

AGENDA ITEM SUMMARY

City Council



STAFF

Lawrence Pollack, Budget Director
Jacob Castillo, Chief Sustainability Officer
Travis Storin, Chief Financial Officer

SUBJECT

First Reading of Ordinance No. 058, 2024, Making Supplemental Appropriation of the 2050 Tax for Various Programs and Services Related to Parks, Recreation, Transit and Our Climate Future.

EXECUTIVE SUMMARY

The purpose of this item is to appropriate the 2024 funding of the new 2050 Tax. In November 2023, Fort Collins voters approved this 0.5% Sales & Use Tax increase, which is dedicated to the areas of Parks, Recreation, Transit and Climate. This tax begins in 2024 and expires at the end of 2050.

STAFF RECOMMENDATION

Staff recommends adoption of the Ordinance on First Reading.

BACKGROUND / DISCUSSION

At the December 2021 Council Finance Committee (CFC) meeting, staff presented an item to discuss specific identified revenue needs and potential funding options. Multiple conversations occurred throughout 2022 at various CFC meetings. In 2023, the areas of need were focused on Parks, Recreation, Transit, Climate and Housing. Estimated annual shortfalls ranged from eight to nearly fifteen million per area, as follows:

- Parks & Recreation \$8.0 to \$12.0M annual shortfall (Parks & Recreation Master Plan)
- Transit \$8.0M to \$14.7M annual shortfall (Transit Master Plan)
- Climate \$9.5M+ annual shortfall (Our Climate Future Plan)
- Housing \$8.0M to \$9.5M annual shortfall (Housing Strategic Plan)

This topic eventually came in front of Council in 2023 and after a few Work Sessions, proposed funding for these items was determined. Council approved two ballot items to be referred to the voters of Fort Collins to fund these areas. Parks, Recreation, Transit and Climate were proposed to be funded from a dedicated 0.5% Sales and Use Tax increase. In a departure from previous tax initiatives and renewals, this item was proposed for a 27-year period beginning in 2024 and expiring at the end of 2050. The other referral was for housing needs, which were proposed to be funded by a property tax increase.

In November 2023, the voters of Fort Collins approved one of those initiatives, specifically the 0.5% Sales Tax outlined as follows:

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2023 Ballot Language:

SHALL CITY OF FORT COLLINS TAXES BE INCREASED BY \$23,800,000 IN THE FIRST FULL FISCAL YEAR (2024), AND BY SUCH AMOUNTS COLLECTED ANNUALLY THEREAFTER, FROM A .50% SALES AND USE TAX BEGINNING JANUARY 1, 2024, AND ENDING AT MIDNIGHT ON DECEMBER 31, 2050, WITH THE TAX REVENUES SPENT ONLY FOR THE FOLLOWING:

- 50% FOR THE REPLACEMENT, UPGRADE, MAINTENANCE, AND ACCESSIBILITY OF PARKS FACILITIES AND FOR THE REPLACEMENT AND CONSTRUCTION OF INDOOR AND OUTDOOR RECREATION AND POOL FACILITIES,
- 25% FOR PROGRAMS AND PROJECTS ADVANCING GREENHOUSE GAS AND AIR POLLUTION REDUCTION, THE CITY'S 2030 GOAL OF 100% RENEWABLE ELECTRICITY, AND THE CITY'S 2050 GOAL OF COMMUNITY-WIDE CARBON NEUTRALITY, AND
- 25% FOR THE CITY'S TRANSIT SYSTEM, INCLUDING, WITHOUT LIMITATION, INFRASTRUCTURE IMPROVEMENTS, PURCHASE OF EQUIPMENT, AND UPGRADED AND EXPANDED SERVICES;

AND WHILE CITY COUNCIL MAY EXERCISE ITS DISCRETION IN DECIDING THE TIMING OF SPENDING FOR EACH CATEGORY, THAT SPENDING SHALL SUPPLEMENT AND NOT REPLACE THE CURRENT CITY FUNDING FOR THE SPECIFIED PURPOSES AND SHALL BE RECONCILED TO THE STATED PERCENTAGES BY THE END OF 2030, 2040, AND WHEN THE LAST REVENUES COLLECTED FROM THE TAX ARE SPENT, BUT THIS TAX SHALL NOT APPLY TO:

- ITEMS EXEMPT UNDER THE CITY CODE FROM CITY SALES AND USE TAX;
- FOOD FOR HOME CONSUMPTION; AND
- MANUFACTURING EQUIPMENT, BUT FOR THE USE TAX ONLY;

AND WITH ALL THE TAX REVENUES, AND INVESTMENT EARNINGS THEREON, TO BE COLLECTED, RETAINED, AND SPENT AS A VOTER-APPROVED REVENUE CHANGE NOTWITHSTANDING THE SPENDING AND REVENUE LIMITATIONS OF ARTICLE X, SECTION 20 OF THE COLORADO CONSTITUTION?

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Given the timing of the vote relative to the 2024 Annual Appropriation (2024 Budget) process, it was determined that the 2024 appropriation for the approved Sales and Use Tax increase would be discussed as its own item early in the year. Staff has worked to identify specific projects for the first year of this tax, as detailed in the list of proposed projects (Attachment 1). Knowing that staff is concurrently working on the 2025-26 City Manager's Recommended Budget to present to Council later this year, many of the proposed projects are one-time in nature, targeted to be substantially completed in 2024. Proposals of an ongoing nature are primarily for the staff needed to start this work and be positioned to execute the projects approved as part of the 2025-26 Budget.

This item was discussed at the Council Finance Committee (CFC) meeting on March 20, 2024. Council questions were addressed with a follow-up request for more detail on the Parks and Recreation offer. This offer initiates a large asset and infrastructure replacement program like the Street Maintenance Program or the Water and Sewer Replacement programs, and this offer is modeled after those types of programs. The details for the analysis and prioritization of current assets can be found in the Infrastructure

Replacement Program report at the following web address: https://www.fcgov.com/parks/files/fort-collins-parks-infrastructure-replacement-program-management-plan_compressed.pdf?1665426175

Additionally, per that CFC conversation on the climate portion of the tax, the item to 'Add Solar PV System at City Facility' was moved from the elective offers to the recommended offers.

The 2050 Tax was subsequently reviewed with the full Council at their work session on April 9, 2024. The associated work session summary includes specific follow up from that Council conversation (Attachment 2).

From that work session, the following changes were made for First Reading:

1. The Parks and Recreation portion of the tax has been broken into three separate proposals and those are viewable in Attachment 1.
2. Of the three elective proposals within the Climate portion of the tax discussed during the work session, only the Poudre River Health Assessment has been included in the First Reading materials.

CITY FINANCIAL IMPACTS

Adoption of this ordinance would increase City appropriations by \$10,244,180 with \$5,302,586 supporting Parks and Recreation, \$1,149,594 for Transit and \$3,792,000 for Climate. The 2024 estimated revenue collections is \$20,000,000 and of that, the remaining unappropriated amount of \$9,755,820 will be held in reserves dedicated to each of the three ballot language categories. Those funds will be available for future appropriation, whether in the 2025-26 Recommended Budget or other appropriations authorized by Council.

BOARD / COMMISSION / COMMITTEE RECOMMENDATION

None.

PUBLIC OUTREACH

None.

ATTACHMENTS

1. Ordinance for Consideration
2. List of Proposed Uses of 2024 Funding
3. Work Session Summary, April 9, 2024