

RESOLUTION 2016-096
OF THE COUNCIL OF THE CITY OF FORT COLLINS
ADOPTING AMENDMENTS TO THE CITY'S FINANCIAL
POLICIES RELATING TO THE REVENUE POLICY

WHEREAS, City Council has adopted Financial Management Policies for the City pursuant to Resolution 1994-174 (the "Financial Policies"); and

WHEREAS, Resolution 1994-174 provides that City Council may adopt amendments to the Financial Policies, which the Council has done several times over the years; and

WHEREAS, the City's Chief Financial Officer and City Manager have recommended new amendments to the Financial Policies related to the current section of the Financial Policies that addresses financial policies related to revenues to insure that the City's practices concerning its revenues comply with the applicable requirements of the Taxpayer's Bill of Rights in the Colorado Constitution ("TABOR"); and

WHEREAS, the City is committed to sound and efficient financial planning and management consistent with the best practices as established by the Government Financial Officers Association ("GFOA"); and

WHEREAS, the new "Financial Management Policy 2 - Revenue" is attached hereto and incorporated by reference as Exhibit "A" (the "Revenue Policy"); and

WHEREAS, the Council Finance Committee has reviewed the Revenue Policy and voted to recommend that the Council approve it; and

WHEREAS, the City Council wishes to amend the Financial Policies, as most recently updated on August 18, 2015, with the adoption of Resolution 2015-079, by adopting the Revenue Policy in pursuit of its objectives of sound and efficient financial planning and management consistent with GFOA's best practices and to ensure that the City's revenue practices comply with all applicable TABOR requirements.

NOW, THEREFORE, BE IT RESOLVED BY THE COUNCIL OF THE CITY OF FORT COLLINS, as follows:

Section 1. That the City Council hereby makes and adopts the determinations and findings contained in the recitals set forth above.

Section 2. That the City Council hereby approves and adopts the Revenue Policy.


Section 3. That the Revenue Policy shall replace and supersede the "Financial Management Policy 2 - Revenue" now in the Financial Policies, and the Financial Policies, as previously amended and as amended herein, shall hereafter remain unchanged and in full force and effect until the same are amended or repealed by subsequent action of the City Council.

Passed and adopted at a regular meeting of the Council of the City of Fort Collins this 20th day of December, A.D. 2016.




Mayor

ATTEST:


City Clerk

Revenue

Issue Date: 12/20/2016

Version: 3

Issued by: Revenue and Project
Manager**Objective:**

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

Applicability:

This policy applies to all City Revenues. This policy does/does not apply to or govern revenues generated by City-owned general improvement districts, DDA, URA, PFA or Library District.

Authorized by:

City Council, Resolutions 1994-174, 2013-093, and 2016-XXX

2.1 Limitations under TABOR (Taxpayer Bill of Rights)

A. Background

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

B. 'De-Brucing'

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

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

C. TABOR Notice for New Tax or Tax Increase

- Develop revenue forecasts that are reasonable and factor in the implications of over collection.
- Review these forecasts with the appropriate leadership staff.

D. Monitor New Tax Revenue

- Staff will monitor actual revenue against the forecast revenue disclosed in the TABOR notice.
- In the second year, confirm first years' actual revenue to forecast and determine if any action is needed. Provide a report to the City Council with results and any recommended action.

E. TABOR Legislation and Judicial Decisions

Staff shall monitor new TABOR legislation, judicial decisions and actions taken by other governments to see if they affect the City. This will include working with the City's outside consultants, such as special bond counsel and CML. When such matters are discovered affecting the City, staff will confer to determine what actions, if any, the City should take in response.

F. Documentation of 'Fiscal Year Spending' under TABOR

Although the City has de-Bruced, current interpretations of TABOR section 20(3)(c) merits the need for the ongoing calculation of 'fiscal year spending'. Staff will maintain and update records annually to calculate the City's fiscal year spending under TABOR. These records shall be kept for at least six years. Also, documentation shall be kept current that defines which related agencies, funds and types of revenues are required under TABOR to be included in fiscal year spending and those that can be excluded.

2.2 Revenue Review, Objectives and Monitoring

A. Review and Projections

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

B. Principles

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

1. Develop and maintain stable revenue sources.

The City will strive to maintain stable revenue sources by:

- a. Targeting revenue sources with minimal volatility
- b. Monitoring current revenue sources for variability
- c. Adjusting forecasts as necessary to accommodate unanticipated increases and declines
- d. Monitoring and adjusting expenditures for unanticipated revenue gains/losses

2. Develop and maintain a diverse revenue base.

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

- a. Targeting revenue from multiple sources
- b. Working to expand fee based revenue where possible
- c. Working to minimize overdependence on any single revenue source
- d. Staff will monitor dependency on sales and use tax to ensure an over reliance does not occur

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

The City will strive to preserve a revenue stream that does not overburden low income residents by:

- a. Providing low income citizens with opportunities to participate in programs through reduced fee structures and scholarships
- b. Providing a Sales Tax on Food and Utility rebate to lessen the burden of taxes and fees on low income citizens

- c. Ensuring fees do not exceed cost to provide service
- 4. Generate adequate revenue to maintain service levels in line with citizen expectations.

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

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

The City will maintain healthy reserves by:

- a. Adhering to State mandated reserve and internal reserve policies
 - b. Maintaining a Tabor (State) reserve for the General Fund of 3% or more of the City's fiscal year spending
 - c. Meeting City policy for the General Fund of an additional contingency of 60 days or 17% of next year's adopted budgeted expenditures
- 6. Fees for Services are fairly born by those who use those services.

C. Monitoring

In an annual summary financial report the major sources revenue and the associated percentages will be reviewed by the Council Finance Committee.

2.3 Fee Policy

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

A. Fees should be cost related

The amount of a fee should not exceed the overall cost of providing the facility,

infrastructure or service for which the fee is imposed. Cost may include direct and indirect costs. That is:

1. Costs which are directly related to the provision of the service; and,
2. Support costs which are more general in nature but provide support for the provision of the service.

B. Percentage of cost recovery

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

1. The nature of the facilities, infrastructure or services. In the case of fees for facilities, infrastructure as well as governmental and proprietary services, total cost recovery may be warranted. In the case of governmental services, it may be appropriate for a substantial portion of the cost of such services to be borne by the City's taxpayers, rather than the individual users of such services.
2. The nature and extent of the benefit to the fee payers. When a particular facility or service results in substantial, immediate and direct benefit to fee payers, a higher percentage of the cost of providing the facility or service should be recovered by the fee. When a particular facility or service benefits not only the fee payer but also a substantial segment of the community, lower cost recovery is warranted.
3. The level of demand for a particular service. Because the pricing of services can significantly affect demand, full cost recovery for services is more appropriate when the market for the services is strong and will support a high level of cost recovery.
4. Ease of collection. In the case of impact fees, ease of collection is generally not a factor. In the case of fees for services, however, such fees may prove to be impractical for the City to utilize if they are too costly to administer.

C. Establishment and Modification of Fees and Charges

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

1. The level of cost that should be recovered through the fees according to the criteria established in this Policy;
2. An appropriate method for apportioning the cost of providing each service among the users of the service; and,

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

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

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

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

D. Rebate Programs

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

2.4 Sales and Use Tax Distribution

Sales and Use Tax shall be used and accounted for as intended by the voters. Details of how the different segments of sales and use tax are used are outlined in the City Code Chapter 25. The following is a summary for informational purposes only.

The City's Sales and Use Tax currently totals 3.85 cents, developed as follows:

1968 - General City uses	1.00 cent
1980 - General City uses	1.00 cent
1982 - General City uses	0.25 cent
2015 - Street Maintenance	0.25 cent*
2015 - Community Capital Improvement Program	0.25 cent*
2006 - Natural Areas & Open Space	0.25 cent*
2011 - Keeping Fort Collins Great	<u>0.85 cent**</u>
	3.85 cents

* Excludes sales and use tax on grocery food for home consumption

** Excludes sales and use tax on grocery food for home consumption and manufacturing equipment

2.5 Private Contributions

Efforts should be made to secure private contributions in support of City programs and services, as these contributions are an integral part of their successful operation.

Definitions

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

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

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

Rebate: *a return of a portion of a fee within a specified time. Unlike a waiver or discount, the rebate is given after the fee has been paid in full*

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

Waiver: *when a portion of a fee is reduced before being paid by a buyer*

Getting Help

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

Related Policies/References

City Code Chapter 25 Taxation, Article III Sales & Use Tax

City Code Chapter 26 Utilities

Administrative Fee