



Council Ad Hoc Committee for Revenue Evaluation (C.A.R.E.)

AGENDA Meeting 5

Date: April 6, 2020

Time: 10:00 am – 12:00 pm

Location: Zoom Meeting

The mission statement: Provide financial stability to reliably deliver services to our community that our citizens expect and deserve, while contributing as a regional leader and partner.

1. Review of Prior Progress

Don Overcash

Discussions of the 2020-2029 Capital Program and Horizon Projects and how much is needed to pay for public safety, bricks and mortar, and City operations.

2. Questions, Answers, Additional Information

Alan Krcmarik

Minutes from Meeting 4. (Attachment 1)

Responses to the Questions from last meeting

Councilor Overcash's Draft Solution sent on April 3rd. (Attachment 2)

3. Today's Topics: How We Address the Challenge

Group

Share our ideas on how we can address the short term and long term challenges of accomplishing the Mission Statement. To do so we need to discuss:

- Immediate recommendations providing impact-2021-2030
- Intermediate recommendations providing impact- 2022-2030
- Longer term recommendations providing impact -2024-2020

4. Outcome for Today

Group

Develop a draft of recommendations to be made to Loveland City Council on May 5, 2020. This draft version will be finalized at the next meeting on April 20th. Don intends to ask if we can move our next meeting up to April 13th.

5. Upfront Agreement for Next Session on April 20 (unless moved up)

Don Overcash

Working toward a summary presentation to City Council on May 5, 2020.

Hard copies of all attachments will be available at the meeting.



MINUTES

March 30, 2020

Council Ad Hoc Committee for Revenue Evaluation (C.A.R.E.)

Attendees: Council Members Overcash, Wright, Samson, and Molloy; Mayor Marsh; and Autumn Perry, CFAC member.

City Staff: Steve Adams, City Manager; Rod Wensing, Deputy City Manager; Alan Krcmarik, Chief Financial Officer; Joyce Robinson, Accounting Manager; Matthew Elliott, Acting Budget Manager; Kent Fierstine, Sales Tax Manager; Justine Bruno, Assistant to the City Manager; Chloe Romero, Budget Analyst; Mark Miller, Fire Chief; Dan Coldiron, Chief Information Officer; Patti Garcia, City Clerk; Kelly Jones, Economic Development Director; and Beverly Walker, Sr. Financial and Business Analyst

Review of Progress at March 2nd Meeting:

Councilor Overcash reminded everyone the committee's recommendation will be presented to Council at the May 5, 2020 Council meeting. He confirmed with the Committee the mission statement was still accurate, considering the global pandemic. We won't have clear answers on how the pandemic is affecting the budget until May or June, so based on what information we have now, the \$7M shortfall projected for 2021, we will continue to work toward a solution.

Today's Topic:

Councilor Overcash began by asking what type of vision can we cast for our citizens regarding a strategy for the next 10 years, a 10-year investment strategy. He would like to come to an agreement on a realistic dollar amount, construct the plan to come up with the revenue necessary, and then look at the projects that can be done.

Some members voiced concerned that the project vision should come first. The Mayor would like to look at other ways to increase revenue, such as tourism and a shop local campaign, instead of only raising taxes. Asked if adding a PIF was an option. Alan explained that a PIF is not a city revenue it is a private charge, for example Centerra has a retail sales fee, which is privately imposed and retained. Downtown businesses (and other parts of the City) could add a PIF or other type of fee without a ballot initiative.

Matthew Elliott reviewed the 2020-2029 Capital Program and Horizon Projects lists. Items on the list that are highlighted with purple are currently approved by Council. He explained that the Enterprise funds listed are a 10-year plan, so funding for projects are anticipated to be available.

Alan stated, the City of Loveland is a billion dollar corporation with aging infrastructure, but changing spending patterns takes a long time. Infrastructure should be around 15-20%



MINUTES

March 30, 2020

of the General Fund, which would be \$10-15M every year, but currently we are in the \$3M range. Other things to address: life-cycle costing to have a better idea of the cost to keep things going and identifying unfunded liability issues. He suggested the City address the liabilities we do have and look at new creative ideas as well.

Alan reviewed the Potential Revenue Chart, explaining it is an illustration of what increases in the different revenues would look like and a few examples from other municipalities. All new or increased tax options would require voter approval.

Councilor Molloy asked if the increase in the population matches the increase in taxes, percentage wise? Alan commented, the last time the COL did a sales tax increase was in 1984. Our tax rate only captures about \$18M of the sales tax a year, we need to draw on people that buy in Loveland, but live outside of Loveland. Residents can't provide the revenue needed on property taxes alone.

Councilor's dollar amounts for a 10-year plan:

Overcash: \$200M includes O&M, first responders, capital, and infrastructure.

Sampson: \$375M taking a thoughtful approach by asking citizens what the vision is and what we need. Focus on the sales tax revenue that comes outside the city residents. Look at a multifaceted approach.

Molloy: \$400M CEFs are for growth, but these projects are not for growth, this isn't for expansion and that's why the number needs to be bigger.

Wright: \$220 - \$400M Growth has paid its own way, now we all need to pay our way for living here, this is about our citizens and what we want for our community. The citizens need to support it. We love our community and most of our citizens want what works for our community.

City Manager's dollar amount:

Steve: Engineers love to build projects, so \$500M would be a good place to start. He gave a number range of \$150 - \$200M to help make the impact needed into the future. Some of the items are studies and oversize agreements that have to be paid back to the developer. We need to imbed staff and replacement costs into the projects. Keeping things safe and well maintained.

Outcome for Today:

Councilor Overcash will send out an email to the group by the end of the day on Wednesday, April 1st regarding his thoughts on today's discussion, both short term and long term goals.



MINUTES

March 30, 2020

Upfront Agreement for Next Session on April 6:

Share thoughts and ideas on the amount we need to focus on and how it will be funded. What does Loveland need, what should we be asking the citizens for, and what will that process look like?

Staff will address following topics at the next meeting:

- 1) Capital and Infrastructure pie chart
- 2) Market Analysis to compare Fort Collins population over other NoCo municipalities and the share of sales tax
- 3) Experience tax, what type of venues
- 4) Can online sales tax be increased above the regular rate?
- 5) How have population and sales tax increased in the last 25 years?

I share this initial recommendation in the hope of starting a discussion and eventually develop a comprehensive approach to fulfill our group's purpose. A detailed rationale behind this recommendation is something we can discuss and evaluate as a group. But, why just one recommendation at this point when we anticipate presenting a full range of recommendations to Council? I believe a sales tax increase is warranted at this time as it provides a quick and sustainable contribution that is predictable for future funding. To win on the ballot issue, the proposition has to be straight forward, easy to understand and not divisive in nature.

Mission Statement: Provide financial stability to reliably deliver services to our community that our citizens expect and deserve, while contributing as a regional leader and partner.

Goal: \$200,000,000 additional Governmental Funds from this recommendation

Suggestion #1—Sales Tax Increase (2021 Immediate Impact)- 3 parts

1. Request a full 1cent sales tax increase on November 2020 ballot
 - First increase since 1984
 - The new 4 cents rate would be comparable with surrounding communities, not out of line.
 - Estimate of additional \$18m per year assuming January 2020 baseline
2. The additional 1 cent would be allocated between 3 broad categories.
 - Public Safety
 - Bricks & Concrete
 - City Operations

Need to define these in citizen terminology

- i. Public Safety—police and fire personnel operations costs, brick and mortar
- ii. Bricks & Concrete—use of general funds for building and maintaining roads, sidewalks, medians, bike paths, buildings, and the like.
- iii. City Operations--- personnel and related costs to support the workforce including non-capitalized goods.

Need to allocate based on understanding of historical data and in light of estimated future need: Example only---

- i. Public Safety .2
- ii. Bricks & Concrete .5
- iii. City Operations .3

Total 1.0 cent

Note: Alan is developing a rough estimate at this point on how we have been allocating the current 3 cents sales tax

3. The allocation of funds would be addressed yearly through the development process of the annual budget.
 - Each year staff would prepare the budget for council approval insuring that the additional 1 cent is being applied according to the final formula as approved by ballot.

Looking forward to our discussion on Monday.

Regards,
Don