

# WORK SESSION AGENDA ITEM SUMMARY

City Council



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## STAFF

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## SUBJECT FOR DISCUSSION

**Visioning Our Future: Budget & Organizational System Alignment**

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## EXECUTIVE SUMMARY

The purpose of this item is to provide an update on the work staff has been doing to improve upon the Budgeting for Outcomes process and understand feedback on proposed changes. Information will be provided on the following topics:

- Budget Timeline and proposed changes
- Budget Snapshot: Current sources and uses of revenue
- Organizational Alignment

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## GENERAL DIRECTION SOUGHT AND SPECIFIC QUESTIONS TO BE ANSWERED

1. Is Council aligned on the direction staff is taking with the budget process?
2. What information would enhance understanding of base and discretionary spending?
3. Are there priority areas where Council members would like to see scenario planning for the next budgeting cycle?
4. What feedback and additional consideration does Council have regarding the Council onboarding process?

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## BACKGROUND / DISCUSSION

Based on Council feedback received during the last budget cycle, which concluded with the adoption of the 2025-2026 budget in November 2024, the City Manager identified a significant need for a comprehensive review and revision of the City's budget processes. This determination was driven by a recognized and increasing divergence between resource prioritization and the City's evolving operational environment. Furthermore, there is a clear desire to enhance the clarity of communication with both the community and Council regarding the strategic deployment of public resources to achieve programmatic goals and advance shared community outcomes.

In addition, it is important to note that these challenges are not fully solved by just changing the budget process and will not be resolved in the immediate term. Importantly, the upcoming 2026 Council onboarding, priority setting, and Strategic Planning processes present valuable and immediate opportunities to inform the budget development process, and these should be intentionally aligned, along with the City Manager's Organizational Priorities.

### **Feedback on Budgeting for Outcomes process**

During and after the most recent budget cycle, Council and staff shared feedback on how to improve the Budgeting for Outcomes (BFO) process. Common themes to focus on while developing a new process included:

- Transparency and Clarity:
  - Make budget information easier for the community and decision-makers to understand
  - Provide more context and plain language that resonates with a wider audience
- Insight and accountability
  - Offer deeper scrutiny into ongoing program budgets
  - Include clearer measures of the effectiveness of funded services
- Tradeoffs and prioritization
  - Provide a better understanding of tradeoffs in resource allocation
  - Explore potential shift toward a priority-based budgeting model
- Administrative efficiency
  - Reduce the administrative burden on staff while retaining valuable elements of BFO

While moving towards a new process, there was feedback as to what should be kept or enhanced to include:

- Maintaining a balanced budget
- Aligning investments with Strategic Objectives
- Applying a "One City" perspective across departments
- Building upon the current information to offer more insight on balancing the value of core assets with new opportunities
- Ensuring intentional and well-informed investments
- Providing horizontal insight across service areas

### **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 which have been 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 would be the most fungible source and could be directed toward a wide range of needs at Council's discretion. This flexible portion is also critical for sustaining many core City services, such as public safety, transportation operations, and parks maintenance, which lack substantial other alternative or dedicated funding streams.

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

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

	2025	2026
<b>Payments by Residents and Businesses for City Services</b>	<b>\$395.7M</b>	<b>\$418.4M</b>
For example, utility payments for water and electricity, buying a day pass at Northside Aztlan or renting a picnic shelter at a local park.		
<b>Sales Taxes</b>	<b>\$208.9M</b>	<b>\$191.9M</b>
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.		
<b>Internal Payments Between City Departments</b>	<b>\$95.2M</b>	<b>\$70.5M</b>
The Senior Center, for example, would need to pay the Streets Department to repave their parking lot.		
<b>Payments by Other Governments for City Services</b>	<b>\$58.7M</b>	<b>\$47.8M</b>
Nearby cities may pay for services from the City of Fort Collins, like bus services.		
<b>Miscellaneous Revenue</b>	<b>\$49.1M</b>	<b>\$51.3M</b>
Lots of little stuff that adds up just like change between the couch cushions.		
<b>Property Taxes for City Operations and PFA</b>	<b>\$41.4M</b>	<b>\$42.1M</b>
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).		
<b>Proceeds of Issuing Debt</b>	<b>\$11.3M</b>	<b>\$12.4M</b>
This is borrowed revenue that is required to be paid back with interest, based on the details of the loan agreements.		
<b>Property Taxes for Downtown Development Authority (DDA)</b>	<b>\$10.3M</b>	<b>\$10.3M</b>
This portion of the property tax is dedicated to the DDA.		
<b>Licenses and Permits</b>	<b>\$3.7M</b>	<b>\$3.9M</b>
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.		
<b>Interest on Investments</b>	<b>\$16.9M</b>	<b>\$16.8M</b>
The City keeps money in bank accounts where it can earn interest, just like with some checking accounts.		
<b>Other Taxes</b>	<b>\$5.5M</b>	<b>\$5.6M</b>
Examples include lodging tax paid when visitors come to Fort Collins and stay overnight in a hotel.		
<b>Total</b>	<b>\$896.7M</b>	<b>\$871.0M</b>

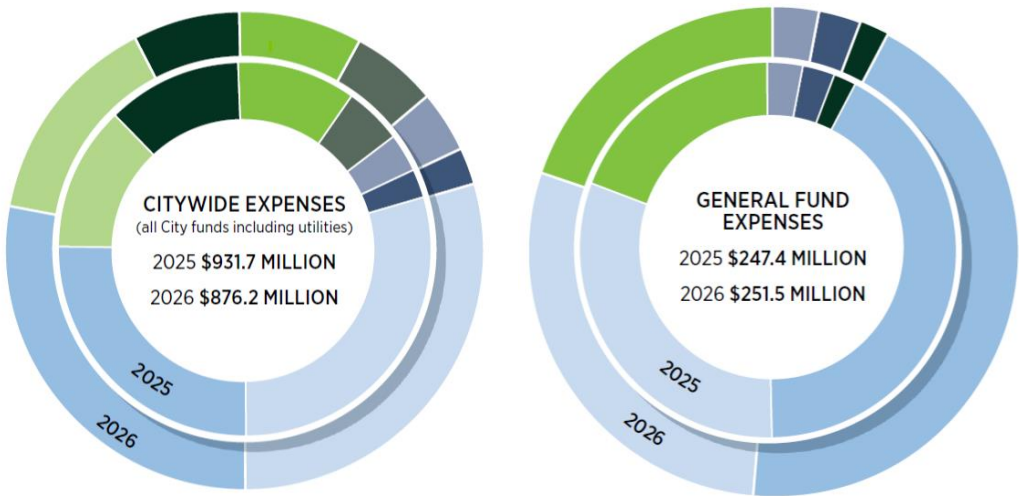


Various payments for services represent the largest portion of forecasted revenues. The fee structures which are recommended for payments are typically not to exceed the costs of providing the associated service, which means these revenue sources are often directly linked to associated costs, and the revenue cannot be redirected from funding the associated services.

The sales taxes shown of approximately \$200M per year include the dedicated ¼ cent taxes for Community Capital Improvement Plan (CCIP), Natural Areas, and Street Maintenance, in addition to the ½ cent 2050

tax for Parks and Recreation, Our Climate Future, and Transportation. These taxes are restricted by their associated ballot language requirements to be used for those specific purposes. Of the total sales taxes forecasted, approximately \$150M per year would be the general sales tax and Keep Fort Collins Great (KFCG) collections which are considered available for most uses.

That revenue is then paired to prioritized offers through the BFO process. In 2025/2026, the funding was recommended as follows:

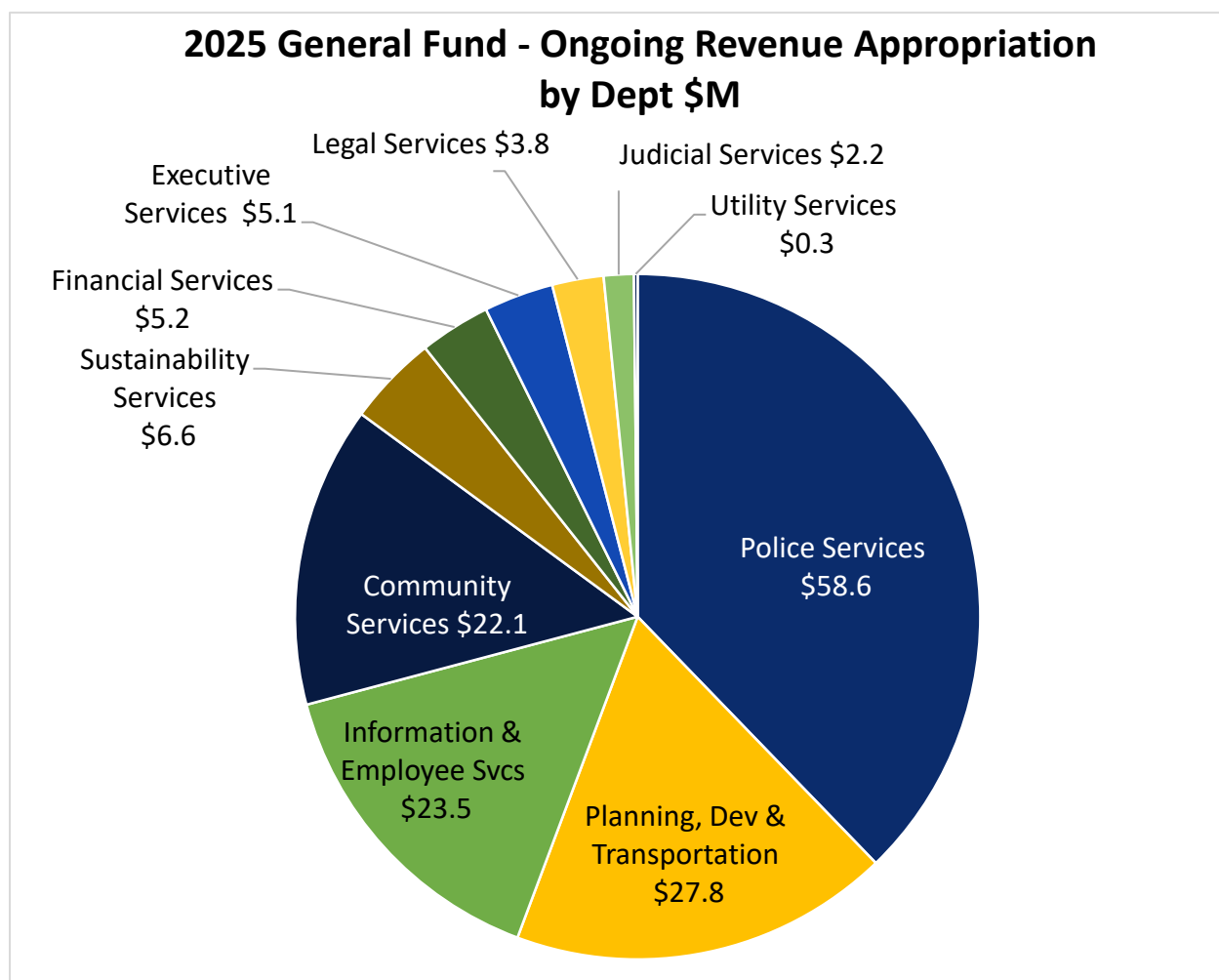


Citywide Expenses	2025	2026
Services Purchased from External Businesses, including Local	\$277.7M	\$262.5M
Employee Pay and Benefits	\$232.0M	\$243.2M
Energy Purchased from Platte River Power Authority	\$116.3M	\$123.7M
Capital, Including Land, Buildings, Vehicles, Large Machinery, etc.	\$108.2M	\$63.7M
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 for, with the majority of Citywide costs going towards services purchased, while for General Fund costs, the majority of costs budgeted are employee pay and benefits.

With the unrestricted sales tax funding source (~\$150M), here is where the expenses were budgeted by City Service Area:



The allocation of unrestricted 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.

### **Outlook Towards Future Budgeting Process**

The City's biennial budget process is one of the most important tools for aligning resources with community priorities and delivering on objectives and outcomes identified in the citywide Strategic Plan. However, the feedback on the process indicates that the current Budgeting for Outcomes (BFO) model does not meet expectations for transparency, accessibility, and alignment with Council priorities. In response, staff has explored a transition toward a priority-based budgeting approach, beginning with a transitional process for the 2027–2028 budget cycle and culminating in a fully implemented model for the 2029–2030 cycle.

The transitional process will use existing budget systems and timelines while incorporating immediate improvements in clarity, decision support, and priority alignment. This approach will also serve as a learning phase, allowing staff to test changes and gather Council feedback before launching the permanent model.

The transitional process will be guided by the following principles:

- Provide greater scrutiny and insight into ongoing programs and ensuring Council can evaluate the effectiveness of existing services and investments.
- Achieve simplification and agility by making budget information easier to navigate and adapt as conditions change.
- Create stronger alignment with the Strategic Plan and Council priorities by organizing information in a way that clearly links resource allocation to desired community outcomes.
- Assess siloed processes and identify opportunities for integration to streamline how information is developed, reviewed, and presented.
- Increase standardization and strengthen long-term planning towards improving consistency across the organization and connecting biennial budgets to long-range financial forecasts.

While the City will continue to use familiar budget tools and timelines for the 2027–2028 cycle, the structure and focus of the process will shift. These changes are intended to make the budget more accessible, better aligned with Council direction, and more effective in showing tradeoffs and investment decisions. Key elements of this transitional process include:

1. Maintaining fiscal discipline: tradeoffs will remain necessary and economic constraints will not be eliminated.
2. Using existing systems, inputs, and timelines to minimize disruption while rethinking the structure and presentation of budget information.
3. Shifting away from the BFO offers format to a more thematic, priority-aligned structure.
4. Providing clearer, more concise information on ongoing programs, their effectiveness, and associated tradeoffs.
5. Engaging Council earlier in the process to confirm priority themes before development of the proposed budget.

Once the transitional process is complete, staff will apply lessons learned to a fully implemented priority-based budgeting framework. The long-term vision includes:

- More directly linking biennial budgets to long-range forecasts to understand the future impacts of current decisions.
- Further strengthening alignment between Council priorities, community input, and resource allocation based on feedback from the transitional process.
- Providing more digestible budget documents for the adopted budget by including more interactive, visual ways to engage with the budget.

## **NEXT STEPS**

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Staff will incorporate Council feedback as they work on design of the transitional 2027/2028 budgeting process, which will kick off in Q1 of 2026. Council onboarding and priority setting discussions will continue throughout the remainder of 2025 with Leadership Planning Team and Council.

## ATTACHMENTS

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1. Presentation