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REVENUE DIVERSIFICATION DISCUSSIONS

TABLE OF CONTENTS

City Manager's Office
300 LaPorte Avenue
PO Box 580
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fcgov.com

Minutes
City of Fort Collins
Futures Committee Meeting
Regular Meeting
300 LaPorte Ave
City Hall
September 10, 2012
5:00 – 7:00 p.m.

Committee Members Present:
Wade Troxell
Lisa Poppaw
Gerry Horak
Darin Atteberry
Bruce Hendee

Committee Members Absent:

Guests:
Wendy Williams
Mike Becksted
Jessica Ping-Small
Dan Weinheimer
Josh Birks

Agenda Item 1: Revenue Diversification

Jessica gave a presentation which compared revenue data with like towns in Colorado and nationally. Through the help of the Economic Health Office, this report was completed.

The results show that the City relies on Sales and Use Tax, for about 45% of its revenue. The results of how we compare within Colorado and nationally are as follows:

- Fort Collins reliance on sales tax increased to 51% with KFCG
- Limited revenue diversification in other cities (diversity requires an increase in property tax or an income tax
- Fort Collins is in the middle of the pack on citizen tax burden
- Fort Collins combined sales tax rate is on the low end
- Fort Collins is slightly above the average of 8.828 mills compared with other Colorado cities

One of the components of this is the RTD. We combine this in the report, if we were to take it out, our sales tax rate would rank higher within Colorado and the National Cities that were used to compare this study, however, this would not compare like services for like services. Once it is placed back in, we fall to the lower percent of Cities.

Conclusions of Comparison

- Only three Colorado communities analyzed achieve revenue diversity
- Revenue diversification in Fort Collins would require a three-fold increase in the property tax rate. The mill levy would need to be raised to 31.162
- Issue – How to reduce dependency on tax rates that sunset and carry the risk of non-renewal

Goal

Transform into a sustainable community – level of basic services that are acceptable to the community, example of Police, Fire and Streets.

Next Steps:

Create a detailed analysis of what it would be practical and feasible then come back with recommendation of a game plan.

Agenda Item 2: Pro-Active Approach to Federal Legislative Issues and Grants

Dan gave a presentation regarding how to be pro-active on legislative issues and grants. This includes policy, revenue, goals and alternative sources of funding for the City.

By having someone who had the knowledge and access to the different grants that are available, the use of staff resources would not need to be as great for these projects. The preparation and "having a story to tell" are very effective in obtaining these grants. Both before and after can be very time consuming and staff intensive. Having a group working together in aligning projects with grants would be useful. This group could track City projects, gain knowledge about the different opportunities available, focusing on putting the best applications possible to obtain the grant.

The innovation clusters have done this for us and are a good model for this type of administer. If we have tasks that have a specific goal for a project, there might be a grant available to aid in the funding.

Obtaining a letter of recommendation from a legislature is very important in the likelihood of obtaining a grant. Dan can ensure that proposals get the needed letters and then that legislative offices are promoting Fort Collins projects.

Thoughts

- CSU does a lot around Economic Development and innovation in seeking grants; perhaps we can align with them and work collaboratively
- On a strategic level, we need to be looking forward to what is coming and the ability to follow through with it
- Focus on the areas where we are doing well, where we are not and where are their opportunities to improve
- What are the things where we want to advance our community then look for grants related to that
- Do we have the capacity for going after the grants and the work involved with them

There are positive ripple effects from grants. Projects have been started by receiving a grant, then the benefits from there lead to other bigger projects in the future. This use of grant funding and innovation can blend together to promote future grant success and have a long term payoff for the community brand.

Next Steps:

Futures Committee

Revenue Diversification

September 10, 2012

Overview

- Where Are We Now
- How Do We Compare

Revenue Diversification

"Not putting all your eggs in one basket"

Revenue – the total income produced by a given source

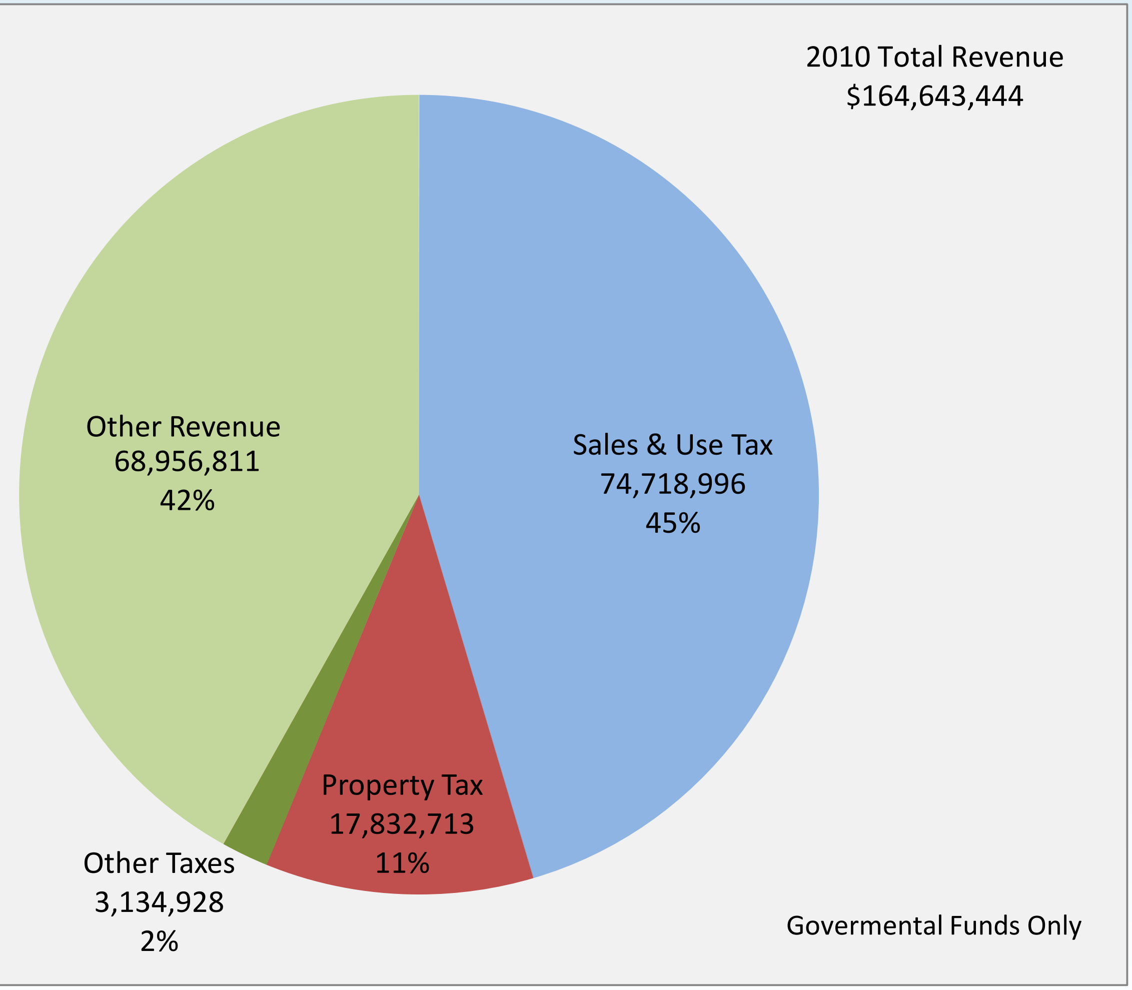
Diversity – the condition of having or being composed of differing elements

*There is merit in the notion that states and local governments should balance their tax systems through reliance on the "three-legged stool"***

** Source – National Conference of State Legislatures (NCLS)

Is the "three-legged stool" a feasible option for Fort Collins?

Fort Collins Governmental Revenue



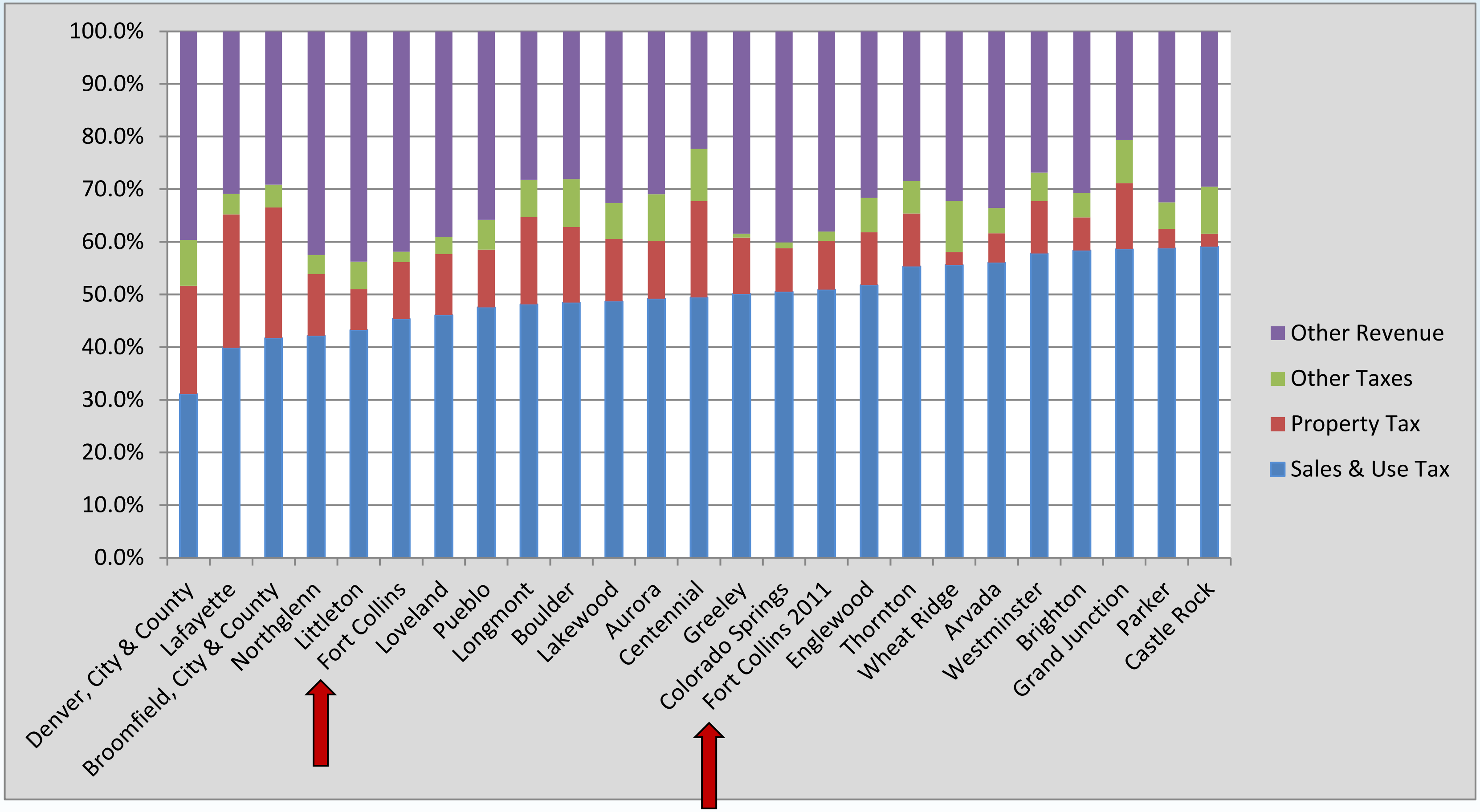
Other Revenue

- Intergovernmental - $37M
- Charges for Service - $23M
- Other Misc. - $2.7M
- Fines & Forfeitures - $2.8M
- License/Permits - $1.2M
- Investments - $2.0M

Fort Collins is Currently More of a Two-Legged Stool

How do we compare in Colorado and Nationally?

2010 Revenue Comparison - Colorado Cities



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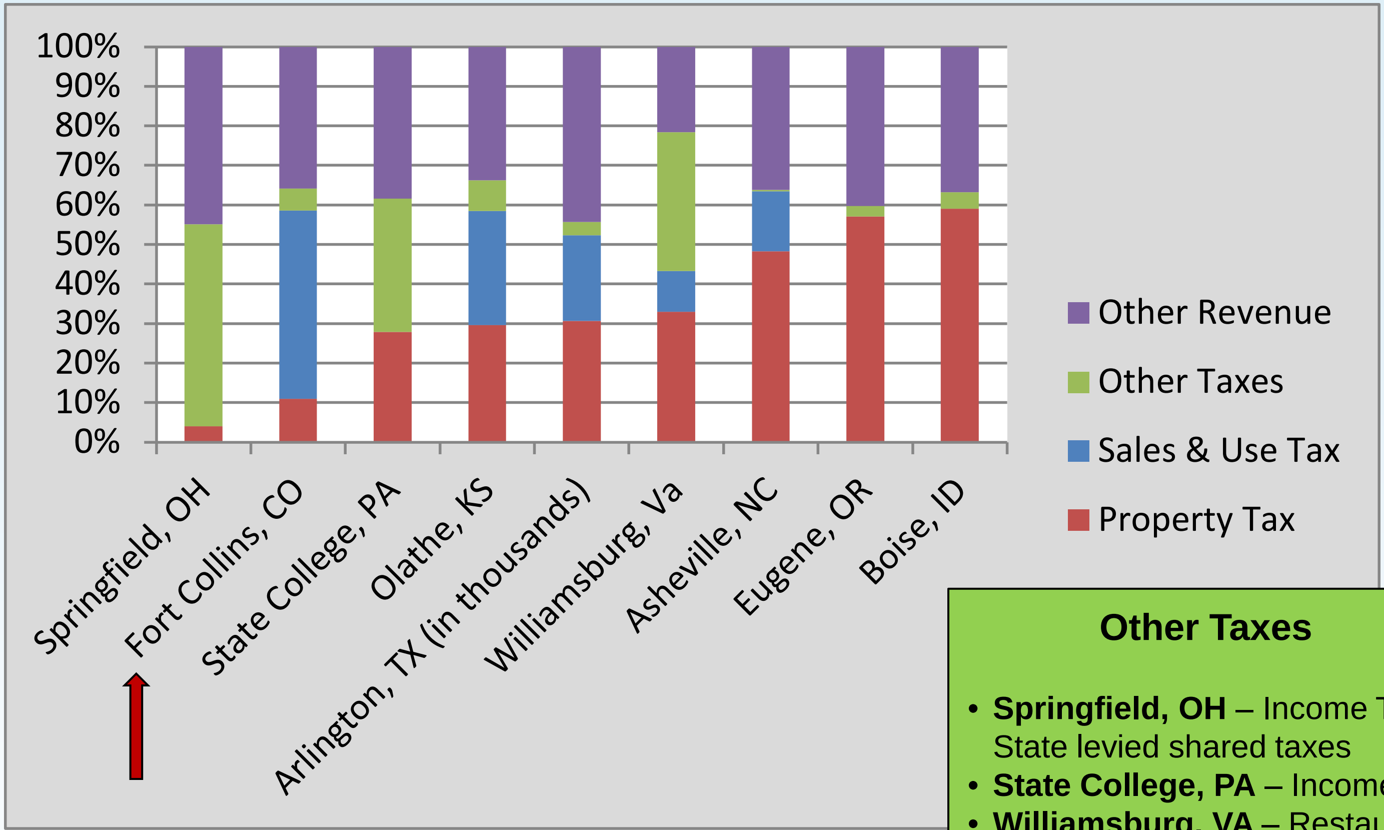


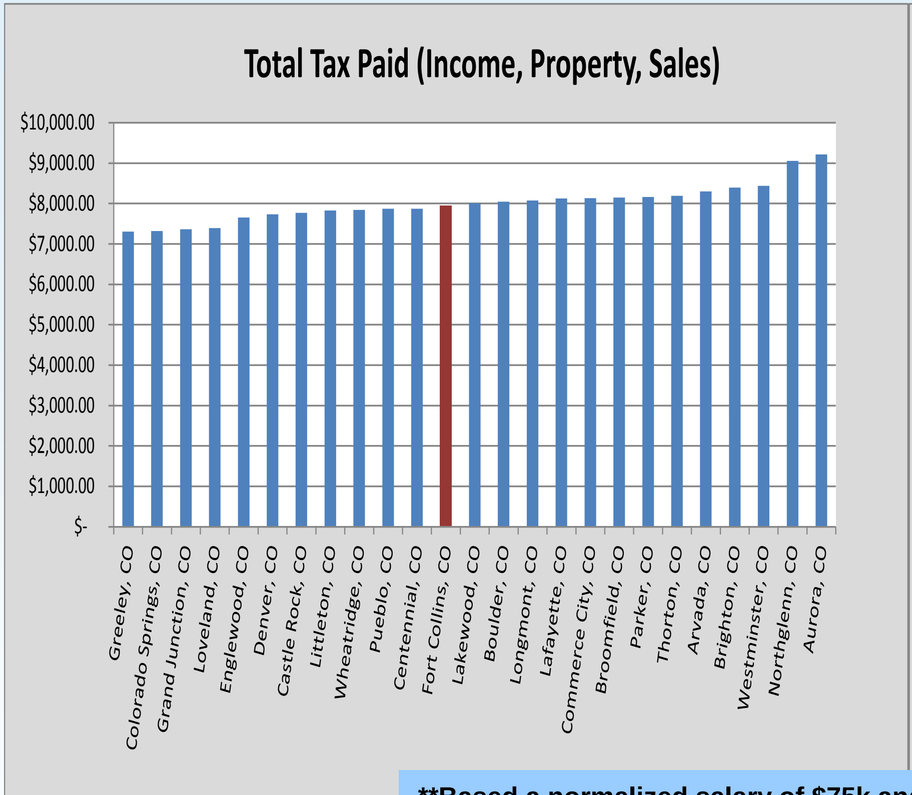
Other Taxes

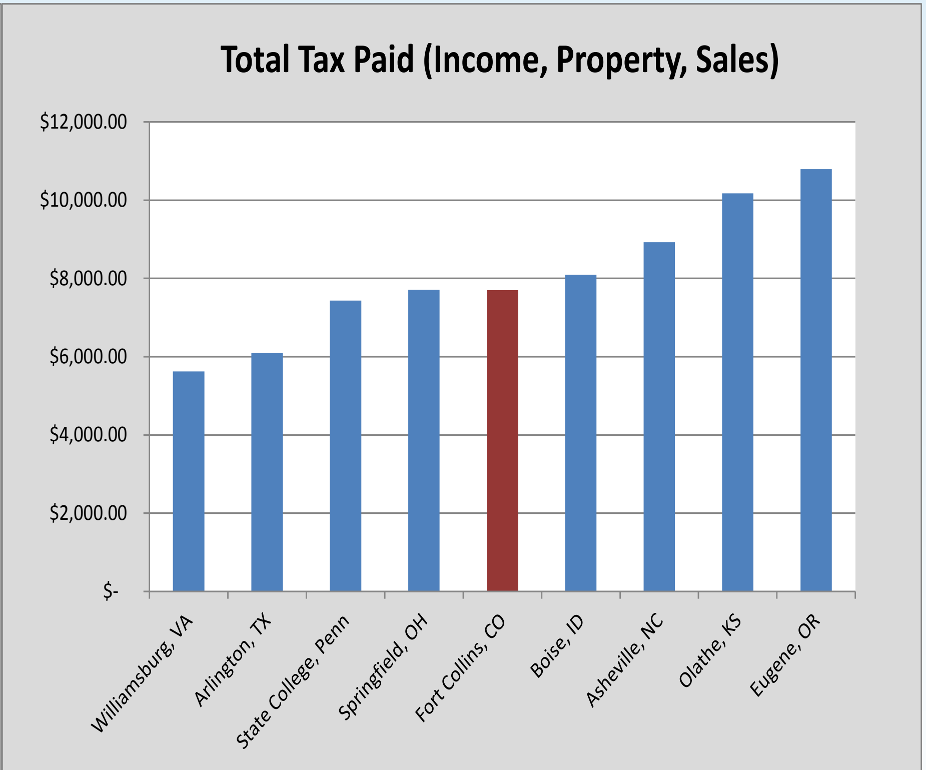
- **Springfield, OH** – Income Tax & State levied shared taxes
- **State College, PA** – Income Tax
- **Williamsburg, VA** – Restaurant Tax, Hotel-Motel Tax

Limited Revenue Diversification in Other Cities….
Diversity Requires Increase in Property Tax or an Income Tax

City of Fort Collins

Tax Burden Comparison – Colorado & National Cities



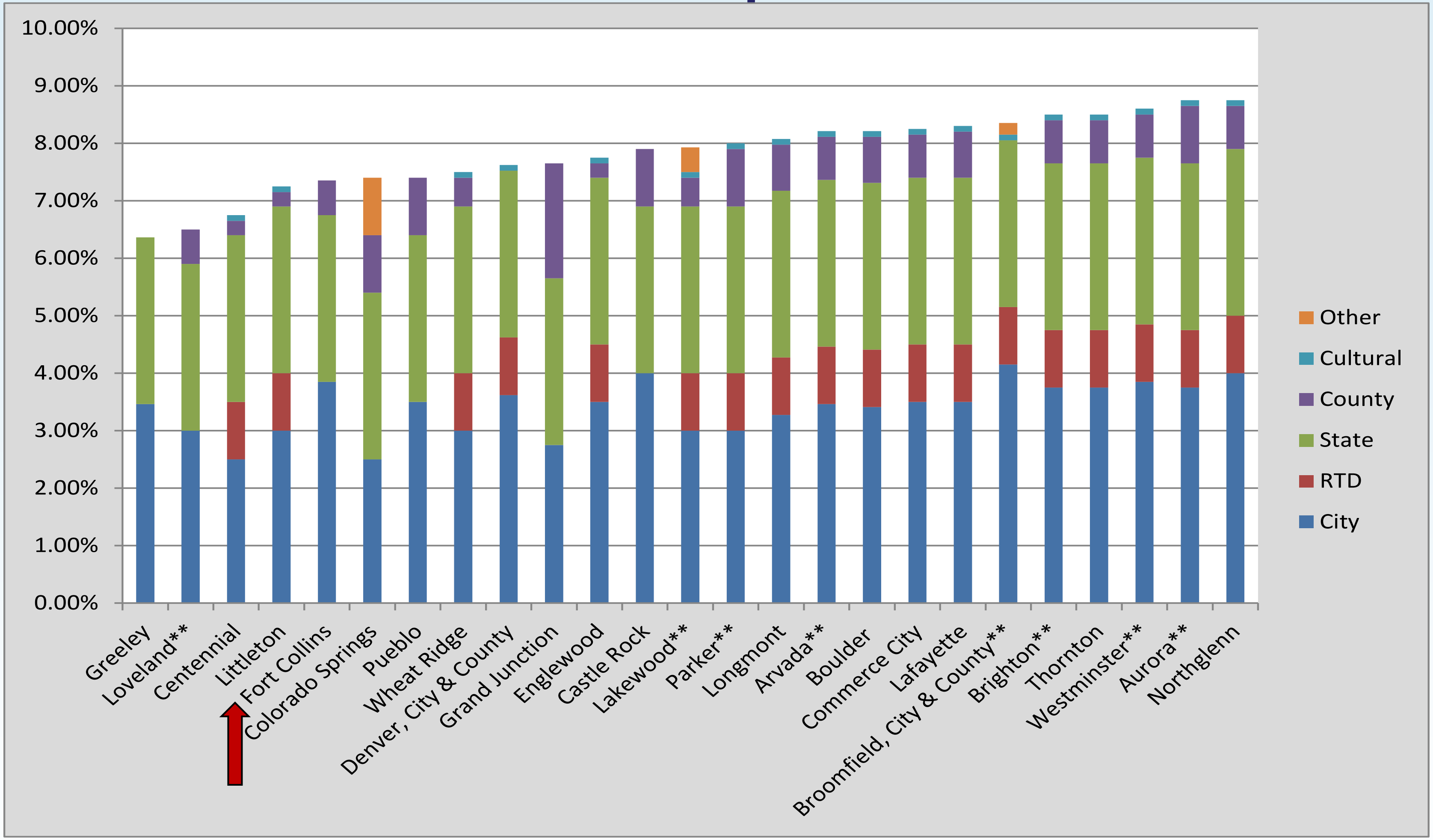


**Based a normalized salary of $75k and a normalized home value of $250k

Fort Collins is in the Middle of the Pack on Citizen Tax Burden

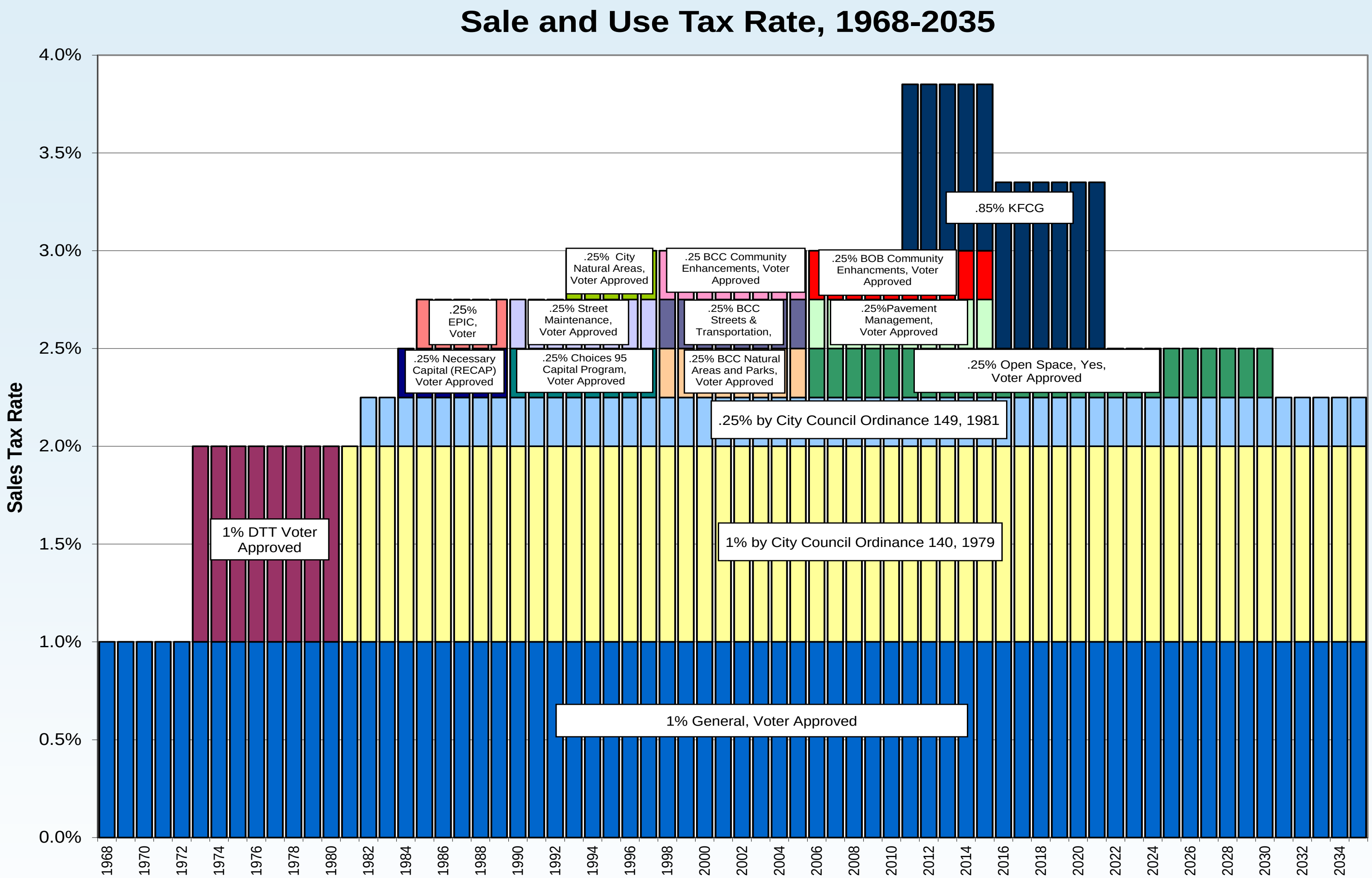
City of Fort Collins

Current Sales Tax Rate Comparison – Colorado Cities



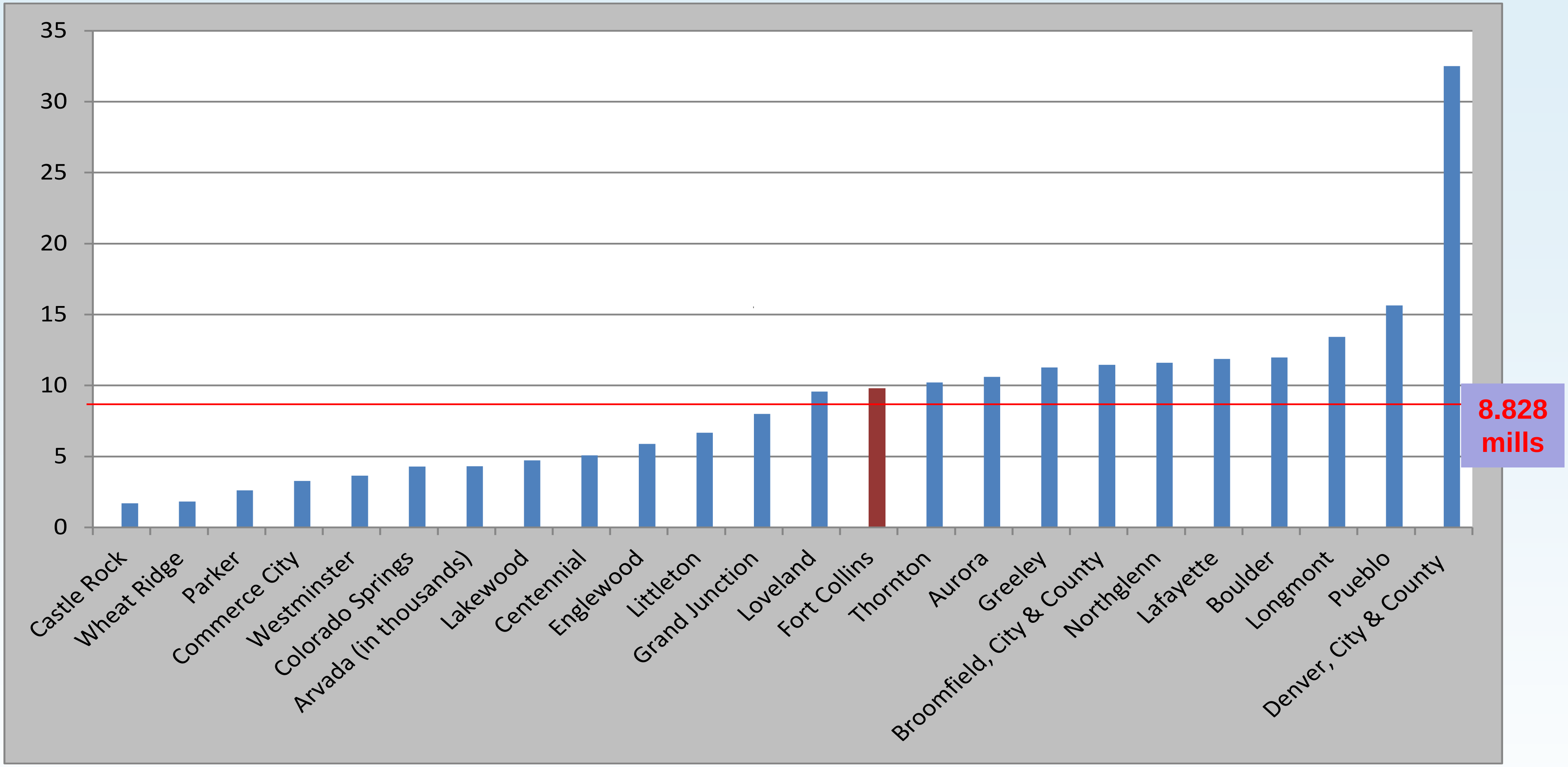
**Jurisdictions with multiple tax rates due to special districts and/or located in multiple counties

Fort Collins Combined Sales Tax Rate is on the Low End



Layer Cake of Taxes….
Significant Portion of Tax Rate Sunsets

Mill Levy Rate Comparison



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City of Fort Collins

Conclusions of Comparison

- Only three Colorado communities analyzed achieve revenue diversity
- Revenue diversification in Fort Collins would require a three-fold increase in the property tax rate…*the mill levy would need to be raised to….31.162!!*
- Issue – How to reduce dependency on tax rates that sunset and carry the risk of non renewal

Conclusion

- **Future actions concerning revenue diversification should be integrated with the overall strategy to renew the BOB and Transportation ¼ cent taxes that sunset in 2015**

Questions?

Council Direction…

Finance Administration
215 N. Mason
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Council Audit & Finance Committee
Minutes
9/16/12
10:00 to 12:00
CIC Room

Council Attendees: Mayor Karen Weitkunat (entered at 10:30), Mayor Pro Tem Kelly Ohlson, Ben Manvel

Staff: Darin Atteberry, John Voss, Mike Beckstead, Harold Hall, Chris Donegon, Jessica Ping-Small, Angelina Sanchez-Sprague, Greg Tempel, Heather Shepherd

Others:

Approval of the Minutes

Ben Manvel moved to approve the August, 2012 minutes and Kelly Ohlson seconded the motion. The minutes were approved unanimously.

Auditor Response Follow-Up

John Voss reviewed the City staff responses and follow-up actions to any items the auditors recommended. Overall, the Committee agrees with what staff has presented.

Budget Clean-Up

The information that will be presented to City Council in October on the Annual Clean-Up Ordinance was reviewed and staff responded to any questions from the Committee. The annual Clean-Up Ordinance allows for the appropriation of expenses related to unanticipated revenue, grants and unforeseen costs that had not previously been budgeted. Committee members requested that all use of prior year reserves be highlighted for presentation to City Council, and also to include any changes not seen by this Committee.

General Employee's Retirement Plan -Supplemental Option

This topic is in response to a question asked at a previous Council Finance Committee meeting. What would the financial impact be on GERP funds if active employees contributed a specific dollar amount or percentage going forward?

Currently there are 155 active employees in the plan.

Comparison of other City savings plans:

Contributor:	401/457 Programs City	Staff	GERP & 401 City	Staff	GERP & 457 City	Staff
Pre 2010	6.5 to 7.5%	3%*	7.5%**	3% #	7.5%**	Discretionary
Post 2010	6.5 to 7.5%	3%*	10.5%***	3% #	10.5%***	Discretionary

* Required 401 contribution by staff.
\# GERP members who voluntarily elected to also participate in the City 401 program during the 90's are also required to contribute 3% to the 401. 87% of GERP participants are in the 401 program.
** 4.5% to GERP and 3% to 401 or match up to 3% for 457 only members.
*** 10.5% to GERP.

As of last year, there is an unfunded liability amount of $13.8 million in the GERP portfolio. The City owns the investment return risk for the plan. Any deviation from the assumed 6.8% return will have an impact on future Supplemental contribution requirements.

Ben Manvel asked staff to make some further calculations for various GERP scenarios, such as how much money will be saved if plan members are asked to contribute different amounts each month.

Mayor Karen Weitkunat has a concern that this issue is not highlighted or called out in the Budget now, and it could have a large impact.

Revenue Diversification
The presentation defines the City's current revenue and how Fort Collins compares to other jurisdictions in Colorado and nationally. There may be some alternatives to pursue.

Currently Fort Collins revenue is obtained as follows: Sales and Use tax 45%, Other Revenue 42%, and Property Tax 11%.

The Committee members requested some further information that show an explanation of each category in "Other revenue". Additionally, the Mayor would like to see a breakdown of Sales Tax and Use Tax revenue separately.

The city compared revenue diversification among some other, similar cities and concluded the following:

- Only three Colorado communities analyzed achieve revenue diversity
- Revenue diversification in Fort Collins would require a three-fold increase in the property tax rate…*the mill levy would need to be raised to 31.162.*
- Issue – How to reduce dependency on tax rates that sunset and carry the risk of non-renewal.

Committee members suggest that a Revenue taxation strategy should be developed so that further discussion can be had on this topic, and potentially presented at a work session in early 2013.

COUNCIL FINANCE COMMITTEE
AGENDA ITEM SUMMARY

Staff: Mike Beckstead, Chief Financial Officer
Jessica Ping-Small, Sales Tax Manager

SUBJECT: Revenue Diversification

EXECUTIVE SUMMARY

Revenue Diversification is an important issue facing governmental entities. The attached presentation will lay the foundation for the ongoing revenue diversity discussion. The presentation focuses on our current revenue picture and how we compare to other jurisdictions in Colorado and nationally.

GENERAL DIRECTION SOUGHT AND SPECIFIC QUESTIONS TO BE ANSWERED

Does the Council Finance Committee want staff to take the next step of providing options for revenue diversity? Are there specific options Council Finance Committee wants staff to focus on as part of the ongoing analysis?

BACKGROUND/DISCUSSION

The City receives over 50% of its revenue from sales and use tax. Sales and use tax can be a volatile source or revenue during times of economic downturn. The conundrum of how to strike the balance of adequate revenue to fund current levels of service without an overreliance on sales and use tax is an ongoing issue. The presentation will address the following:

1) Where are we now?
2) How do we compare?

This information will equip the organization with the data necessary to take the next step of the revenue diversification discussion which is analyzing feasible options.

ATTACHMENTS

1. PowerPoint Presentation

Futures Committee

Revenue Diversification

September 10, 2012

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- Where Are We Now
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Revenue Diversification

"Not putting all your eggs in one basket"

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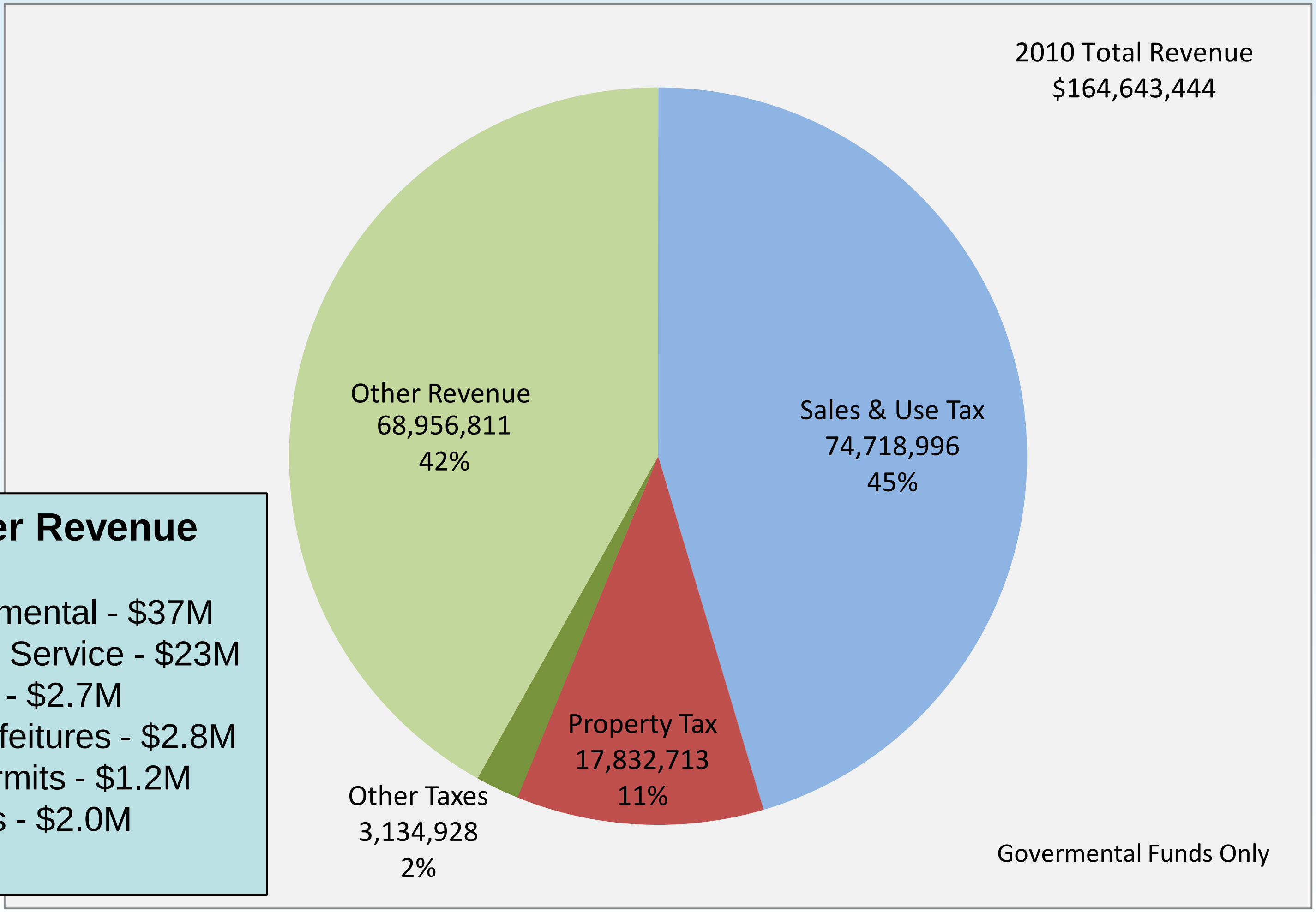

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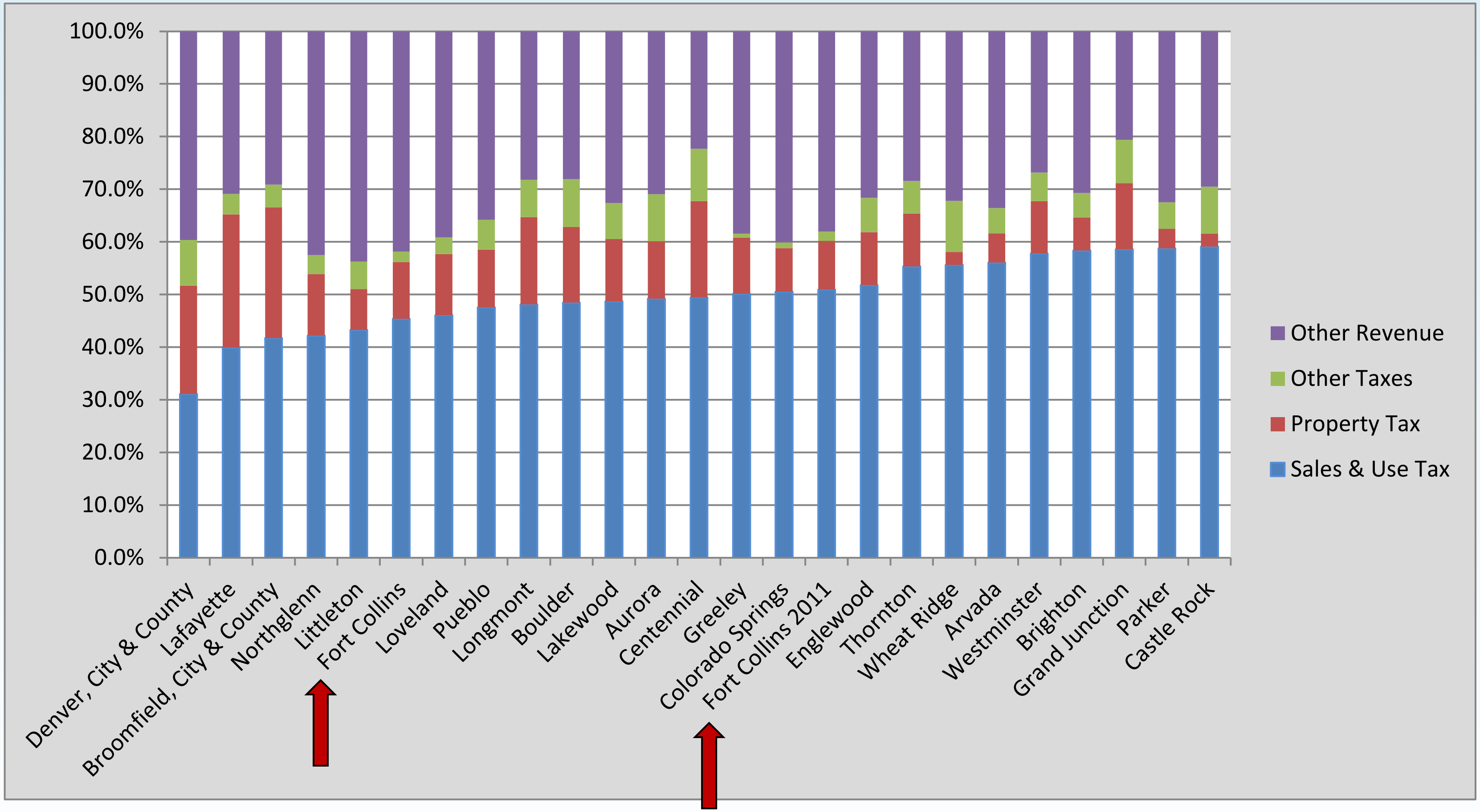

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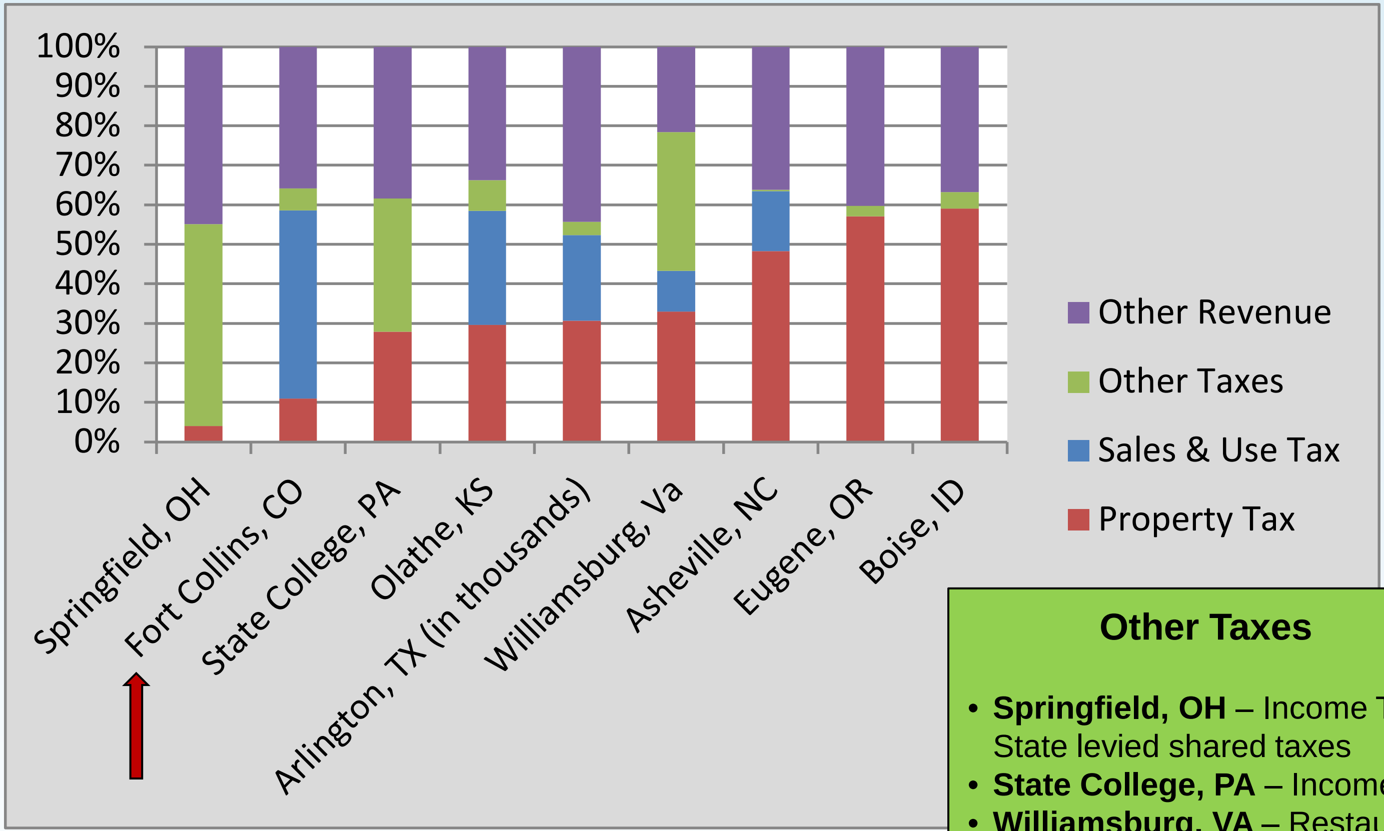

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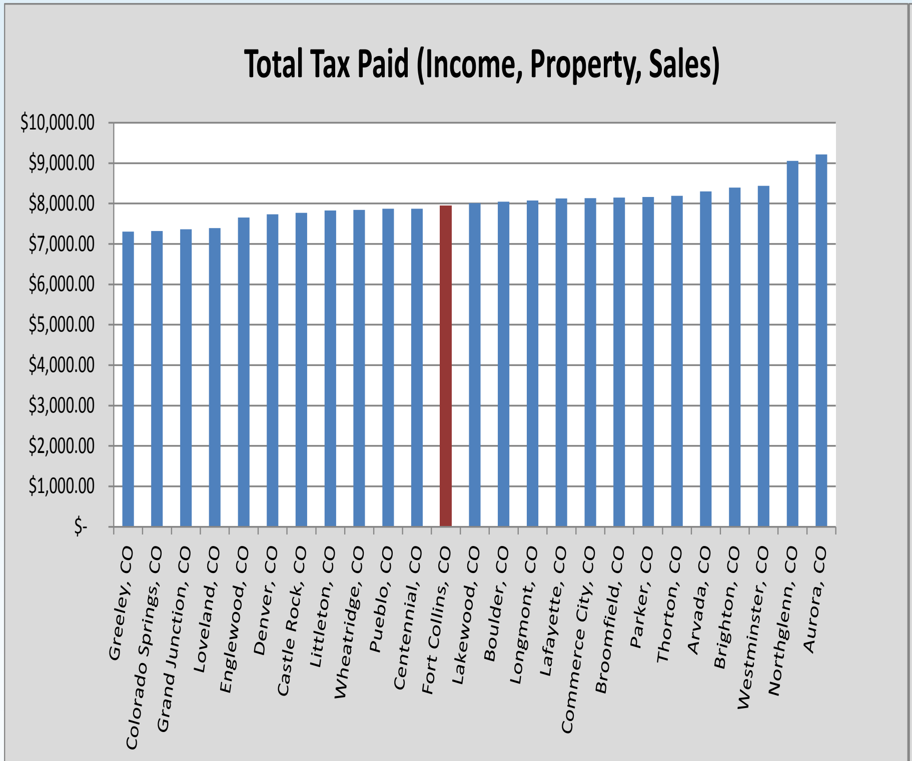

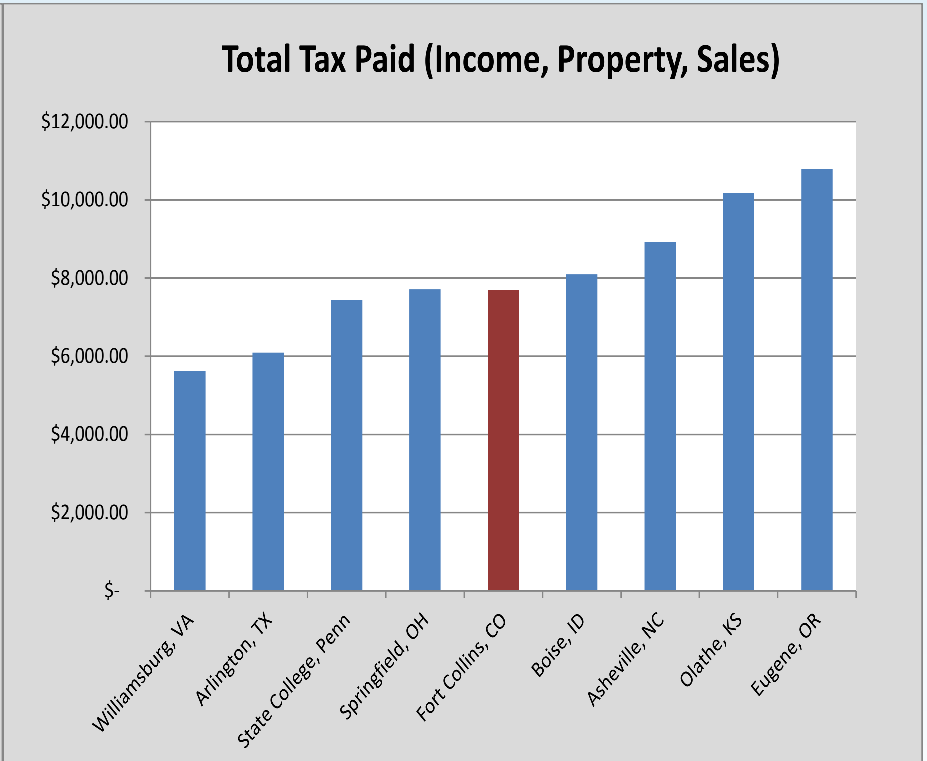

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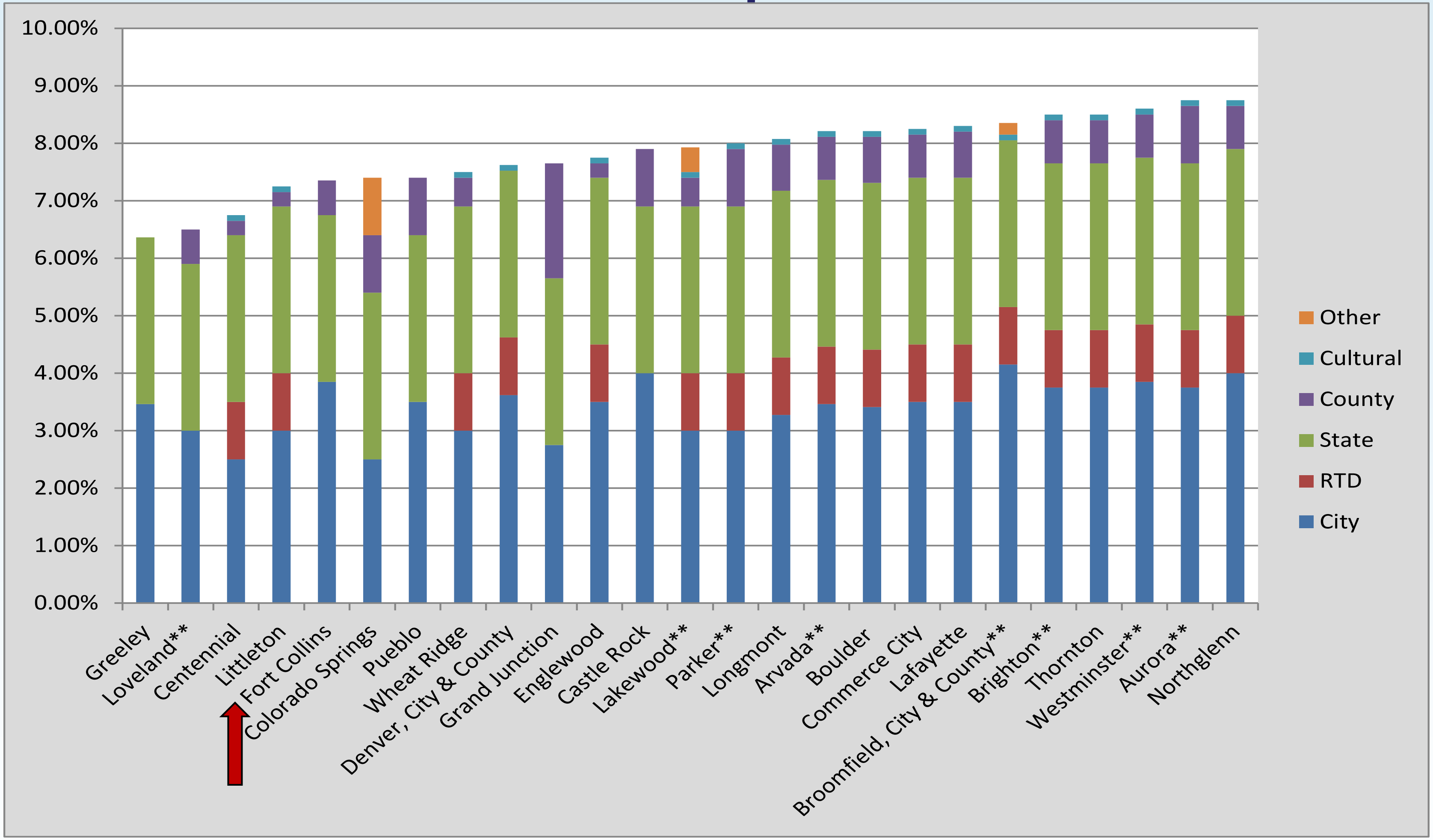

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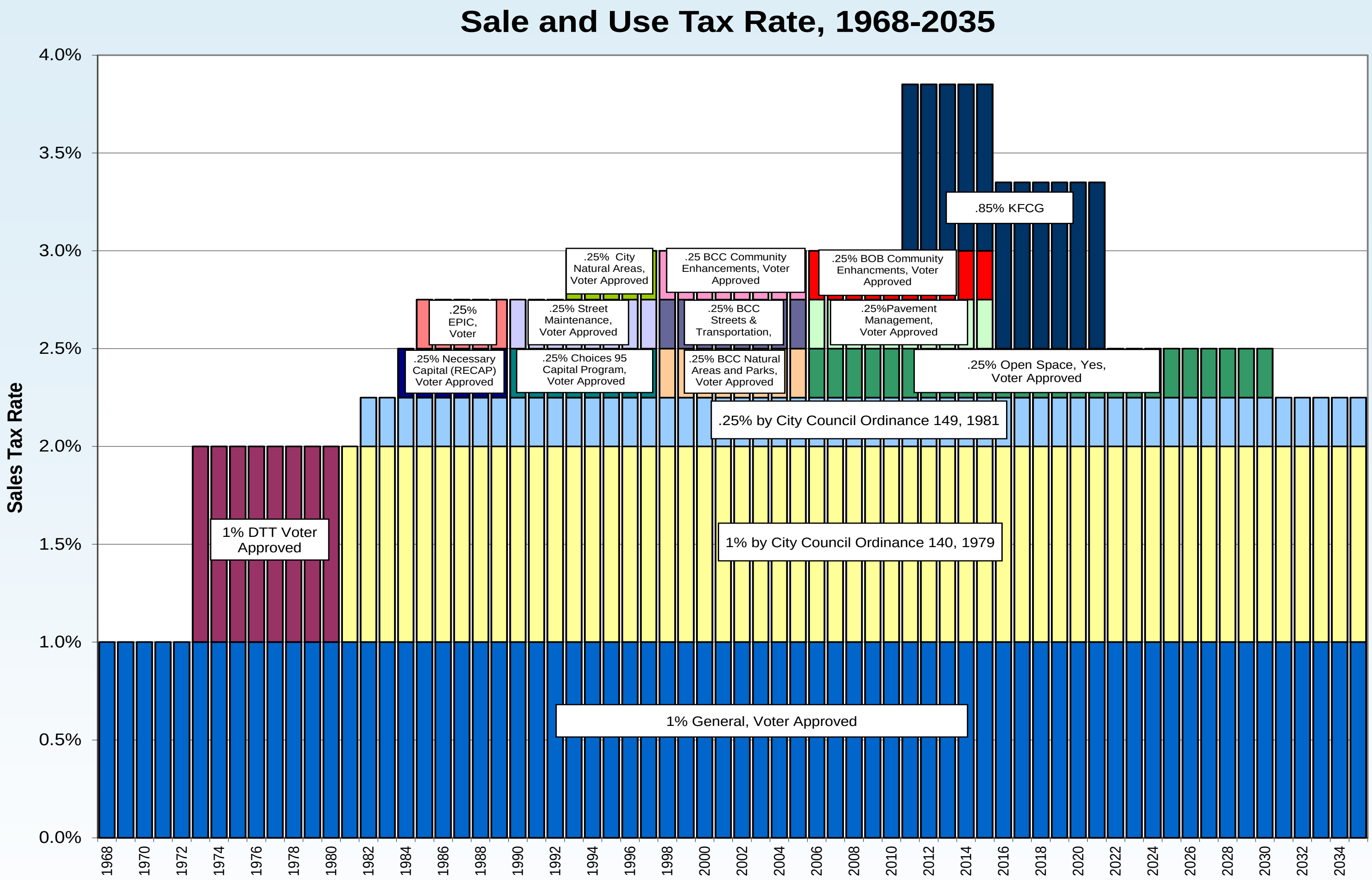

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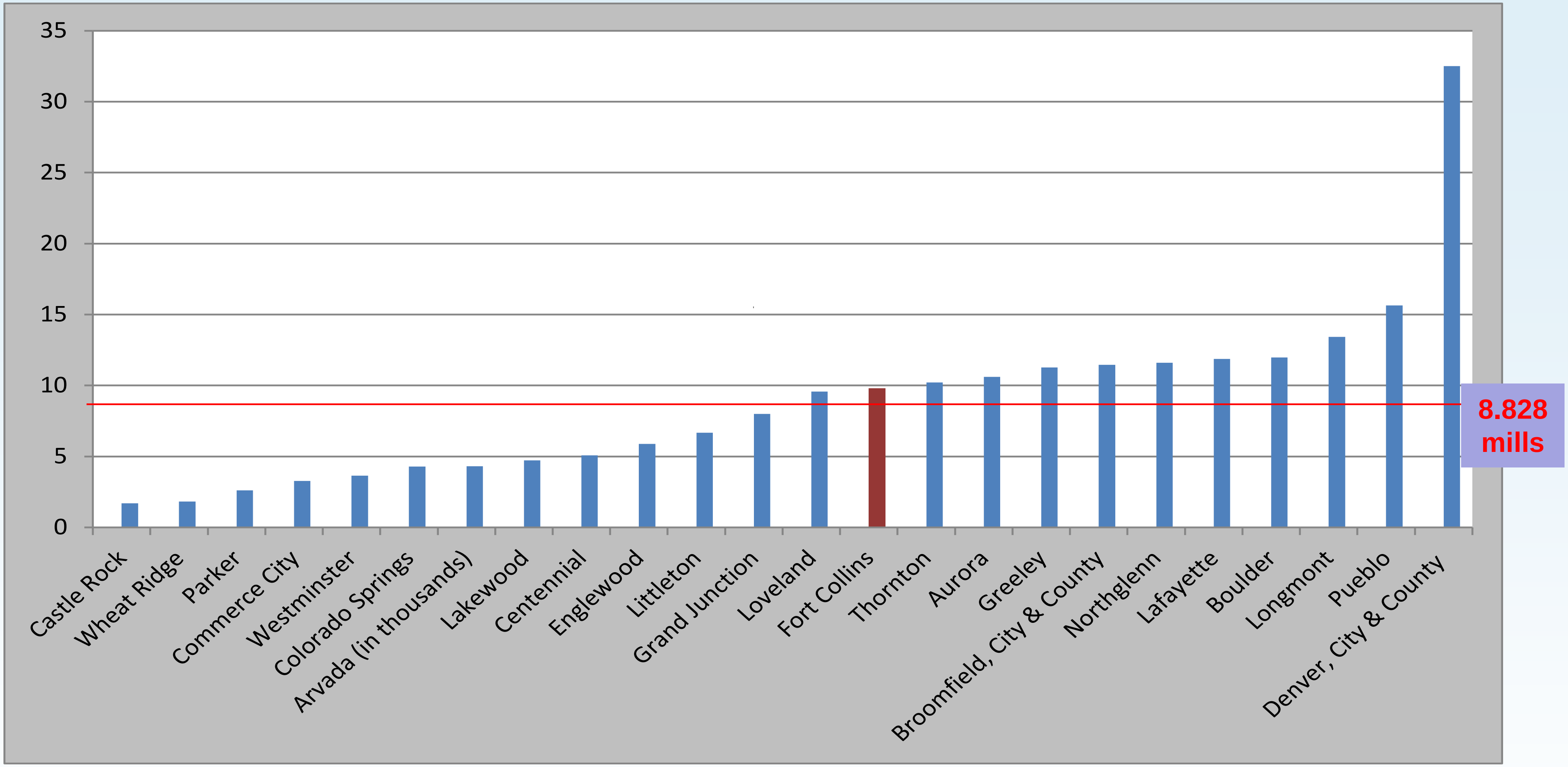

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City of Fort Collins

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Council Audit & Finance Committee
Minutes
1/14/13
10:00 to 12:00
CIC Room

Council Attendees: Mayor Karen Weitkunat, Mayor Pro Tem Kelly Ohlson, Ben Manvel

Staff: Darin Atteberry, John Voss, Mike Beckstead, Mindy Pfleiger, Karen Tracy, Marty Heffernan, Steve Roy, Wendy Williams, Diane Jones, Katie Wiggett

Others:

Approval of the Minutes of December 17, 2012
Ben Manvel moved to approve the minutes from the December 17, 2012 meeting. Kelly Ohlson seconded the motion. Minutes were approved unanimously.

Capital Improvement Expansion Fee Update
Mike Beckstead outlined that he plans to present the updated Capital Expansion Fees in a work session on February 12. He will present the update to City Council on March 5, and again for a second hearing on March 19.

Jessica Ping-Small presented a comprehensive review of the Capital Improvement Expansion Fees. Staff have worked with Duncan Associates to review the methodology and update the fees established in 1996. The outcome of the study retains the basic methodology of incremental expansion but recommends minor changes to some of the inputs. The fees have all been updated based on current level of service which factors in current capital assets for all fees. Also, trails have been added to the park calculations.

In the updated review the inputs to fee calculations have changed, resulting in a variation in updated fees.

- Neighborhood and community park fees are increasing for smaller units and decreasing for larger units.
- Fire, police, and general government fees are increasing.
- Net residential fees are increasing except for largest units, and commercial/industrial fees are increasing.

Director of CPRE Marty Heffernan explained that the new Trails Fee would be added to the updated Parks Fees. Trail Fees were already allowed for in the City's Plan; they had simply not been calculated in until now. City Attorney Steve Roy asked the Finance Department to double check that there was no "double dipping" with the updated fees.

Darin asked if the cost of a new City Hall could be included in the general government costs that are used to build up the fees. Also, he asked if, once collected, the general government revenue could be used to fund a new City Hall. Staff indicated the cost basis for the new fees could only be based on the existing level of service and the associated asset base that supports this service; hence, the added costs of a future City Hall cannot be included in the revised fees. The fees collected are to be used for developments outlined in the city's plan; therefore, future revenue collected from the revised fees can be used to fund a portion of the new City Hall. While the fees are used for development, the fee amounts are always based on the current level of service provided—never on the projected value of future developments.

Mayor Weitkunat asked that the report add a general summary of how Capital Expansion Fees are used.

Ben Manvel asked if the city could raise the fees based on over capacity, just as they lower the fees due to under capacity. Jessica said that she will ask Clancy Mullen of Duncan Associates if this would be an option.

Jessica concluded that inputs to formula and asset information had been updated for all fees and that a reduction of household size based on a national survey drove partial fee change. Staff recommends codifying a comprehensive review every 3-5 years.

Revenue Policy and Diversification Options
Jessica presented the proposed city's revenue principles that will become the foundation for a revised revenue policy and possible options for diversification and stabilization of the City's revenue sources.

Jessica offered the following five revenue principles for discussion:

1. Maintain a diverse revenue base
2. Maintain a stable revenue base
3. Cultivate revenue sources that are equitable among all economic levels
4. Generate adequate revenue to maintain core service levels
5. Maintain healthy reserves

Jessica stated that, in 2011, sales and use tax was 51% of the general government revenue. Though this rate is not uncommon for cities in Colorado, greater diversification is desirable to create greater stability. Many cities diversify by adopting the "three-legged stool" approach, an approach that uses income tax, occupation privilege tax, or significantly higher property taxes. This approach is currently not feasible in Fort Collins, so we must find ways to diversify within our framework.

On Principle 1, Mayor Weitkunat asked that the categories "Intergovernmental" and "Charges for Services" be broken down into smaller subcategories to make the chart "2011 General Government Revenue" more clear.

On Principle 2, Ben noted that the chart "Sales and Use Tax Growth" needs another column stating the running total so the chart will better represent the change. He also stated that, without such information as inflation and population figured in, the chart is misleadingly positive. Staff agreed.

On Principle 4, Kelley Ohlson objected to the use of the word *core* describing services because it is too subjective. The council agreed that the word *core* should be dropped.

Council Direction / Next Steps

The Council Finance supports the 5 revenue principles with the suggested revisions. The Council does want staff to initiate the ¼ cent renewal process, but does not want to make the ¼ cent sales tax permanent.

The Council Finance wants staff to further research the Transportation Utility Fee and the Sales Tax on Services as the most feasible diversification options. They would also like staff to research Differential Sales Tax Rates and the Occupational Privilege Tax.

Near Term Actions:
Jess stated that staff will mobilize efforts to replace or extend the two ¼ cents expiring in December 2015 or assess and make recommendation on replacing the Transportation ¼ Cent with a Transportation Utility Fee.

Kelley noted that the dates for the projected Citizen Campaign were not accurate. Darin agreed and said that they should be changed to May 2014-Nov. 2014.

Longer Term Actions:
Jessica stated that, for a long term option, the city could evaluate options to diversify and/or promote stability within its revenue stream. Staff decided on the following six options as the most feasible:

1. Expand sales tax to cover services
2. Implement a differential sales tax rate
3. Assess a transportation utility fee
4. Increase property tax
5. Make ¼ cent taxes permanent
6. Implement an occupational privilege tax

Kelley suggested that, if the city does add a service tax, it could drop the 2.25% tax on take home foods. The council agreed that this is a valid option. In light of this conversation, Mike noted that the lack of hard data on Service Tax would make adopting such a tax both challenging and risky.

Darin suggested that a parks maintenance fee be added to the potential transportation utility fee. Staff will evaluate this alternative in conjunction with assessing a Transportation Utility Fee.

Kelley believes that a two hour work session or a special work session should be scheduled to discuss this topic further. Darin agrees that this would be a good topic for the Futures Committee.

COUNCIL FINANCE COMMITTEE
AGENDA ITEM SUMMARY

Staff: Jessica Ping-Small, Sales Tax Manager
Mike Beckstead, Chief Financial Officer

SUBJECT: Revenue Policy and Diversification Options

EXECUTIVE SUMMARY

Staff presented revenue comparison information to Council Finance in September of 2012. Staff received feedback to articulate policies in which revenue decisions could be made. Council Finance also expressed interest in possible options to diversify or stabilize the City's revenue sources. The attached power point presents five revenue principles for discussion. In addition, staff has included analysis for both near and long term options to diversify and/or stabilize the City's revenue base.

GENERAL DIRECTION SOUGHT AND SPECIFIC QUESTIONS TO BE ANSWERED

Does the Council Finance Committee support the five guiding principles as presented? And does Council Finance Committee direct staff to:

1) Initiate the ¼ cent renewal process
2) Further research the most feasible diversification options or all of the options as presented

BACKGROUND/DISCUSSION

The City's current revenue policies do not clearly articulate a foundation in which revenue decisions can be made. As the City receives over 50% of its revenue from sales and use tax it is important to respect that revenue source without creating an overreliance on it. This discussion aims to lay the foundation by recommending revenue principles that Council Finance Committee can use when making decisions on how to better diversify and stabilize. In addition, staff is presenting Council Finance Committee with information and options to further the discussion on revenue diversification, both near and long term.

The presentation will address the following:

1) Revenue Principles
2) Next Steps and Options

ATTACHMENTS

1. PowerPoint Presentation

Council Finance Committee

Revenue Policy
and
Diversification Options

January 14, 2013

Overview

- Policy Framework Update
- Next Steps & Options

Revenue Policy Update

- Revenue comparison analysis presented to Council Finance in September 2012
- Staff received feedback to articulate a policy or “philosophy” to which revenue decisions could be made in the future

Task – Develop Principles of a Revenue Policy that Promote Revenue Sustainability

Revenue Policy Update - Approach

- Reviewed existing City of Fort Collins revenue policy
- Researched cities and organizations locally and nationally for revenue diversification and/or sustainable revenue policies
  - Examples: GFOA, ICMA, Colorado Springs, Loveland, Broomfield, Boulder, Centennial, Lakewood, Association of Metropolitan Municipalities of Minnesota, etc..
- Analyzed various policies to create 5 principles that staff recommend be incorporated into existing City revenue policy document and adopted by City Council

Staff is recommending 5 revenue principles.

City of Fort Collins

Revenue Principles

1. Maintain a diverse revenue base
2. Maintain a stable revenue base
3. Cultivate revenue sources that are equitable among all economic levels
4. Generate adequate revenue to maintain core service levels
5. Maintain healthy reserves

The principles will serve as the foundation for revenue decisions in the future.

Principle 1 - Maintain a Diverse Revenue Base

- The City will seek and maintain primary revenue sources that are markedly distinct and varied from one another

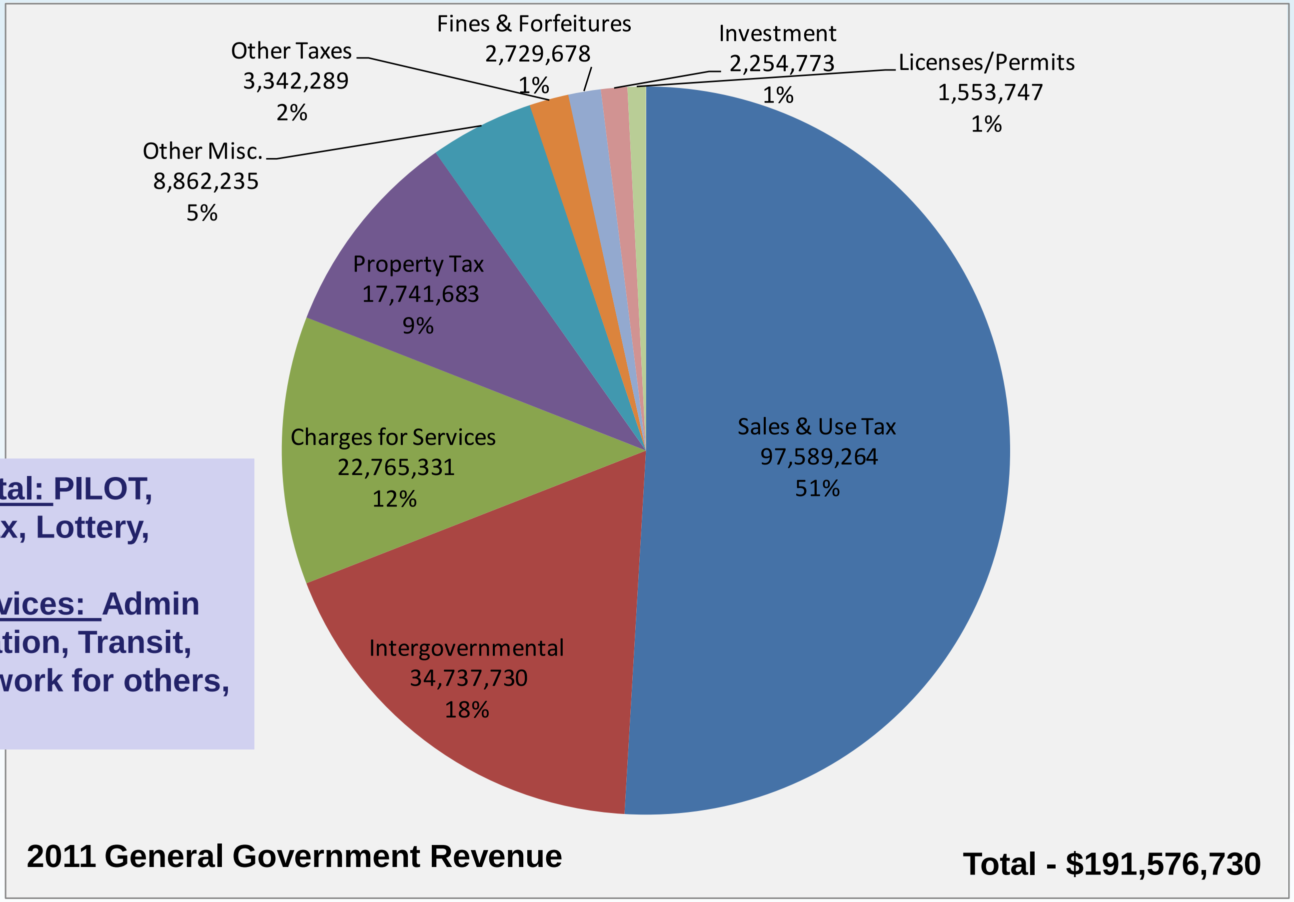
- City will strive to maintain diverse revenue sources by:
  - Targeting revenue from multiple sources
  - Working to expand fee based revenue where possible
  - Working to minimize overdependence on any single revenue source
  - Staff will monitor dependency on sales and use tax to ensure an over reliance does not occur

- Other Factors:
  - Research suggests a "three-legged stool" approach or equal revenue from 3 primary sources
  - Cities that achieve "three-legged stool" diversity have an income tax, occupation privilege tax or significantly higher property taxes
  - Not feasible in Fort Collins

In 2011, sales & use tax was 51% of the general government revenue.

City of Fort Collins

Principle 1
Maintain a Diverse Revenue Base



Intergovernmental: PILOT, Highway user tax, Lottery, Grants, etc.
Charges for Services: Admin charges, Recreation, Transit, Transportation work for others, etc..

Sales and Use tax is the primary source of revenue.

City of Fort Collins

Principle 2 - Maintain a Stable Revenue Base

- City will strive to maintain stable revenue sources by:
  - Targeting revenue sources with minimal volatility
  - Monitoring current revenue sources for variability
  - Adjusting forecasts as necessary to accommodate unanticipated increases and declines
  - Monitoring and adjusting expenditures for unanticipated revenue gains/losses

- Other Factors:
  - The perception of volatility is a key reason sales and use tax is seen as a problematic revenue source
  - The fact is sales and use tax has been relatively stable over the past 10 years:

Sales and Use Tax Growth

2002	-4.17%
2003	-0.74%
2004	4.48%
2005	2.33%
2006	3.43%
2007	3.73%
2008	-2.75%
2009	-6.21%
2010	4.51%
2011	4.32%

The largest decline in combined sales and use tax was 6.2% from 2008 to 2009

City of Fort Collins

Principle 3
Cultivate revenue sources that are equitable among all economic levels

- The City will strive to preserve a revenue stream that does not overburden low income residents by:
  - Providing low income citizens with opportunities to participate in programs through reduced fee structures and scholarships
  - Providing a Sales Tax on Food and Utility rebate to lessen the burden of taxes and fees on low income citizens
  - Ensuring fees do not exceed cost to provide service

- Other Factors:
  - Sales Tax is often referred to as a regressive tax
  - The City tax rate on food is 2.25% to mitigate the regressive nature of sales tax

Principle 4

Generate adequate revenue to maintain core service levels

- The City will generate adequate revenue to maintain core service levels by:
  - Ensuring fees for service do not exceed cost to provide service
  - Maintaining a cost recovery model
  - Monitoring service level performance annually through the Community Scorecard
  - Regularly reviewing services to assess core vs. desired

The challenge is to balance desired service levels with core or necessary service levels.

City of Fort Collins

Principle 5
Maintain healthy reserves

- The City will maintain healthy reserves by:
  - ➢ Adhering to both State mandated reserve and internal reserve policies
  - ➢ Maintaining the Tabor (State) reserve for the General Fund of 3% or more or the City's fiscal year spending
  - ➢ Meeting City policy for the General Fund of an additional contingency of 60 days or 17% of next year's adopted budgeted expenditures

- Each fund has a specific reserve policy that is adhered to and considered before granting interagency loans

The City meets and generally exceeds all reserve policies.

City of Fort Collins

Conclusions

The five recommended principles will provide staff and City Council with the foundation to make sound financial decisions that will provide the citizens of Fort Collins a diverse, stable and fair revenue stream equipped to provide the services necessary to keep Fort Collins great.

- Futures Committee will review principles on February 11
- Based on feedback staff will draft Revenue Policy update based on 5 guiding principles – Q3 2013

Next Steps & Options

Near Term Actions:

- Mobilize efforts to replace or extend two 1/4 cents expiring in December 2015
- Assess and make recommendation on replacing Transportation ¼ cent with a Transportation Utility Fee

Longer Term:

- Evaluate options to diversify and/or promote stability within revenue stream

Near Term Action

Replace Expiring ¼ cent taxes

- BOB and Pavement Management ¼ cent taxes expire on December 31,2015

Timeline for November 2014 Election		
Action	Owner	Date
Staff/Council/ B&C Prep Work*	CMO/Finance Staff	July 2013-July 2014
Place Item on Ballot	City Council	August 2014
Citizen Campaign	Citizens Group	Aug. 2014-Nov. 2014
Election	City Clerk	November 2014

*Staff prep work will include a strategic project selection process which will be presented to City Council for final discretion over which projects are included on ballot.

Near Term Option
Transportation Utility Fee (TUF)

History:

- The City of Fort Collins had a transportation utility fee (TUF) until 1992
- City Council repealed the ordinance in 1992 as the TUF was deemed unnecessary due to the ¼ cent tax that was established in 1989
- In 2006, City Council approved an ordinance on 1st reading establishing a similar transportation maintenance fee but due to the timing of the library district formation which freed up funds, Council voted 0-7 against the ordinance on 2nd reading

Fort Collins was the First City to Implement a TUF in 1984

Transportation Utility Fee

- A fee generally based on the # of trips a particular land use generates – Users share the cost of maintaining street system
- Designated for use in the maintenance and repair of the City's transportation system
- Fee to both residential and commercial properties added to utility bill. Can be formula based or a flat fee based on property type per acre
- Estimated revenue in 2006 was $1.4M including exemptions. The fee estimate was $12.72 annually per residential dwelling unit
- Would require a fee of approximately $34.50 annually per household in addition to tiered rates for commercial to replace current ¼ cent
- A family of 4 in Fort Collins pays an estimated $89 per ¼ cent

Would it replace the current ¼ cent tax for pavement management?

City of Fort Collins

Long Term Options to Diversify-Stabilize Revenue

- Staff analyzed 13 options based on research and comparison City data

- Initial outreach indicates “replacing” not “increasing” revenue needs to be a key message

- Outreach to date:
  - Economic Advisory Committee
  - Chamber of Commerce
  - League of Women Voters – informal discussions

- Staff analyzed all options and is providing data on the most feasible and/or those with the greatest return

Key Message / Objective – Promoting a Stable, less Volatile Revenue Stream….Not an Increase in Total Revenue

City of Fort Collins

Options to Diversify-Stabilize Revenue

Alternatives	Evaluative Criteria
1. Expand sales tax to cover services 2. Implement a differential sales tax rate 3. Assess a transportation utility fee 4. Increase property tax 5. Make ¼ cent taxes permanent 6. Implement an occupational privilege tax	• Compliance with 5 revenue principles • Estimated annual revenue generated • Voter approval required • Amount of public support or resistance • Does it replace something in existence • Longevity – temporary or permanent

3 of the 6 options are Based on Sales Tax

City of Fort Collins

Analysis of Options

Options	Annual Revenue Estimate	Voter Approval Required	Level of Public Support	Does it Replace Existing Revenue Source	Permanent	Rank
Assess a Transportation Utility Fee*	$6.0M	No	Low – Unless it replaces the ¼ cent tax	Potentially	Yes	1
Expand Sales Tax to Cover Services – 3 levels	$200K-$4.3M based on level	Yes	Low	Potentially	Yes	2
Expand Sales Tax to Cover ALL Services	TBD	Yes	Low	Potentially	Yes	
Increase Property Tax Rate by 2 Mills	$3.6M	Yes	Low	No	Yes – unless sunset	3
Make ¼ Cent Taxes Permanent	$6.0M	Yes	Medium	No	Yes	4
Implement a Differential Tax Rate on Restaurants/Liquor Stores of 1%	$3.5M	Yes	Medium	Potentially	Yes	5
Implement an Occupational Privilege Tax**	$3.6M-$6.2M	Yes	Low	Potentially	Yes – unless sunset	6

*** Assumes $34.50 annually per residential unit and a tiered fee for commercial**
**** Range from $2-$5 per employee paid by both employee and employer per month**

Sales Tax on Services*

Reasons to tax services**

- Household spending has shifted from goods to services
- Taxing services reduces volatility of sales tax collections as big-ticket durable goods purchases are the first to decline during downturn
- May make sales tax more fair as there is less distinction between consumption of goods and consumption of services
- Could make sales tax less regressive by taxing service purchases made primarily by the affluent

***Assumes the sales tax rate would be reduced to accommodate the revenue generated from taxing services**

****As Reported by the Center on Budget and Policy Priorities (CBPP)**

City of Fort Collins

Sales Tax on Services

Levels	Types	Examples	Estimated Revenue
Service Level 1	Services other cities are currently taxing	Bowling and Car Washes	$212K
Service Level 2	Personal Care, Funeral Homes	Salons and Spas	$1.7M
Service Level 3	Business to Business	Accounting and Attorney	$2.4M
All Services	All	Auto Care and Pet Services	TBD*

***Estimates extrapolating a Colorado Springs Study show revenue in the $12M range for Fort Collins which appears much lower then expected based on % of income spent on services.**

Significant revenue potential with potential for less volatility

City of Fort Collins

Raise the Property Tax Rate

- Revenue estimate is significant at $3.6M annually for 2 mills
- Less volatile then sales tax
- Contributes to the goal of a three-legged stool revenue base – but would require greater than a 2 mill increase
- Could generate significant public resistance

The current mill levy is average amongst our peers and hasn't been increased since 1992

City of Fort Collins

Make ¼ Cent Taxes Permanent

- Revenue is $6.0M annually for each ¼ cent
- Both the BOB and the Pavement Management taxes passed with voter approval of over 70% in 2005
- Both residents and visitors bear the burden of maintaining the streets and for the capital improvements
- Permanent does not equal less volatile

Sales Tax is funded by everyone, not just property owners as a Transportation Utility Fee is.

City of Fort Collins

Council Finance Committee Direction

- Does Council Finance support the 5 revenue principles?

- Does Council Finance want staff to initiate ¼ cent renewal process?

- Does Council Finance want staff to further research the 4 most feasible diversification options:
  - Transportation Utility Fee
  - Sales Tax on Services
  - Increase Mill Levy
  - Ask voters to make ¼ cent sales tax permanent

- Does Council Finance want staff to further research the other options?
  - Differential Sales Tax Rate (restaurants/liquor)
  - Occupational Privilege Tax

Thank you

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Minutes
City of Fort Collins
Futures Committee Meeting
Regular Meeting
300 LaPorte Ave
City Hall
February 11, 2013
4:00 – 6:00 p.m.

Committee Members Present:
Wade Troxell - Chair
Gerry Horak
Lisa Poppaw
Darin Atteberry
Bruce Hendee

Committee Members Absent:

Guests:
Jessica Ping Small, Mike Beckstead, Lawrence Pollack, Lori Frank

Agenda Item 1: Approval of Minutes
The minutes from December and January were approved.

Agenda Item 2: Revenue Diversification

1. Revenue Policy Update
    - Revenue comparison analysis presented to Council Finance and Futures Committee in September 2012
    - Staff received feedback to articulate a policy or "philosophy" to which revenue decisions could be made in the future
    - Revenue principles and next steps presented to Council Finance in January 2013
        - Task – Develop Principles of a Revenue Policy that Promote Revenue Sustainability
2. Revenue Policy Update – Approach
    - Reviewed existing City of Fort Collins revenue policy
    - Researched cities and organizations locally and nationally for revenue diversification and/or sustainable revenue policies
    - Analyzed various policies to create 5 principles that staff recommend be incorporated into existing City revenue policy document and adopted by City Council
        - Staff is recommending 5 revenue principles based on their research
            1. Maintain Diverse Revenue base

a. 51% coming from sales and use tax , fluctuates based on grant revenue each year
b. Sales and use tax is the primary source of revenue

2. Maintain a stable revenue base
    a. The largest decline in combined sales and use tax was 6.2% from 2008 to 2009
3. Cultivate revenue sources that are equitable among all economic levels
4. Generate adequate revenue to maintain service levels
    a. The challenge is to find the right balance of service levels to meet the "needs vs. wants" of the community
5. Maintain healthy reserves
    a. The City meets and generally exceeds all reserve policies

- The principles will serve as the foundation for revenue decisions in the future to keep Fort Collins great.

Next Steps:

1. Near Term Action: BOB and Pavement Management ¼ cent taxes expire on December 31, 2015
    a. Timeline to replace ¼ cents for November election
2. Near Term Option: Transportation Utility Fee
    a. City had one in 1992…
    b. Pavement Management – easier to understand
3. Long Term Action
    a. Replace not increase, needs to be the key message. Promoting a stable, less volatile revenue stream, not an increase in total revenue
4. Sales Tax on Revenues
    a. Reasons to tax services:
        i. Assumes the sales tax rate would be reduced to accommodate the revenue generated from taxing services
        ii. Significant revenue potential with potential for less volatility
            - National data establishes service levels.
            - Vendor Information gives us some information
            - Given the data for services, you have to be careful not to underestimate

5. Raise the property tax
    a. The current mill levy is average amongst our peers and hasn't been increased since 1992
6. Make the ¼ cent taxes permanent
    a. Sales Tax is funded by everyone, not just property owners as a Transportation Utility Fee is

Final Thoughts:

- Staff will be drafting Revenue Policy around 5 principles

- Staff will be initiating TUF fee study Q2 2013
    - Also included in fee study will be Park Maintenance Fee and Transit Fee
- Future initiatives to consider:
    - Sales Tax on Services
    - Increase Mill Levy
    - Ask voters to make ¼ cent permanent
    - Differential Sales Tax Rate (restaurants/liquor)
    - Occupational Privilege Tax

Feedback:
Example is the PRPA organic model: goes 5 years and then gets renewed

Need to have more BOB's in place for improvements: ex Prospect:
BOB should have no stadium impacts

Revenue Diversification originally was here to reduce sales tax, but we have seen that that will not happen. Will require voter approval as well – Pavement Maintenance fee is in place of Revenue Diversification (and that is our street improvement?) Voters do not have to approve the fee, voters only approve taxes.
Timing – Strategic thinking – confident the fee can be implemented.

Agenda Item 3: Performance Metrics: Community Dashboard Review

1. Continuation of Quarter 1 2012 Futures Committee Meeting
2. Website Tour
    - Website address shortened to www.fcgov.com/metrics
3. Process and Publication Timeline
    - Published about 6 weeks after quarter end
    - Notification with link will be sent to Council
    - Quarterly reviews by management with dialogue and action cascading through the organization
        - Consistent Quarterly Process with Systematic Organizational Focus on Metrics
4. Current State
    - Every metric has targets and results thresholds
    - Systematic process with each metric has data owner & SIT owner
5. Next steps
    - Add applicable benchmarks and goals
    - Refinement of metrics, targets, and thresholds
        - Community Dashboard will evolve as part of Continuous Improvements
    - Launch Phase II – BFO Performance Review

Other communities are doing scorecards, but only a few midsize cities are doing any metric reporting to this extent.

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Council Audit & Finance Committee
Minutes
10/21/13
10:00 to 12:30
CIC Room

Council Attendees:	Mayor Karen Weitkunat, Bob Overbeck, Ross Cunniff
Staff:	Darin Atteberry, Mike Beckstead, Josh Birks, Marty Heffernan, Mark Jackson, Tom Leeson, Jessica Ping-Small, Peggy Streeter, Steve Roy, John Voss, Katie Wiggett
Others:	Dale Adamy, Kevin Jones (Chamber of Commerce)

Approval of the Minutes
Bob Overbeck moved to approve the minutes for the September 16 meeting. Mayor Karen Weitkunat seconded the motion. Minutes approved unanimously.

*For timing purposes, the items were not addressed in the order they appeared on the agenda.

Revenue Policy Review
Jessica Ping-Small noted that the most significant change to the Revenue Policy is the inclusion of 5 revenue principles that give staff and City Council a foundation for making sound financial decisions that will provide the citizens of Fort Collins a diverse, stable and fair revenue stream equipped to provide the services necessary to keep Fort Collins great. She presented the following 5 principles:

1. Maintain a diverse revenue base
2. Maintain a stable revenue base
3. Cultivate revenue sources that are equitable among all economic levels
4. Generate adequate revenue to maintain core service levels
5. Maintain healthy reserves

These principles were presented to Council Finance and the Futures Committee in 2012 and again to Council Finance in January 2013 as part of the ongoing revenue diversification study. Staff has incorporated suggested modifications in the policy.

Mike Beckstead noted that the reason a “three-legged stool” approach was said to not be practical in Fort Collins is that municipalities that do incorporate such an approach depend on high property tax or a city income/occupational tax. Without those two taxes to depend on, across the Front Range, municipalities commonly depend on sales and use tax. Fort Collin’s revenue from sales & use tax is in the lower end of the middle compared with other Front Range communities. Staff would like to maintain and continually improve Fort Collins' diverse revenue base.

Bob Overbeck suggested that staff add a 3-4 year history of Fort Collins' sales tax base for principle 1. On principle 3, Ross Cunniff asked whether the City should consider removing sales tax on food to be more equitable. Mike Beckstead referred him to a recent memorandum that went out to council explaining the importance of sales tax on food and explaining the rebates we offer to make the tax more equitable.

Ross Cunniff suggested adding a sixth principle: "Fees for Service are fairly born by those who use those services." While this guideline is addressed in the policy, it could be highlighted. Ross also asked to see the study on the impact taxing services would have in Fort Collins. Jessica will provide the study to Council Finance. Ross then asked whether tax on internet sales was moving forward as a possibility. Jessica replied that it is being looked at nationally, and staff has estimated that, if internet sales are taxed, it will generate an additional $3 M in revenue. The impact is not overly large because several large companies such as Wal-Mart already collect sales tax on their online products.

Financial Management Policy Format and Introduction

Mike Beckstead said that staff is in the process of updating and consolidating all the financial policies and bringing them to Council for approval. Staff has drafted an introduction to the Financial Policies that states Council's ability to deviate from policy when it is in the City's best interest. An example of the need for such a provision is seen in the current matter before the Council concerning the interest rate proposed on a loan between the City and the URA. A deviation from the current investment policy is proposed to Council because of short fall in estimated revenue and an increase in interest costs from the September 2011 estimates. Steve Roy added that Council has always had the ability to make an exception to policy per City Charter; however, it is advisable to incorporate and institutionalize language that allows Council to make those exceptions.

Bob Overbeck said that he is concerned about there being too many exceptions or amendments made to City policy. The best practice would be to address any mistake made and insure that that mistake not be made again. Mike replied that Staff has learned many lessons through the Capstone Project. Evidence of what staff learned can be seen in the new policy that Josh Birks drafted for TIF's that establishes clear boundaries for using that financing method. Also, staff now bases rates off of the County's estimate of value which factors in revenue generation rather than the project cost. Council Finance appreciates staff's transparency and willingness to continuously improve.

Bob Overbeck noted that he would like to see the lessons learned from TIF for RMI and Capstone in writing. He also requested that, in the future, Staff present stress tests for financing projects presented to the Council Finance Committee. Bob asked if other organizations were public about mistakes that they made in TIF projection, sharing in order to help others learn from their mistakes. Josh replied that since URA law is state specific, the number of URA's we'd be comparable to is limited; we are currently involved in state groups that discuss issues with URA's.

New Fees Review

Jessica Ping-Small noted that street maintenance is currently funded primarily through sales tax including the designated ¼ cent sales tax that has a sunset date of December 31, 2015 and the Keep Fort Collins Great sales tax. Although sales tax initiatives have been supported multiple times by citizens, relying on an expiring sales tax has risks such as revenue variability and potential expiration. Staff has explored the feasibility of a Street Maintenance Fee (SMF) to replace the ¼ cent designated sales tax.

Jessica also noted that Park and Trail Maintenance is currently funded though the General Fund and $735K of Conservation Trust Funds that were diverted from trail construction in due to funding shortfalls. Staff has drafted a Park Maintenance Fee (PMF) to generate $735K annually which would allow the Conservation Trust Funding to go back to trail construction.

Ross Cunniff noted that he certainly wants to fund Parks without using the Conservation Trust. However, discussing the two possible fees together may be confusing, so Ross suggested that Council Finance focus first on the more urgent matter of the sun setting street maintenance tax. Council Finance agreed that they want to discuss Park Maintenance separately at a later date and that they would like to be brought a broader discussion with all potential funding options.

Mike Beckstead called attention to the example fee breakdown for the Street Maintenance Fees. A triple bottom line analysis showed that this fee would be very hard on small businesses such as fast food businesses which would be required to pay $10,334 annually. Ross Cunniff noted that the cost of the fee would be pushed off to the customer, in that way non-residents would still pay the fee just like they currently pay the tax.

Council Finance discussed various alternatives to the fee including creating a fee specifically for parks (not limited to maintenance) and building sidewalk maintenance into the trail fee Darin concluded that when the ¼ cent tax expires in December 31, 2015, the City has 3 options:

1. Continue the tax another term
2. Vote to continue the tax in perpetuity
3. Move to some other funding mechanism such as the proposed fee.

Ross Cunniff noted that he would like to see more alternatives to the ¼ street maintenance tax. If we do opt for a fee, we need to ensure that there is equity between users and nonusers. Bob Overbeck asked that staff look at the possibility of putting a fee on parking permits or yearly vehicle licenses. Ross Cunniff asked for an estimate of how much sales tax revenue comes from out-of-City users.

Council will discuss the options at a work session in November. Staff will incorporate Council Finance's suggestions into the presentation for November.

Updates

Mike Beckstead noted that the Long Range Financial Plan has been moved out to 2014 given other priorities in 2013. Completing this task will remain on Financial Services work plan but will be delayed.

A matrix the details council priorities identified and discussed at the May Council retreat is being developed by Diane Jones and will be presented to the council at the November retreat. This matrix will illustrate how each of the priorities identified are addressed within the current budget, through the budget revision process or through staff goals.

Staff will bring an appropriation for the Flood on November 19. The appropriation is still in development, staff anticipates the total appropriation will be around $2.7M with funding provided by FEMA and the state covering all but approximately $350K.

Foothills Mall Financial Review
Mike announced that there will be an Open House at the Mall on October 30 from 4-7 p.m. All are welcome to attend.

He then explained that the planned development at Foothills Mall associated with the Redevelopment Agreement and incentive package approved by Council on May 7, 2013 has several modifications and revisions that will be going back to the Planning & Zoning Board in November 2013 and January 2014. These changes will have a minor impact on the financial incentive package.

In summary, the deal is intact, there is no change to the incentive package, and the financial return to the City is substantially unchanged. Details from the discussion are highlighted below:

1. The Foothills Mall has reduced in size by approximately 10%.
2. The opening of the Mall is delayed approximately 1 year.
3. The Foothills Activity Center is planned at 18K square feet and to be located in between Macy's and the planned parking structure.
4. Estimated sales per square foot have increased from $350 to $378 based on known tenants that will occupy the Mall.
5. The incentive value of $53M to support the public improvements is unchanged.
6. The par value of the bonds has declined slightly from $73M to $71M.
7. The maximum bond payment amount is unchanged at $180M
8. Sales tax remitted as part of the Sales Tax Revenue Pledge is unchanged at $9M.
9. Net new sales tax revenue has increased from $108M to $117M.

Ross Cunniff asked for whatever information staff has on the mall's tenant mix. Mike will provide a spreadsheet. Bob Overbeck asked that the bullet on slide 3 and slide 18 should be changed to "Maintained cap on maximum bond payments at $180 M **= x in interest**." Bob also asked that staff highlight the issuance and drop dead dates for the bonds.

This information will be brought to Council at the December 3 meeting.

Next Steps
Staff will add the tentative dates for all future policy updates to the long-term planning calendar.

Staff will bring funding options for Park and Trail Maintenance to Council Finance as a separate discussion in the near future. Staff will also incorporate Council Finance suggestions to the Street Maintenance Fee presentation before bringing it to Council in November.

COUNCIL FINANCE COMMITTEE
AGENDA ITEM SUMMARY

Staff: Jessica Ping-Small, Controller/Assistant Financial Officer

SUBJECT FOR DISCUSSION: Updated Revenue Policy

EXECUTIVE SUMMARY: The Revenue Policy has not been updated in many years. Staff has developed a new framework for updating, controlling, formatting and publishing financial policies. The most significant change to the Revenue Policy is the inclusion of 5 revenue principles that provide staff and City Council a foundation for making sound financial decisions that will provide the citizens of Fort Collins a diverse, stable and fair revenue stream equipped to provide the services necessary to keep Fort Collins great.

GENERAL DIRECTION SOUGHT AND SPECIFIC QUESTIONS TO BE ANSWERED

1. Are there any questions about the new policy?
2. Are there any changes requested?
3. Is the policy ready to bring to City Council for consideration and approval?

BACKGROUND/DISCUSSION The current revenue policy evolved as part of the Budget document. In that context it focused on explaining revenue concepts rather than setting policy.

Staff has come up with a new format for financial policies. Because of the major overhaul in both format and content, it was impractical to use strike through and underline new text. The only significant change to the revenue policy's content is the addition of 5 revenue principles:

1. Maintain a diverse revenue base
2. Maintain a stable revenue base
3. Cultivate revenue sources that are equitable among all economic levels
4. Generate adequate revenue to maintain core service levels
5. Maintain healthy reserves

These revenue principles provide staff and City Council a foundation for making sound financial decisions that will provide the citizens of Fort Collins a diverse, stable and fair revenue stream equipped to provide the services necessary to keep Fort Collins great.

The principles were presented to the Council Finance Committee and the Futures Committee in 2012 as part of the ongoing revenue diversification study.

ATTACHMENTS

1. PowerPoint presentation

2. New Revenue Policy (proposed)
3. Old Revenue Policy (current)
4. 2012 Revenue Diversification presentation

Council Finance Committee

Revenue Policy

October 21, 2013

New Policy Framework

- Uses newly created format
- Assigns persons responsible for policy
- Keeps language simple
- Eliminates or minimizes non-policy language
- Tracks policy versions
- Provides direction on where to seek help interpreting policy

Staff Will Bring Additional Policy Revisions to Council Finance Using the New Framework

City of Fort Collins

Revenue Policy Update - Approach

- Reviewed existing City of Fort Collins revenue policy

- **Information presented to Council Finance and Futures Committee in 2012 as part of Revenue Diversification analysis**

- Researched cities and organizations locally and nationally for revenue diversification and/or sustainable revenue policies
  - Examples: GFOA, ICMA, Colorado Springs, Loveland, Broomfield, Boulder, Centennial, Lakewood, Association of Metropolitan Municipalities of Minnesota, etc..

- Analyzed various policies to create 5 principles that staff recommend be incorporated into existing City revenue policy document and adopted by City Council (**reviewed previously by CFC)**

STAFF IS RECOMMENDING 5 REVENUE PRINCIPLES

City of Fort Collins

Revenue Principles

1. Maintain a diverse revenue base
2. Maintain a stable revenue base
3. Cultivate revenue sources that are equitable among all economic levels
4. Generate adequate revenue to maintain core service levels
5. Maintain healthy reserves

THESE PRINCIPLES WILL SERVE AS A FOUNDATION FOR FUTURE REVENUE DECISIONS

City of Fort Collins

Principle 1 - Maintain a Diverse Revenue Base

- The City will seek and maintain primary revenue sources that are markedly distinct and varied from one another

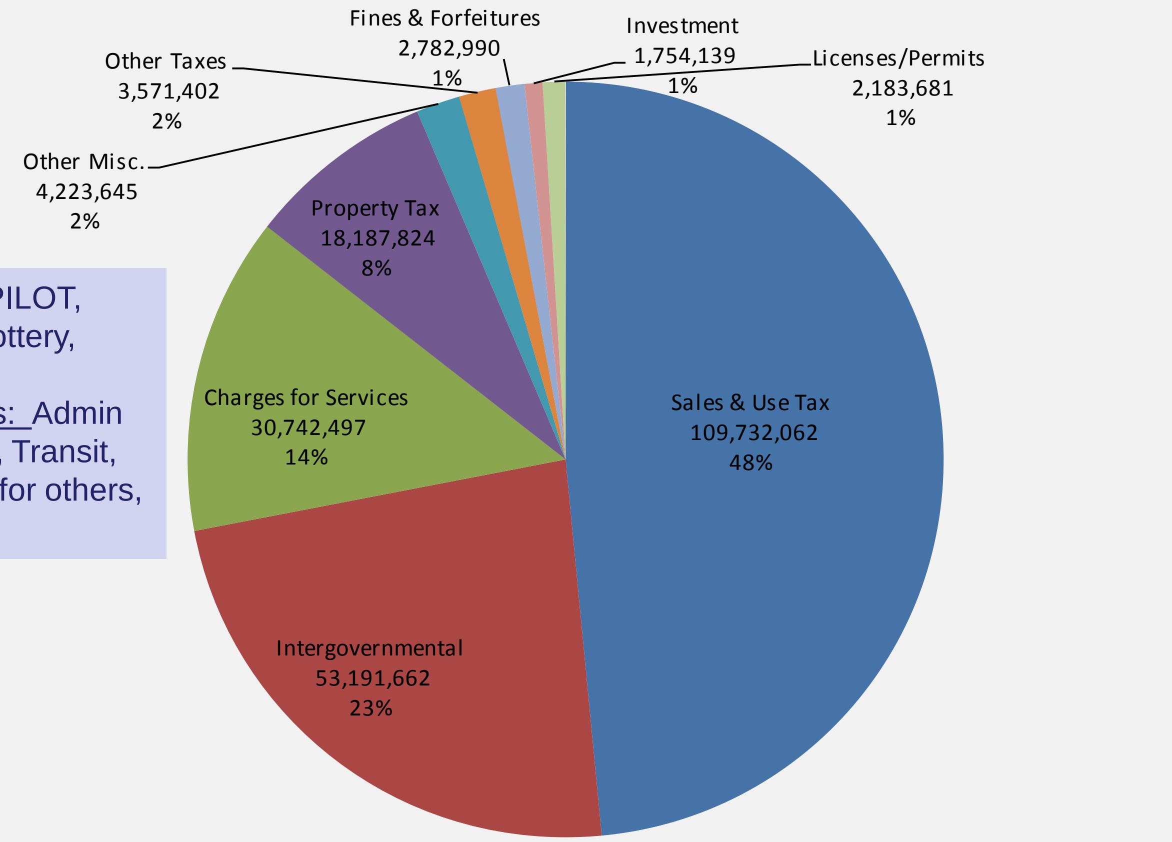
- City will strive to maintain diverse revenue sources by:
  - Targeting revenue from multiple sources
  - Working to expand fee based revenue where possible
  - Working to minimize overdependence on any single revenue source
  - Staff will monitor dependency on sales and use tax to ensure an over reliance does not occur

- Other Factors:
  - Research suggests a “three-legged stool” approach or equal revenue from 3 primary sources
  - Cities that achieve “three-legged stool” diversity have an income tax, occupation privilege tax or significantly higher property taxes
  - Not feasible in Fort Collins

IN 2011, SALES & USE TAX WAS 51%
OF GENERAL GOVERNMENT REVENUE

City of Fort Collins

Principle 1
Maintain a Diverse Revenue Base



2012 General Government Revenue

Intergovernmental: PILOT, Highway user tax, Lottery, Grants, etc.
Charges for Services: Admin charges, Recreation, Transit, Transportation work for others, etc..

SALES AND USE TAX IS THE PRIMARY SOURCE OF REVENUE

City of Fort Collins

Principle 2 - Maintain a Stable Revenue Base

- City will strive to maintain stable revenue sources by:
  - Targeting revenue sources with minimal volatility
  - Monitoring current revenue sources for variability
  - Adjusting forecasts as necessary to accommodate unanticipated increases and declines
  - Monitoring and adjusting expenditures for unanticipated revenue gains/losses

Other Factors:

- The perception of volatility is a key reason sales and use tax is seen as a problematic revenue source
- The fact is sales and use tax has been relatively stable over the past 10 years:

	Sales Tax Growth	Per Capita Change
2002	-0.51%	-2.68%
2003	-0.44%	-1.59%
2004	3.32%	1.01%
2005	2.46%	1.66%
2006	6.32%	4.32%
2007	1.60%	-0.21%
2008	0.39%	-1.43%
2009	-3.84%	-5.74%
2010	2.40%	1.28%
2011	5.21%	3.67%
2012	5.46%	3.80%

City of Fort Collins

Principle 3
Cultivate revenue sources that are equitable among all economic levels

- The City will strive to preserve a revenue stream that does not overburden low income residents by:
  - Providing low income citizens with opportunities to participate in programs through reduced fee structures and scholarships
  - Providing a Sales Tax on Food and Utility rebate to lessen the burden of taxes and fees on low income citizens
  - Ensuring fees do not exceed cost to provide service

- Other Factors:
  - Sales Tax is often referred to as a regressive tax
  - The City tax rate on food is 2.25% to mitigate the regressive nature of sales tax

Principle 4

Generate adequate revenue to maintain core service levels

- The City will generate adequate revenue to maintain core service levels by:
  - ➢ Ensuring fees for service do not exceed cost to provide service
  - ➢ Maintaining a cost recovery model
  - ➢ Monitoring service level performance annually through the Community Scorecard
  - ➢ Regularly reviewing services to assess core vs. desired

THE CHALLENGE IS TO BALANCE DESIRED SERVICE LEVELS WITH CORE OR NECESSARY SERVICE LEVELS.

City of Fort Collins

Principle 5
Maintain healthy reserves

- The City will maintain healthy reserves by:
  - Adhering to both State mandated reserve and internal reserve policies
  - Maintaining the Tabor (State) reserve for the General Fund of 3% or more or the City's fiscal year spending
  - Meeting City policy for the General Fund of an additional contingency of 60 days or 17% of next year's adopted budgeted expenditures

- Each fund has a specific reserve policy that is adhered to and considered before granting interagency loans

CITY MEETS AND GENERALLY EXCEEDS ALL RESERVE POLICIES

City of Fort Collins

Closing

- Recommended policy will provide staff and City Council a foundation to make sound financial decisions that will provide the citizens of Fort Collins a diverse, stable and fair revenue stream equipped to provide the services necessary to keep Fort Collins great.

- Future Policy revisions coming to Council Finance:
  - Investment Policy – Nov 2013
  - Budget Policy – Nov 2013
  - Reserve/Fund Balance Policy – Dec 2013

City of Fort Collins

COUNCIL FINANCE COMMITTEE
AGENDA ITEM SUMMARY

Staff: Jessica Ping-Small, Revenue and Project Manager
Mike Beckstead, Chief Financial Officer

SUBJECT FOR DISCUSSION: Street and Park Maintenance Fees

EXECUTIVE SUMMARY

Street maintenance is currently funded primarily through sales tax including the designated ¼ cent sales tax that has a sunset date of December 31, 2015 and the Keep Fort Collins Great sales tax. Although sales tax initiatives have been supported multiple times by citizens, relying on an expiring sales tax has risks such as revenue variability and potential expiration. Staff has explored the feasibility of a Street Maintenance Fee (SMF) to replace the ¼ cent designated sales tax.

Park and trail maintenance is currently funded though the General Fund and $735K of Conservation Trust Funds that were diverted from trail construction in due to funding shortfalls. Staff has drafted a Park Maintenance Fee (PMF) to generate $735K annually which would allow the Conservation Trust Funding to go back to trail construction.

GENERAL DIRECTION SOUGHT AND SPECIFIC QUESTIONS TO BE ANSWERED

1. Are there any questions about the fees?
2. Is there additional information requested for the Work Session?

BACKGROUND/DISCUSSION

<u>Street Maintenance Fee</u>

History

The Transportation Maintenance or Transportation Utility Fee has a long history in Fort Collins, dating back to its adoption by City Council in 1988, and a subsequent review of the fee by the Colorado Supreme Court. A court challenge regarding the ability of the City to levy such a fee was made and the case was argued at the Colorado State Supreme Court. In the case, the court found that the fee was not a property tax, excise tax or special assessment, but rather a special service fee. Though the fee was upheld, the fee was discontinued.

In 2005, staff embarked on a second journey to implement a Transportation Maintenance Fee (TMF). The proposed street maintenance fee was not a replacement of the ¼ cent sales tax but was in addition to the existing ¼ cent sales tax. The ordinance was passed on first reading, however, between first and second reading, the Library District was formed. The creation of the

Library District freed up General Fund dollars for street maintenance therefor the ordinance did not pass second reading.

Overview

A Street Maintenance Fee (SMF) would be charged on City utility bills for maintaining City streets, bike lanes, medians (excluding landscaping) and City maintained sidewalks. Maintenance includes such work as keeping pavement surfaces in good condition, performing seal coats as needed, repairing potholes and cracks, repaving and other work to keep our transportation system safe. This fee is being considered due to the quarter-cent sales tax approved by voters in 2005 that is sun-setting in 2015.

The fee will be assessed based a flat fee for residential residents and a trip generation based fee for non-residential properties. The fee will be assessed on the following parcel use categories:

- Residential
- Commercial
- High-Traffic Retail
- Retail
- Industrial
- Institutional

The basis of this fee is to charge users of the City's transportation system for a portion of its maintenance. By charging a fee for the cost of maintenance, a portion of the system would be funded by the parties most frequently using the streets and most directly benefiting from its maintenance.

The fee would be based on the actual cost of maintaining the system, including City streets, bike lanes, medians (excluding landscaping), and City maintained sidewalks. The fee would be allocated to different users based on the average number of trips each type of user generates in a day. This results in a fee structure in which users pay in rough proportion to the extent they use the system. For example, users who add 10 trips per day to the transportation system pay a fee much lower than those user types (i.e. high traffic businesses) that average 300 trips per day. This trip generation theory is similar to the method used to calculate street oversizing fees, and has also been recognized by courts as a fair and legally appropriate way of apportioning costs.

Fee Structure:

Street Maintenance Fee

Revenue Sought

(Enter target here) $ 7,216,500 Pavement Management Need

SMF Fee Schedule

			Total Annual Revenue	Percent of Fee by Land Use
Institutional	$45.30	Per Acre	757,894	10%
Industrial	$39.01	Per Acre	297,899	4%
High Traffic Retail	$478.45	Per Acre	1,557,960	22%
Retail	$191.00	Per Acre	1,913,765	26%
Commercial	$45.30	Per Acre	551,458	8%
Residential	$2.99	Per Unit	2,137,524	30%
Total Fee			$ 7,216,500	
Administrative Cost (3%)			(216,495)	
Revenue Net of Administrative Fees			$ 7,000,005	
Potential Costs to Consider				
Utility Billing Charge (unknown)				
Rebate/Delinquencies (1200 estimated)			(259,550)	
Institutional Exemption				
Government			(303,386)	
Public Schools			(307,429)	
Private Schools			(13,715)	
Churches			(133,364)	
Total Potential Costs			**$ (1,017,444)**	

Sample Street Maintenance Fees				
Use		**Monthly Fee**	**Yearly Fee**	**Lot Size in Acres**
Industrial				
	Manufacturing	$210.66	$2,527.88	5.4
	Manufacturing	$2,730.74	$32,768.87	70
Retail				
	Drug Store	$401.10	$4,813.24	2.1
	Old Town Restaurant	$38.20	$458.40	0.2
	Old Town Shop	$22.92	$275.04	0.12
	Large Retail	$1,890.92	$22,691.01	9.9
Institutional				
	Church (large lot)	$226.51	$2,718.07	5
	Church (small lot)	$22.65	$271.81	0.5
	Elementary School	$244.63	$2,935.52	5.4
	High School	$543.61	$6,523.38	12
High Traffic Retail				
	Fast Food	$861.21	$10,334.49	1.8
	Bank	$574.14	$6,889.66	1.2
	Convenience Store	$382.76	$4,593.10	0.8
	Grocery Store	$2,822.85	$33,874.15	5.9
Commercial				
	Law Office	$11.33	$135.90	0.25
	Motel	$63.42	$761.06	1.4
Total Annual Fee Cost Per Residential Unit:			**$35.88**	
		Total New Fee Revenue	$ 7,000,005	

Distribution of Total New Fees By Land Use

30% Residential

70% Non-Residential

Park Maintenance Fee

History

City Council by Resolution 83-173 on October 4, 1983 adopted a policy that Conservation Trust (Lottery) monies should be utilized primarily for 1) the acquisition and development of Open Space and Trails, and 2) any other project deemed appropriate by City Council. However, due to General Fund shortfalls, Conservation Trust Funding was redirected by Council to parks and trail maintenance. Currently, $735K is used for maintenance leaving only $470K for trail planning, design, right-of-way, and construction. To help offset the loss of Conservation Trust funding, the Natural Areas Department has contributed about $350K annually to trail construction since 2003. However, Natural Areas may not be able to make this contribution after 2014 due to NA program funding needs. Staff has drafted a Park Maintenance Fee (PMF) to generate $735K annually which would allow the Conservation Trust Funding to go back to trail construction.

Overview

A Park Maintenance Fee would be assessed on residential dwellings through the Utility billing system to contribute to maintenance funding of community parks and neighborhood parks

Park maintenance includes, but is not limited to maintenance of all landscaped areas, facilities, infrastructure, administration and minor capital improvements as needed to keep the park facilities in safe and usable condition for the general public.

The fee is structured to replace the $735K of Conservation Trust Funds currently being used to fund park maintenance. The fee is only assessed to residential units.

Fee Structure

General Fund Revenue Projections
Proposed Park Maintenance Fee
Funding to Replace Transfer from Conservation Trust Residential Accts only

Total Fee Revenue	$757,750
Administrative Fee (3% of fees)	($22,733)
Net Fee Revenue	$735,018
Potential Costs to Consider	
Utility Billing Charge (unknown)	
Rebate Program (1,200 refunds, assuming 100% fee rebate)	($15,263)
Total Potential Costs	**($15,263)**
Residential Units Only	
Residential Units= (electrical accounts)	59,575
Monthly Fee	1.06

Additional Considerations – Both Fees:
If City Council chooses to continue the discussion the following items will need additional consideration:

- Significant public outreach/education
- Exemption for Institutional (churches, schools, government) –SMF ONLY
- Utility billing fee and actual retail space on bill
- Rebate Program
- Delinquency Issues

Staff has completed a TBLAM exercise for the street maintenance fee and a analysis has been scheduled for the park maintenance fee. The outcome of the analysis will be presented as part of the work session packet.

Next Steps
The fees will be discussed at the City Council Work Session on November 26, 2013.

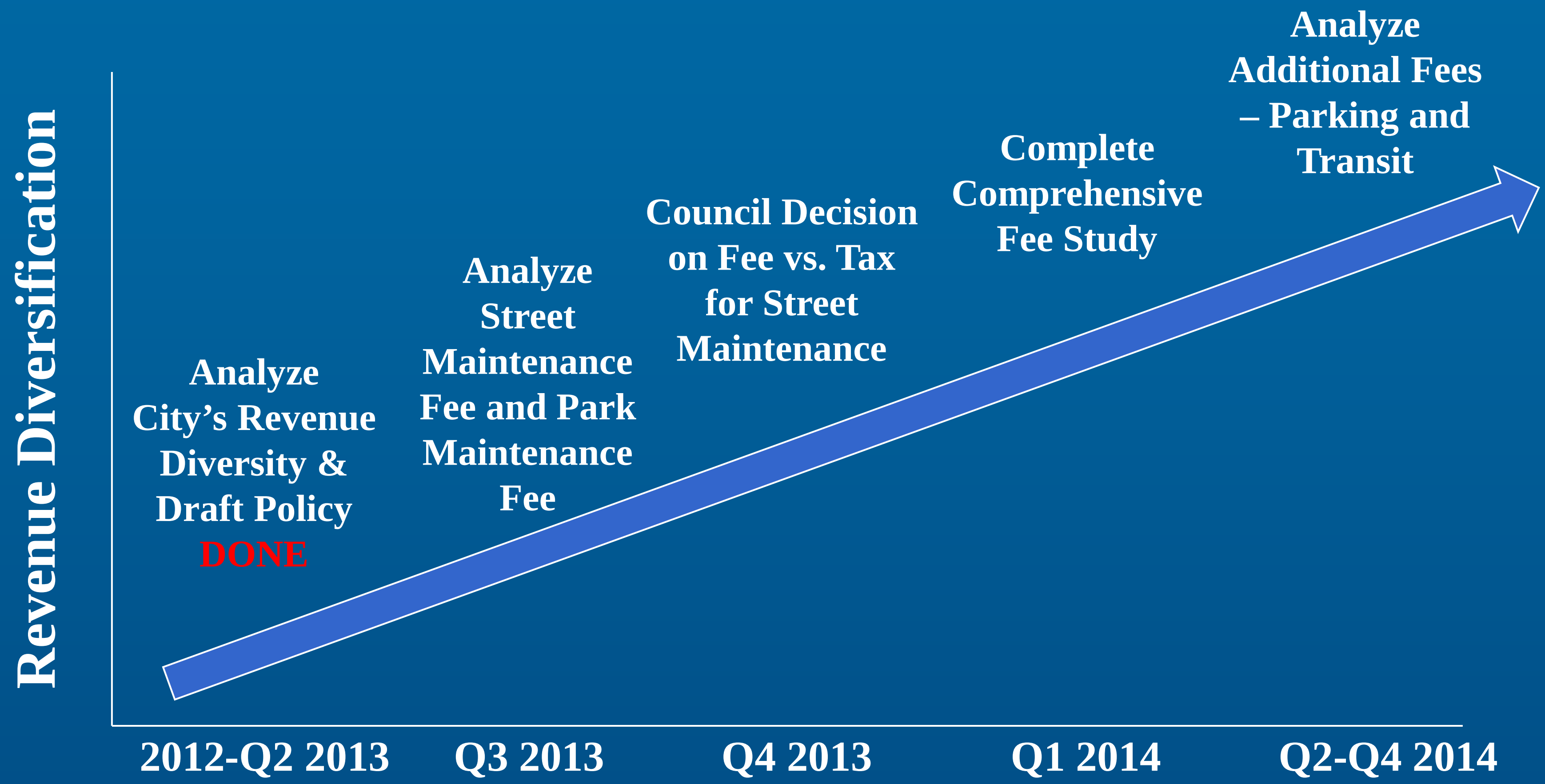
ATTACHMENTS
1) Power Point Presentation
2) Benchmark Data

Street and Park Maintenance Fees

Council Finance Committee

October 21, 2013

3 Year Work Plan



Revenue diversification and fee analysis will continue through 2014.

City of Fort Collins

Fees – Approach

- Developed methodology including:
  - What is it?
  - What will it fund?
  - How will it be assessed?
  - How much?
  - Current funding source – does it go away?

- Additional analysis:
  - Benchmark data both locally and nationally
  - TBLAM (will be included in work session packet)

City of Fort Collins

Street Maintenance Fee - History

- In 1984, City Council adopted an ordinance establishing a Transportation Utility Fee (TUF) to fund street maintenance
- In 1985 a lawsuit was filed regarding the validity of the fee
- The validity of the fee was upheld by the Colorado Supreme Court, however City Council repealed the ordinance in 1992
- In 2006, City Council was poised to adopt a new iteration of the TUF but with the formation of the Library District, the fee was tabled

City of Fort Collins

Street Maintenance Fee (SMF)

- **Why now?**
  - ¼ cent Street Maintenance sales tax expires December 2015 (forecasted at $7M in annual revenue)
  - Direction is needed on whether to pursue a fee or tax
- **What is it?**
  - A fee assessed *monthly* on utility bills to residents and businesses within the City to fund street maintenance
- **What will it fund?**
  - A portion of the maintenance for streets, bike lanes, medians (excluding landscaping) and city maintained sidewalks

City of Fort Collins

Street Maintenance Fee

- How will it be assessed?
  - Fee calculation based on factors such as:
    - Trip Generation
    - Land Use Type
    - Square footage for commercial

- Who pays?
  - Residential households
  - Commercial and Industrial properties based on factors of land use, size and trip generation

Fee calculation is based on the proportional use of streets by each land use type.

City of Fort Collins

Street Maintenance Fee – How Much?

Land Use	Monthly Fee per Acre	% of Fee Revenue by Land Use
Institutional	$45.30	10%
Industrial	$39.01	4%
High Traffic Retail	$478.45	22%
Retail	$191.00	26%
Commercial	$45.30	8%
Residential	$2.99 per Unit	30%

Fee based on current annual revenue projection of the ¼ cent sales tax or $7 million annually.

City of Fort Collins

Street Maintenance Fee – Examples

Use	Monthly Fee	Annual Fee	Lot Size in Acres
Manufacturing	$210	$2,527	5.4
Manufacturing	$2,730	$32,768	70
Old Town Restaurant	$38	$458	0.2
Large Retail	$1,890	$22,691	9.9
Fast Food	$861	$10,334	1.8
Grocery Store	$2,822	$33,874	5.9
Office	$11	$135	0.25
Residential	$2.99	$35.88	N/A

High traffic retail and industrial land uses will see the most impact.

City of Fort Collins

Street Maintenance Fee

Pros	Cons
Stable and predictable funding source for core service	Costs shifted to businesses that generate the most traffic- very impactful
Shifts cost of maintenance to those who use streets most heavily	Perception that non-residents get a free pass to use the streets
Relatively easy to implement via existing utility bills	Businesses may perceive that they pay a disproportionate share

The revenue source is stable yet impactful to the business community.

City of Fort Collins

Park Maintenance Fee (PMF)

- **Why now?**
  - **Conservation Trust funds have been redirected from trail construction to park and trail maintenance for many years**
  - **The use of Conservation Trust funds for maintenance have impacted the ability to construct new trails**
  - **A PFM provides a reliable and stable funding source for maintenance**
- **What is it?**
  - **A fee assessed *monthly* on utility bills to residents within the City**

Objective of PMF fee is to replace $735k of Conservation Trust Funds currently directed from trail construction to park maintenance.

City of Fort Collins

Park Maintenance Fee

- What will it fund?
  - A portion of park and trail maintenance which includes landscaped areas, facilities, infrastructure, administration, etc.

- How will it be assessed?
  - Fee based on the revenue needs and the number of residential utility meters

- Who pays?
  - Residents through their utility bill

City of Fort Collins

Park Maintenance Fee

- How much?
  - $735K annual revenue (net of admin fees)
  - Fee = $1.06 per month per household
  - $12.75 annually

Pros	Cons
Reliable funding source	New fee
Redirects Conservation Trust funds back to trail construction	Adds revenue – not replaces which could be a negative for residents
Funds future trail construction	Increases utility bill

Although the fee is minimal, it is a new fee assessed to residents.

City of Fort Collins

Street and Park Maintenance Fee

- Additional considerations:
  - Significant public outreach/education
  - Institutional exemption - $760K annually (SMF ONLY)
  - Utility bill considerations (fee and space)
  - Rebate program
  - Delinquency issues

There are significant considerations and public outreach work to be completed if staff is directed to move forward.

City of Fort Collins

Street and Park Maintenance Fee Benchmark Data

- **Street Maintenance Fee:**
  - Loveland is the only local jurisdiction with one
  - Common in Oregon
  - Trip generation/land use methodology very common
  - Many street maintenance programs funded with general fund or designated sales tax

- **Park Maintenance Fee:**
  - Not common – Longmont, CO uses one
  - Generally a flat fee
  - Maintenance commonly funded by general fund

Next Steps

- City Council Work Session – November 26
- Street Maintenance Fee - based on direction from work session staff will proceed with fee analysis or ¼ cent sales tax renewal effort
- Park Maintenance Fee- staff will proceed as directed by City Council in November

STREET MAINTENANCE TYPE FEES IMPOSED BY OTHER MUNICIPALITIES

City	Residential	Commercial	Multi-Family
Austin, TX	$7.80 per unit	$39.02 per developed acre	$5.93/per unit
Bryan, TX *	$14 per unit	$49-$210 depending on size	
Canby, OR	$5.00 per unit	$0.522 per trip charge - minimum $5.00	$3.34/unit
Corpus Christi, TX	$5.38 per unit	$5.38 per meter (SF/1500 x TF x $5.38 per meter)	$2.42/unit
Corvallis, OR	$1.53 per unit	$0.023 x trip generation	$1.02/unit
Lake Oswego, OR	$4 per unit	$2.45 - 20.58	$2.68/unit
Lewistown, MT	annual determination based on need by district - covers 75% of cost		
Loveland, CO	1.87 per unit	20.71-207.09 per acre based on category	
Mission, KS	$72/year	less than $1,000 year (1.490 cent trip rate)	
Tigard, OR	$5.56 per unit.	$1.25 per required parking space	$5.56/unit

* Fee is used for both Transportation and Drainage

STREET MAINTENANCE FUNDING SOURCES

City	Funding Sources
Fort Collins	Dedicated Sales Tax & General Fund
Boulder	Dedicated Sales Tax, General Fund, Federal & State Funding
Broomfield	General Fund
Colorado Springs	General Fund
Greeley	Dedicated Sales Tax, General Fund, Federal & State Funding
Lakewood	General Fund
Longmont	Dedicated Sales Tax, General Fund, & Intergovernmental
Loveland	Street Utility Maintenance Fee, General Fund, Federal & State Funding
Thornton	General Fund
Westminster	General Fund

PARK MAINTENANCE FEES IMPOSED BY OTHER MUNICIPALITIES

City	Funding Sources
Longmont, CO	$1 per unit
West Linn, OR	$10.70 per household
San Antonio, TX	$1.00 per unit
Medford, OR	$.31 per unit

PARK MAINTENANCE FUNDING SOURCES

City	Funding Sources
Fort Collins	General Fund & Conservation Trust
Boulder	General Fund
Broomfield	General Fund
Greeley	General Fund
Longmont	Park Maintenance Fee & General Fund
Loveland	General Fund
Westminster	General Fund

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Fort Collins, CO 80522

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Council Audit & Finance Committee

Minutes

11/18/13

10:00 to 12:00

CIC Room

Council Attendees: Mayor Karen Weitkunat, Bob Overbeck, Ross Cunniff

Staff: Darin Atteberry, Mike Beckstead, Josh Birks, Karl Gannon, Bruce Hendee, Mark Jackson, Diane Jones, Tom Leeson, Ken Mannon, Lawrence Pollack, Kurt Ravenschlag, Jessica Ping-Small, Peggy Streeter, Steve Roy, John Voss, Katie Wiggett, Timothy Wilder

Others:

Approval of the Minutes

Bob Overbeck said that the October 21 minutes did not include all of the discussion items from the meeting and asked that the minutes be revised to include all pertinent discussion items. The amended minutes will be brought for approval at the December 16 meeting.

Transfort Business Review

Kurt Ravenschlag explained that Transfort plays a critical role in the achievement of the community's vision for a compact growth pattern with viable travel options. Fort Collins is seeing a growing demand for transit and Transfort receives frequent requests for extended hours, Sunday service and service to areas that are currently not serviced. Recent investments in MAX and supporting east-west transit routes have moved our transit system forward, but significant progress is needed to achieve a baseline level of transit service.

The 2009 Transfort Strategic Operating Plan (TSOP) concluded that Fort Collins is near the bottom of service hours and investment per capita compared to peer communities:

Summary of Peer Comparison

	Operating Cost Per Capita	Service Hours Per Capita
Peer Average	$90.66	.93
Transfort	$48.56	.54
Lowest Peer	$30.92	.54
Highest Peer	$178.63	1.74

Timothy Wilder explained that peer communities were selected based of demographic and geographic characteristics as well as qualitative factors. Based on a methodology developed by the Transportation Research Board, these communities were assigned "likeness" scores for key attributes, providing a quantitative measure of how alike these communities are to Fort Collins.

Transfort's effort toward implementing the TSOP and reaching a baseline level of service brings into focus our critical need for alternative sources of funding for operations. If Transfort were to achieve full implementation of the TSOP by 2016 without increased funding, the funding gap would total approximately $6.7M at current rates.

In 2009, the Citizen Financial Advisory Committee (FAC) found that a combination of funding sources would be needed to support the transit improvements envisioned by the TSOP. In evaluating possible revenue streams for the strategic plan, the advisory committee used several criteria to evaluate each:

- Reliable and dedicated source
- Fair: Places burden on users, but not undue burden on those least able to pay
- Ease of administration and implementation
- Revenue grows with the community
- Ability for differentiation by community
- Likely success with voters, public acceptance

The funding mechanisms would be targeted to place the burden of transit funding on the community at large and individual populations that benefit from Transfort services. The committee recommended the following options:

1. Dedicated Sales tax
2. Transit Utility Fee
3. New Negotiated Agreements with ASCSU and other partners
4. Special Assessment

Kurt explained that this conversation was intended to bring awareness to the financial challenges that Transfort will soon be facing and to revisit the 2009 TSOP recommendations. Staff feels that the time is nearing when the community will need to decide: do we develop a strategy to implement the existing vision for transit in Fort Collins, develop a new vision for transit or simply maintain the status quo.

Darin Atteberry said that, with several key funding decisions such as the ¼ cent street maintenance fee and BOB currently before Council, discussions must be prioritized. The Community does need to have a conversation about transit, to help decide what level of service the community wants and to give the community a feel for what is possible. However, it may be 2015 before we want to ask the community how we can double transit funding. Ross Cunniff noted that the community has voted on transit issues throughout the years and the voting results have showed an ever increasing desire for better transit.

Darin asked what the national trend is on fair box recovery. Kurt said that the national average is 15%. Fort Collins is at 13% and, with MAX, should go up to 14%. Our long-term goal is 20%.

Ross Cunniff asked if Transfort had considered partnership with the school district. Kurt said that, in 2009, staff had discussions with PSD and Loveland. The schools are currently focused on increasing their walking area and reduce busing.

Street Maintenance Fee Review

Jessica Ping-Small explained that street maintenance is currently funded primarily from 3 sources:

- General fund contributions
- KFCG sales tax
- A Designated ¼ cent sales tax that will sunset December 31, 2015

The ¼ cent sales tax initiatives have been supported multiple times by citizens since 1990; however, relying on an expiring sales tax has risks such as revenue variability and potential expiration. The street system is the City's largest asset investment, and failure to maintain the investment will cost many millions extra in repair and rebuild expenses, as well as affect travel, commerce and access for the community. Staff has explored the feasibility of a Street Maintenance Fee (SMF) to replace the ¼ cent designated sales tax to promote revenue diversification and provide more certainty in the revenue used to support a basic service.

The City's Street Maintenance Program (SMP) provides management of the overall street network and maintains safe and accessible street pavement, sidewalks, curbs and gutters. Proactive street maintenance saves millions of dollars over time. The City aims to maintain the average condition as Good or LOS B. Our current budget is sufficient to maintain this goal which ensures the following:

- Overall pavement conditions will be maintained at a LOS B
- Potholes, crack sealing and other ongoing street maintenance will be maintained at current levels
- Ongoing systematic street maintenance

A SMF would be an alternative to asking voters to renew the ¼ cent sales tax that expires at the end of 2015. The SMF would be charged on City utility bills for maintaining City streets, bike lanes, medians and City maintained sidewalks. The fee would be assessed based on a trip generation model for both residential and non-residential properties. The evaluated fee was based on replacing the current ¼ cent tax revenue

The "Trip Generation Methodology," which estimates the average number of trips each type of user generates in a day, results in a fee structure in which users pay in rough proportion to the extent they use the system. For example, users who add 10 trips per day to the transportation system pay a fee much lower than those user types (i.e. high traffic businesses) that average 300 trips per day. Residential users are also assessed a fee based on trip generation which equates to an estimated $2.99 per month per unit. This trip generation theory is similar to the method used to calculate street oversizing fees and has been recognized by courts as a fair and legally appropriate way of apportioning costs.

Jess noted that both the tax and fee have strengths and weaknesses. The primary weakness of the current ¼ cent tax is that it expires, making it unstable. The fee has the strength of stability but it could be very impactful to the business community, especially small businesses.

If Council chooses to pursue the SMF fee discussion, the following items will need consideration:

- Significant public outreach/education
- Exemption for Institutional (churches, schools, government)
- Utility billing fee and actual retail space on bill
- Rebate Program (A rebate program would need to be considered for low income residents)
- Delinquency Issues (Because the SMF would be placed on the monthly utility bill, additional discussions will need to occur regarding collections)

Darin Atteberry suggested that staff look at a sampling of fast food restaurants (i.e. 4 McDonalds) and compare the current revenue coming in from the ¼ cent sales tax to projected SMF income. Understanding how the cost of the fee compares for an individual business would be helpful for determining equity.

Steve Roy asked what model Staff had used in determining the fee. Jessica answered that Staff used the Loveland model which considers businesses' acreage and square footage as well as truck vs. car trip generation. Bob Overbeck asked why the residential fee was flat rather than based on acreage. Mark Jackson answered that residential was based on average trip generation, primarily for ease of administration. Steve Roy noted that the fee needs to be proportional and that it seemed that nonresidential would take a larger burden than the residential. He suggested that Staff consider subsidizing the fee with a tax to make it more equitable.

Darin explained that staff is currently leaning toward a renewal of the ¼ sales tax over the fee, and asked that Council seriously consider continuing the tax into perpetuity. Steve Roy noted that, while a fee may seem more reliable because it would not expire and would not require a vote, fees are subject to repeal by Council, so a voter approved tax into perpetuity may actually be a more reliable funding source.

Mayor Weitkunat stated that she is not a proponent of a fee because she feels that a sales tax more effectively accounts for the impact of nonresidents. Her initial reaction is to work toward establishing a ¼ cent tax in perpetuity.

Ross Cunniff said that businesses will build the cost of the fee into their cost structure and, in that way, the fee will be borne by external customers. Bob Overbeck asked if Staff had figured in economic collapse or downturn in their estimates. Jessica replied that, while we cannot exactly plan for economic collapse or downturn, Staff has been conservative in their projections. Bob asked if stress tests had been made to see how much downturn the City can cope with. Darin responded that, because Street Maintenance is flexible, in the case of a significant downturn, the City would simply reduce service. Mike added that the City can bare a downturn for a short period of time, as we did in 2008; however, the longer one postpones maintenance, the greater the cost in the end.

Darin asked Jessica if the business community, which values street maintenance, was in favor of the SMF. Jessica replied that the Chamber of Commerce would favor a tax over a fee.

Budget Policy Review

Lawrence Pollack explained that the draft budget policy provided to Council is a significant departure from the previous policy. The previous budget policy evolved as part of the Budget document. In that context it focused on explaining budget concepts rather than setting policy. The new policy was created from scratch based on policy guidelines from the Government Finance Officers Association (GFOA) presented as best practices. As such, a red line version of the previous policy was not deemed valuable or useful. Still a copy of the previous policy was provided with some notes on changes.

Ross asked that the committee discuss the new policy in the meeting today and delay acceptance to a later date. Darin noted that the nature of the policy seemed to be administrative and asked if it was really necessary to bring this to Council for approval. Mike Beckstead replied that, in the past all policies had been brought to Council; however, some were more administrative and some required Council's approval. Darin proposed that we determine which policies were administrative and no longer bring those to Council. Ross suggested that the attorneys could look through the policies and determine which necessitated Council approval.

Mayor Weitkunat asked to be shown the index again with something showing which policies had been reviewed and which were waiting for approval. Staff will prepare that index and will bring the Budget Policy back to Council Finance at a later meeting.

Scheduling January's Meeting

Mike Beckstead asked the Committee when they would like to reschedule the January 20 meeting that falls on a holiday. The Committee believed that either the 13th or the 27th would work, so staff could double check schedules and send out a final date later. (Note: The January meeting will be held on Monday, January 13 at 10 a.m.)

COUNCIL FINANCE COMMITTEE
AGENDA ITEM SUMMARY

Staff: Jessica Ping-Small, Revenue and Project Manager
Mike Beckstead, Chief Financial Officer
Mark Jackson, PDT Deputy Director

SUBJECT FOR DISCUSSION: Street Maintenance Fee

EXECUTIVE SUMMARY

Street maintenance is currently funded primarily from 3 sources:

- General fund contributions
- KFCG sales tax
- A Designated ¼ cent sales tax that will sunset December 31, 2015

Although the ¼ cent sales tax initiatives have been supported multiple times by citizens since originally established in 1990, relying on an expiring sales tax has risks such as revenue variability and potential expiration. Staff has explored the feasibility of a Street Maintenance Fee (SMF) to replace the ¼ cent designated sales tax to promote revenue diversification and provide more certainty in the revenue used to support a basic service.

GENERAL DIRECTION SOUGHT AND SPECIFIC QUESTIONS TO BE ANSWERED

1. Council direction on the preferred alternative to support street maintenance
   a) Ask voters to continue the 1/4 cent tax prior to its expiration in 2015
   b) Implement a Street Maintenance Fee

BACKGROUND/DISCUSSION

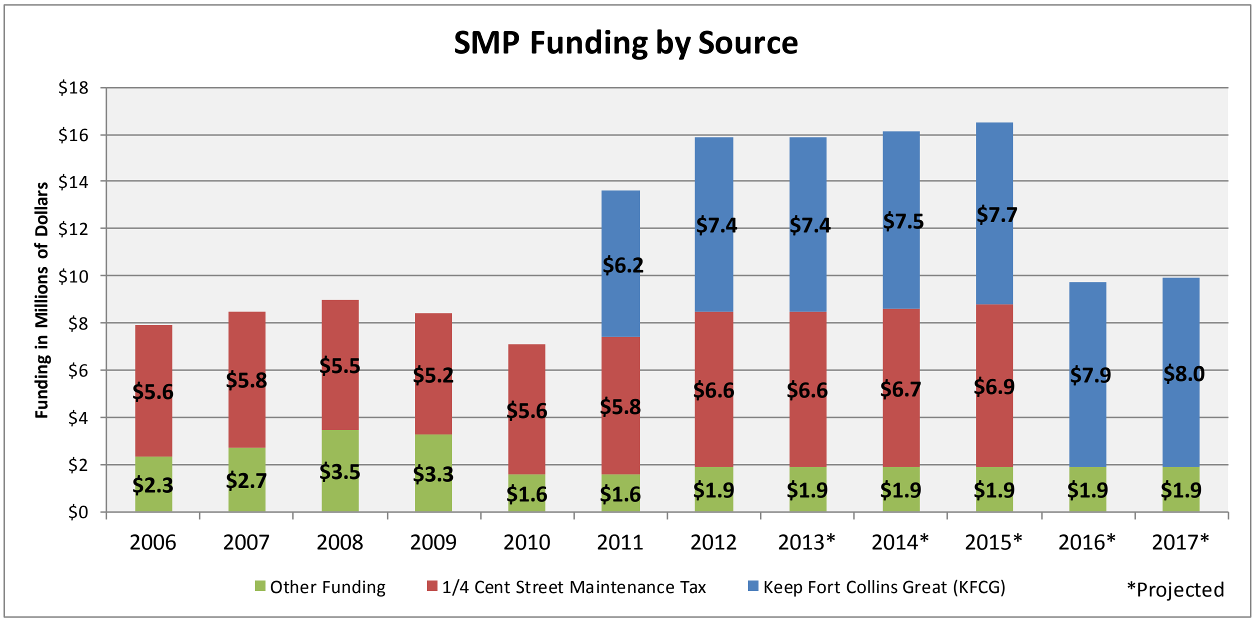
Problem Statement

Fort Collins has historically funded Street Maintenance services primarily through a renewable, ten year quarter-cent sales tax. These revenues, combined with some General Fund and now Keep Fort Collins Great sales tax dollars, together provide the services and materials needed to maintain our street system at a “Good” condition, level of service B (LOS B). Proponents of this model argue that the ten year sunset clause and voter-required renewal builds accountability into the service, and that the community has never yet failed to renew the tax.

Inherent in this funding model however, is the risk that a tax is not renewed by the voters, thus placing critical core community services at risk. The street system is the City’s largest asset investment, and failure to maintain the investment will cost many millions extra in repair and rebuild expenses, as well as affect travel, commerce and access for the community.

Street Maintenance Revenue
Street Maintenance is primarily funded by sales tax. The designated ¼ cent sales tax and Keep Fort Collins Great (KFCG) contribute the majority of the funding. The general fund also contributes a portion of the revenue to street maintenance.

Current Funding Sources:



A portion of the rationale behind the Keep Fort Collins Great sales tax initiative was to fund critical services such as street maintenance. The current revenue base, including both the designated ¼ cent and KFCG, allows the City to maintain our streets to meet citizen expectations.

Street Maintenance Program Summary
The Street Maintenance Program (SMP) provides management of the overall street network and maintains safe and accessible street pavement, sidewalks, curbs and gutters. Proactive street maintenance will save millions of dollars over time

Maintenance treatments implemented with the SMP efforts include:

- Surface treatments (a thin surface membrane paired with crack sealing to seal out water and prevent oxidation; performed on roads in Good condition)
- Overlays (new asphalt surface intended to correct ride and seal the road; performed on roads in Fair condition)
- Reconstruction (removal of the old pavement down to the soil and replace with new asphalt; performed on roads in Poor and Very Poor condition)

All maintenance treatments include repairs of existing curb, gutter, sidewalks and pedestrian access ramps and cross pans. SMP budgets are not used to add missing sidewalks.

Street Maintenance Program Assessment

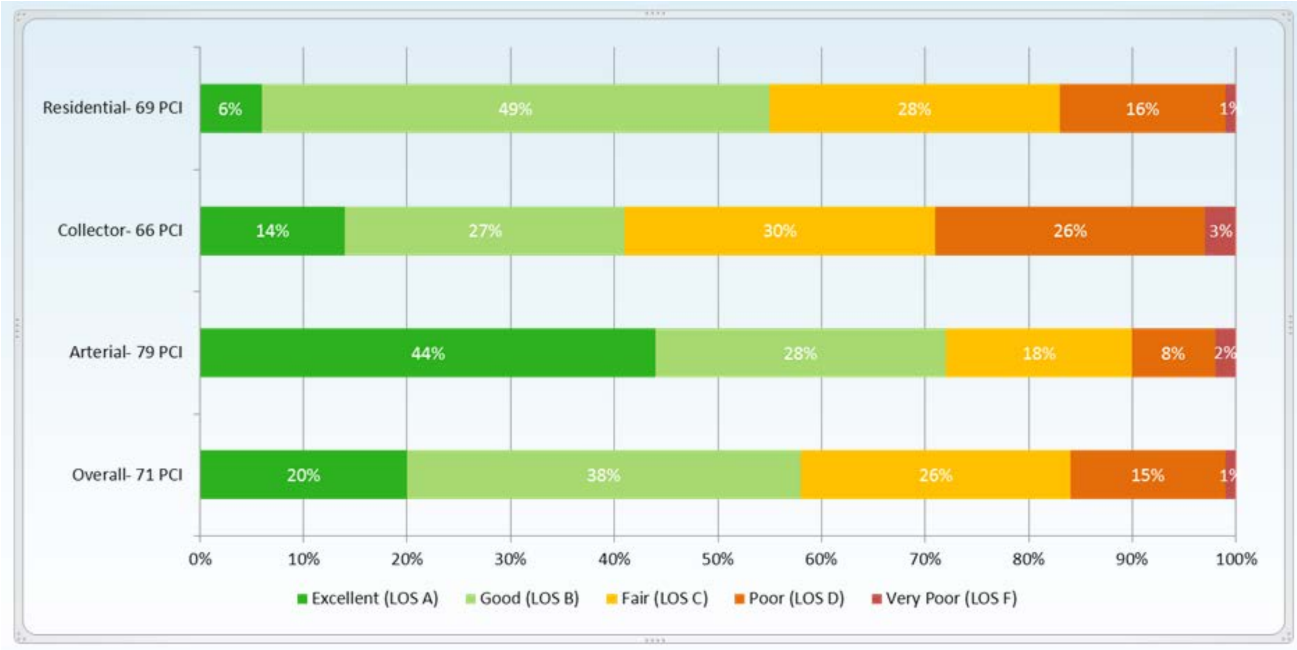
The Street Maintenance Program uses state of the art Deighton software and standardized pavement conditions collected by third party contractors to project the future condition of the road system. The system includes thirteen million square yards of pavement with a replacement value of a half billion dollars. The computer program recommends potential treatment strategies for the road system and then prepares a cost/benefit evaluation to optimize the individual treatments for a given budget scenario. These budget options produce a projected average pavement condition for the system over time. The City of Fort Collins has set a goal to maintain the average condition as Good or LOS B. Our current budget is sufficient to maintain this goal.

Street Maintenance Costs:

Source: City of Fort Collins Transportation Department

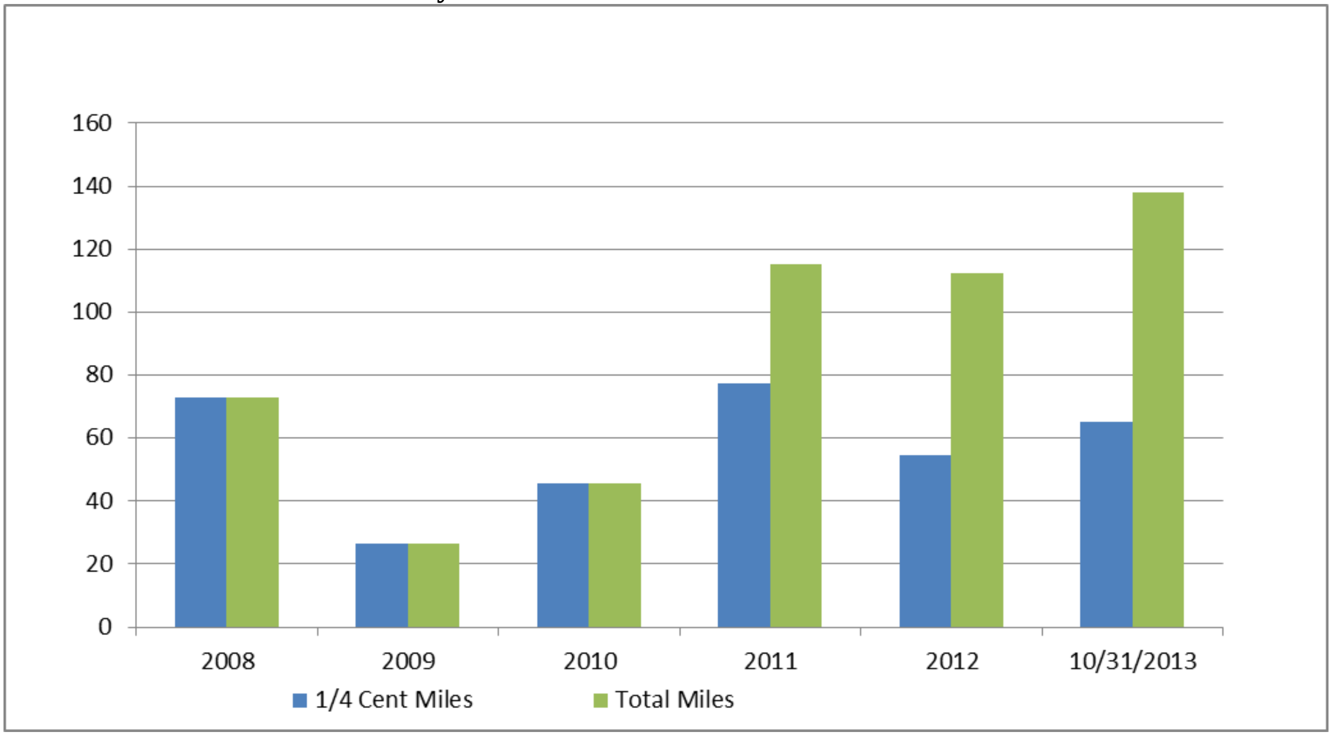
This graphic has been used to show the importance of investing early in the ongoing maintenance as opposed to deferring maintenance until much more costly repairs or even road replacement is necessary. Strategic, prioritized maintenance of the street system is good stewardship of public resources and maximizes the usable life of our roads.

2012 Pavement Conditions



The above graph shows the condition distribution by road class and for the entire roadway system. The improved Pavement Conditions Index for arterial roads reflects our commitment on those roads for the past two years.

Miles of Maintenance Funded by ¼ Cent Sales Tax



This graphic shows the relationship between the ¼ cent Street Maintenance Program sales tax and the program's overall ability to maintain the City street network. Prior to the passage of KFCG, the program was almost entirely dependent on the ¼ cent tax.

In 2013, the street maintenance program performed maintenance on 138 total lane miles. The breakdown is as follows: arterial roadways -55.3, local roads 82.7.

If the ¼ cent sales tax is not renewed, the street maintenance program will be reduced to 81 lane miles (41% reduction). There will also be an increase in street deficiencies including pot holes and a reduced LOS.

Every road performs differently based on the soils, traffic loading and environmental conditions. The expected life cycle of a properly designed road is 20 years. Roads constructed prior to these standards can vary widely. Routine maintenance of roads in good to fair condition can extend the life of the road to 40 years. The maintenance cycle SMP currently uses is 10 to 12 years. We are currently addressing 138 lane miles of road or approximately 38 centerline miles.

Maintaining the current funding level will ensure the following:

- Overall pavement conditions will be maintained at a LOS B
- Potholes, crack sealing and other ongoing street maintenance will be maintained at current levels
- Ongoing systematic street maintenance results in safer travel for cars, buses, bikes and pedestrians and lower vehicle repair costs to citizens

Street Maintenance Fee Summary

History
The Transportation Maintenance or Transportation Utility Fee has a long history in Fort Collins, dating back to its adoption by City Council in 1988 and a subsequent review of the fee by the Colorado Supreme Court. A court challenge regarding the ability of the City to levy such a fee was made and the case was argued at the Colorado State Supreme Court. In the case, the court found that the fee was not a property tax, excise tax or special assessment, but rather a special service fee. Though the fee was upheld, the fee was discontinued.

In 2005, staff embarked on a second journey to implement a Transportation Maintenance Fee (TMF). The proposed street maintenance fee was not a replacement of the ¼ cent sales tax but was in addition to the existing ¼ cent sales tax. The ordinance was passed on first reading; however, between first and second reading, the Library District was formed. The creation of the Library District freed up General Fund dollars for street maintenance therefore the ordinance did not pass second reading.

Fee Overview
A Street Maintenance Fee (SMF) would be charged on City utility bills for maintaining City streets, bike lanes, medians (excluding landscaping) and City maintained sidewalks. Maintenance includes such work as keeping pavement surfaces in good condition, performing seal coats as needed, repairing potholes and cracks, repaving and other work to keep our transportation system safe. This fee is being considered as an alternative to asking voters to renew the ¼ cent sales tax approved by voters in 2005 that expires at the end of 2015.

The fee would be assessed based on a flat fee for residential residents and on trip generation non-residential properties. The fee would be assessed on the following parcel use categories:

- Residential
- Commercial
- High-Traffic Retail
- Retail
- Industrial
- Institutional

The basis of this fee is to charge users of the City's transportation system for a portion of its maintenance. By charging a fee for the cost of maintenance, a portion of the system would be funded by the parties most frequently using the streets and most directly benefiting from its maintenance.

The fee would be based on the actual cost of maintaining the system, including City streets, bike lanes, medians (excluding landscaping) and City maintained sidewalks. The fee would be allocated to different users based the "Trip Generation Methodology." This methodology estimates the average number of trips each type of user generates in a day. This results in a fee structure in which users pay in rough proportion to the extent they use the system. For example, users who add 10 trips per day to the transportation system pay a fee much lower than those user types (i.e. high traffic businesses) that average 300 trips per day. This trip generation theory is similar to the method used to calculate street oversizing fees, and has also been recognized by courts as a fair and legally appropriate way of apportioning costs.

Fee Structure:

Street Maintenance Fee		**Revenue Sought**		
	(Enter target here)	$ 7,216,500	Pavement Management Need	
SMF Fee Schedule			**Total Annual Revenue**	**Percent of Fee by Land Use**
Institutional	$45.30	Per Acre	757,894	10%
Industrial	$39.01	Per Acre	297,899	4%
High Traffic Retail	$478.45	Per Acre	1,557,960	22%
Retail	$191.00	Per Acre	1,913,765	26%
Commercial	$45.30	Per Acre	551,458	8%
Residential	$2.99	Per Unit	2,137,524	30%
Total Fee			$ 7,216,500	
Administrative Cost (3%)			(216,495)	
Revenue Net of Administrative Fees			$ 7,000,005	
Potential Costs to Consider				
Utility Billing Charge (unknown)				
Rebate/Delinquencies (1200 estimated)			(259,550)	
Institutional Exemption				
Government			(303,386)	
Public Schools			(307,429)	
Private Schools			(13,715)	
Churches			(133,364)	
Total Potential Costs			**$ (1,017,444)**	

The fee structure table is the output of the trip generation methodology. Staff took the estimated revenue needed and applied a trip generation formula by land use to generate the fee. The table shows the fee per acre by land use, the total revenue by land use and the percent that the land use contributes to the total.

From a business perspective, high traffic retail and retail which generate the most trips will pay a higher percentage of the overall fee. Residential users are also assessed a fee based on trip generation which equates to an estimated $2.99 per month per unit.

The table also includes estimates for consideration if institutional organizations are exempted from the SMF and the potential for a rebate. If rebates for low income citizens and a waiver of institutional organizations were included in the fee structure, the general fund would need to offset the lost revenue of approximately $1M.

Sample Street Maintenance Fees				
	Use	Monthly Fee	Yearly Fee	Lot Size in Acres
Industrial				
	Manufacturing	$210.66	$2,527.88	5.4
	Manufacturing	$2,730.74	$32,768.87	70
Retail				
	Drug Store	$401.10	$4,813.24	2.1
	Old Town Restaurant	$38.20	$458.40	0.2
	Old Town Shop	$22.92	$275.04	0.12
	Large Retail	$1,890.92	$22,691.01	9.9
Institutional				
	Church (large lot)	$226.51	$2,718.07	5
	Church (small lot)	$22.65	$271.81	0.5
	Elementary School	$244.63	$2,935.52	5.4
	High School	$543.61	$6,523.38	12
High Traffic Retail				
	Fast Food	$861.21	$10,334.49	1.8
	Bank	$574.14	$6,889.66	1.2
	Convenience Store	$382.76	$4,593.10	0.8
	Grocery Store	$2,822.85	$33,874.15	5.9
Commercial				
	Law Office	$11.33	$135.90	0.25
	Motel	$63.42	$761.06	1.4
Total Annual Fee Cost Per Residential Unit:			**$35.88**	
	Total New Fee Revenue		$ 7,000,005	
Distribution of Total New Fees By Land Use				
30% Residential				
70% Non-Residential				

This table illustrates the street maintenance fee using average lot sizes. For example, a fast food restaurant would incur an annual fee of $10,300 whereas a restaurant in Old Town would have an annual fee of $460. As the table illustrates, the fee is more impactful for businesses that generate more traffic and less so for low traffic businesses. It is logical to assume that the business owners will pass the fee to their customers through their cost of goods or services.

Pros and Cons Analysis

Tax	Fee
Pros	**Pros**
Perception of Accountability	Reliable – No expiration
Everyone pays – including visitors	Fee is paid by trip generators
Cons	**Cons**
It expires – (could change that)	Perception that businesses carry the burden
Regressive	Perception that visitors get a free pass
	Very impactful to small businesses
	General Fund fee waiver back fill possibility

Both the tax and fee have strengths and weaknesses. The primary weakness of the current ¼ cent tax is that it expires which makes it unstable. The fee has the strength of stability but it can be very impactful to the business community.

Revenue Policy Analysis
In addition to the pros and cons, staff analyzed the tax vs. fee as they relate to the City's Revenue Principles which are scheduled for final adoption by City Council on December 3, 2013. The principles are part of an effort to create a foundation for staff and City Council to make revenue decisions. The following table is provided as a visual for how the fee vs. tax align with the principles.

Principle	Fee	Expiring Tax	Permanent Tax
Maintain a diverse revenue base	X		
Maintain a stable revenue base	X		X
Cultivate revenue sources that are equitable among all economic levels	X		
As appropriate, the burden of the cost of services will be fairly placed on those using the services.	X		
Generate adequate revenue to maintain service levels	X	X	X
Maintain healthy reserves.	N/A	N/A	N/A

Additional Considerations:
If City Council chooses to continue the SMF fee discussion, the following items will need additional consideration:

- Significant public outreach/education
    - A full public engagement process will need to occur to engage stakeholders and educate citizens

- Exemption for Institutional (churches, schools, government)
    - The SMF revenue from institutions is estimated at $760k, if an institutional exemption is considered, the revenue would need to be made up – most likely from the General Fund.
- Utility billing fee and actual retail space on bill
- Rebate Program
    - A rebate program, similar to the sales tax on food and utility rebates would need to be considered for low income residents
- Delinquency Issues
    - Because the SMF would be placed on the monthly utility bill, additional discussions will need to occur regarding collections

Triple Bottom Line Analysis Summary:
Staff completed a triple bottom line analysis of the fee vs. tax discussion. Included is a summary of the discussion. The full analysis is included as an attachment.

- Solutions Needed; there is a clear and present need for a tax or fee for street maintenance.
    - The current tax sunsets in 2015 and is not adequate to meet public expectations
    - The physical need for maintenance has grown past current revenue streams
    - These two problems are additive

- Primary flaws identified;
    - Fee fatigue has been identified as a substantive community concern
    - Construction fatigue from 2012/2013 may frustrate a public if funding is raised for more maintenance

- Stakeholder engagement; critical and difficult
    - Business needs and public expectations may be in direct conflict
    - Both a fee and tax will likely result in passing direct or indirect costs to the public
    - Visitors and tourists are stakeholders that may be difficult to engage

Conclusions
Maintaining the street system is a critical component of the City's infrastructure. For the City to maintain a "Good" LOS B pavement rating, the current revenue levels need to be continued. Sales tax has been a consistent and reliable funding source for the past few decades; however, sales tax as a funding source is not without risks.

Sales tax is variable and the expiring model of funding street maintenance, a core service, puts the ongoing funding in jeopardy. A street maintenance fee (SMF), although a stable and ongoing alternative funding method for a core service, can be negatively impactful to certain industries and does not directly account for the impact of visitors to our street system.

Next Steps
The fee will be discussed at the City Council Work Session on November 26, 2013.

ATTACHMENTS
1) Power Point Presentation
2) Benchmark Data
3) Triple Bottom Line Analysis and Synthesis

Street Maintenance Fee

Council Finance Committee

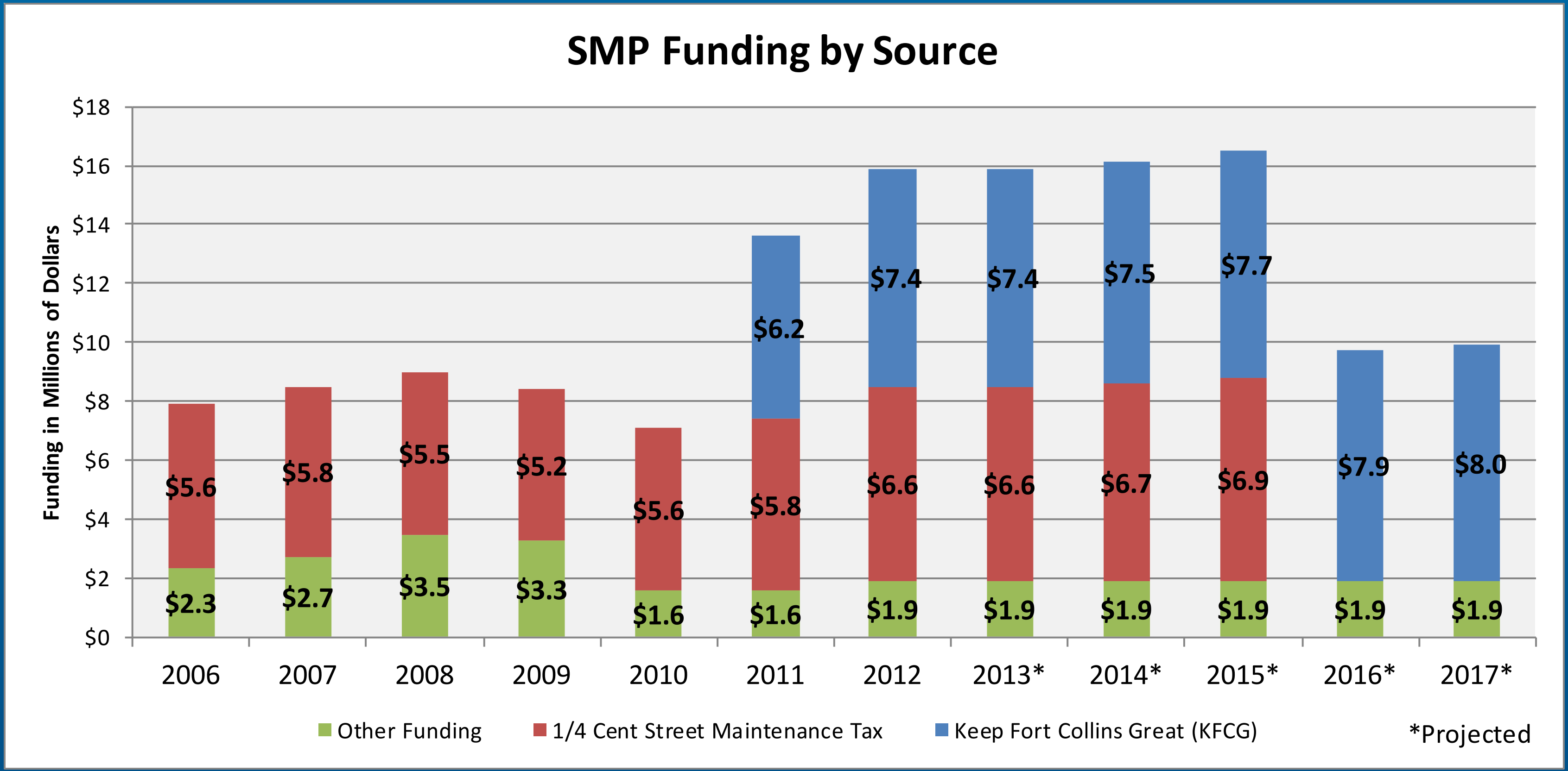
November 18, 2013

Question For Council

- **Which option does Council support as the preferred alternative for street maintenance funding?**
  - **Option 1 - Continue the 1/4 cent tax**
  - **Option 2 - Implement a Street Maintenance Fee**

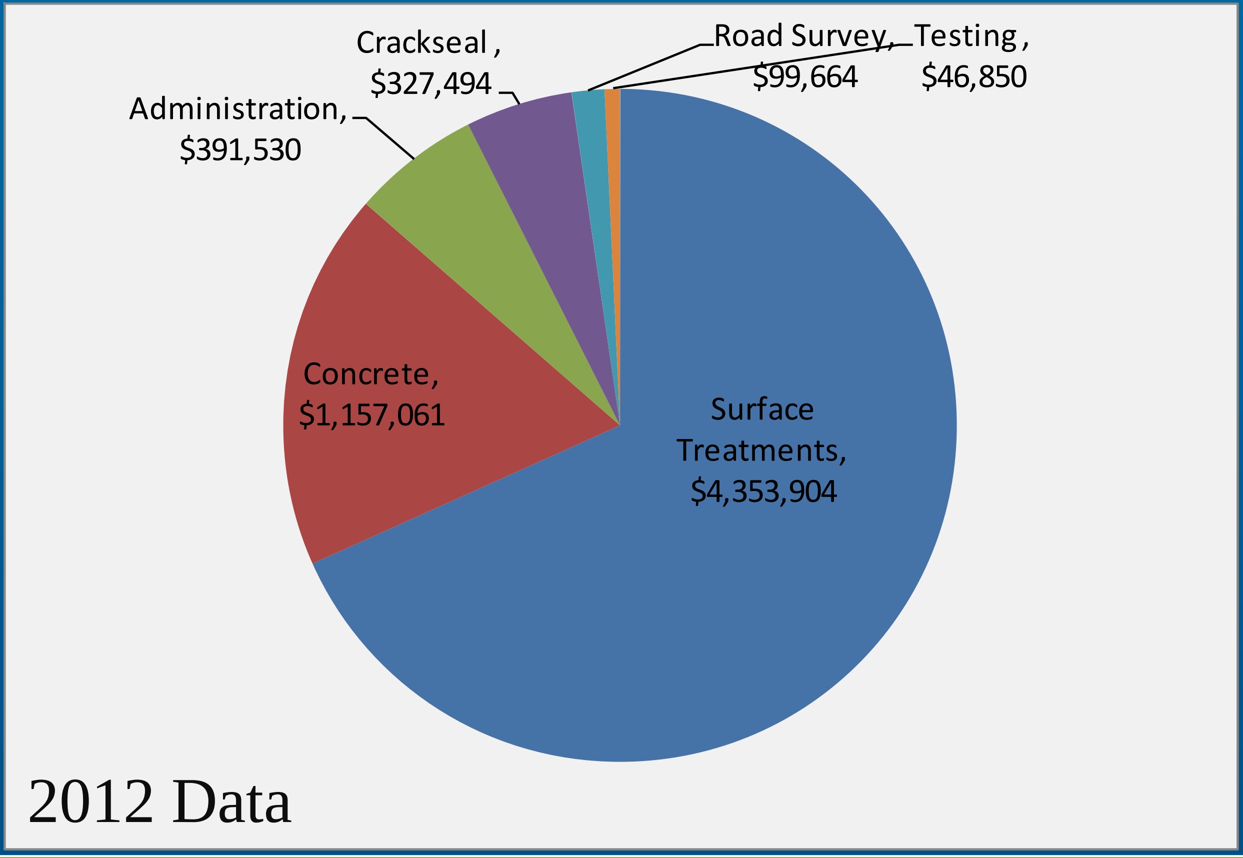
City of Fort Collins

Street Maintenance Revenue



KFCG made it possible to maintain a LOS B or Good. Without the ¼ cent or KFCG, street maintenance would fall behind quickly.

How is the 1/4 Cent Revenue Spent?



Total spending for the full Street Maintenance Program is in line with how the ¼ cent revenue is spent.

City of Fort Collins

Tax/Fee Highlights

- A "street maintenance" sales tax in some form has been in place since 1990
- The street maintenance sales tax was approved by a rate of 72.48% when it was last renewed
- A street maintenance fee was first implemented in 1984 – and considered numerous times since - one was almost adopted by Council in 2006
- The current revenue of approximately $16M annually is needed to maintain the current level of service – as the street system and material costs grow, the revenue will need to grow also

City of Fort Collins

Options to Fund Street Maintenance

- Pursue a Street Maintenance Fee

- Ask Voters to renew the ¼ cent Street Maintenance Sales Tax for an additional 10 years

- Ask Voters to approve a permanent Street Maintenance ¼ cent Sales Tax

City of Fort Collins

Street Maintenance Fee – How Much?

Land Use	Annual Fee per Acre	% of Fee Revenue by Land Use
Institutional	$544	10%
Industrial	$468	4%
High Traffic Retail	$5,741	22%
Retail	$2.292	26%
Commercial	$544	8%
Residential	$36 per Unit	30%

Fee based on current annual revenue projection of the ¼ cent sales tax or $7 million annually.

City of Fort Collins

Street Maintenance Fee – Examples

Use	Annual Fee	Lot Size in Acres
Manufacturing	$2,527	5.4
Manufacturing	$32,768	70
Old Town Restaurant	$458	0.2
Large Retail	$22,691	9.9
Fast Food	$10,334	1.8
Grocery Store	$33,874	5.9
Office	$135	0.25
Residential	$36	N/A

High traffic retail and industrial land uses will see the most impact.

City of Fort Collins

Street Maintenance Fee

Tax	Fee
Pros	**Pros**
Perception of Accountability	Reliable – No expiration
Everyone pays – including visitors	Fee is paid by trip generators
Cons	**Cons**
It expires – (could change that)	Perception that businesses carry the burden
Regressive	Perception that visitors get a free pass
	Very impactful to small businesses

A SMF is a stable revenue source yet impactful to the business community.

City of Fort Collins

Street Maintenance Fee

- Additional considerations:
  - Significant public outreach/education
  - Institutional exemption - $760K annually
  - Utility bill considerations (fee and space)
  - Rebate program
  - Delinquency issues

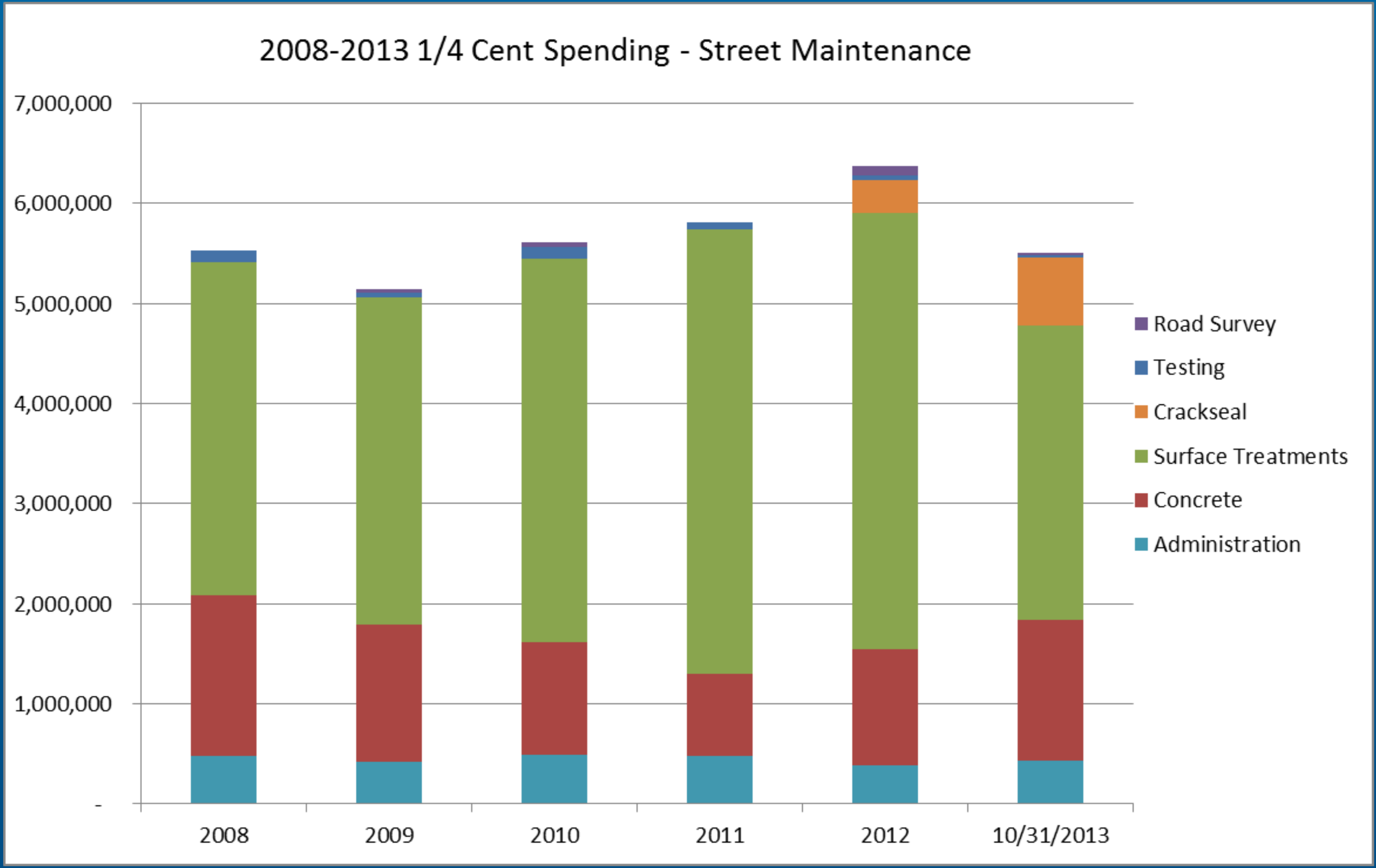
There are significant considerations and public outreach work to be completed if staff is directed to move forward.

Question For Council

- Which option does Council support as the preferred alternative for street maintenance funding?
  - Option 1 - Continue the 1/4 cent tax
  - Option 2 - Implement a Street Maintenance Fee

Back-up Slides

What Street Maintenance treatments make up current ¼ cent funding?



Fee – Approach

- Developed methodology including:
  - What is it?
  - What will it fund?
  - How will it be assessed?
  - How much?
  - Current funding source – does it go away?

- Additional analysis:
  - Benchmark data both locally and nationally
  - TBLAM

Street Maintenance Fee - History

- In 1984, City Council adopted an ordinance establishing a Transportation Utility Fee (TUF) to fund street maintenance
- In 1985 a lawsuit was filed regarding the validity of the fee
- The validity of the fee was upheld by the Colorado Supreme Court, however City Council repealed the ordinance in 1992
- In 2006, City Council was poised to adopt a new iteration of the TUF but with the formation of the Library District, the fee was tabled

City of Fort Collins

Street Maintenance Fee (SMF)

- **Why now?**
  - **¼ cent Street Maintenance sales tax expires December 2015 (forecasted at $7M in annual revenue)**
  - **Direction is needed on whether to pursue a fee or tax**

- **What is it?**
  - **A fee assessed *monthly* on utility bills to residents and businesses within the City to fund street maintenance**

- **What will it fund?**
  - **A portion of the maintenance for streets, bike lanes, medians (excluding landscaping) and city maintained sidewalks**

City of Fort Collins

Street Maintenance Fee

- How will it be assessed?
  - Fee calculation based on factors such as:
    - Trip Generation
    - Land Use Type
    - Square footage for commercial

- Who pays?
  - Residential households
  - Commercial and Industrial properties based on factors of land use, size and trip generation

Fee calculation is based on the proportional use of streets by each land use type.

City of Fort Collins

Street Fee Benchmark Data

- **Street Maintenance Fee:**
  - Loveland is the only local jurisdiction with one
  - Common in Oregon
  - Trip generation/land use methodology very common
  - Many street maintenance programs funded with general fund or designated sales tax

AGENDA ITEM SUMMARY

City Council

November 19, 2013

STAFF

John Voss, Controller/Assistant Financial Officer
Jessica Ping-Small, Revenue and Project Manager
Mike Beckstead, Chief Financial Officer

SUBJECT

Resolution 2013-093 Amending the City Council's Financial Management Policies by Updating the Revenue and Debt Policies Sections Contained Therein.

EXECUTIVE SUMMARY

The purpose of this item is to approve an updated City Debt Policy and Revenue Policy. Neither policy has been updated in many years. Since the last update, staff has developed a new framework for updating, controlling, formatting and publishing financial policies. The most significant change to the Revenue Policy is the inclusion of six revenue principles that provide staff and City Council a foundation for making sound financial decisions that provide citizens of Fort Collins a diverse, stable and fair revenue stream equipped to provide the services necessary to keep Fort Collins great. Under the new Debt Policy, the City's discrete governmental funds are limited to $70M in additional debt, compared to $150M under the existing policy.

STAFF RECOMMENDATION

Staff recommends adoption of the Resolution.

BACKGROUND / DISCUSSION

Both policies evolved as part of the Budget document. In that context, the Budget document focused on explaining revenue and debt concepts, rather than setting policy. Staff recently developed a new format for financial policies, and due to a major overhaul in both format and content, it is impractical to use "strike through and underline" of the new policy text. As such, adoption of a new set of policies is recommended.

REVENUE-The only significant change to the revenue policy's content is the addition of six revenue principles:

1. Maintain a diverse revenue base
2. Maintain a stable revenue base
3. Cultivate revenue sources that are equitable among all economic levels
4. As appropriate, the burden of the cost of services will be fairly placed on those using the services.
5. Generate adequate revenue to maintain core service levels
6. Maintain healthy reserves.

These revenue principles provide staff and City Council a foundation for making sound financial decisions that will provide the citizens of Fort Collins a diverse, stable and fair revenue stream equipped to provide the services necessary to keep Fort Collins great.

The principles were presented to the Council Finance Committee and the Futures Committee in 2012 as part of the ongoing revenue diversification study. The Council Finance Committee reviewed the principles again on October 21, 2013.

ISSUING DEBT- The major changes to the Debt Policy are as follows:

A. Changed method of limiting governmental debt, from “percent of General Fund” revenue to “percent of governmental fund” revenue.
B. Added capacity guidelines for enterprise funds, i.e. the utility funds.
C. Added information about Moral Obligation Pledge and when it may be used.
D. Added language about goal to keep the City’s overall credit rating at AAA.
E. Added guidance on refinancing.

Under the current Debt Policy, City governmental funds may borrow up to an additional $150 million; whereas the new Debt Policy caps new debt obligations at $70 million.

FINANCIAL / ECONOMIC IMPACT

There are no immediate impacts. The long term strength of the City's financial and economic conditions should be enhanced and preserved by following of these policies.

BOARD / COMMISSION RECOMMENDATION

The Council Finance Committee reviewed the proposed new debt policy on August 16, 2013 and the proposed new revenue policy on October 21, 2013.

ATTACHMENTS

1. : Council Finance Committee minutes, October 21, 2013 (PDF)
2. : Council Finance Minutes, August 19, 2013 (PDF)
3. : Current Debt Policy (PDF)
4. : Current Revenue Policies (PDF)

Council Finance Committee
October 21, 2013
DRAFT minutes

DRAFT

City of Fort Collins

...nt Range communities. Staff would like to maintain and continually improve Fort Collins' diverse revenue base.

Ross Cunniff suggested adding a sixth principle: "Fees for Service are fairly b... by those who use those services." While this guideline is addressed in the policy, it could be highlig... o see the study on the impact taxing services would have in Fort Collins. Jessica ... Council Finance.

Financial Management Policy Format and Introduction

Mike Beckstead said that staff is in the process of updating and consolidating all the financial policies and bringing them to Council for approval. Staff has drafted an introduction to the Financial Policies that states Council's ability to deviate from policy when it is in the City's best interest. An example of the need for such a provision is seen in the current matter before the Council concerning the interest rate proposed on a loan between the City and the URA. A deviation from the current investment policy is proposed to Council because of short fall in estimated revenue and an increase in interest costs from the September 2011 estimates. Steve Roy added that Council has always had the ability to make an exception to policy per City Charter; however, it is advisable to incorporate and institutionalize language that allows Council to make those exceptions.

Bob Overbeck said that he is concerned about there being too many exceptions or amendments made to City policy. The best practice would be to address any mistake made and insure that that mistake not be made again. Mike replied that Staff has learned many lessons through the Capstone Project. Evidence of what staff learned can be seen in the new policy that Josh Birks drafted for TIF's that establishes clear boundaries for using that financing method. Also, staff now bases rates off of the County's estimate of value which factors in revenue generation rather than the project cost. Council Finance appreciates staff's transparency and willingness to continuously improve.

Bob Overbeck requested that, in the future, Staff present stress tests for financing projects presented to the Council Finance Committee.

New Fees Review

Jessica Ping-Small noted that street maintenance is currently funded primarily through sales tax including the designated ¼ cent sales tax that has a sunset date of December 31, 2015 and the Keep Fort Collins Great sales tax. Although sales tax initiatives have been supported multiple times by citizens, relying on an expiring sales tax has risks such as revenue variability and potential expiration. Staff has explored the feasibility of a Street Maintenance Fee (SMF) to replace the ¼ cent designated sales tax.

Jessica also noted that Park and Trail Maintenance is currently funded though the General Fund and $735K of Conservation Trust Funds that were diverted from trail construction in due to funding shortfalls. Staff has drafted a Park Maintenance Fee (PMF) to generate $735K annually which would allow the Conservation Trust Funding to go back to trail construction.

Ross Cunniff noted that he certainly wants to fund Parks without using the Conservation Trust. However, discussing the two possible fees together may be confusing, so Ross suggested that Council Finance focus first on the more urgent matter of the sun setting street maintenance tax. Council Finance agreed that they want to discuss Park Maintenance separately at a later date and that they would like to be brought a broader discussion with all potential funding options.

City of Fort Collins

...r 26 meeting. If Council decides to continue with a transportation tax, this effort will be combined with the BOB renewal effort.

Diane Jones continued the discussion, noting that staff hoped to find out if Council Finance supports pursuing a renewal of BOB, and if so at which election time. Staff also hoped to learn more about the types or categories of City capital improvements that should be considered and highlighted as staff begins to create a potential list of community capital improvements. Staff has begun reaching out to all departments to identify potential projects based on existing master plans and BFO initiatives.

Should the City move forward with another community capital program and tax initiative to fund the program, we can consider the following election dates:

- November 2014 – staff recommendation
- April 2015
- November 2015

Historically, council has put these on the ballot at the earliest possible election. Staff is currently scheduling the work program and outreach activities in conjunction with a November 2014 election. Staff anticipates the following:

- Meet with Council on Sep. 10 (Work Session) to review this information and the outcome of the discussion with the Finance Committee.
- Work with Boards and Commissions and community groups between now and the next work session (Dec. 10) to review and add to the preliminary list.
- Utilize the December work session to agree on a project list to take to the public for feedback and preferences in early 2014.

Darin noted that staff has worked with the assumption that Council will go through with renewing BOB, but they are aware that Council may decide not to, erasing a large funding source. Mike Beckstead noted that the BOB ¼-cent sales and use tax revenue brought in approximately 6.8 million dollars last year. Bob Overbeck said that Council would want to look at the different options for projects before making this big decision. Diane noted that staff is continuing to compile the list of potentials and will bring it to Council in September.

Mayor Weitkunat said that the success of renewal would depend 1) on public outreach and 2) on the universality of the improvement projects. The City must ensure that it is meeting the needs of a wide-span of the residents, considering all the different districts. Staff should look at whether we are currently meeting the residents' needs with our current infrastructure. Darin agreed that this would be a big discussion for Council. Diane noted that many of the projects already on the list came from the City's Master Plan. Diane said that North College is a good example of a successful improvement funded by BOB; the program has a solid history, and because the City has consistently delivered on the voter approved improvements, the people of Fort Collins generally trust this approach taken by the City.

Debt Policy Update

John Voss brought an updated Debt Policy to Council Finance for consideration. He noted that the Debt Policy has not been modified in many years, and Staff has developed a new framework for updating,

City of Fort Collins

controlling, formatting and publishing financial policies. The Debt Policy is one of first policies to use this new format.

The major changes to the policy are as follows:

A. Changed method of limiting governmental debt, from percent of General Fund revenue to percent of governmental fund revenue.
B. Added capacity guidelines for enterprise funds, i.e. the utility funds.
C. Added information about Moral Obligation Pledge and when it may be used.
D. Added language about goal to keep the City's overall credit rating at AAA.
E. Added guidance on refinancing.

Under the new policy the governmental funds are limited to $70M more debt, compared to $150M under the existing policy. Mike Beckstead noted that adding the objective of keeping the City's AAA rating helped Staff to better know how to set a debt limit.

Staff will make all recommended changes to wording and bring the updated policy to Council.

DDA IGA to Support Woodward Project

Mike Beckstead noted that Staff had put together a document outlining how the DDA IGA would support the Woodward Project. The document is an administrative document, not a policy. Ross Cunniff said that he had questions about how Natural Area funds would be used to fund the project, noting that in the current document it sounded like underspend in the Natural Area funds could be used to supplement projects such as power lines that are not Natural Area related. Mike Beckstead said that Staff would work on rewording the document to be clear that supplemental Natural Area funds would only be used for Natural Area purposes.

Next Steps

Staff will bring the Appropriations Ordinance to Council for first reading on October 15 and for a second reading November 5.

Staff will bring the 2014 Utility Rate Ordinance to Council for first reading on October 15.

Staff will continue to compile a list of possible projects for a renewed BOB and will bring the issue to the Council Work Session on September 10.

Financial Management Policy 7

Issuing Debt

Issue Date:
Version: 2
Issued by:
Controller/Assistant Financial Officer

Objective:

The purpose of this policy is to establish parameters and provide guidance governing the issuance of all debt obligations issued by the City of Fort Collins (City).

Applicability:

This debt policy applies to all funds and Service Areas of the City and closely related agencies such as the Downtown Development Authority (DDA), Fort Collins Leasing Corporation and the Fort Collins Urban Renewal Authority (URA).

Authorized by:

City Council Resolutions 2013-XXX, Last change was authorized through adoption of the 2006-07 Budget in November 2005.

7.1 Authorization for Municipal Borrowing

The City Charter (Article V. Part II) authorizes the borrowing of money and the issuance of long term debt. The Charter and State Constitution determine which securities may be issued and when a vote of the electors of the City and approved by a majority of those voting on the issue.

7.2 Purpose and Uses of Debt

Long term obligations should only be used to finance larger capital acquisitions and/or construction costs that are for high priority projects. Debt will not be used for operating purposes. Debt financing of capital improvements and equipment will be done only when the following conditions exist:

a) When non-continuous projects (those not requiring continuous annual appropriations) are desired;
b) When it can be determined that future users will receive a significant benefit from the improvement;
c) When it is necessary to provide critical basic services to residents and taxpayers (for example, purchase of water rights);
d) When total debt, including that issued by overlapping governmental entities, does not constitute an unreasonable burden to the residents and taxpayers.

Attachment8.3: Current Debt Policy (Debt & Revenue Policy)

7.3 Types of Debt and Financing Agreements

The types of debt permitted are outlined in State statute. The City will avoid derivative type instruments. In general the following debt types are used by the City:

a) General obligation bonds- backed by the credit and taxing power of the City and not from revenues of any specific project. Colorado law limits general obligation debt to 10% of the City's assessed valuation. Under TABOR this type of debt must approved by voters.

b) Revenue Bonds - issued and backed by the revenues of a specific project, tax increment district (TIF), enterprise fund, etc. The holders of these bonds can only consider this revenue source for repayment. TABOR does not require that voters approve these types of debt.

c) Lease Purchase – issued whereby the asset acquired is used as collateral. Examples include Certificates of Participation (COP), Assignment of Lease Payments (ALP) and equipment leases. TABOR does not require that voters approve these types of agreements.

d) Moral Obligation Pledge – Is a pledge to consider replenishing a debt reserve fund of another government agency if the reserve was used to make debt payments. This type of commitment will only be used to support the highest priority projects, or when the financial risk to the City does not increase significantly, or when the City's overall credit rating is not expected to be negatively impacted. Because it is a pledge to consider replenishing, it is not a pledge of the City's credit, and as such is not a violation of State statutes and City Charter. However, decision makers should keep in mind that not honoring a Moral Obligation Pledge will almost certainly negatively impact the City's overall credit rating. TABOR does not require that voters approve these types of agreements.

e) Interagency Borrowing – issued when the credit of an agency (DDA, URA) of the City does not permit financing at affordable terms. Usually used to facilitate a project until the revenue stream is established and investors can offer better terms to the agency. Program parameters are outlined in City's Investment Policy. TABOR does not require that voters approve these types of agreements.

f) Conduit Debt – Typically limited to Qualified Private Activity Bonds (PAB) defined by the IRS and limited to the annual allocation received from the State. Low income housing is one example of a qualified use of PAB. There is no pledge or guarantee to pay by the City.

g) Any other securities not in contravention with City Charter or State statute.

7.4 Debt Structure and Terms

The following are guidelines, and may be modified by the City to meet the particulars of the financial markets at the time of the issuance of a debt obligation:

a) Term of the Debt: The length of the financing will not exceed the useful life of the asset or average life of a group of assets, or 30 years, whichever is less. Terms longer than 20 years should be limited to the highest priority projects.
b) Structure of Debt: Level debt service will be used unless otherwise dictated by the useful life of the asset(s) and/or upon the advice of the City's financial advisor.
c) Credit Enhancements: The City will not use credit enhancements unless the cost of the enhancement is less than the differential between the net present value of the debt service without enhancement and the net present value of the debt service with the enhancement.
d) Variable Rate Debt: The City will normally not issue variable rate debt, meaning debt at rates that may adjust depending upon changed market conditions. However, it is recognized that certain circumstances may warrant the issuance of variable rate debt, but the City will attempt to stabilize the debt service payments through the use of an appropriate stabilization arrangement.
e) Derivative type instruments and terms will be avoided.
f) Interest during construction will be capitalized when the debt is in an enterprise fund.

7.5 Refinancing Debt

Refunding of outstanding debt will only be done if there is a resultant economic gain regardless of whether there is an accounting gain or loss, or a subsequent reduction or increase in cash flows. The net present value savings shall be at least 3%, preferably 5% or more. In an advanced refunding (before the call date), the ratio of present value savings to the negative arbitrage costs should be at least 2.

7.6 Debt Limitations and Capacity

Debt capacity will be evaluated by the annual dollar amount paid and the total amount outstanding with the goal to maintain the City's overall issuer rating at the very highest rating, AAA. Parameters are different for Governmental Funds, Enterprise Funds, and Related Agencies.

a. Governmental Funds - Annual debt service (principal and interest) will not exceed 5% of annual revenues. For calculation, revenues will not include internal charges, transfers and large one-time grants. Outstanding debt in relation to population and assessed value will be monitored.
b. Enterprise Funds – Each fund is unique and will be evaluated independently. Each funds debt will be managed to maintain a credit score of at least an A rating. These funds typically issue revenue bonds and investors closely watch revenue coverage ratio. Coverage ratios are usually published in the Statistical Section of the City's

Comprehensive Annual Financial Statement.

c. Related Agencies – Each agency will be evaluated independently, taking into account City Charter, State statutes, market conditions and financial feasibility.

7.7 Debt Issuance Process

When the City utilizes debt financing, it will ensure that the debt is soundly financed by:

a) Selecting an independent financial advisor to assist with determining the method of sale and the selection of other financing team members
b) Conservatively projecting the revenue sources that will be used to pay the debt;
c) Maintaining a debt service coverage ratio which ensures that combined debt service requirements will not exceed revenues pledged for the payment of debt.
d) Evaluating proposed debt against the target debt indicators.

7.8 Other

Debt Management - The City will also have an Administrative Policy and Procedure that includes guidance on:

a) Investment of bond proceeds
b) Market disclosure practices to primary and secondary markets, including annual certifications
c) Arbitrage rebate monitoring and filing
d) Federal and State law compliance practices

Getting Help

Please contact the Controller/Assistant Financial Officer with any questions at 970.221.6772

Related Policies/References

- *The City of Fort Collins Charter (Article V. Part II)*

e) Ongoing market and investor relations efforts

~~DEBT POLICIES~~

~~7.1. POLICY STATEMENT~~

~~The City of Fort Collins recognizes the primary purpose of capital facilities is to support provision of services to its residents. Using debt financing to meet the capital needs of the community must be evaluated according to two tests - efficiency and equity. The test of efficiency equates to the highest rate of return for a given investment of resources. The test of equity requires a determination of who should pay for the cost of capital improvements. In meeting the demand for additional capital facilities, the City will strive to balance the load between debt financing and "pay as you go" methods. The City realizes failure to meet the demands of growth may inhibit its continued economic viability, but also realizes too much debt may have detrimental effects. Through the rigorous testing of the need for additional debt financed facilities and the means by which the debt will be repaid, the City will strike an appropriate balance between service demands and the amount of debt. The City of Fort Collins uses lease purchase financing for the provision of new and replacement equipment, vehicles and rolling stock to ensure the timely replacement of equipment and vehicles and to decrease the impact of the cost to the user department by spreading the costs over several years. This method may also be used to acquire real property. The type of lease that the City uses is termed a conditional sales lease, in effect a purchase rather than a rental of property. The annual installments for all leases are appropriated by the Council each year. For~~

Definitions

Conduit Debt: *when a government agency issues municipal securities to raise capital for revenue-generating projects where the funds generated are used by a third party (known as the "conduit borrower") to make payments to investors.. If a project fails and the security goes into default, it falls to the conduit borrower's financial obligation, not the conduit issuer (City). Common types of conduit financing include industrial development revenue bonds (IDRBs), private activity bonds and housing revenue bonds (both for single-family and multifamily projects). Most conduit-issued securities are for projects to benefit the public at large (i.e. airports, docks, sewage facilities) or specific population segments (i.e. students, low-income home buyers, veterans).*

Credit Enhancements: *is usually bond insurance, but can be also subordination of other debt, reserve accounts, or other types of collateral.*

Agency: *although the term is not normally used by local governments, an agency is an organization created by the City with separate powers and authorities.*

Debt Service Coverage Ratio: *is a common measure of the ability to make debt service payments. The formula is net operating income (operating revenue – operating expense) divided by debt service (annual principal and interest)*

~~purposes of securing credit ratings and monitoring annual debt service as a percentage of operating expenditures; lease purchase financing is considered a long-term liability of the City and therefore will be issued under the same conditions as long-term debt.~~

~~7.2. AUTHORIZATION FOR MUNICIPAL BORROWING~~

~~The Charter authorizes the borrowing of money and the issuance of the following securities to evidence indebtedness:~~

~~1. short-term notes,~~
~~2. general obligation securities,~~
~~3. revenue securities,~~
~~4. refunding securities,~~
~~5. special assessment securities,~~
~~6. tax increment securities, and~~
~~7. any other securities not in contravention of the Charter.~~

~~The Charter and State Constitution determine which securities may be issued only after a vote of the electors of the City and approved by a majority of those voting on the issue.~~

~~7.3. CONDITIONS FOR USING DEBT~~

~~Debt financing of capital improvements and equipment will be done only when the following conditions exist:~~

~~1. When non-continuous projects (those not requiring continuous annual appropriations) are desired;~~

~~2. When it can be determined that future users will receive a benefit from the improvement;~~
~~3. When it is necessary to provide basic services to residents and taxpayers (for example, purchase of water rights);~~
~~4. When the rights of bond buyers and subsequent investors are protected through full disclosure; and~~
~~5. When total debt, including that issued by overlapping governmental entities, does not constitute an unreasonable burden to the residents and taxpayers.~~

~~7.4. DEBT INDICATORS AND TARGET LEVELS OF DEBT~~

~~While no absolute measures of debt burden exist, the City recognizes that municipal bond rating agencies and financial analysts have established key debt indicators by which they evaluate the credit strength of issuers. Since debt issued by entities sharing the same geographic area, for example, Poudre R-1 School District, cannot be controlled by the City, the indicator that will be used will be calculated using only direct debt issued by the City itself. The indicator does not include debt issued by the City or by the City Council as the Board of Directors for the City's utilities, as the revenue collected for services are the source of repayment. The City Council has chosen to use direct debt service as a percent of General Fund and debt service expenditures to monitor its debt.~~

~~This indicator measures how the City's debt burden compares to financial operations. As debt~~

~~service requirements increase, the flexibility to make decisions regarding other expenditures is reduced. Excessive debt may be indicated if the percentage is maintained at very high levels. A debt service to operating budget expenses ratio of 10 to 15 percent is considered fair; over 15 percent is generally considered poor.~~

~~THE TARGET INDICATOR IS:~~

~~Direct debt service as a percent of operating expense: 15 percent for the 2004-2008 period.~~

~~Using the debt indicator as defined above, the City will have some debt capacity. This means the City could use some of its operating revenue to support additional debt during the five-year projection period.~~

~~Since the City=s sustained growth causes demand for capital improvements financed through debt or lease financing, the City target is set at a level slightly above the median for cities of comparable size. The indicator is a full loading of governmental debt and is calculated in the same manner that rating agencies use.~~

~~7.5. SOUND FINANCING OF DEBT~~

~~When the City utilizes debt financing, it will ensure that the debt is soundly financed by:~~

~~1. Conservatively projecting the revenue sources that will be used to pay the debt;~~
~~2. Financing the improvement over a period not greater than the useful life of the improvements;~~
~~3. Determining that the benefits of the improvement exceed the costs, including interest costs;~~

~~4. Maintaining a debt service coverage ratio which ensures that combined debt service requirements will not exceed revenues pledged for the payment of debt; and~~
~~5. Evaluating proposed debt against the target debt indicators.~~

~~7.6. FINANCING METHODS~~

~~The City maintains the following policies in relation to methods of financing used to issue debt:~~

~~1. Total General Obligation (payable from Property Tax levies) debt will not exceed 10% of assessed valuation per the City Charter;~~
~~2. Where possible, the City will use revenue or other self-supporting bonds instead of General Obligation Bonds;~~
~~3. When appropriate, the City will issue non-obligation debt, for example, Industrial Development Revenue Bonds, to promote community stability and economic growth;~~
~~4. Staff will maintain open communications with bond rating agencies about its financial condition and whenever possible, issue rated securities; and~~
~~5. Staff will exchange information with Larimer County, Poudre R-1 School District, the Poudre Valley Hospital District and other entities whose debt would contribute to the overlapping debt indicators for the purpose of monitoring such debt burdens.~~

~~The budget includes appropriations for debt service payments and reserve requirements for all outstanding debt and for debt anticipated to be issued within the ensuing budget term.~~

~~7.7. BOND MARKET DISCLOSURE~~

~~The Securities and Exchange Commission (SEC) requires the City of Fort Collins to covenant in its bond documents to provide bondholders certain annual financial information. The provision of the information is done through qualified information repositories. The SEC rule did not establish a standard format for the financial information. The required information may be presented in an appropriate disclosure document determined by the City in consultation with legal counsel.~~
~~In addition to annual financial information, the City is required to covenant in the bond documents that it will provide notice of the following Amaterial events@ to the information repositories, with respect to the City=s bonds:~~

~~1. principal and interest payment delinquencies;~~
~~2. non-payment related defaults;~~
~~3. unscheduled draws on debt service reserves reflecting financial difficulties;~~
~~4. unscheduled draws on credit enhancements reflecting financial difficulties;~~
~~5. substitution of credit or liquidity providers, or their failure to perform;~~
~~6. adverse tax opinions or events affecting the tax-exempt status of the City=s bonds;~~
~~7. modifications to rights of the owners of City bonds or bond calls; or~~
~~8. rating changes.~~

~~The City is further required to covenant that it will provide notice in a timely manner if it fails to comply with its disclosure undertakings.~~

~~The City considers its Comprehensive and Financial Report (CAFR) to be the most appropriate document in which to provide the continuing disclosure information. In addition to the required annual financial information, the CAFR contains financial and statistical information and related disclosures that are useful to existing and potential investors in the secondary bond market as required by the rule. In accordance with the City=s bond ordinances, the Financial Officer is authorized and directed to report all material events, as defined above, to the appropriate information repositories.~~

REVENUE POLICIES

2.1. REVENUE LIMITATION

The City of Fort Collins' revenue and expenditures are limited by ~~Section 20 of~~ Article X, Section 20 of the Colorado Constitution (~~Article X, Section 20 or A~~TABOR~~e~~). While TABOR ~~places~~ limits ~~on~~ both revenue and expenditures, its primary application is in limiting ~~of the State and all local governments. Even though the limit is placed on both revenue and expenditures, the constitutional amendment in reality applies to a limit on~~ revenue collections. Growth in revenue is limited to the increase in the Denver-Boulder-Greeley Consumer Price Index plus local growth (new construction and annexation). This percentage is added to the preceding year's revenue base, giving the dollar limit allowed for revenue collection in the ensuing year. Any revenue collected over the limit must be refunded to the citizens, unless the voters approve the retention of the excess revenue. Federal grants or gifts to the City are not included in the revenue limit. City enterprises (electric, water, wastewater and stormwater utilities) are also exempt from the imposed limits. Beginning in 2003, the Golf Fund revenue source was ~~s will allow it to be~~ considered for enterprise status for purposes of ~~Article X, Section 20~~TABOR. In order for an entity to~~To~~ become an enterprise, voters ~~would need to~~must approve a Charter amendment for ~~the Golf Fund~~that entity.

In November 1997, Fort Collins' voters approved a ballot measure that allows the City to retain revenues that exceed the growth limit imposed by Article X, Section 20~~TABOR~~. The measure was effective for 1996 and ensuing years. The approved measure specified that any retained revenues over the growth limit must be used for certain designated purposes.

$ Public health and safety (including, but not limited to, environmental monitoring and mitigation)

$ Transportation

$ Growth management

$ Maintenance and repair of public facilities

~~While not included as part of the approved ballot measure, legal~~ Legal principles require that those revenues collected in excess of the growth limit from fees charged or other legally restricted revenues must be used for the purpose for which they were collected. In addition, such revenues must also be used for the designated purposes approved by the voters.

2.2 REVENUE REVIEW, OBJECTIVES, AND MONITORING

a. Review and Projections

The City reviews estimated revenue and fee schedules as part of the budget process. The ~~Major~~ major revenue sources in the ~~general~~ General ~~fund~~ Fund are sales & use tax, property tax, lodging tax, intergovernmental revenues, fines ~~&~~ and

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forfeitures, user fees ~~&~~ and charges, and transfers from other funds. Conservative revenue projections are made for the budget term. The projections are monitored and updated as necessary.

b. ~~Objectives~~Principles

The City has established six (6) general principles that will be used to guide decisions on revenue

1. Develop and maintain stable revenue sources.
   The City will strive to maintain stable revenue sources by:
   a. Targeting revenue sources with minimal volatility
   b. Monitoring current revenue sources for variability
   c. Adjusting forecasts as necessary to accommodate unanticipated increases and declines
   d. Monitoring and adjusting expenditures for unanticipated revenue gains/losses

2. Develop and maintain a diverse revenue base.
   ~~A.~~ For all general government operations, the City will strive to maintain diverse revenue sources. The City recognizes that becoming too dependent upon one revenue source would make revenue yields more vulnerable to economic cycles. Therefore, the City will strive to maintain diverse revenue sources by:
   a. Targeting revenue from multiple sources
   b. Working to expand fee based revenue where possible
   c. Working to minimize overdependence on any single revenue source
   d. Staff will monitor dependency on sales and use tax to ensure an over reliance does not occur

3. Cultivate revenue sources that are equitable among citizens of different economic levels.

   The City will strive to preserve a revenue stream that does not overburden low income residents by:
   a. Providing low income citizens with opportunities to participate in programs through reduced fee structures and scholarships
   b. Providing a Sales Tax on Food and Utility rebate to lessen the burden of taxes and fees on low income citizens
   c. Ensuring fees do not exceed cost to provide service

4. As appropriate, the burden of the cost of services will be fairly placed on those using the services.
   a. Fees for services will be based on a cost recovery model and assessed to the users of the service when applicable

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b. With the exception of services provided for the common good of the community, service fees will be based on the need of the users and paid by the specific users

5. Generate adequate revenue to maintain service levels in line with citizen expectations.

The City will generate adequate revenue to maintain core service levels by:

a. Ensuring fees for service do not exceed cost to provide service
b. Maintaining a cost recovery model
c. Monitoring service level performance annually through the Community Scorecard
d. Regularly reviewing services to assess core vs. desired

6. Maintain healthy reserves.

The City will maintain healthy reserves by:

a. Adhering to State mandated reserve and internal reserve policies
b. Maintaining a Tabor (State) reserve for the General Fund of 3% or more of the City's fiscal year spending
c. Meeting City policy for the General Fund of an additional contingency of 60 days or 17% of next year's adopted budgeted expenditures

~~For all general government operations, the City will strive to maintain diverse revenue sources. The City recognizes that becoming too dependent upon one revenue source would make revenue yields more vulnerable to economic cycles.~~

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c. Targets

The City's major source of revenue for governmental activities and more specifically for programs within the General Fund is the Sales and Use Tax. The City will monitor the dependency on sales and use tax by tracking the percentage of the General Fund and General Government that comes from sales and use tax. ~~Over the past five years, 2000-2004, the percentage of General Government Total Revenue from sales and use tax (the 2.25% portion not dedicated for specific uses by the voters) has been approximately 38%. The target for this percentage shall be 40%.~~

~~For the General Fund, the percentage of revenues from sales & use tax has been approximately 60%. When the Comprehensive Annual Financial Report is completed each year, the Finance Department will monitor these two percentages and report the results to Council. For the General Fund the target shall be 60%.~~

d. **Monitoring**

The percentages ~~will be~~are monitored each year with the preparation of the annual financial report. ~~Preliminary estimates of the percentages should be available in April and be incorporated into the budget process.~~ The percentages ~~will be~~are reviewed by Council Finance Committee annually.~~ and Council annually.~~~~Council.~~

~~e. Policy Action~~

~~In the event the percentages exceed the targets, the City Manager will provide an analysis of the City's revenues to the Council. The City Manager may propose adjustments to revenue sources other than the sales and use tax (some examples include user fees, fines & forfeitures, transfers from other funds) to meet the targets or decrease the trend of increasing dependency on sales and use tax. Generally, for this policy to be effective, revenues from all other sources will need to grow at roughly the same rate as the sales and use tax collections.~~

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2.3. FEE POLICY

As a home rule municipality, the City of Fort Collins has the ability to determine the extent to which fees should be used to fund City facilities, infrastructure and services. There are two kinds of fees that the City may establish: impact fees and special service fees. Impact fees are typically one-time charges levied by the City against new development. The fees are based on current levels of service and act as a buy-in method for new development. The revenue can only be used for capital infrastructure needs created by the impact of the new development.~~ to generate revenue for the construction of infrastructure and capital facilities needed to offset the impacts of the new development~~. Special service fees are charges imposed on persons or property that are designed to defray the overall cost of the particular municipal service for which the fee is imposed. This Policy sets forth principles for identifying: 1) the kinds of services for which the City could appropriately ~~fees could appropriately be imposed by the City~~impose fees; 2) methods for calculating the percentage of costs to be recovered by such fees; and 3) the manner in which the fees should be allocated among individual fee payers.

a. **Fees Should Be Cost Related**

The amount of a fee should not exceed the overall cost of providing the facility, infrastructure or service for which the fee is imposed. In calculating that cost, direct and indirect costs may be included. That is:

1. costs which are directly related to the provision of the service; and,

2. support costs which are more general in nature but provide support for the provision of the service.

b. **Percentage of Cost Recovery**

The extent to which the total cost of service should be recovered through fees depends upon the following factors:

1. The nature of the facilities, infrastructure or services. In the case of fees for facilities, infrastructure as well as governmental and proprietary services, total cost recovery may be warranted. In the case of governmental services, it may be appropriate for a substantial portion of the cost of such services to be borne by the City's taxpayers, rather than the individual users of such services. ~~Governmental services are those which are provided by the City for the public good such as regulating land use, maintaining streets, and providing police and fire protection. Proprietary services are those which are provided for the benefit and enjoyment of the residents of the City, at their discretion, such as parks and recreation services.~~

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2. The nature and extent of the benefit to the fee payers. When a particular facility or service results in substantial, immediate and direct benefit to fee payers, a higher percentage of the cost of providing the facility or service should be recovered by the fee. When a particular facility or service benefits not only the fee payer but also a substantial segment of the community, lower cost recovery is warranted.

3. The level of demand for a particular service. Because the pricing of services can significantly affect demand, full cost recovery for services is more appropriate when the market for the services is strong and will support a high level of cost recovery.

4. Ease of collection. In the case of impact fees, ~~which can be collected at the time of issuance of a building permit,~~ ease of collection is generally not a factor. In the case of fees for services, however, such fees may prove to be impractical for the City to utilize if they are too costly to administer.

c. Establishment and Modification of Fees and Charges

Aside from user fees, (e.g. Recreation classes and facility room rentals), all fees imposed by the City will be established by the City Council by ordinance. In the case of impact fees, utility fees and charges, and special service fees assessed against property the ordinance establishing the fees will determine:

1. the level of cost that should be recovered through the fees according to the criteria established in this Policy;

2. an appropriate method for apportioning the cost of providing each service among the users of the service; and,

3. a procedure for periodically reviewing and modifying the amount of fees in order to maintain appropriate cost recovery levels.

The amounts of these kinds of fees may be modified only by ordinance of the City Council.

The amounts of other kinds of special service fees, such as user fees charged for the use of City ~~recreational and cultural~~ facilities, may be determined by the City Manager, according to criteria established by the City Council by ordinance, absent any provision of the City Charter or Code to the contrary.

All fee revenues will be estimated by the City Manager and submitted to the City Council as part of the City Manager~~=~~'s recommended budget.

d. **Rebate Programs**

If the amount of a particular fee is considered to be too high to accommodate the needs of particular segments of the community and the public interest would be served by adjusting the amount or manner of payment of such fees in particular instances, the amount of the fee may be waived, rebated, or deferred as appropriate. In the case of fees established by ordinance, the criteria for waiving, rebating, or deferring payment of such fees shall be established by the City Council by ordinance.

2.4. SALES AND USE TAX DISTRIBUTION

The City's Sales and Use Tax totals 3.00 cents, developed as follows:

1968 - General City uses	1.00 cent
1980 - General City uses	1.00 cent
1982 - General City uses	0.25 cent
2006 - Street Maintenance	0.25 cent*
2006 - Building on Basics	0.25 cent*
2006 - Natural Areas & Open Space	0.25 cent*
2011 - Keeping Fort Collins Great	0.85 cent*
	3.85 cents

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*Excluding sales of grocery food.

Revenue generated by the Sales and Use Tax will be distributed, based on adopted budgets, in the following manner:

~~TAX ON ALL SALES & USES: 2.25 cents~~

~~$ Fixed Dollar Amounts~~
~~Annual Debt Service~~
~~Sales & Use Tax Debt Service Reserves~~

~~$ General Fund~~

Subject to appropriations, actual Sales and Use Tax revenue generated by the 2.25 cent tax in excess of the fixed dollar amounts listed above, will be ~~transferred~~ deposited to the General Fund.

Actual sales and use tax revenue generated by the 0.25 cent tax for Natural Areas and Open Space will be transferred to, and be retained in the Natural Areas Fund to be used to acquire, operate and maintain open spaces, community separators, natural areas, wildlife habitat, riparian areas, wetlands and valued agricultural lands and to provide for the appropriate use and enjoyment of these areas by the citizenry, through land conservation projects to be undertaken where there is an identifiable benefit to the

Attachment8.4: Current Revenue Policies (Debt & Revenue Policy) residents of the City, as determined by the City Council, either within the City or its growth management or regionally, provided certain provisions are met.

Actual sales and use tax revenue generated by the 0.25 cent tax for Street Maintenance will be deposited ~~transferred to,~~ and retained in the Transportation Services Fund to be used to pay the costs of planning, design, right-of-way acquisition, incidental upgrades and other costs associated with: the repair and renovation of City streets, including but not limited to curbs, gutters, bridges, sidewalks, parkways, shoulders and medians.

Actual sales and use tax revenue generated by the 0.25 cent tax for Building on Basics projects will be transferred to, and be retained in the Capital Projects Fund or corresponding operating funds to be used to pay the costs of planning, design, right-of-way acquisition, construction, and at least seven (7) years of operation and maintenance for street/transportation projects and other community capital projects, identified during the Building on Basics process, approved by the voters.

2.5. PRIVATE CONTRIBUTIONS

The City encourages the solicitation of private contributions. These services and programs represent extra services that the City has not been able to provide to residents through its regular revenue base. In times of revenue constraints the City may not be able to provide the same level of service without additional support. Therefore, efforts should be made to secure private contributions in support of these programs and services, as these contributions are an integral part of their successful operation. With respect to ~~Article X, Section 20 of the State Constitution~~TABOR, the City~~=~~'s Finance Department will make a determination as to whether a contribution is a gift and is therefore excluded from constitutional limits.

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Attachment8.4: Current Revenue Policies (Debt & Revenue Policy)

Definitions

Governmental Services: *services provided by the City for the public good such as regulating land use, maintaining streets, and providing police and fire protection.*

Impact Fees: *usually one-time charges, levied by the City against new development to offset the impacts of the new developments*

Proprietary Services: *services provided for the benefit and enjoyment of the residents of the City, at their discretion, such as parks and recreation services*

Special Service Fee: *charges imposed on persons or property that are designed to defray the overall cost of the particular municipal service for which the fee is imposed*

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Getting Help

Please contact the Revenue and Project Manager with any questions at 970.221.6626.

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Related Policies/References

Information about related policies or procedures, guidelines, forms, etc. Give complete references and ensure that documents cited are readily available (i.e. either as widely distributed manuals or online). If needed provide additional background discussion here. Reference to detailed procedures that are recommended in order to carry out the intent of the policy.

RESOLUTION 2013-093
OF THE COUNCIL OF THE CITY OF FORT COLLINS
AMENDING THE CITY COUNCIL'S FINANCIAL MANAGEMENT
POLICIES BY UPDATING THE REVENUE AND DEBT POLICIES
SECTIONS CONTAINED THEREIN

WHEREAS, in 1994, the City Council adopted Resolution 1994-174 approving certain Financial Management Policies (the "Policies") for the City, which Policies establish guidelines for the preparation of the annual budgets of the City and its long-range financial plans; and

WHEREAS, the City Council has periodically amended the Policies; and

WHEREAS, the City Manager and Financial Officer have recommended that the City Council further amend the Policies to include updated details in the Revenue and Debt Policy sections; and

WHEREAS, the purpose of the Revenue Policy update is to include the addition of revenue principles to provide staff and City Council a foundation for making sound financial decisions, which principles call for maintaining a diverse and stable revenue base; cultivating revenue sources that are equitable among all economic levels; placing the burden of the cost of service on those using the services; generating adequate revenue to maintain core service levels; and maintaining healthy reserves; and

WHEREAS, the purposes of the Debt Policy updates are to: include a revised method of limiting government debt from "percent of General Fund" revenue to "percent of government fund" revenue; add capacity guidelines for enterprise funds; add information about "moral obligation pledges" and guidelines as to when such pledges may be used; add language about maintaining the City's overall credit rating at AAA; and add refinancing guidance; and

WHEREAS, the City Council Finance Committee has reviewed the proposed changes to the Revenue and Debt Policies and has recommended approval of the same.

NOW, THEREFORE, BE IT RESOLVED BY THE COUNCIL OF THE CITY OF FORT COLLINS that the Financial Management Policies, as previously amended, are hereby further amended by the incorporation of updated Revenue and Debt Policy sections, as attached hereto as Exhibits "A" and "B" and incorporated herein by this reference.

Passed and adopted at a regular meeting of the Council of the City of Fort Collins this 19th day of November, A.D. 2013.

Mayor

ATTEST:

Deputy City Clerk

Financial Management Policy 2

Revenue

Issue Date:
Version:
Issued by: Revenue and Project Manager

Objective:

Monitoring and controlling revenues is important to the City of Fort Collins. Through its revenue policy, the City primarily aims to maintain a diversified revenue system which will protect it from possible short-term fluctuations in any of its various revenue sources. To accomplish this, revenues are monitored on a continuous basis. An understanding of the economic and legal factors which directly and indirectly affect the level of revenue collections is an important part of the City's revenue policy.

Applicability:

This policy applies to all City Revenues. This policy does/does not apply to or govern revenues generated by City-owned general improvement districts.

Authorized by:

City Council

2.1 Limitations

The City of Fort Collins' revenue and expenditures are limited by Article X, Section 20 of the Colorado Constitution (TABOR). While TABOR limits both revenue and expenditures, its primarily application is in limiting revenue collections. Growth in revenue is limited to the increase in the Denver-Boulder-Greeley Consumer Price Index plus local growth (new construction and annexation). This percentage is added to the preceding year's revenue base, giving the dollar limit allowed for revenue collection in the ensuing year. Any revenue collected over the limit must be refunded to the citizens unless the voters approve the retention of the excess revenue. Federal grants or gifts to the City are not included in the revenue limit. City enterprises (electric, water, wastewater and stormwater utilities) are also exempt from the imposed limits. In 2003, the Golf Fund revenue sources was considered for enterprise status for purposes of TABOR. In order for an entity to become an enterprise, voters must approve a Charter amendment for that entity.

In November 1997, Fort Collins' voters approved a ballot measure that allows the City to retain revenues that exceed the growth limit imposed by TABOR. The measure specified that any retained revenues over the growth limit must be used for certain designated purposes.

- Public Health and Safety (including, but not limited to, environmental monitoring and mitigation)
- Transportation
- Growth Management
- Maintenance and Repair of Public Facilities

Legal principles require that those revenues collected in excess of the growth limit from fees charged or other legally restricted revenues must be used for the purpose for which they were collected. In addition, such revenues must also be used for the designated purposes approved by the voters.

2.2 Revenue Review, Objectives and Monitoring

A. Review and Projections

The City reviews estimated revenue and fee schedules as part of the budget process. The major revenue sources in the General Fund are sales and use tax, property tax, lodging tax, intergovernmental revenues, fines and forfeitures, user fees and charges, and transfers from other funds. Conservative revenue projections are made for the budget term. The projections are monitored and updated as necessary.

B. Principles

The City has established six (6) general principles that will be used to guide decisions on revenue:

1. Develop and maintain stable revenue sources.

   The City will strive to maintain stable revenue sources by:
   a. Targeting revenue sources with minimal volatility
   b. Monitoring current revenue sources for variability
   c. Adjusting forecasts as necessary to accommodate unanticipated increases and declines
   d. Monitoring and adjusting expenditures for unanticipated revenue gains/losses

2. Develop and maintain a diverse revenue base.

   For all general government operations, the City will strive to maintain diverse revenue sources. The City recognizes that becoming too dependent upon one revenue source would make revenue yields more vulnerable to economic cycles. Therefore, the City will strive to maintain diverse revenue sources by:
   a. Targeting revenue from multiple sources
   b. Working to expand fee based revenue where possible
   c. Working to minimize overdependence on any single revenue source
   d. Staff will monitor dependency on sales and use tax to ensure an over

Attachmenta: Exhibit A (Debt & Revenue Policy - RESO) reliance does not occur

3. Cultivate revenue sources that are equitable among citizens of different economic levels.

   The City will strive to preserve a revenue stream that does not overburden low income residents by:
   a. Providing low income citizens with opportunities to participate in programs through reduced fee structures and scholarships
   b. Providing a Sales Tax on Food and Utility rebate to lessen the burden of taxes and fees on low income citizens
   c. Ensuring fees do not exceed cost to provide service

4. As appropriate, the burden of the cost of services will be fairly placed on those using the services.
   a. Fees for services will be based on a cost recovery model and assessed to the users of the service when applicable
   b. With the exception of services provided for the common good of the community, service fees will be based on the need of the users and paid by the specific users

5. Generate adequate revenue to maintain service levels in line with citizen expectations.

   The City will generate adequate revenue to maintain service levels by:
   a. Ensuring fees for service do not exceed cost to provide service
   b. Maintaining a cost recovery model
   c. Monitoring service level performance annually through the Community Scorecard

6. Maintain healthy reserves.

   The City will maintain healthy reserves by:
   a. Adhering to State mandated reserve and internal reserve policies
   b. Maintaining a Tabor (State) reserve for the General Fund of 3% or more of the City's fiscal year spending
   c. Meeting City policy for the General Fund of an additional contingency of 60 days or 17% of next year's adopted budgeted expenditures

C. Targets

The City's major source of revenue for governmental activities and more specifically for programs within the General Fund is Sales and Use Tax. The City will monitor the dependency on Sales and Use Tax by tracking the percentage of the General Fund and General Government that comes from Sales and Use Tax.

D. Monitoring

The percentages are monitored each year with the preparation of the annual financial report. The percentages are reviewed by Council Finance Committee annually.

2.3 Fee Policy

As a home rule municipality, the City of Fort Collins has the ability to determine the extent to which fees should be used to fund City facilities, infrastructure and services. There are two kinds of fees that the City may establish: Impact Fees and Special Service Fees. Impact fees are typically on-time charges levied by the City against new development. The fees are based on current levels of service and act as a buy-in method for new development. The revenue can only be used for capital infrastructure needs created by the impact of the new development. Special service fees are charges imposed on persons or property that are designed to defray the overall cost of the particular municipal service for which the fee is imposed. This Policy sets forth principles for identifying: 1) the kinds of services for which the City could appropriately impose fees; 2) methods for calculating the percentage of costs to be recovered by such fees; and 3) the manner in which the fees should be allocated among individual fee payers.

A. Fees should be cost related

The amount of a fee should not exceed the overall cost of providing the facility, infrastructure or service for which the fee is imposed. In calculating that cost, direct and indirect costs may be included. That is:

1. Costs which are directly related to the provision of the service; and,

2. Support costs which are more general in nature but provide support for the provision of the service.

B. Percentage of cost recovery

The extent to which the total cost of service should be recovered through fees depends upon the following factors:

1. The nature of the facilities, infrastructure or services. In the case of fees for facilities, infrastructure as well as governmental and proprietary services, total cost recovery may be warranted. In the case of governmental services, it may be appropriate for a substantial portion of the cost of such services to be borne by the City's taxpayers, rather than the individual users of such services.

2. The nature and extent of the benefit to the fee payers. When a particular facility or service results in substantial, immediate and direct benefit to fee payers, a higher percentage of the cost of providing the facility or service should be recovered by the fee. When a particular facility or service benefits not only the fee

Attachmenta: Exhibit A (Debt & Revenue Policy - RESO) payer but also a substantial segment of the community, lower cost recovery is warranted.

3. The level of demand for a particular service. Because the pricing of services can significantly affect demand, full cost recovery for services is more appropriate when the market for the services is strong and will support a high level of cost recovery.

4. Ease of collection. In the case of impact fees, ease of collection is generally not a factor. In the case of fees for services, however, such fees may prove to be impractical for the City to utilize if they are too costly to administer.

C. Establishment and Modification of Fees and Charges

Aside from user fees, (e.g. recreation classes and facility room rentals), all fees imposed by the City will be established by the City Council by ordinance. In the case of impact fees, utility fees and charges, and special service fees assessed against property the ordinance establishing the fees will determine:

1. The level of cost that should be recovered through the fees according to the criteria established in this Policy;

2. An appropriate method for apportioning the cost of providing each service among the users of the service; and,

3. A procedure for periodically reviewing and modifying the amount of fees in order to maintain appropriate cost recovery levels.

The amounts of these kinds of fees may be modified only by ordinance of the City Council.

The amounts of other Special Service Fees, such as user fees charged for the use of City facilities, may be determined by the City Manager, according to criteria established by the City Council by ordinance, absent any provision of the City Charter or Code to the contrary.

All fee revenues will be estimated by the City Manager and submitted to the City Council as part of the City Manager's recommended budget.

D. Rebate Programs

If the amount of a particular fee is considered to be too high to accommodate the needs of particular segments of the community and the public interest would be served by adjusting the amount or manner of payment of such fees in particular instances, the amount of the fee may be waived, rebated, or deferred as appropriate. In the case of fees established by ordinance, the criteria for waiving, rebating, or deferring payment of such fees shall be established by the City Council by ordinance.

2.4 Sales and Use Tax Distribution

The City's Sales and Use Tax totals 3.00 cents, developed as follows:

1968 - General City uses	1.00 cent
1980 - General City uses	1.00 cent
1982 - General City uses	0.25 cent
2006 - Street Maintenance	0.25 cent*
2006 - Building on Basics	0.25 cent*
2006 - Natural Areas & Open Space	0.25 cent*
2011 - Keeping Fort Collins Great	0.85 cent*
	3.85 cents

*Excluding sales of grocery food.

Revenue generated by the Sales and Use Tax will be distributed, based on adopted budgets, in the following manner:

Subject to appropriations, actual Sales and Use Tax revenue generated by the 2.25 cent tax in excess of the fixed dollar amounts listed above, will be deposited to the General Fund.

Actual sales and use tax revenue generated by the 0.25 cent tax for Natural Areas and Open Space will be transferred to, and be retained in the Natural Areas Fund to be used to acquire, operate and maintain open spaces, community separators, natural areas, wildlife habitat, riparian areas, wetlands and valued agricultural lands and to provide for the appropriate use and enjoyment of these areas by the citizenry, through land conservation projects to be undertaken where there is an identifiable benefit to the residents of the City, as determined by the City Council, either within the City or its growth management or regionally, provided certain provisions are met.

Actual sales and use tax revenue generated by the 0.25 cent tax for Street Maintenance will be deposited and retained in the Transportation Services Fund to be used to pay the costs of planning, design, right-of-way acquisition, incidental upgrades and other costs associated with the repair and renovation of City streets, including but not limited to curbs, gutters, bridges, sidewalks, parkways, shoulders and medians.

Actual sales and use tax revenue generated by the 0.25 cent tax for Building on Basics projects will be transferred to, and be retained in the Capital Projects Fund or corresponding operating funds to be used to pay the costs of planning, design, right-of-way acquisition, construction, and at least seven (7) years of operation and maintenance for street/transportation projects and other community capital projects, identified during the Building on Basics process, approved by the voters.

Actual sales and use tax revenue generated by the 0.85 cent tax for Keep Fort Collins Great will be deposited and retained in the Keep Fort Collins Great Fund which is allocated as follows: 33% for street maintenance and repair; 17% for other street and transportation needs; 17% for police services; 11% for fire protection and other emergency services; 11% for parks maintenance and recreation services; and 11% for community priorities other than those listed above, as determined by the City Council.

2.5 Private Contributions

The City encourages the solicitation of private contributions. These services and programs represent extra services that the City has not been able to provide to residents through its regular revenue base. In times of revenue constraints the City may not be able to provide the same level of service without additional support. Therefore, efforts should be made to secure private contributions in support of these programs and services, as these contributions are an integral part of their successful operation. With respect to TABOR, the City's Finance Department will make a determination as to whether a contribution is a gift and is therefore excluded from constitutional limits.

Definitions

Governmental Services: *services provided by the City for the public good such as regulating land use, maintaining streets, and providing police and fire protection.*

Impact Fees: *usually one-time charges, levied by the City against new development to offset the impacts of the new developments*

Proprietary Services: *services provided for the benefit and enjoyment of the residents of the City, at their discretion, such as parks and recreation services*

Special Service Fee: *charges imposed on persons or property that are designed to defray the overall cost of the particular municipal service for which the fee is imposed*

Getting Help

Please contact the Revenue and Project Manager with any questions at 970.221.6626.

Related Policies/References

Information about related policies or procedures, guidelines, forms, etc. Give complete references and ensure that documents cited are readily available (i.e. either as widely distributed manuals or online). If needed provide additional background discussion here. Reference to detailed procedures that are recommended in order to carry out the intent of the policy.

Financial Management Policy 2

Issuing Debt

Issue Date:
Version: 2
Issued by:
Controller/Assistant Financial Officer

Objective:

The purpose of this policy is to establish parameters and provide guidance governing the issuance of all debt obligations issued by the City of Fort Collins (City).

Applicability:

This debt policy applies to all funds and Service Areas of the City and closely related agencies such as the Downtown Development Authority (DDA), Fort Collins Leasing Corporation and the Fort Collins Urban Renewal Authority (URA).

Authorized by:

City Council Resolutions 2013-XXX, Last change was authorized through adoption of the 2006-07 Budget in November 2005.

2.1 Authorization for Municipal Borrowing

The City Charter (Article V. Part II) authorizes the borrowing of money and the issuance of long term debt. The Charter and State Constitution determine which securities may be issued and when a vote of the electors of the City and approved by a majority of those voting on the issue.

2.2 Purpose and Uses of Debt

Long term obligations should only be used to finance larger capital acquisitions and/or construction costs that are for high priority projects. Debt will not be used for operating purposes. Debt financing of capital improvements and equipment will be done only when the following conditions exist:

a) When non-continuous projects (those not requiring continuous annual appropriations) are desired;
b) When it can be determined that future users will receive a significant benefit from the improvement;
c) When it is necessary to provide critical basic services to residents and taxpayers (for example, purchase of water rights);
d) When total debt, including that issued by overlapping governmental entities, does not constitute an unreasonable burden to the residents and taxpayers.

2.3 Types of Debt and Financing Agreements

The types of debt permitted are outlined in State statute. The City will avoid derivative type instruments. In general the following debt types are used by the City:

a) General obligation bonds- backed by the credit and taxing power of the City and not from revenues of any specific project. Colorado law limits general obligation debt to 10% of the City's assessed valuation. Under TABOR this type of debt must approved by voters.

b) Revenue Bonds - issued and backed by the revenues of a specific project, tax increment district (TIF), enterprise fund, etc. The holders of these bonds can only consider this revenue source for repayment. TABOR does not require that voters approve these types of debt.

c) Lease Purchase – issued whereby the asset acquired is used as collateral. Examples include Certificates of Participation (COP), Assignment of Lease Payments (ALP) and equipment leases. TABOR does not require that voters approve these types of agreements.

d) Moral Obligation Pledge – Is a pledge to consider replenishing a debt reserve fund of another government agency if the reserve was used to make debt payments. This type of commitment will only be used to support the highest priority projects, or when the financial risk to the City does not increase significantly, or when the City's overall credit rating is not expected to be negatively impacted. Because it is a pledge to consider replenishing, it is not a pledge of the City's credit, and as such is not a violation of State statutes and City Charter. However, decision makers should keep in mind that not honoring a Moral Obligation Pledge will almost certainly negatively impact the City's overall credit rating. TABOR does not require that voters approve these types of agreements.

e) Interagency Borrowing – issued when the credit of an agency (DDA, URA) of the City does not permit financing at affordable terms. Usually used to facilitate a project until the revenue stream is established and investors can offer better terms to the agency. Program parameters are outlined in City's Investment Policy. TABOR does not require that voters approve these types of agreements.

f) Conduit Debt – Typically limited to Qualified Private Activity Bonds (PAB) defined by the IRS and limited to the annual allocation received from the State. Low income housing is one example of a qualified use of PAB. There is no pledge or guarantee to pay by the City.

g) Any other securities not in contravention with City Charter or State statute.

2.4 Debt Structure and Terms

The following are guidelines, and may be modified by the City to meet the particulars of the

Attachmentb: Exhibit B (Debt & Revenue Policy - RESO) financial markets at the time of the issuance of a debt obligation:

a) Term of the Debt: The length of the financing will not exceed the useful life of the asset or average life of a group of assets, or 30 years, whichever is less. Terms longer than 20 years should be limited to the highest priority projects.
b) Structure of Debt: Level debt service will be used unless otherwise dictated by the useful life of the asset(s) and/or upon the advice of the City's financial advisor.
c) Credit Enhancements: The City will not use credit enhancements unless the cost of the enhancement is less than the differential between the net present value of the debt service without enhancement and the net present value of the debt service with the enhancement.
d) Variable Rate Debt: The City will normally not issue variable rate debt, meaning debt at rates that may adjust depending upon changed market conditions. However, it is recognized that certain circumstances may warrant the issuance of variable rate debt, but the City will attempt to stabilize the debt service payments through the use of an appropriate stabilization arrangement.
e) Derivative type instruments and terms will be avoided.
f) Interest during construction will be capitalized when the debt is in an enterprise fund.

2.5 Refinancing Debt

Refunding of outstanding debt will only be done if there is a resultant economic gain regardless of whether there is an accounting gain or loss, or a subsequent reduction or increase in cash flows. The net present value savings shall be at least 3%, preferably 5% or more. In an advanced refunding (before the call date), the ratio of present value savings to the negative arbitrage costs should be at least 2.

2.6 Debt Limitations and Capacity

Debt capacity will be evaluated by the annual dollar amount paid and the total amount outstanding with the goal to maintain the City's overall issuer rating at the very highest rating, AAA. Parameters are different for Governmental Funds, Enterprise Funds, and Related Agencies.

a. Governmental Funds - Annual debt service (principal and interest) will not exceed 5% of annual revenues. For calculation, revenues will not include internal charges, transfers and large one-time grants. Outstanding debt in relation to population and assessed value will be monitored.
b. Enterprise Funds – Each fund is unique and will be evaluated independently. Each funds debt will be managed to maintain a credit score of at least an A rating. These funds typically issue revenue bonds and investors closely watch revenue coverage ratio. Coverage ratios are usually published in the Statistical Section of the City's

Comprehensive Annual Financial Statement.

c. Related Agencies – Each agency will be evaluated independently, taking into account City Charter, State statutes, market conditions and financial feasibility.

2.7 Debt Issuance Process

When the City utilizes debt financing, it will ensure that the debt is soundly financed by:

a) Selecting an independent financial advisor to assist with determining the method of sale and the selection of other financing team members
b) Conservatively projecting the revenue sources that will be used to pay the debt;
c) Maintaining a debt service coverage ratio which ensures that combined debt service requirements will not exceed revenues pledged for the payment of debt.
d) Evaluating proposed debt against the target debt indicators.

2.8 Other

Debt Management - The City will also have an Administrative Policy and Procedure that includes guidance on:

a) Investment of bond proceeds
b) Market disclosure practices to primary and secondary markets, including annual certifications
c) Arbitrage rebate monitoring and filing
d) Federal and State law compliance practices

Getting Help

Please contact the Controller/Assistant Financial Officer with any questions at 970.221.6772

Related Policies/References

- *The City of Fort Collins Charter (Article V. Part II)*

e) Ongoing market and investor relations efforts

Definitions

Conduit Debt: *when a government agency issues municipal securities to raise capital for revenue-generating projects where the funds generated are used by a third party (known as the "conduit borrower") to make payments to investors.. If a project fails and the security goes into default, it falls to the conduit borrower's financial obligation, not the conduit issuer (City). Common types of conduit financing include industrial development revenue bonds (IDRBs), private activity bonds and housing revenue bonds (both for single-family and multifamily projects). Most conduit-issued securities are for projects to benefit the public at large (i.e. airports, docks, sewage facilities) or specific population segments (i.e. students, low-income home buyers, veterans).*

Credit Enhancements: *is usually bond insurance, but can be also subordination of other debt, reserve accounts, or other types of collateral.*

Agency: *although the term is not normally used by local governments, an agency is an organization created by the City with separate powers and authorities.*

Debt Service Coverage Ratio: *is a common measure of the ability to make debt service payments. The formula is net operating income (operating revenue – operating expense) divided by debt service (annual principal and interest)*

November 19, 2013

COUNCIL OF THE CITY OF FORT COLLINS, COLORADO

Council-Manager Form of Government

Regular Meeting - 6:00 p.m.

A regular meeting of the Council of the City of Fort Collins was held on Tuesday, November 19, 2013, at 6:00 p.m. in the Council Chambers of the City of Fort Collins City Hall. Roll call was answered by the following Councilmembers: Campana, Cunniff, Overbeck, Poppaw, Troxell and Weitkunat.

Councilmembers Absent: Horak

Staff Members Present: Atteberry, Jensen, Roy.

Agenda Review

City Manager Atteberry stated there were no changes to the published agenda.

CONSENT CALENDAR

1. Consideration and Approval of the October 15, 2013, Regular Council Meeting.

2. Postponing Indefinitely the Second Reading of Ordinance No. 094, 2013, Authorizing the Lease of City-Owned Property at 212 W. Laporte Avenue to Feeding Our Community Ourselves, Inc. For Up to Five Years.

   Staff is requesting this item be postponed indefinitely. Feeding Our Community Ourselves, Inc. ("FoCo Cafe") was seeking approval to lease 212 West Laporte Avenue to house a non-profit cafe. Due to the proposed design and development of the Block 32-42 Master Plan, 212 West Laporte will no longer be available to lease. FoCo Cafe Is currently seeking other sites to lease.

3. Second Reading of Ordinance No. 155, 2013, Appropriating Prior Year Reserves in the General Fund for the Purchase of a Police Scene Response Vehicle.

   This Ordinance, unanimously adopted on First Reading on November 5, 2013, appropriates funding for a Police Scene Response Vehicle from the Camera Radar Reserve Account. Police Services has identified a suitable replacement vehicle, manufactured by Lynch Diversified Vehicles. The new scene response vehicle will cost $171,476, to be funded from the Camera Radar Reserve account.

4. Second Reading of Ordinance No. 157, 2013, Designating the Mark and Effie Miller Property, 315 Whedbee Street, as a Fort Collins Landmark Pursuant to Chapter 14 of the City Code.

   This Ordinance, unanimously adopted on First Reading on November 5, 2013, designates the Miller Property, 315 Whedbee Street as a Fort Collins Landmark. The owners of the property, Maggie and Bryan Dennis, are initiating this request.

5. First Reading of Ordinance No. 163, 2013, Appropriating Unanticipated Grant Revenue in the General Fund for the Natural Resources Radon Program and Authorizing the Transfer of Matching Funds Previously Appropriated in the Environmental Services Operating Budget.

   The purpose of this item is to appropriate $4,973 awarded to the City by the Colorado Department of Public Health and Environment, to transfer a matching amount of $4,973 from the 2013 General Fund, and to combine these in the Natural Resources Radon Program account. The Radon Program carries out radon risk-reduction activities as identified in the current City Budget.

6. First Reading of Ordinance No. 164, 2013, Appropriating Prior Year Reserves in the General Fund for Waste Reduction and Diversion Projects Approved by the Waste Innovation Program.

   The purpose of this item is to shift $53,100 accumulated during 2013 in the Waste Innovation Program Fund (WIP) account into the City's General Fund account for an approved Streets Department project to buy a new piece of equipment called a Power Screen, for use at the Hoffman Mill Road Crushing Facility.

   The Power Screen will significantly increase the Streets Department's ability to screen ground-up asphalt, concrete aggregates, and fill dirt, from the current maximum of 300 tons/day to 400 tons an hour. On an annual basis, the Mill Road Crushing Facility averages 100,000 tons of recycling. Products generated by the Facility are used on City streets paving projects or sold to the public.

7. Items Relating to the Drake-Shields Intersection Improvement Project.

   A. Resolution 2013-092 Authorizing the Mayor to Execute an Intergovernmental Agreement with the Colorado Department of Transportation in Support of the Drake/Shields Intersection Improvements Project.

   B. First Reading of Ordinance No. 165, 2013, Appropriating Unanticipated Grant Revenue in the Capital Projects Fund for the Drake Road and Shields Street Intersection Improvement Project.

The purpose of this item is to appropriate unanticipated federal grant revenue for intersection improvements partially funded through Building on Basics funding.

8. Resolution 2013-093 Amending the City Council's Financial Management Policies by Updating the Revenue and Debt Policies Sections Contained Therein.

   The purpose of this item is to approve an updated City Debt Policy and Revenue Policy. Neither policy has been updated in many years. Since the last update, staff has developed a new framework for updating, controlling, formatting and publishing financial policies. The most significant change to the Revenue Policy is the inclusion of six revenue principles that provide staff and City Council a foundation for making sound financial decisions that provide citizens of Fort Collins a diverse, stable and fair revenue stream equipped to provide the services necessary to keep Fort Collins great. Under the new Debt Policy, the City's discrete governmental funds are limited to $70M in additional debt, compared to $150M under the existing policy.

9. Resolution 2013-094 Adopting the City's 2014 Legislative Policy Agenda.

   The purpose of this item is to adopt the City Council's 2014 Legislative Policy Agenda. Each year the Legislative Review Committee (LRC) develops a legislative agenda to assist in the analysis of pending legislation. The Legislative Policy Agenda is used as a guide by Council and staff to determine positions on legislation pending at the state and federal levels and as a general reference for state legislators and congressional delegation.

*****END CONSENT*****

Ordinances on Second Reading were read by title by Deputy City Clerk Jensen.

3. Second Reading of Ordinance No. 155, 2013, Appropriating Prior Year Reserves in the General Fund for the Purchase of a Police Scene Response Vehicle.

4. Second Reading of Ordinance No. 157, 2013, Designating the Mark and Effie Miller Property, 315 Whedbee Street, as a Fort Collins Landmark Pursuant to Chapter 14 of the City Code.

11. Second Reading of Ordinance No. 158, 2013, Amending Article III of Chapter 12 of the City Code Pertaining to Smoking in Public Areas.

12. Second Reading of Ordinance No. 156, 2013, Appropriating Unanticipated Revenue in the Stormwater Fund from Larimer County for Construction of Certain Stormwater Improvements in the West Vine Basin.

13. Items Relating to the Adoption of the Colorado Water Conservation Board Floodplain Regulations.

Finance Administration
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fcgov.com

Council Audit & Finance Committee
Minutes
1/27/14
10:00 to 12:00
CIC Room

Council Attendees:	Mayor Karen Weitkunat, Bob Overbeck, Ross Cunniff
Staff:	Mike Beckstead, Craig Foreman, Dawna Gorkowski, Marty Heffernan, Mark Jackson, Brian Janonis, Jessica Ping-Small, Ginny Sawyer, John Voss, Wendy Williams, Katie Wiggett
Others:	Dale Adamy, Kevin Jones (Chamber of Commerce)

Approval of the Minutes
Mayor Karen Weitkunat moved to approve the minutes from the December 16 meeting. Bob Overbeck seconded the motion. Minutes approved unanimously.

Utilities Building Financing Update
Mike Beckstead explained that Financial Services has been working with the Utilities finance team to evaluate the possibility of using existing fund balance cash to fund the construction of the new CSA building rather than borrowing through a bond offering. At the end of 2013, the four Utility Enterprise Funds combined had $58 M in cash and investments available for funding future capital projects.

Mike said that cash earned approximately .9% in 2013 and borrowing rates are currently about 4.5%. Staff believes that using available cash when earning rates are at historically low levels is an appropriate use of existing cash. Conversely, issuing bonds for the CSA building would be complicated because each enterprise fund is a unique entity and one cannot support the others. Staff has confirmed with bond counsel that we can structure a deal, but only with many cross agreements between the Utility Funds.

Given the risk of other large capital projects within Utilities that will require funding within the next 5-10 years (i.e. Halligan Reservoir and Mulberry annexation), staff feels that the CSA building is a less appropriate bonding candidate. Staff recommends using cash to fund the Utility CSA building.

Bob Overbeck asked Mike what savings would result from using cash rather than bonding. Mike replied that there would be substantial savings, up to 5 M in the next 20 years. Bob asked if, despite the potential savings, using cash on this project may put Utilities cash balances in jeopardy. Mike replied that this project will only require 15 M of the 43 M available. Holding the cash for future projects with uncertain timing requirements would be overly conservative.

Council Finance supports staff's decision to use cash for funding the CSA building project.

Parks Maintenance and Trail Funding

Trail Funding:

Marty Heffernan gave an overview of the City's trail system, a system including 34 miles of paved trails and 23 underpasses with a value of $39 million. Current plans will add 31 miles of new trail and 10 underpasses at a cost of approximately $23 million.

Funding for the trail system has come primarily from Conservation Trust (Lottery) proceeds. In 2001, due to budget shortfalls, a significant amount of ConTrust funds were redirected to park and trail maintenance. Currently, $735,000 of ConTrust funds are used for maintaining rather than building the system. Of the approximately $1.4 million in funds that ConTrust provided annually in 2012 and 2013, only $665,000 went to trail development. Natural Areas has provided $350,000 for trail development since 2003, but this funding may not be available after 2014 due to Natural Areas' needs.

Mayor Weitkunat noted that many aren't in favor of any Natural Area funds being used to fund Trails projects. She asked that Staff look for future funding plans that eliminate Trails' reliance on these funds.

Marty explained that the City has about $6 million set aside for trail development in 2014 and 2015, funding that will be expended on six major trail projects. In 2016, the City will still have 26 miles of trail to build at a cost of over $17 million with only $665,000 in annual funding. This means it will take 27 years (2014 to 2040) to complete the trail system without additional funding.

Marty walked through four options for increasing trail funding:

1. Redirect all ConTrust funding to trail development
    a. Provides ~$1.4 million annually
    b. Builds out trail system in 14 years (2014 to 2027)
    c. Requires replacement of $735,000 for park and trail maintenance annually
    d. Replacement funds could be provided by a new park maintenance fee of ~$1 per month or by the General Fund

Ross asked how much the General Fund was over projection in 2013 and if those excess funds could provide the $735,000 needed for Option 1. Mike said that the General Fund was $5.5 million over projection in 2013; however, much of that came from an increase in Use Tax, a volatile revenue.

2. The creation of a capital expansion fee for trails
    a. Similar to our park capital expansion fees
    b. One-time assessment (~$700) on new residential dwellings
    c. Provides ~$500,000 annually
    d. With existing ConTrust funding ($665,000) provides $1.165 million for trail development
    e. Builds out trail system in 17 years (2014 to 2030)

Ross asked if this was the capital expansion fee that was dropped from the package of the updated capital expansion fees passed by Council in 2013. Marty answered that this was from that study and noted that, even with Trails added to the other updated fees, Fort Collins capital expansion fees would still not be high compared to other municipalities in the Front Range.

3. Continuing Natural Area funding for trails ($350,000) if the County quarter cent tax for open space is extended in 2018
    a. Only affordable if the County 1/4 cent for Natural Areas is extended
    b. Provides $350,000 annually
    c. With existing ConTrust funding provides $1.015 million for trail development
    d. Builds out trail system in 19 years
    e. If combined with a trail impact fee (Option 2) builds out trail system in 13 years
    f. Could delay infrastructure improvements (parking lots, restrooms) for newly acquired natural areas

The Mayor noted that Council has not been interested in continuing to use Natural Area funds for projects that are not directly tied to Natural Areas.

4. One-time Trail Funding
    a. Dedicate one-time funding ($5 to $10 million) to trail development
    b. Possible funding sources are BOB 2 or reserves
    c. Current BOB 2 trail offer is for $2 million but could be increased
    d. With current ConTrust funding builds out trail system in 13 to 20 years

The Mayor cautioned that, for trails to be funded by BOB 2, the offer would need to have strong public backing. A good BOB 2 offer for Trail Funding would give the public clear details of what will be funded and what the short-term benefit will be. Ross Cunniff added that Council is interested in this option; they just need to see more data.

Park Maintenance:

Marty also presented the need for more park maintenance funding. The City has 44 neighborhood parks and 6 community parks comprising 875 acres of developed parkland. Currently capital expansion fees fund the building or our park system while the funding to maintain parks comes primarily from the General Fund ($3,661,521), an amount of funding that hasn't increased since 2006. Park maintenance is also funded with KFCG dollars, fee revenue from rentals and ConTrust funding.

Over the next 15 years as the community grows, park capital expansion fees will fund construction of 10 new neighborhood parks and 3 new community parks. KFCG will provide maintenance funding for 4 neighborhood parks between 2016 and 2019. However, the average annual maintenance cost for these neighborhood parks is approximately $35,000 per park, an ongoing expense; so if KFCG sunsets, an alternative funding source will be needed.

Also, a new community park is being designed with construction scheduled for 2015/2016. Ongoing maintenance funding of approximately $370,000 annually will be needed for this park beginning in 2017, and one-time, start-up funding for tools and equipment will be needed in 2016. Staff will be requesting the start-up funding from the General Fund in the 2015/2016 budget process.

While these new parks are provided to serve our growing population and a larger population should produce additional General Fund revenue, Marty noted that an alternative funding source is needed for maintenance of these new parks. He suggested a park maintenance fee as one possible way to fund future maintenance. The fee would be approximately $1 per household, collected on the Utility bill.

The Mayor said that she supports finding a mechanism for funding maintenance. While the City always sets aside funds for building the system, we have not yet set up a viable plan for maintaining what we build. Mike noted that, if Council did choose to move forward with a park maintenance fee, a rebate program for low-income would be provided.

Council Finance supports Staff's efforts to find a funding mechanism for park maintenance and asks that they move forward. Mike emphasized the importance of timing if Staff moves forward with a fee, considering the many taxes that are coming up for renewal. Staff does currently have an RFP out for a Fee Comparison study, a study that will give us a strong, broad view of how the City's fees compare with the Front Range's. This study will give valuable guidance as we move forward with fee discussions.

Transportation Maintenance Fee Discussion

Mike noted that the topic of Street Maintenance Fees was brought to Council Finance in October and November of 2013. A transportation maintenance fee was discussed as a potential alternative to the 1/4 cent tax that expires in 2015. Staff presented the fee study and its financial impact on local businesses. While the cost can arguably be passed off to the customer, it would be difficult for businesses to absorb the entire cost of the fee and there is a perception that the fee places a larger burden on businesses.

Mike noted that some of the businesses that would pay the fee do not currently collect sales tax (i.e. banks); for these businesses, the fee would be a completely new addition. Ross noted that the businesses affected by the fee would be competing with businesses similarly affected by the fee, so the addition in cost to the customer shouldn't hurt the businesses. Ross asked that the fee discussion continue.

The Mayor questioned continuing the fee discussion, saying that the fee places a large burden on businesses and can be seen as double hitting the resident and the business owner. She believes that the fee doesn't have Council or citizen support, whereas the 1/4 tax does. Ross agreed that the fee needs to be improved to become what is best for Fort Collins. Bob believes that Staff should continue to work on the possibility of transportation Maintenance Fee. The Mayor asked what they hoped to see from Staff if they continue. Bob replied that he'd like to have the discussion in a Work Session to get feedback from the rest of Council and from citizens on what they actually support and what changes they would like made. Darin Atteberry will talk to Councilmembers about the topic before it moves forward.

Grocery Tax and Utility Rebates: 2013 Report

Jessica Ping-Small said that the Finance Department currently administers three rebate programs for low-income, senior and disabled residents. The rebates are for Property Tax, Utilities and Sales Tax on Food. In May of 2012, City Council approved several improvements to the program which helped increase the number of qualified applicants by 13% that year. Katie Wiggett gave an overview of the 2013 program. In 2013, Staff focused on continuing to simplify the process for applicants and on promoting the program leading to an increase of 2% qualified participants.

2013 Outreach:

- Translated the application into Spanish to help reach a larger demographic and made a telephone translating service available to applicants

- Distributed over 2,500 applications to low income PSD elementary schools in their Back-to-School packets
- Articles in the Coloradoan, in City News and a News Bulletin on Cable 14
- Partnerships with local agencies such as the Larimer Food Bank, Volunteers of America, Larimer Health and Human Services, etc.
- Provided on-site help at the DMA and Senior Center
- Application forms distributed to the Senior Center, Aztlan Center, Utility Billing Office and the Workforce Center as well as to several senior living apartment clubhouses
- Provided applications and advertising posters to the Villages low-income apartments
- Applications mailed out to all applicants from the prior year
- City webpage with downloadable application in English and Spanish
- Information in the Senior Voice and available through United Way's 211

Goals for 2014:

- Continue with proven outreach strategies
- Look for more effective ways to partner with PSD for targeted outreach
- Develop strategy for better reaching Spanish-speaking community
- Increase on-site application assistance at low income housing
- Increased partnership with non-profits to advertise the program
- Partner with the Social Sustainability Service Area to increase community outreach

Bob Overbeck suggested advertising the program on local radio stations and on Channel 97. The Mayor suggested that the outreach to schools at the beginning of the school year might be less effective because of all the paperwork that parents get at that time. She also asked about the logic of having the program begin in August, suggesting that it might be easier for applicants if the program started closer to tax season when more people had their documentation ready and are thinking about rebates. Staff said they could move the program forward in 2015, but they would need 2014 to prepare applicants for the change in deadlines.

Council Finance is pleased with the outreach efforts made in 2013 and the continued improvements to the program. They feel that a change in scheduling for the rebate may be very helpful for participation.

COUNCIL FINANCE COMMITTEE
AGENDA ITEM SUMMARY

Staff: Marty Heffernan, Director of Community Services

SUBJECT FOR DISCUSSION

Funding for Trails and New Park Maintenance

EXECUTIVE SUMMARY

Council consideration of a new capital expansion fee for trails was postponed in favor of exploring various trail funding options, including redirecting all Conservation Trust (Lottery) funding to trail construction. A significant portion of Conservation Trust funding has been used for park and trail maintenance since 2001.

Funding to maintain our parks has primarily been provided by the General Fund. Information is presented on upcoming new park development, and maintenance funding.

GENERAL DIRECTION SOUGHT AND SPECIFIC QUESTIONS TO BE ANSWERED

1. Is Council interested in exploring additional funding for new trail development?

2. Does Council have a preference for one or more of the trail funding options presented?

3. Does Council have concerns with current plans to fund new park maintenance?

BACKGROUND/DISCUSSION

TRAILS

The City has 34 miles of paved trails and 23 underpasses with a value of $39 million. Current plans add 31 miles of new trail and 10 underpasses at a cost of ~$23 million. Funding to build the trail system has come primarily from Conservation Trust (Lottery) proceeds pursuant to Council Resolution 83-173. In 2001, due to budget shortfalls, a significant portion of ConTrust funds were redirected to park and trail maintenance. Currently, $735,000 of ConTrust funds are used for maintenance. ConTrust has provided ~$1.4 million annually in 2012 and 2013 with $665,000 going to trail development. Natural Areas has provided $350,000 for trail development since 2003 but this funding may not be available after 2014 due to Natural Areas funding needs.

The City has about $6 million for trail development in 2014 and 2015. This includes reserves, grants, and ConTrust and Natural Areas funding for this time period. All of this funding will be expended in 2014 and 2015 on six major trail projects. Most of the projects have been in the planning stages for several years with the timing of construction tied to grants, approvals from the Railroad or coordination with other projects. Consequently, in 2016 the City will have 26 miles of trail to build at a cost of over $17 million with $665,000 in annual funding. This means it will take 27 years (2014 to 2040) to complete the trail system unless additional funding for trails is provided.

One option to increase trail funding is to redirect all ConTrust funding to trail development. This provides ~$1.4 million annually and builds out the trail system in 14 years. It requires the replacement of $735,000 for park and trail maintenance annually. Replacement funds could be provided by a new Park Maintenance Fee of ~$1 per month. The fee could be assessed through the Utility billing system. Funding could also be provided by the General Fund.

Another trail funding option is the creation of a capital expansion fee for trails. We have capital expansion fees for neighborhood and community parks and for other capital infrastructure. The fee is a one-time assessment on new residential dwellings of ~$700. It is anticipated to provide about $500,000 annually, depending on the pace of residential development. New trails are needed to serve new residential developments, so this is a method for growth to pay for infrastructure needed to serve our growing population. Funding from the fee ($500,000) coupled with current ConTrust trail funding ($665,000) would provide $1.165 million annually for trail development, which builds out the trail system in 17 years (2014 to 2030).

Additional trail funding could be provided by continuing Natural Area funding for trails ($350,000) if the County quarter cent tax for open space is extended. The County tax will end in 2018 unless it is continued by the voters. The County is planning to present this question to the voters in November of this year. If the County tax is not extended, Natural Areas will need their trail funding for operations. Even if the County tax is extended, Natural Areas could have difficulty building infrastructure for new natural areas it may acquire if the contribution to trails continues. Nearly all of the County funding is used for operations and 80% of the City quarter cent tax for Natural Areas must be used for land acquisition or restoration.

Providing one-time funding to build out of the trail system is another option. Dedicating 5 to 10 million dollars to trail development would allow trail construction to continue at a rapid pace. With $5 million and current ConTrust funding, the system could be completed in 20 years instead of 27. With $10 million the trail system could be completed in 13 years.

PARK MAINTENANCE

Funding to build our park system is provided by capital expansion fees for neighborhood and community parks. The City builds a neighborhood park to serve a square mile of residential development and a community park to serve a four square mile area. Our parks are well distributed throughout the community. We have 44 neighborhood parks and six community parks comprising 875 acres of developed parkland.

Funding to maintain our parks comes primarily from the General Fund ($3,661,521). General Fund support for park maintenance has not increased since 2006. Park maintenance is also funded with KFCG dollars ($725,847), with fee revenue from rentals ($304,110) and with ConTrust funding ($573,924). Trails are also maintained with ConTrust funds ($161,076) so ConTrust funding to maintain both parks and trails is $735,000.

Park capital expansion fees will fund construction of 10 new neighborhood parks and 3 new community parks over the next 15 years as the community grows. Maintenance funding for the next 4 neighborhood parks, which will be developed between 2016 and 2019, will be provided by KFCG. Average annual maintenance costs for these neighborhood parks is ~$35,000 per park. Park maintenance is an ongoing expense so if KFCG sunsets, an alternative funding source will be needed.

The Southeast Community Park, located south of Fossil Ridge H.S., is being designed now with construction scheduled for 2015/2016. Ongoing maintenance funding for this park (~$370,000 annually) will be needed beginning in 2017. One-time start-up funding for tools and equipment will be needed in 2016. Staff will be requesting the start-up funding from the General Fund in the 2015/2016 budget process. New parks are provided to serve our growing population and a larger population should produce additional General Fund revenue. An alternative funding source to maintain the Southeast Community Park and future new parks is a park maintenance fee.

ATTACHMENTS

1. PowerPoint Presentation

FUNDING TRAILS
AND NEW PARK MAINTENANCE

BUILDING OUR TRAIL SYSTEM

BUILDING OUR TRAIL SYSTEM

- The City has 34 miles of paved trails and 23 underpasses with a value of $39 million.
- Current plans add 31 miles of new trail and 10 underpasses at a cost of ~$23 million.
- Funding to build the trail system has come primarily from Conservation Trust (Lottery) proceeds, pursuant to Council Resolution 83-173.

City of Fort Collins

BUILDING OUR TRAIL SYSTEM

- In 2001, due to budget shortfalls, a significant portion of ConTrust funds were redirected to park and trail maintenance. Currently $735,000 of ConTrust funds are used for maintenance.
- ConTrust has provided ~$1.4 million annually in 2012 and 2013 with $665,000 going to trail development.
- To help offset the loss of ConTrust funds, Natural Areas (NA) has contributed ~$350,000 to trail development since 2003. This funding may not be available after 2014 due to NA funding needs.

City of Fort Collins

BUILDING OUR TRAIL SYSTEM

All trail funding (~$6 million), which includes reserves, will be expended by 2015. Projects include:

- Shields Street Trail to Trilby ($1 million Xcel funds)
- Fossil Creek Trail--Trilby east of Lemay ($900,000)
- Poudre Trail--Lemay/Mulberry relocation ($900,000)
- Poudre Trail at I-25 ($1.5 million)
- Fossil Creek Trail--College to Shields ($1.5 million)
- Poudre Trail--spur to Lincoln Jr. High ($350,000)

In 2016 we will have over 26 miles of trail to build at a cost of over $17 million with $665,000 in annual funding = 27 year build out

City of Fort Collins

TRAIL FUNDING OPTIONS

OPTION 1: Redirect all Conservation Trust Funding to Trail Development

- Provides ~$1.4 million annually
- Builds out trail system in 14 years (2014 to 2027)
- Requires replacement of $735,000 for park and trail maintenance annually
- Replacement funds could be provided by a new park maintenance fee of ~$1 per month or by the General Fund

City of Fort Collins

OPTION 2: Create a Trail Capital Expansion Fee

- Similar to our park capital expansion fees
- One-time assessment (~$700) on new residential dwellings
- Provides ~$500,000 annually
- With existing ConTrust funding ($665,000) provides $1.165 million for trail development
- Builds out trail system in 17 years (2014 to 2030)

City of Fort Collins

OPTION 3: Continue Natural Areas Funding for Trails

- Only affordable if the County ¼ cent for Natural Areas is extended
- Provides $350,000 annually
- With existing ConTrust funding provides $1.015 million for trail development
- Builds out trail system in 19 years
- If combined with a trail impact fee (Option 2) builds out trail system in 13 years
- Could delay infrastructure improvements (parking lots, restrooms) for newly acquired natural areas

City of Fort Collins

OPTION 4: One-Time Trail Funding

- Dedicate one-time funding ($5 to $10 million) to trail development
- Possible funding sources are BOB 2 or reserves
- Current BOB 2 trail offer is for $2 million but could be increased
- With current ConTrust funding builds out trail system in 13 to 20 years

MAINTAINING NEW PARKS

MAINTAINING NEW PARKS

- Funding to build our park system is provided by capital expansion fees for neighborhood and community parks
- The City builds a neighborhood park for every square mile of residential development and a community park to serve every four square miles
- We have 44 neighborhood parks and six community parks comprising 875 acres of developed parks

MAINTAINING NEW PARKS

Funding to maintain our parks comes primarily from the General Fund supplemented by KFCG, Conservation Trust and fee revenue. Funding for 2013:

• General Fund	$3,661,521*
• KFCG	725,847
• ConTrust	573,924**
• Fees	304,110
• Total	$5,265,402

*Same amount of funding provided since 2006

**$161,076 of ConTrust is used for trail maintenance

MAINTAINING NEW PARKS

- Parks capital expansion fees will fund construction of ten (10) new neighborhood parks and three (3) new community parks over the next 15 years
- Maintenance funding for the next four (4) neighborhood parks (which will be developed between 2016 and 2019) will be provided by KFCG. Annual maintenance cost for these neighborhood parks averages $35,000 per park
- Park maintenance is an ongoing expense, so if KFCG sunsets, an alternative funding source will be needed

MAINTAINING NEW PARKS

- The SE Community Park (located south of Fossil Ridge H.S.) is being designed now with construction scheduled for 2015/2016.
- Ongoing maintenance funding for this park (~$370,000) will be needed beginning in 2017 with equipment funding needed in 2016.
- Additional General Fund money for new park maintenance will not be needed until 2020, assuming KFCG funding continues

City of Fort Collins