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Council Finance Committee Meeting
February 2, 2023
Via Zoom

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

Staff: Kelly DiMartino, Travis Storin, Tyler Marr, John Duval, Teresa, Roche, Terri Runyan, Ginny Sawyer, Sylvia Tatman-Burruss, Megan Valliere, Jen Poznanovic, Nina Bodenhamer, Blaine Dunn, Jo Cech, Randy Bailey, Renee Reeves, Gerry Paul, Lawrence Pollack, Dave Lenz, Sheena Freve, Josh Birks, Javier Echeverria Diaz, Rachel Rogers, Lindsay, Ex, Caroline Mitchell, Beth Rosen, Kira Beckham, Honore Depew, Dean Klingner, Victoria Shaw, Mike Calhoon, LeAnn Williams, Aaron Harris, Monica Martinez, Ian Smith, Kaley Zeisel, Drew Brooks, Dave Lenz, Kerri Ishmael, Sheena Freve, Zack Mozer, Tracy Ochsner, Erik Martin, Brian Hergott, Jeff Rochford, Carolyn Koontz

Others: Jason Licon, Airport Director
Wade Troxell
Kirk Scramstad, Mark Houdashelt
Pat Ferrier, Coloradoan

Meeting called to order at 4:00 pm

Approval of minutes from the January 5, 2023, Council Finance Committee Meeting. Emily Francis moved for approval of the minutes as presented Kelly Ohlson seconded the motion. Minutes were approved unanimously via roll call by; Julie Pignataro, Kelly Ohlson and Emily Francis.

A. Sustainable Revenue / CCIP

Ginny Sawyer, Sr. Project Manager
Jen Poznanovic, Sr. Revenue Manager

EXECUTIVE SUMMARY

The purpose of this item is to seek Council Finance Committee direction on timing and what, if any, item(s) to consider for referral to the November 2023 ballot.

Should CFC recommend bringing a revenue option in November 2023, staff suggests focusing on an additional tax on marijuana, alcohol, and tobacco. Revenue from this option is estimated at an amount that could cover the existing Parks and Recreation gap that focuses on maintaining current assets and infrastructure.

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

GENERAL DIRECTION SOUGHT AND SPECIFIC QUESTIONS TO BE ANSWERED

1. Does Council Finance support bringing a revenue question to the voters in November 2023?
2. If yes, what type of revenue increase option does Council Finance recommend?
3. Does Council Finance support pursuing the two ¼ cent renewals in November 2024?

BACKGROUND/DISCUSSION

Over the past several years, masterplan developments and updates have identified clear funding needs in the areas of parks and recreation, transit, and housing. Along with these needs the criticality of advancing City climate action goals has also been identified as an area of need. Original estimated annual shortfalls ranged from six to twelve million per area.

When conversations were first initiated, funding needs included:

- Parks & Recreation - \$8 to \$12M annual shortfall (Parks & Recreation Master Plan)
- Transit - \$8M to \$10M annual shortfall (Transit Master Plan)
- Housing - \$8M to \$9.5M annual shortfall (Housing Strategic Plan)
- Climate - \$6M+ annual shortfall (Our Climate Future Plan)

Throughout 2022, staff has worked with the Council Finance Committee (CFC) to refine and better articulate the needs and what additional funding would accomplish. CFC discussions have also focused on potential funding mechanisms and the impacts and implications of various strategies.

Discussions and feedback to date have highlighted a desire to:

- Clearly define and articulate revenue needs and level of service considerations.
- Thoroughly research funding options including impacts and the context of existing and potential new tax measures (local and regionally.)
- Work to keep overall resident impact and tax burden as low as possible.
- Consider existing dedicated tax renewals and associated election timelines in a strategic manner.

These considerations were also supported by the full Council at the April 12, 2022, work session.

Funding Gaps

Since April, staff has engaged with CFC in June, September, and November to clarify funding needs. These efforts have resulted in updates to the funding gaps (see below) and more focused funding strategies.

- Transit from \$8-\$10 to \$14.7M
- Climate from \$6M to \$9.5M

With total annual shortfalls ranging from \$30-\$40 million discussions have focused on understanding priorities in each area and how additional money would be spent.

Parks and Recreation needs are in operations and maintenance and infrastructure replacement. Additional funding is needed to maintain existing assets and to stay current with community needs and trends.

Transit funding needs have been identified to build out the transit system to the 2040 vision. Shorter term needs would focus on capital investments and increased frequencies. Longer term funding would focus on local grant matches for larger projects.

Fort Collins **Housing** goals call for increasing affordable housing stock to 10% total. Additional funding could be utilized in a variety of ways including expanding the competitive funding process and/or expanding and initiating City-led efforts.

The **Climate Action** focus would be on reduction strategies identified in Our Climate Future Big Moves.

Through discussion and analysis at CFC and Council work sessions, sales tax, property tax and excise/additional sales taxes have emerged as the most feasible mechanisms. The table below demonstrates the potential revenue gain along with estimated annual impact to residents. Capital expansion fees are listed and is something staff will pursue during the Fee Study in 2023.

Category	Funding Mechanism	Annual Revenue Estimate	Household Impact
Sales Tax	¼-Cent Sales Tax (dedicated, ongoing or repurpose)	\$9M+	<ul style="list-style-type: none"> \$30.67 average per year for a resident Sales tax on food would remain at 2.25% Visitors also impacted
Property Tax	1 Mill Property Tax	\$3.5M	<ul style="list-style-type: none"> Residential annual increase of \$21.45 Commercial annual increase of \$87.00
	2 Mill Property Tax	\$7M+	<ul style="list-style-type: none"> Residential annual increase of \$42.90 Commercial annual increase of \$174.00
	3 Mill Property Tax	\$11M+	<ul style="list-style-type: none"> Residential annual increase of \$64.35 Commercial annual increase of \$261.00
	4 Mill Property Tax	\$14.5M+	<ul style="list-style-type: none"> Residential annual increase of \$85.80 Commercial annual increase of \$348.00
	5 Mill Property Tax	\$18M+	<ul style="list-style-type: none"> Residential annual increase of \$107.25 Commercial annual increase of \$435.00
Additional (Excise) Sales Tax	5% Tax on Specific Goods	\$5M	<ul style="list-style-type: none"> \$5 per \$100 purchase in Fort Collins Visitors also impacted
Capital Expansion Fee	Reconfigure/Broaden Application	\$2M	<ul style="list-style-type: none"> Net neutral for residential and commercial permit fees

Sales Tax: Sales tax has been the most traditional revenue source for the City. Our base rate is currently 2.85%. There are four dedicated ¼ cent taxes. These taxes are paid on any purchase made within the city. Requires voter approval. (Groceries taxed at 2.25%).

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

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

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

Numerous other municipalities across Colorado have an additional tax on marijuana and have not experienced negative impacts. Police Services has found that “gray/black” market marijuana activity in Fort Collins is focused on transport out of state, not on sales and availability to residents or minors. Police Services is reporting an uptick in underage sales of tobacco.

An additional sales tax would require voter approval.

Excise Tax: An excise tax is a tax on specific goods or services paid by the businesses. Fort Collins currently has a liquor occupation excise tax.

Staff is also researching excise tax mechanisms to generate revenue and change behavior in natural gas use. Staff plans to discuss a natural gas excise tax and a large emitter tax with Council Finance Committee in May of 2023.

Any excise tax would require voter approval.

Funding Scenarios

Achieving additional funding will likely be a phased effort that lessens the funding gaps incrementally over time. Knowing this, and through CFC conversations, demonstration scenarios target pursuing new revenue in a \$25M range.

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

The two scenarios include anticipated impacts to a household of three and range from \$156 annually to \$107 annually. The models focus on property tax, sales tax, and excise tax.

Staff has also calculated the impact to 3-person households at both 50 and 80% AMI and found the lowest impact to be 0.14% of total annual income to 0.32% at the high end.

Scenario A: 4.1% sales tax/estimated \$156 annual cost to a 3-person household.

Category	Funding Mechanism	Annual Revenue Estimate	Stakeholder Impact
Sales Tax	New ¼-Cent Sales Tax	\$9M+	<ul style="list-style-type: none"> \$30.67 average per year for a resident Sales tax on food would remain at 2.25%
Property Tax	3 Mill Property Tax	\$11M+	<ul style="list-style-type: none"> Residential annual increase of \$64.35 Commercial annual increase of \$261.00
Additional (Excise) Sales Tax	3% Tax on Alcohol	\$2M+	<ul style="list-style-type: none"> \$2 per \$100 purchase in Fort Collins Visitors also impacted
Additional (Excise) Sales Tax	3% Tax on Retail Marijuana	\$3M	<ul style="list-style-type: none"> \$3 per \$100 purchase in Fort Collins Visitors also impacted
Additional (Excise) Sales Tax	3% Tax on Tobacco	\$1M	<ul style="list-style-type: none"> \$1 per \$100 purchase in Fort Collins Visitors also impacted
Total	Sales Tax 4.1%	\$25M+	<ul style="list-style-type: none"> \$156 net annual increase per household* + impact of excise tax

*Assumes a family of three

Scenario B: 3.85% sales tax (no increase). Higher property tax and impact to homeowners.

Follow up on Taxes and State Sharebacks from December Council Work Session:

Below are the current total retail sales tax rates on alcohol, tobacco, and marijuana in Fort Collins:

Taxing Authority	Cigarettes	Other Tobacco	Alcohol	Marijuana
State (Excise)	\$1.94 (per pack)	-	-	-
State	2.90%	2.90%	2.90%	15.00%
County	0.0%	0.80%	0.80%	0.80%
City	3.85%	3.85%	3.85%	3.85%
Total	6.75% + excise tax	7.55%	7.55%	19.65%

The City has a liquor occupation excise tax and had two state sharebacks until June 2022. The City receives a monthly state marijuana tax shareback and opted out of the tobacco tax shareback in June 2022. Previously the city exempted tax on cigarettes but now taxes cigarettes at the City's 3.85% rate.

CITY LIQUOR OCCUPATION TAX*		STATE CIGARETTE TAX SHAREBACK		STATE MARIJUANA TAX SHAREBACK	
Year	Revenue	Year	Shareback	Year	Shareback
2019	\$474K	2019	\$282K	2019	\$1.1M
2020	\$392K	2020	\$300K	2020	\$1.4M
2021	\$400K	2021	\$342K	2021	\$1.5M
2022	\$495K	2022**	\$196K	2022	\$1.3M

*This tax is paid by the business annually based on the type of alcohol served

**The City opted out in June 2022

Election Timeline Considerations

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

Tabor initiatives cannot be considered during special elections.

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


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DISCUSSION / NEXT STEPS

Emily Francis; why are the amounts different on \$100 if they are all 5%
(see slide 10 and 7 below)



Scenario B: \$29M+ 10

Category	Funding Mechanism	Annual Revenue Estimate	Stakeholder Impact
Property Tax	5 Mill Property Tax	\$18M+	<ul style="list-style-type: none"> Residential annual increase of \$107.25 Commercial annual increase of \$435.00
Additional (Excise) Sales Tax	5% Tax on Alcohol	\$4M+	<ul style="list-style-type: none"> \$4 per \$100 purchase in Fort Collins Visitors also impacted
Additional (Excise) Sales Tax	5% Tax on Retail Marijuana	\$5M	<ul style="list-style-type: none"> \$5 per \$100 purchase in Fort Collins Visitors also impacted
Additional (Excise) Sales Tax	5% Tax on Tobacco	\$2M	<ul style="list-style-type: none"> \$2 per \$100 purchase in Fort Collins Visitors also impacted
Total	Sales Tax 3.85%	\$29M+	<ul style="list-style-type: none"> \$107.25 net annual increase per household* + impact of excise tax

IMPACT FOR A HOUSEHOLD OF THREE:

- 0.22% increase at 50% Area Median Income
- 0.14% increase at 80% Area Median Income

*Assumes a household of three

ADDITIONAL SALES TAX

- An additional sales tax on the purchase price to the end customer
- Estimates below:

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

*Liquor store estimate only

EXCISE TAX

- Excise tax on the distributor
- Natural gas excise tax discussion
 - May CFC

Travis Storin; you are correct – numbers were transposed between slides 7 and 10(see above0

Emily Francis; would the new proposed alcohol sales tax apply to grocery stores as well?

Ginny Sawyer: we could do that in grocery stores easily

Emily Franci; does our Transit funding include multimodal?

Travis Storin; I don't believe so – this has been focused around bus rapid transit – fixed route network.

Drew Brooks; what we have been proposing so far in the transit discussion has only been around transit itself (buses) and bus service. There are some aspects of that buildout of the Transit Master Plan that would result in some active modes improvements, for instance the West Elizabeth corridor is a full rebuild of that corridor that would include protected bike lanes and improvements to sidewalks

ACTION ITEM:

Emily Francis; great clarification – thank you. Do we know what the gap in funding is for our Active Modes Plan?

Drew Brooks will get that information to Emly as a follow-up

Emily Francis; if we did another capital improvement tax - what projects would be in there?

Ginny Sawyer; that is part of the reason we are looking at November 2024, we definitely need some time to develop that. Certainly some things that we would consider traditional; a lot are transit related, bike / pedestrian related. We also try to get some amenities in there. We have started pulling a team together

internally to start shaping at a high level (a community choice and Council choice), but at least getting some of the options together. We will be bringing that back to Council Finance yet this year.

Travis Storin; I think last time that was a 16-month window around planning and engagement. That suite of programs from the capital tax is thoroughly vetted and does take quite a bit of time.

Emily Francis; I noticed that both scenarios presented have higher impacts on lower income residents.

Ginny Sawyer; I think anything we do is going to have a higher impact on lower income residents when we look at gaining revenue in a taxing space. There are ways to work through our existing rebate programs which are already in place. If we add to taxes, we could also add to a rebate piece.

Emily Francis; I would support bringing something in November 2023. We do need to talk more about why was Parks & Recreation was elected for 2023. I know we have some immediate needs identified for Parks & Recreation and we have other options in our other three priority areas. In looking at the pros and cons of which one to bring forward, know what the trade-offs are would be helpful. I know we have limited time, but that would be a good session to have.

Ginny Sawyer; we should do that sooner because you are right, the limited time is a very real thing. Bringing the community along to get behind and be supportive and to understand how that will go forward. With needing ballot language by August, time is of the essence but, we can certainly have that conversation.

Travis Storin; We would be happy to describe here today, the rationale the staff had. I know that there are community residents supportive of all priorities or particular concentrations of the priorities who are disappointed with the proposed sequencing but have respect for the fact that ultimately it is the Council's decision on what we do here. You have satisfied our first question on whether to go forward with something in 2023. I am happy to provide context now or as we go through the items.

Emily Francis; I feel like there are a lot of trade-offs and benefits to all of them. I don't feel like I have enough information to give any direction.

Julie Pignataro; I agree and that was my question as well, why Parks & Recreation was prioritized. We all know there are issues and trade-offs, and I would love to hear why staff thought that was the best way to go.

Travis Storin; we treated the renewals as something of an anchor that the others initiatives are sort of responding around. For us, 2024 made a lot of sense as it still allows for two chances in 2024 and 2025, should the voters not approve the renewals in 2024. It became a question for us around 2023 and 2025. In addition to what Ginny mentioned around the currently provided services and the amenities that are reaching a state of disrepair. For us, it came down to two equally important things;

- 1) Ballots – which comes down to odds and probabilities. We have reason to believe that given the success in other communities, taxation on marijuana and other substances mentioned have a pretty decent chance a good of successes.
- 2) As it related to using those funds on parks, we were assessing all 4 priority areas that are each part of Council's 31 adopted priorities. When we talk about affordable housing, transit and climate, we know that there are some really powerful policy levers, and current resourcing levels that are helping to reach the goals around 2030. In the case of climate, we know that much of our results will be driven by Utilities and

the dialogue around anticipated rates increases through Platt River Power Authority in order to achieve those goals, knowing that is not the entirety of the resourcing needed for our climate future. We are at least assured of some level of progress and a reasonable chance of success at 80% GRG reduction by 2030.

In the case of Affordable Housing, that is where the powerful policy levers existed, whether that is the land development code or occupancy or the many things we have talked about with Council through the Affordable Housing Strategic Plan that are not necessarily resource dependent (as helpful as the resources may be) we are assured of some level of progress within the next 7-10 years.

On Transit, we have these federal funding opportunities, that are not necessarily as available or widespread across the other three categories.

From the staff perspective, Parks & Recreation is the one that is existing in a largely un resourced state and lacks either the current resourcing or the heavy hitting policy levers to advance those. So, those are the two factors in our rationale; 1) probabilities of ballot success and 2) the other avenues of progress toward the other three priorities.

Ginny Sawyer; we do acknowledge there are trade-offs, one being finding the matching dollars for those transit grants, that is a very real thing. We are acknowledging that and having those conversations. Knowing what the gaps are across, knowing that we have renewals, I think leads to – that we need to run something this November and that is right away. People love our Parks & Recreation. These taxes on marijuana, tobacco and alcohol are pretty favorable if you look across the landscape and so it felt doable.

Kelly DiMartino; one things to add, we talked one, this is an explicitly stated Council priority that we think is aligned well with your conversations around that asset management gap that we are trying to address. From a vetting perspective, we know that is one that has been multi-year conversations with Parks & Recreation Board and some of that community advocacy piece so there were some other considerations in addition to what Travis and Ginny have outlined.

Julie Pignataro; I hear you that was one priority, but I see 14 or 15 that have to do with the other ones. I also hear that you are looking at matching grants that would be available in further years. Is that what you are saying as a reason to put it off?

Ginny-Sawyer; I was just calling that out as a straight up trade-off. That is a risk.

Julie Pignataro; It is hard because I love all of those things as do a lot of people. All of these are so important. Frankly, I am tired of putting off climate, very tired of putting off climate. I know we have bigger problems with the parks where we are talking about how we are going to continue O&M, but, I am not feeling strong that we have that answer. I see what you are saying the anchoring of the renewals which made perfect sense but it makes the trade-off even more extreme which I am trying to wrap my head around. Is it possible to break those three things up? We have talked about having climate, affordable housing, and transit in a package.

Ginny Sawyer; that is doable. If we look at these estimated dollar amounts. Let's just say 5% on those things is about \$10M. We can divvy that up and put it in different places. There is always that prerogative. We could put it in the General Fund and put it through priorities and BFO offers because that becomes a bit of a harder sell to the public and probably disappointing to Parks & Recreation, who has been raising this warning flag for years. We can do whatever we want and what the community supports.

Julie Pignataro; that is what I love about putting things on the ballot – the immediate feedback that you get. I personally, if it is possible, would not object to having both Parks & Recreation and the Climate portfolio in 2023.

Ginny Sawyer; are you talking only with the proposed additional taxes or are you suggesting we run a property tax as well?

Julie Pignataro; I still need to suss that out. I am still in the baby steps part of figuring out when to put things on the ballot.

Ginny Sawyer; what we don't want to do – I appreciate that a ballot is immediate feedback but there are ripple effects if you don't win too. It's hard to say ok, what about this one then and we only get an annual chance at that now. We want to be really confident and bring the community along and build that story of here is what you are going to get for these dollars. That is what we have built our reputation on with these taxes. We want to be cautious and conscientious of that.

Travis Storin; we have been working with partners over at the County, and it is looking increasingly likely that all of the work that has gone into a childcare tax could come back this November as well in the form of a ¼ cent. Somewhat speculative but seems likely that we will have another local entity on the ballot as well. I know the school district has on going challenges as well – in the future looking at their own funding structures.

Emily Pignataro; just to clarify - can you use sales tax to match grants for the transit?

Ginny Sawyer; yes

Emily Francis; in the past, has our CI tax been used for parks?

Ginny Sawyer; yes, it has been used for some things in parks. Mike Calhoon concurs.

Emily Francis; I know people love Parks & Recreation, but I hear most frequently is about climate and housing. I feel like we continue to put it off. If they were on the same ballot, it doesn't compute with me that they are different taxes.

Ginny Sawyer; We haven't done a Mil since the 90's

Emily Francis; I think there is support for doing two things at the same time.

Kelly Ohlson; this is one of the biggest and most complex things we do.
clarifying question; on the alcohol tax, it said liquor store estimates only – what about non-restaurant alcohol sales grocery stores? We must do both to be fair. I sense the days of automatic voter approval of taxes may be coming to an end.

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IMPACT FOR A HOUSEHOLD OF THREE:

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Slide 10 Scenario B (see above)

I am not for a ¼ cent sales tax – all taxes are somewhat regressive for lower income folks.

A property tax increase is less regressive than another ¼ cent. If it raises \$29M and the number for parks is \$15M or so, what is the other \$14M going to?

Ginny Sawyer; when we did these scenarios, we were trying to capture the gaps identified across parks, housing, climate and transit. These slides were meant to refresh what we have talked about, covering all of the gaps, knowing it would likely be a phased approach. We don't think we can go to the voters all at once to get \$29M. These scenarios showed ways we could approach the revenue gaps across all four areas – and across what could be 3 or more ballots.

Kelly Ohlson; so, the 5% on alcohol, tobacco and marijuana to raise in the neighborhood of \$ 11M as one option. I am not in favor any of them. If I was going to support anything, which is extremely unlikely, it would be the alcohol, tobacco, marijuana thing and a property tax increase. I think we have declared a climate emergency. Have we declared a Parks & Recreation emergency? Parks & Recreation is in need of money, if I was going to support anything I would support that as well. I support the climate thing along with the other committee members that perhaps we need to aim high. I am assuming the question on alcohol, marijuana and tobacco could be one question and then the property tax increase would be a second question Do the alcohol tobacco and marijuana need to be separate ballot questions?

John Duval; the property tax would have to be a separate ballot item. The tax on alcohol, tobacco and marijuana could be a single item or separately.

Kelly Ohlson; it is almost unpredictable, sometimes almost everything passes, sometimes almost everything fails and sometimes it is a mix. About 95% city measures have passed.

By and large, city things pass much more often. You can have a bunch of things on there, if you think they are worthy and you sell it well (in an absolutely ethical, moral and legal way).

This is the really hard part for me. I helped the city raise over \$1B in taxes that didn't exist before I got involved. In good conscience, I cannot support additional tax dollars for an organization when I so fundamentally disagree on the major issues of the day. Not no brainer 7-0 issues, of the action and inactions of the land use code, the slow and weakened oil & gas regulations and 1041 regulations, Rental Registration & Licensing, Land Use, U+2, minimum wage. I am not interested in feeding the beast. I will contribute my thoughts, but I won't be supporting putting anything on the ballot and won't be supporting it once it is on the ballot.

Julie Pignataro; Kelly I appreciate you bringing those things up but I won't speak for other councilmembers but I see what is happening a little differently. Previous Councils used agenda setting and keeping things off of the agenda or postponing as a way to permanently table things. The things I have voted to postpone have been because I needed more data to know if we are improving or causing more problems. I am looking forward to minimum wage and rental registration coming back. I have a listening session scheduled that is specifically targeted for renters in District 2 because we are not getting to these people. I am looking forward to coming back to these things with more information to make more informed decisions. As you have said Kelly, 'different opinions make for a better product in the end.'

Ginny Sawyer; I would say is we are going to look at bringing something in November which means we need to light a fire under what that would be. We will go back and look at what we can do with \$10M, if it is tobacco, marijuana and alcohol across the priority areas and maybe even just in the climate area and see what that looks like. What impact it could make.

B. Airport Terminal Project

Travis Storin, CFO

Jason Licon, Airport Director

EXECUTIVE SUMMARY

The purpose of this item is to seek Council Finance Committee direction on the contractual conditions associated with a proposed capital contribution to the Airport.

GENERAL DIRECTION SOUGHT AND SPECIFIC QUESTIONS TO BE ANSWERED

1. Does Council Finance support bringing an appropriation to Council
2. If yes, which performance indicators or gates would the Committee recommend pursuing as a condition of the capital contribution?

BACKGROUND/DISCUSSION

The Fort Collins Loveland Airport is seeking additional funding to complete their total need for the \$27M project of a new terminal facility. This new terminal will replace the inadequate, temporary facilities used for growing multi-modal transportation segment, charters, and future airline services. The new terminal will include two airline gates, Denver Airport transportation, and transit access. The total cost of the project is being funded by Federal Funds (\$23M), Airport Capital Reserves (\$2M), City of Loveland contribution (\$1M), and seeking a City of Fort Collins Contribution of (\$1M). This will give the project the total needed to complete the work.

At the January Council Finance meeting, Committee members directed staff to identify performance outcomes that could be attached as condition to a forgivable loan or capital contribution. Staff has identified an array of possible performance metrics for discussion:

Condition	Baseline / Current State	Target State
1) Cities' annual operations/maintenance contributions	0% (since 2019)	0%
2) Leadership in Energy and Environmental Design (LEED) Silver building certification	N/A	Yes
3) Public art commitment at 1% of non-federal contributions	No	Yes
4) Carbon Footprint of Building	236 MTCO ₂ e	198 MTCO ₂ e
5) Number of annual outbound passengers served (bus and air)	18,000	33,000
6) Enhance accessibility	Partial	Fully
7) Achieve regularly scheduled commercial air service	No	Yes

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DISCUSSION / NEXT STEPS

Julie Pignataro; what is the status of the remote tower with the FAA?

Jason Licon; the vendor that the FAA selected is working on developing some solutions for some newly created FAA criteria on these new emerging systems. The remote tower concept was pioneered by our installation of a system and one in Leesburg, Virginia that predated us by a couple of years. As a result, our system was deployed in late 2019 / early 2020 right before the pandemic. Due to timing, the FAA had more time to really think through the requirements of such a system and as a result of that, some criteria have changed. The vendor is working to create solutions to address those updated criteria that the FAA developed and released about a year ago. One of the biggest hurdles is the visibility requirement for the cameras and displays was increased by 50%. The existing system that was created and deployed in 2019, isn't able to accurately depict. The vendor is looking at upgrading their system to a higher definition capable camera and display. They are hoping to bring that up later next month to begin testing and hopefully get us back on track. with the certification of the new system by the FAA.

Julie Pignataro; if things go that way, what is the timeline for approval?

Jason Licon; we don't have one yet. There are still a lot of questions we need to get answers to from what the FAA has told us. It will take testing that and making sure it works properly. Fully retrofitting the system so that it will work at that elevated level. Upgrading to 4K cameras from the HD cameras that they currently use.

Kelly Ohlson; I am not for it, but I understand why some are for it. I think it is a Loveland Airport no matter what they call it, therefore, I think they should be responsible for funding of the \$2M. It is their city limits and they do the land use planning. Back in the day, I didn't even support the \$60K because I thought it was a Loveland airport. At that time, I thought mostly corporations and wealthy individuals were using it. Just like our Impact fees, I am not up to speed as to if there are impact fees there on commercial aspects and the regular users of the airport. I am not for subsidizing things that stimulate more growth with public dollars. I am not interested in a commercial airline coming in. The land use planning for the county and the city of Loveland exactly designed our land use planning and our residential development around massive commercial use. I am not interested in fueling more growth which doesn't help our climate goals or our affordable housing goals. The opportunity costs of the \$1M – some hesitation on funding

Emily Francis; do we still contribute even though that slide is very specific to operations and maintenance?

Jason Licon; there is no contribution directly to the airport at this time from either community.

Emily Francis; so, we haven't contributed anything since 2019?

Jason Licon; correct – nothing since 2019.

Emily Francis; what is the timeline for meeting these benchmarks?

Jason Licon; there are some that are tied directly to the building. Once the building is complete as it relates to leadership energy and environmental design, LEED Silver Designation and carbon footprint. As it relates to outbound passengers, we can tie that to some of the forecasts that our Airport Master Plan identified and were adopted in 2020. We looked at those forecasts and believe it would be a three year timeframe to get to the 33K mark. The accessibility piece is fully dependent on how much redesign we would need to do. We had mentioned partially and fully because we may have to take out some of the components that would enhance baggage claim access and that may make it more difficult for those who have less accessibility. The end of project would be approximately October of 2024, and then the three years that would in addition to that for the outbound passenger component.

Travis Storin; there is a ground lease that is associated with the Police Training Facility that is paid to the FAA by Police Services.

Jason Licon, federal requirement dictate that any land lease for that type of use does require fair market value. Primarily due to the fact that the federal government provided the land to the cities as a steward. Our funding is heavily reliant on federal resources for maintaining the capital needs for the airport.

Emily Francis; I think I heard you say it would be about seven years.

Jason Licon; we are hopeful that most of this will be five years. A two-year program for building the facility, and then another three years on top of that to get to forecasted passenger counts.

Emily Francis; why wasn't the security-to-security landline included in one of the benchmark options?
I would rather see that as a benchmark instead of a commercial airline which is not of interest to me.

Jason Licon; I think it kind of dove tailed in with the commercial air service since it is a private sector driven benchmark. We are very excited about that potential as well and continue to move forward in partnership. That is something that is not totally within our control to be able to manage or have a direct influence over.

Emily Francis; I thought that was the point of having a terminal.

Jason Licon; It is, we do include bus and air transportation in the number so that metric is inside the numbers. As far as getting the secure-to-secure functionality - the proof of concept on getting the bus transportation past the security checkpoint at DIA certainly is our goal but we don't have a timeline on that.

Julie Pignataro; does landline do that anywhere?

Jason Licon; they don't – they do have partnerships with three other airlines including Sun Country, American and United. There are other air carriers that are working in parallel with our project to try to get that capability. There are more players who have recently helped our push to get this through the various approvals that are needed from TSA and within the airlines themselves on who is undertaking some of the risk between the point to point and making sure those security compliance metrics are met. Most of that is heavily dependent on the air carriers. We are getting through a lot of the procedures and statement of operational viability for making sure we are able to get there.

Julie Pignataro; is it a correct statement that no bus service such at landline has achieved that yet?

Jason Licon; that is correct. We hope to be one of the first and as with any pioneering concept, we are trying to develop as we go, we have a lot of work completed but more to do as we work through some of the finer details. The end points (both airports) are pretty much done, the in between that has been causing the most challenge for us from the liability standpoint (who is responsible for what) and security and regulatory compliance.

Kelly Ohlson; I just wanted to thank Emily for asking for some performance outcomes at our last meeting. Last night in another meeting, I was asked how I thought the current staff was compared to years ago. To me it is light years better. It is not us versus them nearly as much, of course there will always be conflict and different values. Commending Travis for transparency and full disclosure, not making Councilmembers ask the subset of the subset to get the full answer. Back in the day you would have had to probe for that. Things are much more professional. Does that mean that we had an obligation, but we are meeting it through this land lease and that if we didn't have the land lease we would still be paying money into the airport?

Travis Storin; I appreciate the complement and the answer is yes.

Kelly Ohlson; how much money would that be if we weren't paying it through the land lease?

Jason Licon; I believe it is approximately \$180K annually from each city for the land lease for the 43 acres of space.

Kelly Ohlson; I am sure there are valid reasons, but we do give three times the \$60K.

(see slide 7 below)

Kelly Ohlson; I do want to understand the carbon footprint, is that for the operations? I think we are using most of the old buildings and it is not figuring in the cost because there is carbon footprint for the construction. Are the 236 MTCO₂e and the 198 MTCO₂e for the ongoing O&M? Is that for the ongoing carbon footprint for the existing buildings?



Potential Metrics for City Contribution

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Condition	Baseline / Current State	Target State
1) Cities' annual operations/maintenance contributions	0% (since 2019)	0%
2) Leadership in Energy and Environmental Design (LEED) Silver building certification	N/A	Yes
3) Public art commitment at 1% of non-federal contributions	No	Yes
4) Carbon Footprint of Building	236 MTCO ₂ e	198 MTCO ₂ e
5) Number of annual outbound passengers served (bus and air)	18,000	33,000
6) Enhance accessibility	Partial	Fully
7) Achieve regularly scheduled commercial air service	No	Yes

Staff recommendation is to proceed with items 1-6 for a conditional capital contribution

Jason Licon; it would be for the new building itself based on what the annual heating and electrical usage. That will be a minimum as there will be some additional facilities that will be decommissioned as a result of this, further lowering the amount of energy use. This building will be replacing buildings that are less efficient.

Kelly Ohlson; do you get the \$1M upfront or after you have met these performance metrics?

Travis Storin; an upfront contribution that is repayable should the selected goals not be met.

Emily Francis; I am not interested in using public dollars to fund charter or commercial airline. So, for me the funding the terminal is really funding the ability of landline to be direct to DIA. I am hearing that it is unknown, and I understand why. I agree with the metrics that are in there, but I would like a metric around landline. I think this should go to the full Council. I don't know if this committee has a recommendation.

Jason Licon; Landline Service is operating still, the only component that we are missing is the secure-to-secure functionality. We do have nine round trips daily that are being utilized. The TSA security component is still the thing that is a work in progress.

Julie Pignataro; I think this should go to the full Council. I am still torn. I do appreciate the metrics and I think 1-6 is the best way to go. If we could do something even though it is external dependency to get the secure-to-secure functionality. Since this first came, I have heard from people on both sides, it is pretty evening split. It is

very interesting what does and does not raise flags. Encourage more thought into maybe an additional metric – being very clear what payback would look like if it came to that. I appreciate all the work. Bring it to Council and I encourage a little bit more in the metrics;

C. Trash Contracting Admin Fee & Potential Appropriations

Kira Beckham, Lead Specialist, Environmental Sustainability

Rachel Rogers, Senior Specialist, Economic Sustainability

SUBJECT FOR DISCUSSION Administrative Fee and request for appropriation in the amount of \$107,251 in 2023 from the General Fund for the Residential Solid Waste Collection Program.

EXECUTIVE SUMMARY

The purpose of this item is to seek feedback on the recommended Residential Solid Waste Collection Program administrative fee and to request an appropriation in the amount of \$107,251 from the General Fund to support the start-up phase of the program.

One of the adopted Council Priorities is to explore a contracted system for garbage, recycling, and compost collection for single family homes. On February 21, 2023, City staff will present a draft contract and Ordinance to City Council for First Reading. By passing the Ordinance, Council would create a new Residential Solid Waste Collection Program.

An administrative fee for the Residential Solid Waste Collection is proposed to defray City costs to run the program. An Administrative Fee Study was done to evaluate City program costs, the recommended fee range, and projected revenues. The recommended administrative fee is proposed to not exceed \$1.35 per household per month to ensure repayment during the contract term.

GENERAL DIRECTION SOUGHT AND SPECIFIC QUESTIONS TO BE ANSWERED

1. Does Council Finance Committee have feedback about the recommended administrative fee of no greater than \$1.35/household/month?
2. Does Council Finance Committee have feedback about the appropriation request of \$107,251 from the General Fund in 2023 to support the start-up phase of the Residential Solid Waste Collection Program?

BACKGROUND/DISCUSSION

Fort Collins has adopted aggressive waste reduction goals, including working toward zero waste by 2030, and has identified a stagnant residential diversion rate as one of the challenges of making progress on that goal. Strategies to achieve zero waste are outlined in Our Climate Future, the combined waste, climate and energy plan for Fort Collins, which can be viewed at www.fcgov.com/climateaction/our-climate-future.

For decades, Fort Collins has utilized a licensed open market collection system. Licensing requires haulers to report the materials collected from all sectors of the community, which is used to calculate various diversion rates. In 2020, the Community Diversion Rate (including residential, commercial, and industrial materials) was 52% and the Residential Diversion Rate was 29%. Details of Fort Collins diversion rates can be found in the annual reports at www.fcgov.com/recycling/publications-resources.php.

To support increased waste diversion, one of the adopted Council Priorities is to explore a contracted system for garbage, recycling, and compost collection for single unit homes.

Changing to a contracted system could help achieve the following goals:

1. Reduce the number of trucks on residential streets and achieve street maintenance savings as well as increase safety in residential neighborhoods
2. Reduce greenhouse gas emissions
3. Increase diversion of recyclable materials and yard trimmings and encourage reuse of bulky items as much as possible
4. Provide equitable pricing throughout the community
5. Provide cost-effective pricing for collection services
6. Provide a high level of customer service

SCOPE

The contractor would provide these core services over a term of 5 years:

1. Solid Waste collection
2. Recyclable materials collection
3. Yard trimming collection
4. Bulky item collection
5. Billing
6. Customer Service

Services would be provided for all single unit residential housing and multi-family housing of seven units or fewer that use carts for collection. The following would not be included in the program:

- All commercial and industrial establishments and multi-unit housing containing eight (8) or more units.
- All households served by a dumpster.
- Homeowners' Associations with contracts for solid waste, recycling, and yard trimmings collection. These contracts must be effective before the effective date of the City's contract and comply with all applicable requirements of Chapter 12 and Chapter 15 of the City Code
- Residential units that have been granted a variance for shared service or excess producers as defined in Chapter 12 of the City Code

Residents that fall within this scope would be required to utilize the service or pay an opt-out fee equivalent to the service cost of the smallest trash cart size.

The City may provide billing service in future contracts, which would require a new evaluation of the City administrative fee and contractor pricing.

Key Milestones and Dates

- April 12, 2022 - Council Work Session
- April, June 2022 - Community Conversations
- July 12, 2022 - Council Work Session
- July 19, 2022 - City Council [passed a Resolution](#) directing City staff to proceed with developing a Request for Proposals (RFP) for a single hauler contracted system
- September 13, 2022 – City staff released a Request for Proposal (RFP)
- November 1, 2022 – Three haulers respond to RFP: Republic Services, Waste Management of Colorado, and Sweetman Sanitation
- November 28, 2022 – Hauler Interviews

- December 2022 through January 2022 – Contract Negotiations
 - February 21, 2023 – Staff will present the draft contract and Ordinance for First Reading with Council at a regular meeting.
 - March 7, 2023 – If adopted on First Reading, Second Reading would
- By passing the ordinance in February, Council would create a new Solid Waste Collection Service Program. Service would expect to start 12-18 months after the contract was signed.

Administrative Fee Highlights

The proposed Residential Solid Waste Collection Program includes an Administrative Fee.

Cities imposing new fees are required to demonstrate a clear connection between program costs incurred by the City and the subject of the fee. The purpose of a fee is to defray the cost of providing a service to the community.

The Residential Solid Waste Collection Administrative Fee Study is attached for further details on anticipated revenues, costs, methodology, and peer community case studies.

Fee Components

To deliver on the City's role in administering the contract, there are four primary elements that are needed, see **Table 1**.

Table 1. City Roles in Administering the new Residential Solid Waste Collection Program (more details are included in the Administrative Fee Study):

Need	Key Activities
Program Management	Contract administration, performance reviews, transition support for community, grant management, lead contract renewals, staff supervision
Customer service	Answering questions from public, support billing escalation and tracking, ready customer service software/develop tools, records retention
Compliance	Investigate complaints, check HOA compliance, check variances, enforce contract and code, ready software/develop tools
Education, Outreach, and Program Support	Collateral review, community communications and education, HOA specific communications, recycling and yard waste education, program communications

To deliver on these roles, the following estimated costs include outreach and communication, tools and materials, and staffing. Peer communities shared that start-up and transition phases (end of one contract and start-up of a new contract) require a larger staffing level to ensure quality customer service, smooth transitions for residents, an effective and efficient purchasing process, and to communicate and educate the community on coming changes.

The estimates shown in the table below represent a summary of the range of anticipated program costs and number of full-time equivalent staff (FTE). A contingency of 5% has been added to overall costs to allow for inflation and unforeseen expenses. As negotiations are ongoing, these costs are being refined by the project team and may be updated in advance of the Council Finance Committee.

Table 2. Costs to the City for the new Residential Solid Waste Collection Program. Note: Transition expenses are included in these annualized expenses but are averaged over the contract term (when the City will receive revenue):

Cost description	Annual cost range (low) Assumes 2 FTE	Annual cost range (high) Assumes 4FTE
Outreach and communications	\$31k	\$31k
Tools and materials	\$59k	\$59k
Mileage	\$3k	\$3k
Staffing	\$243k	\$448k
Contingency	\$17k	\$27k
Total Cost	\$353k	\$568k

Methodology for Fee Calculation

Key drivers of the administrative fee necessary to break even within the 5-year contract term:

- The staffing level required to support the program.
- Repayment period
- Number of contributing households

Staffing: The transition from a licensed system (which requires less than 0.25 FTE) to a new contracted system will require additional resources, including staffing. **Table 2** includes the estimated need of 2 to 4 FTE.

Repayment period: The repayment period for the costs shown in Table 2 has been aligned with the contract term.

Number of contributing households: Staff has done extensive work to size the range of in-scope households. This includes GIS mapping and analysis and HOA identification. The number of households will be clear by the service start date but are modeled as a range based on best information available at this time.
Fee

Further clarity in the future: As the number of households and the necessary program costs become clear over time, the administrative fee may be adjusted to meet the goal of covering the program costs but not substantially accruing funds over time.

Recommended Fee Range

The estimated fee ranges from \$.65 to \$1.35. A conservative approach to the fee helps to minimize risk of a lower number of households being in-scope or higher program costs. **Table 3** below illustrates the range of administrative fee minimums.

Staff is recommending setting the administrative fee at \$1.35 per household per month, as this will allow revenue to cover anticipated program costs over the term of the contract. Staff will review all fee drivers at

least annually and prior to service start date to determine if a change to the fee is warranted. Changes to the fee would require formal Council action by resolution or ordinance.

Table 3. Minimum administrative fee levels for different levels of staffing and numbers of households:

Admin Fee Minimums			
2023-2029 (5-yr contract + start-up)			
	Number of Households		
Staffing	35,500	40,500	45,500
2 FTE	\$0.85	\$0.75	\$0.65
4 FTE	\$1.35	\$1.20	\$1.05

Requested Appropriation

An appropriation of \$107,251 from the General Fund is requested to support the 2023 portion of the start-up phase of the Residential Solid Waste Collection Program. This appropriation amount supports both 2 FTE and 4 FTE scenarios modeled, as only 2 FTE are scheduled for program startup, i.e., additional staffing would be added after service starts. The funding appropriated for 2023 startup costs will be repaid from administrative fees once they begin to be collected ensuring that the City is not subsidizing the cost of this service.

GENERAL DIRECTION SOUGHT AND SPECIFIC QUESTIONS TO BE ANSWERED

1. Does Council Finance Committee have feedback about the recommended administrative fee of no greater than \$1.35/household/month?
2. Does Council Finance Committee have feedback about the appropriation request of \$107,251 from the General Fund in 2023 to support the start-up phase of the Residential Solid Waste Collection Program?

DISCUSSION / NEXT STEPS

Julie Pignataro; throughout this whole program, I have been so impressed with your department and your research and the way you have provided all information – Bravo. I am fine with both questions. Do we know what the price range is for a single-family home?

Trash Cart Size	% of Homes	Trash + Recycling Only				Trash + Recycling + Yard Trimmings				Trash + Recycling + Yard Trimmings + Bulky Items			
		Current	Contract	\$ Change	% Change	Current	Contract	\$ Change	% Change	Current	Contract	\$ Change	% Change
XS	0.5%	\$15.93	\$11.10	\$ (4.83)	-30%	\$33.10	\$11.10	\$ (22.00)	-66%	\$39.35	\$11.10	\$ (28.25)	-72%
Small	43%	\$18.18	\$12.85	\$ (5.33)	-29%	\$35.35	\$17.85	\$ (17.50)	-50%	\$41.18	\$17.85	\$ (23.33)	-57%
Med	41%	\$32.09	\$29.60	\$ (2.49)	-8%	\$49.26	\$34.60	\$ (14.66)	-30%	\$55.10	\$34.60	\$ (20.50)	-37%
Large	15%	\$42.32	\$46.35	\$ 4.03	10%	\$59.49	\$51.35	\$ (8.14)	-14%	\$65.33	\$51.35	\$ (13.98)	-21%
XL	n/a	n/a	\$96.60			n/a	\$101.60			n/a	\$101.60		

In an apples-to-apples comparison of services, the contracted price offers significant price savings for almost all households

Monthly Service price

- XS cart service (16 gallons): \$11.10
 - S cart service (35 gallons): \$17.85
 - M cart service (65 gallons): \$34.60
 - L cart service (95 gallons): \$51.35
 - XL cart service (2 x 95 gallons carts): \$101.60
- (prices incl. City Admin Fee)

- Services included: trash, every-other-week recycling, yard trimmings, 2 bulky items / year
- Service start date: 9/30/24
- Contract length: 5 years from service start date
- Opt-out fee: \$11.10 / month
- Sustainable Vehicles: 1 EV, all new vehicles will run on natural gas from landfills etc.
- Weekly recycling: available for \$1.25 more / mo (Council decision)
- If opting out of yard trimmings: bill reduced \$5 / mo (except XS service)
- Contractor provides billing and dedicated local customer service reps
- HOAs w contracts that comply w Pay-As-You-Throw requirements exempted

Lindsay Ex; we just completed the contract a few hours ago – the slide above was created after the packets went out.

Julie Pignataro; are the fees on top of or included in these amounts?

Kira Beckham; the fees are included in those amounts.

Emily Francis; I am a yes to both of the questions in front of us. Such great work – the study and analysis. I think it is a nominal fee.

Kelly Ohlson; yes to both – I want to echo the quality of the work
1986 prices would most likely go down – these numbers presented exceeded my expectations.

Historically every staff member and consultants have agreed with me on the road to zero waste.
It was a compromise about the HOA thing, but the commitment was made by staff that HOAs would have to comply with the pay as you throw.

If there a commitment from staff that we will eliminate the gaming of the system – what happens is people get bigger carts for a cheaper price than the rest of Fort Collins. That flies in the face of the Climate and the Pay as You Throw programs and of the solid waste and recycling. Most HOAs receive bigger carts for a cheaper price. Do I have a commitment from the organization that you are serious about the compliance, and they will not be exempt from this program?

Kira Beckham; we are absolutely committed to compliance on the HOA front. If this is adopted, one of the first things we are going to tackle after our discussions with you in July is to look at existing contracts and making sure those are adjusted to accommodate the pay as you throw requirements.

I think you have staff's full commitment – across the board for HOAs.

Kelly Ohlson; this isn't easy work, but this is great work and I look forward to it coming to us.

D. Audit Selection Process

Travis Storin, CFO

I wanted to apprise the committee of a competitive process every five years to select an Audit firm. The committee itself has some charter driven responsibilities around. This is the only city service I am aware of where the Council is directly awarding a contract. Our charter requires that we undergo an independent external audit every year. The Council makes the decision as we should not be our own watchdog. We have limited our auditors to a term of five years and a given audit firm maxes out after two terms. Our current firm is reaching the end of their five year term and they are eligible to bid on the next five year term.

The process begins in April, when we will come to this committee and gather your input for the contents of an RFP. Staff will look to narrow down the respondents to 2-3 candidates to bring in for live interviews in a public meeting likely in July or August. By the end of the year, we will look to the Council to have awarded the contract so we can end 2023 and know who our new auditor will be. Conducting the interviews will likely take up an entire Council Finance committee meeting.

Blaine Dunn; our current audit firm is eligible to respond to an RFP again, but they will need to change the partner who is on our engagement. So, if you remember Chris Telli is our partner on the engagement now. This is part of the due diligence, so we don't get too comfortable. Should FORVIS choose to respond again, they will need to bring a different partner.

The 'partner' is the person who is actually signing the audit opinion. We have mandatory rotations built in that mimics the private sector around Sarbanes-Oxley requirements.

Baine Dunn; the audit firm reports to this committee. In between this meeting and the meeting in April, I am guessing based on timelines from previous years, that we will receive our formal engagement letter from this year's audit and we will pass that document on to the committee as soon as we receive it so you can see everything they are doing and their full scope of services as well.

Julie Pignataro; having never interviewed for an auditor, prior to the interviews can you provide us with some context on what makes a good auditor and lessons learned from firms we have engaged with in the past.

Travis Storin; yes, we can incorporate that into April. Your April input will basically create the requirements for the RFP that the firms will respond to. The success criteria are really important to label.

Kelly Ohlson; should this be a one off, separate meeting?

Travis Storin; and it would be helpful if the meeting is 3 hours long to allow adequate time for 3 firms to present, should that be the case. The firms would prefer to give in person presentations if possible.

Julie Pignataro; It may make sense to possibly make this a separate meeting. I prefer three candidates as having two candidates is not really a choice.

A special three hour in person Council Finance Committee meeting to be scheduled. Carolyn with work with Sarah Kane.

Meeting adjourned.