

AGENDA ITEM SUMMARY

December 4, 2018

City Council

STAFF

Peggy Streeter, Senior Sales Tax Auditor
Mike Beckstead, Chief Financial Officer
Jennifer Poznanovic, Project and Revenue Manager
John Duval, Legal

SUBJECT

Second Reading of Ordinance No. 140, 2018, Appropriating Prior Year Reserves in the General Fund to Reimburse Woodward, Inc., for Development Fees and Use Tax.

EXECUTIVE SUMMARY

This Ordinance, unanimously adopted on First Reading on November 20, 2018, appropriates \$64, 479 of prior year reserves for a rebate to Woodward, Inc., for development fees and use tax under an agreement that City Council approved on April 2, 2013 (Ordinance No. 055, 2013).

STAFF RECOMMENDATION

Staff recommends adoption of the Ordinance on Second Reading.

ATTACHMENTS

1. First Reading Agenda Item Summary, November 20, 2018 (w/o attachments) (PDF)
2. Ordinance No. 140, 2018 (PDF)

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November 20, 2018

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SUBJECT

First Reading of Ordinance No. 140, 2018, Appropriating Prior Year Reserves in the General Fund to Reimburse Woodward, Inc., for Development Fees and Use Tax.

EXECUTIVE SUMMARY

The purpose of this item is to appropriate \$64,479 of prior year reserves for a rebate to Woodward, Inc., for development fees and use tax under an agreement that City Council approved on April 2, 2013 (Ordinance No. 055, 2013). The agreement provides business investment assistance for the relocation of Woodward's headquarters, as well as an expansion of its manufacturing and office facilities to a new location at the corner of Lincoln Avenue and Lemay Avenue. The project will retain or create between 1,400 and 1,700 primary jobs in the City.

STAFF RECOMMENDATION

Staff recommends adoption of the Ordinance on First Reading.

BACKGROUND / DISCUSSION

Agreement Summary

On April 2, 2013, City Council adopted Ordinance No. 055, 2013 approving an Economic Development Project Agreement ("Agreement") between the City, the DDA, and Woodward, Inc. The agreement specifies Woodward is eligible for a rebate in three areas:

- Use Tax on Construction Materials and Eligible Equipment (up to 80%)
- Development Fees (100%)
- Capital Expansion Fees ("CEFs") and Utility Plant Investment Fees ("PIFs") (up to 50%).

Employment Level Requirements

The three rebate categories were offered with the stipulation that employment levels must reach or exceed 1,400 employees within the City by December 31, 2018.

- If a rebate request is made prior to December 31, 2018, the City will withhold 40% of the rebate until set employment levels have been met. The remaining 60% of the earned rebates will be paid on the schedule agreed upon by Woodward (see below).
- If the target employment level is reached after December 31, 2018 but before December 31, 2020, Woodward will receive the retained 40 percent less \$500,000 (combined between use tax and development fee rebates). Woodward will not be entitled to the remaining 40 percent if the target level is not reached by

December 31, 2020. It is currently anticipated the employment levels will not be reached by December 31, 2018; therefore, Woodward is not eligible to receive \$500,000 of the \$1.5M currently being held in escrow.

Rebate Schedule as agreed upon with Woodward

Staff has developed a rebate schedule with Woodward which is consistent with the agreement whereby two rebate applications will be processed each year. The two applications per year consist of the following components:

- Application 1 includes:
 - January through June: Development Review and Capital Improvement Fees
- Application 2 includes:
 - July through December: Development Review and Capital Improvement Fees
 - January through December: Use Tax

Rebate funds will be appropriated by City Council biannually as part of the rebate process.

This rebate application is for both use tax and development fees paid from January through December 2017. The rebate amount of development fees for the period January 1 through June 30, 2017, was minimal and is being included with the request for fees from July 1, through December 31, 2017.

Year to Date 2017	Development Fees 100%	CEF Fees 50%	Utility PIF 50%	Use Tax 80%	Not Eligible for Rebate	Total
Total Fees Collected	\$10,289	\$14,670	\$0	\$112,301	\$5,977	\$143,236
Rebate Owed	10,289	7,335	0	89,841	N/A	107,464
Rebate Eligible for Payment - 60%	6,173	4,401	0	53,904	N/A	64,479
Rebate Holdback - 40%	4,116	2,934	0	35,936	N/A	42,986
Backfill	0	7,335	0	26,008	N/A	33,343

For the application period, Woodward earned a total of \$107,464 in rebates. Of that amount, 40% is held back pending the aforementioned employee level requirements. The remaining 60% which totals \$64,479 is requested for rebate at this time. The 40% that is held back has been assigned within the General Fund in recognition of the potential future obligation.

The use tax rebate includes a General Fund backfill requirement of the dedicated taxes:

- .25% Natural Areas
- .25% Streets and Transportation
- .25% Building on Basics Projects
- .85% Keep Fort Collins Great

This is the final application for Phase 1 of the project.

CITY FINANCIAL IMPACTS

The total rebate amount is \$64,479. The full amount will come from prior year General Fund Reserves and will be appropriated for the purpose of remitting the rebate to Woodward.

ORDINANCE NO. 140, 2018
OF THE COUNCIL OF THE CITY OF FORT COLLINS
APPROPRIATING PRIOR YEAR RESERVES IN THE GENERAL FUND TO
REIMBURSE WOODWARD, INC. FOR DEVELOPMENT FEES AND USE TAX

WHEREAS, the City, the Fort Collins Downtown Development Authority, and Woodward, Inc. (“Woodward”) entered into that certain “Agreement with Woodward, Inc.” dated April 16, 2013, (the “Agreement”), which Agreement provides business investment assistance for the relocation of Woodward’s headquarters and the expansion of its manufacturing and office facilities in Fort Collins; and

WHEREAS, the Agreement specifies that Woodward is eligible for reimbursement from the City for the following paid by it to the City: (1) “Use Taxes” on “Construction Materials” and “Eligible Equipment”, (2) “Development Fees”, and (3) “Capital Improvement Fees,” as these terms are defined in the Agreement; and

WHEREAS, under the Agreement, Woodward can apply for reimbursement biannually for Development Review and Capital Improvement Fees and once a year for the Use Tax rebate; and

WHEREAS, all funds reimbursed must be appropriated by Council as part of the rebate process; and

WHEREAS, the Agreement was approved by City Council pursuant to Ordinance No. 055, 2013, on April 2, 2013; and

WHEREAS, the current total amount due to Woodward for the period of January 1, 2017, through December 31, 2017, for Development Fee and Use Tax eligible reimbursements is \$64,479; and

WHEREAS, in accordance with the terms of the Agreement, staff is requesting appropriation of \$64,479 from General Fund prior year reserves for these reimbursements to Woodward; and

WHEREAS, as the Council found in Ordinance No. 055, 2013, approving the Agreement, and hereby reaffirms, the Agreement was and is necessary, convenient, and in furtherance of the City’s purposes and in the best interests of the inhabitants of the City, and will serve the important public purposes of maintaining and increasing employment in the City, stabilizing and improving the long term tax base of the City, and providing additional economic health benefits to the City; and

WHEREAS, the Agreement has also resulted in the construction of significant public improvements related to the Woodward project; and

WHEREAS, Article V, Section 9 of the City Charter permits the City Council, upon recommendation of the City Manager, to appropriate by ordinance at any time during the fiscal year such funds for expenditure as may be available from reserves accumulated in prior years, notwithstanding that such reserves were not previously appropriated, provided that the total amount of appropriations for fiscal year 2018 shall not exceed the current estimate of actual and anticipated revenues to be received by the City during 2018; and

WHEREAS, the City Manager has recommended the appropriation described herein and determined that this appropriation is available and previously unappropriated in the General Fund and will not cause the total amount appropriated in the General Fund to exceed the current estimate of actual and anticipated revenues to be received in that fund during the 2018 fiscal year.

NOW, THEREFORE, BE IT ORDAINED 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 there is hereby appropriated for expenditure from prior year reserves in the General Fund the sum of SIXTY-FOUR THOUSAND FOUR HUNDRED SEVENTY-NINE DOLLARS (\$64,479) to reimburse Woodward for Development Fees and Use Tax as required by the Agreement.

Introduced, considered favorably on first reading, and ordered published this 20th day of November, A.D. 2018, and to be presented for final passage on the 4th day of December, A.D. 2018.

Mayor

ATTEST:

City Clerk

Passed and adopted on final reading on the 4th day of December, A.D. 2018.

Mayor

ATTEST:

City Clerk