December 2, 2025

AGENDA ITEM SUMMARY
City Council

STAFF

Caleb Weitze, Chief Financial Officer
Jennifer Poznanovic, Sales Tax and Revenue Director
Lawrence Pollack, Budget Director

SUBJECT

First Reading of Ordinance No. 225, 2025, Making a Supplemental Appropriation for the Poudre Fire Authority Intergovernmental Agreement.

EXECUTIVE SUMMARY

The purpose of this item is to appropriate funding authority in the General Fund to enable the completion of contractual payments to the Poudre Fire Authority (PFA) from higher than forecasted Use Tax revenue within Fiscal Year 2025.

STAFF RECOMMENDATION

Staff recommends adoption of this Ordinance on First Reading.

BACKGROUND / DISCUSSION

2024 IGA

Per the Second Amended and Restated Intergovernmental Agreement Establishing the Poudre Fire Authority, executed in 2024 (the "IGA") between the City and the Poudre Valley Fire Protection District (the "District") for the continuation of the entity known as the Poudre Fire Authority (the "PFA"), the formula for revenue allocations to the PFA from the City and District were updated to ensure a predictable revenue stream for the PFA. Per Section 5.1 (Annual Budget) of, and Exhibit A (Funding Formula and Revenue Allocation Formula) to, the IGA, the City provides the PFA with an annual forecast of its anticipated, base sales and use tax and property tax revenues in April and August, and the City budgets these amounts. The City's contribution to the PFA, per the IGA, is then calculated as a percentage of these base tax revenues, with some further adjustments of the base property tax revenues. As revenues are collected throughout the fiscal year, the City then adjusts its contributions monthly, based on actual sales tax, use tax, and property tax receipts.

Forecasted v. Actual Revenues in 2025

For sales tax revenues, actual collections in 2025 are less than expected, likely due to changes in national and global economic conditions and consumer spending behaviors. However, use tax collections for the same period are higher than anticipated, because use tax collections are more dynamic - and more difficult to forecast – than sales tax collections. Therefore, even though the City has experienced significant softening in actual sales tax revenues throughout 2025, use tax collections are strong. Further, the City received significant, unanticipated one-time revenue in 2025 from tax compliance and enforcement activities, such as payments from audits and voluntary disclosure agreements.

City's Annual Contribution

The financial structure of the IGA requires fiscal planning through an adopted annual City budget, including the City's contributions to the PFA. The IGA structure is also designed to adjust the City's contributions to the PFA for any differences between forecasted and actual revenues. Ordinance No. 225, 2025 represents this second step in the PFA contribution structure by appropriating amounts of unanticipated revenues to align the City's budgeted PFA contributions to reflect actual collections.

In the absence of the 2025 appropriation in Ordinance No. 225, 2025, the full contribution to PFA for 2025, reflecting increased contributions from unanticipated City revenues received in 2025, would be delayed until 2026, through either the annual Reappropriation Ordinance or other supplemental appropriation.

CITY FINANCIAL IMPACTS

This Ordinance will appropriate $400,000 of unanticipated use tax revenue in the General Fund to be expended for the required City contribution to PFA per the IGA. Any amount appropriated above actual contribution costs will revert to the General Fund reserves balance at the end of the 2025 fiscal year.

The City Manager has determined that these appropriations are available and previously unappropriated from their designated City Fund and will not cause the total amount appropriated in those Funds to exceed the current estimate of actual and anticipated revenues.

BOARD / COMMISSION / COMMITTEE RECOMMENDATION

None.

PUBLIC OUTREACH

None.

ATTACHMENTS

1. Ordinance No. 225, 2025