

AGENDA ITEM SUMMARY

City Council



STAFF

Adam Molzer, Manager, Social Sustainability

SUBJECT

First Reading of Ordinance No. 126, 2024, Appropriating Prior Year Reserves in the General Fund for the Grocery Tax Rebate Program.

EXECUTIVE SUMMARY

The purpose of this item is to request an appropriation of \$442,460 from General Fund reserves to fulfill the FY2024 Grocery Tax Rebate Program rebate and personnel budget obligations.

STAFF RECOMMENDATION

Staff recommends adoption of the Ordinance on First Reading.

BACKGROUND / DISCUSSION

Established in 1984, the Grocery Tax Rebate is intended to provide financially insecure residents relief from City sales tax charged on purchased food. The rebate amount is currently \$80 per person.

Applications are submitted via the Get FoCo online platform, where staff manually review each application and the uploaded documentation (EBT card copy, Medicaid card, LEAP letter, Free/Reduced Lunch letter) to verify income and residency eligibility. This is the third year partnering with Get FoCo and 96% of applications are now received via the web platform.

One 0.75-FTE staff member assists residents with the application process, manually uploads payment data, and supports a variety of other program functions to ensure a positive customer experience. This staff position was converted from hourly to classified status with benefits in January 2024, per Council guidance.

Between 2020-2023, the number of applications received increased over 95%, and rebates issued grew by 186%.

In 2023, the City processed 1,966 applications. The total amount issued in 2023 for the grocery rebate program was \$354,121. The FY2023 budget afforded \$150,000 for rebates.

From January to June 2024, the City has processed 1,553 applications. The total amount issued year-to-date in 2024 is \$292,460. The FY2024 budget affords \$165,000 for rebates.

If a monthly average of \$48,500 is realized for Q3 + Q4 2024, the total rebate obligation for 2024 will reach

\$583,460. The monthly average during Q3 + Q4 2023 was \$37,333.

Additionally, Council Finance Committee expressed support for the conversion of the Grocery Tax Rebate Coordinator position from hourly to classified at their 12/14/2023 meeting. This conversion took effect in January 2024 and the resulting \$24,000 personnel budget shortfall needs to be made whole.

An appropriation of \$442,460 will meet the anticipated 2024 rebate and personnel obligations.

Actual & Anticipated	Obligation & Budget
January – June 2024 Obligated	+ \$292,460
July – December 2024 Anticipated	+ \$291,000
Personnel Conversion Shortfall	+ \$24,000
FY2024 Rebate Budget (general fund)	- \$165,000
Estimated Funding Needed	\$442,460

CITY FINANCIAL IMPACTS

This item appropriates \$442,460 from General Fund reserves for the anticipated Grocery Tax Rebate Program FY2024 budget shortfall.

BOARD / COMMISSION / COMMITTEE RECOMMENDATION

The request in this Ordinance was presented at the August 1, 2024, Council Finance Committee and was recommended for approval.

Council Finance Committee also inquired about the average, annual household grocery budget expenditure in Fort Collins factored against the 2.25% grocery tax rate. Assigning a representative grocery budget amount is difficult, however; a reasonable range may be \$5,000 to \$7,500 per person each year. This correlates to \$112 to \$168 in grocery tax paid annually by a food-secure resident. This budget range is formulated from the following data:

- The Fort Collins Area Median Income (AMI) at 60% (1 household member) is \$49,920. This is the single head-of-household income limit for a Grocery Tax Rebate. A widely accepted personal budgeting guideline is to assign 10%-15% for food. This may be lower for households with restricted income or those receiving subsidized food benefits.
- To receive SNAP grocery benefits in Colorado, the gross annual income limit is \$29,160 for a single head-of-household. This provides a \$291 monthly SNAP benefit for eligible grocery purchases (10%).
- Feeding America’s annual *Map the Meal Gap* study prescribes \$411 per person per month in a food-secure Larimer County household (\$4,932 annual)

PUBLIC OUTREACH

None.

ATTACHMENTS

1. Ordinance for Consideration