

SUBJECT

Items Relating to Rebates of Property Taxes, Sales Tax on Food, and Utilities.

- A. Second Reading of Ordinance No. 046, 2012, Amending Certain Sections of Chapter 25 of the City Code Relating to the City's Property Tax Rebate.
- B. Second Reading of Ordinance No. 047, 2012, Amending Certain Sections of Chapter 25 of the City Code Relating to the Rebate of the City's Sales Tax on Food.

EXECUTIVE SUMMARY

The Finance Department currently administers three rebate programs for low income, senior and disabled residents. The rebates are for Property Tax, Utilities and Sales Tax on Food which were created in 1972, 1975 and 1985 respectively.

Ordinance No. 046, 2012, will change the income qualification for the Property Tax rebate from 30% of area median income (AMI) to 50% of AMI to increase the number of senior and disabled residents that qualify and to align with the Sales Tax on Food rebate income qualifications and will update the application period to August 1st through October 31st.

The income qualification for the Utility Refund will be changed from 30% of area median income (AMI) to 50% of AMI to allow for an increased number of senior and disabled residents to qualify and to align with the Sales Tax on Food rebate income qualifications. The application period will be updated to August 1 through October 31. No Code amendment is needed to make these changes because Code Section 26-613 states that applicants for utility rebates must meet the same qualifications requirements as applicants for property tax rebates. A Whereas clause has been added to Ordinance No. 046, 2012, that mentions that a utility refund program is available that follows the same guidelines as the property tax rebate guidelines.

Ordinance No. 047, 2012, will update the rebate amount of Sales Tax on Food from \$40 to \$54 per member of qualifying household, index the rebate amount moving forward to the local CPI and will update the application period to August 1 through October 31.

The Ordinances have been amended on Second Reading to add a provision that the City Manager will submit an annual report to City Council by March 31, 2013, reviewing the status of the programs, who is being reached and how participation in the programs has been increased. Both Ordinances were unanimously adopted on First Reading on May 15, 2012.

STAFF RECOMMENDATION

Staff recommends adoption of the Ordinances on Second Reading.

ATTACHMENTS

- 1. Copy of First Reading Agenda Item Summary - May 15, 2012 (w/o attachments)

DATE: May 15, 2012
STAFF: John Voss
 Jessica Ping-Small

AGENDA ITEM SUMMARY
 FORT COLLINS CITY COUNCIL

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SUBJECT

Items Relating to Rebates of Property Taxes, Sales Tax on Food, and Utilities.

- A. First Reading of Ordinance No. 046, 2012, Amending Certain Sections of Chapter 25 of the City Code Relating to the City's Property Tax Rebate.
- B. First Reading of Ordinance No. 047, 2012, Amending Certain Sections of Chapter 25 of the City Code Relating to the Rebate of the City's Sales Tax on Food.

EXECUTIVE SUMMARY

The Finance Department currently administers three rebate programs for low income, senior and disabled residents. The rebates are for Property Tax, Utilities and Sales Tax on Food which were created in 1972, 1975 and 1985 respectively.

The Finance Department is proposing the following changes to provide consistency among the rebates, allow an increased number of residents to qualify for the Property Tax and Utility Refund and simplify the process for applicants. An increase in the rebate amount for the Sales Tax on Food Rebate is also proposed.

Highlights of Proposed Changes to Chapter 25:

Property Tax Rebate: Change the income qualification from 30% of area median income (AMI) to 50% of AMI to increase the number of senior and disabled residents that qualify and to align with the Sales Tax on Food rebate income qualifications. Update the application period to August 1st through October 31st.

Utility Refund: Change the income qualification from 30% of area median income (AMI) to 50% of AMI to allow for an increased number of senior and disabled residents to qualify and to align with the Sales Tax on Food rebate income qualifications. Update the application period to August 1 through October 31. No Code amendment is needed to make these changes because Code Section 26-613 states that applicants for utility rebates must meet the same qualifications requirements as applicants for property tax rebates.

Sales Tax on Food Rebate: Update the rebate amount from \$40 to \$54 per member of qualifying household and index the rebate amount moving forward to the local CPI. Update the application period to August 1 through October 31.

BACKGROUND / DISCUSSION

History

Property Tax Rebate

- Established in 1972 for low income senior (65 and over) residents
- Expanded in 1980 to include low income disabled residents
- Eligible property owners are entitled to a refund of all City property taxes paid in the preceding year
- Eligible renters are entitled to a rebate of 1.44% of rental payments for property on which City property taxes were paid
- The 1.44% rebate for renters was the percentage of total rent at the time that resulted in a rebate amount equal to that of property owners which was calculated at \$33.33 in 1972.
- Income eligibility level updated in 1998 to 30% of the area median income (AMI) as reported by HUD on an annual basis

Utility Rebate

- Established in 1975 for low income senior residents
- Program applies to owners and lessees of property for which City of Fort Collins utilities have been paid
- Amount of refund is based on average monthly residential consumption of water, wastewater, stormwater and electric service updated annually
- Income eligibility level updated in 1998 to 30% of the area median income (AMI) as reported by HUD on an annual basis

Sales Tax on Food Rebate

- Established in 1984 and rebate amount set at \$25 per person in eligible household
- Income eligibility level updated in 1998 to 30% of the area median income (AMI) as reported by HUD on an annual basis
- Rebate amount updated to \$40 per person in 1998
- In 2005 per Council direction, staff researched and recommended changes to the income level for the Sales Tax on Food Rebate only. The goal was to increase the number of households that qualified
- The income eligibility level was raised 50% of AMI. No discussion of raising the other rebate income levels is evident

Summary of Current Qualifications

Residency – For all rebates the applicant must reside in the City Limits of Fort Collins prior t the commencement of the calendar year for which application is made and at the time application is made.

Citizenship – For all rebates the applicant must fill out an Affidavit of Legal Residency form and produce proof of identification.

Rebate Type	Who Qualifies	Income Qualification	Amount of Rebate
Property Tax	Senior and disabled property owners and renters	30% of AMI	Equal to property tax paid to City
Utilities	Senior and disabled property owners and renters	30% of AMI	Based on average monthly consumption of water, wastewater, stormwater and electric service
Sales Tax on Food	All residents	50% of AMI	\$40 per member of qualifying household

30% Income Threshold (Property Tax and Utility Rebates) - based on the U.S. Department of HUD income limits of 30% for the Fort Collins-Loveland area median income and are as follows:

Number in Household	Maximum Household Income
1	\$16,350
2	\$18,650
3	\$21,000
4	\$23,300

50 % Income Threshold (Sales Tax on Food Rebate) – based on the U.S. Department of HUD income limits of 50% for the Fort Collins-Loveland area median income and are as follows:

Number in Household	Maximum Household Income
1	\$27,200
2	\$31,100
3	\$35,000
4	\$38,850

Summary of Rebate Program Cost and Participation

The rebate programs have an annual average payout of \$152,000 over the last five years. The Sales Tax on Food Rebate 60% of the total amount rebated in 2011.

Historical Data

Year	# of Applications	Total Rebate	Average Rebate Amount
2007	1,149	\$153,240	\$133
2008	1,312	\$167,426	\$128
2009	1,284	\$157,146	\$122
2010	1,101	\$142,510	\$129
2011	1,126	\$138,654	\$123

Summary of 2011

Rebate Type

Rebate Type	# of Applications Qualified	Total Rebate	Average Rebate Amount
Sales Tax on Food	1126	\$82,901	\$74
Property Tax	86	\$10,355	\$120
Property Tax - Renters	386	\$22,819	\$59
Utilities	368	\$22,579	\$61

Analysis of Proposed Changes

Based on discussions with the Finance Committee in March and further analysis, staff recommends that the income level for the Property Tax Rebate and Utility Rebate be raised from 30% of AMI to 50% of AMI while keeping the Sales Tax on Food Rebate at 50% of AMI. Raising the income level will provide consistency amongst the rebates and allow additional senior and disabled families to qualify. The senior population in the Fort Collins is estimated at 10% of the total. Reliable data on the number of low income senior and disabled households in Fort Collins is minimal. In regards to the Sales Tax on Food Rebate, the current level of participation by families is in the 20% range. Finance is analyzing the contributing factors for the low application rate. Staff will be looking closer at the process in 2012 to determine if the application process is considered too onerous for the financial payout as well as doing additional outreach to increase the participation levels.

Estimated number of Families in Fort Collins: 30,449

Based on Household of 4	30% of AMI \$23,300 max income	50% of AMI \$38,850 max income
Total # of qualifying families	3,650	5,780

In addition, staff is proposing to increase the current rebate amount for the Sales Tax on Food program from \$40 to \$54. The proposed increase to \$54 is based on estimates for the cost of food at home on a national level provided by the United States Department of Agriculture (USDA). The USDA estimates were used in lieu of local data which was not available. The suggested amount is also in line with the actual local Consumer Price Index (CPI) since 1998.

USDA estimates for a family of 4	Monthly	Annual
Moderate Cost Plan (USDA)	\$791.40	\$9,496.80
Total of 2.25% Sales Tax	\$17.80	\$213.68
2.25% Sales Tax Paid per person	\$4.45	\$53.42

Recap of Proposed Changes

- Raise income level for Property Tax Rebate and Utility Rebate from 30% of AMI to 50% of AMI
- Raise Sales Tax on Food Rebate amount from \$40 to \$54 per person in qualified households
- Index future Sales Tax on Food Rebate amount to the local Consumer Price Index (CPI)
- Update application period for all rebates to August 1 through October 31

FINANCIAL / ECONOMIC IMPACTS

Property Tax and Utility Tax Rebate: Based on the estimated participation level the rebate amount would increase from \$56,000 to \$67,000. 2011 application numbers were used as the basis for the estimate.

Sales Tax on Food Rebate: Changing the rebate amount from \$40 to \$54 would increase the program cost by \$29,000 based on 2011 application numbers. Total cost of rebate would be \$112,000.

Estimated total cost of all rebate programs combined based on proposed changes is \$179,000 which is a 29% increase over the 2011 amount of \$138,654. The budgeted amount for 2012 is \$171,000. If the actual rebates exceed our projections then an additional appropriation will be requested. Offers for the 2013-2014 BFO process will be adjusted accordingly.

STAFF RECOMMENDATION

Staff recommends adoption of the Ordinance on First Reading.

BOARD / COMMISSION RECOMMENDATION

Presentation was made to the Council Finance Committee at its March 19 meeting. Discussion surrounded the inconsistency amongst the programs and the reasoning for the various income qualifications. There was support for the general concepts of the proposed changes.

PUBLIC OUTREACH

Outreach for the rebate programs occurs each year prior to and during the application phase. The outreach includes the following:

- Advertisements in the Colorado and on Coloradoan website
- Article in the "City News" newsletter and on the back of utility bill
- Articles in local newsletters like the Aspen Club and Senior Voice
- City webpage with downloadable application
- Partnerships with local agencies such as the Larimer Food Bank, Volunteers of America, Meals on Wheels, Larimer Health and Human Services, etc
- Application forms are distributed to the Senior Center, Aztlan Center, Utility Billing Office and the Workforce Center
- Applications mailed out to all applicants from the prior year

In addition for 2012, Finance intends to partner with the Fort Collins Public Information Office to prepare and distribute news releases and increase the visibility of the rebates overall.

ATTACHMENTS

1. Council Finance Committee minutes, March 19, 2012
2. Powerpoint presentation

ORDINANCE NO. 046, 2012
OF THE COUNCIL OF THE CITY OF FORT COLLINS
AMENDING CERTAIN SECTIONS OF CHAPTER 25 OF THE CODE OF THE
CITY OF FORT COLLINS RELATING TO THE CITY'S PROPERTY TAX REBATE

WHEREAS, Chapter 25, Article II, Division 2 of the City Code authorizes rebates of City property tax revenues to low income elderly residents and disabled residents of the City; and

WHEREAS, similarly, Chapter 25, Article II, Division 3 of the City Code authorizes rebates of sales tax revenues to low income households in the City; and

WHEREAS, Chapter 25, Article II, Division 2 of the City Code authorizes the rebate of City property tax revenues to low income elderly residents and disabled residents of the City, and Chapter 26, Article VII, Division 2 of the City Code provides relief from utility bills for such residents through a utility bill refund program that uses the same qualification requirements as the property tax rebate program; and

WHEREAS, the City Council wishes to amend the provisions of these two divisions so as to reconcile certain inconsistencies between them with regard to qualifying income levels and administrative regulations, and to increase the amount of the sales tax rebate person per calendar year.

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

Section 1. That the definition of "*Household*" contained Section 25-26 of the Code of the City of Fort Collins is hereby amended to read as follows:

Household shall mean two (2) or more persons related by blood or marriage living together under one (1) roof. For the purposes of this provision, a person who pays property taxes or rent on a home or dwelling unit shall be considered to be a part of the household in the dwelling unit in which that person resides, and shall not be considered to be part of any other household.

Section 2. That Section 25-27 of the Code of the City of Fort Collins is hereby amended to read as follows:

Sec. 25-27. Purpose.

There is hereby enacted a tax refund program to provide relief from property taxes for low-income elderly residents and disabled residents of the City. It is the purpose of this tax refund program to refund to low-income elderly residents and disabled residents, as defined in this Division, the City's portion of property taxes for the preceding year which such persons have paid. This program is intended to apply

to applicants who either own or lease, and reside within, the dwelling unit for which such taxes have been paid pursuant to the provisions of Section 25-31(a).

Section 3. That Section 25-28 of the Code of the City of Fort Collins is hereby amended to read as follows:

Sec. 25-28. Application for refund.

Refunds under this program shall be made to persons qualified for such refunds upon written application made to the Financial Officer on forms to be provided by the Financial Officer. Such applications shall be made between August 1 and October 31, inclusive, of each year for which a refund is to be made.

Section 4. That Section 25-29(4) of the Code of the City of Fort Collins is hereby amended to read as follows:

Sec. 25-29. Qualifications.

...

- (4) The applicant household shall have an annual income which shall not exceed fifty (50) percent of the area median income for the applicable household size in the Fort Collins-Loveland metropolitan statistical area, rounded to the nearest two-hundred-fifty-dollar increment, up to a maximum household income of fifty (50) percent of the area median income for a household of four (4), as most recently published by the United States Department of Housing and Urban Development as of August 1 of the rebate year.

...

Section 5. That Section 25-32 of the Code of the City of Fort Collins is hereby amended to read as follows:

Sec. 25-32. Administration.

The Financial Officer shall administer the program established by this Division and may prepare a rebate application form, adopt rules and regulations consistent with the provisions of this Division and audit and verify the applications submitted pursuant to this Division. Any rebate application form shall require the claimant to verify and sign the application under oath. The burden of proving entitlement to a rebate under this Division is on the claimant. The Financial Officer may require reasonable information to support the rebate application.

Section 6. That the City Manager is hereby directed to submit an annual report to the City Council, commencing on or before March 31, 2013, setting forth the number of applications for property tax rebates and utility bill refunds received by the City during the previous year, the

status of the applicants (whether property owner or tenant), the average household income level, the total amounts rebated by the City during the previous year, and any other information that the City Manager may consider relevant and helpful to the City Council's ongoing assessment of such rebate programs and ways in which they might be made more effective.

Introduced, considered favorably on first reading, and ordered published this 15th day of May, A.D. 2012, and to be presented for final passage on the 5th day of June, A.D. 2012.

Mayor

ATTEST:

Interim City Clerk

Passed and adopted on final reading on the 5th day of June, A.D. 2012.

Mayor

ATTEST:

Interim City Clerk

ORDINANCE NO. 047, 2012
OF THE COUNCIL OF THE CITY OF FORT COLLINS
AMENDING CERTAIN SECTIONS OF CHAPTER 25 OF THE CODE OF THE
CITY OF FORT COLLINS RELATING TO THE REBATE OF
THE CITY'S SALES TAX ON FOOD

WHEREAS, Chapter 25, Article II, Division 2 of the City Code authorizes rebates of City property tax revenues to low income elderly residents and disabled residents of the City; and

WHEREAS, similarly, Chapter 25, Article II, Division 3 of the City Code authorizes rebates of sales tax revenues to low income households in the City; and

WHEREAS, the City Council wishes to amend the provisions of these two divisions so as to reconcile certain inconsistencies between them with regard to qualifying income levels and administrative regulations, and to increase the amount of the sales tax rebate person per calendar year.

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

Section 1. That Section 25-48 of the Code of the City of Fort Collins is hereby amended to read as follows:

Sec. 25-48. Application for rebate.

Application for the sales tax rebate on food shall be made on forms to be provided by the City. In order to qualify for such rebate, the application must be filed between August 1 and October 31, inclusive, of each year for which a rebate is requested. Only one (1) application shall be filed per household. If any member of the household filing an application has filed a federal income tax return for the applicable year, a copy of such income tax return must be attached to the application.

Section 2. That Section 25-50 of the Code of the City of Fort Collins is hereby amended to read as follows:

Sec. 25-50. Amount of rebate.

The amount of rebate payable hereunder shall be in the sum of fifty-four dollars (\$54.) per person per calendar year in any eligible household. The amount of the rebate will be increased annually according to the Denver-Boulder-Greeley Consumer Price Index for Urban Consumers, as published by the Bureau of Labor Statistics.

Section 3. That the City Manager is hereby directed to submit an annual report to the City Council, commencing on or before March 31, 2013, setting forth the number of applications

for rebate of the City's sales tax on food that were received by the City during the previous year, the status of the applicants (whether low income or disabled), the average household income level, the total amounts rebated by the City during the previous year, and any other information that the City Manager may consider relevant and helpful to the City Council's ongoing assessment of such rebate program and ways in which it might be made more effective.

Introduced, considered favorably on first reading, and ordered published this 15th day of May, A.D. 2012, and to be presented for final passage on the 5th day of June, A.D. 2012.

Mayor

ATTEST:

Interim City Clerk

Passed and adopted on final reading on the 5th day of June, A.D. 2012.

Mayor

ATTEST:

Interim City Clerk