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AGENDA
Council Finance & Audit Committee Hybrid Meeting
April 6, 2023
4:00 - 7:00 pm
222 Laporte, Colorado River Community Room
Zoom Meeting <https://zoom.us/j/8140111859>

Approval of Minutes from the March 2, 2023, Council Finance Committee meeting.

1. West Elizabeth Appropriation Request

S. Smith
M. Martinez

Presentation: 10 mins.
Discussion: 20 mins.

2. Ballot Work re: Potential County Childcare Tax

C. Taylor

Presentation: 10 mins.
Discussion: 20 mins.

3. Sustainable Revenue - Climate

H. Depew
J. Echeverria Diaz

Presentation: 15 mins.
Discussion: 30 mins.

4. Sustainable Revenue - Approach to Ballot

T. Storin
G. Sawyer

Presentation: 15 mins.
Discussion: 60 mins.

Council Finance Committee
2023 Agenda Planning Calendar
RVSD 3/30/23 ck

April 6th	Hybrid Meeting / Zoom / 222 Colorado River Room		
	West Elizabeth Appropriation Request	30 min	M. Martinez
	Ballot Work re: Potential County Childcare Tax	30 min	C. Taylor
	Sustainable Revenue – Climate	45 min	H. Depew
	Sustainable Revenue – Approach to Ballot	75 min	G. Sawyer T. Storin

May 4th	2023		
	Encampment Clean-up	20 min	R. Venkatesh M. Yoder
	Auditor RFP Process	30 min	B. Dunn
	Appropriation from Opioid Settlements	30 min	J. Hueser

June 1st	2023		
	Sustainable Timberline Recycling Center	TBD	M. Saylor

July 6th	2023		

August 7th or August 16th (in person - 4-7:30 pm)
Auditor Interviews (B. Dunn)

September 7th
Annual Adjustment Ordinance (20 mins. L. Pollack)
2024 Budget Revisions (45 mins. L. Pollack)



Council Finance Committee Meeting
March 2, 2023
Via Zoom

Council Attendees: Julie Pignataro, Emily Francis, Kelly Ohlson, Shirley Peel

Staff: Kelly DiMartino, Travis Storin, Rupa Venkatesh, John Duval, Teresa, Roche, Claudia Menendez, Ginny Sawyer, Chad Crager, Blaine Dunn, Jo Cech, Randy Bailey, Renee Callas, Jen Poznanovic, Gerry Paul, Lawrence Pollack, Nina Bodenhamer, Malinda Mascarenas, Kendall Minor, Lance Smith, Gretchen Stanford, Katie Geiger, Mike Calhoon, Victoria Shaw, Meaghan Overton, SeonAh Kendall, Monica Martinez, Dave Lenz, Kerri Ishmael, Sheena Freve, Zack Mozer, Tracy Ochsner, Erik Martin, Brian Hergott, Jeff Rochford, Carolyn Koontz

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

Meeting called to order at 4:00 pm

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

A. Utility Billing System Appropriation

Lance Smith, Sr. Director of Finance for Utilities

Gretchen Stanford, Utilities Deputy Director of Customer Connections

EXECUTIVE SUMMARY

An appropriation ordinance is being brought for your consideration from the utility enterprise funds. These funds are necessary to implement a modern Utility Customer Information System – Customer Self Service Portal (CIS-CX) Solution. Funds from the enterprise reserves are being requested just as the City completes the selection of a solution partner and before professional services are contracted. This appropriation request is necessary to allow the City to secure CIS-CX project management and solution quality assurance services through go-live, provide legal review of professional services contracts, and provide funding for hiring contractual staff throughout the implementation.

The total amount being requested for appropriation here is:

Professional QA and Implementation Management	\$1,500,000
Contract Review and Counsel	\$100,000
Contractual Implementation Staffing	<u>\$2,650,000</u>
Total	\$4,250,000

Once the full solution scope for the new CIS-CX is determined another appropriation, expected to be the last, will be requested for the direct solution costs including licensing and hardware.

GENERAL DIRECTION SOUGHT AND SPECIFIC QUESTIONS TO BE ANSWERED

Does the Council Finance Committee support bringing an appropriation ordinance forward for the consideration of the full City Council to support the next phase of the modernization of the Customer Information System – Customer Self Service Portal?

BACKGROUND/DISCUSSION

Fort Collins Utilities is currently conducting 5 weeks of onsite product demonstrations as the final review of proposals received for a modern Utility Customer Information System – Customer Self Service Portal (CIS-CX) Solution. The proposals were received after a deliberate 12-month process focused on identifying solution requirements, scrutinizing and rating every proposal received, performing reference checks of each solution provider with other utilities that have implemented the proposed solutions, planning the solution implementation schedule, staffing needs and quality assurance milestones, and having employees involved in the solution selection throughout the process and asking questions of the solution providers. This due diligence and deliberation are necessary to ensure that the selected solution partner and their CIS-CX will serve our community well as our community moves toward Our Climate Future and evolving how we serve our ratepayers and enhancing their customer experience with their municipal utilities.

Over the next few months, a solution partner will be selected and then a second appropriation will be presented to this Committee before the 24-month solution implementation can begin. It is anticipated that the City will successfully implement the new CIS-CX within 24 months, at which point the existing solution will be retired. The Capital Improvement Plans presented to the Council Finance Committee ahead of the 2023-24 Budgeting For Outcomes included up to \$15M for this capital investment including the licensing and hardware.

This appropriation is being brought forward at this time to maintain the continuity of the implementation schedule and to ensure that the pricing reflected in the proposals are current and complete. Momentum for this implementation is building as staff are getting opportunities to see the benefits of modernizing and enhancing our customer's experience as well as focusing on simplifying the architecture and processes behind the customer interface to provide a stable, upgradable platform.

There are three categories of funding in this next phase of the CIS-CX modernization.

Professional Quality Assurance and Project Management Services

While many existing City employees have worked for decades with the current customer information and billing system, operating such a system requires a different skill set than upgrading or implementing an existing system into a new system. The new system may be hosted in the cloud or a more traditional in-house physical solution with different hardware requirements and interfaces. It may include different modules for a customer portal, social media, bill printing, etc. To effectively implement these new features and ensure that the City is receiving the functionality it is expecting, professional software implementation project management and quality assurance is required.

A scope of work has been developed for these services with a maximum fee through the implementation and go-live of the new solution. Because most of this work will be done remotely, travel expenses have been excluded from the not to exceed price for these services. Estimating some travel will be necessary, raises the amount being requested for these services including travel to \$1,500,000.

Contract Review and Counsel

Prior to the City entering into a binding services agreement with the solution provider outside legal counsel may be sought as needed to ensure the final agreement is in the best interest of the City and ratepayers. It is requested that an amount of up to \$100,000 be appropriated for this purpose.

Contractual Staffing

Many of the City’s employees who work in and with the current customer information system will be involved in the implementation of the new solution. This is a best practice to ensure that the proposed solution is consistent with customer expectations and operational requirements. In order to have these employees available to focus on the implementation, staff will be augmented by contractual staff throughout the implementation, and post go-live quality assurance and testing. Based on the staffing plan developed for the solution implementation, the following contractual positions are needed before implementation:

4 Customer Service Providers	\$288,000 / yr
1 Customer Experience Provider	\$64,000 / yr
1 Billing & Accounts Receivable Specialist	\$80,000 / yr
1 Field Service Lead	\$100,000 / yr
5 Information Technology Solution Providers	\$575,000 / yr
	<hr/>
	\$1,047,000 / yr

Because having these additional staff will be advantageous throughout the 24-month implementation with some needed beforehand and some afterward, in total for almost 2.5 years of augmentation it is estimated that contractual staff may require:

Contractual Staffing Appropriation = \$2,650,000

In addition to the contractual staff discussed above who will backfill employees focused on the implementation, there will be a need for additional staffing for the duration of the project who will focus on leading testing of the solutions, developing training and training employees, implementing organizational change management, reviewing existing business processes and developing business analytics for the future solution. As these additional staff are not needed initially, this staffing need will be a part of the implementation appropriation once the solution partner is selected.

Appropriation by Enterprise Fund

As the customer information and billing system is needed by each utility to generate monthly operating revenues, each utility requires such a system and therefore should contribute to the upgrade or replacement of such a system. While some rates are more complicated than others and some require meter consumption data to assess, billing for each utility requires much of the same information as any other utility. Because electric monthly charges are more complicated than flat stormwater rates and unmetered wastewater use, there are additional billing components for billing electric customers. Hence, it is appropriate to attribute more of the shared costs to Light & Power. A similar argument applies to Water billing. The annual subscription costs for this system are divided between the four utilities as follows:

Light & Power	50.0%
Water	25.0%
Wastewater	12.5%
Stormwater	12.5%

This same cost sharing ratio is proposed for the implementation costs.

Light & Power	\$2,125,000
Water	\$1,062,500
Wastewater	\$531,250
Stormwater	<u>\$531,250</u>
	\$4,250,000

Enterprise Fund Reserve Balances

The funds being requested herein would come from available reserves of each utility. These funds are above and beyond funds set aside within the reserves to meet minimum fund balance requirements and any previous appropriations made but not yet spent. As the table below shows, each enterprise fund has sufficient available reserves for both anticipated appropriations related to modernizing the CIS-CX solution.

	Light & Power	Water	Wastewater	Stormwater
Available Reserves EOY 2021	\$41.4	\$41.3	\$19.1	\$14.5
Mid-year 2022 Appropriations	(\$26.1)	\$0.0	\$0.0	\$0.0
2023-24 BFO Use	(\$1.0)	(\$29.3)	(\$7.7)	(\$2.3)
2022 Revenues Above Budget	\$11.2	\$3.5	\$1.2	\$0.2
2022 Expenses Below Budget	\$1.9	\$7.4	\$1.8	\$2.2
Estimated Available Reserves	\$27.4	\$22.9	\$14.4	\$14.6
Amount Being Requested	(\$2.1)	(\$1.1)	(\$0.5)	(\$0.5)
Remaining Available Reserves (\$M)	\$25.3	\$21.8	\$13.9	\$14.1

DISCUSSION / NEXT STEPS

GENERAL DIRECTION SOUGHT AND SPECIFIC QUESTIONS TO BE ANSWERED

Does the Council Finance Committee support bringing an appropriation ordinance forward for the consideration of the full City Council to support the next phase of the modernization of the Customer Information System – Customer Self Service Portal?

Emily Francis: are we including Connexion in the billing system?

Lance Smith, no, when the previous effort did not work, we needed an immediate solution for Connexion. A separate billing system was stood up for Connexion about 1 ½ years ago.

Emily Francis; is there no plan to incorporate all into one billing system?

Lance Smith; the real challenge there is that the vendors who built systems for traditional utilities have not gotten into the broadband space so there are really not many solutions that would incorporate broadband as well.

Travis Storin; also, although the backend systems probably don't exist to support the market in the way we would hope right now, there are opportunities to have a more streamlined customer facing experience and there are platforms that can merge bills for presentation purposes and still be processed by staff separately on the backend so a utilities customer who also has Connexion could be presented with one bill. That is further down the road and is carries some level of inefficiencies by virtue of operating the two billing systems on the back end. But if the spirit of your question is around the customer experience, there are some alternative ways we could be approaching that and examining that in the future.

Julie Pignataro; can you talk a bit about lessons learned from the previous experience that are feeding into this process?

Lance Smith; the previous experience was not successful and so the first lesson is that we were trying to manage an implementation of a software system in house and in house we don't have that expertise – the first thing we did was procure outside expertise and project management– test things along the way – confirm all works – we tried to do this w/out adding an contractual staffing – make sure this implementation goes well – we can't ask people to do that – we are bringing resources in to backfill so these folks can focus on this – we are asking outside council to review the contract to make sure it is very clear and tight

Gretchen Stanford; the requirements are such an important piece of that – making sure that we are all on the same page about what those requirements are and that QA piece will be very important as well.

Julie Pignataro; so, we don't know who we are going with yet. How much is our IT team involved in this choice because of their expertise?

Lance Smith; so, this is not for an RFP. We issued that earlier this year. Before we did that, we brought on a professional management team who helped us write the requirements so we could issue the RFP. We reduced the number of proposals we received down to five who we are bringing in for this week long demo. Each vendor is spending a week here on -site to demonstrate how their system works. We have a team who will be scoring them as they go through this process. The team consists of folks from customer service, billing, metering, rates as well as a large contingent from IT. Collectively, this team is going to score the proposals then we will have our chosen vendor and then will be working with them to negotiate the contract as to exactly what is going to be provided. The first thing will be determining if it will be a hosted system or inhouse and that will determine some of the cost. IT is intimately involved and half of the staffing we are asking for is IT.

Julie Pignataro; I had heard that everyone thought the previous (failed) project would be ready to go out of the box.

Travis Storin; it was sold as an off the shelf solution.

Lance Smith; it was and one of the things we are doing with these demos is – one criteria said that we aren't going to look at your solution unless it has already been deployed in a market with 100K plus customers. They are going to show us their product, step us through so we can make sure it does what they say it does.

Previously we were told it was an off the shelf solution and then we realized no it was not. That was one of the big lessons learned. So, making sure the product is real is key. We will also be doing reference checks with other utilities who have implemented their solutions to make sure it did what they were told and the implementation timing was accurate.

Travis Storin; Julie, if you have more in-depth questions, we may need to have an Executive Session because of the ongoing litigation we are involved in.

Julie Pignataro; let's put that on the shelf for now and keep us updated.

Kelly Ohlson; I see \$13-18M for a new billing system. Is that number close to what we expected as it seems like a 'take your breath away' number

Lance Smith; it is in the ballpark and there is a pretty wide range \$9-14M. That depends on what type of solution we go with, whether it is In house, running on our computers with our IT doing the trouble shooting or it could be on a hosted platform, they run it on their servers. The hosted solution option is the solution we are leaning toward. Our current billing system is about 20 years old, so we haven't done this in 20 years. The hosted solution would include regular updates 2-3 times per year so we would constantly be upgraded to the current version of the software. We don't want to have a highly customized system. We want something as close to off the shelf as possible. When I came and talked to you about the debt forecast I was assuming \$12M

Kelly Ohlson; so, to confirm today we are talking about \$4.2M.

Lance Smith; yes, that is correct – the total range is \$13-18M

Result; The Committee approved this to go forward to the full Council on March 21st.

B. Connexion – Capital Management

Blaine Dunn, Director, Accounting

Chad Cramer, Broadband Executive Director

EXECUTIVE SUMMARY

The purpose of this item is to provide Council Finance Committee an update on Connexion's financial projections, highlight the timing of liquidity needs, and discuss a proposed resolution that will enable flexibility in the usage of funds to be raised in the fall of 2023 from a planned bond offering in combination with Light & Power.

GENERAL DIRECTION SOUGHT AND SPECIFIC QUESTIONS TO BE ANSWERED

Does Council Finance Committee support the recommendation to bring forward a resolution to Council to reimburse Connexion for expenditures through a future bond offering?

BACKGROUND/DISCUSSION

Both Light and Power and Connexion anticipate needing to borrow money through bond offerings in 2023. The projects for Light and Power and Connexion each have different timelines, so it is expected expenditures for Connexion will occur before the issuance of additional bonds, and exhaust currently available funds.

Reimbursement of expenditures with bond proceeds is allowed for soft costs. However, in order to reimburse expenditures incurred for capital costs, an official declaration by Council must be made.

Therefore, in order for the City to be able to use the proceeds from the issuance to reimburse Connexion for any expenditures, and at the same time maintain the tax-exempt status of the bonds, the Internal Revenue Service (Treasury Regulation 26 C.F.R. §1.150-2) requires the City Council adopt a Resolution. The Resolution represents the City's declared official intent to reimburse the applicable City funds for such expenditures with the proceeds from the issuance of the bonds.

The declaration of official intent through the Resolution complies with federal regulations. It also provides more flexibility to the City so it can better manage the capital expenditures related to the Projects. With a Resolution, the City can make the capital expenditure prior to issuing the bonds and later reimburse the applicable City fund with the proceeds from the issuance of the bonds.

FINANCIAL IMPACTS

Staff presented updated financial projections for Connexion at the January 10, 2023, Work Session. In that meeting, the capital project estimate was updated, reflecting a need to access approximately \$16 million additional capital to complete the network build-out and customer ramp-up by the end of 2024. An additional \$3 – \$5 million for excess operating expenses was also estimated to be needed.

These estimates remain unchanged. The table below highlights the original Business Plan capital assumptions, approved spending updates, project spending to date and the current project estimate.

Description	Business Plan and Approved Updates	01/31/2023 LTD Spent	Current Project Estimate thru Dec 2024
Network (Primarily AEG)	\$84M	\$107M	\$110M
Installation (On Trac, boring)	\$13M	\$17M	\$36M
Equipment & All Other	<u>\$12M</u>	<u>\$18M</u>	<u>\$12M</u>
Subtotal Business Plan	\$109M		
Contingency & Re-deploy – Sept. 2021	\$13M		
L&P Reserves Appropriated – Apr. 2022	<u>\$20M</u>		
Total Capital Budget/Estimate	\$142M	\$136M	\$158M

Connexion's maximum funding need is expected by December 2024, with 2025 expected to be breakeven before the generation of excess cashflows that will be able to service the L&P reserve usage payback plus new bonding commitments. To date, Connexion has issued \$129.6 million of the \$150 million voter approved amount to support Connexion's build. This leaves over \$20 million available for additional funding needs.

Connexion is contemplating the issuance of new bonds totaling approximately \$20 million (in a combined offering with Light & Power's approximately \$40 million requirement). Highlighted below is the current estimate of the projected inflows and outflows for Connexion for the balance of 2023 and full year 2024 (with the assumption of completion of new bonding in the September / October timeframe.)

2023/2024 Inflows / Outflows	Total *
Revenue	\$43.6 M
Reserve Draws plus New Bonds	<u>\$22.8 M</u>
Total Inflows	\$66.4 M
OPEX / COGS	(\$22.3 M)
Debt Service – Existing Bonds	(\$18.8 M)
Debt Related - Draws & New Bonds	(\$2.6 M)
Capital Expenditure	<u>(\$21.3 M)</u>
Total Outflows	(\$64.9 M)
Net Surplus	\$1.5 M

* For 23 months February 2023 – December 2024



DISCUSSION / NEXT STEPS

GENERAL DIRECTION SOUGHT AND SPECIFIC QUESTIONS TO BE ANSWERED

Does Council Finance Committee support the recommendation to bring forward a resolution to Council to reimburse Connexion for expenditures through a future bond offering?

Kelly Ohlson; it says Connexion knows there will be a need for future capital of \$20M
\$16M capital and \$4M for operations

(see slide below)



Debt Issuance

- Connexion knows there will be an additional need for capital in the future
 - Current estimate is ~\$20M
- Light and Power will also need to issue debt later this year
 - Current estimate is ~\$40M
- Issuing Connexion and Light and Power debt at the same time is advantageous
 - Allows for cost of issuance savings
 - Larger issuance is more attractive in the market
 - Cuts down on recreating multiple documents for separate issuance

Blaine Dunn; capital can be used in two different senses; capital can mean cash. The \$16M for capital covers expenditures for fixed assets being put into the ground. Fixed assets – the \$4M is the soft costs which include personnel, marketing, etc.

Julie Pignataro; this is hard because this comes back to us a lot - but my answer is yes.

I know we have a new team and more information, but it is very difficult. I just have to acknowledge this is hard to read. I do know you are being very transparent and that is super helpful. Constant updates are helpful.

Emily Francis; did we already discuss the \$40M in Light & Power that we are bonding?

Blaine Dunn; we have not, that is scheduled to come back to this committee in the June timeframe. Lance is still solidifying some of the final numbers.

Travis Storin; we have not talked directly about the financing, however, it is part and parcel to the long term capital plan that Utilities updates every 2 years. I believe we talked about Light & Power in December. It is implicit in the cost numbers that we would go for approximately \$40M.

Blaine Dunn; when Light & Power came to Council Finance the last time, that was the number that was in their presentation.

Emily Francis; yes, a hard yes but yes

Result; The Council Finance Committee approves this to go forward with a resolution to Council to reimburse Connexion for expenditures through a future bond offering.

C. Annual Reappropriation Ordinance

Lawrence Pollack, Budget Director

EXECUTIVE SUMMARY

The purpose of this item is to reappropriate monies in 2023 that were previously authorized by City Council for expenditures in 2022 for various purposes. The authorized expenditures were not spent or could not be encumbered in 2022 because:

- There was not sufficient time to complete bidding in 2022 and therefore, there was no known vendor or binding contract as required to expend or encumber the monies; or
- The project for which the dollars were originally appropriated by Council could not be completed during 2022 and reappropriation of those dollars is necessary for completion of the project in 2023.

Additionally, there may have been sufficient unspent dollars previously appropriated in 2022 to carry on programs, services, and facility improvements in 2023 for those specific purposes.

In the above circumstances, the unexpended and/or unencumbered monies lapsed into individual fund balances at the end of 2022 and reflect no change in Council policies.

Monies reappropriated for each City fund by this Ordinance are as follows:

General Fund	\$602,754
Transit Fund	55,750
Transportation Fund	100,000
Water Fund	52,500
Broadband Fund	4,361,774
Data & Communications Fund	86,000
UT Customer Service & Administration Fund	170,848
Total	\$5,429,626

GENERAL DIRECTION SOUGHT AND SPECIFIC QUESTIONS TO BE ANSWERED

Does the Council Finance Committee support moving forward with the 2023 Reappropriation Ordinance on the Consent Agenda at the March 21, 2023, Council meeting?

BACKGROUND/DISCUSSION

The Executive Team has reviewed the Reappropriation requests to ensure alignment with organization priorities and the Budget staff reviewed the requests to verify that all met qualification requirements. The 2023 Reappropriation requests are as follows, by fund:

GENERAL FUND

Police Services

1) K9 Vests - \$3,520

Purpose for funds: \$3,520 was donated by a resident for the purpose of buying a protective vest for a K9. This has not yet been purchased and should be reappropriated according to the intent of the gift.

Reason funds not expensed in 2022: The reason that the gift was not expensed in 2022 was because the dog that it was intended for needed to be returned to the breeder because of behavioral issues. Another K9 has been purchased and the vest will be purchased later in the year when the dog is full grown.

2) Northern Colorado Regional Communication Network (NCRCN) - \$300,000

Purpose for funds: The funds are being drawn from NCRCN (Northern Colorado Regional Communication Network) reserves, a restricted portion of the General Fund. These funds were designated for the maintenance and replacement of the radio towers and equipment on top of the hospital and on Tower Road by Horsetooth Rock.

Reason funds not expensed in 2022: Because of the complexity of the scope of the project, and conflicting priorities with other projects, the Information Services Division in Police Services is still in the process of developing the RFP to bid out the work. This project will commence in 2023.

City Manager's Office

3) Council High Performing Board - \$18,295

Purpose for funds: The previous City Council approved an offer for \$30,000 to support Council group and individual development. Strategies such as individual mentors/coaches and conferences are available with

this funding. It can also be used for other training purposes, as well as participation with associations such as the Colorado Municipal League, National League of Cities, and Water Literate Leaders.

Reason funds not expensed in 2022: A portion of this funding was used in 2022; however, City Council did not fully utilize the available budget. A Council workshop in January of this year outlined further training and development needs for Council in 2023. These funds will be used towards those additional opportunities.

4) DEI Principles of Community - \$8,000

Purpose for funds: A key deliverable identified by Council to advance the Equity and Inclusion priority was to develop Principles of Community for the organization to foster and enhance a sense of belonging for coworkers and the community we serve. This funding will create the principles of community which developed as a mission, vision, values refresh project. Work was partially completed in Q4 of 2022 after extensive staff engagement. The Communications Department is working on creating a new poster and communications to be shared city-wide in 2023.

Reason funds not expensed in 2022: Not all funds were expenses in 2022 as the city-wide roll out of the new Mission, Vision and Values (MVV) was planned for Q2 2023. Messaging and development of the outreach materials is still in progress and expected to be completed and ready for outreach by the end of Q2. These funds will be used to pay for the final printing of materials and promoting the new MVV across all departments in 2023.

5) Land Acknowledgement Funding - \$16,065

Purpose for funds: Land Acknowledgement funds have been used to build trust with the Fort Collins Native American community in a land-focused way. Having a strong relationship with a foundation of trust is a crucial first step before we can begin the process of creating a written land acknowledgement. For example, funds have been used to provide space for the Northern Colorado Intertribal Powwow Association (NCIPA) Powwow, space and supplies for NCIPA culture classes, and space and supplies for the NCIPA winter drive celebration.

Reason funds not expensed in 2022: It was crucial to establish a strong relationship of trust and reciprocity before beginning the process of creating a land acknowledgment. There was some hesitancy in the Native American community about creating a land acknowledgment without understanding the City's commitment to the Native community, to ensure that the land acknowledgment was not merely a performative action. Over the last year, we have established that relationship and we now have a solid basis to create a written land acknowledgement in 2023. Quarterly meetings have been set up with the Native American community for 2023, and we are also establishing a Native American Advisory Circle this year. These spaces will be the mechanism through which the land acknowledgment is created.

Parks

6) Park Planning & Development Special Project Support - \$5,600

Purpose for funds: Special project support funding was appropriated in 2020 for Park Planning & Development staff to conduct site planning and prepare cost estimates for potential donor funded projects, enabling donors to move forward with fundraising efforts. To date, multiple projects have been completed utilizing this funding source, including Veteran's Plaza improvements, Eastside Park improvements, Sugar Beet Park art "The Hand that Feeds", a cyclo-cross training course in Rossborough Park, site planning for a pickleball complex, and a pledge from the mountain bike community to fund a feasibility study for a bike park as part of a GOCO grant.

Reason funds not expensed in 2022: Funding partnerships with potential donors are unpredictable. This funding enables the City to be responsive to potential donors when fundraising opportunities arise. The remaining funds will be used to complete projects currently underway.

Community Development & Neighborhood Services

7) Mediation and Restorative Justice Services - \$4,526

Purpose for funds: These funds were all donations made to support the Mediation and Restorative Justice programs. The programs were founded 22 years ago and provide community-based services to support residents in constructively facing conflict. Community Mediation is used to address all types of conflicts and supports citizens in resolving conflicts collaboratively. Youth (10-22) in our community can be referred to the Restorative Justice programs to take responsibility for, and help repair the harm of, crimes they have committed. Our team of over 50 trained volunteers makes these services free or low-cost and available for our community.

Planned uses for these donated funds include additional training and conferences for staff and volunteers; diversifying the Mediation and RJ volunteer pool; funding the RePay program where youth in the RJ programs who owe victim restitution can do community service to help pay the restitution.

Reason funds not expensed in 2022: In January 2022, two of the 4-person MRJ team left the organization so efforts were focused on maintaining core services, rather than pursuing special projects. New staff were hired in May 2022 and training, onboarding continued throughout much of the rest of the year. It is expected that these funds will be expended in 2023.

Social Sustainability

8) EV Credits - \$238,000

Purpose for funds: These funds address the cost differential between current Colorado Housing and Finance Authority requirements and the updated Building Code requirements for Electric Vehicle (EV) infrastructure for affordable developments. The program provides cost-sharing of these additional infrastructure requirements by providing credits of flat fees calculated per project based on eligible parking spaces.

Reason funds not expensed in 2022: The City did not receive any requests for EV infrastructure credits from qualifying projects in 2022. The parking standards in the Building Code that will be in place starting 2023 will allow all affordable housing projects to qualify for this credit. Staff expects the first request for a credit to be submitted Q1 2023.

Natural Areas

9) West Nile Virus - \$8,748

Purpose for funds: The West Nile Virus Program provides proactive mosquito management and seeks to reduce the risk of human contraction of West Nile Virus. The majority of the monies fund two contracts; a contract with Vector Disease Control International provides mosquito larvae control and mosquito trapping, while a second contract with Colorado State University provides for testing West Nile Virus presence. The remaining funds provide for community education through various forms of advertisement and outreach.

Reason funds not expensed in 2022: During the budget process of 2023-2024 full funding for the WNV Program was not restored, yet looking ahead, it became clear that the inflation-related contract costs for the fundamental, contracted elements of the program would significantly exceed the budgeted increase for 2023 and 2024. To plan for this short-fall, remaining outreach funds (approximately \$5000) were coupled

with unanticipated reimbursement money from the Town of Berthoud (approximately \$3000) not spent with the intention to carry them over to address the 8% increase in contractor costs. Without carrying these funds forward, the contracted elements of the program are likely to exceed the total program budget by roughly \$2000.

TRANSIT FUND

Transfort/Dial-A-Ride

10) Poudre School District (PSD) & Transfort Collaboration Study - \$55,750

Purpose for funds: This funding allows for a study to determine areas of better collaboration for student transportation between Transfort and Poudre School District (PSD).

Reason funds not expensed in 2022: Staffing issues, contractor availability, as well as purchasing department capacity led to delays for this project until late November 2022. Staff currently has all of the work in place to sign a contract and begin work as soon as 2023 funding is confirmed. Multiple staff will be actively monitoring and guiding this work in 2023.

TRANSPORTATION FUND

Traffic

11) Neighborhood Traffic Mitigation Program Project Construction - \$100,000

Purpose for funds: Traffic in neighborhoods can affect the quality of life for residents, bicycles, pedestrians and drivers. The Neighborhood Traffic Mitigation Program is a collaborative effort between neighborhoods and City staff to implement traffic calming options. In 2022, Traffic received \$130,000 additional funding for medians and/or pedestrian refuge islands, sidewalk curb extensions and traffic diverters in order to achieve a more "complete streets" approach to traffic calming. The offer included funding for professional (consulting) services and funding for the construction of traffic mitigation devices on neighborhood streets. Traffic is requesting \$100,000 to be re-appropriated from the 2022 budget to construct these mitigation improvements.

Reason funds not expensed in 2022: In 2022, evaluation of locations and public outreach was completed. Due to staffing changes and consultant availability, design of the mitigation improvements for Whedbee and Oak was not started until fall. Survey and design will be completed in the Spring of 2023 and the construction will start in the summer/fall.

WATER FUND

Utility Water Resources Division

12) Northern Integrated Supply Project (NISP) Response & Engagement - \$52,500

Purpose for funds: Since 2008, the City has developed and contributed science-based input to the various planning stages of the Northern Integrated Supply Project (NISP) project with the goal of minimizing adverse impacts on the Poudre River and the Fort Collins community. The City's efforts have resulted in positive changes to this project which are reflected in the NISP operations and mitigation plan. Funding from this 2022 offer is intended to provide technical consulting and engineering support to inform the City's engagement in future NISP planning efforts. Specifically, City staff will engage in NISP adaptive management and master planning stakeholder processes; however, additional technical and consulting support will be needed to achieve the desired outcomes. Funds from this offer would support: 1) water resources engineering and analysis to advise the NISP flow operations and ensure the proposed flow mitigation program is realized; 2) advisement for the development of NISP's proposed Master Plan and Adaptive Management Program; and 3) additional discipline-specific representation on technical advisory groups and input for project infrastructure proposed within the City limits.

Reason funds not expensed in 2022: The NISP project Record of Decision (ROD) was not issued until late 2022, which was later than NISP project participants anticipated. Because of this permitting delay and because staff at Northern Water were heavily involved in post-fire recovery from the 2020 East Troublesome Fire, Northern Water elected to postpone the Adaptive Management and River Master Planning discussions with stakeholders until after the ROD was released. Northern Water initiated conversations with potential project stakeholders, including City of Fort Collins, about the intended start of these planning efforts in early 2023. Funds from this budget offer will be used for the original intended purpose of developing science-based input with the assistance from technical and engineering consultants, on how the NISP project impacts should be managed, mitigated and monitored.

BROADBAND FUND

Broadband

13) Re-Deploy of Broadband Working Capital - \$4,361,774

Purpose for funds: Offer 63.1 encompassed the ramp up of Connexion core operations as the network build out was expected to be essentially complete by year-end 2022, and customer acquisition, servicing and network maintenance approached full targeted operating levels. This offer was for all 2022 ongoing expenditures which include personnel, operating costs, cost of goods sold (primarily internet and video content) and debt servicing requirements. This request seeks to reappropriate \$4.4 million in unspent 2022 funds into 2023 for completion of the primary network buildout, access to customer premises and continued customer installations.

Reason funds not expensed in 2022: Construction of the network, accessing commercial and residential multiple dwelling unit (MDU) accounts, and ramp-up of customer base has taken longer than expected due to supply chain cost increases, build-out complexity and installation labor shortage issues. These conditions have required appropriation of additional capital expenditures for the project by City Council in September 2021 and April 2022 totaling \$28 million. An additional \$5.4 million in unanticipated working capital savings (primarily from operating cost containment and interest income from the original bond proceeds) was reserved and targeted for re-deployment as part of the updated financing efforts. \$1.0 million of this amount was spent in 2022 on network buildout. This request seeks to reappropriate the remaining \$4.4 million from the \$5.4 million re-deployed amount to meet the increased capital requirements. This does not represent an increase in the capital budget estimate, just the formal transfer of reserved funds.

DATA AND COMMUNICATIONS FUND

Information Technology

14) Staff Augmentation for Network and Voice Operational Support - \$86,000

Purpose for funds: This request will fund additional hardware support and staff augmentation for Network and Voice support that will assist with the Webex rollout, voice enterprise support, Police Wi-Fi upgrades, and other enterprise network tasks and demands. These funds will allow the Information Technology (IT) department to contract with an experienced vendor to help manage operational and project workload. This will also allow time for IT to hire new Network/Voice personnel and get them up to speed, while not losing traction on enterprise support needs, project rollouts, and maintaining a proper work-life balance with an already overextended Network staff.

Reason funds not expensed in 2022: These funds were not expensed due to workload capacity, vacant positions, and expertise issues in the midst of the transition of Network and Voice operations between Connexion and the IT department that occurred in mid-2022. Upon transferring ownership of the Network and Voice operations, IT began evaluation of the current status of the operation and prioritized what

needed most attention, which was delayed lifecycle switch replacement, ARPA-funded initiatives, and voice strategy which pushed the aforementioned initiatives and operational tasks to late 2022 and into 2023. IT has evaluated, rescoped, and is currently posting the vacant Network positions to better address the needs of the City's Network and Voice systems to keep up with service needs, project demands, upgrades, and expansion.

UTILITY CUSTOMER SERVICE AND ADMINISTRATION FUND

Utility Technology and Customer Service

15) Utilities Information Technology Minor Capital - \$170,848

Purpose for funds: The funds are requested for replacement of departmental firewalls for 1) the Customer Information System (CIS) Utility billing system hosted onsite at Platte River Power Authority (PRPA) and 2) the Utilities Advanced Meter Fort Collins (AMFC) system. The firewalls are currently end-of-life, and thus end-of-support, and need to be replaced.

Reason funds not expensed in 2022: The downside to the departmental firewalls is that they are discrete stand-alone installations built as a pair for redundancy. The number of these types of discrete firewall installs across the City creates a large management burden, as well as a large and potentially inefficient use of funds. IT was exploring a new concept in which these disparate firewalls could be combined into a single on-premise redundant virtual environment with the expectation that the new environment would be easier to manage, provide better redundancy, and ultimately be a more cost-effective solution. However, due to other work priorities, the research and analysis into this proposal was not able to be completed in 2022. The research into this new firewall architecture should be completed in 2023, and the funds for these firewalls could be applied towards this new firewall architecture. If the new firewall architecture proves to be unfeasible, the funds would still need to be applied to the purchase of discrete firewalls.

FINANCIAL/ECONOMIC IMPACT This Ordinance increases 2023 appropriations by \$5,429,626. A total of \$602,754 is requested for reappropriation from the General Fund, \$4,361,774 is requested from the Broadband Fund, and \$465,098 from other funds. Reappropriation requests represent amounts budgeted in 2022 that could not be encumbered at year-end. The appropriations are from prior year reserves.

DISCUSSION / NEXT STEPS

GENERAL DIRECTION SOUGHT AND SPECIFIC QUESTIONS TO BE ANSWERED

Does the Council Finance Committee support moving forward with the 2023 Reappropriation Ordinance on the Consent Agenda at the March 21, 2023 Council meeting?

Kelly Ohlson; a pervious Council decided that West Nile Virus was a community issue and not a Natural Areas issue and the funding was taken from Natural Areas and put into the General Fund. Now I see it back under Natural Areas.

Lawrence Pollack; you are correct that the funding is coming from the General Fund not Natural Areas. But it is managed and the budget is run through Natural Areas.

Emily Francis; no questions

Julie Pignataro; no questions – Thank you for the great explanations in the packet.

RESULT; The Council Finance Committee supports moving forward with the 2023 Reappropriation Ordinance on the Consent Agenda at the March 21, 2023 Council meeting.

OTHER BUSINESS;

Julie Pignataro; because of the number and nature of the agenda items, does it make sense to do the April 6th meeting in person? We do good work this way – this is a robust agenda and this will be the 5th or 6th time we are talking about how we plan to package our funding shortfalls.

Travis Storin; one of the agenda items for the April 6th meeting is Sustainable Revenue Climate and a separate topic regarding our approach to the ballot. Large emitter will be incorporated into that dialog. We will be bringing the results of our analysis around the large emitter tax as opposed to a fee. We are at an actionable time as it relates to November ballots. We added more time to allow for that dialog.

It was agreed to have the April 6th Council Finance Committee meeting be a hybrid meeting.

Meeting Adjourned at 5:10 pm

COUNCIL FINANCE COMMITTEE AGENDA ITEM SUMMARY

Staff: Spencer M. Smith, P.E., Engineering - Special Projects Engineer
Monica Martinez, Planning Development & Transportation Finance Manager

Date: April 6, 2023

SUBJECT FOR DISCUSSION

West Elizabeth Corridor final design - Multi-Modal Options Funding Grant Appropriation

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 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.

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

ATTACHMENTS

1. Council Finance PowerPoint Presentation



West Elizabeth 100% Design – Council Finance Committee

Spencer Smith, Monica Martinez - April 6, 2023

Is Council Finance supportive of an out of cycle supplemental appropriation for the Multi-Modal Option Fund (MMOF) and required local match to complete 100% design for the West Elizabeth Enhanced Travel Corridor?

Design

- 30% Design Complete (Q3 2022)
- Final Design – FHU
 - Begin Q2 2023
 - Finish Q2 2024
- Project Rating System
 - Greenroads
 - Envision
- MMOF Grant (Q2 2022)
 - CSU committed 50% of Local Match (\$616k)



Grants

- RAISE (Rebuilding American Infrastructure with Sustainability and Equity)
 - Foothills Transit Center & Roundabout
 - Requested \$10.7M
 - Submitted Q1 2023
- Small Starts
 - Application mostly complete. Working to finalize local match funding sources
 - Tentative project rating submittal Summer 2023



- IGAs (CDOT & CSU)
 - Currently finalizing
- CFC/City Council – April/May 2023
 - Local match appropriation - final design
 - IGA approvals
- Final Design Contract - FHU
 - Currently finalizing
- Construction Funding
 - Ongoing effort to identify local match funding sources (\$20M minimum)
 - Small Starts grant application

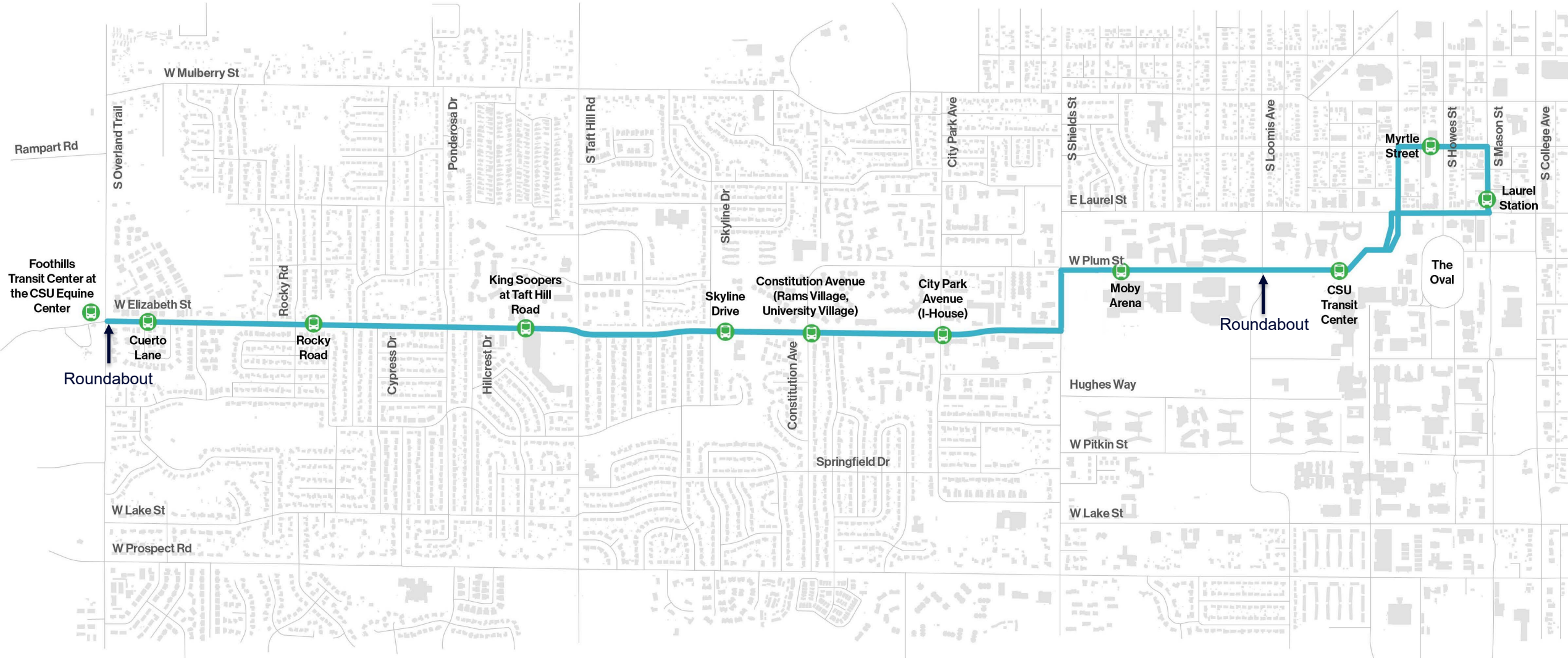


Funding Source	30% Amount	100% Amount	Total
MMOF	\$ 750,000	\$ 1,232,248	\$1,982,248
CSU	\$ 375,000	\$ 616,124	\$ 991,124
Transfort Reserves	\$ 375,000	\$ -	\$ 375,000
TCEF	\$ -	\$ 325,814	\$ 325,814
Transfort Unanticipated Revenue	\$ -	\$ 325,814	\$ 325,814

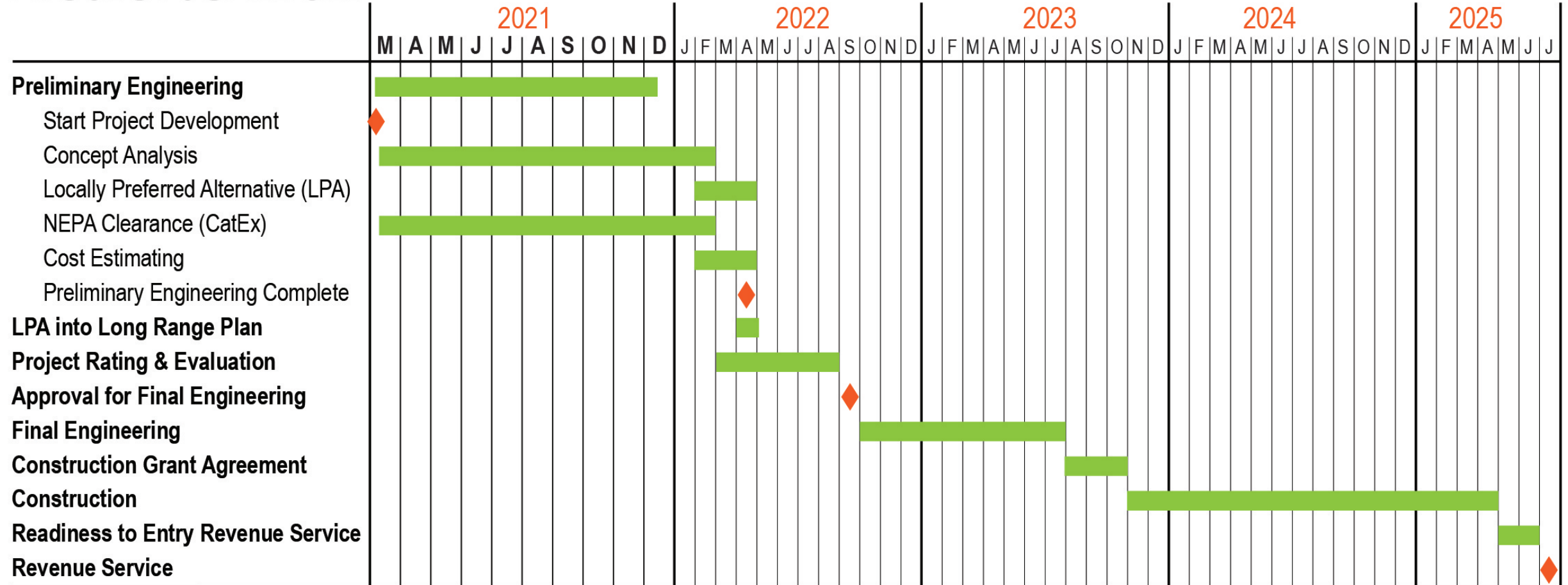
- Funding will complete 100% Design
- Keeps project on track to be eligible for FTA Small Starts Grant Funding (same grant that was utilized for MAX)
- Leveraged funds/partnership - CSU contributing \$616k for 100% Design

Is Council Finance supportive of an out of cycle supplemental appropriation for the Multi-Modal Option Fund (MMOF) and required local match to complete 100% design for West Elizabeth Enhanced Travel Corridor?

- Reduce or eliminate passenger “leave behinds”
- More convenient travel between Main and Foothills campuses and MAX
- Future compatibility with bike/scooter share, microtransit, increased transit services in west Fort Collins
- Buses every 7.5-10 minutes during peak hours
- Connections to CSU Transit Center, MAX on Mason at Laurel Station
- Increase transit capacity
- Improve transit system connectivity
- Improve connecting walkways, bikeways
- Improve multimodal safety
- Support interconnectivity between modes



PROJECT SCHEDULE



**COUNCIL FINANCE COMMITTEE
AGENDA ITEM SUMMARY**

Staff: Christina Taylor

Date: April 6th, 2023

SUBJECT FOR DISCUSSION: Ballot Work Re: Potential County-wide Childcare Tax

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 impacts 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.

GENERAL DIRECTION SOUGHT AND SPECIFIC QUESTIONS TO BE ANSWERED

(Work session questions should be designed to gather direction from Council without requiring Councilmembers to make a decision.)

This presentation is meant to inform the CFC and provide an opportunity for questions and discussion on how this effort can coexist with Council taxation efforts this year.

BACKGROUND/DISCUSSION (details of item – History, current policy, previous Council actions, alternatives or options, costs or benefits, considerations leading to staff conclusions, data and statistics, next steps, etc.)

Please see the attachment.

ATTACHMENTS (numbered Attachment 1, 2, 3,...)

1. ECE Ballot Report-

https://drive.google.com/file/d/1WczzamFnK1ZqKIt8rAG9s_RBn-rXz_0/view

INCREASING ACCESS



PUBLIC FUNDING FOR EARLY CHILDHOOD

Early
Childhood
Council
of LARIMER COUNTY

January 2023



EARLY CHILDHOOD COUNCIL OF LARIMER COUNTY

For more than 20 years, the Early Childhood Council of Larimer County (ECCLC) has been working to improve services to children and families. Our mission is to bring the community together to share knowledge and resources, build expertise, and work collaboratively to ensure that all young children in Larimer County have the care, support, and opportunities necessary to grow, learn, and succeed. We work strategically together with everyone important in a young child's life—parents, teachers, physicians, and psychologists—to equitably modernize and prioritize quality early childhood experiences. We provide expert coaching and consultation, build leadership capacity, incubate innovative ideas, spearhead community collaboration, advocate for policies and funding, and design and pilot innovative programs.

ECCLC is one of Colorado's 34 Early Childhood Councils working to improve services to children and families. The work of Councils is guided by the [Early Childhood Colorado Framework](#). ECCLC is one of the strongest Early Childhood Councils in the state and widely recognized as a center of excellence and a hub for innovative solutions that support long-term, positive, and sustainable change for families in our community. ECCLC is also designated by the State as the Local Coordinating Organization for Universal Preschool.

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 impacts 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.

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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.

[Jump to page 14](#) to see how this will work!



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THE IMPORTANCE OF THE EARLY YEARS

04

WHY ARE THE FIRST FIVE YEARS SO IMPORTANT?

The science of brain development shows that children form more than a million new neural connections every second within the first five years of life. Children's earliest experiences with their caregivers directly impact how these neural connections are made, laying the foundation for all future learning, behavior, and health. The caregivers that interact with our children in their first five years, from parents, grandparents and babysitters, to early educators such as child care providers, are the stewards for early growth and development. Numerous studies have shown just how critical it is for our children to have high quality early experiences to ensure they are able to be successful and thrive from day one.



"It is critical to intervene early in life, in the crucial window when the brain is developing and the foundations for adult life are being laid."

Nicholas Kristof
and Sheryl WuDunn
A Path Appears

LEARN MORE AT HECKMANEQUATION.ORG

"Quality birth-to-five early childhood education for disadvantaged children can simultaneously reduce inequality and boost productivity in America."



James Heckman
Nobel Laureate in Economics,
On the Strong Start for America's Children Act



ACCESS TO CARE

05

Lack of Access

Larimer County is facing a crisis in early childhood care and education. Based on 2019 estimates, licensed capacity for child care is only 25% of projected demand for infants and toddlers, and only 64% for preschool age children. This challenge is not new and recognition of it as a major barrier to the economic and social success of our community is widely held. The Talent 2.0 Regional Workforce Strategy report released in 2017, identified lack of access to child care as one of three key barriers to workforce recruitment and retention in Larimer County. As such, the Larimer County Board of County Commissioners made expanding access to quality child care a key priority of the County's 2019 – 2023 strategic plan -- Goal 2, objective 3: "By 2023 Larimer County, with public and private partners, "will increase quality child care capacity by 50% by identifying and implementing investment strategies in the areas of workforce, infrastructure and funding that result in long-term systems change."

The Children's Equity Project notes that systemic inequities begin before birth and follow children into the early care and education (ECE) system, one of the first systems with which they interact. In fact, families' access to childcare, their children's experiences while in care, and the outcomes they take with them as they transition into school and beyond, can vary drastically based on their race, ethnicity, and language. Outcomes for children of color and those living in poverty continue to fall short of those of their peers. Larimer County School District data continually demonstrates that historically marginalized populations are not graduating on time. Child health data at the state level demonstrates that health and mental health outcomes for children of color, and other marginalized identities, continue to be worse than for their peers.

CHILDCARE IS A MARKET FAILURE

06



Impact on Families

The average cost of child care in Larimer County is \$199-\$324 weekly, depending on the age of the child. This equals roughly \$9,500-15,500 a year, per child. That means the average Larimer County family (median household income of \$75,332 per the Colorado Department of Labor and Unemployment) spends between 12-20% of their annual income on child care for one child. The US Department of Human Services recommends that child care costs should not exceed more than 7% of a family's budget.



Impact on Childcare Providers

Early educators (often called child care providers) make an average of \$13-\$15 an hour. The poverty rate for early educators in Colorado is 15.1 percent. According to the Massachusetts Institute of Technology (MIT), a single parent of two children needs to make \$42/hr to afford to live in Larimer County. A two-parent household with BOTH parents working (and 2 children in the home) each need a minimum of \$23/hour to afford to live in Larimer County.

The only way to raise revenue in a child care program is to increase family tuition rates. If programs were to raise tuition rates in order to raise the rates of pay for their educators, families would suffer. The Center for American Progress, a bipartisan policy institute, estimates that if child care centers were to raise the tuition rate to afford to pay a living wage for their educators, they would need to raise the rates by a whopping 42%, which is far from sustainable for the average American family. Child care continues to be a classic market failure, and early childhood educators are paying the price with unsustainably low wages.

Nationally in 2019, 98% of all occupations in the US earned more than child care teachers, who experience a poverty rate that is eight times higher than that of K-8 teachers.

IMPACTS ON OUR COMMUNITY

07



Impact on Larimer's Economy

According to the [Council for a Strong America](#), care shortages in Larimer County have resulted in:

- Nearly \$100M in lost earnings, productivity, & revenue
- \$680 million lost by employers in CO; \$31 million in Larimer County
- Opportunity cost of over 900 jobs each year



Impact on Our Workforce

Nationally, according to [McKinsey and Company](#), [Pew Research](#) and the [US Chamber of Commerce Foundation](#):

- 11% of working parents have turned down a position due to lack of childcare
- 16% of employers have seen employees leave for childcare reasons
- 16% of the US workforce—26.8 million people—are dependent on childcare in order to work (CO is closer to 20%)
- Only 39% of respondents with household incomes below \$50,000 and children at home said that they could afford childcare
- 45,981 CO parents are making career sacrifices due to issues with child care

More than 20 million women left the workforce across the US over the past three years due to childcare access issues.

Demand Continues to Grow

Colorado's population of children under the age of four is expected to increase 22% by 2026.



Supply is Inadequate

Lack of a qualified workforce, insufficient compensation, front-line working conditions and ever-increasing demand has led to a childcare crisis across the country. Indeed, 70% of local child care program directors have reported difficulty finding qualified staff.



The Model is Broken

Without additional public investment, childcare will continue to operate as a market failure and remain inaccessible and unaffordable.



According to several state and national surveys on the early childhood workforce, the primary systemic barriers to recruiting and retaining qualified early childhood educators are low wages, limited benefits, and challenging work environments. There are an estimated 2,500-4,000 individuals employed in the ECE system in Larimer County at any given time. The majority (45%) are young professionals, ages 25-35 who are likely parents of young children themselves ([Colorado Early Care and Education Workforce Data Dashboard](#)). They have specialized education and training in early childhood development, early literacy, and social emotional wellbeing. Yet while quality, licensed child care is expensive, it is also undervalued as menial labor, paying only \$12 to \$15 per hour. At this rate, many providers are actually eligible for public assistance. According to the Economic Policy Institute, it is estimated that up to 15% of ECE providers in Colorado live below the poverty line.

BENEFITS OF INCREASED INVESTMENT

09

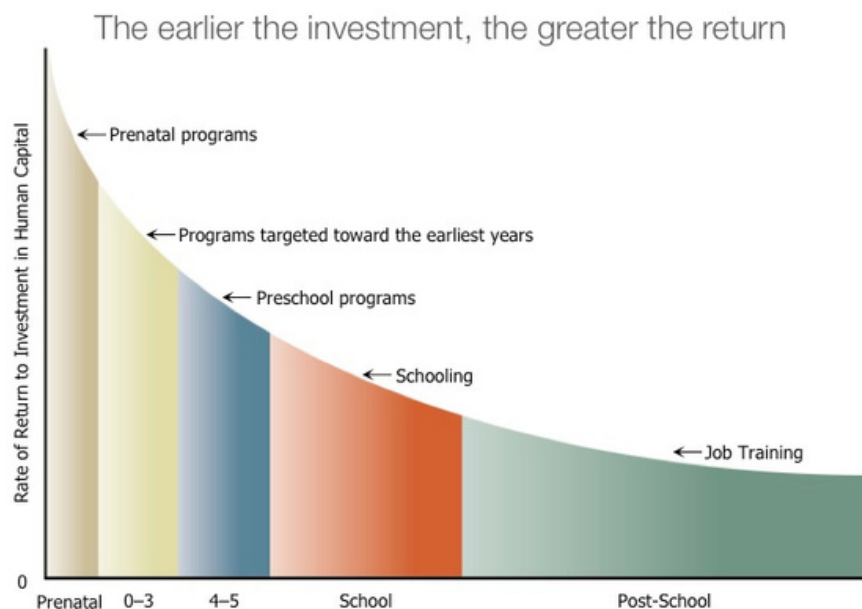
Economic Returns

Providing children and families with early health and learning opportunities from the prenatal period produces a 13% return on investment per child per year, significantly higher than just investing in preschool alone, which begins at age three.

The National Forum on Early Childhood Policy and Programs has found that high quality early childhood programs can yield a \$4 – \$9 dollar return per \$1 invested.

For more information on how child care access impacts our state economy, [click here](#).

EARLY CHILDHOOD DEVELOPMENT IS A SMART INVESTMENT



Source: James Heckman, Nobel Laureate in Economics



Health and Wellbeing

Gaps in knowledge, ability and wellness open up long before kindergarten. These gaps tend to persist throughout life, and are difficult and costly to close. Taking a proactive approach to cognitive and social skill development through investments in quality early childhood programs is more effective and economically efficient than trying to close the gap later on.

WHAT WE REALLY HADN'T
APPRECIATED BEFORE WAS HOW
SUBSTANTIAL
THE HEALTH IMPACTS WOULD BE.

James Heckman

Nobel Laureate in Economics

*On his recent study examining the health effects
of quality early childhood development*

Recent research has also shown dramatic long-term physical health impacts of early interventions that incorporate a focus on early education, nutrition and health. More than 30 years later, treatment group individuals were at significantly lower risk for serious cardiovascular and metabolic diseases, such as stroke and diabetes.

These findings demonstrate the incredible potential of coordinated birth-to-five early childhood programs to prevent chronic disease, improve mental health, reduce healthcare costs and produce a flourishing society.

Family Stability

Over the past several years, families have faced unprecedented challenges related to the COVID-19 pandemic. Caregivers have struggled to maintain their own mental health in the face of economic and social uncertainty. We know that access to quality, affordable childcare is a key contributor to adult mental health and economic stability. This is important because safe and stable families are more likely to produce healthy, thriving children. Moreover, quality child care pays off by helping primary caregivers to establish careers and grow their income potential.

PROPOSED SOLUTION

Larimer County Board of County Commissioners should refer a county-wide sales & use tax increase question to voters at the November 2023 election for the purpose of supporting early care and education programs in Larimer County.

Specifically:

- To increase the county-wide sales and use tax by 0.25% (25 cents on a \$100 purchase), which will generate an estimated \$19M-\$21M per year in revenue
- The measure should specify that revenue generated by this tax may be used to subsidize the cost of child care and preschool programs for families with children from birth to age 5, as well as to increase quality and supply of care
- The measure should include a 15 year sunset provision

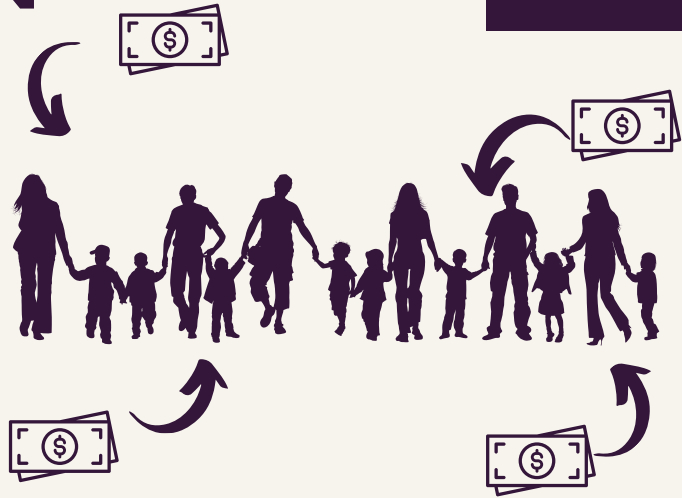
ANNUAL FUNDING BREAKDOWN

12

*Based on year 1 estimates

Up to \$10M distributed
directly to Larimer
County families to
offset the cost of child
care tuition

*See Appendix A



Up to \$7M invested into the early
childhood workforce through
recruitment and retention
strategies, and salary
supplementation

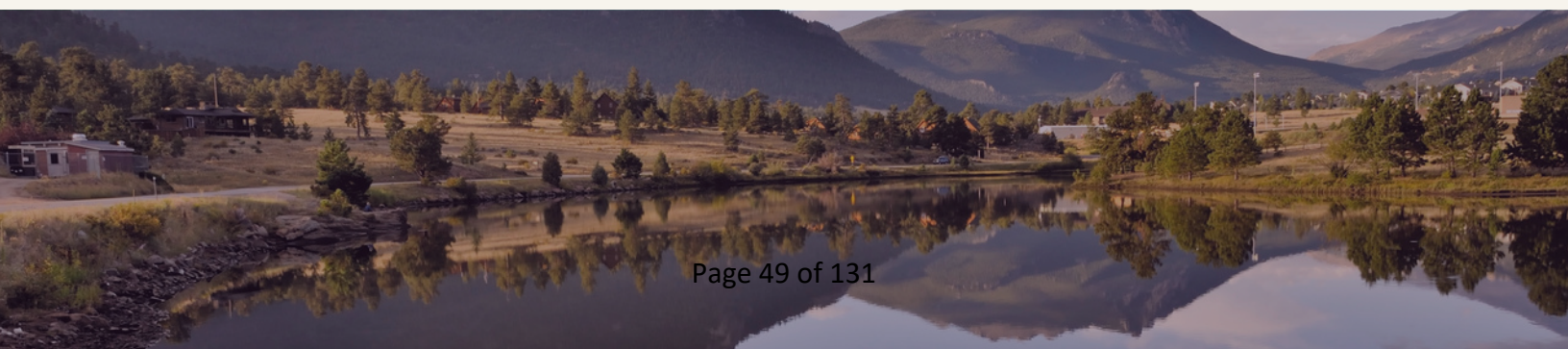
*See Appendix B

Up to \$2M invested into capital
projects to increase the
number of programs in
Larimer County through new
builds and renovation of
existing spaces.

*See Appendix B



Administrative costs will be capped at 5% of overall tax revenue annually



POSITIVE IMPACTS ON LARIMER COUNTY

13



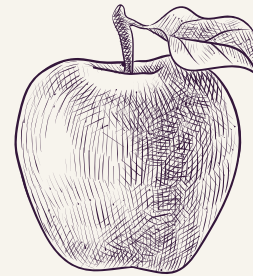
UP TO

7000

CHILDREN UNDER 5 WILL SEE
CHILDCARE TUITION OFFSETS

*MEETS APPROX 60% OF TOTAL NEED

Approx. 1000 early childhood
educators will see their annual
income increase



Up to 85% of ECE programs in
Larimer County will receive quality
improvement and workforce support

Larimer County can expect to see
positive economic gains as a result of
increased access to childcare



HOW DID WE GET HERE?

14

Community Steering Committee Process

In 2021, ECCLC convened a community steering committee to study this issue and develop recommendations for action. 14 of 17 members of that Committee agreed to recommend Larimer County Commissioners pursue a 0.25% sales tax increase to create a local dedicated funding source for early care and education in Larimer County. The Commissioners received that recommendation in the summer of 2021 and deferred action, endorsing the concept but saying they needed more time to work on the specifics of a proposal ([Article](#)). We'd like to revisit the conversation in partnership with County leadership to advance a proposal to the ballot in 2023.

Case Studies

To inform this process, research was conducted on five other communities that successfully passed early childhood tax initiatives to learn about both the nature and structure of their tax-funded program and the strategy that lead to their success. Specifically, the focus was on developed and examined case studies regarding voter-approved, publicly-funded early childhood programs in Denver, CO; Kent County, MI; Multnomah County, OR, San Miguel County, CO, Summit County, CO.

Additionally, this research analyzed the results of eight tax initiatives, considered by Larimer County voters between 2014 and 2020. The purpose of this exercise was to learn more about voter responses to tax questions in Larimer County.

Determining Demand & Need

To inform this work, a comprehensive set of data was compiled, and analyzed, including:

- Demographic information of families with young children in Larimer County
- Child poverty rate and distribution in Larimer County
- Number and distribution of licensed child care and preschool providers in Larimer County
- Estimated need vs licensed capacity for child care and preschool in Larimer County based on the number of children with all parents in the workforce
- Cost of child care and preschool in Larimer County and percent of family income spent on child care based on Larimer County median income
- Current subsidized funding for early care and education in Larimer County – federal, state, and local sources; public and private

Research Conclusions

- There is a significant gap between demand for and availability of licensed child care and preschool in Larimer County: It is estimated that Larimer County needs at least another 3,572 spaces for children from birth to 24 months and another 4,069 spaces for those ages 2 to 5 to close the gap between the number of children with all parents working and the number of licensed slots.
- Child care is a significant cost burden to working families in Larimer County.
- Current funding sources – public and private – are insufficient to help the community address both availability and affordability of child care and preschool.
- A sustainable, high-quality system requires a new, dedicated public funding stream.

Revenue Allocation Scenarios

To estimate an annual budget for the tax revenue, ECCLC used a comprehensive cost-modeling tool developed by Brodsky Research on behalf of the Bell Policy Center, as well as previous cost modeling completed by Brodsky research in 2021 on behalf of this project. Scenarios include a variety of factors to get as accurate an estimate as possible.

The tool uses existing data sets from a several local, state and national resources to consider the following factors, which is not an exhaustive list:

- Staffing data
- Participants and Needs
- Cost Per Child
- Quality Level
- Care type (i.e. home-based, center based, etc)
- Current funding

CONCLUSION

The system of care for our youngest population is fundamentally broken. Without public investment, our community's future is at risk. We have an opportunity to substantially improve the early care and education system in Larimer County, and to be a positive example to our peers throughout the state and the country. The model proposed here is workable, replicable, and we can lead the way together.



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www.larimerthrivebyfive.org

APPENDIX A

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Cost of Care and Estimated Need

Average Full-Time Cost Per Child			
	Centers	Homes	Weighted Ave.
Age 0-12 mo.	\$15,061	\$17,644	\$16,223
Age 12-24 mo.	\$15,061	\$17,644	\$16,223
Age 24-36 mo.	\$11,977	\$11,763	\$11,881
Age 3 years old	\$9,786	\$7,842	\$8,911
Age 4 years old	\$9,119	\$7,058	\$8,191

*Cost of Care modeling factors in the differences in quality ratings and corresponding rates.

Need (in Millions of \$)				
	Total Need	Current Funding	Unmet Need	Estimated Parent Input
Age 0-12 mo.	17.8	5.5	12.3	4.5
Age 12-24 mo.	23.4	7.1	16.3	8.2
Age 24-36 mo.	19	6.4	12.6	8.1
Age 3 years old	14.2	7	7.2	8.6
Age 4 years old	13.9	9.8	4.1	5.4
TOTALS	88.3	35.8	52.5	34.8

Need modeling includes the following data and assumptions:

- Cost of care based on distribution of Colorado Shines quality level and age
- Percentage of children served in home settings vs center-based settings
- Assumes 50% of children served will access full-day care (50h/wk), 25% will access school-day care (30h/wk) and 25% will access part time care (12.5h/wk)
- Assumes the following participating rates: Ages 0-12mo (50%); 12-24mo, 24-36mo, 3 and 4y0 (65%);
- Assumes approximately 10,246 children served
- Estimated population of children by household income level (based on ACS data from 2020) used to model a max of 10% of annual income spent on child care
- Current funding factors in the following funding streams: CCAP, Head Start, Early Head Start, CPP and other school district pre-k funding

*Cost modeling was completed by Brodsky Research and Consulting in 2021, as well as with the use of a cost-modeling tool created by Brodsky Research and Consulting on behalf of Bell Policy Center in 2022. Data used in cost modeling, as well as the rest of this report can be found in Appendix D.

APPENDIX B

Workforce Investments

Example Investment	Cost	Total Educators Impacted	Notes
Quarterly Salary Supplements For ECE Educators	\$4,000,000.00	1000	\$1k/quarter; Total bonus for those working full-time. Adjusted based on hours worked in previous quarter.
Health Insurance Benefit Offset	\$1,200,000.00	2000	\$50/mo offset, \$600/year per employee
Higher Education Scholarships	\$750,000.00	200	\$3750 awarded for higher education
Professional Development Stipends	\$240,000.00	400	To cover cost of training and time off
Annual Training Offerings	\$600,000.00	1000	Example: Pyramid training (\$600)
Total	\$6,790,000.00		

*Workforce investment estimates are based off actual data on current number of educators in the workforce, number of educators needed to meet demand, cost of current higher education for ECE careers, and cost of professional development needed to achieve and maintain credentialing as an early childhood educator.

*Salary supplementation would increase educator wages by approximately \$2/hr per year

Capital Investments

Example Investment	Cost	Number of Programs Impacted	Notes
Quality Improvement Grants to Licensed Home-Based ECE Programs	\$210,000.00	100	\$2100 per home-based provider; based on current per-site investment in quality improvement through ECCLC
Quality Improvement Grants to Licensed Center-Based ECE Programs	\$512,000.00	160	\$3200 per center-based provider; based on current per-site investment in quality improvement through ECCLC
Capital Expansion Grants for Home-Based Providers	\$150,000.00	20	\$7500 per program to cover the cost of capital improvements to improve quality and offer in-home care;
Capital Expansion Grants for Center-Based Providers	\$1,100,000.00	Up to 20	Grants of up to \$750,000 to cover capital improvements costs;
Total	\$1,972,000.00		

*Capital Investments modeled after current support being offered through ECCLC via state ARPA funding, which will expire in 2024.

CITATIONS

19

The Heckman Equation. (2020, April 20). Retrieved January 6, 2023, from <https://heckmanequation.org/>

McKinsey & Company Report (2021). <https://www.mckinsey.com/featured-insights/2021-year-in-review>

Council for a Strong America. (2022) <https://www.strongnation.org/locations/colorado>

Colorado Department of Labor and Unemployment;
<https://www.colmigateway.com/vosnet/analyzer/resultsNew.aspx?session=occproj&pu=1&plang=E>

2017 Composite COLI calculated in the 17-18 CO Childcare MRS

Child and Adult Care Food Program: National Average Payment Rates, Day Care Home Food Service Payment Rates, and Administrative Reimbursement Rates for Sponsoring Organizations of Day Care Homes for the Period July 1, 2019 Through June 30, 2020 <https://www.federalregister.gov/documents/2019/08/07/2019-16907/child-and-adult-care-food-program-national-average-payment-rates-day-care-home-food-service-payment>

Colorado Shines Licensing Data 2022

Bell Policy Colorado ECE Cost Model 2022 (Not public)



Public Funding for Early Childhood

Christina N. Taylor, MPH
Chief Executive Officer

Childcare Access in Larimer County

The State of the Sector

**\$12,000
A Year**

The average cost Larimer County families pay a year per child for childcare, often \$16-20k for an infant.

40% Shortage

in childcare access for families with preschoolers unable to find care.
75% with infants who cannot find care.

37% of INCOME

based on an average median HHI of \$64,919
Spent on childcare for a family of four with two kids under the age of 5

Why Does Early Childhood Matter?

The Base for Lifelong Health and Success

- A child that is an affordable and quality early education program will be better prepared for kindergarten, read earlier, be more likely to graduate high school and attend college, earn a higher wage, live a healthier life and have better developed life skills.

EarlyChildhoodCouncil
of LARIMER COUNTY

Why Does Early Childhood Matter?

The Base for Lifelong Health and Success

↓ Decreased
Healthcare Costs

↓ Decreased Crime
Rates

↓ Decreased
Unemployment
Costs

↑ Increased lifetime
earnings

Childcare Access and the Economy

- 10% of Colorado residents quit or don't take a job because of childcare challenges. During the pandemic, this challenge was heightened and families in Larimer County reduced their work by 42% due to lack of childcare.

Childcare Access and the Economy

- Lack of access to child care and early education leads to increased work absences and can remove talented employees from the workforce
- In the last year alone, more than 20 million women with children in the US have left the workforce due to lack of childcare access

Childcare Access and the Economy

- In 2008, United Way and the Coloradoan conducted a community-wide assessment of poverty in Larimer County and determined the absence of affordable childcare was the single greatest deterrent to a family's self sufficiency

Why is there such a shortage?

Childcare as a Market Failure

“The market failure is that we count on parents to pay for the bulk of the cost of child care, yet to provide good-quality care costs far more than many parents can afford” Gina Adams, Urban Institute

“It’s past time that we treat childcare as what it is – an element whose contribution to economic growth is as essential as infrastructure or energy.” Treasury Secretary Janet Yellen

Federal Health and Human Services- 7% of a family’s income is reasonable to spend on child care

Most families are paying between 13-30% of their annual income on child care, depending on number of children, cost of care and other factors.

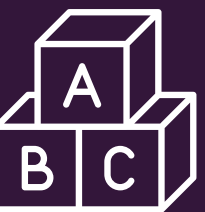


Why is there such a shortage?

WORKFORCE IS KEY!

- Early educators make an average of \$13-\$15 an hour
 - Not enough to afford housing in Larimer County
- Early educators require extensive education and credentials to work in an early childhood classroom
- Education in early childhood is a demanding field!
 - Long hours
 - Emotionally and Physically Taxing

Early childhood educators are leaving the field faster than we can hire them!



What Options are There for Families?

Affordability

- Colorado Child Care Assistance Plan (CCAP)
- United Way Larimer Child Care Fund
- Sliding Scales and Scholarships
- Colorado Preschool Program
- Head Start
- Universal Pre-K

What Options are There for Families?

IT'S NOT ENOUGH

Need (in Millions of \$)				
	Total Need	Current Funding	Unmet Need	Estimated Parent Input
Age 0-12 mo.	17.8	5.5	12.3	4.5
Age 12-24 mo.	23.4	7.1	16.3	8.2
Age 24-36 mo.	19	6.4	12.6	8.1
Age 3 years old	14.2	7	7.2	8.6
Age 4 years old	13.9	9.8	4.1	5.4
TOTALS	88.3	35.8	52.5	34.8

What is the solution?

HOW DO WE SOLVE THE ACCESS CRISIS?

Larimer County Board of County Commissioners should refer a county-wide sales & use tax increase question to voters at the November 2023 election for the purpose of supporting early care and education programs in Larimer County.

What is the solution?

HOW DO WE SOLVE THE ACCESS CRISIS?

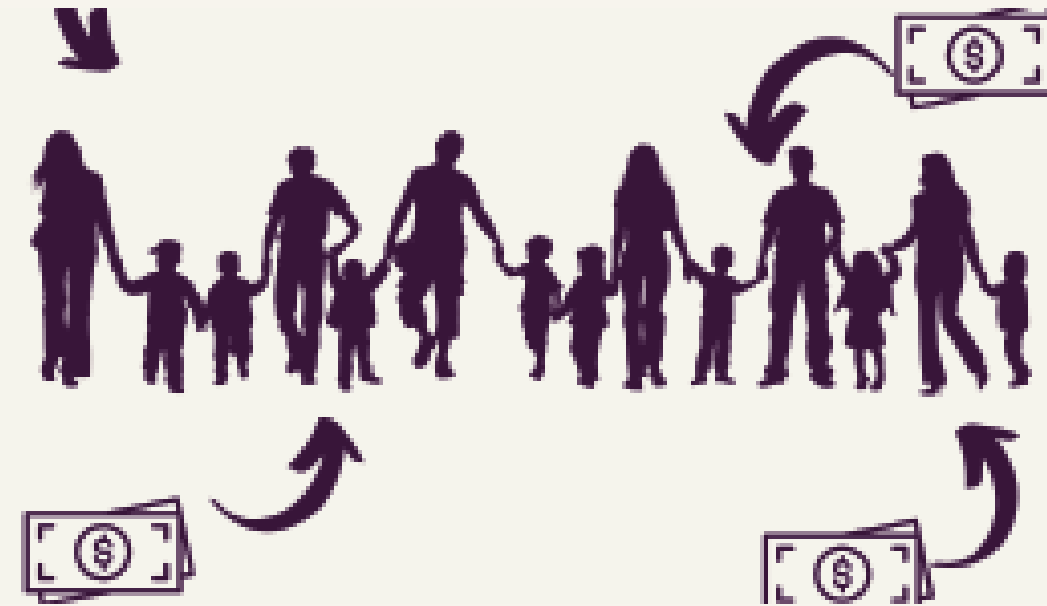
Specifically:

- To increase the county-wide sales and use tax by 0.25% (25 cents on a \$100 purchase), which will generate an estimated \$19M-\$21M per year in revenue
- The measure should specify that revenue generated by this tax may be used to subsidize the cost of child care and preschool programs for families with children from birth to age 5, as well as to increase quality and supply of care

How will this help?

HOW DO WE SOLVE THE ACCESS CRISIS?

Up to \$10M distributed directly to Larimer County families to offset the cost of child care tuition
*See Appendix A



Up to \$2M invested into capital projects to increase the number of programs in Larimer County through new builds and renovation of existing spaces.



Up to \$7M invested into the early childhood workforce through recruitment and retention strategies, and salary supplementation

EarlyChildhoodCouncil
of LARIMER COUNTY

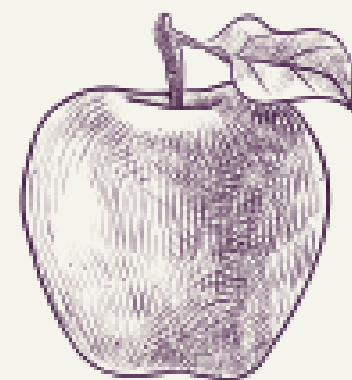
How will this help?

HOW DO WE SOLVE THE ACCESS CRISIS?



UP TO
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CHILDREN UNDER 5 WILL SEE
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*MEETS APPROX 60% OF TOTAL NEED

Approx. 1000 early childhood
educators will see their annual
income increase



Up to 85% of ECE programs in
Larimer County will receive quality
improvement and workforce support

Larimer County can expect to see
positive economic gains as a result of
increased access to childcare



How did we get here?

WHY IS THIS THE PROPOSED SOLUTION?

- Partnership with United Way to explore public funding options in 2021
- 17 member steering committee
- Public polling
- Research on other options
- Lessons learned

Questions?

For more info, or to get involved:
info@ecclc.org
www.ecclc.org
www.larimerthrivebyfive.org

**COUNCIL FINANCE COMMITTEE
AGENDA ITEM SUMMARY**

Staff: Honore Depew, Javier Echeverría Díaz, John Duval, Ryan Malarky, Megan Valliere

Date: April 6, 2023

SUBJECT FOR DISCUSSION Sustainable Funding – Climate Options

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 City 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.

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.

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

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.

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 bring their annual emissions below 25,000 MT CO₂e before 2023, as well as Broadcom has also publicly committed to bring their annual emissions under the reporting threshold within the next five years. The following graphs show each businesses' progress toward lower emissions:

Figure 2

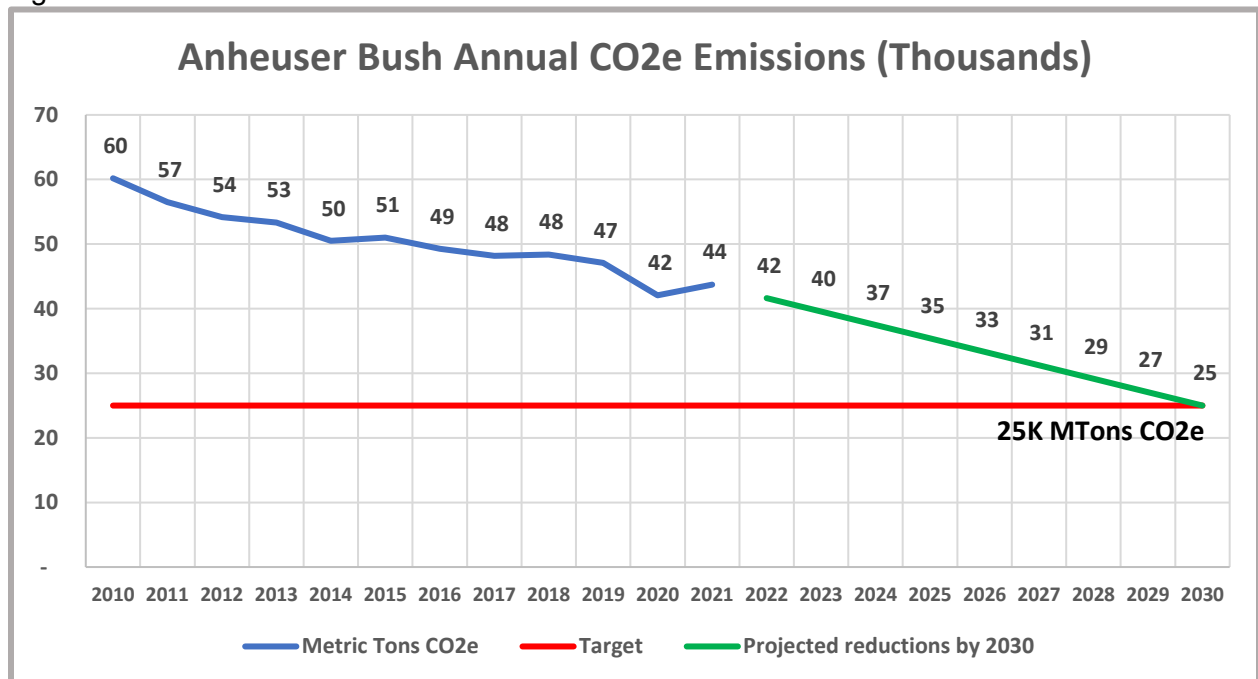
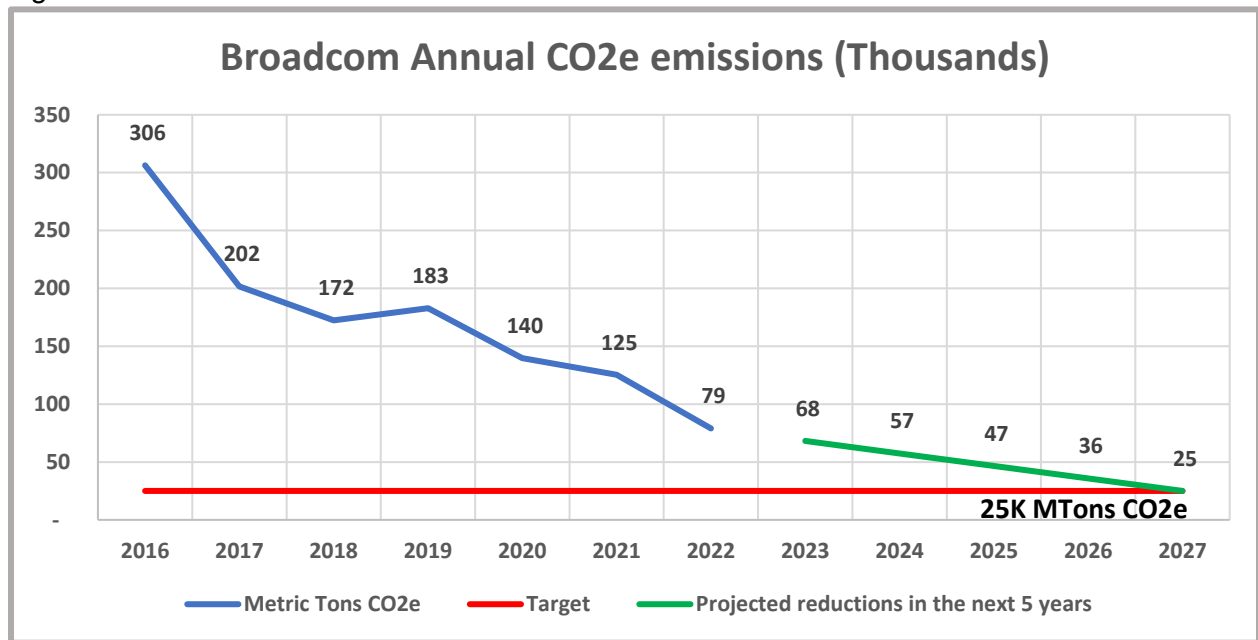


Figure 3



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

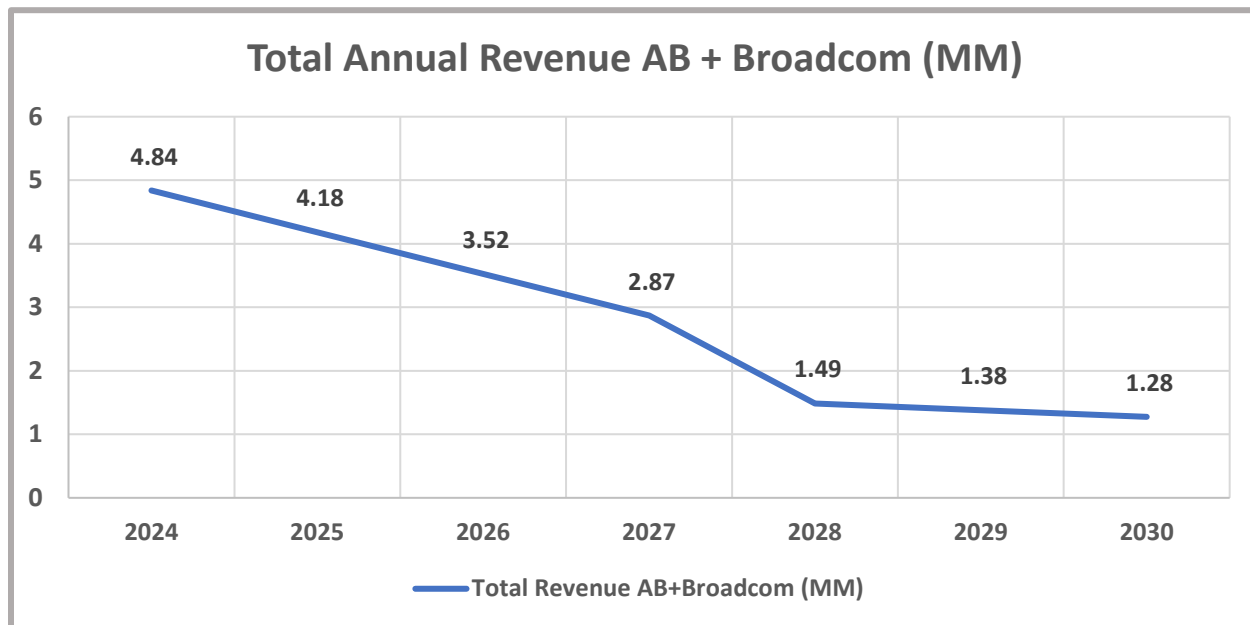
Figure 4

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 agreement City Council approved in Ordinance No. 006, 2018 (Franchise Agreement). The Franchise Agreement is for a term 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. 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 commits 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.



Sustainable Revenue Options for Climate Priorities

Council Finance Committee – April 6, 2023

Honore Depew, Climate Program Manager
Javier Echeverria, Sustainability Financial Analyst

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

	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

- October 2021 – January 2023:
 - Multiple Council Finance Committee meetings and a Council Work Session
- Continued interest from Councilmembers to both:
 1. Primarily generate sustainable revenue *and*
 2. Secondarily creating a potential disincentive for producing Greenhouse House Gas emissions
- April 6, 2023 CFC Meeting:
 - Analysis of three options for funding mechanisms that would generate revenue to advance climate initiatives and drive down emissions from behavior change

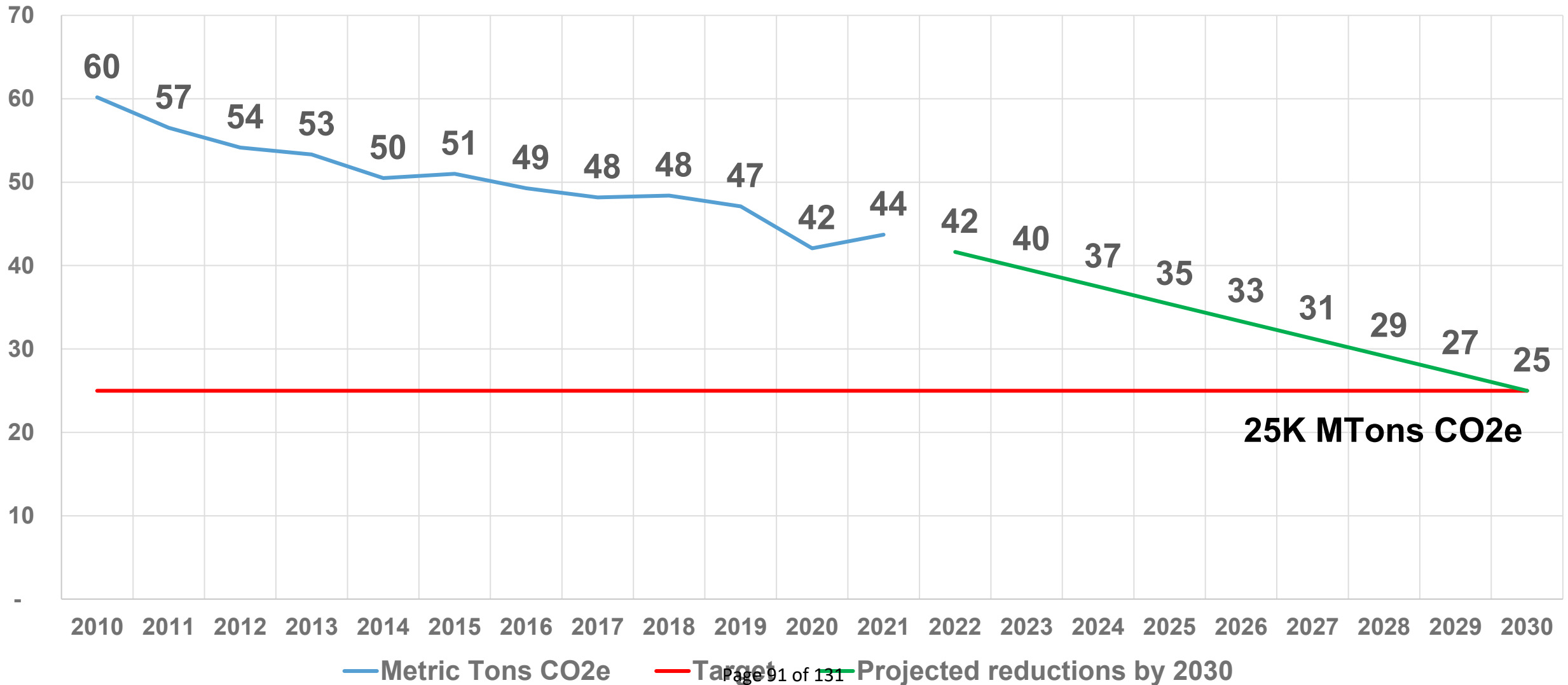
- Many existing City investments; more needed to reach adopted goals
 - “Climate Core” investments
 - Energy Services (Utilities), Climate Team (Environmental Services)
 - Direct investments in GHG reduction initiatives; equity and resilience focus
 - Could be scaled and accelerated with new revenue 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

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

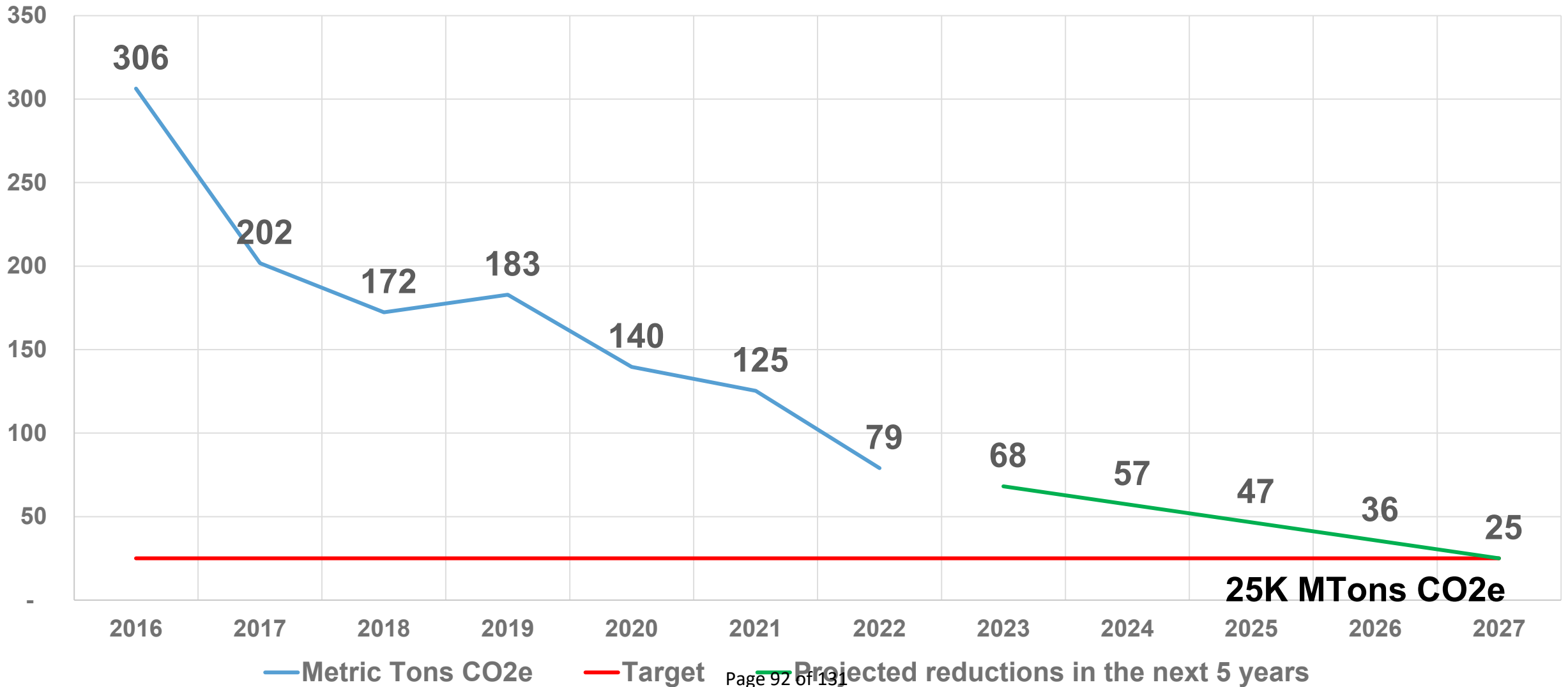
Considerations:

- Requires voter approval
- Potential to accelerate de-carbonizing of two entities currently emitting more than the EPA reporting threshold (25k MT CO₂e/year)
- Using a “Social Cost of Carbon” of \$51/MT CO₂e would generate several million dollars a year
- Diminishing returns
 - Funds go away when entities drop below reporting threshold (as soon as 2030)

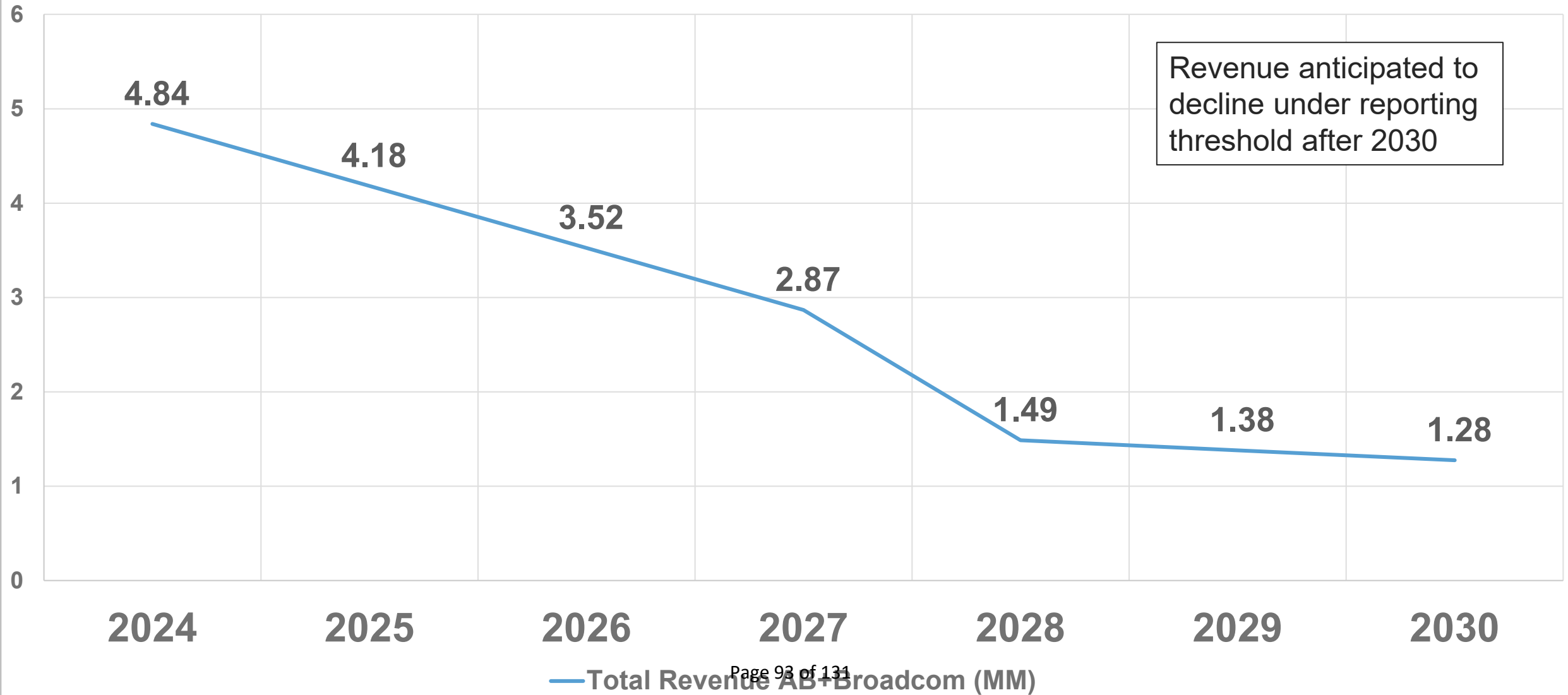
Anheuser Bush Annual CO2e Emissions (Thousands)



Broadcom Annual CO2e emissions (Thousands)



Total Annual Revenue AB + Broadcom (MM)



	2019-2022 AVG Revenue Baseline	2022 Revenue Baseline
Current Fee Rate – 1.07%	\$ 515,905	\$ 727,633
Proposed Rate – 3.00%	\$ 1,446,462	\$ 2,040,093
Potential New Revenue for Climate Initiatives (estimated)	\$ 930,557	\$ 1,312,460

Considerations:

- Does not require voter approval
- Current franchise fee of 1.07% generates ~\$445k/yr to General Fund
- New portion of revenue could be allocated for a variety of climate uses
- Peer communities charge a 3% Franchise Fee
 - City's legal agreement allows up to a 3% fee

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		Current Avg. Monthly Franchise Fee 1.07%	Total Avg. Monthly Franchise Fee 3.00%	Net Avg. Monthly Franchise Fee Increase 3.00%	
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Business*	\$ 242.26	\$ 2.59	\$ 7.27	\$ 4.68	\$ 56.11

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

Considerations:

- Already appears as line item on customer bills
- Use of 2021 data may underestimating actual cost increases for Xcel customers
- City could adopt a rebate program to provide relief to low-income customers

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

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

Considerations:

- Requires voter approval
- Scalable rate increase based on Council/voter preference
- Levied on a natural gas provider for the taxable privilege of delivering natural gas to consumers within City limits
- Boulder voters passed similar with 70% approval
- Would compound with a franchise fee for consumers
- Billing structure can provide relief to low-income customers

	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

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

COUNCIL FINANCE COMMITTEE AGENDA ITEM SUMMARY

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

Date: April 6, 2023

SUBJECT FOR DISCUSSION Sustainable Funding Update

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
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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 owners 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.

ATTACHMENTS (numbered Attachment 1, 2, 3,...)

1. Sustainable Funding Update PPT



SUSTAINABLE FUNDING UPDATE

QUESTIONS:

1

What is CFC's feedback on revenue options and timelines presented?

2

What additional information would Council Finance like to see?

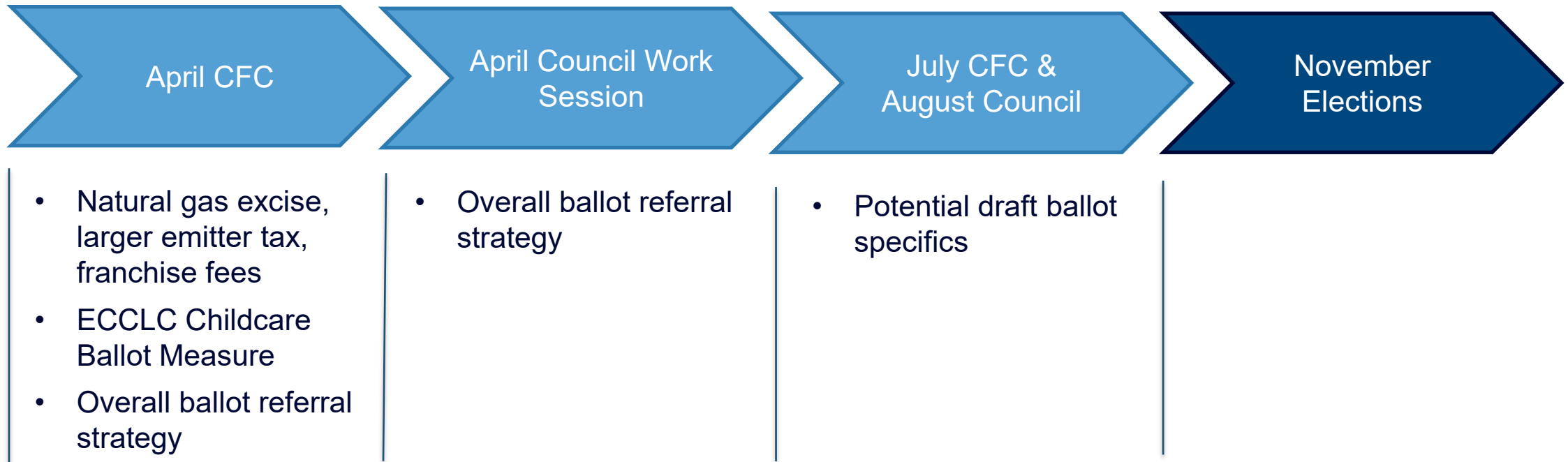
A horizontal banner image showing a misty or foggy forest scene with tall evergreen trees.

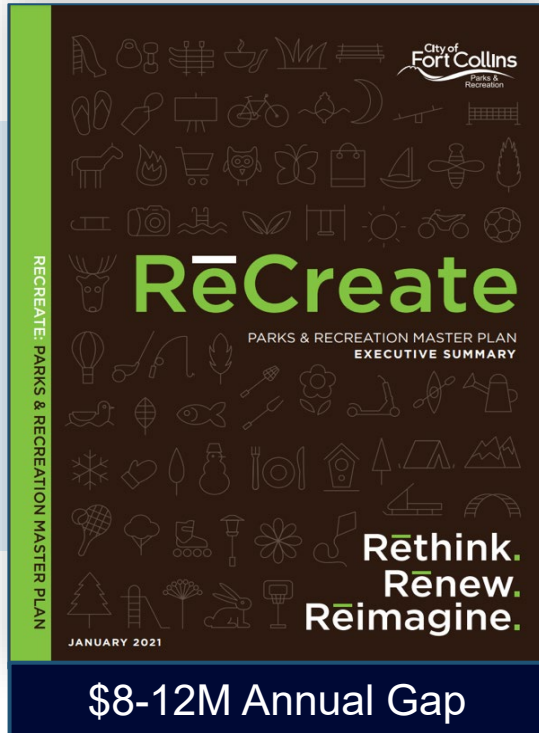
FEBRUARY CFC

- Staff presented an option of additional sales tax dedicated to Parks & Recreation in 2023, tax renewals in 2024 and potential housing, climate, transit tax in 2025
- Council Finance requested exploring more than one tax measure in 2023 and more clarity in how funds would be dedicated

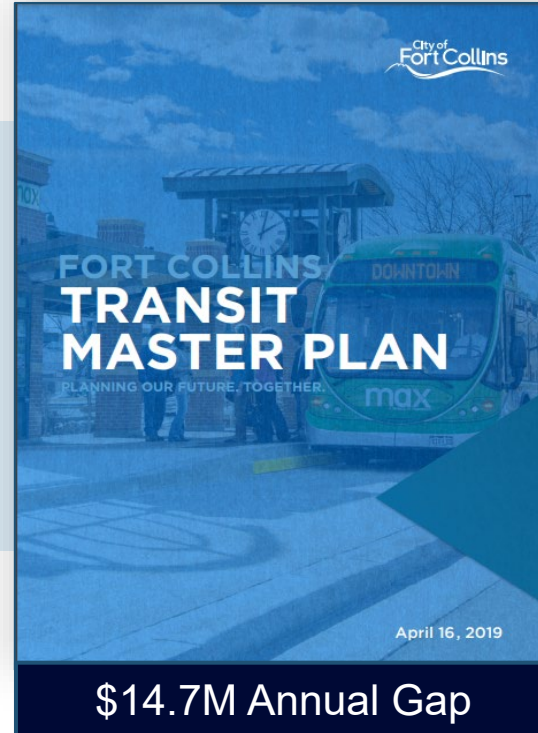
- Refresher on timing and 4 priority areas
- Ballot Package Strategies
 - Pros/cons on each ballot package:
 - Community viability/landscape
 - Equity impacts and mitigation techniques
 - Risks
 - Nexus: Mission/action/ask
- Community Messaging: City Budget Review
 - Budget and service footprint
 - Staffing levels
 - Efficiencies gained
 - Existing Climate Backdrop

SUSTAINABLE FUNDING TIMELINE

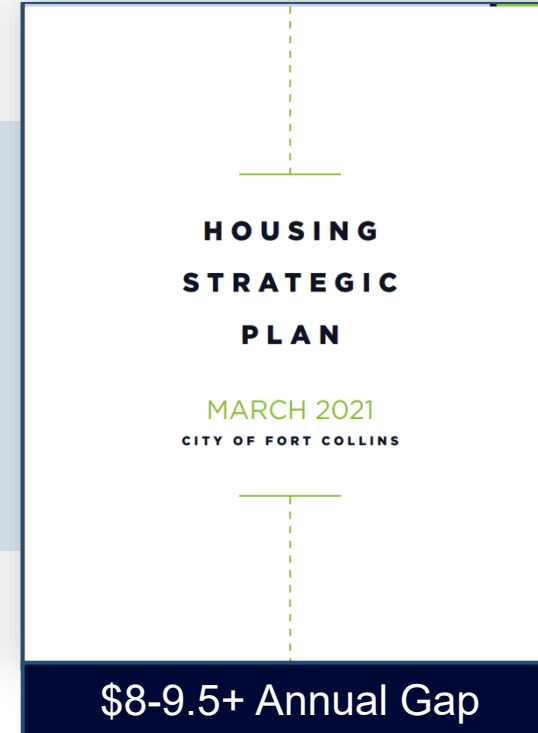




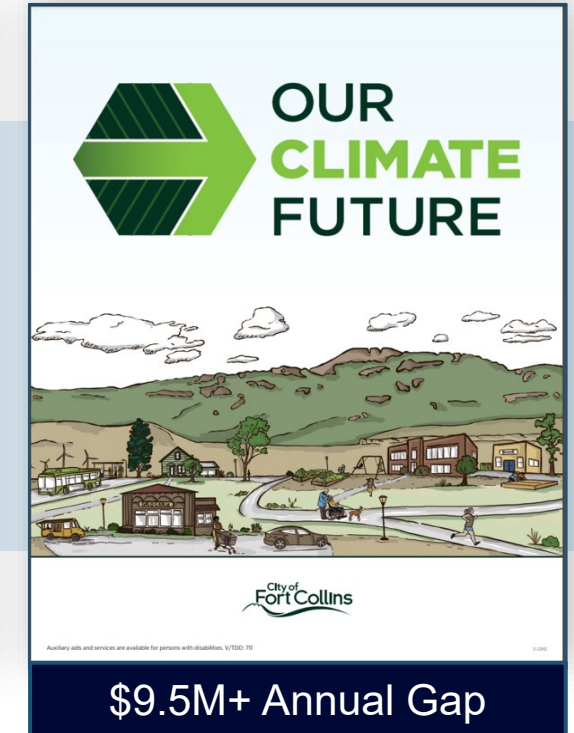
Masterplan Projects



Masterplan to Build Out
Projects




To Achieve 10%
Affordable Housing Stock



To Accelerate Community
Transition From Fossil
Fuels

ANNUAL REVENUE GAP = \$40M TO \$46M+


- 
- A horizontal banner image showing a misty or foggy forest scene with tall evergreen trees and a soft, hazy atmosphere.
- Refresher on timing and 4 priority areas
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 - Community Messaging: City Budget Review
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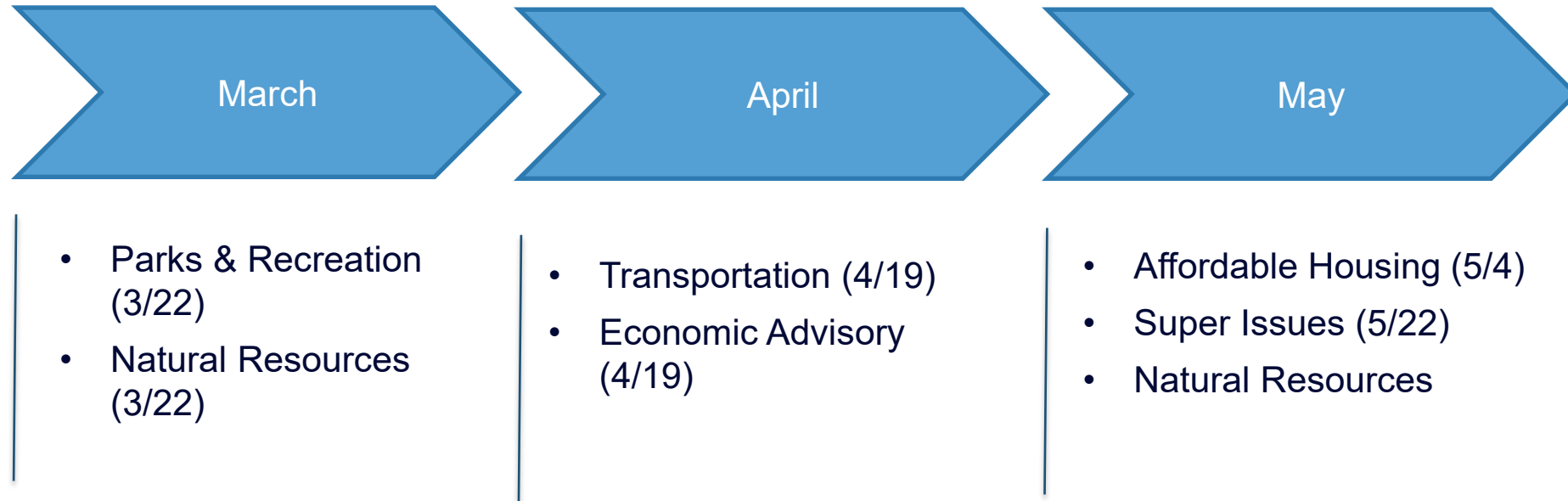
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Property Tax	5 Mills	2025	Climate Umbrella	\$18M+	<ul style="list-style-type: none"> • Residential annual increase of \$107 • Commercial annual increase of \$435
Total				\$32M+	<ul style="list-style-type: none"> • \$177 net annual increase per household + impact of excise tax

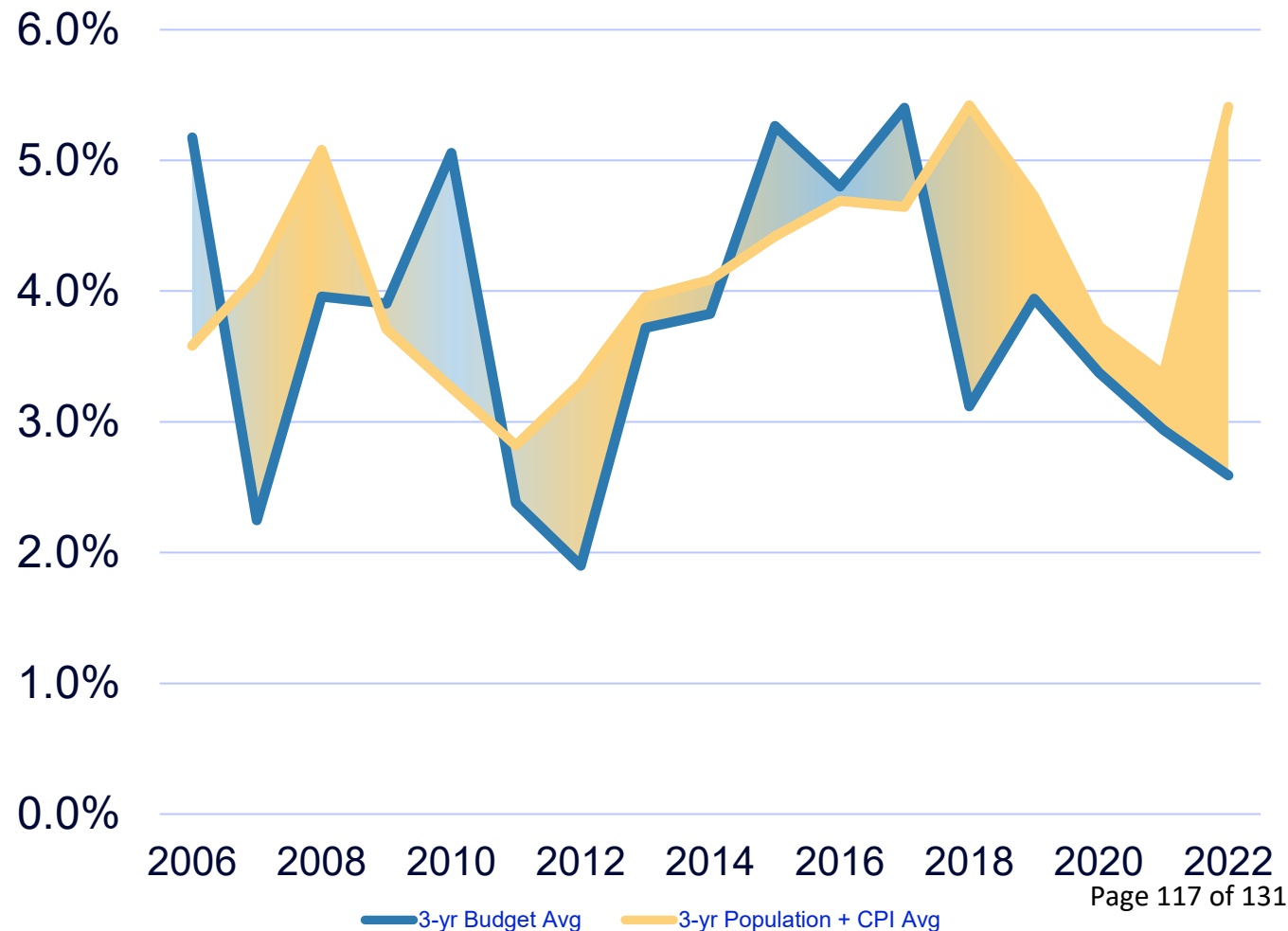
- If successful, Utility Occupation Tax would naturally decline over time.
- Also an option to sunset this tax upon approval of Property Tax.
- For reference, a ¼-cent sales tax increase generates \$9M+ annually with a resident impact of \$31/yr.

- 
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- Refresher on timing and 4 priority areas
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 - Existing Climate Backdrop

SUSTAINABLE FUNDING ENGAGEMENT TIMELINE



City Budget Growth vs. Population + CPI Growth



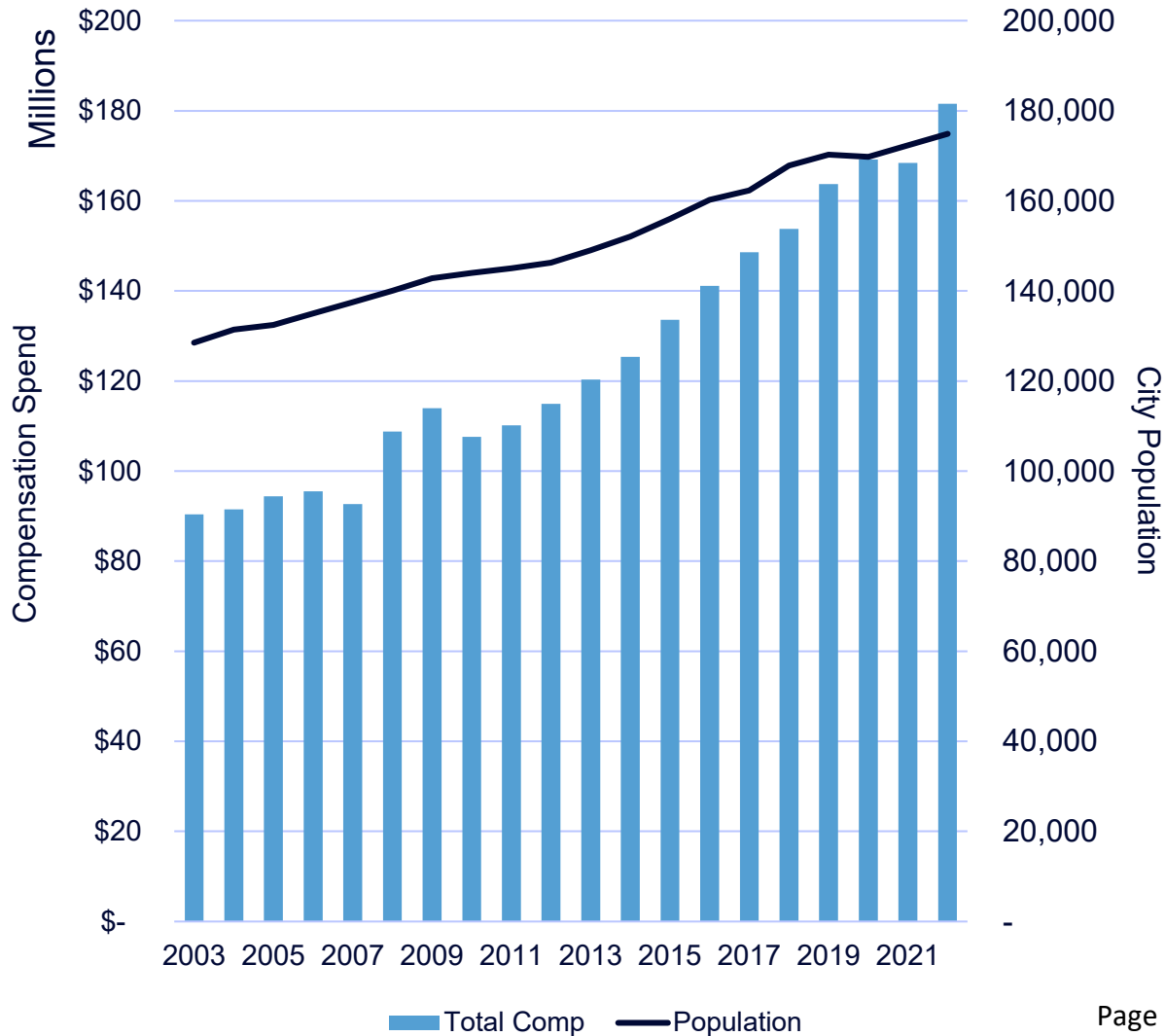
- The City's annual budget grew from \$307M in 2003 to \$597M in 2022
- The compound annual growth rate of City Spend for this 20-year period is **3.6%**
- The compound annual growth rate for population + CPI is **4.0%**

Four priority areas 2003-2023:

Environmental Svcs. (non-utility)*	8.9%
Parks and Recreation	3.1%
Social Sustainability	4.5%
Transit	3.9%

* Excludes disposable bag ordinance and landfill remediation budgets

City Staffing Spend and Population



- City strives to parallel staffing growth with population growth for **existing** services
- From 2006 through 2024 (projected), population has grown by an average of 1.6% per year
- For the same span of time, compensation per capita has increased an average of 2.1% per year
- 2006:
 - Population: 135,034
 - FTE: 1,154.3
 - FTE per 1,000: 8.5
- 2024:
 - Population: 180,191
 - FTE: 1,794.6
 - FTE per 1,000: 10.0

The City's Charter holds two key requirements pertaining to budget:

- The City is not permitted to deficit spend – every appropriation must be matched to a specific revenue or reserve source
- City Council adopts all appropriations via Ordinance

This budgetary environment of forced trade-offs and our Charter ensures that:

- Despite revenue challenges, service levels will always be right-sized to available revenues.
- Staff are compelled to implement efficiencies and process improvements as a matter of service continuity, and to document and measure these in their BFO offers, KFCG annual reports, etc. (see backup slides)
- \$6.2M of ongoing budget cuts have been made since 2020, net of restoration offers

- **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

OUR IMPACT

Community-wide total electricity use would be over 20% higher without Utilities energy programs since 2005

QUESTIONS:

1

What is CFC's feedback on revenue options and timelines presented?

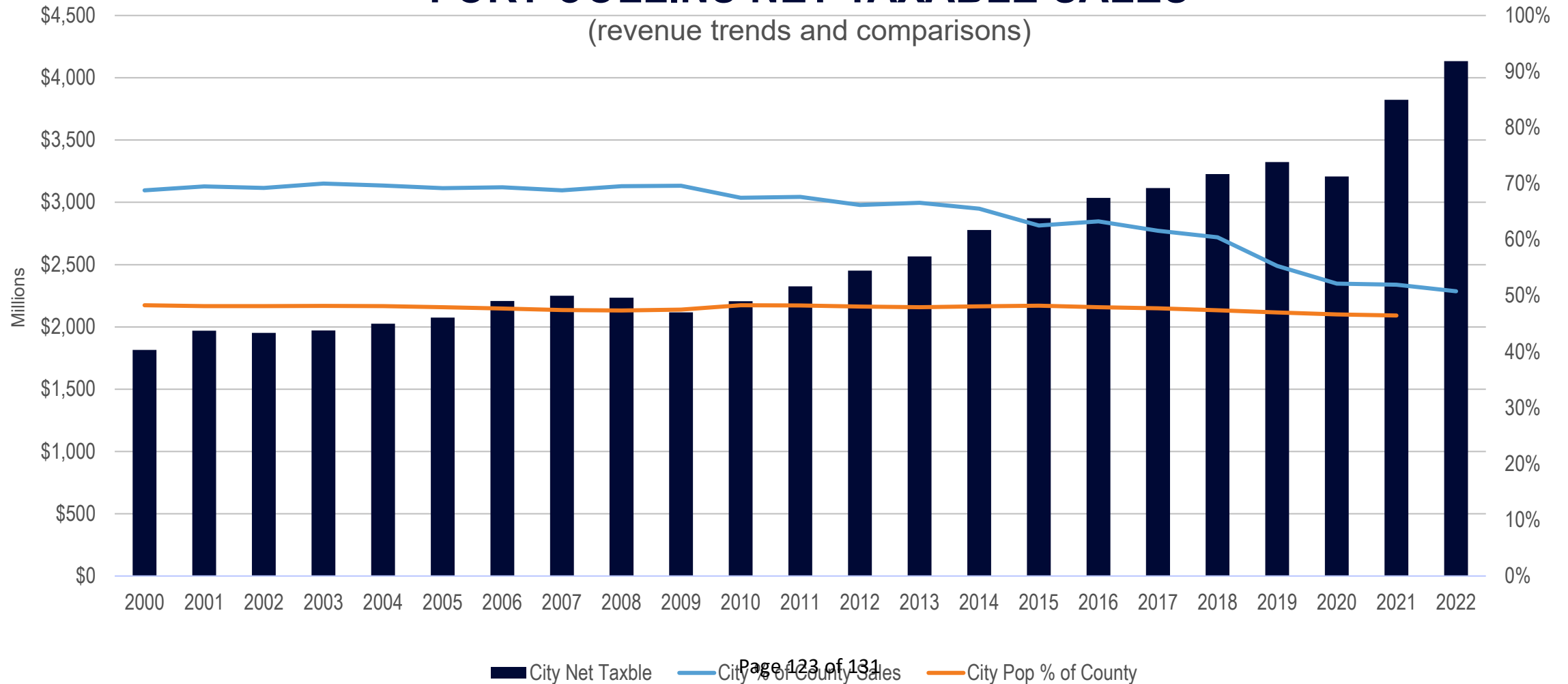
2

What additional information would Council Finance like to see?

Backup

FORT COLLINS NET TAXABLE SALES

(revenue trends and comparisons)



Category	Funding Mechanism	Annual Revenue Estimate	Household Impact
Property Tax	1 Mill Property Tax	\$3.5M	<ul style="list-style-type: none"> Residential annual increase of \$21.45 Commercial annual increase of \$87.00
	2 Mill Property Tax	\$7M+	<ul style="list-style-type: none"> Residential annual increase of \$42.90 Commercial annual increase of \$174.00
	3 Mill Property Tax	\$11M+	<ul style="list-style-type: none"> Residential annual increase of \$64.35 Commercial annual increase of \$261.00
	4 Mill Property Tax	\$14.5M+	<ul style="list-style-type: none"> Residential annual increase of \$85.80 Commercial annual increase of \$348.00
	5 Mill Property Tax	\$18M+	<ul style="list-style-type: none"> Residential annual increase of \$107.25 Commercial annual increase of \$435.00

Category	Substance	Funding Mechanism	Annual Revenue Estimate	Household Impact
Additional (Excise) Sales Tax	Alcohol*	1% Additional Tax	\$780K+	<ul style="list-style-type: none"> \$1 per \$100 purchase in Fort Collins Visitors also impacted
	Alcohol*	3% Additional Tax	\$2M+	<ul style="list-style-type: none"> \$3 per \$100 purchase in Fort Collins Visitors also impacted
	Alcohol*	5% Additional Tax	\$4M+	<ul style="list-style-type: none"> \$5 per \$100 purchase in Fort Collins Visitors also impacted
	Marijuana	1% Additional Tax	\$900K+	<ul style="list-style-type: none"> \$1 per \$100 purchase in Fort Collins Visitors also impacted
	Marijuana	3% Additional Tax	\$3M+	<ul style="list-style-type: none"> \$3 per \$100 purchase in Fort Collins Visitors also impacted
	Marijuana	5% Additional Tax	\$5M+	<ul style="list-style-type: none"> \$5 per \$100 purchase in Fort Collins Visitors also impacted
	Tobacco**	1% Additional Tax	\$340K+	<ul style="list-style-type: none"> \$1 per \$100 purchase in Fort Collins Visitors also impacted
	Tobacco**	3% Additional Tax	\$1M+	<ul style="list-style-type: none"> \$3 per \$100 purchase in Fort Collins Visitors also impacted
	Tobacco**	5% Additional Tax	\$2M+	<ul style="list-style-type: none"> \$5 per \$100 purchase in Fort Collins Visitors also impacted

Election Timeline Options:



- Street Maintenance and Community Capital Taxes expire Dec. 31, 2025

Staff completed a review of adopted budgets, KFCG annual reports, FC Lean Program Results, and department-provided “stop-doing” lists.

Sources Cited:

- Ongoing offer narratives – responses to “Improvements and Efficiencies” section (fcgov.com/budget)
- KFCG Annual Reporting (fcgov.com/kfcg)
- Reduction Offers during current and previous BFO cycles (fcgov.com/budget)

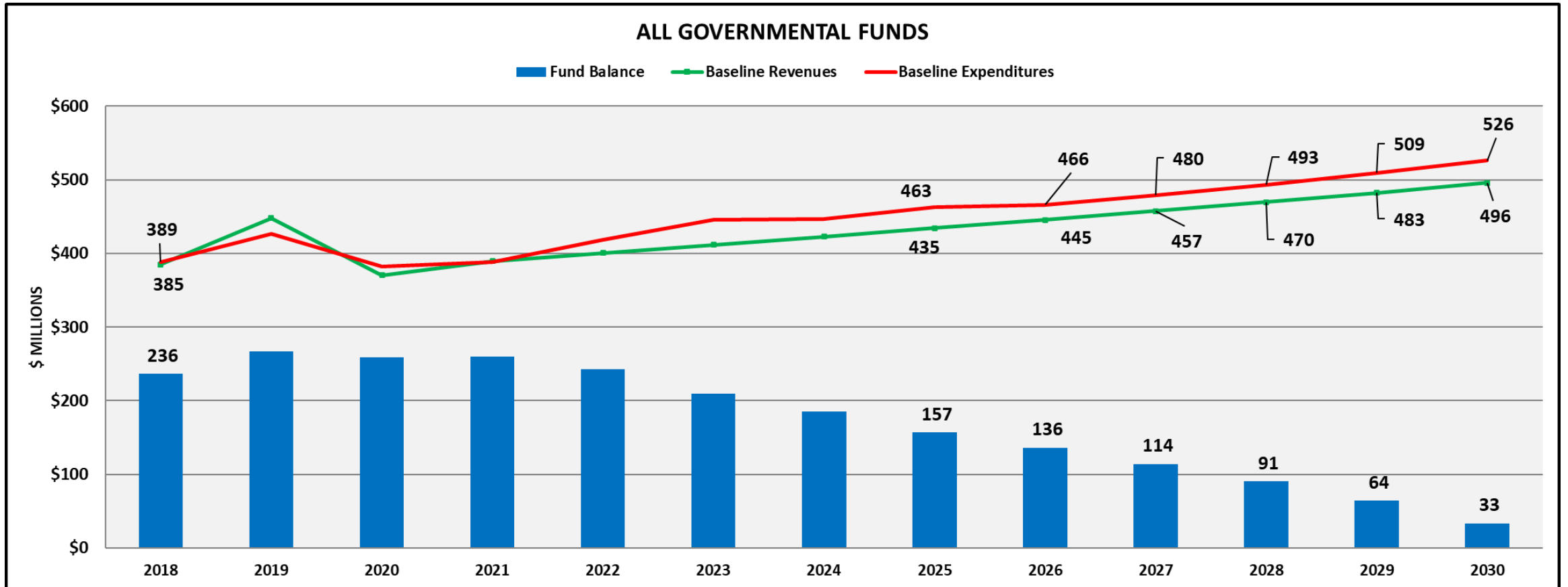
In addition to these narrative examples, staff confirmed that \$6.2M of ongoing budgets were cut since 2020, net of any Restore offers.

2023-2024 BFO Cycle – Ongoing Offers

- Digital processing of dozens of city services and functions
- Reduction in total cost of ownership of City computer hardware
- Decrease in injuries leading to decreased cost of Workers' Comp
- Fleet management improvements
- City budget application was brought in-house, saving \$50,000+ per year
- Pricing discounts on telephony for circuit access and long-distance costs
- FCTV updated closed captioning cost lowered from \$20/hr to \$0.16/hr
- Re-assignment of certain police functions to non-sworn positions
- Reduction in 911 call times and costs through Colorado Regional Information Sharing Project
- Construction of Law Enforcement Training Center saves up to \$90,000 per year
- East-side Park Maintenance Shop provides more efficient service with fewer cross-town trips

2020 KFCG Annual Report:

- Lower cost on building rentals and travel time by moving community meetings to virtual forums
- Lower costs for Parks and Utilities and leading to an early project completion of Horsetooth Outlet
- Elimination of superintendent position at City Park Nine golf course
- Reduced printing and mailing of the Recreator, saving nearly \$100,000
- Cross-department collaboration on capital projects leading to significant cost savings
- CDNS electronic conversion for final approval and recording process, eliminating paper and mylar
- Online roofing permit processing saves staff from ~500 permits/month
- Smart Irrigation Controllers for 48 city sites plus 57 medians/streetscapes
- GIS mapping of Parks snow removal routes and irrigation systems drove fuel and labor savings
- GIS mapping of street sweeping operations improves air quality and saves cost



- **Additional 0.25% Sales Tax (~ \$9M per year) starting in 2023.**
- **New Property Tax Mill assessed (~ \$4M per year) starting in 2023.**
- **Implement New Maintenance and Improvement use fee to support Lifecycle projects (builds up to ~ \$7M per year) in 2026 to offset gap in ongoing maintenance needs.**

