

AGENDA ITEM SUMMARY

FORT COLLINS CITY COUNCIL

ITEM NUMBER: 34

DATE: February 18, 2003

FROM: Diane Jones

SUBJECT:

Resolution 2003-026 Placing a One-quarter Cent Sales and Use Tax Measure and a One-percent Construction Tax Measure Before the Voters at the April 8, 2003 Municipal Election.

RECOMMENDATION:

Staff recommends adoption of the Resolution.

EXECUTIVE SUMMARY:

On February 4, 2003, Council provided staff with direction to prepare a resolution for its consideration to place two ballot measures before the voters at the April municipal election. The tax measures would be in support of Council's long-term funding strategy for transportation capital. The elements of the strategy include:

- A 1/4 cent sales/use tax
- A new 1.00 % construction tax
- Reallocating up \$1.3 million in General Fund resources by implementing a Transportation Maintenance Fee (TMF)
- An additional General Fund amount of \$1 million per year, for a total of \$2.3 million in additional General Fund commitment to transportation capital needs.

The resolution placing the tax measures on the April 8 municipal election ballot includes the following ballot measures:

1. Sales and Use Tax:

A separate measure would be placed on the ballot asking voters to approve a new sales and use tax. The 1/4 cent sales and use tax would be effective beginning July 1, 2003. Grocery food and prescription drugs would be exempt from the tax. The tax would represent an increase of 25 cents on a \$100 purchase.

The term of the tax would be 10 years, with a renewal provision in the ballot language that would require Council to submit a ballot measure to the voters before the end of 2013 to consider extending the tax for an additional ten-year period.

This new tax would provide a dedicated revenue stream for construction of transportation capital projects in accordance with the project list included in the ballot language and the City's 20 year Master Transportation Plan.

The same project list would be used in both ballot measures, namely:

Harmony Road, College to Seneca
College/Harmony intersection
Shields/Harmony intersection
Timberline Road, Prospect to Drake
Timberline/Prospect intersection
Mason Transportation Corridor
Lemay Avenue, Lincoln to Conifer Right-of-Way
College/Drake Intersection
Taft/Elizabeth Intersection
Shields/Elizabeth Intersection

Revenue projections for the sales and use tax are \$2.31 million in 2003 (partial year) and \$5.5 million per year beginning in 2004.

If voters approve the new sales and use tax, the total sales and use tax rate within the City limits will be 6.95%.

2. Construction Tax:

A construction tax would be placed on the ballot for voter approval. The 1% tax would be effective beginning October 1, 2003, and would apply to all new construction, except:

- a) residential construction that does not add a dwelling unit;
- b) commercial or industrial construction that does not add square footage; or
- c) affordable housing projects, as defined by the Council.

The term of the tax will be 10 years, with a renewal provision in the ballot language that would require Council to ask voters to consider extending the tax for another ten years after 2013.

The ballot measure would list the initial projects to be completed, including the following:

Harmony Road, College to Seneca
College/Harmony intersection
Shields/Harmony intersection
Timberline Road, Prospect to Drake
Timberline/Prospect intersection
Mason Transportation Corridor
Lemay Avenue, Lincoln to Conifer Right-of-Way
College/Drake Intersection
Taft/Elizabeth Intersection
Shields/Elizabeth Intersection

Revenue projections for the Construction Tax are \$500,000 in 2003 (partial year) and \$2 million per year beginning in 2004.

Other Elements of the Strategy

After completion of the April municipal election, City Council will be asked to consider the terms of the proposed Transportation Maintenance Fee (TMF). If the TMF is approved by Council and

implemented in mid-2003, the proposed \$1 per single-family residential unit, plus commercial and industrial rates determined by trip generation calculations will yield approximately \$1.3 million per year for maintenance needs. These funds can then be used to offset a portion of the current General Fund contribution to street maintenance. The General Fund offset funds can then be added to the funds available to implement capital needs in the Transportation Master Plan.

The added \$1.0 million for Transportation Capital Improvements was appropriated in the 2003 adjusted budget.

RESOLUTION 2003-026
OF THE COUNCIL OF THE CITY OF FORT COLLINS
SUBMITTING TO THE REGISTERED ELECTORS OF THE CITY
A PROPOSED TWENTY-FIVE ONE HUNDREDTHS PERCENT (0.25%)
SALES AND USE TAX ON ALL TAXABLE SERVICES
AND TANGIBLE PERSONAL PROPERTY EXCEPT FOOD
AND A PROPOSED ONE PERCENT (1%) CONSTRUCTION
TAX, FOR THE PURPOSE OF OBTAINING ADDITIONAL
REVENUES TO FUND CERTAIN TRANSPORTATION CAPITAL PROJECTS

WHEREAS, on August 20, 2002, the City Council adopted Resolution 2002-081, adopting a strategy for long term transportation capital funding for the City; and

WHEREAS, such strategy includes the imposition of a new twenty-year .25 cent sales and use tax dedicated to transportation capital, exempting groceries and prescription drugs, as well as a new twenty-year 1% construction tax for the same purpose; and

WHEREAS, in view of the City's pressing transportation capital improvement needs and the lack of sufficient revenues to fund those needs, the City Council believes it to be in the best interest of the City that these taxes be adopted by the City; and

WHEREAS, the imposition of a new tax requires voter approval under Article X, Section 20 of the Colorado Constitution; and

WHEREAS, the City Council previously submitted to the registered electors of the City, at a special election held in conjunction with the November 5, 2002, General Election, a single question as to whether both such taxes should be approved for a twenty-year term; and

WHEREAS, such tax proposal measure was narrowly rejected by the voters; and

WHEREAS, the Council believes that the taxes should be resubmitted to the voters as separate ballot measures, with proposed effective dates of July 1, 2003, for the sales and use tax increase, and October 1, 2003, for the construction tax, and that the taxes should be proposed for an initial term of ten years, with the question of extending the taxes for another ten years to be submitted to the registered electors of the City before the expiration of the initial ten-year term; and

WHEREAS, the next regular election of the City is scheduled to be held on April 8, 2003.

NOW, THEREFORE, BE IT RESOLVED BY THE COUNCIL OF THE CITY OF FORT COLLINS that the questions shown on Exhibits "A" and "B", attached hereto and incorporated herein by this reference, shall be submitted to the registered electors of the City of Fort Collins at the regular municipal election to be held on April 8, 2003.

Passed and adopted at a regular meeting of the City Council held this 18th day of February,
A.D. 2003.

Mayor

ATTEST:

City Clerk

EXHIBIT "A"

A CITY-INITIATED MEASURE PROPOSING A 0.25 % INCREASE IN THE CITY'S SALES AND USE TAX TO FUND CERTAIN TRANSPORTATION CAPITAL IMPROVEMENT PROJECTS

SHALL CITY OF FORT COLLINS TAXES BE INCREASED BY AN ESTIMATED \$6,750,000 MILLION FOR THE FIRST FULL FISCAL YEAR AND BY SUCH AMOUNTS AS MAY BE GENERATED ANNUALLY THEREAFTER BY AN INCREASE IN THE RATE OF THE CITY'S SALES AND USE TAX OF 0.25 % (25¢ ON A \$100 PURCHASE), ON ALL TAXABLE ITEMS EXCEPT FOOD, COMMENCING JULY 1, 2003, AND CONTINUING THROUGH JUNE 30, 2013, WITH THE QUESTION OF EXTENDING SUCH TAX FOR ANOTHER TEN (10) YEARS TO BE SUBMITTED TO THE REGISTERED ELECTORS OF THE CITY BEFORE THE END OF THE INITIAL TEN-YEAR PERIOD, AND WITH THE PROCEEDS OF SUCH TAX RATE INCREASE, TOGETHER WITH INVESTMENT EARNINGS THEREON, TO BE USED TO PAY FOR THE PLANNING, DESIGN, ACQUISITION AND CONSTRUCTION OF CERTAIN TRANSPORTATION CAPITAL IMPROVEMENT PROJECTS, TO BE DESIGNATED BY THE CITY COUNCIL NO LESS THAN ONCE EVERY FOUR (4) YEARS AS THE HIGHEST PRIORITY TRANSPORTATION PROJECTS SHOWN ON A TWENTY (20) YEAR TRANSPORTATION MASTER PLAN, WITH THE FIRST PHASE OF SUCH PLAN TO INCLUDE, BUT NOT BE LIMITED TO, THE FOLLOWING PROJECTS:

HARMONY ROAD, COLLEGE TO SENECA
COLLEGE/HARMONY INTERSECTION
SHIELDS/HARMONY INTERSECTION
TIMBERLINE ROAD, PROSPECT TO DRAKE
TIMBERLINE/PROSPECT INTERSECTION
MASON TRANSPORTATION CORRIDOR
LEMAY AVE., LINCOLN TO CONIFER RIGHT OF WAY
COLLEGE/DRAKE INTERSECTION
TAFT/ELIZABETH INTERSECTION
SHIELDS/ELIZABETH INTERSECTION

WITH EACH SUCH PROJECT TO BE CONTINGENT UPON THE AVAILABILITY OF SUFFICIENT LOCAL, STATE AND/OR FEDERAL FUNDS TO COMPLETE THE PROJECT AND WITH THE SCOPE, COST AND SCHEDULING OF EACH PROJECT TO BE DETERMINED BY THE CITY COUNCIL; AND SHALL THE CITY OF FORT COLLINS BE AUTHORIZED TO COLLECT AND EXPEND ALL OF THE PROCEEDS OF SUCH TAX RATE INCREASE AND INVESTMENT EARNINGS THEREON, NOTWITHSTANDING ANY APPLICABLE LIMITATION ON REVENUES AND EXPENDITURES, INCLUDING THE LIMITATIONS SET FORTH IN ARTICLE X, SECTION 20 OF THE COLORADO CONSTITUTION?

___ YES

___ NO

EXHIBIT "B"

A CITY-INITIATED MEASURE PROPOSING A 1% CONSTRUCTION TAX TO FUND CERTAIN TRANSPORTATION CAPITAL IMPROVEMENT PROJECTS

SHALL CITY OF FORT COLLINS TAXES BE INCREASED BY AN ESTIMATED \$2,500,000 MILLION FOR THE FIRST FULL FISCAL YEAR AND BY SUCH AMOUNTS AS MAY BE GENERATED ANNUALLY THEREAFTER BY THE IMPOSITION OF A TAX ON THE ISSUANCE OF BUILDING PERMITS FOR ALL NEW CONSTRUCTION AND RECONSTRUCTION IN THE CITY AT THE RATE OF 1% OF THE COST OF SUCH CONSTRUCTION OR RECONSTRUCTION, EXCEPT FOR:

- RESIDENTIAL REMODELING PROJECTS THAT DO NOT CREATE ADDITIONAL DWELLING UNITS;
- COMMERCIAL AND INDUSTRIAL REMODELING PROJECTS THAT DO NOT ADD SQUARE FOOTAGE; AND
- "AFFORDABLE HOUSING PROJECTS" AS DEFINED BY THE CITY COUNCIL,

COMMENCING OCTOBER 1, 2003, AND CONTINUING THROUGH SEPTEMBER 30, 2013, WITH THE QUESTION OF EXTENDING SUCH TAX FOR ANOTHER TEN (10) YEARS TO BE SUBMITTED TO THE REGISTERED ELECTORS OF THE CITY BEFORE THE END OF THE INITIAL TEN-YEAR PERIOD, AND WITH THE PROCEEDS OF SUCH NEW TAX, TOGETHER WITH INVESTMENT EARNINGS THEREON, TO BE USED TO PAY FOR THE PLANNING, DESIGN, ACQUISITION AND CONSTRUCTION OF CERTAIN TRANSPORTATION CAPITAL IMPROVEMENT PROJECTS, TO BE DESIGNATED BY THE CITY COUNCIL NO LESS THAN ONCE EVERY FOUR (4) YEARS AS THE HIGHEST PRIORITY TRANSPORTATION PROJECTS SHOWN ON A TWENTY (20) YEAR TRANSPORTATION MASTER PLAN, WITH THE FIRST PHASE OF SUCH PLAN TO INCLUDE, BUT NOT BE LIMITED TO, THE FOLLOWING PROJECTS:

HARMONY ROAD, COLLEGE TO SENECA
COLLEGE/HARMONY INTERSECTION
SHIELDS/HARMONY INTERSECTION
TIMBERLINE ROAD, PROSPECT TO DRAKE
TIMBERLINE/PROSPECT INTERSECTION
MASON TRANSPORTATION CORRIDOR
LEMAY AVE., LINCOLN TO CONIFER RIGHT OF WAY
COLLEGE/DRAKE INTERSECTION
TAFT/ELIZABETH INTERSECTION
SHIELDS/ELIZABETH INTERSECTION

WITH EACH SUCH PROJECT TO BE CONTINGENT UPON THE AVAILABILITY OF SUFFICIENT LOCAL, STATE AND/OR FEDERAL FUNDS TO COMPLETE THE PROJECT AND WITH THE SCOPE, COST AND SCHEDULING OF EACH PROJECT TO BE DETERMINED BY THE CITY COUNCIL; AND SHALL THE CITY OF FORT COLLINS BE AUTHORIZED TO COLLECT AND EXPEND ALL OF THE PROCEEDS OF SUCH NEW TAX AND INVESTMENT EARNINGS THEREON, NOTWITHSTANDING ANY APPLICABLE LIMITATION ON REVENUES AND EXPENDITURES, INCLUDING THE LIMITATIONS SET FORTH IN ARTICLE X, SECTION 20 OF THE COLORADO CONSTITUTION?

____ YES
____ NO