



Council Finance Committee Hybrid Meeting
April 6, 2023
222 Colorado River Room / Zoom

Council Attendees: Mayor Arndt, Julie Pignataro, Emily Francis, Kelly Ohlson, Shirley Peel, Susan Gutowsky

Staff: Kelly DiMartino, Travis Storin, Tyler Marr, Rupa Venkatesh, John Duval, Teresa, Roche, Kelley Vodden, Ginny Sawyer Nina Bodenhamer, Blaine Dunn, Jo Cech, Randy Bailey, Renee Callas, Logan Bailor, Jen Poznanovic, Lawrence Pollack, Charles McNamee, Christina Taylor, Kendall Minor, Lance Smith, John Phelan, Josh Birks, Beth Yonce, Meaghan Overton, SeonAh Kendall, Katie Geiger, Caryn Champine, Monica Martinez, Spencer Smith, Drew Brooks, Victoria Shaw, Dave Lenz, Kerri Ishmael, Zack Mozer, Erik Martin, Adam Molzer, LeAnn Williams, Honore Depew, Javier Echeverria Diaz, Jill Wuertz, Carolyn Koontz

Others: Kevin Jones, Chamber
Molly Bohannon, Coloradoan
Mark Houdashelt

Meeting called to order at 4:00 pm

Approval of minutes from the March 2, 2023, Council Finance Committee Meeting. Emily Francis moved for approval of the minutes as presented. Kelly Ohlson seconded the motion. The minutes were approved unanimously via roll call by: Julie Pignataro, Kelly Ohlson and Emily Francis.

A. West Elizabeth Appropriation Request

Spencer Smith, P.E., Engineering – Special Projects Engineer
Monica Martinez, Planning Development & Transportation Finance Manager

EXECUTIVE SUMMARY

The West Elizabeth travel corridor is currently the highest priority pedestrian/alternative mode area for improvement in the City and was highlighted in City Plan and the Transit Master Plan. The City was awarded a \$1,232,248 Multi-Modal Options Funding (MMOF) grant from the North Front Range Metropolitan Planning Organization (NFRMPO) for the final design of the project. The grant award requires a 50% local match of \$1,232,248. Colorado State University (CSU) has committed to funding 50% of the local match requirement and has appropriated \$616,124 for that purpose. The City will be required to contribute 50% of the local match funds as well as the local overmatch funds. The City's financial commitment to the final design will be \$616,124 in local funds and \$35,504 in local overmatch funds for a total of \$651,628 to complete the \$2.5M final design.

GENERAL DIRECTION SOUGHT AND SPECIFIC QUESTIONS TO BE ANSWERED

Is Council Finance supportive of an out of cycle supplemental appropriation for the Multi-Modal Options Fund (MMOF) and required local match to complete Final design for West Elizabeth Corridor?

BACKGROUND/DISCUSSION

MMOF Background

In August 2022, the NFRMPO awarded the City with a MMOF grant for the final design of the West Elizabeth Corridor project.

The approved funding breakdown is as follows:

• MMOF grant	\$1,232,248
• Local Match (City/CSU)	\$1,232,248
• Local Overmatch (City)	<u>\$35,504</u>
• Total	\$2,500,000

The total local match requested from the City is \$651,628. Funds from the Transportation Capital Expansion Fee (TCEF) and unanticipated revenue from Transfort will be used in equal amounts to support this supplemental appropriation request (\$325,814 each).

West Elizabeth Corridor Background

The West Elizabeth Corridor is currently the most productive transit area and one of the highest pedestrian use areas within the City.

- It has more passengers per revenue hour than Max and there are often times where “trailer” buses are required in order to accommodate all the passengers.
- Most passengers are going to/from CSU. This includes CSU’s foothills campus which is harder for Transit to access due to the limited ability to turn buses around at Overland Trail.
- Bike/ped count data show extremely high usage and potential for modal conflict at the major intersection of W. Elizabeth and City Park Ave.

The design along this corridor is expected to allow for safer travel for all modes and a more direct route for buses which will include a turnaround at the end of Elizabeth which could help lead to some route consolidation.

Due to the many factors and current condition of this corridor, it is one of the top priority areas for improvement within the City and has specifically been highlighted in the Transit Master Plan as the highest priority project.

West Elizabeth Corridor Project Status

- 30% Design - Completed (Summer 2022)
- Final Design – Summer 2023 to Summer 2024 (pending this appropriation of local match funds)
- RAISE grant – Submitted (February 2023)
 - Foothills Transit Center and Roundabout at Overland/Elizabeth
 - \$10.7M requested
- Small Starts grant
 - Project Rating submittal (tentative) – Fall 2023

Staff is recommending appropriation of the City’s final design local match and overmatch for several reasons:

- The project funds are highly leveraged in that CSU is contributing \$616,124 to the project.

- Having a completed final design and this project at a “shovel ready” status could help secure construction funding.
- In line with guiding themes and principles of the City Strategic Plan:
 - Multimodal Transportation & Public Transit
 - Equity, Inclusion and Diversity
 - Environmental Sustainability

DISCUSSION / NEXT STEPS

GENERAL DIRECTION SOUGHT AND SPECIFIC QUESTIONS TO BE ANSWERED

Is Council Finance supportive of an out of cycle supplemental appropriation for the Multi-Modal Options Fund (MMOF) and required local match to complete Final design for West Elizabeth Corridor?

Kelly Ohlson; can you define Transit Center?

Drew Brooks; it will be a bit smaller – we are referring to it as more of a station instead of a center – it will include restrooms and six bays for buses to pull in and out of. Will be smaller because there won't be as many routes that connect to it.

Kelly Ohlson; will CSU be contributing their fair share to the ongoing costs?

Drew Brooks; that is the plan – we are still having those discussions – we don't yet have the complete numbers as far as what those operating costs will be because we are going to be combining some routes. When we have those estimates, we will have negotiations with CSU.

Kelly Ohlson; Is the \$20M for construction our share?

Spencer Smith; that amount is based on the Small Starts grants so it would be a 80/20 split. The local match would be 20% of the project costs.

Tyler Marr; that is another point of discussion that we are yet to have with CSU around what that local match looks like. A lot of us view that \$20M collectively as a minimum. We are seeing a lot of Small Starts projects that are taking 30 - 40% match to be competitive. The goal will be a fair share split with CSU.

Kelly Ohlson; this is a lot of money – if this is a priority project - What would be one example of where we could come up with our portion after agreement with CSU? (let's say \$15M)

Travis Storin; when we get past 100% design, the sustainable funding would be sort of Plan A to fund the capital project. Beyond that, we might look to the ¼ cent renewal on capital projects. Due to its size, it is not an ideal candidate for debt financing. This is a very different project from the Mason Station which was \$86M – all of the city's match was in kind contributions of land and right of way. This is a project where we are going to have to be producing cash for the local match. That is a major risk. We do know there are a lot of grant dollars out there that are going to be available for us to leverage, but for the local match portion and in order to meet the requirements of the grants, this would be a top priority for the sustainable funding conversation for Transit.

Kelly Ohlson; I am not used to the phrase 'Transfort unanticipated revenue'. Where did we get unanticipated Transfort revenue?

Travis Storin; the phrasing comes from our Charter, where any appropriation that is done outside of the annual budget cycle must be attached to either reserves or to unanticipated revenue (which is anything that was not in the budget). Transfort ended 2022 in a deficit position on reserves which is not uncommon. There is lead time for grants we have already been awarded to actually get the reimbursements. We get 'pre award spend authority' from the FTA for money we know is going to be there.

Emily Francis; no questions

Julie Pignataro; I am good too – those were great questions. Please move forward in bringing it to the full Council.

B. Ballot Work re: Potential County Childcare Tax

Christina Taylor, MPH Chief Executive Officer

EXECUTIVE SUMMARY

Larimer County families currently spend between 20-50% of their annual household income on childcare costs. The cost of care for one child, between \$7,000-\$20,000 a year, exceeds that of tuition costs of many colleges and universities. Childcare cost and availability negatively impact younger families who are not prepared to handle this enormous financial burden so early in their lives. This restricts many families' ability to afford other basic needs, including stable housing and food. It also impacts our economy in a big way. Lack of childcare access is estimated to cost Larimer County nearly \$100m in lost earnings, productivity and revenue. Quality childcare is essential to ensuring we have thriving, productive generations in the years to come, yet inadequate public investment coupled with a dire lack of qualified workforce means that quality care is out of reach for many families.

Today, Larimer County is poised to pave the way for future generations by radically shifting how the childcare sector is funded. By creating a dedicated local public funding stream, we have the opportunity to increase access to quality, affordable childcare for thousands of families in Larimer County. At the same time, we will be able to improve provider compensation and preparation, making childcare an attractive profession that is valued for its positive impact on the lives of families and the children upon whom our future relies. With a question posed to Larimer voters in November of 2023, we propose to raise the Larimer County sales and use tax by .25% (just 25 cents on every \$100 purchase). The revenue generated from a successful ballot measure, an estimated \$19-\$21M annually, will work toward ensuring that no family in Larimer County is paying more than 10% of their annual income on childcare costs. Further, it will support Larimer County early care and education professionals with wage supplements, professional development, increased access to healthcare benefits, and more.

DISCUSSION / NEXT STEPS

Emily Francis; who would oversee the tax dollars?

Christina Taylor; we are working with the county to determine that – which is the reason we stepped away in 2021 – we did not have the time to determine that. It is possible the county will release an application process for an administrator. Our desire and intention would be for the Early Childhood Council to be the administrator. We have been in this community for 20 years, we have the capacity to manage said funding, and this is the work that we do. That would be done through a process with the county, through a contract. Very transparent with the processes.

Emily Francis; why did you pursue a tax instead of a special district?

Christina Taylor; for us to justify a special district, it would be creating a district here in Larimer County that would replicate the work of the Early Childhood Council. There is no guarantee that the Early Childhood Council would become that entity.

Emily Francis; have we seen this in other counties where they do the tax, but it is managed by a separate entity?

Christina Taylor; Summit and San Miguel Early Childhood Councils work alongside their local county governments to administer the tax funding. A larger example is the Denver pre-school program which brings in a similar amount of revenue to fund preschool access for every Denver 4-year-old. They are a very core partner in us developing the administrative part of this.

Emily Francis; with the model you have set up, how would you determine who gets the benefit? You mentioned 7,000 children, so it isn't all. Some centers would have renovations, some increases.

Christina Taylor; we would have to do it through an application process. Processes like this already exist within the Early Childhood Council. For example, there is ARPA funded grant, the emerging and expanding grant that runs through our organization. We distributed almost \$1M last year through an application process. That way we can ensure it will be in an area that will serve the highest need. Also, that the organization is run in a way that is high quality. That we are funding things that are useful and relevant. The administrative distribution of the tax dollars would be worked out completely in a very transparent process that first year of tax revenue coming in with community and provider input.

Julie Pignataro; I don't have any questions – thank you for providing this information. With your talks with the county, when do you anticipate having an answer?

Christina Taylor; we are hoping to get an answer by June or July. It will likely have to go through the county's procurement process. The commissioners have to refer which is our desire.

Kelly Ohlson; kind of a stretch for me. it is a lot of money and as a person who likes to diversify the tax base, it seems like the city and county are hitting a wall – it is getting up there. I would have preferred something more like a library district model or something like that but that isn't going to happen. A stretch to pick one industry that we are going to fund increased salaries and infrastructure improvements. If the commissioners are supportive, perhaps they should look at a minimum wage as that is a systemic change. The wages that people are paid to do this work are dismal. Picking out one industry that we are going to subsidize \$20M per year is a stretch for me. If we had an appropriate minimum wage, it wouldn't be where it needs to be, but it would be \$4-5 more per hour. That complicates it for me.

Christina Taylor; regarding a minimum wage increase, when we talk about childcare as a failed market. Where would a childcare program find that funding if they were forced to implement an increased minimum wage? Right now, childcare programs are going under left and right because they can't afford to fund their programming the way it is set up. This is a problem across our country. This is why I mentioned that some of the Nordic countries fund childcare as a public good. It truly is a failed market, there is no other revenue stream for a childcare program to bring in other than tuition and fees. Our lower income families in this community can pay up to 60% of their wages, which keeps them at home. Many of those families and providers receive public benefits due to low wages. While I fully agree that a community wide minimum wage will be important to raising the economic self-sufficiency of everyone. It is just not possible for some industries that don't have other

revenue streams. Childcare as an industry model but we can't keep thinking about it like that. This is the future of our society. These children will be filling our jobs in 20-30 years. This needs to be funded as a public good.

Kelly Ohlson; it won't annoy me if we have competing ballot items as it is up to the public to decide. I would have preferred a different mode of funding – other than sales tax.

Christina Taylor; in our research and the process we followed, we did polling on multiple different measures of revenue generation. We polled voters on property tax increases, also on sin tax increases but they won't generate enough revenue, so sales tax was the only viable option. Nobody wants to pay more property tax which should come as no surprise.

Kelly Ohlson; I shouldn't have to pay more sales tax to subsidize childcare for households that make 5x what I make. Will there be needs based measurements?

Christina Taylor; we would cap the amount of tuition at 10% of their annual income. A family that is making \$150K per year – we will not cover a whole lot if any for their childcare costs because they can afford it. We want this to be a universal access. The maximum amount of benefit is going to our lower-income families who already struggle to afford food and housing.

Kelly Ohlson; that is the key issue for me, Let the voters decide wherever it falls. I understood the materials to say that families who are making \$250K would still be eligible for some benefits. That is highly problematic to me.

Christina Taylor; If they make \$250K per year and have two children that are accessing childcare, the likelihood that they are spending 10% of their income on childcare is very low. This is a sliding scale opportunity so lower income families will benefit the most. It will be targeted for equity for those who need it the most.

Shirley Peel; concern about the state and the city making it more expensive with regulations.

C. Sustainable Revenue - Climate

Honore Depew, Climate Program Manager

Javier Echeverria, Sustainability, Sr. Financial Analyst

John Duval, Deputy City Attorney

Megan Valliere, Coordinator, Project Management

EXECUTIVE SUMMARY

The purpose of this item is to provide analysis of several funding mechanisms that would generate revenue to advance climate initiatives, based on previous direction from the Council Finance Committee (CFC) at the September and November 2022, and January 2023 meetings. The information provided offers detail about three potential revenue sources as CFC considers a number of possible mechanisms to support the broader New Revenue conversation (which is the final agenda item at the April 6, 2023 CFC meeting). Staff is requesting direction about which options, if any, to include for further discussion at the April 25 City Council Work Session. The analysis provided is based on considerable research, including examples from peer municipalities, legal and policy analysis, and financial analysis. To the extent there are legal issues with any of these three revenue sources, the City Attorney's Office will address those issues in a separate confidential memorandum to Council.

The options presented include:

1. OPTION 1: Large Emitter Tax
2. OPTION 2: Natural Gas Franchise Fee Increase from 1.07% to 3.00%
3. OPTION 3: Natural Gas Utility Occupation Tax

Staff recommends pursuing Option 2 because Council could make the fee adjustment in short order without a ballot referral to begin delivering new, sustained revenue for climate priorities. Other options for generating new revenue to fund climate priorities could then be considered over the course of the next two election cycles. Staff will be seeking guidance at the April 25 City Council Work Session about what specific climate priorities should be funded by any new revenue generated.

GENERAL DIRECTION SOUGHT AND SPECIFIC QUESTIONS TO BE ANSWERED

1. What questions do committee members have about these potential revenue generating mechanisms?
2. Which options, if any, should staff include for further discussion at the April 25 City Council Work Session? (To be addressed as part of final CFC item)

OPTION 1: Large Emitter Tax

Bottom Line

A large emitter tax has the potential to accelerate de-carbonizing two entities currently producing more GHG emissions than the EPA reporting threshold. It would generate several million dollars a year in new revenue in the short term, but its financial returns diminish steadily, with the last year of projected revenue generation before 2030 after the two entities drop below the EPA's reporting threshold.

Background

CFC members expressed interest in a large emitter fee or tax in response to community input for ways to raise revenue for climate-related projects while also providing disincentives for the emission of greenhouse gas (GHG). Because the uses for revenue from a fee would be more limited than tax revenue, staff were directed to focus on a large emitter tax.

In this scenario, a "large emitter tax" would be imposed on those entities within the City's boundaries emitting more than 25,000 metric tons of carbon dioxide equivalent (MT CO₂e) annually, as reported to the U.S. Environmental Protection Agency (EPA). The tax would be \$51 per MT CO₂e emitted per year.

Social Cost of Carbon Definition

To date, all revenue projections for this potential source have been calculated based on the Social Cost of Carbon (SC-CO₂). The SC-CO₂ is defined by the EPA as "a measure, in dollars, of the long-term damage done by a ton of carbon dioxide (CO₂) emissions in a given year," and it "also represents the value of damages avoided for a small emission reduction (i.e., the benefit of a CO₂ reduction)."¹ Estimates of the SC-CO₂ depend in large part on the anticipated monetary value of today's decisions on the conditions of the future. The current SC-CO₂ is \$51/MT CO₂e, though the EPA is currently considering dramatically increasing this number to \$190/MT CO₂e.

¹ United States Environmental Protection Agency. (n.d.). *The Social Cost of Carbon: Estimating the Benefits of Reducing Greenhouse Gas Emissions*. https://19january2017snapshot.epa.gov/climatechange/social-cost-carbon_.html

New Revenue Potential

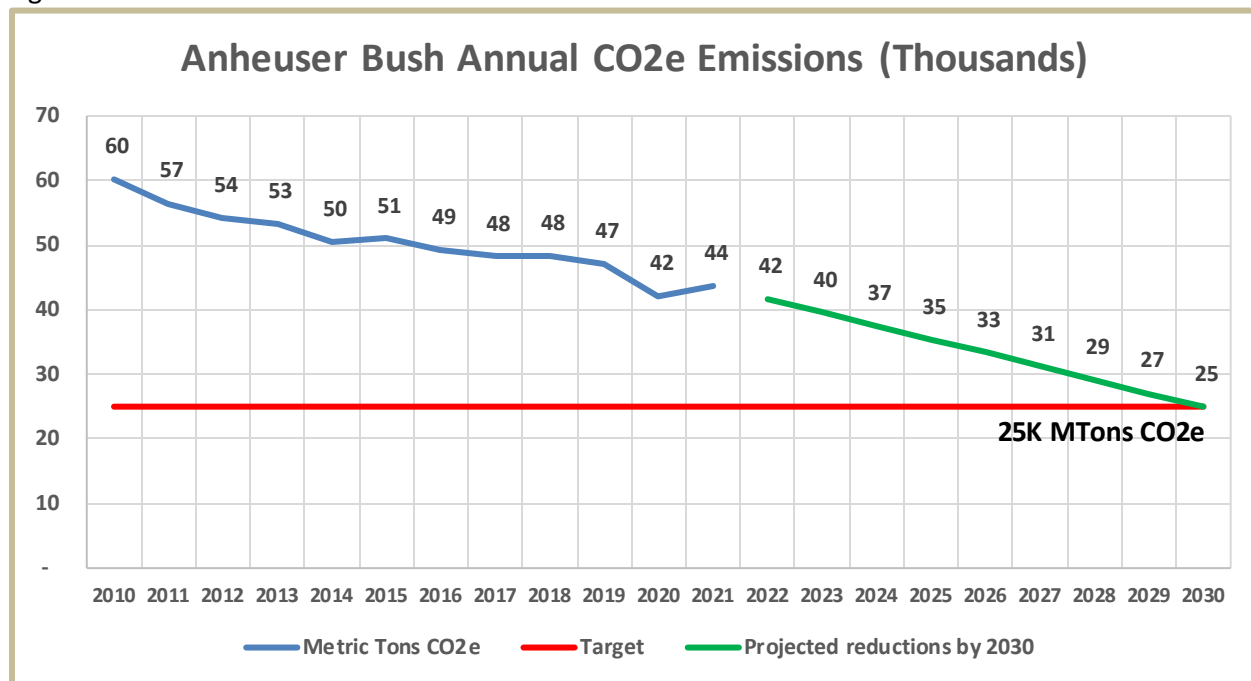
At the current reporting requirement of 25,000 MT CO₂e annually, only three entities within city limits would be subject to a large emitter tax. These include Broadcom, Anheuser-Busch, and Colorado State University (CSU). The City Attorney's Office review and analysis of case law regarding a municipality's ability to tax a university in its jurisdiction concluded it was unlikely the City had the legal authority to do so.² As a result, CSU has been excluded from this analysis, leaving only two taxable entities in the "large emitter" category now operating within city limits. Using forecasted levels of CO₂e emitted from Anheuser-Busch and Broadcom, the following table shows the annual revenue the City would expect to generate in 2024 utilizing the SC-CO₂ as a baseline per metric ton.

Figure 1

Facility	Total Reported Emissions (MT CO ₂ e) 2024 Forecast	Revenue (\$51/MT)
Broadcom	57,400	\$2.9M
Anheuser-Busch	37,474	\$1.9M
Total	94,874	\$4.8M

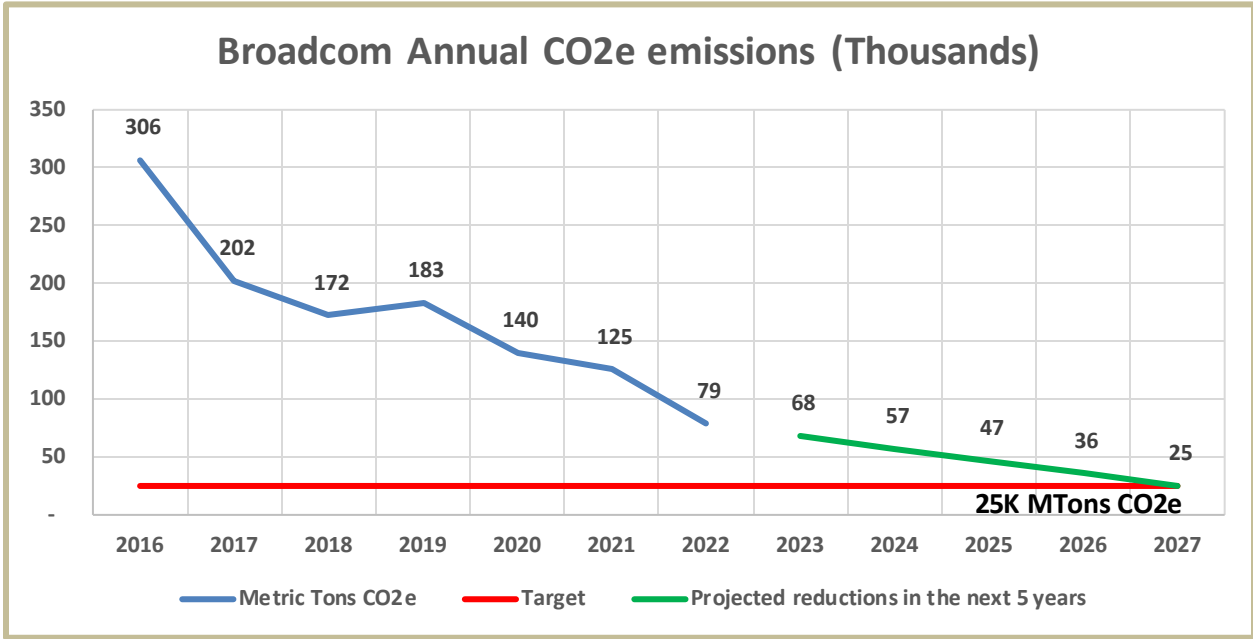
To understand the ability of a large emitter tax on these two entities to generate sustainable revenue, staff analyzed GHG emissions trends from each of the two entities to project the date at which they would bring their emissions below the 25,000 MT CO₂e threshold for EPA reporting and thus no longer be subject to the local tax. Anheuser-Bush has publicly committed to bringing their annual emissions below 25,000 MT CO₂e before 2023, as well as Broadcom has also publicly committed to bringing their annual emissions under the reporting threshold within the next five years. The following graphs show each businesses' progress toward lower emissions:

Figure 2



² See Colorado Supreme Court decision, *City of Boulder v. The Regents of the University of Colorado*, in which the Court concluded Boulder could not compel the University of Colorado to remit to Boulder an admissions tax for public events on campus.

Figure 3



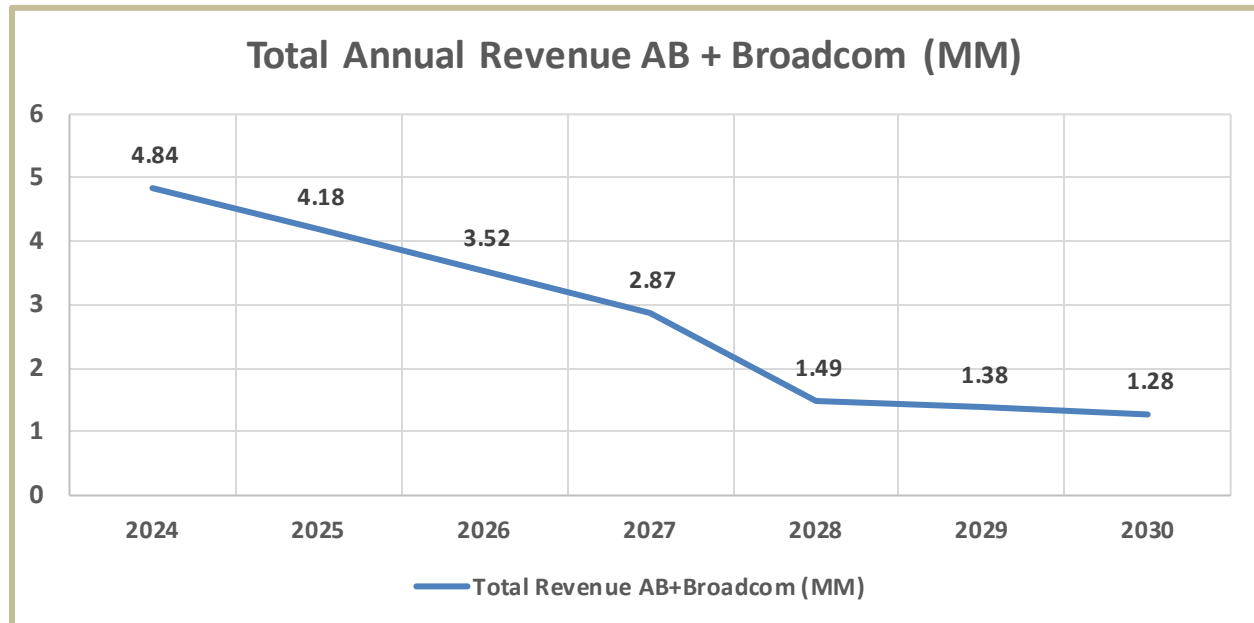
The resulting revenue generation estimates for future years are tabulated below in Figure 4.

Year	Total AB + Broadcom New Revenue	Anheuser-Busch (AB)		Broadcom	
		Metric Tons CO2e (projected)	Annual Tax Revenue at \$51/MT CO2e	Metric Tons CO2e (projected)	Annual Tax Revenue at \$51/MT CO2e
2022	N/A	41,632	N/A	*79,000	N/A
2023	N/A	39,553	N/A	68,200	N/A
2024	\$4,838,564	37,474	\$1,911,164	57,400	\$2,927,400
2025	\$4,181,737	35,395	\$1,805,137	46,600	\$2,376,600
2026	\$3,524,909	33,316	\$1,699,109	35,800	\$1,825,800
2027	\$2,868,082	31,237	\$1,593,082	25,000	\$1,275,000
2028	\$1,487,055	29,158	\$1,487,055		
2029	\$1,381,027	27,079	\$1,381,027		
2030	\$1,275,000	25,000	\$1,275,000		

*2022 Metric Tons of CO2e for Broadcom is an actual figure.

Should both organizations follow through with their public statements about their reductions, then Broadcom would not be subject to the tax after 2027, and Anheuser-Busch would not be subject after 2030. If the tax were to be passed in the fall of 2023, revenue collection would begin in 2024.

Figure 5



Impact to Consumers

The effects of this tax would be directly borne by those two impacted entities. It is unknown precisely how they would absorb the added costs or how the additional taxation would affect business investments in GHG-reduction measures. The tax would discourage large emitters from locating to the Fort Collins community but significantly impacts those already operating in City limits.

OPTION 2: Natural Gas Franchise Fee Increase from 1.07% to 3.00%

Bottom Line

In general, though the data may fluctuate year to year as indicated above, staff predicts that increasing the natural gas franchise fee to its maximum 3% would likely result in new revenue generation between \$930,000 and \$1.3M per year, with average annual impacts to end consumers between \$11-\$16 for residential customers and \$56-\$85 for businesses. Any revenue generated by this approach is likely to be volatile from year to year given the unpredictability of wholesale natural gas prices.

Background

Since 1987 and until 2018, Xcel operated its natural gas system within the City using and occupying City streets, alleys and public rights-of-way without a franchise agreement from the City. In place of a franchise agreement, the City has imposed in Article VI of City Code Chapter 25 a “Gas Company Occupation Tax” (Occupation Tax) levied on Xcel. The Occupation Tax is a flat amount of \$445,000 per year payable quarterly by Xcel. The Occupation Tax is described in the Code Section 25-343(5) as being imposed, in part, as consideration to the City for Xcel’s use of the City’s streets, alleys and public rights-of-way.

Effective February 1, 2018, the City and Xcel agreed to enter into a franchise agreement, which Council approved in Ordinance No. 006, 2018 (Franchise Agreement). The Franchise Agreement is for a term of 20 years.

Under it, Xcel has agreed to pay the City franchise fee of 1.07% of Xcel's annual gross revenues, but the City has also agreed that this franchise fee is to be applied as a credit against the \$445,000 Occupation Tax. In fact, the percentage of 1.07% was originally chosen to generate an amount of franchise fee revenues that would approximate the \$445,000 Occupation Tax. However, the parties also agreed in the Franchise Agreement that the City could, upon giving 60-days prior written notice to Xcel, increase the rate of the franchise fee up to no more than 3%, with Xcel still being entitled to use the franchise fee it pays as a credit against the \$445,000 Occupation Tax.

Fee Increase and Use of Funds

Therefore, with City Council direction in a Resolution, the City could give Xcel the 60-day notice to increase the franchise fee from 1.07% to 3.0% of Xcel's annual gross revenues. Currently, the franchise fee revenue is funneled directly to the general fund and allocated as part of the bi-annual budget process. The council could choose to designate any or all the franchise fee revenues specifically to climate investments. Staff recommends allocating the new portion of revenue generated from an increased franchise fee (~two thirds of total funds remitted) for climate work, and the tables below reflect that assumption in revenue projections.

Important note: although this revenue source is designated as a "fee" it is not the type of fee that is required to be used in manner that is reasonably likely to benefit the fee payer.

New Revenue Potential

The revenue generated by increasing Xcel's franchise fee from 1.07% to 3% would vary annually based on Xcel's revenue year to year, though data from previous years informs future estimates. The table below (Figure 6) displays Xcel's annual remittances of the franchise fee for each of the years 2018 – 2022 as well as an average for the most recent four years:

Figure 6

2018	2019	2020	2021	2022	2019-2022 Average
\$361,583	\$461,431	\$391,306	\$483,249	\$727,633	\$515,905

City staff believe that 2020 revenues were unusually low due to the COVID-19 pandemic, and 2022 revenues were higher due to the increasing price of natural gas as a result of several factors: the Ukraine-Russia war, inflation, colder winter temperatures, cost increases for coal, and a hike in the base rate (which has tripled since 2020).

Using actual Xcel franchise fee payments from previous years, staff calculated several estimates for revenue generation from an increased franchise fee of 3%. The following table (Figure 7) displays two different revenue estimates: one using the average of actuals from the past four years and one using 2022 actuals. Modeled scenarios result in estimated *new revenue* exceeding \$900,000 per year, though the rising price of natural gas indicates a likely scenario close to or exceeding \$1 million per year.

Figure 7

Franchise Fee %	2019-2022 AVG Revenue Baseline	2022 Revenue Baseline
1.07% (actual)	\$ 515,905	\$ 727,633
3.00% (estimate)	\$ 1,446,462	\$ 2,040,093
New revenue for climate investments	\$ 930,557	\$ 1,312,460

Impact to Consumers

As a result of the unpredictability of revenue estimates for natural gas, the impact per resident of an increase to the franchise fee is more volatile than a four-year average can perfectly predict. Nonetheless, these numbers represent the best available estimates based on analysis of data from previous years. The table below (Figure 8) shows average monthly and annual estimated increases in costs by customer type using data from Xcel's 2021 Community Report because the 2022 report has not yet been released. As a result of increasing Xcel and corresponding franchise fee revenues in 2022, the use of 2021 data may be slightly underestimating actual average cost increases for Xcel customers at a 3% franchise fee.

Figure 8

Customer Type	2021 Average Monthly Bill	Monthly On-Bill Franchise Fee Cost			Net Annual Franchise Fee Increase**
		Current Avg. Monthly Franchise Fee 1.07%	Total Avg. Monthly Franchise Fee 3.00%	Net Avg. Monthly Franchise Fee Increase 3.00%	
Residential	\$ 47.42	\$ 0.51	\$ 1.42	\$ 0.92	\$ 10.98
Business*	\$ 242.26	\$ 2.59	\$ 7.27	\$ 4.68	\$ 56.11

*Business: blend of commercial, industrial, & contract accounts

**These totals represent the net average monthly franchise fee increase times 12 months.

Importantly, because Xcel's report consolidates commercial, industrial, and contract accounts into the category of "business," the average annual increase estimate in this category likely obscures significant nuance in the data between small businesses, large facilities, transport companies, and the like. As a result, this category includes a wide range of potentially very different types of consumer accounts. City staff will need to obtain more detailed data on the distribution of customer types within the "business" category to understand and characterize the impacts of the rate increase to different types of non-residential customers more clearly.

Using 2021 data as a baseline, increasing the franchise fee to 3% would result in an estimated average annual cost increase of \$10.98 for residential accounts and \$56.11 for business accounts. By contrast, if total costs for future years resemble those from 2022, both revenue generation potential and average annual cost increases would be higher. In the highest scenario (using 2022 baseline data) the estimated average annual increase would be approximately \$16.50 for residential accounts and \$84.50 for business accounts. Staff anticipates that the City could adopt a rebate program to provide relief to low-income customers.

OPTION 3: Natural Gas Utility Occupation Tax

Bottom Line

While this mechanism taxes natural gas as a proxy for greenhouse gas emissions and can generate a steady revenue stream, annual cost increases are relatively high for natural gas consumers (e.g., 5x higher than increasing the natural gas franchise fee). In terms of the community's appetite for this type of revenue mechanism, Fort Collins staff is encouraged that Boulder's version of this tax passed with over 70% approval. There is potential that a utility occupation tax would be popular in our community as well given both municipalities' aggressive climate commitments and prior statistically valid surveys that found over 80% of Fort Collins' residents support acting on the climate emergency. However, this new tax would compound with an increase to Xcel's franchise fee, leading to a considerable uptick in the cost of natural gas for consumers if both mechanisms were enacted. Additionally, there is currently no clear way for City Council to ensure the tax would not be regressive.

Background

City staff began investigating the utility occupation tax (UOT) model when voters in the City of Boulder approved a Climate Tax in November 2022 which uses a similar mechanism. A UOT essentially taxes a natural gas provider (or other utility provider) for the taxable privilege of delivering natural gas to consumers within City limits.

Boulder's Climate Tax sets an annual amount of revenue to be collected (passed at \$6.5 million) and adjusts rates each year to achieve that amount. Boulder imposes this tax on both electricity and natural gas provided by Xcel since Boulder does not have a municipal electric utility. (The \$6.5 million annual revenue amount was proposed and adopted as a \$2.5 million annual increase from their previous approximate annual Climate Tax revenue with \$1 million set aside for wildfire recovery and resiliency efforts.) Their rates are variable by account type, with residential accounts seeing a substantially lower increase and overall cost burden than commercial and industrial. City Councilmembers have clearly stated that equity and minimizing the regressive nature of taxation must be prioritized for any new revenue mechanism alongside GHG emissions reduction and climate-related behavior change. In the case of a UOT, the tax would be levied on the provider and presumably passed on to consumers. While the taxing jurisdiction may set the rate at which the tax is to be collected, it does not have direct control over *how* the provider passes the cost on to customers through the utility billing process.

Although public materials produced by Boulder indicate variable rate impacts by account type, Fort Collins City staff have not identified a legal mechanism by which these variable increases are being enforced. **As a result, the proposal below explores cost scenarios that do not differentiate cost increases by account type.** Nonetheless, Fort Collins staff are still exploring this possibility to limit the regressivity of the UOT mechanism and further Council's goals of keeping residential rate increases as low as possible for the end consumer.

New Revenue Potential

Given staff's current understanding of this tax mechanism, Council may select an amount of revenue it would like to generate per year and require the provider to adjust annual rates accordingly to meet this revenue requirement. The following scenario (Figure 9) uses a target revenue of \$3,585,313 per year, which was chosen to illustrate an amount at which bills for both residential and business accounts increased by a round 8%, which reflects the 8.73% percentage increase to residential accounts resulting from the ballot measure that Boulder voters approved in 2022. Importantly, the target annual amount can be adjusted by City Council depending on its preferences.

Figure 9

Customer Type	Example Rate Increase	2021 Avg. Monthly Bill	Increase in Monthly Bill	Total Annual Cost Increase	Active Accounts	Annual Revenue
Residential	8.00%	\$47.42	\$ \$3.79	\$45.52	55,098	\$2,508,279
Business*	8.00%	\$242.26	\$19.38	\$232.57	4,631	\$1,077,033
Total annual new revenue:						\$3,585,313

*Business: blend of commercial, industrial, & contract

Note: because Xcel's report consolidates commercial, industrial, and contract accounts into the category of "business," the average annual increase estimate in this category likely obscures significant nuance in the data between small businesses, large facilities, transport companies, and the like. As a result, this category includes a wide range of potentially very different types of consumer accounts.

Impact to Consumers

As mentioned above, Boulder has publicly stated that their UOT model for the Climate Tax differentiates average bill impacts by account type, with commercial and industrial accounts experiencing greater cost impacts than residential accounts. Fort Collins City staff have investigated Boulder's municipal code and spoken with their sustainability manager and attorneys to clarify the exact legal mechanism which enforces this public commitment.

At this time, staff is unable to clearly articulate the way that Boulder is enforcing this cost differentiation commitment in partnership with Xcel, so there is no way to guarantee that residential accounts would see a proportionally lower increase and overall lower cost burden than commercial and industrial. This would be a high-priority area for further staff research in the coming weeks if CFC members would like to advance the UOT for consideration at the April 25 Work Session.

Staff is interested in learning more about Boulder's rate increase differentiation mechanism because ensuring lower impacts to residential accounts may be a way to avoid additional regressivity for this tax mechanism. Commercial and industrial accounts may be more easily able to address cost increases, so a legal mechanism to enforce higher rate impacts to these types of customers may provide a more equitable context for this type of revenue generation. Theoretically, if the City were able to enact a scenario with variable rate impacts to different types of customers, City Council would still select a target revenue amount. The cost of that target revenue would be passed down to residential accounts at a lower proportion or percentage increase than for commercial and industrial accounts, as Boulder has stated their mechanism will operate. Staff will continue to learn from Boulder's experience and commit to analyzing the feasibility of instituting this type of scenario in Fort Collins as more information becomes available.

Based on the Boulder example, a UOT could be structured to provide relief to low-income customers.

Next Steps

The options presented in this CFC item should be considered within the larger context of the Sustainable Funding conversation during the final item at the April 6 CFC meeting.

Options/mechanisms of interest to the CFC will be advanced to the full City Council for Work Session discussion on April 25, including discussion of what specific climate priorities should be funded by any new revenue generated.

DISCUSSION / NEXT STEPS

GENERAL DIRECTION SOUGHT AND SPECIFIC QUESTIONS TO BE ANSWERED

1. What is Council Finance feedback on revenue options and timelines presented?
2. What additional information would Council Finance like to see?

Emily Francis; If I am reading this correctly, it looks like options 2 and 3 are taxes to be added to natural gas bills.

Honore Depew; Options 2 and 3 would impact natural gas bills for customers. Option 2 is not a tax and can be done through the arrangement the city already has with Xcel.

Emily Francis; but for the end user, it is a tax. Is the theory that If we are going to add more tax on their natural gas bills that they would use less?

Honore Depew; yes, that is what we heard from Council as a secondary driver of this work, the theory that this would incentivize that through pricing.

Travis Storin; we found that emissions under the 25,000 EPA reporting threshold became essentially impractical. We were considering natural gas consumption as a proxy for emissions.

Emily Francis; I have a hard time with Options 2 and 3 - This one is really difficult for me - time of day is more expensive and an increased tax on natural gas – those that can convert to electric which is where we are trying to go have that luxury but not everyone can do that - 40% of our housing stock is rentals - tying their home life to tax increases. I have an easier time with a sales tax because that is a choice in some ways. I don't have a problem with a 5-year tax that sunsets.

Kelly Ohlson; I am more prone to the large emitter fee. I am referring to the memo from the Fort Collins Sustainability Group. I am not as worried about getting to a point of less revenue – when the revenue stream runs out as it will make them get there quicker, which is an emissions issue and that is good news. Would like more information in writing at the work session– environmental experience – I have a certain skepticism and trust in multinational corporations to accurately report their emissions – federal and state governments do little in area of oversight and checking their numbers. Why do we believe those numbers would drop? Why are we supposed to trust their reporting numbers today? It could be a ten-year revenue stream and if it runs out the emissions are lower - which is great.

Honore Depew; these are projections based on past performance and the commitment they have made publicly which different people can perceive with different levels of skepticism. We see those as achievable targets based on past performance. At the state level there is some rule making under consideration based on a piece of legislation that was passed during the last session that would require some sort of payment for corporations that are emitting above the 25,000 metric tons of CO2 per year as an incentive for them to get below the thresholds. Multiple layers of incentives.

Travis Storin; can you speak to the voracity of the reporting numbers that going to the EPA annual reporting – I believe there is quite a bit at inception that has to do with their permits and their ability to operate a business. Are there inspections? Audits?

Honore Depew; they do have to adhere to air quality permits that require actual measurement and reporting. The question is more whether future commitments are believable.

Kelly Ohlson; I would like some fleshing out for the work session – trusting their current number as they do the work themselves and then report,

Would we build in for lower income folks? Can we have that fleshed out at the work session?

Full and robust discussion on options #2 and #3.

How come so many of our peer communities have a 3% fee and we have a 1% fee? Is there a historical reason?

John Duval; in 1987 we imposed an occupation tax on Xcel for being in our rights of way as they would not agree to a franchise agreement at that time. I can't recall the reason at that time. In 2018, Xcel came forward and said they were ready to do a franchise agreement with all the other cities we serve around the state. We entered into a franchise agreement with them which Council approved in 2018. They would agree to a 3% franchise fee of their gross revenues. The 3% franchise fee would be credited against the \$445K occupation tax that was imposed in 1987 so they would get a credit against the occupation tax from the franchise fee. Our Council at that time did not want to impose any more on the consumer so they set the amount to equal the \$445K amount. We would collect only enough of the franchise fee they paid to the city so in essence, we broke even. So, if you now impose the 3% you will get the difference which would be a positive net gain for the city.

Kelly Ohlson; I would like all three options presented to the full Council. I like option #1 the best. Thank you to the staff for providing us with the information we asked for.

Julie Pignataro; from AIS (see below) options #2 and #3 – regarding rebate program, since Xcel is not a city entity, how would a rebate work in the natural gas area?

Using 2021 data as a baseline, increasing the franchise fee to 3% would result in an estimated average annual cost increase of \$10.98 for residential accounts and \$56.11 for business accounts. By contrast, if total costs for future years resemble those from 2022, both revenue generation potential and average annual cost increases would be higher. In the highest scenario (using 2022 baseline data) the estimated average annual increase would be approximately \$16.50 for residential accounts and \$84.50 for business accounts. Staff anticipates that the City could adopt a rebate program to provide relief to low-income customers.

Travis Storin; we use Boulder as a reference point. They have been able to do this even with Xcel providing natural gas and electricity in Boulder. I will defer to Honore or Josh for more context on how that program was developed.

Honore Depew: If a resident is eligible for LEAP, they are exempted from the burden of an extra tax. We are confident there is a mechanism to implement this and lower the burden on our low-income residents.

Josh Birks; it is an on-bill rebate on Xcel bills in Boulder. The statement showing the tax coming in and then being credited. Xcel already has LEAP information for Boulder customers because they provide both electricity and gas. We anticipate that we could feed our IQAP (Income Qualified Assistance Program) and LEAP (Low Income Energy Assistance Program) files to Xcel and they could do the same thing here. We aren't certain that we can do that with the franchise fee because of the way that is collected.

Emily Francis; what percentage of those who are eligible for LEAP are actually enrolled?

Josh Birks; I think it is an automatic enrollment once they are recognized by Xcel.

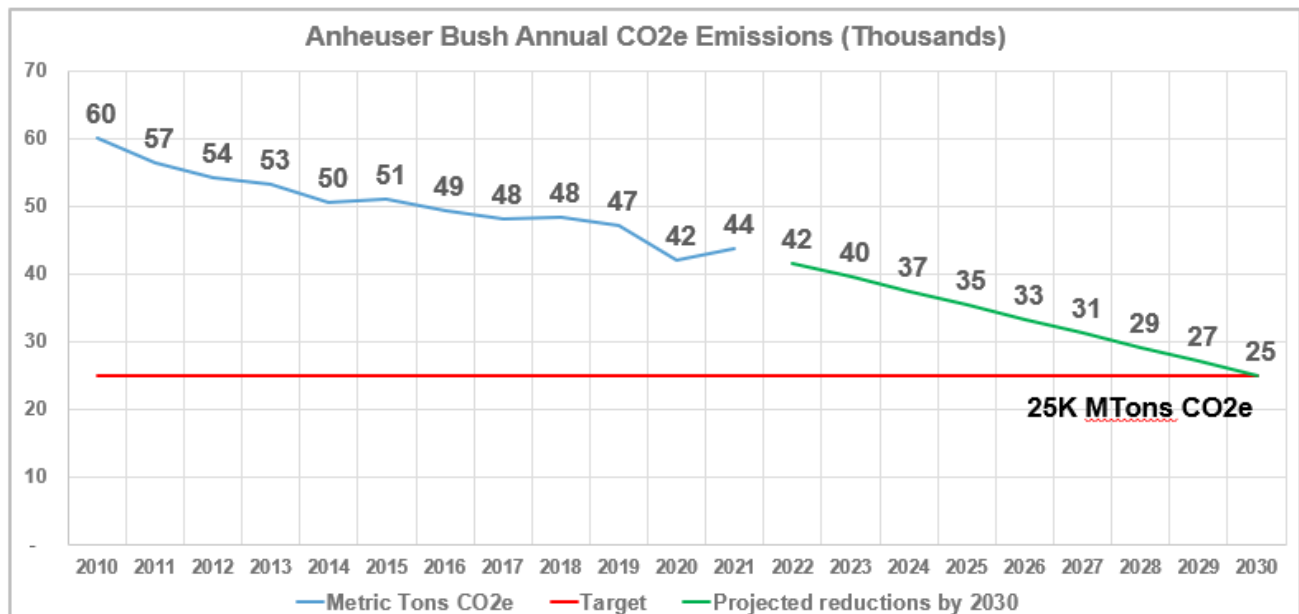
Julie Pignataro: could we make it an automatic enrollment? Is there a mechanism to do that?

Josh Birks; our IQAP program is an auto enroll program. So, if we used that as a trigger and feed that information to Xcel, they would set that up the same way they have for Boulder customers.

Emily Francis; not all of our eligible residents are enrolled in IQAP or LEAP. So, even though we have a rebate program it is not solving the issue.

John Phelan; LEAP is the first step for access to Xcel and FoCo electricity and utility benefits. We certainly know we are not reaching everyone who is eligible to sign up for LEAP.

Julie Pignataro; regarding slide #7 AB Emissions (see below)



The uptick in 2021 doesn't make a trend but are we reading into that at all? (blue line goes up a bit). We have them trending down. Do you have any insight into that?

Javier Echeverria Diaz; we were just informed this week that their 2022 emissions went down to 40K MTons of CO₂e instead of 42K.

Julie Pignataro; so, if this were updated, it would be down to 40K for 2022.

Javier Echeverria Diaz; that is correct.

Julie Pignataro; regarding slide #3 (see below)

	Mechanism	Voter Approval	Estimated Annual Revenue Generation	Estimated Increase to Monthly Residential Bills
OPTION 1	Large Emitter Tax	Yes	\$4.8M (2024) \$0 by 2030	\$0
OPTION 2	Natural Gas Franchise Fee Increase	No	\$930k - \$1.3M Dependent on price of natural gas	~\$1
OPTION 3	Natural Gas Utility Occupation Tax	Yes	Up to \$3.6M Up to 8% tax rate	~\$4

Large Emitter tax would be done by 2030. For the other two options, how long are they going to be in effect?

Honore Depew: The Natural Gas Franchise Fee agreement currently goes out to 2038 so Option #2 would be tied to that agreement. Tax length for Option #3 would be dependent upon Council direction and voter appetite.

Tyler Marr; with the OCF (Our Climate Future), we would expect this to trend down over time as we meet some of our electrification goals.

Honore Depew; that would be the hope. It does add another layer of complication, in Boulder they put a climate tax on both natural gas and electric.

Julie Pignataro; I agree we should bring all 3 options forward to have a bigger conversation as a full Council.

D. Sustainable Revenue – Approach to Ballot

Ginny Sawyer, Sr. Project Manager
Travis Storin, Chief Financial Officer
Jennifer Poznanovic, Sr. Revenue Manager

EXECUTIVE SUMMARY

The purpose of this item is to seek Council Finance Committee (CFC) direction on timing and revenue options to consider for referral to the November 2023 ballot.

Staff is also providing additional budget information as background.

Also of note, staff is currently focusing on a November 2024 election to bring forward the Street Maintenance renewal and the Community Capital Renewal.

GENERAL DIRECTION SOUGHT AND SPECIFIC QUESTIONS TO BE ANSWERED

1. What is Council Finance feedback on revenue options and timelines presented?
2. What additional information would Council Finance like to see?

BACKGROUND/DISCUSSION

Over the past year, staff has been working with CFC and the full Council to seek ways to address identified funding needs in the areas of parks and recreation, transit, and housing. Along with these needs the criticality of advancing City climate action goals has also been identified as an area of need. Estimated annual shortfalls range from six to twelve million per area.

- Parks & Recreation - \$8 to \$12M annual shortfall (Parks & Recreation Master Plan)
- Transit - \$8M to \$14.7M annual shortfall (Transit Master Plan)
- Housing - \$8M to \$9.5M annual shortfall (Housing Strategic Plan)
- Climate - \$6M to \$9.5M annual shortfall (Our Climate Future Plan)

Transit, Housing, and Climate are the initiatives targeted as “Climate Umbrella.”

CFC discussions to date have highlighted a desire to:

- Clearly define and articulate revenue needs.
- Thoroughly research funding options including impacts to residents.
- Work to keep overall resident impact and tax burden as low as possible.
- Consider existing dedicated tax renewals and associated election timelines in a strategic manner.

These considerations have also been supported by the full Council.

Funding Options and Analysis

Through discussion and analysis at CFC and Council work sessions, sales tax, property tax and excise/additional sales taxes have emerged as the most feasible mechanisms. Staff has also researched and added an increase to the Xcel franchise fee and a Utility Occupation Tax, commonly referred to as a “climate tax.” The table below demonstrates the potential revenue gain of these mechanisms along with estimated annual impact to residents.

Category	Funding Mechanism	Use	Annual Revenue Estimate	Stakeholder Impact
Franchise Fee to 3%	Natural Gas Bills	“Core” Climate	\$1M	<ul style="list-style-type: none">• Council action only – does not require voter approval• 2% increase. ~ \$11/household annually
Substance tax	1 to 5% on Alcohol/MJ/Tobacco	Parks & Rec	\$6 to 11M+	<ul style="list-style-type: none">• \$1 to 5 per \$100 purchase in Fort Collins• Visitors also impacted
Utility Occupation Tax	8 to 9% on Natural Gas Bills	Climate Umbrella	\$3 to 4M	<ul style="list-style-type: none">• 8% residential increase per household. ~\$50 per residential household annually

Property Tax	1 to 5 Mills	Climate Umbrella	\$4 to 18M+	<ul style="list-style-type: none"> Residential annual increase of \$21 to 107 Commercial annual increase of \$87 to 435
Total			\$15 to 40M+	<ul style="list-style-type: none"> \$81 to \$168 net annual increase per household + impact of excise tax

Franchise Fee:

The maximum allowable Xcel franchise fee surcharge is 3%. The City currently assesses the fee at 1.07% and could increase the fee to its maximum through an Ordinance approved by City Council and with 60 days' notice to Xcel. Although this revenue source is designated as a "fee" it is not subject to the restrictions of other types of fees that require any use of those funds directly benefit the fee payer.

Additional Sales Tax:

An additional sales tax is a sales tax on the purchase price to the end customer. For consideration in these discussions, staff has estimated additional tax revenue using an additional 3% and 5% tax on marijuana, alcohol and tobacco.

Numerous other municipalities across Colorado have an additional tax on marijuana.

Tax Type	Additional 3%	Additional 5%
Alcohol*	\$2M+	\$4M+
Marijuana	\$3M	\$5M
Tobacco	\$1M	\$2M

An additional sales tax would require voter approval.

Property Tax:

Since 1992, the City has collected 9.797 mills of property tax which equates to 10.5% of a Fort Collins property owner's total annual property tax. Below is the breakdown of what a Fort Collins property owner pays in property tax.

Poudre Fire Authority gets 67% of the City's portion (approx. 6 of the City's 9 mills) of property tax amount through an intergovernmental agreement. Requires voter approval.

Utility Occupation Tax:

This mechanism taxes natural gas as a proxy for greenhouse gas emissions. Council may select an amount of revenue they would like to generate per year and require the provider to adjust annual rates accordingly to meet this revenue requirement.

Funding Scenarios

Achieving additional funding will likely be a phased effort that lessens the funding gaps incrementally over time. Knowing this, and through CFC conversations, two demonstration scenarios have been created.

The scenarios presented are not intended to be final or recommended options. They are intended to demonstrate the flexibility and variable means and ways to add additional revenue to cover the identified gaps.

Scenario A:

\$29M in 2024 with two ballot measures in November 2023

Category	Funding Mechanism	Timing	Use	Annual Revenue Estimate	Resident Impact
Franchise Fee to 3%	Natural Gas Bills	2023	“Core” Climate	\$1M	2% increase. ~ \$11/household annually
Substance tax	(?)% on Alcohol/MJ/Tobacco	2023	Parks & Rec	\$10M	\$1 to 5 per \$100 purchase
Property Tax	5 mills	2023	Climate Umbrella	\$18M+	Residential annual increase of \$107 Commercial annual increase of \$87 to 435
Total				\$29M	\$118 net annual increase per household + impact of excise tax

Scenario B:

\$15-20M in 2024 and the addition of \$18M in property tax starting in 2026. Option to sunset the Utility Occupation tax upon approval of the property tax.

Category	Funding Mechanism	Timing	Use	Annual Revenue Estimate	Stakeholder Impact
Franchise Fee to 3%	Natural Gas Bills	2023	“Core” Climate	\$1M	2% increase. ~ \$11/household annually
Substance tax	(?)% on Alcohol/MJ/Tobacco	2023	Parks & Rec	\$10M	\$1 to 5 per \$100 purchase
Utility Occupation Tax	Natural Gas bills	2023	Climate Umbrella	\$3-4M	8-9% residential increase per household. ~ \$50 per residential household annually
Property Tax	5 mills	2025	Climate Umbrella	\$18M+	Residential annual increase of \$107 Commercial annual increase of \$87 to 435
Total				\$32M+	\$168 net annual increase per household + impact of excise tax

** A ¼ -cent tax increase is estimated to generate \$9+M/annually and to cost a resident \$31 per/year.

Election Timeline Considerations

Per the recent ballot initiative, City elections will now be in November. Ballot referral would need to happen in August.

TABOR initiatives cannot be considered during special elections.

Street Maintenance and Community Capital Taxes expire December 31, 2025. November 2024 and November 2025 are two opportunities for renewal.

Community Messaging: City Budget and Revenue Context

Prior to putting tax measures on the ballot, the City typically works to provide residents with information regarding financial stewardship practices and implementation. This goes beyond the cyclical process of creating a transparent and balanced budget every 2 years and looks to include revenue, staffing, inflation, and efficiencies over time.

Staff has begun its outreach efforts with Boards and Commissions, with sessions completed or to-be-completed with the Parks & Recreation Board, Natural Resources Board, Transportation Board, Economic Advisory Board, Affordable Housing Board, and Super Issues Meeting.

Below are some high-level points from recent analysis:

- The City's annual operating budget grew from \$307M in 2003 to \$597M in 2023.
- The compound annual rate of increase for this 20-year period is 3.6%.
 - High of 10% in 2008
 - Low of -3% in 2007
- From 2006 through 2024 (projected), population has grown by an average of 1.6% per year and inflation has averaged 2.4% per year.
- Composite inflation and population amounting to 4% has outpaced growth in the City budget of 3.6%
- For the same span of time, compensation dollars per capita has increased an average of 2.1% per year, which compares well with inflation.
- \$6.2M of ongoing budgets were cut since 2020, net of any Restore offers.
- The City's Charter ensures that deficit spending is never permitted, and that service levels will always be matched to revenue.
- The BFO process incorporates requirements to document and measure efficiencies and cost savings, these can be viewed at:
 - fcgov.com/budget (ongoing offer narratives)
 - fcgov.com/kfcg (annual KFCG reporting)
- From 2000 to 2022, the City Net Taxable sales dropped from 80% to 50% of total County sales (i.e., When Fort Collins was the "only" place to shop our sales tax revenues were more heavily subsidized by non-residents. Today residents are taking more of the burden to create revenue for the City.)

Climate Progress:

- Ongoing initiatives
 - Energy Efficiency, Customer Renewable and Grid Flexibility programs
 - \$6.6M annually
 - EPIC Loan program, up to \$2.5M annually in available financing
 - Streetlight LED conversion, \$1Mk annually
 - Efficiency Works programs (via Platte River budgeting)
 - ~\$5M annually
- 23/24 Enhancement Offers
 - \$1.7M over two years for grid flexibility software, hardware and programs
 - \$150k for mobile home efficiency demonstration
- Planned investments
 - New tools for distribution system planning and operations
- Federal and State Grant Funding: active research and application processes

Staff estimates that community electricity utilization would be 20% higher without the Utilities energy programs since 2005.

DISCUSSION / NEXT STEPS

GENERAL DIRECTION SOUGHT AND SPECIFIC QUESTIONS TO BE ANSWERED

- 1) What is Council Finance feedback on revenue options and timelines presented?
- 2) What additional information would Council Finance like to see?

Julie Pignataro; if we choose the substance tax does it have to go to Parks and Recreation? We hear from the community that they want us to work on first and Climate, Housing and Transit are on that list, but Parks & Recreation aren't typically up there on the list.

Travis Storin; no, all of these are highly configurable – anything that is labeled as a tax can be attached to whatever project.

John Duval; the franchise fee is not your typical kind of fee because it is payment for use of our rights of way – not the kind of fee that has to be reasonably related to and benefit the fee payer (which is Xcel) and they get the benefit of the rights of way. Funds collected via a franchise fee can be used for any general fund purpose.

Julie Pignataro; I am struggling with Council's expectation that this committee will come forward with a recommendation. Would the Council want to see all options. We have narrowed it down over the course of several discussions.

Ginny Sawyer; just hearing the questions is helpful - then we can try to address with the full Council - whether it is a recommendation or not, just making sure we have a clear and articulate message as we go forward.

Julie Pignataro; I feel like we should start with a number and work toward it. We are still working with a range of numbers which makes it such an open conversation instead of having some of the hard conversations about trade-offs.

If we started with a number it would be so much easier. We could pit the mechanisms against each other and see what works better together.

Travis Storin; for clarification, do you mean an annual funding number across the four priorities?

Julie Pignataro; kind of, but I know it doesn't fit what we are working toward because we are looking at putting these things in at different times. The options aren't just linear here – they come from so many different directions. We're not only talking about which funding sources we want to include or move forward on but not what number we are trying to reach. If we decided we just wanted the absolute minimum, it would probably be easier for us to figure out which funding mechanism makes the most sense to move forward. If we decided we wanted the highest number, it would be a much harder conversation. That is why I am having so much trouble deciding that one may be better than another.

Ginny Sawyer; one thing we have been trying to test as we go - what is Council and community tolerance? The chance that we are going to generate all of the revenue for every need in these categories in the next three years is probably unlikely. That is part of what makes it challenging to pick a number. We know Parks and Recreation (existing assets) was a Council priority - find sustainable funding for parks - that is part of why that is driving that way.

It is all in how we write the ballot language. If we can be nimble in a climate umbrella space that we talked about, then we can take advantage of, do we need a matching grant for Transit right now? Do we need dollars for potential housing incentives? Do we have electrification opportunities coming forward that we can leverage? We have been doing the same swirling. Parks and Recreation is one of Council's 31 priorities.

Julie Pignataro; I love our parks and recreation, but when I look at our four categories. We have purely created the parks and recreation issue ourselves as a city and as former Councils. I am glad for the 'are we good stewards of the money' conversation because that is important. How are we supporting the new parks we are building?

Kelly Ohlson; resources - What do we fund and in what way and when do we go to the ballot on it? All moving parts. We weren't always looking at the big picture before. We are now looking at the whole picture and at diverse streams of revenue. We have done great work so far as a Committee and Council and staff. Now the rubber meets the road at the work session. Based on my many years of experience, we don't have to worry about the electorate, they will decide. Our job is to make the case that we need the money whether they say yes or no. It can be more than one proposal.

Put real money into affordable housing to actually help. Let's put that aside from the city's land use code and what is going on at the state. These discussions started before both of those. It is a little complicated to me now – should it be under the umbrella of some funding – staff ran some numbers for me and if we meet certain criteria we can get up to \$8-9M per year here in Fort Collins from state funding. This needs to be ready for the work session. We can't ignore that potential, whatever it is. We were never going to solve the problem with public money, we were going to partner with people. So, affordable housing needs to be a little more fleshed out.

Sustainability Services slide – percentage number of how it grew in that time period.

Travis Storin; the intention is not to suggest a right or wrong comparison. I think it is perfectly achievable for us to put the base dollars in the percentage growth over time. It is a higher percentage because it is a start-up environment.

Kelly Ohlson; my point was that it was a low number to begin with. Salaries + benefits = our biggest expenditure. I wanted to make sure it included benefits.

Travis Storin; yes, it includes benefits.

Kelly Ohlson; for the tobacco tax - Does that include any nicotine products? That would be my preference.

Jen Poznanovic; the estimate we have is just for cigarettes, but I believe we would be taxing all nicotine products.

Travis Storin; I think we would prefer 'all nicotine products' as the label rather than tobacco.

Kelly Ohlson; I agree and let's include that in the discussion at the work session.

I struggle a little with the marijuana tax - when you throw in the state taxes. Taxes are monstrously higher than alcohol and nicotine.

All questions on parks and recreation are valid. I don't want parks and recreation to be left out of the conversation.

Can I have a brief explanation of climate umbrella versus core climate?

slide #5 from Climate presentation (see below)

- Many existing City investments; more needed to reach adopted goals
 - “Climate Core” investments
 - Energy Services (Utilities), Climate Team (Environmental Services)
 - Direct investments in GHG reduction initiatives; equity and resilience focus
 - Could be scaled and accelerated with new revenue from these mechanisms
 - “Climate Umbrella” investments
 - Our Climate Future Big Moves & Council Road Map
 - Housing, Transit, Waste Reduction & Recycling, FC Moves, etc.
 - Investments needed are order of magnitude larger
- April 25 Work Session
 - How various scenarios could address funding gaps for climate priorities

Travis Storin;

Climate Core = direct use of resources towards reduction in energy consumption whether it is heat pumps, reduction in energy consumption, etc. Things that actually have a direct, measurable impact on GHGs.

Climate Future Plan which incorporates the big moves, that is more the Climate Umbrella terminology, Where we know a more robust transit system will decrease emissions even if it is not a direct investment. That is a transportation play as much as it is a climate change play. Same thing with housing, we know that a better maintained housing stock, where older homes are upgraded and more energy efficient is going to have an impact.

Honore Depew: I would like to point to the Denver example, they passed a climate protection fund a few years ago. It is a sales tax, but it specifically drives funds toward designated, allowable uses that were defined beforehand in the ballot language. We have been using the same sort of framing. We have those allowable uses from the community driven, Our Climate Future Plan. If you asked, what is the next ring out for reducing our energy use and increasing renewables - these would be those things that the community has asked for.

Kelly Ohlson; I think we are getting there. The schedule is getting pretty compressed. We have all done great work. We want to give residents factual information. We should put it on the ballot as soon as we can. We may need a special work session on top of the currently scheduled one to get the right timing, so voters have what they need. I am not sure we will come out of one work session with total clarity. I would encourage a two-hour block.

Tyler Marr; we are prepared, depending on where the work session conversation goes. Recognizing where the backstop is, we know there may be a need for an additional work session.

Emily Francis; I want to confirm I am reading this correctly that a ¼ cent sales tax would generate 2 -3x what the utility

occupation tax would generate but would cost residents less.

Travis Storin; that is correct. A big reason why Boulder has been able to generate additional funding versus what we have here is their operation of the electric utility where ours would be natural gas.

Ginny Sawyer; visitors pay for that, so any time you have a sales tax, visitors help to subsidize at a far lesser rate than previously, but they are still doing it.

Kelly Ohlson; I do have a request to help us get to an answer.

The whole Council should discuss options 2 and 3 on climate. Plug in the large emitter fee with an option in the equation, built in with the property tax and the additional tax on products. I don't like the expression 'sin tax'.

Tyler Marr; this may be way too much work for the team so I welcome pushback – but what might be helpful would be an iterative scenario chart that would have plug and play type options that we can drop and build so we can get a base line revenue picture.

Emily Francis; similar to Julie, it is difficult for me because I don't 100% know what the money would be going to and what we would be funding. I know we are looking in the \$30M range. What are we funding and how far would it go?

Ginny Sawyer; at the work session, we could bring back the slides where we broke down within each of the four categories how that money could be spent and what it could do. It is a Council budget decision in the end, and it will always be a very transparent spend of what that money goes toward within those categories of identified needs.

Emily Francis; what would be helpful for me, and I know it could change but for example in our climate future we have very specific goals – what would we fund in there as examples – like Denver does that rebate program, heat pump rebates. I think we are at a good place to get feedback on what we want to do. I understand about parks and recreation, and I agree with Julie that we created this problem with the parks that we built.

Travis Storin; this is from a previous Council Finance discussion - a menu of what we could do - there is a version of this slide for all four priorities. We will bring this information back to the work session.

City of Fort Collins
What Could Dedicated Our Climate Future Revenue Fund

- Big Move 6 – Efficient, Emissions Free Buildings; \$2.65M annually**
 - Expand programs for electrification of space and water heating
 - Explore adding performance standards to Building Energy and Water Scoring program
 - Explore residential Home Energy Score point of listing requirement
 - Support home electrical panel and service upgrades for electrification
- Big Move 13 – Electric Cars and Fleets; \$1.85M annually**
 - Support home electrical panel and service upgrades for EVs
 - Public charging strategy, implementation and maintenance
- Big Move 4 - Convenient Transportation Choices; \$1.5M annually**
 - Rebates for E-bikes
 - Install in-street protected bike lanes and bicycle and pedestrian crossing improvements
 - Local match to leverage many state and federal grant opportunities available
- Big Moves 2 & 10 – Zero Waste Neighborhoods and Economy; \$2M annually**
 - Growing the circular/sharing/reuse economy
 - Lowering recycling education and decreasing barriers to recycling and composting

Mayor Arndt; historically, has the city ever done a property tax? I associate that with the county.

Ginny Sawyer; not since 1997. We currently collect under 10Mils and 67% of that goes straight to Poudre Fire Authority.

Mayor Arndt; I am trying to take the residents' viewpoint when they are voting. A sales tax which brings in a lot of money and is spread quite widely and is regressive. Like you were saying, it could be targeted like we have done in the past, which seems effective.

Ginny Sawyer; like the Natural Areas tax, ¼ cent dedicated.

Mayor Arndt; have we had any taxes fail?

Ginny Sawyer; not many

Kelly Ohlson; part of the background- the city's first and only ask is usually just add another ¼ cent and then add another ¼ cent – since 2005. We wanted staff to work on more diversification of revenue for all kinds of the right reasons. I don't think property tax freaks people out quite as bad as we think given the option of what it is for. For example, the Library tax was approved by close to 60/40 - a broader area, larger than the area of Fort Collins.

I think we need to get a middle ground - we can't get as specific as CCIP, but we are going to address our climate issues in this way but not as specific as a capital project. We need to get as many specifics as possible to address our climate emergency - we need more than we have had so far to show residents. There is no way it will be as specific as capital programs, nor should it be.

Travis Storin; CCIP is as specific as you can go on that kind of tax measure. There are 17 projects and programs listed with prescriptive dollars amounts. KFCG was a very good middle ground where we said .85% sales tax across six categories and the only thing that was prescriptive was the percentage investment. From budget cycle to budget cycle, as long as we are staying within those percentage guidelines, it can be for anything.

Tyler Marr; to Honore's previous example, what we saw in Denver, I do think we have models around the state even of how this has been structured in that middle ground – speaks to buckets but with examples people can understand and resonate with.

Travis Storin; summary

- Specific funding target in mind
- Some additional knowledge on the states shareback on affordable housing
- Use nicotine products instead of simply mentioning tobacco.
- Bring back the chart on fully loaded marijuana tax.
- Include the emitter fee on the menu of options.
- Sales Tax comes back on menu of options.

Meeting adjourned at 6:22 pm