

Second Amended and Restated Intergovernmental Agreement Establishing the Poudre Fire Authority



David Lenz

Director, Financial Planning & Analysis



1981

Poudre Fire Authority (PFA) Established via Intergovernmental Agreement (IGA) between the City and Poudre Valley Fire Protection District (PVFPD)

1983

Revenue Allocation Formula (RAF) effective

1987

IGA Restated to include RAF language

2014

IGA Amended and Restated to include RAF (Exhibit A) and Support Services provided to PFA by the City (Exhibit B)

2024

- Updated Support Services and inclusion of costs in Exhibit B.
- Adjustments to simplify RAF, move to actual vs. budgeted revenue and establish risk sharing corridor
- Include role of Administrators for both parties and annual budget adjustments
- Fix term of agreement with re-opener provisions

- General cleanup including legislative driven changes since 2014.
- Added agreement review period of eight years.
- Added the role of IGA Administrators (one each for the City and the Authority) with defined responsibilities.
- Supersedes the current, separate Legal Services IGA and incorporates such services into this agreement.
- Adjusted the Authority Chief's expenditure and disposal limits.

Changes to Exhibit B – Support Services Provided

- Updated support services provided by the City to the Authority and added Support Services provided by the Authority to the City.
- Provided cost of these support services – the difference between the two is the net cost of services provided.
- Administrators are enabled to adjust the support services provided (and cost of those services) as business conditions and needs evolve.
- Cost of Support Services will be set as part of the annual appropriation each year.
- Included a provision to adjust the cost of these services annually based on a CPI Index.

Changes to Exhibit A – Revenue Allocation Formula

- Simplified City contribution of Sales and Use tax amounts to 13.235% of undedicated and/or legally restricted funds.
- City Property Tax contribution remains at 67.5% of operating mill levy.
- City Contribution is reduced by the net cost of services provided under Exhibit B.
- Sales, Use and Property Tax budgets will be set as part of the annual appropriation each year.
- Monthly contributions from the City to the authority will be based on actual revenue collections.
- An annual reconciliation of Budget to Actuals will occur at the end of each year. Revenue bands are established to provide a risk sharing cap and floor:
 - Sales Tax: Upper band 3.0%; Lower band -2.0%
 - Use Tax: Upper band 6.0%; Lower band -2.0%
 - Property Tax: Upper band 2.0%; Lower band -2.0%
- Annexations of District property into the City shall be reviewed annually with adjustments to the Sales, Use or Property Tax contributions to insure no loss of Revenue to the Authority.

- What questions do Councilmembers have related to the changes to the Intergovernmental Agreement?



Appendix

Exhibit B: Support Services Provided

- Joint 6-month effort by PFA and City personnel to identify cost of all services provided by both parties:
 - Interviews with all service areas and departments
 - Specific activity and expense drivers utilized
- Determine In-Kind and direct charges:
 - Include all in-kind charges into the Cost of services provided under Exhibit B
 - Move other charges to the direct bill methodology (similar to HR Benefits/Wellness and Facilities charges)
- Deduct net shared services charges from Exhibit B from the adjusted RAF
- Adjust shared services annually by agreed upon CPI Index and/or to account for material changes to services provided

Exhibit B: Support Services Provided

Cost of Support Services provided by the City 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

Cost of Support Services provided by PFA to the City

Service	Annual In-Kind Costs
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

Net Cost

\$435,888

Exhibit A - Revenue Allocation Formula: Existing Methodology

	Actual
	2024 Contribution (As of 4/22/22)
Existing Base Sales Tax	\$ 92,770,987
Existing Base Use Tax	\$ 8,474,026
Total Existing Base Sales & Use Tax	\$ 101,245,013
First 1% of Existing Base Sales & Use Tax	\$ 44,997,784
Existing Base Sales & Use Tax RAF - 29%	29.0%
Existing Base Sales & Use Tax Contribution	\$ 13,049,357
Property Tax	\$ 32,174,388
Property Tax RAF - 67.5%	67.5%
Property Tax Contribution	\$ 21,717,712
New Base Sales Tax	\$ 24,738,930
New Base Use Tax	\$ 2,259,740
Total New Base Sales & Use Tax	\$ 26,998,670
New Base Sales & Use Tax RAF - 15.6%	15.6%
New Base Sales & Use Tax Contribution	\$ 4,211,793
Total City Contribution	\$ 38,978,862

Adjustments for PFA Funded Position Support	
Emergency Dispatch	(\$231,849)
Homelessness Support	(\$20,000)
Net City Contribution	\$ 38,727,013

- 1) .29 of one cent of City base sales and use tax
- 2) 67.5 percent of the operating mill levy of the City's property tax
- 3) Sales and use tax from the voter approved tax measure known as "Keep Fort Collins Great" (KFCG)
- 4) Total sales and use tax base equals \$128.2 million.
- 5) Total sales and use tax contribution amount equals \$17.3 million

- Simplifies the sales and use tax calculations to incorporate the Keep Fort Collins Great (KFCG) 0.6% base rate increase
 - Adjusts the calculations to incorporate the new baseline of cost of services provided
 - Adjusts the amount in the use tax calculation to include currently “excluded” one-time amounts
 - Changes contributions to PFA to be based on actual results versus the current budgeted amounts. This also incorporates a “risk corridor” band to share a portion of revenue upside and limit the revenue downside related to actual results vs. budgeted estimates.
-
- Provides an annual true-up for the risk corridor above
 - Adds further definition around adjustments for future growth and annexations
 - Moves to an annual budget amount for sales, use and property taxes aligned with the annual appropriated budget for these amounts.

Exhibit A – New Methodology: Simplify Calculation

	<u>2024</u>	
Combined Sales and Use Tax		
Total Sales Tax Base	\$ 117,509,917	
Total Use Tax Base	\$ 10,733,766	
Total Sales and Use Tax Base	\$ 128,243,683	(A)
Total Sales and Use Tax Contribution	\$ 17,261,150	(B)
Calculated Contribution Rate	13.460%	(C)

Using the 2024 actual Sales and Use tax base, and the sales and use tax contribution, we can calculate a combined new contribution percentage (B divided by A equals C).

Exhibit A – New Methodology: Increase Contribution to cover costs



	<u>2024</u>	<u>2025</u>	<u>2026</u>	
Total Tax Contribution	\$ 17,261,150	\$ 18,383,050	\$ 18,891,202	(A)
Additional Contribution to Cover Cost Allocation	\$ -	\$ 435,888	\$ 435,888	(B)
Total Contribution after Cost Allocation	\$ 17,261,150	\$ 18,818,938	\$ 19,327,089	(C)

The total tax contribution is increased by net costs of shared service net costs add the net cost of services provided to get the new contribution amount (A plus B equals C).

Exhibit A – New Methodology: Recalculate Contribution Percent



	2024	2025	2026	
Combined Sales and Use Tax - New Calculated %				
Total Sales Tax Base	\$ 117,509,917	\$ 125,845,203	\$ 129,620,574	
Total Use Tax Base	\$ 10,733,766	\$ 16,379,311	\$ 16,379,311	(D)
Total Sales and Use Tax Base	\$ 128,243,683	\$ 142,224,514	\$ 145,999,885	(E)
Total Sales and Use Tax Contribution	\$ 17,261,150	\$ 18,818,938	\$ 19,327,089	(F)
Calculated Contribution Rate	13.460%	13.232%	13.238%	(G)
Average of 2025 and 2026	N/A	13.235%	13.235%	(H)
Total Sales and Use Tax Contribution with Avg Rate		\$ 18,823,414	\$ 19,323,085	(I)

Currently “excluded” one-time amounts are added to the use tax base (D) to calculate the total sales and use tax base (E). The new updated percentage amount is calculated using the previously determined contribution amount by the total base sales and use tax (F divided by E equals G).

For simplification and some slight rounding differences, we use a blended rate of the 2025 and 2026 years (H) as the calculation rate to determine the final Sales and Use Tax Contribution (I).

Exhibit A: Existing vs. New Methodology

	<u>2024</u>	<u>2025</u>	<u>2026</u>
Total - Proposed RAF			
Sales Tax Contribution	\$ 15,816,423	\$ 16,655,613	\$ 17,155,283
Use Tax Contribution	\$ 1,444,727	\$ 2,167,802	\$ 2,167,802
Property Tax Contribution	\$ 21,717,712	\$ 22,571,998	\$ 23,023,438
Total Contribution	\$ 38,978,862	\$ 41,395,412	\$ 42,346,523
Less: Net Shared Services Costs	\$ -	\$ (435,888)	\$ (435,888)
Net Contribution	\$ 38,978,862	\$ 40,959,525	\$ 41,910,635
Total - Current RAF			
Sales Tax Contribution	\$ 15,816,423	\$ 16,938,323	\$ 17,446,474
Use Tax Contribution	\$ 1,444,727	\$ 1,444,727	\$ 1,444,727
Property Tax Contribution	\$ 21,717,712	\$ 22,571,998	\$ 23,023,438
Total Contribution	\$ 38,978,862	\$ 40,955,048	\$ 41,914,640

Exhibit A: New Methodology – Risk Sharing

Currently, the contribution amounts that are provided by the City to PFA are set every two years based on City’s biennial budgeting process.

The City’s budgeting process has a conservative bias, as it should be based on the need to “protect for the downside”. If we look at the average variance of budget vs. actual for the three tax categories since 2003, we see the following variation patterns:

2003 - 2023	Actual vs. Budget	Actual Exceeds Budget		Budget Exceeds Actual	
	Annual Average Variance (%)	Number of years	Average Variance	Number of years	Average Variance
Sales Tax	2.4%	11	5.4%	10	-2.0%
Use Tax	14.1%	16	18.5%	5	-5.4%
Property Tax	0.4%	11	2.3%	10	-1.7%

Exhibit A: New Methodology – Risk Sharing

The proposed RAF adjustment puts in place a cap and floor on the percentage variation from budget that PFA receives from the City. The following are the proposed risk sharing bands for each tax.

	Upper Band (% above Budget)	Lower Band (% below Budget)
Sales Tax	3.0%	-2.0%
Use Tax	6.0%	-2.0%
Property Tax	2.0%	-2.0%

If a tax amount received is above or below the annual cap or floor, an adjustment will be made at year end to adjust for the excess (or shortage) to bring the annual contribution back to the band percentage amount.

