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AGENDA
Council Finance & Audit Committee
February 2, 2023
4:00 - 6:00 pm

Zoom Meeting https://zoom.us/j/8140111859

Approval of Minutes from the January 5, 2023, Council Finance Committee meeting.

1. Sustainable Revenue/ CCIP — G. Sawyer, J. Poznanovic
   - Presentation: 20 mins.
   - Discussion: 20 mins.

2. Airport Terminal — T. Storin
   - Presentation: 10 mins.
   - Discussion: 20 mins.

3. Trash Contracting Admin Fee Study & Potential Appropriations — K. Beckham
   - Presentation: 10 mins.
   - Discussion: 20 mins.

4. Audit Selection Process — 10 mins. — T. Storin

Council Finance Committee

2023 Agenda Planning Calendar

RVSD 1/25/23 ck

Feb. 2nd	**2023**		
	Sustainable Revenue / CCIP	40 min	G. Sawyer J. Poznanovic
	Airport Terminal	30 min	T. Storin
	Trash Contracting Admin Fee Study & Potential Appropriations	30 min	K. Beckham
	Audit Selection Process	10 min	T. Storin

March 2nd	**2023**		
	Utility Billing System Appropriation	40 min	G. Stanford L. Smith
	Connexion – Capital Management	30 min	B. Dunn
	Annual Reappropriation Ordinance	20 min	L. Pollack

April 6th	**2023**		
	Auditor RFP Process	30 min	B. Dunn
	Sustainable Timberline Recycling Center	TBD	M. Saylor
	West Elizabeth Appropriation Request		M. Martinez
	Encampment Clean-up	20 min	R. Venkatesh M. Yoder

May 4th	**2023**		
	Sustainable Revenue - Climate		H. Depew

July 6th
Auditor Interviews (B. Dunn)

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

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Council Finance Committee Meeting
January 5, 2023
Via Zoom

Council Attendees:	Julie Pignataro, Emily Francis, Kelly Ohlson, Shirley Peel
Staff:	Kelly DiMartino, Travis Storin, John Duval, Ginny Sawyer, Nina Bodenhamer, Blaine Dunn, Jo Cech, Holly Mason, Randy Bailey, Trevor Nash, Renee Reeves, Monica Martinez, Lance Smith, Gerry Paul, Lawrence Pollack Megan Valliere, Dave Lenz, Kerri Ishmael, Victoria Shaw, Zack Mozer, Erik Martin, Carolyn Koontz
Others:	Jason Licon, Airport Director Molly Bohannon, Coloradoan Wade Troxell

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Meeting called to order at 4:00 pm

Approval of minutes from the December 1, 2022, Council Finance Committee Meeting. Kelly Ohlson moved for approval of the minutes as presented. Emily Francis seconded the motion. Minutes were approved unanimously via roll call by; Julie Pignataro, Kelly Ohlson and Emily Francis.

A. Airport Terminal / City Contribution

Blaine Dunn, Accounting Director
Jason Licon, Airport Director

SUBJECT FOR DISCUSSION
Certificates of Participation Financing: Hughes Stadium Land Purchase, Airport Terminal Project

EXECUTIVE SUMMARY
City staff is seeking $9.5M in financing through Certificates of Participation (COPs) for a February 2023 closing. These funds will be used for purchasing Hughes Stadium land ($8.5M) and a contribution to the Airport Terminal Project ($1M).

GENERAL DIRECTION SOUGHT AND SPECIFIC QUESTIONS TO BE ANSWERED
Does Council Finance support to bring the proposed COP financing for the first reading on 05/03/2022?

BACKGROUND/DISCUSSION

Hughes Stadium Land Purchase

Per a voter-approved ballot measure in April 2021, the former Hughes Stadium site was rezoned as open lands, and the City was directed to make a good-faith effort to purchase the 165-acre site from the CSU System, within two years, at fair market value. The total estimated cost of the purchase is $12.5M; out of which $4M will come from the City's General Fund and Natural Area fund, and the remaining $8.5M will be secured through the COP financing. Costs will be allocated proportionally to corresponding funds once land use is determined.

FNL Airport Terminal Project

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.

Debt Structure

The City is seeking to borrow a total of $9.8M, $9.5M for the projects and $300k in closing costs, with the COPs. The COPs will have a fixed interest rate and a repayment term of 10 years The City will make semiannual payments starting in June 20 with the last payment occurring in December 2032. The average annual debt service for these projects is $1,135,000. These COPs are being issued as additional certificates against the 2019 COPs, and are the final project under Ordinance No. 062, 2022.

GENERAL DIRECTION SOUGHT AND SPECIFIC QUESTIONS TO BE ANSWERED

Does Council Finance support to bring the proposed COP financing for the first reading on 05/03/2022?

DISCUSSION / NEXT STEPS

Julie Pignataro; are they both loans?

Blaine Dunn; we would borrow for the total amount and then give $1M to the airport

Julie Pignataro; Jason said that 4,000 folks go from NoCo. I used the service, and it was great.

Jason Licon; Fort Collins is the primary northern Colorado customer for DIA. 2,600 of the 4,000 are coming from the Fort Collins area based on our analysis.

Julie Pignataro; is your project scalable?

Jason Licon; we have scaled it down to the point where functionality becomes impacted because we do have to have some minimum requirements for TSA checkpoints. We do handle CSU football charters frequently – they would utilize the space for their sports teams. They are currently using our facilities for basketball.

Kelly Ohlson; 4000 people from Northern Colorado – is that through your facility or to DIA?

Jason Licon; northern Colorado to DIA - not all through our facility.

Kelly Ohlson; I think the City of Fort Collins has a policy that our new buildings need to be LEED Gold certified.

Jason Licon; we are striving to achieve a LEED Silver certification which is the same certification standard that the Northern Colorado Law Enforcement Training Center was able to achieve. It can be difficult for certain type of facilities to achieve Gold because of mechanical features such as airport screening and baggage handling systems, etc.

Kelly Ohlson; what drove the major design change in October 2022?

Jason Licon; the rationale behind that was the supply chain, costs and inflation.
We were no longer able to get to what we had originally set out to design, at our last cost estimates were about $12-15M over budget from where we started. With those inflationary costs and supply chain related increases, we had to scale down the facility by approximately 1/3. Our Airport Master Plan indicated a 30K square foot facility and now we are at just under 20K square feet.

Kelly Ohlson; I never understood why Fort Collins is even part of the airport. I go back to the days when our contribution was $60K per year and I didn't even like that because I don't think we are involved in the land planning, I don't think we got any revenue from it. I viewed it more as a Loveland operation.
Historically, I viewed it as a facility that was used by large corporations and wealthy people.
I thought it should be revenue neutral, meaning most of the operations and maintenance and operations of the facility should be paid for, and by extension future capital should be paid for by the main users of the airport.
I struggle with this. it is a personal dilemma for me. It seems contradictory for me to support. I need a lot of help here

Jason Licon; in 2019, the airport was able to become financially sustainable on its own for its operations and maintenance costs. The $60K contribution that you are referencing became something a little different. We have the Police training facility on the campus and as part of that agreement, the subsidy went away.
A bit of history, back in 1965 when the airport opened, Fort Collins was the 2/3 shareholder of the operations and maintenance of the airport for many years. Now it is more a 50/50 joint ownership model for the two cities. The City of Loveland has annexed the airport. The airport has grown from a small municipal airport into a more regional or national airport that reaches even farther than Loveland or Fort Collins, county wide and across county borders. One of our goals is to lower the barrier for use.

Kelly Ohlson; so, once it is built primarily with federal dollars and contributions,
How much of the airport will be continuing operations and maintenance funded by users?
Who is going to be paying for the overall operations and maintenance of the new facility once it opens?

Jason Licon; O&M costs will be solely provided by the users of the facility. We are striving to be financial sustainable in that regard. The rates and fee structures reflect the ability to cover those costs for this facility.

The bus service collects a fee of $4.50 per passenger that comes back to the airport. They pay a passenger facility charge.

Kelly Ohlson; so, the companies themselves are not paying, the passengers are. What is the current financing of what the two communities contribute?

Jason Licon; currently, there is no direct financial contribution, other than the land lease for the Northern Colorado Police Training Facility.

The airport is called the Northern Colorado Regional Airport. FNL will be the airport identifier (was Fort Collins and Loveland). For example. the moniker used for the Chicago airport is ORD which stands for Old Orchard airport from the 30's. There is signage that includes the name of the airport.

Kelly Ohlson; I am going to remain neutral on this topic today.

Emily Francis; how much will it cost the city to take out the $1M?

Blaine Dunn; it will be about $120K per year for debt service cost over 10 years.

Emily Francis; for the 4,000 people traveling daily and using two airline gates. How many trips do you think that will reduce?

Jason Licon; we don't know exactly, for the bus services we estimate about 700 passengers a day on average utilizing the bus services we offer at the airport. When you factor that in, having air service and added capacity and facilities to support those will increase the market share, Our airport will become more of a travel hub for folks who are traveling either directly from our airport to other destinations or traveling to Denver via the bus rapid transit services that are being provided.

Emily Francis; do we need airline gates for the buses?

Jason Licon; Landline and United are partnering with us to develop a fully functional wingless flight concept that would allow passengers to use the security screen facilities in our terminal, check baggage and then board the bus which will take passengers directly to their gate at DIA where they can seamlessly transfer to their connection.

Emily Francis; I am very supportive of that idea – would be great to bypass security at DIA.
My hesitancy is supporting bringing this forward is due to the fact that he airport has had multiple airlines pull out over the last few years. I don't see how the airport has shown they have been successful. I would be more comfortable with this as a loan with certain benchmarks attached to the airport keeping those dollars.

Julie Pignataro; can you confirm how much extra expense we will incur for the $1M?

Blaine Dunn; we will incur an additional $200K in interest.

Julie Pignataro; so, we borrow $1M and payback $1.2M

Travis Storin; you do have the option of going into General Fund reserves if you have concerns about the interest expense.

Julie Pignataro; I had a great tour at the airport a couple months ago. Thank you Jason.
I really want to see this happen, but I am not ready either. When I think about what our community has told us are their priorities, this hasn't come up. I am a little more comfortable with a loan if that is something that we might do. So, Loveland said they would do it if we do it?

Jason Licon; their budget process included a $1M contribution that is contingent on the Fort Collins contribution. There is no guarantee that if one city provides a contribution that the other city will match it.

Julie Pignataro: was the County brought into this conversation?

Jason Licon; we did ask the county - we were pursing some ARPA funding for this purpose
The county has provided $1.5M in potential for two projects; a workforce development project through Aims Community College and the other would be part of the terminal. This has not been put in the form of a resolution or been approved yet.

Shirley Peel; does the new terminal position us to better retain other carriers?

Jason Licon; air traffic control was a need for sustainable air service. We are working on this with the Innovative Remote Air Traffic Control tower project currently in the testing phase at the airport and offering and providing us with air traffic control services. Those service began in March of 2020 and have been operating every day since then. Attracting a major airline is difficult with the modular facilities that we are currently utilizing. We show that we are making an investment in the airport and the community supports it would certainly resonate with an air service provider.

Emily Francis; that is the reason I am more comfortable with the loan approach with benchmarks. The past performance of the airport concerns me.

Julie Pignataro; is a loan something the airport would be interested in pursuing?

Travis Storin; point of clarification - Would it be a forgivable loan if certain thresholds are met – otherwise the airport would have to pay it back if they did not achieve the benchmarks?

Julie Pignataro and Emily Francis responded with a yes.

Travis Storin; for the City - from an administrative standpoint, I think that would be workable.

Jason Licon; I am not sure how that would resonate with the City of Loveland. We would certainly need to have that conversation.

Julie Pignataro to Kelly DiMartino; we have 4 out of 7 Council members are here - I am not sure how the other Councilmembers would feel.   Where do we go from here?

Kelly DiMartino; some additional context I can provide;
Mayor Arndt and I are the two Fort Collins representatives on the Airport Commission.
There are a few different ways we could go; we have a governance study underway which we haven't really talked about today. We have been hearing questions from multiple Councilmembers about the 50/50 ownership structure and is it the right structure? We are working with Loveland to jointly launch a governance study and we are just in the preliminary stages of that. Ideally, if we could paint this path, we would have that information before some of these decisions are made. That is not an option because of the timelines for federal funding. A couple options; we could say we are hearing that there could be support if it was presented in such a fashion as to be a loan. I think the Airport Board would need to talk about that. Again, I cannot speak to how open the City of Loveland would or would not be about recognizing that right now we are truly 50/50 joint owners of this facility. I understand, from their perspective why they are looking for us to be an equal 50/50 partner in capital contribution. We can talk about the loan.

We do want to keep moving forward with the bonding for Hughes. The timeline for that is such that if we are not comfortable today saying we could bond for this, we would lose that opportunity and would be looking at a loan coming from the General Fund which would give us a little bit of additional time to have this conversation. Not enough time to get through the governance study because of the capital timeline for the federal funding, but we could have a little more time to talk about the feasibility of a loan. We are at a place of saying, is the city willing to provide that this is a capital contribution – I am not sure we have many other options as this project has been scaled back to the bare bones – then we would have to talk about what happens to that federal funding.

Kelly Ohlson; Emily was proposing a forgivable loan with some benchmarks. The loan becoming a contribution later, if certain criteria are met.

Emily Francis; that is correct - forgivable loan with certain benchmarks

Julie Pignataro; what is the timeline of the project from start to finish?

Jason Licon; the project kicked off in 2021 with design. We were anticipating the construction to begin in July of this year continuing through October of 2024. We are required by law to spend the remainder of our Cares Act funding ($16.9M) by July of 2024. Our timelines are pretty much as far right as they can go to meet the requirements of the grants we have received. We are in a time crunch to make sure we are able to deliver this project.

Jason Licon; I wanted to point out that a lot of airports do undergo terminal projects. Cheyenne, for instance built a terminal about five years ago for air service. They understand the value of bringing in visitor spending and other things that come along with that. Future needs - What we are asking from both cities is roughly 7% of the total cost of this facility where traditionally, local contributions with federal funding is a minimum of about 25%. There are a lot of communities out there spending 25-40% because those costs are typically not eligible for federal funding. Our grant right now allows us to utilize federal funding for areas that are traditionally ineligible including rental car areas, areas that will be utilized for airline services or bus services, areas we can generate revenue from.

Julie Pignataro; still stuck on - where do we go from here?

Kelly DiMartino; what I am hearing based on where we are today is that we should take this out of the realm of being associated with a bond because again, we have a time sensitive need there to move forward with the Hughes purchase and I don't want to derail that process.

We take the next 30 days and really dive into what would potential terms look like for a forgivable loan. Vet that with the Airport Commission and partners in Loveland to see if there is an openness to this. Bring this back to Council Finance in 30 days, recognizing that we would no longer be talking about a bond option but would be talking about something coming from General Fund reserves. How does that land with people?

Julie Pignataro; that sounds good to me – we didn't really discuss the Hughes portion of this but I do not have any questions about the Hughes portion of the bond. How about other members of the committee? Weren't there other things we were talking about lumping in with this?

Travis Storin; We are talking about a second bonding later this year for Municipal Court renovations after the design is completed and potentially the Southeast Community Center should that meet the Council's expectations from the work session a few weeks ago.

Emily Francis; I remember there was a conversation about golf course irrigation.

Blaine Dunn; when we brought this forward for the initial COP Ordinance, it included the golf course irrigation and the maintenance shop expansion which we have officially issued the COPs for that. We did not want to issue the COPs for the Hughes land until we were closer to closing the deal with CSU. We didn't want to borrow this money and then sit on it for an indetermined amount of time so we split those offerings. We set up the ordinance so we could split the offerings. We did get the funds for the irrigation project and the maintenance shop expansion in 2022 and the funds have been dispersed and the projects are underway.

Julie Pignataro; is the rest of the Committee comfortable with the plan that Kelly DiMartino put forth?

Emily Francis and Kelly Ohlson – we are good with that

Travis Storin; for this 30-day period, I wanted to check in with Jason on the timeline there for any federal applications we are making and whether or not it may be advisable that we go directly to Council with an incentive or measures based resolution rather than coming back to Council Finance and then going to Council. The time pressures may be such that Jason may be looking for something formal and parliamentary within the next 30 days.

Jason Licon; we are looking for the ability to finalize our budget, so we are able to design toward that budget. We have been designing with the hopes that the $2M from the cities is included in that. We will need to reduce the scope again unless we are able to get an answer within the next 6 weeks. We are finalizing our 60% design in another week. So, 30 days should be ok - but would be pushing it toward the end of our window of opportunity.

Travis Storin; next Council Finance meeting is February 2nd. The next available regular Council Meeting is February 7th -First Reading of what would presumably be an ordinance since there are dollars involved. So that would be February 21st should there be Council support for a $1M incentive-based arrangement.

Jason Licon; that should work as we are looking at the first week in March to finalize our project budget.

Other Business;

Emily Francis; last meeting we talked about taking the large emitter fee off of the table. Could we have staff take a look at it being a tax instead of a fee? That way we would have more discretion on where those dollars go.

Travis Storin; we could take a look at what the opportunities and issues are. We could take that back to the team and commit to the committee that the next time that sustainable revenue comes back, we are talking about a large emitter tax and see what our options would be.

Julie Pignataro and Kelly Ohlson support that

Travis Storin; we would bring Sustainable Funding back at the February 2nd Council Finance meeting. This could take the form of a discussion around the CCIP renewal. I don't want to commit on behalf of the attorneys, on what level of research we can do on the large emitter tax specifically but we will se what we can do in the three weeks or so before those materials are due.

COUNCIL FINANCE COMMITTEE
AGENDA ITEM SUMMARY

Staff: Ginny Sawyer, Sr. Project Manager
Jennifer Poznanovic, Sr. Revenue Manager

Date: February 2, 2023

SUBJECT FOR DISCUSSION Sustainable Funding Update

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+	• **$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	• Residential annual increase of **$21.45** • Commercial annual increase of **$87.00**
	2 Mill Property Tax	$7M+	• Residential annual increase of **$42.90** • Commercial annual increase of **$174.00**
	3 Mill Property Tax	$11M+	• Residential annual increase of **$64.35** • Commercial annual increase of **$261.00**
	4 Mill Property Tax	$14.5M+	• Residential annual increase of **$85.80** • Commercial annual increase of **$348.00**
	5 Mill Property Tax	$18M+	• Residential annual increase of **$107.25** • Commercial annual increase of **$435.00**
Additional (Excise) Sales Tax	5% Tax on Specific Goods	$5M	• **$5 per $100 purchase** in Fort Collins • Visitors also impacted
Capital Expansion Fee	Reconfigure/Broaden Application	$2M	• 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 mils 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 Colins 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 specifics 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+	• **$30.67** average per year for a resident • Sales tax on food would remain at 2.25%
Property Tax	3 Mill Property Tax	$11M+	• Residential annual increase of **$64.35** • Commercial annual increase of **$261.00**
Additional (Excise) Sales Tax	3% Tax on Alcohol	$2M+	• **$2 per $100 purchase** in Fort Collins • Visitors also impacted
Additional (Excise) Sales Tax	3% Tax on Retail Marijuana	$3M	• **$3 per $100 purchase** in Fort Collins • Visitors also impacted
Additional (Excise) Sales Tax	3% Tax on Tobacco	$1M	• **$1 per $100 purchase** in Fort Collins • Visitors also impacted
Total	**Sales Tax 4.1%**	**$25M+**	• **$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.

Category	Funding Mechanism	Annual Revenue Estimate	Stakeholder Impact
Property Tax	5 Mill Property Tax	$18M+	• Residential annual increase of **$107.25** • Commercial annual increase of **$435.00**
Additional (Excise) Sales Tax	5% Tax on Alcohol	$4M+	• **$4 per $100 purchase** in Fort Collins • Visitors also impacted
Additional (Excise) Sales Tax	5% Tax on Retail Marijuana	$5M	• **$5 per $100 purchase** in Fort Collins • Visitors also impacted
Additional (Excise) Sales Tax	5% Tax on Tobacco	$2M	• **$2 per $100 purchase** in Fort Collins • Visitors also impacted
Total	**Sales Tax 3.85%**	**$29M+**	• **$107.25 net annual increase per household* + impact of excise tax**

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*

Year	Revenue
2019	$474K
2020	$392K
2021	$400K
2022	$495K

STATE CIGARETTE TAX SHAREBACK

Year	Shareback
2019	$282K
2020	$300K
2021	$342K
2022**	$196K

STATE MARIJUANA TAX SHAREBACK

Year	Shareback
2019	$1.1M
2020	$1.4M
2021	$1.5M
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.

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

1. Sustainable Funding Update PPT

City of Fort Collins

SUSTAINABLE FUNDING UPDATE

Council Finance Committee

02-02-2023

DECEMBER **WORK SESSION**

- Overall support to continue the consideration of a new dedicated (renewable) sales tax, property tax, and an excise tax
- Direction to continue analysis of a natural gas excise tax option and a natural gas fee option (as proxy mechanism for emissions)
- Support to keep all four gap areas (Parks and Recreation, Transit, Housing, Climate) moving forward without prioritizing any area over another

QUESTIONS:

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 2024?

SUSTAINABLE FUNDING **TIMELINE**

Timing and what item(s) to target in 2023

Feb. CFC

May. CFC

Natural gas excise and larger emitter tax discussion

Timing and what item(s) to target in 2023

June Council Work Session

July CFC

Potential draft ballot specifics

Opportunity to refer an item to the ballot

August Council Meeting

Nov. Elections

Category	Funding Mechanism	Annual Revenue Estimate	Household Impact
Sales Tax	**¼-Cent Sales Tax (dedicated, ongoing or repurpose)**	**$9M+**	• **$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**	• Residential annual increase of **$21.45** • Commercial annual increase of **$87.00**
	2 Mill Property Tax	**$7M+**	• Residential annual increase of **$42.90** • Commercial annual increase of **$174.00**
	3 Mill Property Tax	**$11M+**	• Residential annual increase of **$64.35** • Commercial annual increase of **$261.00**
	4 Mill Property Tax	**$14.5M+**	• Residential annual increase of **$85.80** • Commercial annual increase of **$348.00**
	5 Mill Property Tax	**$18M+**	• Residential annual increase of **$107.25** • Commercial annual increase of **$435.00**
Additional (Excise) Sales Tax	**5% Tax on Specific Goods**	**$5M**	• **$5 per $100 purchase** in Fort Collins • Visitors also impacted
Capital Expansion Fee	**Reconfigure/Broaden Application**	**$2M**	• Net neutral for residential and commercial permit fees

TOTAL SALES TAX RATES

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%**

MARIJUANA SALES TAX RATE **COMPARISON**

Taxing Authority	Fort Collins	Boulder	Thornton	Aurora	Denver	Commerce City	Berthoud	Englewood
State	15.00%	15.00%	15.00%	15.00%	15.00%	15.00%	15.00%	15.00%
County	0.80%	1.19%	0.75%	1.00%	0.00%	0.75%	0.80%	0.25%
City	3.85%	3.86%	3.75%	3.75%	4.81%	4.50%	4.90%	3.80%
City Additional	0.00%	3.50%	5.00%	5.00%	5.50%	7.00%	7.00%	10.30%
Total*	**19.65%**	**23.55%**	**24.50%**	**24.75%**	**25.31%**	**27.25%**	**27.70%**	**29.35%**

*Does not include other taxes (RTD, cultural, etc.)

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

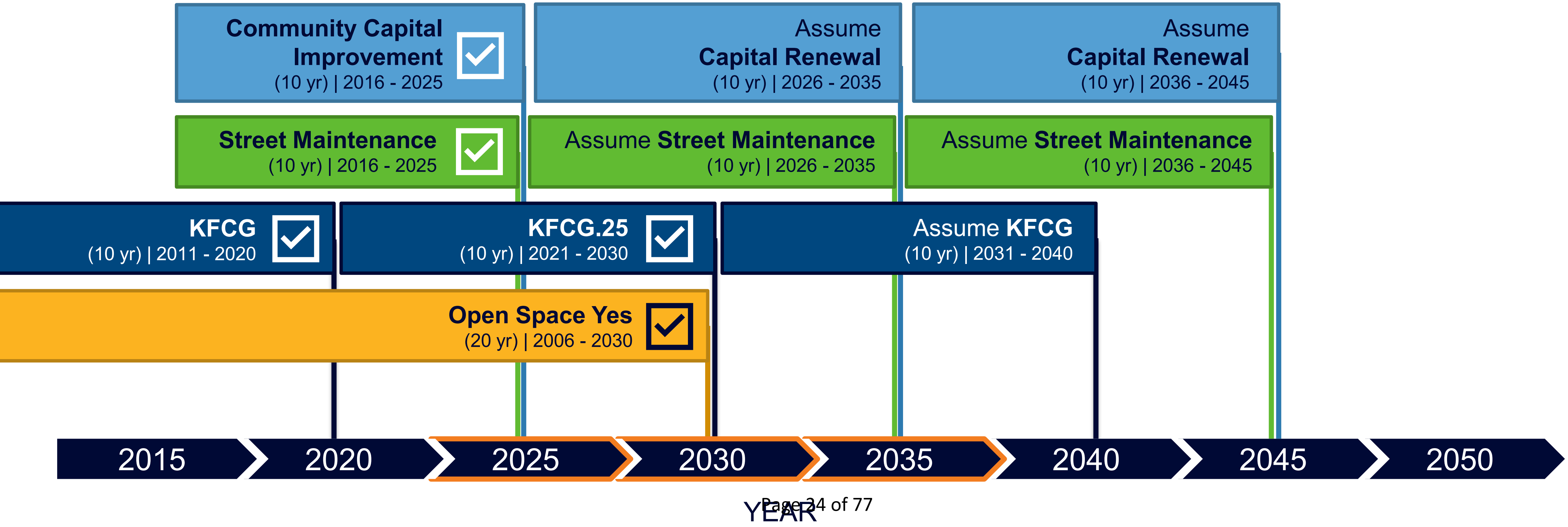
EXCISE TAX

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

*Liquor store estimate only

Long-term Look at Possible **Tax Renewals**

ASSUMES **10 YEAR** TERMS



Scenario A: $25M+

Category	Funding Mechanism	Annual Revenue Estimate	Stakeholder Impact
Sales Tax	**New ¼-Cent Sales Tax**	**$9M+**	• **$30.67** average per year for a resident • Sales tax on food would remain at 2.25%
Property Tax	**3 Mill Property Tax**	**$11M+**	• Residential annual increase of **$64.35** • Commercial annual increase of **$261.00**
Additional (Excise) Sales Tax	**3% Tax on Alcohol**	**$2M+**	• **$2 per $100 purchase** in Fort Collins • Visitors also impacted
Additional (Excise) Sales Tax	**3% Tax on Retail Marijuana**	**$3M**	• **$3 per $100 purchase** in Fort Collins • Visitors also impacted
Additional (Excise) Sales Tax	**3% Tax on Tobacco**	**$1M**	• **$1 per $100 purchase** in Fort Collins • Visitors also impacted
Total	**Sales Tax 4.1%**	**$25M+**	• **$156 net annual increase per household* + impact of excise tax**

IMPACT FOR A HOUSEHOLD OF THREE:

- **0.32%** increase at 50% Area Median Income
- **0.20%** increase at 80% Area Median Income

*Assumes a household of three

Scenario B: $29M+

Category	Funding Mechanism	Annual Revenue Estimate	Stakeholder Impact
Property Tax	**5 Mill Property Tax**	**$18M+**	• Residential annual increase of **$107.25** • Commercial annual increase of **$435.00**
Additional (Excise) Sales Tax	**5% Tax on Alcohol**	**$4M+**	• **$4 per $100 purchase** in Fort Collins • Visitors also impacted
Additional (Excise) Sales Tax	**5% Tax on Retail Marijuana**	**$5M**	• **$5 per $100 purchase** in Fort Collins • Visitors also impacted
Additional (Excise) Sales Tax	**5% Tax on Tobacco**	**$2M**	• **$2 per $100 purchase** in Fort Collins • Visitors also impacted
Total	**Sales Tax 3.85%**	**$29M+**	• **$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

Election Timeline Options:

November	November	November	November
2023	**2024**	**2025**	**2026**
Parks & Rec.	Renewals	Climate Portfolio – Climate, Housing, Transit	

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

QUESTIONS:

1 Does Council Finance support bringing a revenue question to the voters in November 2023?

2 If yes, what type of revenue increase option would Council Finance recommend?

3 Does Council support pursuing the two ¼ cent renewals in 2024?

COUNCIL FINANCE COMMITTEE
AGENDA ITEM SUMMARY

Staff: Travis Storin, Chief Financial Officer
Jason Licon, Northern Colorado Regional Airport Director

Date: February 2, 2023

SUBJECT FOR DISCUSSION Airport Terminal Project

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 MTCO2e	198 MTCO2e

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

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

1. Airport Terminal PPT

02-02-2023

Airport Terminal Project Conditional Capital Contribution

FNL Airport Terminal Project

Travis Storin

Chief Financial Officer

Jason Licon

Airport Director

City of Fort Collins

- **Finance Committee Feedback**
- **Proposed metrics and gates**
- **Funding and structure**
- **Next Steps**

- Does the Committee support bringing the proposed addition of the Airport Terminal Project to Council on February 7th?

- Which performance indicators or gates would the Committee recommend pursuing in a conditional capital contribution based on the list of staff-identified conditions or any other Committee-identified conditions?

Project Budget

Total project cost estimate: $25 million

- Phase 1 aircraft parking apron expansion: $3 million
  - 100% federally funded
- Terminal facility soft costs: $3.5 million
- Construction: $18.5 million

Total available funding: $25 million

- Federal funds: $21 million
- Airport capital reserves: $2 million
- City of Loveland: $1 million
- City of Fort Collins (pending): $1 million

Project Timeline

Project start: January 2021

- Public design charrettes & outreach
- Building upon Airport Master Plan adopted by the Cities in 2020

Work Completed to date:

- Aircraft parking apron expansion $3m: October 2021
- Major design change: October 2022

Remaining Work:

- Design Completion: April 2023
- Contractor Bidding & Negotiations: March - May 2023
- Construction Start: June 2023
- Construction End: October 2024
  - On track to use time limited federal funds by July 2024

- How does this project align with City priorities?
- Desire to explore performance indicators attached to a City contribution

Economic Health

Transportation & Mobility

Strategic Objective 3.1:

Collaborate with local and regional partners to achieve economic resilience in Northern Colorado.

The Northern Colorado Regional Airport is an underutilized asset that has potential to increase regional economic competitiveness.

Strategic Objective 6.4:

Support and invest in regional transportation connections.

The Northern Colorado Regional Airport provides regional transit through Landline Bus Service to DIA that reduces VMT from the Fort Collins community to Denver.

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 MTCO2e	198 MTCO2e
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

Next Steps

- **February 7** Council meeting to consider appropriation on 1st Reading, contingent on MOU/IGA developed with agreed-to indicators and gates
- **February 21** Council meeting to consider appropriation on 2nd Reading
- **February 20** Deadline for final project budget to align with federal funding time limit
- **March TBD** Begin development of MOU/IGA for conditions attached to contribution
- **June TBD** Finalize MOU/IGA between Airport Commission and City Council

- Does the Committee support bringing the proposed addition of the Airport Terminal Project to Council on February 7th?

- Which performance indicators or gates would the Committee recommend pursuing in a conditional capital contribution based on the list of staff-identified conditions or any other Committee-identified conditions?

THANK YOU!

City of Fort Collins

COUNCIL FINANCE COMMITTEE
AGENDA ITEM SUMMARY

Staff: Kira Beckham, Lead Specialist, Environmental Sustainability
Rachel Rogers, Senior Specialist, Economic Sustainability

Date: February 2, 2023

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 Trimmings collection
4. Bulky Items 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 occur on this date

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.

ATTACHMENTS

1. Residential Solid Waste Collection Administrative Fee Study

Residential Solid Waste Collection Program
Administrative Fee Study
City of Fort Collins, Colorado

Contents

Executive Summary

This fee study evaluates City program costs, the recommended administrative fee range, and projected revenues. Further clarity will develop about the number of households that would be contributing to the administrative fee, as well as the program needs. The initial administrative fee recommendation is $1.35 per household. This administrative fee will be adjusted if necessary as additional information comes available.

To support Program startup, an appropriation will be requested in 2023 for $107,251.

Study Overview

The City of Fort Collins is considering shifting to a contracted hauling system, which would create a Residential Solid Waste Collection Program. This fee study outlines the approach, components, and calculations, as well as projected revenue for an administrative fee to fund the costs incurred by the City to support and operate the Program. The study also provides case studies from peer communities that have a contracted system for solid waste collection.

Approach

To determine the appropriate amount for an administrative fee, staff gathered information on City costs to administer and support the program and researched similar programs implemented in other cities.

Fee Components

This study included the estimated costs to the City for:

1. Outreach and communication
2. Software and other tools
3. Staffing
4. Mileage

Fee Calculation & Supported Fee Levels

The administrative fee formula calculates a monthly fee based on estimated total cost to the City, divided among the total volume of projected households, and repayment within the 5-year contract term:

Transition & Service Period Program Costs / Number of residential units contributing / 60 months = administrative fee per residential unit per month

Using this approach, the fee supported could range from $.65-1.35 per month per household.

Residential Solid Waste Collection Program

The City of Fort Collins currently operates under a licensed, open market collection system. Fort Collins wishes to build upon the existing program by adding contracted collection for households. Fort Collins City Council has expressed support for exploring a contracted system to help achieve the following goals:

- Reduce the number of trucks on residential streets and achieve street maintenance savings as well as increase safety in residential neighborhoods
- Reduce greenhouse gas emissions
- Increase diversion of Recyclable Materials and Yard Trimmings and encourage reuse of Bulky Items as much as possible
- Provide equitable pricing throughout the community
- Provide cost-effective pricing for Collection Services
- Provide a high level of customer service

If Fort Collins City Council adopts the contract and related ordinance, a new Residential Solid Waste Collection Program (Program) would be created, to which the administrative fee revenue would be applied. City Council is anticipated to consider contract and ordinance adoption via First Reading on February 21, 2023, and Second Reading on March 7, 2023. The contract and ordinance would become effective two weeks after adoption. The contracted service to residents would start September 30, 2024.

For purposes of this fee study, the time between contract adoption and service start is considered the Transition Period. The time that the hauler is providing collection service is considered the Service Period.

The hauler would provide the following services through the contract:

- Solid waste collection
- Recyclable materials collection
- Yard trimmings collection
- Bulky items collection
- Customer service
- Billing

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

Fee Calculation

Fee Study Context

Cities imposing new fees are required to demonstrate a clear nexus between program costs incurred by the City and the subject of the fee, in this case the Residential Solid Waste Collection Service Program. The purpose of a fee is to defray the cost of providing a service to the community.

Methodology

This fee study was conducted internally by the Environmental Sustainability Lead Specialist and the Sustainability Services Senior Financial Analyst. It applies assumptions about Program costs based on the contract and transition plan as well as leveraging fee examples from other peer communities.

Key takeaways from the fee study include:

- Direct and indirect costs include conducting a competitive purchasing process, program management, customer service, compliance/enforcement, acquiring and implementing software and other tools, process development, and developing and implementing education and outreach
- Key drivers for the administrative fee cost are the level of staffing, repayment period and number of contributing households
- Program costs begin in the Transition Period in 2023 and carry on through the 5- year Service Period that begins September 30, 2024
- Revenues begin in the fourth quarter of 2024
- Based on the assumptions outlined within the study, the estimated fee ranges from $0.65 to $1.35 per household per month and staff recommends establishing a fee not to exceed $1.35 per month per household to ensure repayment within the 5-year Service Period term
- Program costs are anticipated to be higher in the Transition Period and in year five of the Service Period as staff supports another competitive purchasing process to develop the next contract
- Peer community research confirmed the direct and indirect costs of administering the Program

Related Program costs were aggregated to include both the low- and high-end estimates. This provided the range to use as a numerator for the fee calculation below:

Transition & Service Period Program Costs / Number of residential units contributing / 60 months = administrative fee per residential unit per month

Program Costs

Program costs will begin in the Transition Period and will continue through the Service Period. City staff are requesting an appropriation for the Program costs incurred during the Transition Period, which would be repaid to the City during the five years of the Service Period.

The estimates shown in **Figure 1** 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.

Figure 1. Costs to the City for the new Residential Solid Waste Collection Program:

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

The activities anticipated to be needed to support the Program include:

- Program Administration
    - Administration of the Program and administrative activities to manage the contract
- Transition Period Support
    - Ensure continuity of service and high levels of customer service through support, coordination, and planning with the contractor during the Transition Period
- Education and Outreach
    - Development and implementation of web site content and campaigns to engage with and educate residents and HOAs about the Program
    - Educate about placing the correct materials in recycling and yard trimmings bins
- Compliance
    - Developing the compliance plan
    - Conducting enforcement of requirements in the contract and municipal code requirements for both the contractor and the residents
    - Verify eligibility of variance applications
    - Verify compliance with existing requirements for HOAs with existing contracts that would be excluded from the Program
    - Potentially conduct compliance with customers who opt out of the Program
- Customer Service
    - Addressing any customer service or billing escalations that are not resolved by the contractor in a timely or satisfactory manner

- Software and tools
    - Purchase, development or implementation of tools, processes, and procedures to efficiently administer, track and provide customer service, enforce compliance, and manage the program

Projected Fee Revenues

Administrative fee revenues are based on the number of residential units contributing. City staff has done extensive work to size the range of in-scope households, including GIS mapping and analysis and identifying which homes are in HOAs with trash and recycling contracts. The number of residential units will be clear by the Service Period but are modeled as a range based on best information available at this time. The number of residential units modeled are:

- 35,500
- 40,500
- 45,500

The recommended administrative fee range accounts for the range of anticipated Program costs as well as the range of residential units contributing. As the number of residential units 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.

Figures 2 and **3** show the fee amount that allows for a break-even scenario for different numbers of residential units contributing. The "break even" amounts are highlighted in green.

Figure 2: Fee amounts required to fund the low range of Program costs depending on the number of residential units contributing; this includes startup and transition funds but is limited to the five-year contract term when revenue will be collected

Net Revenue/(Expense) 5-yr

2 FTE	Households		
Admin Fee	35,500	40,500	45,500
$0.60	($97,135)	($61,135)	($25,135)
$0.65	($75,835)	($36,835)	$2,165
$0.70	($54,535)	($12,535)	$29,465
$0.75	($33,235)	$11,765	$56,765
$0.80	($11,935)	$36,065	$84,065
$0.85	$9,365	$60,365	$111,365
$0.90	$30,665	$84,665	$138,665
$0.95	$51,965	$108,965	$165,965
$1.00	$73,265	$133,265	$193,265

Figure 3: Fee amounts required to fund the high range of Program costs depending on the number of residential units contributing; this includes startup and transition funds but is limited to the five-year contract term when revenue will be collected

Net Revenue/(Expense) 5-yr

4 FTE	Households		
Admin Fee	**35,500**	**40,500**	**45,500**
$0.60	($312,148)	($276,148)	($240,148)
$0.65	($290,848)	($251,848)	($212,848)
$0.70	($269,548)	($227,548)	($185,548)
$0.75	($248,248)	($203,248)	($158,248)
$0.80	($226,948)	($178,948)	($130,948)
$0.85	($205,648)	($154,648)	($103,648)
$0.90	($184,348)	($130,348)	($76,348)
$0.95	($163,048)	($106,048)	($49,048)
$1.00	($141,748)	($81,748)	($21,748)
$1.05	($120,448)	($57,448)	$5,552
$1.10	($99,148)	($33,148)	$32,852
$1.15	($77,848)	($8,848)	$60,152
$1.20	($56,548)	$15,452	$87,452
$1.25	($35,248)	$39,752	$114,752
$1.30	($13,948)	$64,052	$142,052
$1.35	$7,352	$88,352	$169,352
$1.40	$28,652	$112,652	$196,652
$1.45	$49,952	$136,952	$223,952
$1.50	$71,252	$161,252	$251,252

Recommended Fee Range

The estimated fee range to cover the Program costs that take into consideration the low and high estimations of Program costs and number of contributing residential units ranges from $.65 to $1.35.

Figure 4 illustrates the range of administrative fees based on different Program costs and number of contributing residential units

Figure 4: Range of administrative fee amounts for low and high Program cost and revenue

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

Start-up Appropriation

Appropriation Context

As revenue would not begin until service commences in September of 2024, funds are needed up front to support the City's role in the transition from a hauler licensing system to a contracted system.

Methodology

Staff identified key startup needs to ensure a smooth transition, including customer service, communications and outreach, customer service and compliance software, and mileage costs for compliance. To deliver on these needs, 2 FTE (Program Manager and additional staff member depending on which scenario is selected) will be needed in the startup phase to ensure a smooth transition; staffing needs will be refined as negotiations are finalized and the administrative fee is set.

As with the fee calculation methodology, a 5% contingency has been added to all cost estimates.

Recommended Appropriation

Based on these needs, $107,251 will be requested with First Reading for an Appropriation in 2023; see details in **Figure 5**. With service commencing in September 2024, staff has also developed initial estimates for a 2024 appropriation, which will be refined in 2023 and requested through the mid-cycle appropriations in Q4 of 2023. The appropriation is included in the overall fee model and will be repaid to the City in full during the contract term.

Figure 5: Start-up appropriation costs for the requested appropriation in 2023 and the estimates for 2024; note that 2024 planning column includes estimates for the higher administrative fee

Personnel	2023 Appropriation	2024 Planning
Expenses		
Personnel	$43,726	$206,180
Programmatic expenses		
Item 1 - Outreach and engagement	$37,275	$37,590
Item 2 - Tools and Materials	$26,250	$47,250
Item 3 - Mileage	$0	$2,625
Subtotal of Programmatic Expenses	$63,525	$87,465
Total Expense	$107,251	$293,645
Appropriation 2023	**$107,251**	**$293,645**

Peer Community Case Studies

Golden and Lafayette were identified as peer communities for the following reasons:

- They are both in Colorado and so operate under the same state regulations as Fort Collins
- They both have a contracted system for solid waste collection
- They both offer services similar to those anticipated to be offered in Fort Collins

Key differences between Golden and Lafayette and the City of Fort Collins that were accounted for in the analysis include:

- They have fewer households than Fort Collins
    - Their information as converted to a per household equivalent for apples-to-apples comparison
- They provide billing services, whereas Fort Collins plans on the contractor providing billing
    - The number of FTE was adjusted to not include those dedicated to billing

Figure 6 illustrates the information gathered about Golden and Lafayette and includes the number of FTE extrapolated out to match the number of households in Fort Collins. This fee study is not recommending staffing at the levels represented in **Figure 6**, but it is shown for context.

Figure 6: Information about Golden and Lafayette and the equivalent number of FTE extrapolated to align with the number of households in Fort Collins

	Golden	**Lafayette**
Administrative Fee	N/A	$.70, increasing to $.90 (2023) Needs $1.20
# of Households	4,500	7k increasing to 11k (2023)*
FTE (not inclusive of billing)	1	2
Equivalent FTE for Fort Collins (40k households)	8-10	7-9

* Lafayette is adding 4,000 households into their program in 2023

Learnings from peer community interviews:

- Each city understaffed initially and are seeking to add staff now
- The start-up year created a heavy workload due to management of the transition, customer service support, and collateral review
- The workload is also higher in the final year of a contract term as staff conducts a competitive purchasing process

02-02-23

City of Fort Collins

Administrative Fee Study

Contracting

Kira Beckham, Lead Specialist, Environmental Sustainability
Rachel Rogers, Senior Specialist, Economic Sustainability
Molly Saylor, Lead Specialist, Environmental Sustainability
Caroline Mitchell, Program Manager, Environmental Sustainability

Does Council Finance Committee have feedback on:

- The recommended administrative fee that does not exceed $1.35?
- The requested appropriation in 2023 of $107,251 from the General Fund?

Council Priority

Council Priority: Explore Districted System for Garbage, Recycling and Compost

Aligned:
Advance Regionalism
Accelerate Composting
Improved Air Quality
Enhanced Recycling Education

Our Climate Future

OUR CLIMATE FUTURE

Critical Path to Achieving Climate Goals (composting)

Big Move 2: Zero Waste Neighborhoods

City Plan

FORT COLLINS CITY PLAN
PLANNING OUR FUTURE, TOGETHER.

Principle ENV 5: Create a Zero Waste system.

Strategic Plan

Environmental Health
4.3 Zero Waste

Systems for Trash and Recycling Collection

City Role

Municipal Hauling Utility
A municipality owns and operates their own hauling utility using city staff, resources and equipment.

Contracted System
A municipality contracts with one or more companies to provide residential trash and recycling collection.
This is the system under consideration.

Open Market with Licensing
Each household chooses their own licensed hauler for trash and recycling collection. City license can support safety requirements and/or policy goals like including recycling.
This is Fort Collins' current system.

Pure Open Market
Each household chooses their own hauler for trash and recycling collection. No role of local government.

Contract WOULD apply to

- Single family homes
- Multi-family complexes of 7 units or fewer

Contract would NOT apply to

- Multi-family complexes of 8 units or more
- Businesses
- Construction sites, industrial recycling

Contract MAY apply to

- Homeowner's associations (HOAs) that contract for trash & recycling service now
  - Could opt into the City contract at end of existing contract
  - City could require HOAs to join at end of existing contract

2022

Phase 1: public engagement

April 12: Council Work Session

April, June: Community Conversations

July 12: Council Work Session

July 19: Resolution directing RFP

Sept 13: RFP released

3 haulers respond to RFP

Hauler interviews

Dec thru Jan: Contract negotiations

2023

We are Here

Feb 2: Council Finance Committee

Feb 21: First Reading of contract and ordinance

Mar 7: Second reading

HOA compliance check & program start-up

2024

Sept 30: Service and Admin Fee starts

Administrative fee

- Collected by hauler and remitted to the City
- Would be collected when service starts (anticipated Q4 2024)
- Revenue would be predictable and ongoing

Fee Study

- Documents the City’s costs for the program
- Is the basis for the Administrative Fee amount

Fee Study Approach

- Developed estimated program needs & costs
- Leveraged peer communities' research
- Estimated number of residential units that would be contributing
- 5-year repayment of start up costs (to align with the contract term)

	Golden	Lafayette
Administrative Fee	N/A	$0.70 → $0.90 (2023) needs $1.20
# of Households	4,500	7,000 → 11,000 (2023)
FTE (not inclusive of billing)	1	2
Equivalent FTE for Fort Collins (40k households)	8-10	7-9

Key takeaway: Each city understaffed initially and are seeking to add staff now

Other Learnings:
- Start-up year will be heavy work with management of transition, customer service support, collateral review
- Transition years will be heavy with the RFP/contract renewal process

Four Key Elements:

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

Note: Needs vary depending on contract stage, e.g., startup phase will require more community outreach and every five years, a transition to a new contract will also require higher resourcing; more info in the Administrative Fee Study.

Estimated Program Costs for City

Cost Description	**Annual cost range (low)** Assumes 2 FTE	**Annual cost range (high)** Assumes 4 FTE
Outreach and Communication	$31k	$31k
Tools and Materials	$59k	$59K
Mileage	$3k	$3k
Staffing	$243k	$448k
Contingency	$17k	$27k
Total Cost	**$353k**	**$568k**

Key Takeaway: Staffing is the largest cost driver
Also: repayment period, number of contributing households

Note: Transition expenses are included in these annualized expenses but are averaged over the contract term (when the City will receive revenue)

Staffing Proposals to Deliver City's Roles

	Baseline	Ideal
Fee level (per hh/mo)	**$0.85**	**$1.35**
FTE	2 Staff Members • Program Manager • Compliance / Customer Service	4 Staff Members • Program Manager • Compliance • Customer Service • Program Specialist (Engagement and Outreach)
Benefits	• Lower admin fee • Provides baseline new staffing needed	• Greater ability to facilitate smooth roll-out • Allows for existing work to continue • Classified staff for known program needs, contractual for likely program needs • Allows roles to be more specialized
Impacts to current work	• Moderate delays (~ 6 mo)	• No negative impact
Drawbacks & Risks	• Lower margin of error – minimal staffing • Combines compliance and customer service skill sets in one role • Impacts existing work plans, e.g., communication and engagement staffing • Utilize metrics to know if staffing levels too low	• Higher admin fee • Increased expenditures
Revisit staffing at	• Two years (start-up)	• Five years (contract renewal)

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

Key takeaway: By setting the Administrative Fee conservatively, it ensures repayment within the 5-year contract term and avoids needing to increase the fee within the contract term

Staff Recommendation: Setting the administrative fee at no higher than $1.35

	2023 Appropriation	2024 Planning
Expenses		
Personnel	$43,726	$206,180
Programmatic expenses	$63,525	$87,465
Total Expenses	$107,251	$293,645
Appropriation 2023	**$107,251**	**$293,645**

Staff requests $107,251 appropriation from the General Fund in 2023 to support the start-up phase of the Residential Solid Waste Collection Program

Next Steps

- First week of February - Additional details made publicly available on the Contract

- First Reading February 21
  - Contract
  - Appropriation
  - Ordinance updates

- (If adopted) Second Reading March 7

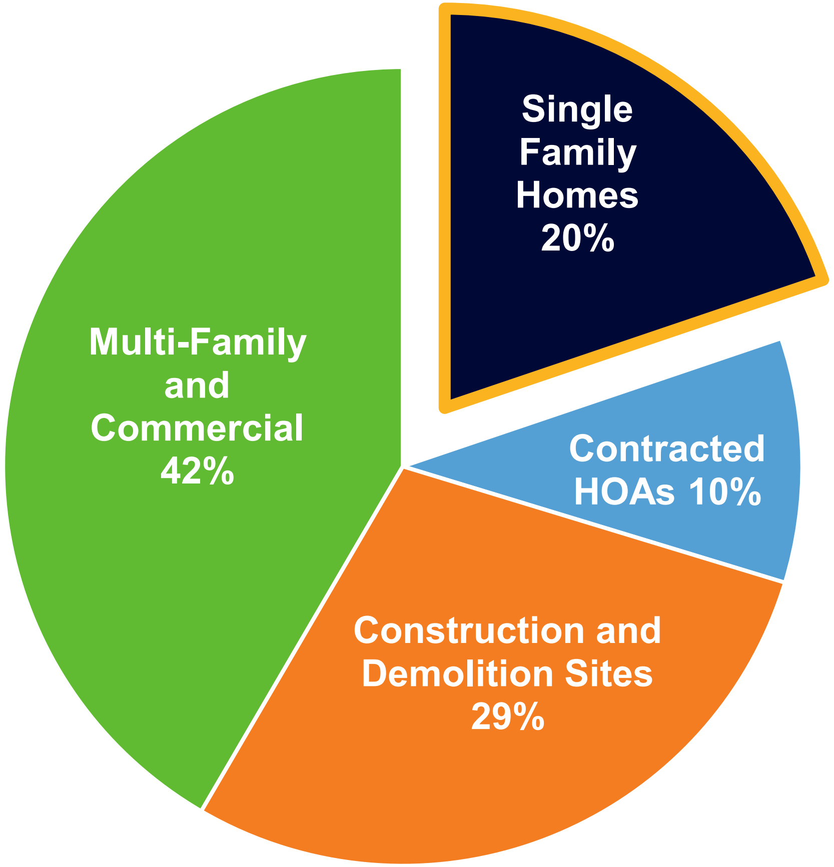
Does Council Finance Committee have feedback on:

- The recommended administrative fee that does not exceed $1.35?
- The requested appropriation in 2023 of $107,251 from the General Fund?

BACKUP

Market share of trash and recycling in Fort Collins, based on revenue

Sectors Serviced by Haulers in Fort Collins

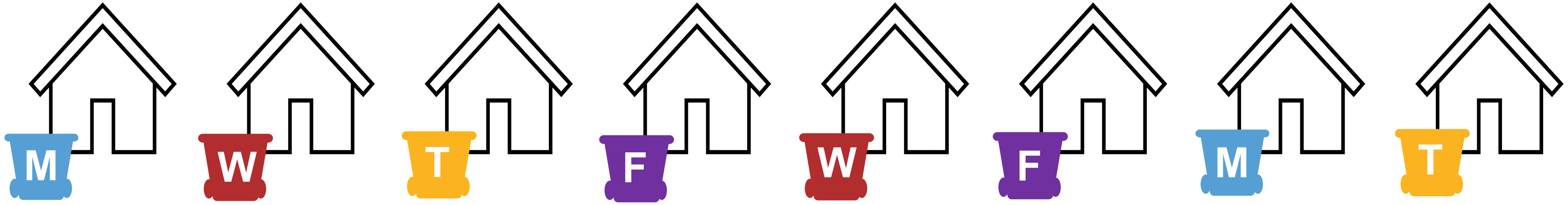


Current WR&R Staffing

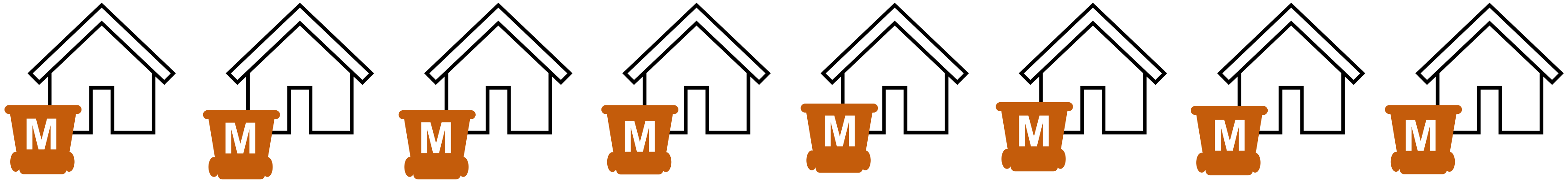
Role	Staff	Primary Focus	Related Council Priority
Manager		Regional Wasteshed Team management	Composting
Lead Specialist		Plastic Pollution, Circular Economy Our Climate Future	Plastic Pollution Circular Economy
Lead Specialist		Policy development	Contracted Hauling
Environmental Compliance		Construction & demo recycling	Construction & Demo Recycling
Environmental Compliance		All other environmental compliance	Multi-Family and Commercial Recycling
Senior Specialist		Community engagement	Recycling Education
Senior Specialist		Implementation of plastic pollution reduction (2 yr position)	Plastic Pollution
Operations Technician		Timberline Recycling Center	
Program Assistant		General program support	

Full time Part Time/Hourly Full time contractual

Open Market System: multiple haulers, serviced on different days of the week



Contract System: single hauler, serviced on same day of the week



Personnel (1 FTE existing)	2023 Appropriation	2024 Planning
Expenses		
Personnel (no new staff)	$0	$0
Programmatic expenses	$63,525	$87,465
Total Expense	$63,525	$87,465
Appropriation 2023	**$63,525**	**$87,465**

Personnel (2 FTE new)	2023 Appropriation	2024 Planning
Expenses		
Personnel	$43,726	$ 91,711
Programmatic expenses	$63,525	$87,465
Total Expense	$107,251	$179,176
Appropriation 2023	**$107,251**	**$179,176**

Personnel (4 FTE new)	2023 Appropriation	2024 Planning
Expenses		
Personnel	$43,726	$ 206,180
Programmatic expenses	$63,525	$87,465
Total Expense	$107,251	$ 293,645
Appropriation 2023	**$107,251**	**$293,645**

- Ideal: Recommend staffing at 4 FTE
    - Ensures continuity of current work streams and delivers high customer service experience for the program
- Baseline: Staff at 2 FTE
    - Evaluate staffing levels every 2 years
    - Monitor key triggers that signal additional headcount is needed to deliver a high customer service level
- Not recommended: No new staff
    - Allocate the equivalent of 1 FTE from current WR&R staff by delaying or removing other priorities
    - This is not recommended given impact to current work streams and risk of a poor customer service experience for the program