

July 27, 2010

COUNCIL OF THE CITY OF FORT COLLINS, COLORADO

Council-Manager Form of Government

Adjourned Meeting - 6:00 p.m.

An adjourned meeting of the Council of the City of Fort Collins was held on Tuesday, July 27, 2010, at 6:00 p.m. in the Council Chambers of the City of Fort Collins City Hall. Roll Call was answered by the following Councilmembers: Hutchinson, Kottwitz, Manvel, Ohlson, Poppaw, Roy and Troxell.

Staff Members Present: Atteberry, Krajicek, Roy.

Resolution 2010-047

Submitting to the Registered Electors of the City a Proposed .85% Increase in the City's Sales and Use Tax Rate on All Non-exempt Taxable Items, to Be Used for Certain Specified Purposes, Adopted

The following is staff's memorandum for this item.

“EXECUTIVE SUMMARY

This Resolution places a proposed sales and use tax increase before the voters at a Special Municipal Election to be held in conjunction with the November 2, 2010 Larimer County General Election. Proceeds of the tax would be used to fund basic City services and provide for the health and safety of the community.

The proposed tax increase includes the following provisions:

- *An increase of .85% (or 8.5 cents on a \$10 purchase)*
- *The additional revenue would be allocated in the following manner:*
 - *33% for street maintenance and repair*
 - *17% for other street and transportation needs*
 - *17% for police services*
 - *11% for fire services*
 - *11% for parks maintenance and recreation services; and*
 - *11% for other community priorities as determined by City Council.*
- *The increase would commence January 1, 2011 and sunset after 10 years, ending at midnight on December 31, 2020.*
- *The increase would yield an estimated \$18.9 million in the first full year of collection*

Additionally, the ballot language requires the City Manager to report annually to City Council on how the revenues are used and the cost saving measures that were undertaken by the City each year.

July 27, 2010

On July 6, 2010, City Council adopted Ordinance No. 080, 2010, calling a special election to be in conjunction with the November 2, 2010 Larimer County General Election. The purpose of the Special Election was to preserve the opportunity to place this ballot measure before voters.

BACKGROUND

At the City Council work session held on March 23, 2010, staff presented information about pressing, unfunded needs in street maintenance, police, fire, parks and recreation. City Council feedback was to proceed with a community dialogue about *Resourcing Our Future*. The dialogue was structured around three key questions:

- How should the community address the pressing, unfunded needs in street maintenance, police, fire, parks and recreation?
- Do we cut more services? If so, which ones?
- Do we add more resources? If so, which option?

Staff originally recommended a 1% increase to meet the pressing and long term needs in street maintenance, fire, police, parks and recreation. Additional resources are needed to maintain current services and make limited high priority improvements. City Council and staff spent several months engaging the community in a dialogue about how to address these unfunded needs. During a series of community meetings and other input opportunities, the following themes emerged:

- People want to be engaged in choices about our city's future, and want the opportunity to vote on any proposed tax increase.
- People want accountability for the increased revenue, and feel it should be dedicated to specific purposes.
- People would be more likely to support an increase less than 1%.
- People felt the increase should sunset rather than continue in perpetuity.
- People expect their local government to continue to seek efficiencies and trim expenses where possible.

Since 2005, the City has cut approximately \$24 million of planned or existing expenses, eliminating lower-priority services and aggressively pursuing ways to make local government more efficient. (See Attachment 1) The City has eliminated more than 150 jobs, aligned employee salaries and benefits with the market, and made all City expenses easily visible and transparent to the public at fcgov.com/openbook. At the same time, the City is supporting job creation, working to retain, grow and attract new business and retail, and fostering overall economic health.

FUNDING NEEDS

Staff has identified and thoroughly documented information about the immediate needs for additional resources in four key areas of local government.

- **STREET MAINTENANCE**

July 27, 2010

Additional resources are needed to maintain streets, fill potholes and make basic repairs. The need for street maintenance to maintain current pavement quality is approximately \$6.5 million annually above the 2010 adopted budget level of \$7.1 million. This cost does not include resources to meet other pressing transportation needs, such as bridge repair and replacement; new roads, interchanges and other capital improvements; improvements in safety at school zones; neighborhood traffic calming; new bike lanes and sidewalks; and transit service. These needs total millions of dollars per year, with a significant additional backlog of capital needs and aging infrastructure maintenance for all transportation services.

Impact to community:

- *Overall pavement conditions are deteriorating; more potholes are prevalent and structural roadway concerns will soon begin to show. Funding for street maintenance was reduced by more than \$2 million in 2010.*
- *As conditions continue to deteriorate due to delayed maintenance, replacement and repair costs become significantly more expensive.*

This proposed tax increase would provide approximately \$9.4 million of new revenue in the first year to address these needs and other transportation capital and operational needs. 33% (\$6.2 million) of the total revenue would be dedicated to street maintenance and repair, while the another 17% (\$3.2 million) would be allocated to other street and transportation needs such as bridges, capital improvements, pedestrian and bike facilities, transit services and traffic calming projects.

- **POLICE SERVICES**

Additional resources are needed for City Police Services to maintain current levels of service and make minimal enhancements. An additional 33 officers and 15 civilians are needed to provide the level of service expected by the community. The need is approximately \$4.6 million per year. A comprehensive Police Staffing study, originally conducted in 2007 and updated in 2009, indicates that Fort Collins needs these additional officers and civilian personnel to provide the services our community needs and expects. The study is based on input from local focus groups, a special citizen committee and a data-driven assessment of then current conditions.

Impact to community:

- *Capacity for response to non-emergent crimes (e.g., car break-ins) and proactive problem-solving continues to deteriorate*
- *Difficult to maintain appropriate staffing levels for basic police protection and dispatch*
- *New resources are needed to maintain existing services levels and make minimum improvements in these areas:*
 - *More neighborhood patrolling*
 - *Increased traffic patrol*

July 27, 2010

- *More party and noise enforcement*
- *Safer Downtown during day and evening*

This proposed tax increase would provide approximately \$3.2 million of new revenue beginning in the first year to address these needs.

• ***POUDRE FIRE AUTHORITY***

Additional resources for Poudre Fire Authority are needed to serve growing demands in south Fort Collins, as well as enhanced Emergency Management. The need is approximately \$3.2 million per year.

Impact to community:

- *Additional funds will be used to maintain appropriate staffing and make limited improvements*
 - *Reduced response times to emergencies*
 - *Improved emergency scene management to better protect citizens, businesses and property*
 - *Help to maintain Insurance Services Office (ISO) ratings, which in turn helps to minimize insurance costs for residents and businesses. The ISO recently reduced PFA's rating from a 3 to a 4 (1 = best, 10 = worst) based largely on staffing and apparatus levels.*
 - *Increased ability to respond to simultaneous alarms*
 - *Increased preparedness, mitigation, response and recovery for emergencies, threats and disasters*
 - *Improved firefighter safety through better safety oversight and emergency coordination*

This proposed tax increase would provide approximately \$2.1 million of new revenue beginning in the first year to address these needs.

• ***PARKS AND RECREATION***

Additional resources are needed for parks maintenance and to preserve recreation services. The need is over \$2 million per year (\$1 million for parks maintenance and \$1 million for recreation).

Impact to community:

- *Because of ongoing cuts to Park Maintenance funds, City parks are beginning to deteriorate; additional resources are needed to keep the parks clean and well maintained (e.g., replacing play equipment, keeping parks litter-free, weed control).*
- *The City is currently using \$900,000 of reserves to fund Recreation programs and services, which if continued, will run out in 2013. If General Fund support for Recreation is not*

July 27, 2010

restored, service levels will be severely impacted. Either a major facility, like the Senior Center, the Northside Aztlan Community Center, or Edora Pool Ice Center, (EPIC) will need to close entirely, or staffing and programming will need to be drastically cut and hours of operation at facilities dramatically reduced. Cuts would be made to the programs that receive the greatest General Fund support.

This proposed tax increase would provide approximately \$2.1 million of new revenue beginning in the first year to address these needs.

The balance of the revenue after allocations are made to Transportation, Fire, Police, Parks and Recreation will be allocated to other high priority City needs identified by City Council in the annual budget process. This remaining revenue would provide approximately \$2.1 million of new resources in the first year.

TIMELINE:

If this Resolution is approved by City Council, the following key milestones will include:

- *July 27 - Council considers Resolution to submit measure to the ballot with final ballot language*
- *September 3 - City certifies ballot language to Larimer County*
- *October 1 - TABOR notice mailed to voters detailing ballot language*
- *October 4 - Voter registration deadline*
- *October 12 (approximately) - First date ballots will be mailed,*
- *November 2 - Election Day”*

Councilmember Ohlson withdrew from the discussion of this item due to a potential conflict of interest.

Mayor Hutchinson discussed the evolution of this item and noted there are five major changes from the original proposal: (1) the tax amount is less than 1%, (2) it is specific regarding how the revenue will be spent, (3) funding for transportation will account for 50% of the increase; (4) the tax will sunset after 10 years, and (5) the City Manager will report annually regarding revenue expenditures and City cost savings measures. The proposed tax will be voted upon in November.

City Manager Atteberry stated the City's revenue is not keeping pace with demand for services. Since 2005, the City has implemented changes to make Fort Collins government more efficient, more transparent, and more accountable. Nearly \$24 million of planned and existing expenses have been cut since the 2006 budget, and more than 150 City jobs have been eliminated. Community feedback showed voters want a choice relating to the increased tax, and citizens want continued

July 27, 2010

accountability in local government. Citizens also suggested a tax lower than 1%, possibly with a sunset provision. The proposed ballot language is for a sales and use tax increase of 0.85% with 33% of the revenue going to street maintenance and repair, 17% to other street and transportation needs, 17% to police services, 11% to fire protection and other emergency services, and 11% to other community priorities as determined by Council. The tax will sunset after 10 years. The tax will generate approximately \$18.9 million in 2011 with an annual impact to the average household of approximately \$9.35 per month, or \$112 per year. City Manager Atteberry discussed key dates for the item moving forward.

David May, Fort Collins Area Chamber of Commerce President, thanked Council for being good stewards of taxpayer dollars and suggested the proposed tax increase should be 0.75% or lower with more of a focus on job creation. He suggested the Use Tax should eventually be eliminated and asked for specifics regarding the revenue allotted for other community priorities.

Gary Thomas, Transportation Board Chairman, suggested the item be placed on the ballot for a vote of Fort Collins citizens.

Dana Ortiz, Jessica McMillan, Shirley Christian, and Rob Kagan, Parks and Recreation Boardmembers, stated the Parks and Recreation Board voted unanimously to recommend placing the sales tax measure on the ballot.

Edmund Robert, 4923 Linden Ridge Drive, supported the sales tax measure and asked for clarification regarding the revenue allotted for other community priorities.

Nina Bodenhamer, 1001 Belvedere Court, supported the sales tax measure and its placement on the November ballot.

Dan Gould, Bicycle Advisory Committee member, 623 West Mountain Avenue, supported the sales tax measure and its placement on the November ballot.

Jon McKeon, Poudre Fire Authority firefighter, 2300 Stonegate Drive, supported the sales tax measure and its placement on the November ballot.

Dave Edwards, 218 West Magnolia Street, supported the sales tax measure and its placement on the November ballot.

Gary Stein, Fort Collins resident, supported the sales tax measure and its placement on the November ballot.

Gary Wockner, 516 North Grant, supported the sales tax measure and its placement on the November ballot.

Mike Bell, 2309 Sunstone Drive, suggested the proposal may not be a sustainable solution. He suggested instituting a Transportation Utility Fee.

July 27, 2010

Ryan Keiffer, 215 West Oak Street, supported the sales tax measure, including the 11% allotment for other community priorities, and its placement on the November ballot.

Lloyd Walker, 1756 Concord Drive, supported the sales tax measure, including the 11% allotment for other community priorities, and its placement on the November ballot.

Eric Sutherland, 3520 Golden Currant, did not support the inclusion of the 11% allotment for other community priorities and expressed concern about revenue expenditure accountability.

Roger McCarville, Arvada resident, expressed concern that the \$66 million Water Reserve Fund is too high.

Stacy Lynne, 216 Park Street, asked for examples of other street and transportation needs, why sales tax revenue from visitors is down, why driving lanes were removed from Laurel Street, and for specific examples of other community priorities.

Doug Brobst, 1625 Independence Road, supported the sales tax measure, including the 11% allotment for other community priorities, and its placement on the November ballot.

Bruce Lockhart, 2500 East Harmony Road, did not support the sales tax measure.

Councilmember Kottwitz asked if the sunset provision would fully expire the tax in 10 years or if Council would have the opportunity to continue the tax. City Manager Atteberry replied it will expire in 10 years and continuation of the tax would need to be submitted to the voters.

Councilmember Kottwitz asked about the origin of the 11% allotment to other community priorities. Mayor Hutchinson replied that allotment could be used for economic health or restoring reserves. He stated a resolution could be brought before Council regarding laying out details for this 11% category.

Councilmember Kottwitz clarified the 11% designated for other community priorities could be used for anything other than the other specified items listed in the ballot language.

City Manager Atteberry stated those revenues will be spent on items approved by future City Councils.

City Manager Atteberry noted that Police Services and Poudre Fire Authority budgets have actually increased as other departments, such as Parks and Recreation and Transportation, have decreased.

Councilmember Troxell asked why the proposed sales tax increase was changed from 1% to 0.85%. City Manager Atteberry replied the original recommendation was based on the overall needs of the City organization; however, community feedback has shown dissatisfaction with that much of an increase.

July 27, 2010

Councilmember Troxell asked how the City Manager's annual report would be presented. City Manager Atteberry replied he is legally bound to illustrate exactly where revenues are being spent. The City Manager will report on incremental services the community gets as a result of those expenditures. The reports will include information regarding expenditures as well as information regarding continuing efficiencies.

Councilmember Troxell expressed concern that there is a negative impact regarding increased taxes and asked for an analysis of those impacts. Mike Freeman, Chief Financial Officer, replied there is a large variety of tax rates in Front Range municipalities, including some Public Improvement Fees in the metro Denver area of more than 4%. Data suggests there is not a great deal of impact with the exception of very large purchases, such as automobiles. A Transportation Maintenance Fee would have had a much more negative effect on Fort Collins' competitive position.

Mayor Hutchinson noted Fort Collins' quality of life is consistently discussed among employees and business owners and has a very positive impact on business activity and economic health. Freeman added Poudre School District and Colorado State University also bring business activity to Fort Collins.

Councilmember Manvel noted the only two Front Range cities with lower sales taxes than Fort Collins are Colorado Springs and Loveland.

Councilmember Roy made a motion, seconded by Councilmember Manvel, to adopt Resolution 2010-047.

Councilmember Manvel stated there has been a 22% decrease since 2005 in the amount of money going to City coffers from Fort Collins residents. He discussed the need for the increased tax revenue in terms of maintaining Fort Collins' quality of life.

Councilmember Troxell made a motion, seconded by Councilmember Kottwitz to amend the ballot language to decrease the 3.85% effective sales tax rate to 3.5% and designate the 11% slated for other community priorities to economic health and to offset use taxes. Additionally, 0.5% of the City's budget would be reallocated through the budgeting process to fill the original 1% increase need.

Councilmember Troxell clarified his proposal would provide the ability to reallocate funds from low priority to high priority City programs.

Councilmember Manvel clarified Councilmember Troxell's proposal would fully fund City Manager Atteberry's original 1% proposal by increasing the sales tax rate 0.5% and reallocating 0.5%. The reallocations would come out of the approximately \$50 million in City funds that are not part of the priority areas outlined in the tax.

Councilmember Manvel stated the City does prioritize through the Budgeting for Outcomes process and many cuts have been made using this process. He asked for examples of budget cuts

July 27, 2010

Councilmember Troxell would like to see. Councilmember Troxell suggested cutting the food budget for City Council meetings and making Transfort more efficient.

Mayor Hutchinson stated Budgeting for Outcomes is a prioritization process in that it focuses the budget on seven outcomes used throughout City policy.

Councilmember Kottwitz asked how Councilmember Troxell's amendment would change the 11% category for other community priorities. Councilmember Troxell replied the amount would be designated for economic health and to offset use tax to create more incentive for private business investment and infrastructure.

Mayor Hutchinson asked for clarification regarding Councilmember Troxell's statement that low priority items are not part of the budget. City Manager Atteberry replied Budgeting for Outcomes is a high-level prioritization process. Freeman replied the General Fund is approximately \$100 million out of a \$380 million total budget.

City Manager Atteberry stated the Budgeting for Outcomes tool is the best of its kind for prioritizing budgets and Councilmember Troxell has encouraged further prioritization which will be provided as part of the Budgeting for Outcomes process improvements.

Councilmember Manvel stated he would not support the amendment as it is unclear from where the \$10 million in cuts would originate.

Mayor Hutchinson asked if \$10 million exists to be reallocated. City Manager Atteberry replied the \$10 million would be future reductions and efficiencies. Councilmember Troxell replied his amendment would take lower priorities through a process and place them with the higher priorities.

Freeman asked if Councilmember Troxell would propose reallocating any of the \$10 million from services that are already considered priority. Councilmember Troxell replied he would be silent on that issue and let proposals come in as they may.

Freeman stated, assuming those reallocations do not come from the priority service areas, one possible area for reallocation includes the General Fund contribution to Transfort. Currently, approximately half of the General Fund budget goes into safety, police and fire only. Parks and Recreation and Transportation currently receive approximately \$10 million each from General Fund, or about 20% of the General Fund budget total. The remainder of the General Fund budget is allocated as follows: environmental health, 1%; economic health, 7%; and general City operations, 21%. Assuming no cuts from priority service areas included in the General Fund budget, approximately \$30 million remains from which to reallocate \$10 million.

Councilmember Troxell asked what types of cuts would need to be made should the 0.85% tax increase not be approved by voters. City Manager Atteberry replied the City would experience between \$3.5 and \$5 million in cuts in 2011-2012. An appropriate level of street maintenance, for example, would be nearly impossible to fund. Additions to the police and fire budgets would not be possible and current levels of funding may not be able to be maintained.

July 27, 2010

Councilmember Troxell stated his amendment proposal of a 0.5% tax rate increase may have a more likely chance of being approved by voters.

Mayor Hutchinson reiterated Councilmember Troxell's motion to amend and discussed the cuts previously made to the budget and the need for the additional revenue.

The vote on the motion to amend was as follows: Yeas: Kottwitz and Troxell. Nays: Hutchinson, Manvel, Poppaw and Roy.

THE MOTION FAILED.

Councilmember Kottwitz made a motion, seconded by Councilmember Troxell, to eliminate the 11% other community priorities section from the proposal.

Councilmember Manvel stated his commitment to maintenance of effort in all areas; therefore, he stated he would not allot any budget revenue toward areas other than the five high priority areas and encouraged keeping the other community priority funding included.

Councilmember Kottwitz stated priority needs to be placed on the major high priority areas including police, fire and transportation.

Councilmember Manvel asked if Councilmember Kottwitz would vote to place a 0.75% tax increase on the ballot. Councilmember Kottwitz replied she would prefer to see the tax increase proposal at 0.5%.

Councilmember Troxell expressed agreement with Councilmember Kottwitz.

Councilmember Kottwitz stated the 11% allotment for other community priorities may be seen as excessive and should not be included in the proposal.

Councilmember Manvel noted citizens, per input in Plan Fort Collins, do not want the level of service for police or fire to decrease and want to increase the transportation budget to meet goals. The vast majority of respondents supported enhancing recreation programs and facilities.

Mayor Hutchinson stated he would not support eliminating the 11% allotment for other community priorities.

Councilmember Troxell stated the reason for having the adjourned meeting was to allow Council discussion.

Mayor Hutchinson stated decreasing the proposed tax increase to 0.5% would necessitate eliminating funding for one of the main priority categories.

Councilmember Roy stated he would not support a 0.75% tax increase proposal.

July 27, 2010

Mayor Hutchinson reiterated the motion to amend which would eliminate the 11% category for other community priorities from the proposed tax increase.

City Attorney Roy clarified the overall tax increase proposal would then be for 0.75% with the full proceeds being divided proportionally with each of the other priority groups increased accordingly.

The vote on the motion to amend Resolution 2010-047 was as follows: Yeas: Kottwitz. Nays: Hutchinson, Manvel, Poppaw, Roy and Troxell.

THE MOTION FAILED.

Councilmember Troxell made a motion, seconded by Councilmember Kottwitz, to reduce the tax increase proposal from 0.85% to 0.5%.

Councilmember Troxell stated his motion necessitates and implies reallocation. He stated his intention is to fund priority City services to their full level.

Councilmember Manvel stated there is no reason to think priorities would change from the last Budgeting for Outcomes cycle.

Councilmember Kottwitz stated she would not support the motion as it would still include the 11% category for other community priorities.

Mayor Hutchinson stated he would not support the motion.

The vote on the motion to amend was as follows: Yeas: Troxell. Nays: Hutchinson, Kottwitz, Manvel, Poppaw and Roy.

THE MOTION FAILED.

Councilmember Roy stated Budgeting for Outcomes has resulted in \$24 million in cuts and each budget cycle results in stark choices. He thanked City Manager Atteberry, City staff, and citizens.

Councilmember Poppaw noted Council would be placing this tax increase proposal before the voters and stated the 11% allotment for other community priorities is allowing for fundamental economic health. She stated voters should consider the negative economic health implications of voting against the tax proposal.

Councilmember Troxell stated he supports putting the item on the ballot and proposed amendments in an attempt to put forth the best package that would meet City needs and receive voter approval. He stated he would not support the motion.

Councilmember Kottwitz stated, though it is apparent the City needs increased revenues, she is unsure an increased tax is the correct means of gaining that revenue. She expressed concern that

July 27, 2010

citizens may be overburdened by the additional tax. She stated she would not support the motion as it is a temporary fix for a permanent problem.

Councilmember Manvel stated voting against this item would not allow voters a choice. He stated 66% of citizen respondents stated they would support increasing taxes or fees to maintain or make limited improvements to City services. He stated approving the tax would provide for the services and level of municipal pride to which Fort Collins citizens are accustomed.

Mayor Hutchinson stated the measure should withstand public scrutiny as the process has been methodical and thoughtful and has a solid foundation. He stated he would support the motion.

The vote on the motion was as follows: Yeas: Hutchinson, Manvel, Poppaw and Roy. Nays: Kottwitz and Troxell.

THE MOTION CARRIED.

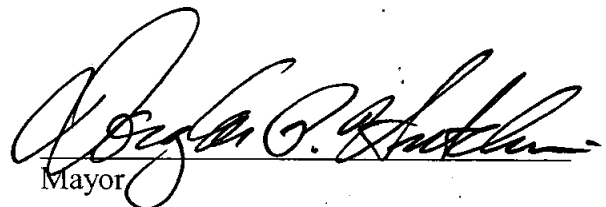
(**Secretary's note: The Council took a brief recess at this point in the meeting.)

Other Business

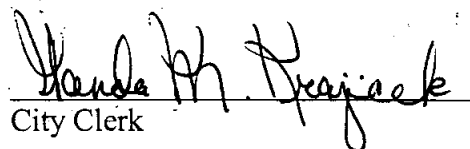
Mayor Hutchinson stated Council should consider giving direction to staff to present a resolution characterizing the types of items which would be funded by the 11% category for other community priorities.

Adjournment

The meeting was adjourned at 9:25 p.m.


Mayor

ATTEST:


City Clerk