

WORK SESSION AGENDA ITEM SUMMARY

City Council



STAFF

Caleb Weitz, Chief Financial Officer
Bonnie Dennis, Deputy CFO/Controller
Jennifer Poznanovic, Revenue and Sales Tax Director
Victoria Shaw, Interim Finance Director, Special Projects

SUBJECT FOR DISCUSSION

Finance and Budget Onboarding

EXECUTIVE SUMMARY

The purpose of this item is to provide information about finance concepts and the City's budget. Information will be provided on the following topics:

- Core Municipal Finance Concepts
- Roles and Functions in Fiscal Stewardship
- Current Budget Revenue and Expenses
- Financial Outlook

GENERAL DIRECTION SOUGHT AND SPECIFIC QUESTIONS TO BE ANSWERED

1. What additional information would enhance understanding of the fiduciary role of Council?
2. What feedback and additional consideration does Council have regarding the budgeting process?

BACKGROUND / DISCUSSION

This agenda item is intended to orient Council members to key elements of the City's financial framework. It provides an overview of core municipal finance concepts to support Council members with a shared understanding of how the City's financial resources are planned, managed, and overseen.

Core Municipal Finance Concepts

The Annual Comprehensive Financial Report (ACFR) is the City's audited financial report, prepared by City staff and audited by the external audit firm Plante & Moran, PLLC, in accordance with General Accepted Accounting Principles (GAAP) and standards issued by the Governmental Accounting Standards Board (GASB). The annual audit includes federally required grant reporting and the completion of the Single Audit report related to federal expenditures.

The ACFR is completed annually after the fiscal year closes on December 31. The ACFR provides detailed budget-to-actual comparisons by fund and on a GAAP basis, supporting transparency and accountability in the City's financial reporting. In addition to the ACFR, the City publishes a Popular Annual Financial Report (PAFR) which is a condensed, reader-friendly summary designed for a broader audience. These reports are filed and submitted to the Government Finance Officers Association (GFOA) in anticipation of receiving an award. The City has been awarded GFOA's national Certificate of Achievement for Excellence in Financial Reporting award since 1986. This prestigious award recognizes conformance with the highest standards of state and local government financial reporting and reflects the City's commitment to full disclosure, accuracy and transparency.

Under GAAP, fund accounting is structured based on fund type and the requirements of the City's Charter. The City maintains approximately 40 funds, each of which is self-balancing, meaning each fund has its own balance sheet and statement of revenues, expenditures, and changes in fund balance. Funds are organized into two primary classifications, which are further subdivided into specific fund types: governmental and proprietary. Governmental funds include the General Fund, Special Revenue Funds, Debt Service Funds, and Capital Projects Funds, and are used to account for activities primarily supported by taxes and other restricted revenues. Proprietary funds are used to account for activities that operate in a business-like manner and are supported primarily through user fees and charges for services, such as water and power.

For budgetary purposes, each fund is independently appropriated and managed in accordance with the City Charter. The Charter requires that expenditures within a fund may not exceed available revenues and reserves and that City Council approval is required prior to expenditures occurring at the fund level. In addition, transfers between funds must be formally appropriated. Together, these requirements ensure fiscal discipline, legal compliance, and transparency in the City's budgeting and financial management practices.

Fund balance classifications describe how financial resources are constrained and available for use. There are five categories of fund balance as illustrated in the chart below and in conformance with GAAP and GASB.

Classification	Description
Non-Spendable	Permanent endowments or assets in a non-liquid form.
Restricted	Amounts constrained for a specific purpose by external parties, constitutional provision or enabling legislation.
Committed	Amounts constrained by a specific purpose set by City Council, which is the highest level of decision-making authority.
Assigned	Amounts intended for a specific purposes not already restricted or committed. These balances are established by the City Manager and CFO per a fund balance policy.
Unassigned	Spendable amount not included in any other classification.

Roles and Functions in Fiscal Stewardship

Financial stewardship is a shared responsibility among the City Council, City leadership, and the Finance Department, with each playing distinct and complementary roles. Effective financial stewardship depends on strong collaboration, clear roles, and open communication among all three groups.

The Finance Department serves as the technical and compliance authority for the city. They provide financial expertise, maintain accurate financial records, and ensure compliance with legal requirements. Finance staff oversees financial processes and systems, including internal control compliance and risk mitigation, recommend financial policies, and prepare forecasts and analytics to provide transparent, timely information to support informed decision-making.

City leadership, led by the City Manager, is responsible for translating Council's priorities and policy direction into operational and financial plans. Leaders within the city recommend balanced budgets and long-term strategies by integrating financial, operational, and strategic considerations while aligning service delivery with available resources. The City Manager oversees the execution of the adopted budget.

The City Council plays a central role in financial stewardship by setting the community's priorities and policy direction in addition to adopting the budget and financial policies. Council provides oversight to ensure public funds are used responsibly and in alignment with community values. Within the constraints of TABOR, Council decisions determine how limited resources are allocated to balance service levels with long-term financial sustainability.

To support additional collaboration between Council and staff, a subset of three Council members is appointed by the full council to form the Council Finance Committee. This committee meets monthly to provide focused review and early feedback on key financial topics. Additionally, this committee evaluates, interviews and selects the City's independent audit firm for recommendation to the City Council.

Snapshot of Current Budget

The City's annual budget of approximately \$900 million reflects a complex mix of funding sources, many of which are legally or traditionally restricted for specific purposes. While this structure ensures compliance and targets investments in directed areas, as designated by voters, it also limits flexibility in how resources can be allocated. Of the total budget, about \$150 million is from unrestricted sales taxes, which is directed towards a wide range of needs including critical services that do not have an alternative dedicated funding stream, such as public safety, transportation operations, and parks maintenance.

Revenues

The breakout of revenues originally projected in the 2025/2026 budget are shown in the following exhibit:

2025-2026 CITYWIDE REVENUES (ALL CITY FUNDS INCLUDING UTILITIES)

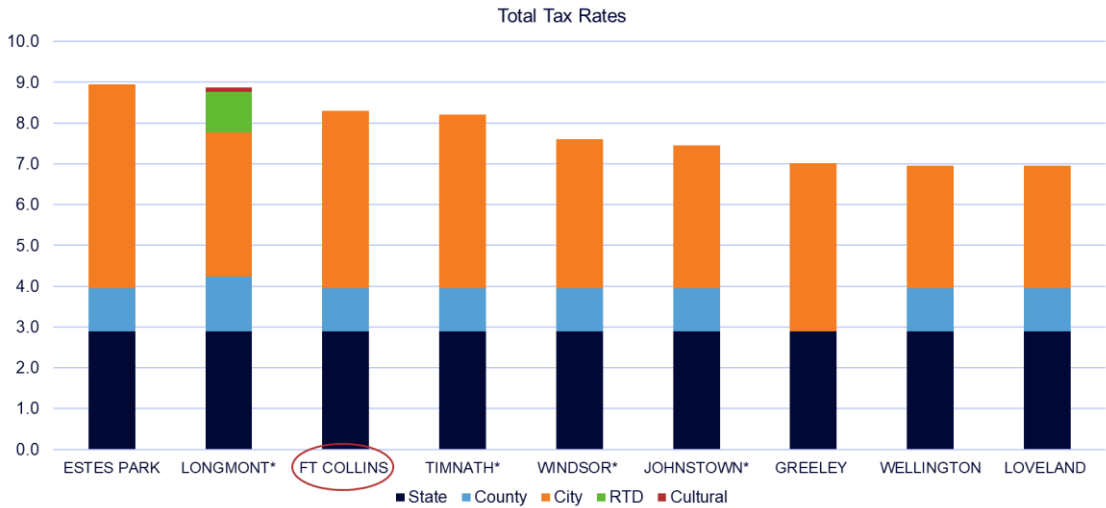
	2025	2026
Payments by Residents and Businesses for City Services	\$395.7M	\$418.4M
For example, utility payments for water and electricity, buying a day pass at Northside Aztlan or renting a picnic shelter at a local park.		
Sales Taxes	\$208.9M	\$191.9M
When we shop in Fort Collins, part of the taxes paid become revenue for the City. The tax rate can change when voters approve taxes, like for Natural Areas.		
Internal Payments Between City Departments	\$95.2M	\$70.5M
The Senior Center, for example, would need to pay the Streets Department to repave their parking lot.		
Payments by Other Governments for City Services	\$58.7M	\$47.8M
Nearby cities may pay for services from the City of Fort Collins, like bus services.		
Miscellaneous Revenue	\$49.1M	\$51.3M
Lots of little stuff that adds up just like change between the couch cushions.		
Property Taxes for City Operations and PFA	\$41.4M	\$42.1M
A portion of the taxes home owners pay for their house, and smaller than you might think, becomes revenue for the City (see next page).		
Proceeds of Issuing Debt	\$11.3M	\$12.4M
This is borrowed revenue that is required to be paid back with interest, based on the details of the loan agreements.		
Property Taxes for Downtown Development Authority (DDA)	\$10.3M	\$10.3M
This portion of the property tax is dedicated to the DDA.		
Licenses and Permits	\$3.7M	\$3.9M
These are things like the licenses required to run a business in Fort Collins and a building permit, required when getting a roof repaired from hail damage.		
Interest on Investments	\$16.9M	\$16.8M
The City keeps money in bank accounts where it can earn interest, just like with some checking accounts.		
Other Taxes	\$5.5M	\$5.6M
Examples include lodging tax paid when visitors come to Fort Collins and stay overnight in a hotel.		
Total	\$896.7M	\$871.0M

Payments for services represent the largest portion of forecasted revenues. The City's fee structure is established to offset the costs of providing the service, such as staff time, materials, capital replacement and many other factors.

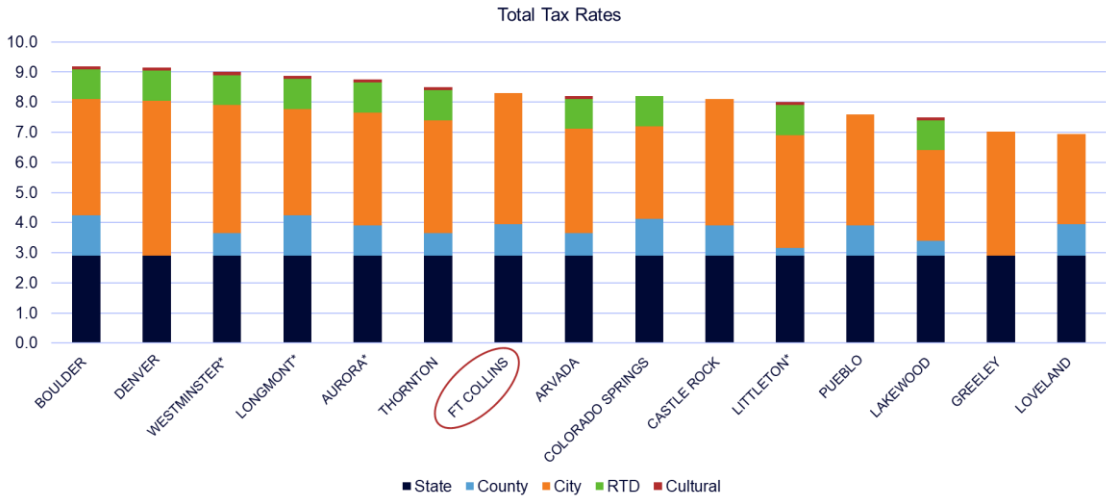
The second largest revenue stream for the City is sales and use tax. Sales and use tax is approximately 50% of the City's governmental revenue with \$200M per year. This revenue includes three dedicated ¼ cent taxes (Community Capital Improvement Plan (CCIP), Natural Areas, and Street Maintenance, and the ½ cent 2050 tax for Parks and Recreation, Our Climate Future, and Transportation. These dedicated taxes are restricted by their associated ballot language requirements. Approximately \$150M per year would

be the general sales tax, which includes the dedicated ¼ cent Keep Fort Collins Great tax (KFCG), which are considered available or unrestricted for operating uses.

The effective sales tax rate, as of January 1, 2026, in Fort Collins is 8.30%. The City of Fort Collins share of that rate is 4.35% The chart below illustrates how this rate compares against other cities in Northern Colorado:

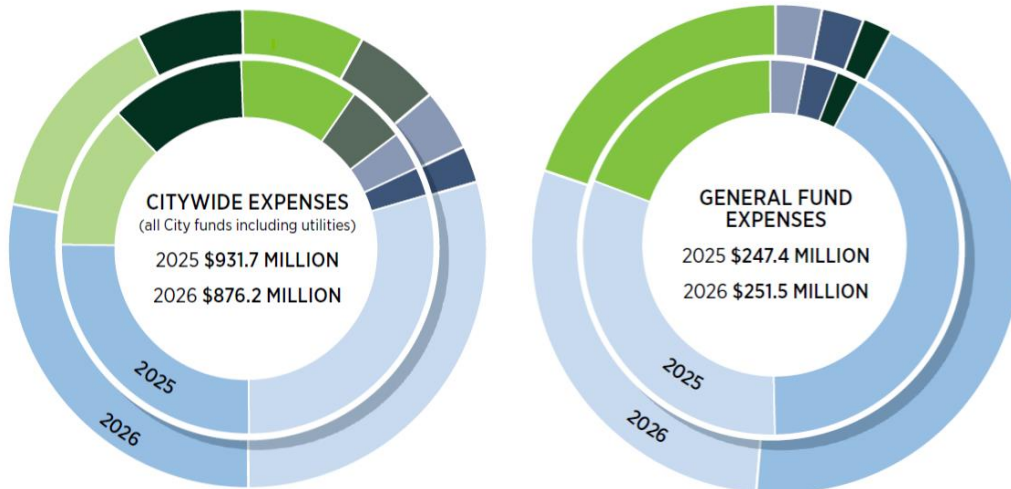


While the following chart displays how this rate compares with other large Colorado cities:



Expenses

Revenue is paired with prioritized with funding requests through the budget process. In 2025/2026, the expenses were as follows:

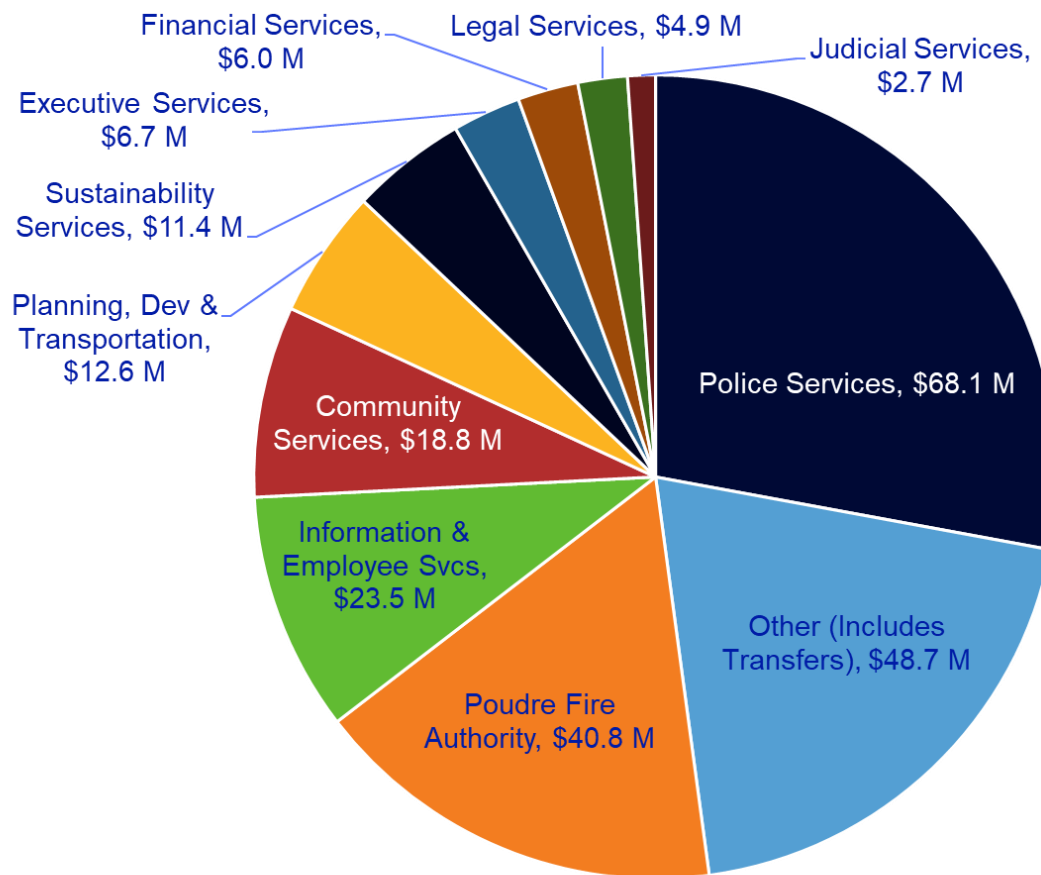


Citywide Expenses	2025	2026
Services Purchased from External Businesses, including Local	\$277.7M	\$262.5M
Employee Pay and Benefits	\$232.0M	\$243.2M
Energy Purchased from Platte River Power Authority	\$116.3M	\$123.7M
Capital, Including Land, Buildings, Vehicles, Large Machinery, etc.	\$108.2M	\$63.7M
Internal Payments Between City Departments*	\$96.7M	\$72.2M
Debt Service	\$47.0M	\$55.6M
Other Supplies	\$32.6M	\$34.3M
Other Expenses	\$21.1M	\$21.1M

General Fund Expenses	2025	2026
Employee Pay and Benefits	\$104.4M	\$109.2M
Services Purchased from External Businesses, including Local	\$74.3M	\$73.0M
Internal Payments Between City Departments*	\$47.5M	\$49.9M
Other Supplies	\$8.0M	\$8.2M
Other Expenses	\$6.7M	\$6.9M
Capital, Including Land, Buildings, Vehicles, Large Machinery, etc.	\$6.5M	\$4.4M

These expense categories represent the type of costs being budgeted, with the majority of Citywide costs going towards services purchased, while for General Fund costs, the majority of costs budgeted for are employee pay and benefits.

The General Fund appropriations for 2026 by Service Area are shown in the following chart:



2026 General Fund Budget by Service Area - \$244M

The allocation of General Fund dollars generally follows three primary themes. First, many of these resources support departments that provide core governmental services that do not have other significant funding sources. Examples include Police Services and Parks Maintenance within Community Services. Second, funding is also directed to areas where General Fund support is used to leverage other revenue streams, such as grants or fee-based income. For example, Planning, Development and Transportation often combines City funding with federal, state, or local partner contributions to deliver infrastructure and mobility projects. Third, a portion of unrestricted funding supports internal City services, such as Information and Employee Services, which includes the Information Technology department, and Financial Services. These functions are essential to maintaining effective operations and enabling all departments to deliver services to the community.

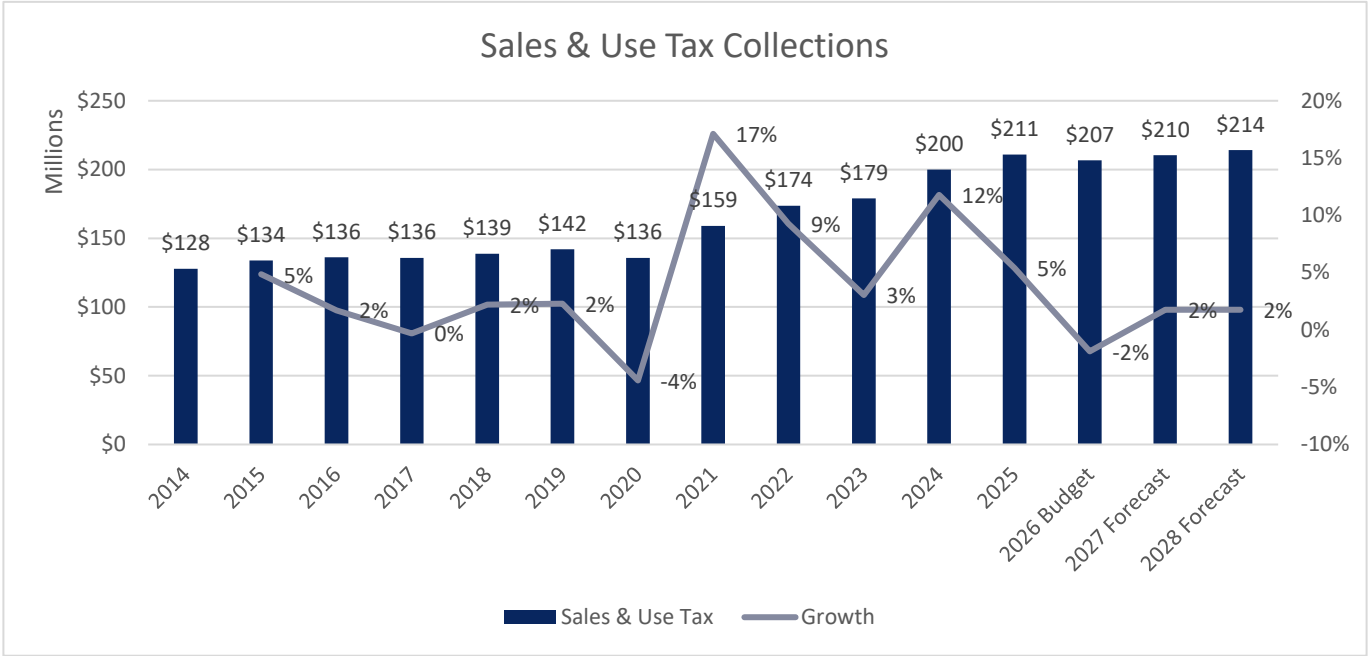
Financial Trends and Outlook

Based on trends in both revenue and expense pressures which emerged after the original adoption of the 2025/2026 budget, staff recommended reductions to maintain the health of the General Fund. The 2026 budget was revised to close an estimated potential shortfall of \$15.4M.

Throughout 2025, there was significant economic uncertainty, much of which continues today. At the national level, impacts from the tariffs have been hard to predict, while unemployment increased. Inflationary rate increases have slowed relative to recent years, but the increased costs experienced in many commodities over the past few years have not subsided.

At the state level, unemployment rose as the State faced at least a \$750M budget shortfall. Coloradoans also continue to hold some of the highest amounts of debt of any state in the nation. These economic conditions and uncertainty resulted in lower than forecasted growth in ongoing Sales Tax collections for

2025. For the 2027/2028 Budget, staff are currently forecasting 2% annual sales tax growth on 2026 sales tax collections. Historical sales tax information is shown in the chart below:



With expense pressures expected to continue into the 2027/2028 budget cycle, staff is required to have a forward-looking approach within the upcoming budget process. Current projections indicate a need for continued diligence matching appropriate service levels with financial capacity to ensure sustainable operations.

NEXT STEPS

Council onboarding and priority setting discussions will continue throughout the remainder of Q1 2026 with Leadership Planning Team and Council. Staff will incorporate Council members’ feedback as they work on the 2027/2028 budgeting process.

ATTACHMENTS

- 1. Presentation