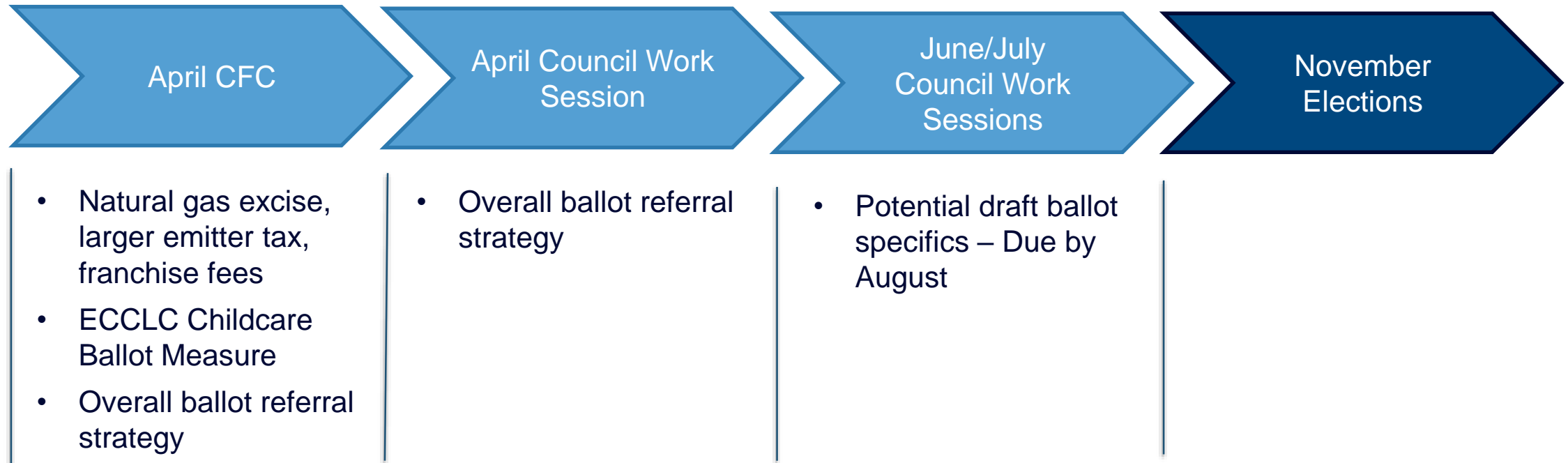
December 2022 Council Work Session

- Support to continue the work
- Direction to continue analysis of natural gas taxes and fees as emission proxy
- Support to keep all four gap areas moving forward

February & April 2023 Committee Meetings

- Staff presented an option of additional sales tax dedicated to Parks & Recreation in 2023, tax renewals in 2024 and potential housing, climate, transit tax in 2025
- Council Finance requested exploring more than one tax measure in 2023 and more clarity in how funds would be dedicated
- Direction to continue consideration of Large Emitter Tax and ¼ Cent Sales Tax

SUSTAINABLE FUNDING TIMELINE



Council Priority 3

Advance transit initiatives that remove barriers

Council Priority 18

Make real progress on the road to Zero Waste

Council Priority 27

Access funding for parks (maintenance and operations, refresh, and new parks)

Strategic Objective 1.1

Increase housing supply and choice

Strategic Objective 2.2

Infrastructure and amenity replacement and maintenance needs of trails, parks, and cultural and recreation facilities

Strategic Objective 4.1

Intensify efforts to meet 2030 climate, energy and 100% renewable electricity goals

Strategic Objective 4.3

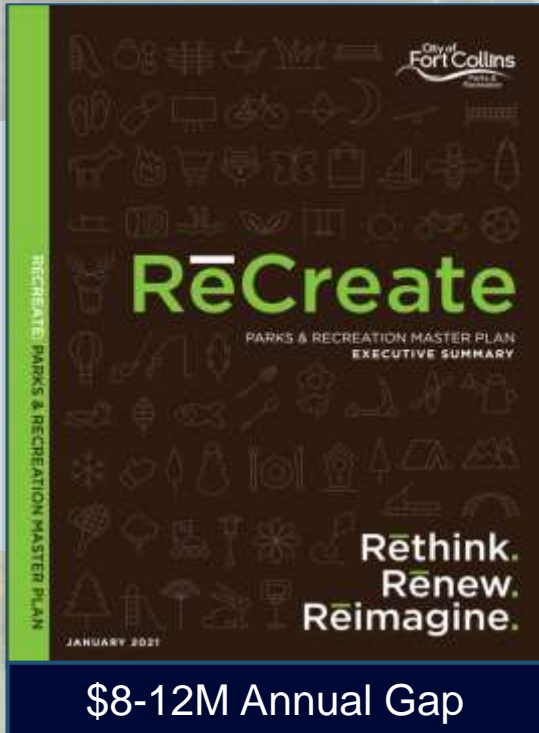
Accelerate efforts to achieve 2030 zero waste goals.

Strategic Objective 6.3

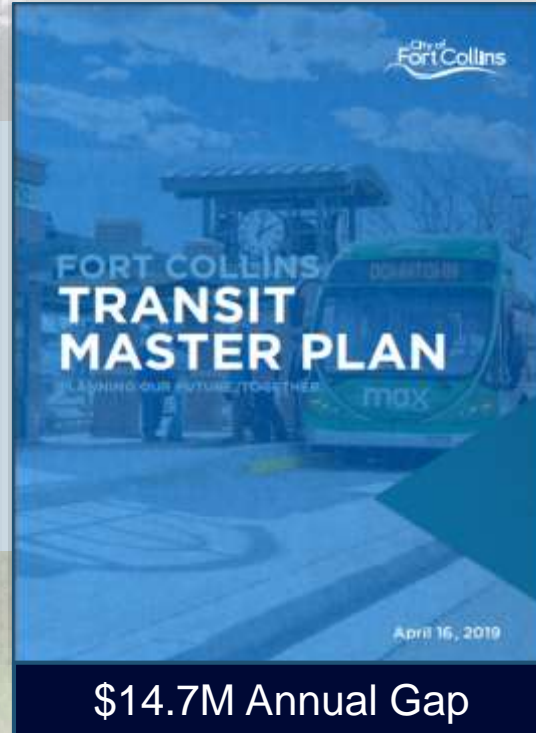
Expansion of, all sustainable modes of travel with emphasis on growing transit ridership.

CITY PRIORITY AREAS

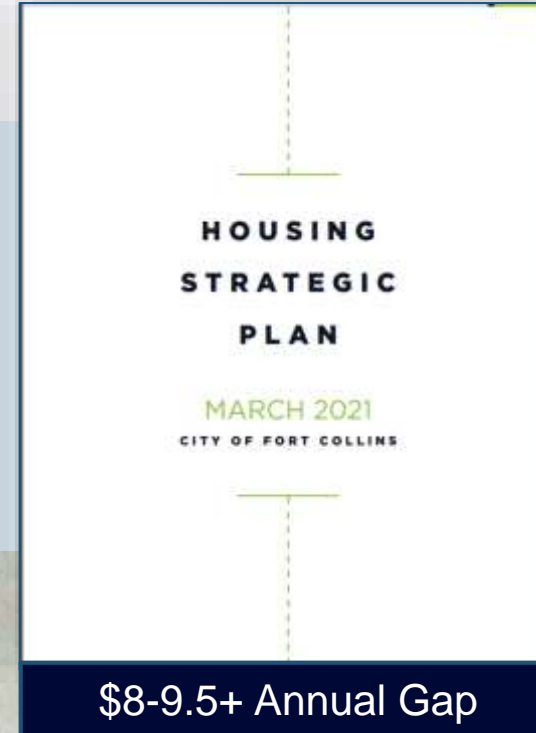
“USES”



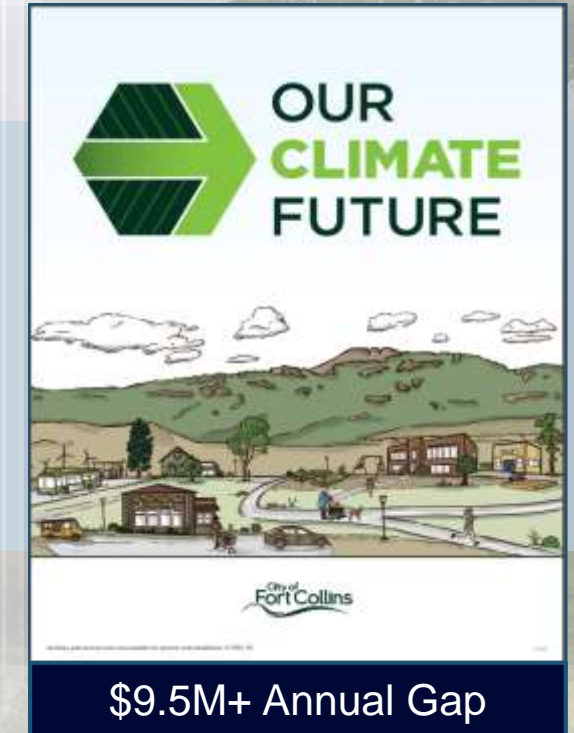
Masterplan Projects



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

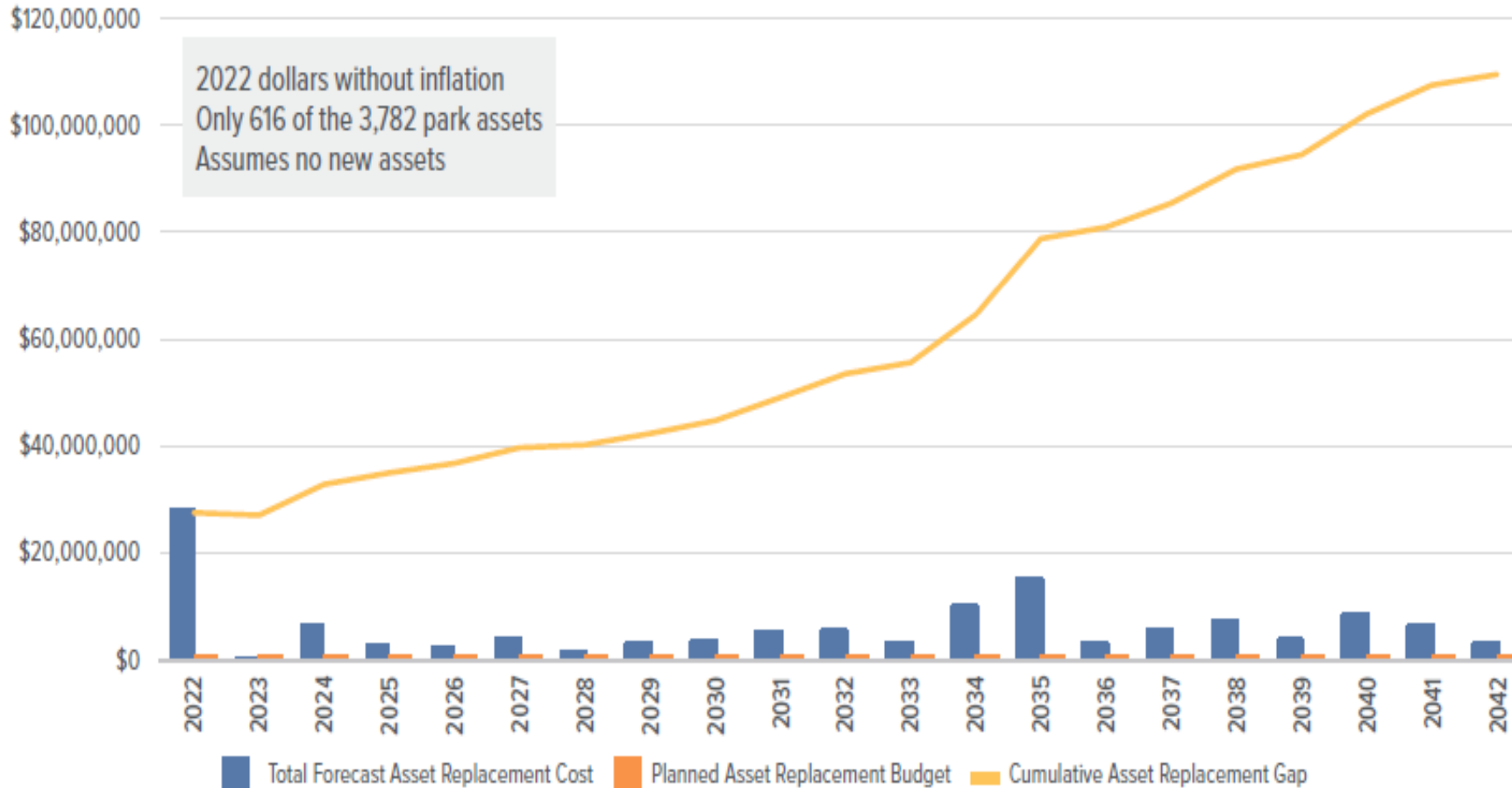
Provide equitable access to parks & recreation experiences as identified in 2021 Parks and Recreation master plan.

- Currently 51% of playgrounds are beyond expected lifespan.

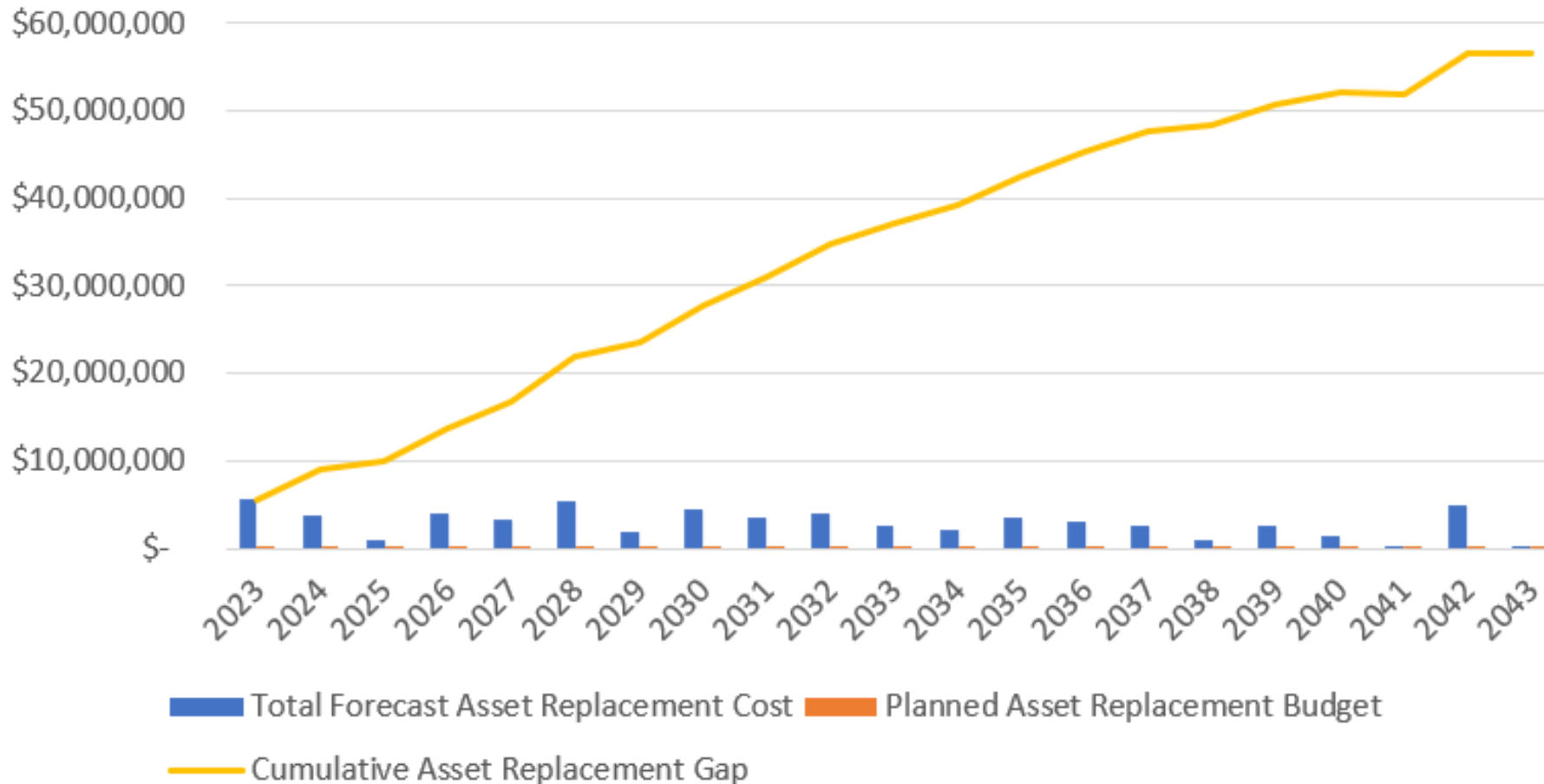
Examples:

- 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

PARKS ASSET REPLACEMENT BUDGETARY GAP



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

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

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



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.

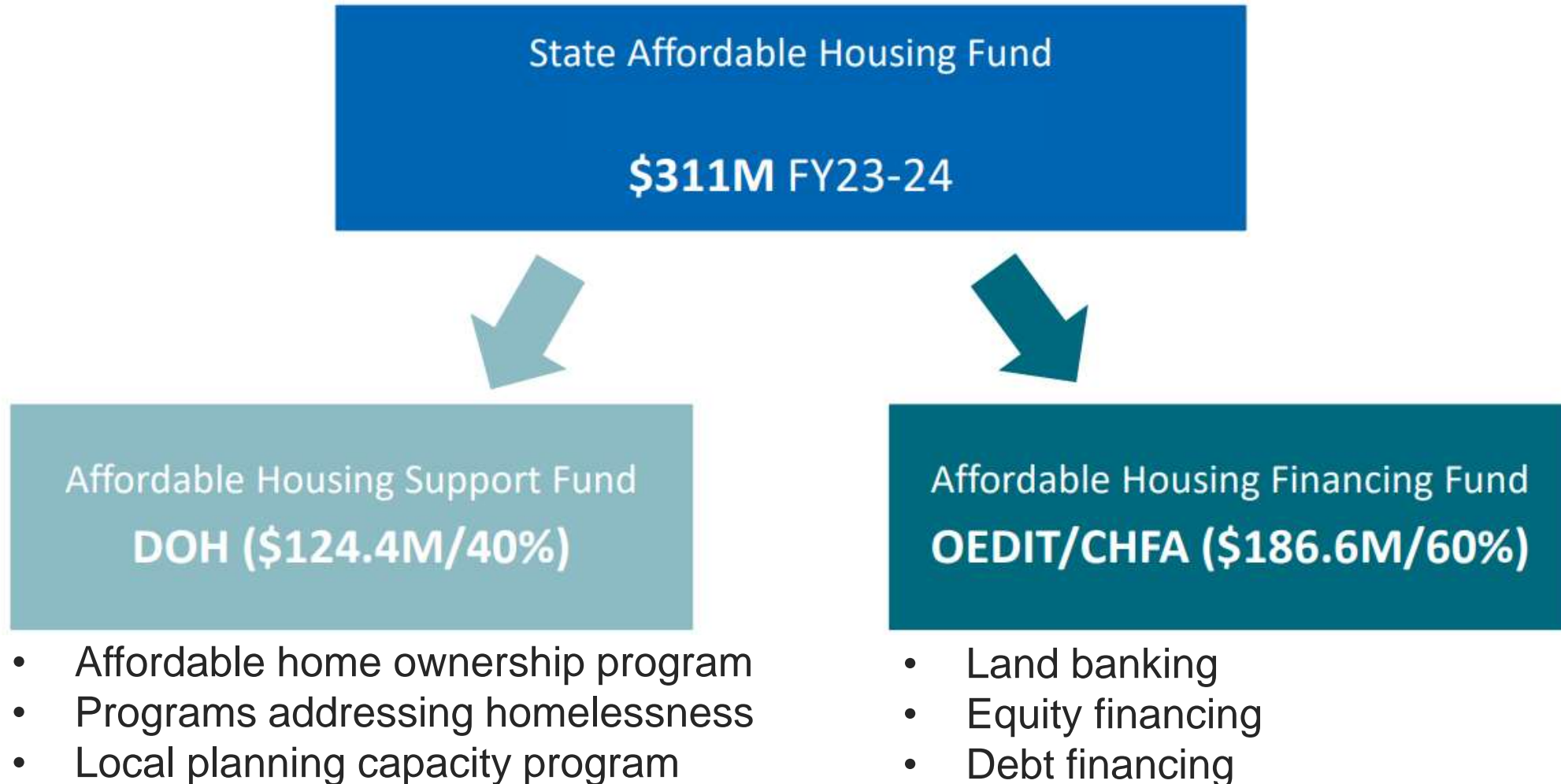
- Housing acquisition (redevelopment/preservation)
- Land acquisition
- New construction costs
- Affordable homeownership renovation
- Renovate affordable rental housing
- Homeownership assistance

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



Note: 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

REVENUE MECHANISMS

“SOURCES”

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"> 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
Utility Occupation Tax	4.5% on Natural Gas Bills		Climate Umbrella	\$4M	<ul style="list-style-type: none"> 4.5% residential increase per household ~\$32 per residential household
Property Tax	1 to 5 Mills		Parks & Rec	\$4 to 18M+	<ul style="list-style-type: none"> Residential increase of \$21 to \$107 Commercial increase of \$87 to \$435
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 CO ₂ e		Climate Umbrella	\$5M	<ul style="list-style-type: none"> N/A to residents Two applicable businesses
Total				\$30M to 49M+	<ul style="list-style-type: none"> \$145 to \$231 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)

“Potential Use” is highly flexible – each of these revenue mechanisms can be attached to any of the priorities

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

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

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	\$ 13.56
Commercial/ Industrial	\$ 344.02	\$ 3.68	\$ 10.32	\$ 6.64	\$ 79.69

*Note: Impact on Contract accounts not evaluated

Considerations:

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

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

*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%
Total	6.75% + excise tax	7.55%	7.55%	19.65%

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%
Total*	19.65%	23.55%	24.50%	24.75%	25.31%	27.25%	27.70%	29.35%

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

Customer Type	Example Rate Increase	2022 AVG Monthly Bill	Increase in Monthly Bill	Active Accounts	Annual Revenue
Residential	4.5%	\$ 58.19	\$ 2.62	55,112	\$ 1,731,906
Commercial/Industrial	4.5%	\$ 344.02	\$ 15.48	4,239	\$ 787,565
Contract (Transport)	4.5%	\$ 6,027.53	\$ 271.24	355	\$ 1,153,969
Total Annual New Revenue					\$ 3,673,440

Considerations:

- Requires voter approval
- Scalable rate increase based on Council/voter preference
- Levied on a natural gas provider for the taxable privilege of delivering natural gas to consumers within City limits
- Boulder voters passed similar with 70% approval
- Would compound with a franchise fee for consumers
- Billing structure can provide relief to low-income customers

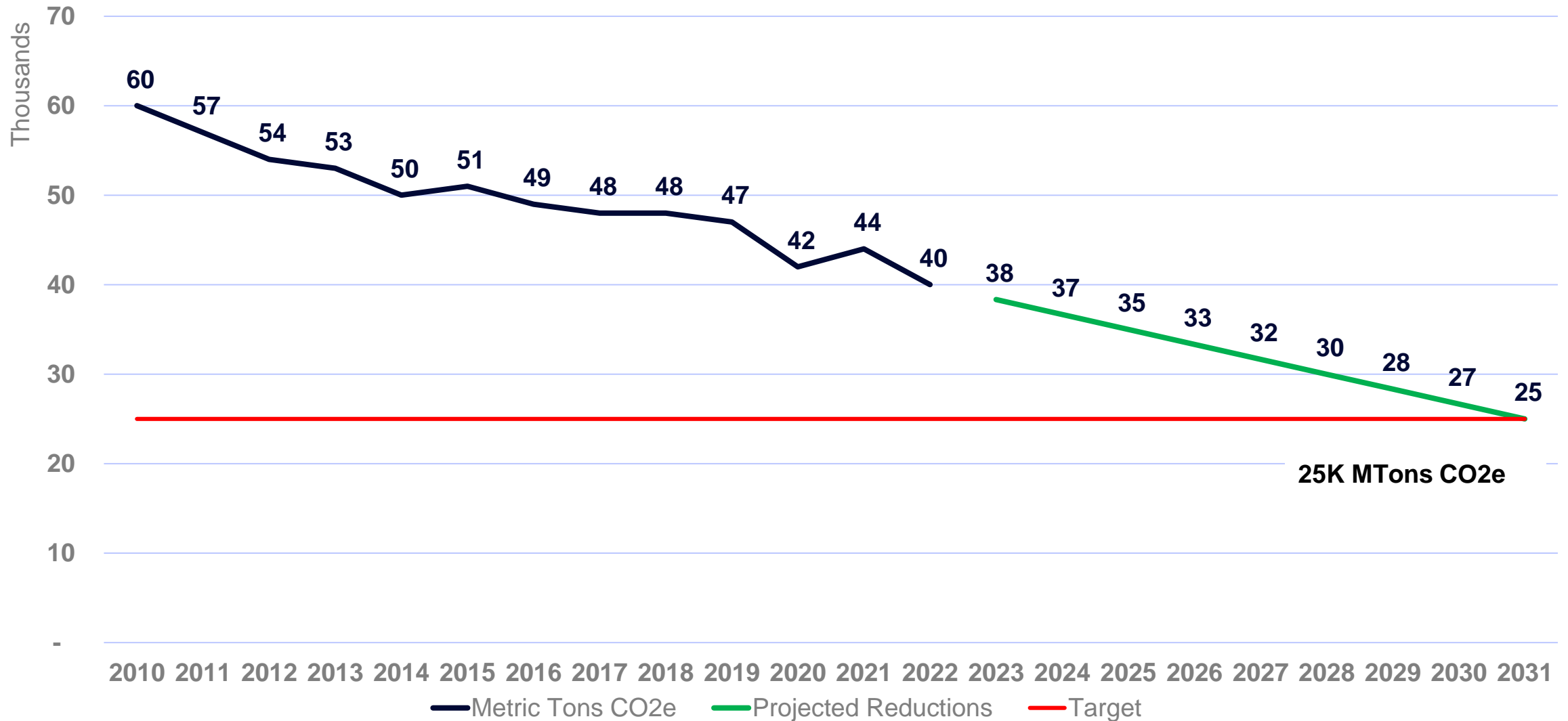
Category	Funding Mechanism	Annual Revenue Estimate	Household Impact
Property Tax	1 Mill Property Tax	\$3.5M+	<ul style="list-style-type: none"> Residential annual increase of \$21.45 Commercial annual increase of \$87.00
	2 Mill Property Tax	\$7M+	<ul style="list-style-type: none"> Residential annual increase of \$42.90 Commercial annual increase of \$174.00
	3 Mill Property Tax	\$11M+	<ul style="list-style-type: none"> Residential annual increase of \$64.35 Commercial annual increase of \$261.00
	4 Mill Property Tax	\$14.5M+	<ul style="list-style-type: none"> Residential annual increase of \$85.80 Commercial annual increase of \$348.00
	5 Mill Property Tax	\$18M+	<ul style="list-style-type: none"> Residential annual increase of \$107.25 Commercial annual increase of \$435.00

Entity	Total Reported Emissions (MT CO ₂ e) 2024 Forecast	Potential Revenue (\$51/MT)
Broadcom	57,400 MT	\$2.9M
Anheuser Busch	37,474 MT	\$1.9M
Total	94,874 MT	\$4.8M

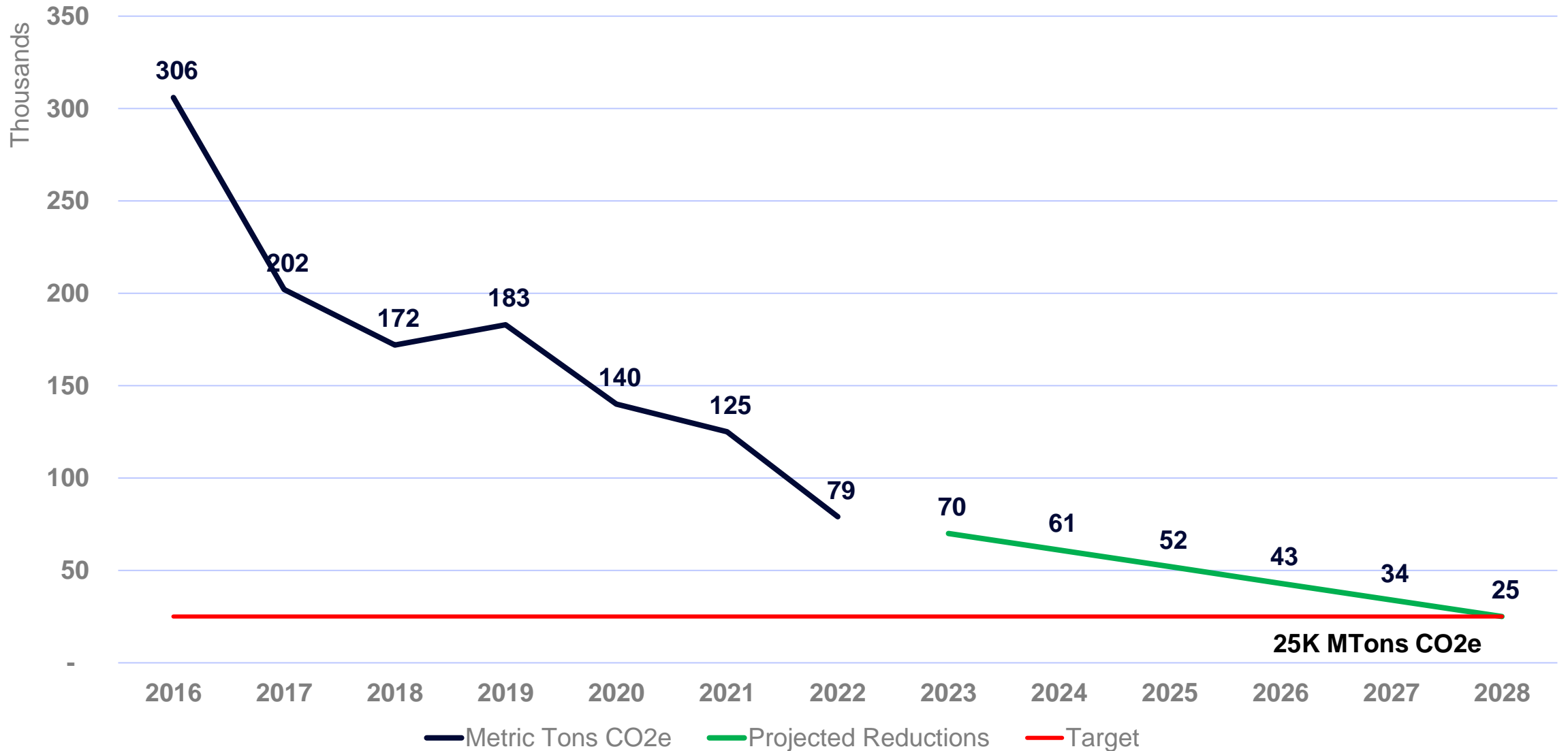
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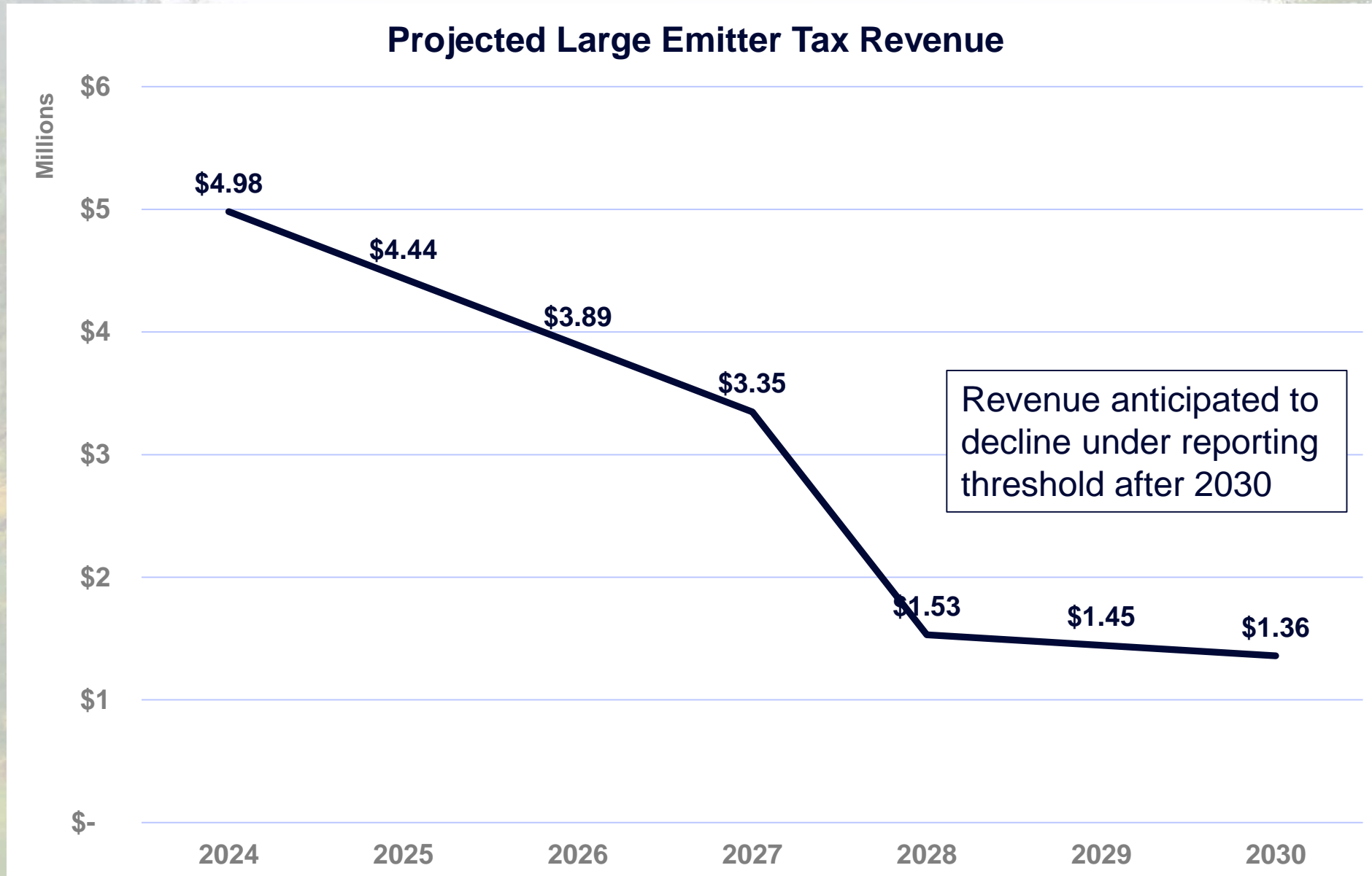
- Requires voter approval
- Potential to accelerate de-carbonizing of two entities currently emitting more than the EPA reporting threshold (25k MT CO₂e/year)
- Revenue estimate uses current “Social Cost of Carbon” (\$51/MT CO₂e)
 - Could change at federal level
- Diminishing returns – revenue declines as emissions decline
- Tax structure could be adjusted – apply only to net emissions above EPA reporting threshold

Anheuser Busch Annual CO2e Emissions



Broadcom Annual CO2e Emissions





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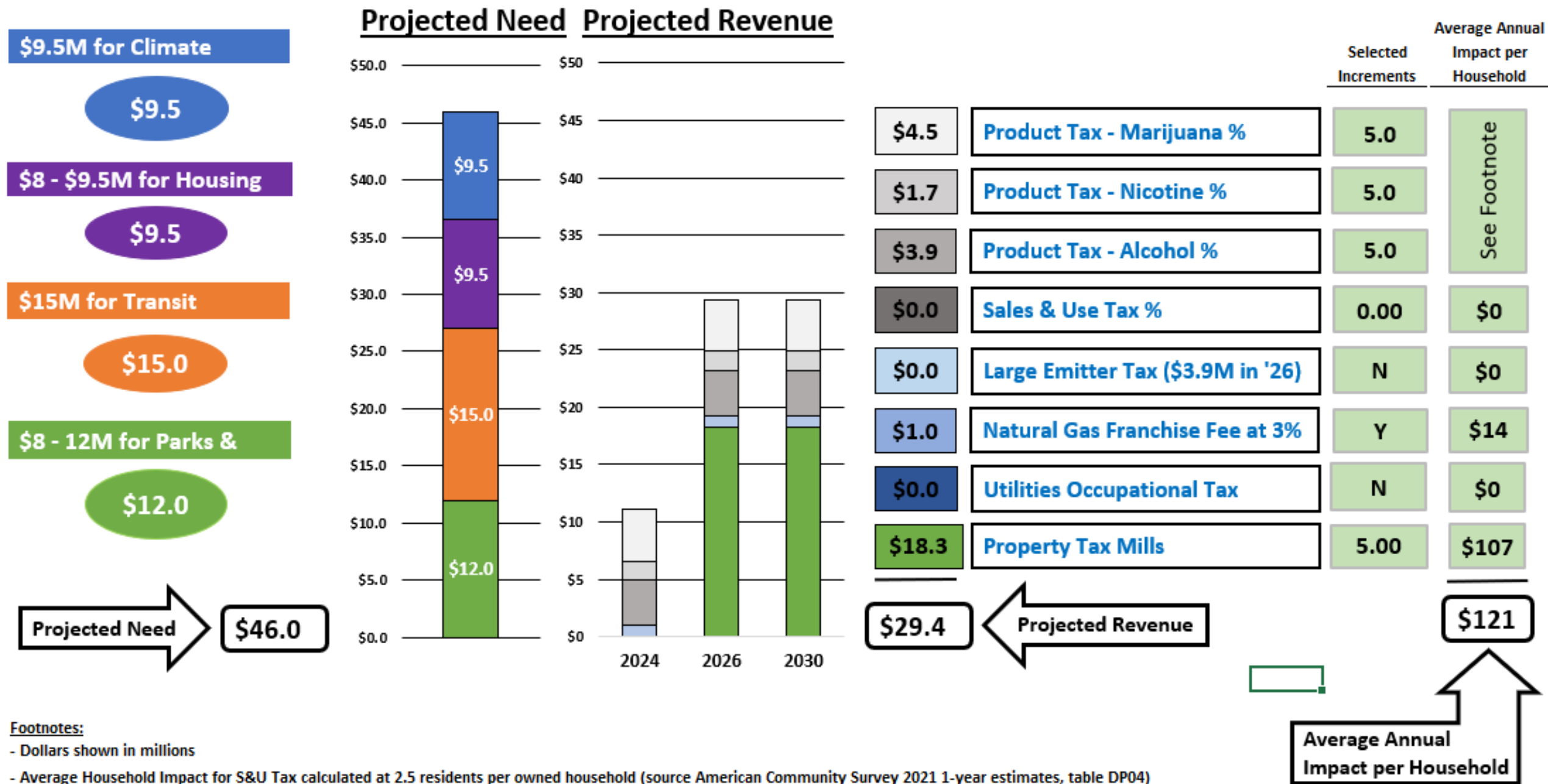
*Assumes a household size of 2.5 (American Community Survey 2021 1-year estimates, table DP04)

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Substance Tax	1 to 5% on Alcohol/MJ/Nicotine	2023	TBD	\$10M	<ul style="list-style-type: none"> • \$1 to 5 per \$100 purchase in Fort Collins • Visitors also impacted
Property Tax	5 Mills	2023	Parks & Rec	\$18M+	<ul style="list-style-type: none"> • Residential increase of \$107 • Commercial increase of \$435
Total				\$29M+	<ul style="list-style-type: none"> • \$121 net annual increase per household* + impact of substance tax

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Property Tax	1 to 5 Mills	2023	Parks & Rec	\$18M+	<ul style="list-style-type: none"> • Residential increase of \$107 • Commercial increase of \$435
Sales Tax	Additional ¼ Cent Dedicated Tax	2023	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
Total				\$39M+	<ul style="list-style-type: none"> • \$199 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)



Footnotes:

- Dollars shown in millions
- Average Household Impact for S&U Tax calculated at 2.5 residents per owned household (source American Community Survey 2021 1-year estimates, table DP04)
- Product taxes would impact purchases of those products from \$1 to \$5 per every \$100 of purchases

QUESTIONS:

1

What feedback do Councilmembers have on the revenue options presented?

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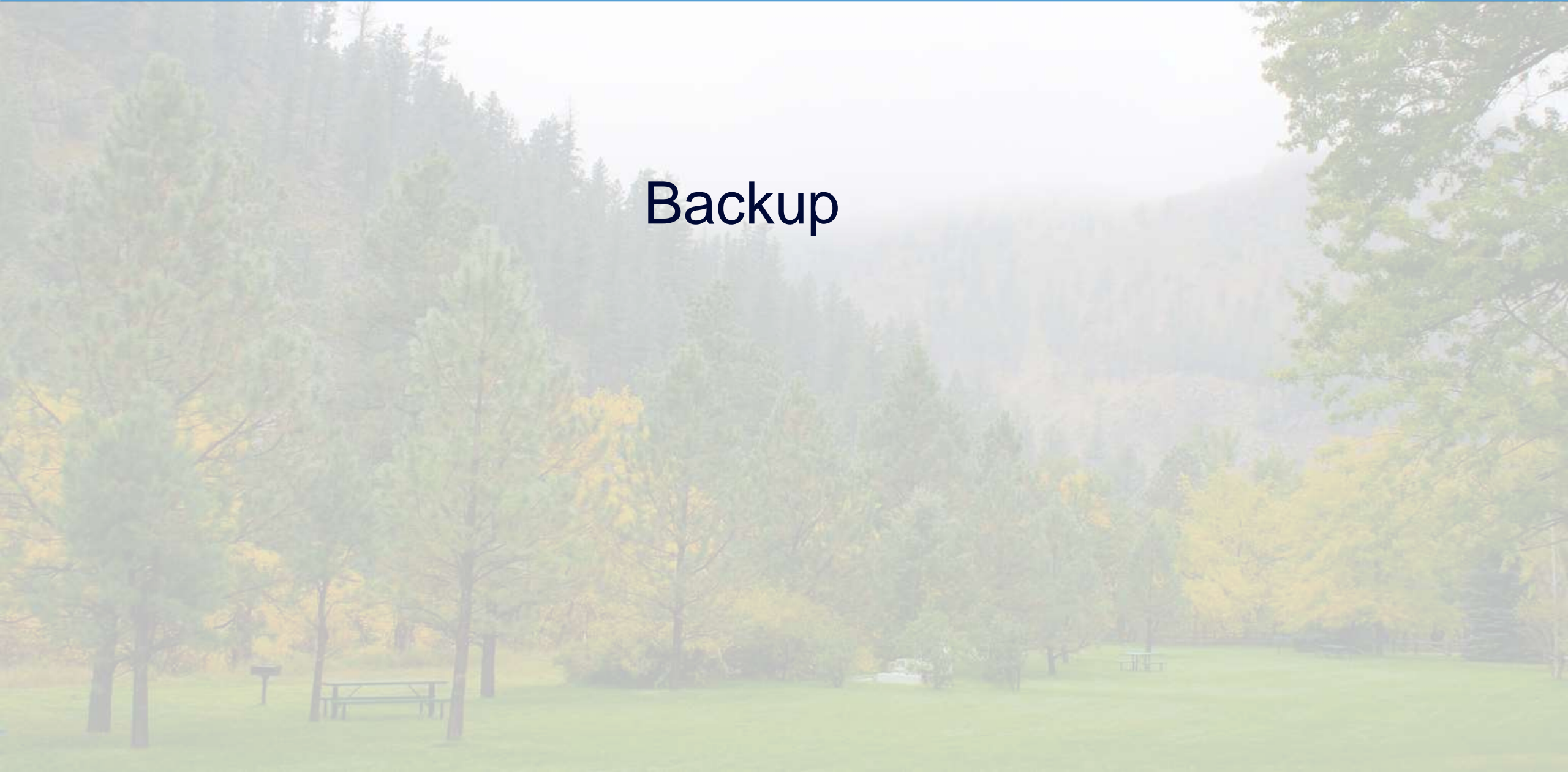
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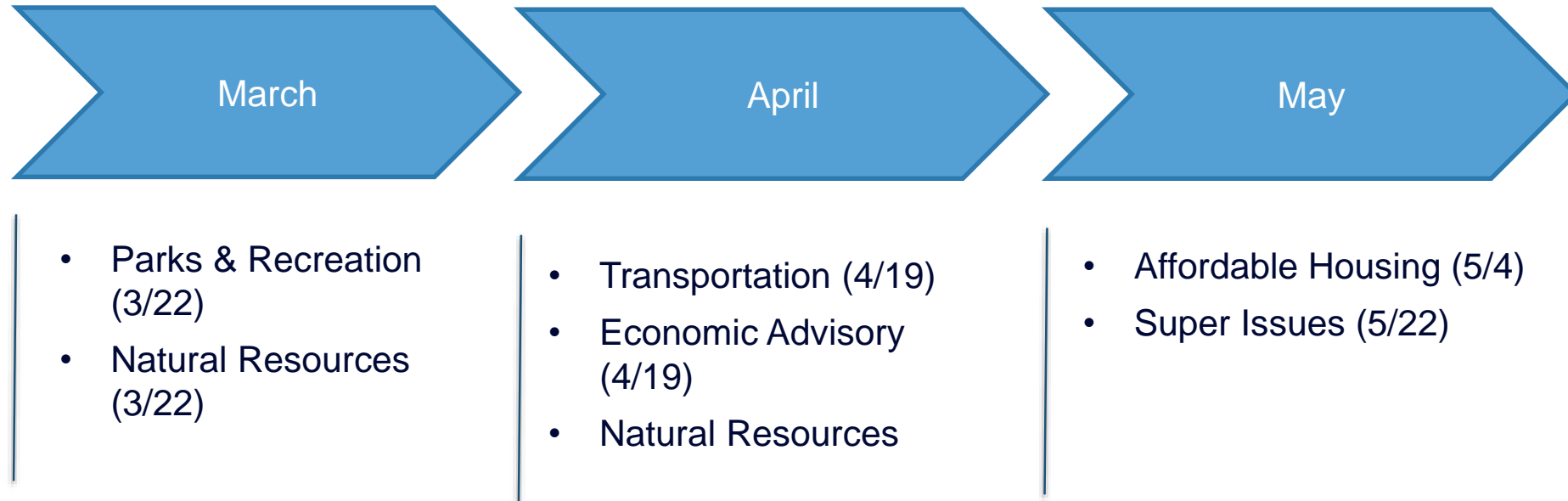
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Backup

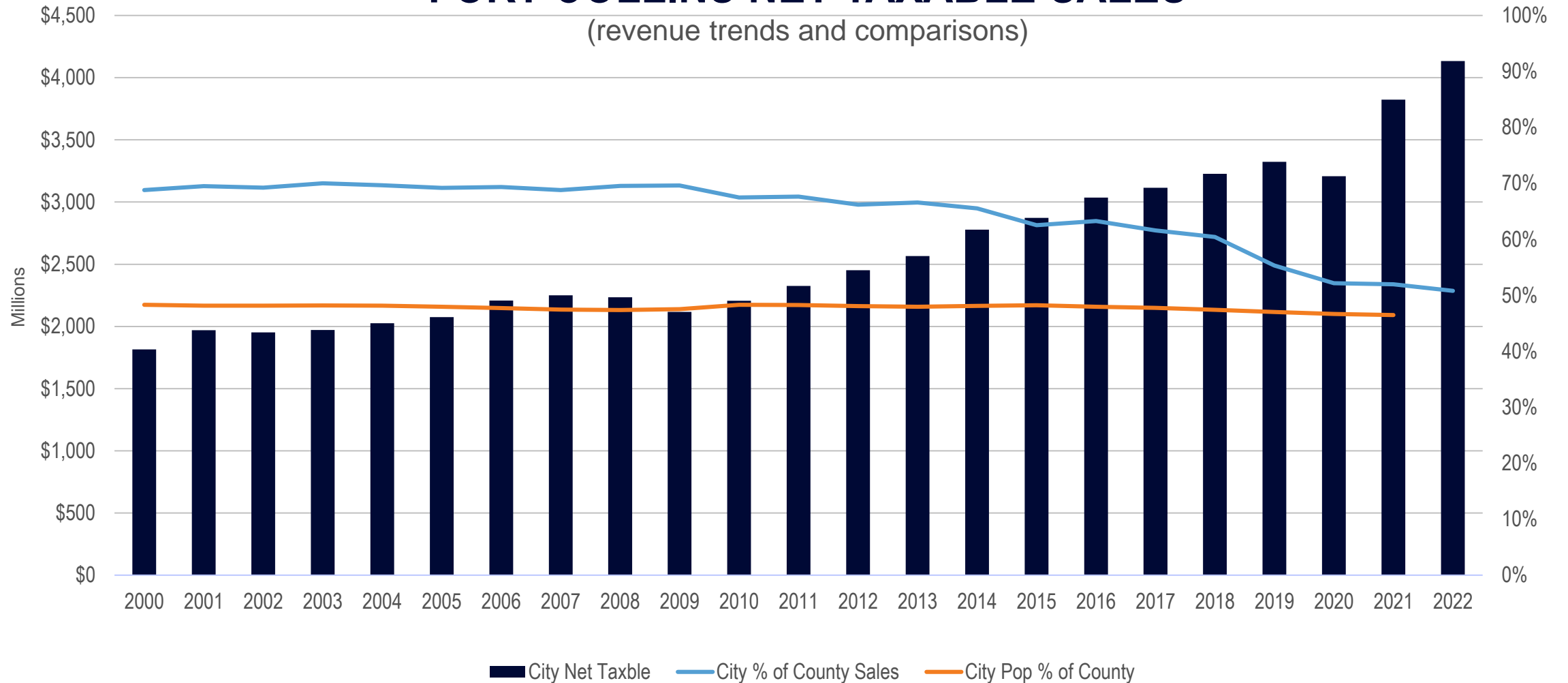


SUSTAINABLE FUNDING ENGAGEMENT TIMELINE



FORT COLLINS NET TAXABLE SALES

(revenue trends and comparisons)



Election Timeline Options:



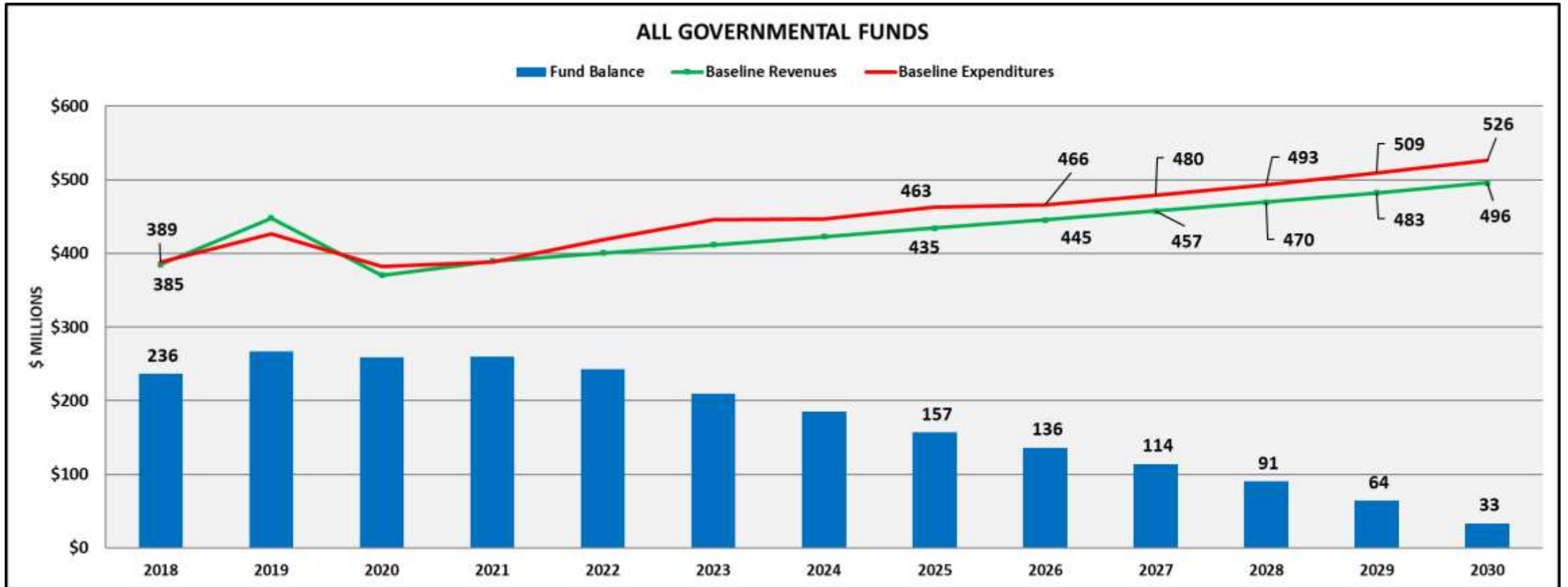
- Street Maintenance and Community Capital Taxes expire Dec. 31, 2025

2023-2024 BFO Cycle – Ongoing Offers

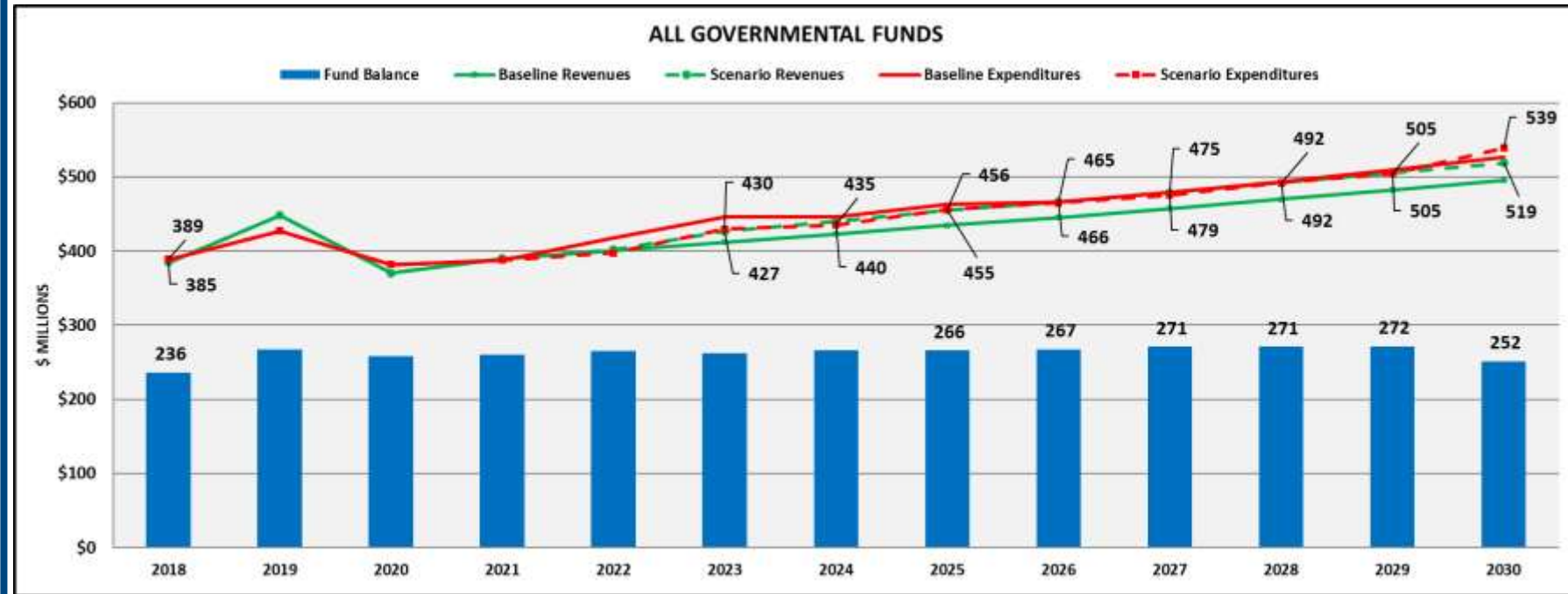
- Digital processing of dozens of city services and functions
- Reduction in total cost of ownership of City computer hardware
- Decrease in injuries leading to decreased cost of Workers' Comp
- Fleet management improvements
- City budget application was brought in-house, saving \$50,000+ per year
- Pricing discounts on telephony for circuit access and long-distance costs
- FCTV updated closed captioning cost lowered from \$20/hr to \$0.16/hr
- Re-assignment of certain police functions to non-sworn positions
- Reduction in 911 call times and costs through Colorado Regional Information Sharing Project
- Construction of Law Enforcement Training Center saves up to \$90,000 per year
- East-side Park Maintenance Shop provides more efficient service with fewer cross-town trips

2020 KFCG Annual Report:

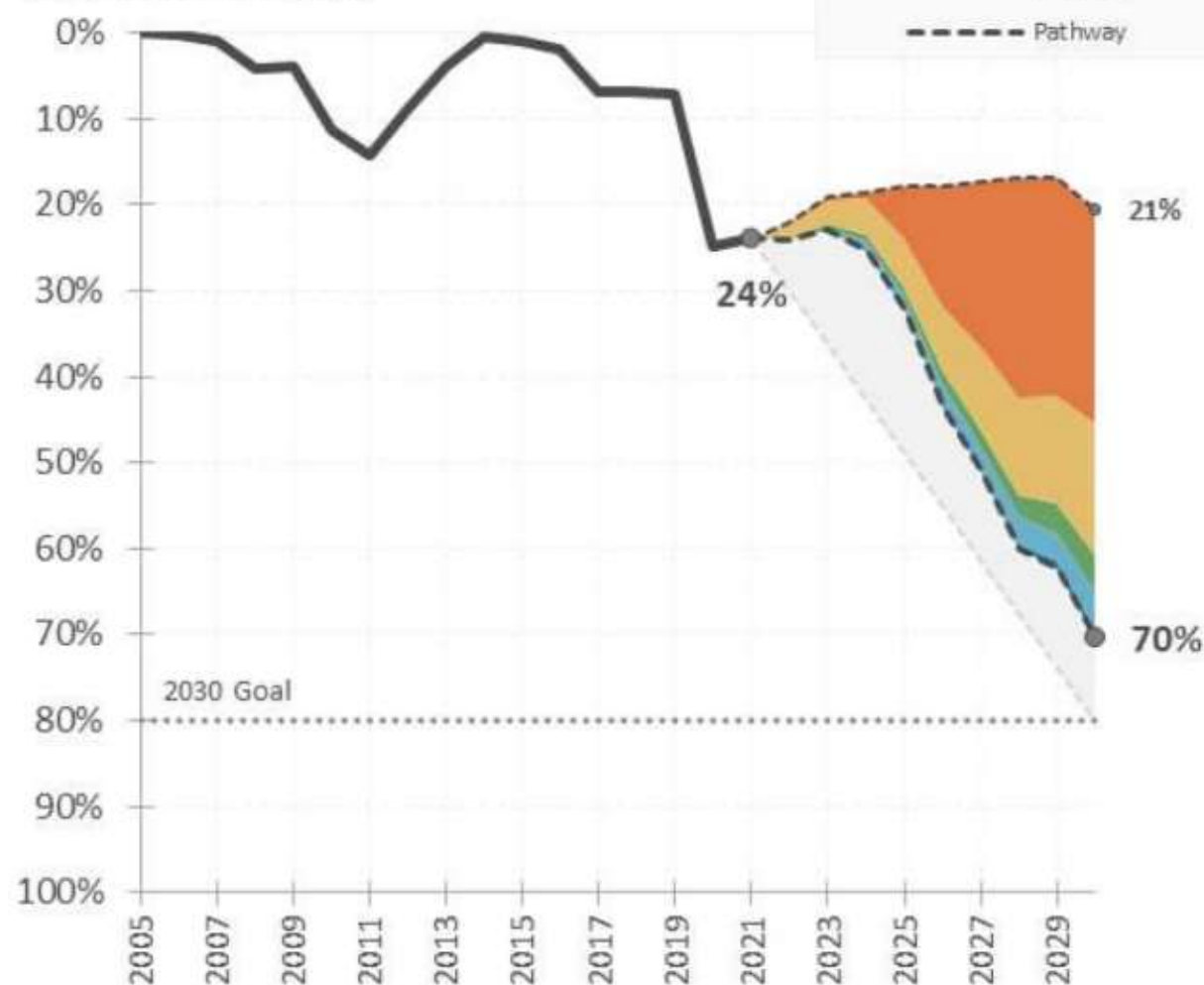
- Lower cost on building rentals and travel time by moving community meetings to virtual forums
- Lower costs for Parks and Utilities and leading to an early project completion of Horsetooth Outlet
- Elimination of superintendent position at City Park Nine golf course
- Reduced printing and mailing of the Recreator, saving nearly \$100,000
- Cross-department collaboration on capital projects leading to significant cost savings
- CDNS electronic conversion for final approval and recording process, eliminating paper and mylar
- Online roofing permit processing saves staff from ~500 permits/month
- Smart Irrigation Controllers for 48 city sites plus 57 medians/streetscapes
- GIS mapping of Parks snow removal routes and irrigation systems drove fuel and labor savings
- GIS mapping of street sweeping operations improves air quality and saves cost



- Additional 0.25% Sales Tax (~ \$9M per year) starting in 2023.
- New Property Tax Mill assessed (~ \$4M per year) starting in 2023.
- Implement New Maintenance and Improvement use fee to support Lifecycle projects (builds up to ~ \$7M per year) in 2026 to offset gap in ongoing maintenance needs.



Community Carbon Emissions
% Reduction from 2005



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%