COUNCIL WORK SESSION
AGENDA ITEM SUMMARY ATTACHMENT 1

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Date: December 13, 2022

SUBJECT FOR DISCUSSION Sustainable Funding – Climate

Climate Funding

Council Finance Committee Discussions Summary

Over the course of the last year, the Council Finance Committee (CFC) has expressed the need to include climate-dedicated funding as the “fourth corner” of the sustainable funding discussion. At the November CFC meeting staff presented five options for generating climate-focused revenue. (Nov. 3, 2022 CFC AIS – pg. 84)

The options presented were based on initial research and case studies of peer municipalities. The primary factors considered for each option were potential uses, revenue generation, flexibility, and equity. CFC made the following recommendations:

- Continue to consider climate funding needs as part of the overall new revenue discussion. Examples include:
    - Denver’s Climate Protection Fund
        - quarter cent sales tax dedicated to climate resilience
        - allowable uses include buildings, renewables, workforce, transportation, environmental & climate justice, adaptation & resiliency, and administration
    - Portland Clean Energy Community Benefits Fund
        - 1% surcharge on gross revenues from retail sales on all large retailers in the city with over $1 billion in national sales *and* $500,000 in local sales annually
        - allowable uses include renewable energy & energy efficiency, job training/apprenticeships & contractor support, regenerative agriculture & green infrastructure, and future innovations
- Prioritize staff research in 2023 to define options for revenue generation and related behavior change impacting methane gas (aka natural gas) usage. This research would include options for implementing either a methane excise tax or a usage fee and program design to compensate for inequitable impacts (e.g., automatic income-qualified exemptions).
    - A regional example is Boulder’s experience in environmental revenue generation through similar utility-related taxes.

What Could Dedicated Climate Revenue Fund?

If a proposal for new sustainable climate funding is advanced, and especially if some portion derives from a voter-approved tax, a clear description of allowable uses for those funds must be developed. That process could rely on extensive community leadership to ensure funds were used in equitable and impactful ways. It could also involve understanding voter preference using focus groups and surveys to match allowable uses directly to community climate priorities.

These approaches have helped peer communities successfully achieve their goals for climate revenue generation.

Because the Our Climate Future (OCF) plan is a community vision for a sustainable future Fort Collins, it provides a strategic foundation for establishing specific areas to focus needed funding. As a starting place the Big Moves and the strategies (Next Moves) therein allow staff to suggest what new sustainable funding might be used for. Many of the strategies below were discussed by City Council during a Work Session earlier this fall as part of an OCF Council Action Road Map and the 2030 OCF Pathways.

<u>Shared Leadership and Community Partnership (Big Move 1)</u>

- Targeted climate justice initiatives to invest in community capacity to lead.
    - Community-led action grants and precursor funding
        - (e.g., relationship building & grant readiness)
    - Equity trainings for staff and partners
    - Community consultant program
    - Climate equity committee

<u>Zero Waste Neighborhoods (Big Move 2) and Zero Waste Economy (Big Move 10)</u>

- Support neighborhoods and businesses as they transition to zero waste.
    - Circular economy strategies
    - Innovate Fort Collins Challenge on circular start-ups/initiatives
    - Removing recycling barriers with equity focus

<u>Climate Resilient Community (Big Move 3)</u>

- Enhance community systems for responding to extreme climate events and adapt to a changing climate.
    - Emergency weather event response plans and facilities
    - Enhanced water efficiency strategies
    - Neighborhood scale resilience

<u>Efficient, Emissions Free Buildings (Big Move 6) and Electric Cars and Fleets (Big Move 13)</u>

- Expanded programs and services for transition of heating and vehicles to efficient electric.
    - Efficiency improvements
    - Panel and service upgrades
    - Workforce and supply chain support
    - EV managed charging options
    - EV charger installation support
    - Electric grid flexibility systems

Next steps

- Continue collaboration with the Finance team and other departments on potential joint efforts to develop new revenue options for Council consideration.

- Research revenue options (both fees and taxes) related to methane gas use, including legal, administrative, and equity requirements and considerations in the first half of 2023.
- Determine timeline for Larimer County/State deadlines for ballot measure submission for TABOR-related issues.

Content from November CFC meeting below

EXECUTIVE SUMMARY

The purpose of this item is to respond to the requests at the September 1, 2022, Council Finance Committee (CFC) meeting and provide several models for climate revenue generation for consideration. Five options for generating climate-focused revenue are summarized, along with the current revenue built into Utilities' electricity rate structure that supports climate initiatives.

The options presented include:

1) Sustainable Revenue – for parks, transit, housing and climate (in alignment with the ongoing CFC discussions)
2) OPTION 1: Dedicated Sales Tax – specifically for climate initiatives
3) OPTION 2: Natural Gas – excise tax
4) OPTION 3: Natural Gas – as proxy fee for emissions
5) OPTION 4: Large Emitter Fee

These options are summarized based on initial research and case studies of peer municipalities. If directed, extensive additional legal and policy analysis will be needed for those options selected to be explored further in 2023. Given the additional time needed to conduct in-depth analysis for further consideration of each option, staff is requesting to know which approaches CFC members would like to remove from consideration at this time. Staff recommends exploring Options 1 & 2 further. Greater detail on future revenue use will be part of the December 13 Council Work Session.

GENERAL DIRECTION SOUGHT AND SPECIFIC QUESTIONS TO BE ANSWERED

BACKGROUND/DISCUSSION

Over the last year, City staff have identified and presented to Council Finance Committee (CFC) various revenue generation mechanisms to provide necessary resources for parks, housing, and transit. Since the conversation began, CFC has indicated a desire to see climate funding included as the "fourth corner" of the dedicated funding discussion. During the September 1, 2022, CFC meeting, staff presented a brief and general overview of potential revenue generation mechanisms for ongoing climate funding. After the staff presentation, which included only brief remarks on fees for large emitters, staff heard a clear request by committee members to present additional research and data exploring ways to both generate climate revenue and drive changes to systems and behaviors.

The analysis contained in this agenda item summary details the high-level, conceptual research in this area for CFC review. Should CFC desire more information about any of these options, it will require more in-depth policy and legal analysis in 2023 to determine how they would be implemented in the context of the City of Fort Collins, our existing finance and revenue generation tools, and the suite of options being presented to Council for sustainable revenue for parks, housing, transit, and climate.

The options detailed below and included in an attached summary table (See ***Appendix 1***) are divided into two categories - *Core, Ongoing Climate Funding* and *Acceleration Opportunities / Enhancements to Core.* Staff considers *Core Funding* to include funding from the existing Utilities rate structure and possible new funding from the outcomes of the broader Sustainable

Revenue project. Potential *Acceleration Opportunities* include options that would generate dedicated climate revenue while also working toward Our Climate Future goals using financial incentives and disincentives that encourage systems and behavior change within the community. The options are summarized below with detailed discussion available in the attached Appendix 2. The summaries include a brief overview of the funding mechanism (i.e., description, potential uses of funding, revenue potential (when available), flexibility of funds) and key policy considerations (equity considerations and implementation notes).

Core, Ongoing Climate Funding

Core Funding includes revenue from the existing Utilities electricity rate structure and possible new funding from the outcomes of the broader Sustainable Revenue project.

Existing Revenue (Utilities)

Overview

The existing electrical rate structure generates funds directly from customers to help manage community electricity use and carbon emissions. Current electric use would be 21% higher without this funding, which has been in place since 2005. A portfolio evaluation of Utility programs confirmed that for every $1.00 invested, Utility efficiency programs recognized $1.80 in local community benefits.

- **Uses**: Program resources are available for residential, commercial and industrial customers and are closely coordinated with Platte River Power Authority. The funds are used to support a range of climate initiatives, including energy efficiency, increased renewables, and enhanced grid flexibility.
- **Revenue**: Fort Collins Utilities generates more than $6 million annually from the existing rate structure. City Council approves the Utility customer electric rate structure by ordinance annually or when needed.
- **Flexibility**: Funds are allocated through the Fort Collins Budgeting for Outcomes (BFO) process. As a result, the funds can be used for a wide array of purposes that align with the Fort Collins Utility charter.

Key Policy Considerations

- **Equity**: The BFO process and staff program design can support equitable distribution of the funds. Past examples include Epic Homes focus on rental properties, the Larimer County Conservation Corp Energy and Water Program and targeted small business lighting incentives.
- **Other Considerations**: These ongoing and evolving programs have a proven track record of positively impacting environmental, social, and economic conditions in Fort Collins and contributing to the outcomes of the Our Climate Future plan.

Sustainable Revenue (Climate, Transit, Housing, Parks)

Overview

The New Revenue Core Team has presented and discussed the pursuit of sustainable revenue via a repurposed sales tax, property tax, excise tax, user fee, or other mechanisms identified and discussed in past CFC meetings. Splitting this revenue between parks, transit, housing, and climate will provide ongoing funding for all four areas, enabling targeted spending on climate initiatives that will support the City and community in reaching our climate mitigation and resilience goals.

- **Uses**: A wide range depending on the structure of the revenue funding model which could support residential, commercial, and industrial structures and users.
- **Revenue**: Depends on the chosen structure.
- **Flexibility**: Since any of the revenue generation mechanisms included in past discussion can be written broadly to allow for a wide variety of investments and last for as many years as the Council and community would like, this revenue will provide for both flexibility and consistency in our approach.

Key Policy Considerations

- **Equity**: These mechanisms affect a broad swath of the community and collect revenue from most individuals in the city. Depending on structure, this approach will likely be regressive (having a proportionally greater impact on low-income community members). Equity considerations should be built in to these revenue options to reduce the impact on specific community populations.
- **Implementation**: These mechanisms, aside from user fees, require voter approval.

Acceleration Opportunities / Enhancements to Core

Potential *Acceleration Opportunities* include options that would generate dedicated climate revenue while also working toward Our Climate Future goals using financial incentives and disincentives that encourage systems and behavior change within the community.

OPTION 1: Dedicated Sales Tax for Climate Initiatives

Overview

This option could be considered separately from or as part of the new sustainable revenue package being developed for parks, housing, transit, and climate funding. One possibility would be to put forth a voter-approved tax for climate (inclusive of parks, housing, and/or transit) to help accomplish Our Climate Future goals, or it could be an additional dedicated tax separate from the package of new revenue tools discussed above. Examples include Denver's Climate Protection Fund and the Portland Clean Energy Community Benefits Fund (both are described in detail in the attached ***Appendix 2***).

- **Uses**: Both Denver and Portland's funds can be applied to a wide range of allowable uses, including: buildings, renewables, workforce, transportation, environmental & climate justice, regenerative agriculture, green infrastructure, adaptation & resiliency, future innovations, and administration.
- **Revenue**: Denver's fund generates $40 million annually and Portland's generates $30 to $60 million depending on the source. Local revenue generation would depend on the rate and applicability of the tax and should be expected to be significantly lower given the population differential between Fort Collins and Denver/Portland.
- **Flexibility**: A dedicated sales tax can be written to have a wide range of allowable uses, as in the Denver and Portland case studies. Staff views this potential revenue source as highly flexible as well. As in the case of core new revenue, this funding could last as long as Council and the community would like, and it would impact the entire community as well as visitors who enter the City and pay sales tax as part of their purchases while in town.

Key Policy Considerations

- **Equity**: Sales taxes are inherently regressive, but Denver has found a way to distribute resources generated from their tax equitably. Denver's ordinance creating the Climate Protection Fund (CPF) states that it "should, over the long term, endeavor to invest fifty percent (50%) of the dedicated funds directly in the community with a strong lens toward equity, race and social justice." Portland only assesses a surcharge on gross revenues from large retailers due to their outsized impact on climate change. Small retailers were excluded to minimize impacts on small- and medium-sized businesses within the community.
- **Implementation**: A dedicated sales tax requires voter approval.

OPTION 2: Natural Gas Excise Tax

Overview

One policy option that could both raise revenue and disincentivize emissions is an excise tax on natural gas use. A new tax could be assessed on the delivery of natural gas and charged directly to the entities that deliver natural gas (e.g., Xcel Energy). The delivery entity would have discretion on how to pass the cost along to customers. A local example is Boulder's experience in environmental revenue generation through a similar tax structure (for a detailed description of the current and proposed Boulder approaches see the attached ***Appendix 2***).

- **Uses**: In Boulder, the revenue collected from their existing climate taxes has been put toward rebates and incentives to help residents and businesses reduce energy usage and implement solar solutions, piloting innovative technologies, implementing local policies, lobbying and advocacy for regulatory changes at other levels of government, and other initiatives related to reaching the City's clean energy goals. Their proposed natural gas excise tax includes allowable uses for revenue such as direct cash assistance for energy efficiency, microgrid energy storage, building electrification, transportation infrastructure electrification, natural climate solutions, and wildfire resilience.
- **Revenue**: Revenue generation locally will vary depending on how it is structured and could be one of the higher-impact options to consider. Because staff expects the community to slowly phase out its dependence upon natural gas, revenue generated from an excise tax of this type will likely endure for greater than ten years and into the foreseeable future. In Boulder, the combined total of average annual revenue for their existing two taxes is roughly $3.9 million per year and could increase to $6.5 million per year with their tax consolidation proposal this November.
- **Flexibility**: The Council can structure allowable uses for the tax as broadly as it would like in the ballot language, therefore, this revenue generation mechanism could be highly flexible.

Key Policy Considerations

If Council is interested in pursuing this option, staff will need to conduct additional research and analysis to determine estimates for implementation and administrative costs.

- **Equity**: Staff would classify this mechanism as regressive since the City maintains little control over how natural gas providers pass costs onto their customers and because an excise tax on a utility will likely impact low-income customers to a greater degree than middle- and high-income customers. Boulder is pursuing options to enhance the equitable application of the tax.
- **Implementation**: A new excise tax requires voter approval. There may be several legal complexities with implementing a general tax on natural gas providers that is then passed onto consumers, especially given the City's current contract with Xcel Energy.

The City currently maintains a franchise fee agreement with Xcel Energy which grants them the nonexclusive right to use City streets, public utility easements, and other City property for the purpose of providing natural gas service in exchange for a fee, which they pass down to consumers. More information about the City's franchise agreement with Xcel Energy can be found below.

OPTION 3: Natural Gas as Proxy Fee

Overview

When considering potential revenue from medium-sized emitters (entities not required to report to the EPA because they are under the 25k MT CO2e/year) natural gas consumption could be used as a proxy for emissions, and a fee could be charged to medium-sized emitters. This option is the least-well understood due to staff's inability to find local, regional, or other peer examples of this type of program.

- **Uses**: The use of these funds would need to be tied to the actions or behavior of the feepayer limiting the ability to achieve broader Our Climate Future goals and objectives.
- **Revenue**: For the same reason as the previous option, staff believes that revenue generated from this mechanism will endure for greater than ten years and into the foreseeable future.
- **Flexibility**: Fees must legally have a narrower use that applies these recovered dollars to the cost of programs that address shortfalls imposed by feepayers. The use of revenue generated via this mechanism would be restricted to a greater degree than a voter-approved tax. Council and City Staff would need to brainstorm creative ways to use revenue to target emissions in a way that ties the fee revenue to the costs incurred due to activities related to GHG emissions by the City's largest emitters.

Key Policy Considerations

Since the City does not supply natural gas, staff does not currently have access to consumption levels by account within the community. Should Council be interested in pursuing this type of revenue generation, staff will need to invest time and resources into understanding the legal and policy-related complications that may arise from the use of a fee-based mechanism. Researching how staff will collect data on the largest natural gas emitters in the community will present an additional hurdle for this option.

- **Equity**: Since the fee would directly target the community's largest emitters, it would be levied equitably. Nonetheless, Council and staff would still need to make intentional investments of fee revenue in ways that are both legal and equitable to enhance the community-wide impact of the revenue.
- **Implementation**: A fee does not require voter approval. The largest barrier to this type of program is determining exactly which consumers would be subject to the fee (i.e., the top 50 or 100 consumers, consumers above a certain threshold, etc.) and how the City would collect that information. At this time, staff does not have an estimate of the implementation/administrative costs of a natural gas proxy fee, in part due to a lack of peer examples in this space.

OPTION 4: Large Emitter Fee

Overview

A "large emitter" would be defined as those entities reporting more than 25,000MT CO2e annually, as reported to the EPA. The recommended fee would be based on the Social Cost of Carbon, which is priced at $51/MT of carbon emitted. At this level of carbon emissions, there are three facilities within City limits to which the fee would apply, Broadcom, Colorado State University, and Anheuser Busch (details on emissions available in the attached ***Appendix 2***).

- **Uses**: Fees require the organization to use the recovered revenue in pursuit of programs and policies that connect to the issue caused by the behavior or actions of the feepayer. Consequently, the safest investment of fee revenue would result in the City providing programs or rebates that earmark funding for these entities to address large sources of emissions and their impact on climate and environment in our community.
- **Revenue**: Assuming a fee of $51/MT of carbon emitted this revenue mechanism could generate as much as $10.9 million annually (details of the revenue calculation available in the attached ***Appendix 2***). As with many behavior-based policy interventions, revenue is expected to decrease over time as emitters align their behavior with the expectations of the policy in an attempt to reduce their overall costs.
- **Flexibility**: Fees must legally have a narrower use that applies these recovered dollars to the cost of programs that address shortfalls imposed by feepayers, the use of revenue generated via this mechanism would be restricted to a greater degree than a voter-approved tax. Council and City Staff would need to brainstorm creative ways to use revenue to target emissions in a way that ties the fee revenue to the costs incurred due to activities related to GHG emissions by the City's three largest emitters.

Key Policy Considerations

Further staff analysis is necessary to understand the resource-intensiveness of this approach in terms of administrative costs as staff is unaware of other analogous programs for comparison. In terms of equity, staff's evaluation is that this mechanism is generally more progressive in nature than other options since it targets the highest emitters in the community. Nonetheless, it also creates an arbitrary line between emitters that are required to report to EPA and those just under the threshold of 25MT, potentially creating equity issues between entities just above and below the line.

- **Equity:** Since the fee would directly target the community's largest emitters, it would be levied equitably. Nonetheless, Council and staff would still need to make intentional investments of fee revenue in ways that are both legal and equitable to enhance the community-wide impact of the revenue.
- **Implementation:** Because this revenue generation strategy is not a traditional tax, it does not require voter approval via ballot initiative. This may ultimately lessen the procedural hurdles toward implementation. CSU is a separate governmental entity unlike the other two private enterprises, the likelihood of legal complexity is relatively high according to analysis by the City Attorney's Office.

Additional Lever – Natural Gas Franchise Fee

The City assesses a tax called an occupational privilege gas service tax paid by Xcel Energy to the City in exchange for the non-exclusive right of the company to use City streets, public utility easements, and other City property for the purpose of providing utility service to the City and residents. The franchise agreement specifies that Xcel must collect the fee via a surcharge upon City residents who are customers of the company. The fee is then remitted to the City in monthly installments.

Allocation of Existing Franchise Fee Revenue

The revenue generated from this tax averages nearly half a million dollars per year (historical detail available in the attached ***Appendix 2***), all of which is then funneled directly into the general fund.

The franchise fee was originally instated in 1987, and several updated agreements between the City and Xcel have been executed in the decades since. The latest agreement was signed in 2018 and stipulates the terms of the franchise fee, including the maximum surcharge to be collected from customers, which is set at 3%. The current franchise agreement is set to terminate in 2038.

While franchise fees can provide reliable and sustainable revenue for the general fund which can then be allocated flexibly based upon the needs of the greater organization (as is currently the case in Fort Collins, Greeley, Thornton, Lakewood, and Frisco, CO) some municipalities have leveraged these funds creatively in pursuit of climate and environmental health goals (examples are available in the attached ***Appendix 2***).

Importantly, redirecting the use of franchise fee revenue at its currently negotiated level of 3% for climate-related goals, policies, and programs does not constitute new revenue generation in the context of the present sustainable revenue conversation.

Renegotiation of Franchise Fee

While redirecting the use of current franchise fees solely to climate-related programs does not create new revenue, Council could endeavor to reopen and renegotiate the terms of the current agreement to raise the surcharge on customers. If, for example, the surcharge was doubled to 6%, the City could generate an additional $300k - $500k per year on average. This could raise the annual revenue to a total yearly average of between $600k - $1M which could be leveraged in pursuit of GHG reduction goals outlined in Our Climate Future plans.

Staff Recommendation and Next Steps

Staff recommends further legal and policy analysis of Options 1 & 2 as part of the broader Sustainable Revenue conversation. These tax-based options for climate revenue generation are anticipated to have longer timeframes, higher flexibility for use of funds, and fewer legal complications compared with (fee-based) Options 3 & 4.

Next steps for this process will be:

- Take CFC guidance on which options to investigate further
- Provide a timeline to the full City Council at the December 13 Sustainable Funding Work Session that includes future analysis of the selected revenue generation strategies

The December Work Session will also be an opportunity to go deeper into what new revenue may be used for. As shared in the recent OCF Work Session, there will be many investments needed to achieve adopted climate and waste goals, in alignment with the OCF Pathways and the Council OCF Action Roadmap.

ATTACHMENTS

1. PPT – Sustainable Funding: Climate Options
2. Appendix 1 – Climate Revenue Options Summary Table
3. Appendix 2 – Climate Revenue Options Research and Discussion

Key Considerations	Core, Ongoing Climate Funding		Acceleration Opportunities / Enhancements to Core			
	Existing revenue (Utilities)	**Sustainable Revenue (Climate, Transit, Housing, Parks)**	**OPTION 1: Dedicated Sales Tax for Climate Initiatives**	**OPTION 2: Natural Gas Excise Tax**	**OPTION 3: Natural Gas as Proxy Fee**	**OPTION 4: Large Emitter Fee**
Flexibility of funds use	Med	Highest	Higher	High	Low/Med	Low
Voter approval required	N	Y	Y	Y	N	N
Estimated revenue generated / yr*	$6.5M	$$	$$	$$ / $$$	$$	$$ / $$$
Implementation resources needed	13 FTE (embedded in biannual budget)	TBD	TBD Denver admin costs limited to 5% of revenue; Portland considering increase for admin costs from 5 to 12%	TBD Boulder FTE costs up to 33% of revenue (14-16 FTEs including existing)	TBD	TBD
Duration	Ongoing	Ten years + unless permanent adoption	Ten years + unless permanent adoption	Ten years+	Ten years+	< 5 years
Number of entities affected	Community-wide (all electric utility customers)	Community-wide	Community-wide	Taxing natural gas industry (passed down community-wide)	5-100 largest emitters	3 entities reporting to EPA
Equity considerations **	Balanced	Regressive	Regressive	Regressive	Progressive	Progressive
Example applications from other communities	• Energy Efficiency Programs • Solar and storage customer programs • Grid Flexibility programs	N/A (Tailored discussion for Fort Collins-specific deficits)	Denver ($40-50M / yr); Denver allowable uses: • Sustainable Transportation • Workforce Development • Resilience • Buildings • Renewables	Boulder ($6.5M / yr) Allowable uses: • Direct cash assistance for energy efficiency • Microgrid, energy	N/A (Staff is not aware of peer communities instituting a fee of this type)	N/A (Staff is not aware of peer communities instituting a fee of this type)

Key Considerations	Core, Ongoing Climate Funding		Acceleration Opportunities / Enhancements to Core			
	Existing revenue (Utilities)	**Sustainable Revenue (Climate, Transit, Housing, Parks)**	**OPTION 1: Dedicated Sales Tax for Climate Initiatives**	**OPTION 2: Natural Gas Excise Tax**	**OPTION 3: Natural Gas as Proxy Fee**	**OPTION 4: Large Emitter Fee**
			• Climate Justice Portland (1% sales tax on large retailers, annual revenue of about $30 $60M); Portland allowable uses (grant funding): • Renewable energy & efficiency • Job training, apprenticeships, & contractor support • Regenerative agriculture & green infrastructure • Innovation	storage, building electrification • Transportation infrastructure electrification • Natural climate solutions • Wildfire resilience		
Next Steps	Ongoing budget processes (Existing revenue source)	Work with CFC and Council during Dec. work session to further solidify desired revenue generation approaches and allocation of dollars to climate work	Further analysis of implementation strategies and resources necessary to administer this kind of tax/program (FTEs, administrative costs, etc.)	Further analysis of the legality of maintaining a franchise agreement alongside a general occupational privilege tax that acts as a natural gas excise tax. Further analysis of resources necessary to administer the program.	Extensive legal and policy analysis of the practicality of pursuing a fee-based mechanism, how to obtain information about top 5-100 natural gas users, how to structure the fee, and the administrative resources necessary.	Extensive legal analysis of fee to program dollar nexus, greater understanding of CSU/Broadcom/ Anheuser Busch efforts to reduce emissions below EPA required reporting level, and further study on administrative resources necessary.

Key Considerations	Core, Ongoing Climate Funding		Acceleration Opportunities / Enhancements to Core			
	Existing revenue (Utilities)	Sustainable Revenue (Climate, Transit, Housing, Parks)	OPTION 1: Dedicated Sales Tax for Climate Initiatives	OPTION 2: Natural Gas Excise Tax	OPTION 3: Natural Gas as Proxy Fee	OPTION 4: Large Emitter Fee

*For this conceptual analysis, potential revenue generated are rough estimates, corresponding to the following amounts:

- **$ =** $1 – $5 million
- **$$ =** $5 – $10 million
- **$$$ =** greater than $10 million

**Equity considerations can be more nuanced than a simple categorization of "regressive" or "progressive" – we provided these simplified labels to indicate the general slant of each mechanism. That said, there are several modifications that can be made to any of the options labelled as "regressive" that address equity concerns. For example, a certain percentage of revenue generated from dedicated sales taxes can be earmarked for investments in low-income communities or programs for income-qualified customers of City services. Similarly, a natural gas excise tax could "kick in" only at a higher baseline level of consumption to mitigate impacts for low-income consumers. Even those mechanisms that are generally labelled as "progressive" require intentional investments and program design elements that focus equity and environmental justice. As a result, none of these revenue generation opportunities are regressive or progressive on their own; they each require deliberate decisions that encourage equitable outcomes in terms of how taxes and fees are levied and how their revenues are invested.