

Fort Collins City Council Work Session Agenda

4:00 p.m., Thursday, June 5, 2025

300 Laporte Avenue, Fort Collins, CO 80521

NOTICE:

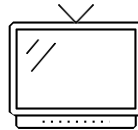
Work Sessions of the City Council are generally held on the 2nd and 4th Tuesdays of each month. Meetings are conducted in a hybrid format, however there is no public participation permitted in a work session.

City Council members may participate in this meeting via electronic means pursuant to their adopted policies and protocol.

How to view this Meeting:



Meetings are open to the public and can be attended in person by anyone.



Meetings are televised live on Channels 14 & 881 on cable television.



Meetings are livestreamed on the City's website, fcgov.com/fctv.

Upon request, the City of Fort Collins will provide language access services for individuals who have limited English proficiency, or auxiliary aids and services for individuals with disabilities, to access City services, programs and activities. Contact 970.221.6515 (V/TDD: Dial 711 for Relay Colorado) for assistance. Please provide 48 hours' advance notice when possible.

A solicitud, la Ciudad de Fort Collins proporcionará servicios de acceso a idiomas para personas que no dominan el idioma inglés, o ayudas y servicios auxiliares para personas con discapacidad, para que puedan acceder a los servicios, programas y actividades de la Ciudad. Para asistencia, llame al 970.221.6515 (V/TDD: Marque 711 para Relay Colorado). Por favor proporcione 48 horas de aviso previo cuando sea posible.



While work sessions do not include public comment, mail comments about any item on the agenda to cityleaders@fcgov.com





City Council Work Session Agenda

June 5, 2025 at 4:00 PM

Jeni Arndt, Mayor
Emily Francis, District 6, Mayor Pro Tem
Susan Gutowsky, District 1
Julie Pignataro, District 2
Tricia Canonico, District 3
Melanie Potyondy, District 4
Kelly Ohlson, District 5

Council Information Center (CIC)
300 Laporte Avenue, Fort Collins

Cablecast on FCTV
Channel 14 on Connexion
Channel 14 and 881 on Comcast

Carrie Daggett
City Attorney

Kelly DiMartino
City Manager

Delynn Coldiron
City Clerk

CITY COUNCIL WORK SESSION 4:00 PM

A) CALL MEETING TO ORDER

B) ITEMS FOR DISCUSSION

1. Remington/Oak Parking Lot Update

The purpose of this item is to review the history and nature of discussions on the property with Housing Catalyst (HC) to date and provide greater clarity on why and when staff recommend resuming discussions.

In 2022, the City entered a Memorandum of Understanding (MOU) with Housing Catalyst (HC) to develop the city owned property at Block 122 (also known as the Remington/Oak Parking Lot). The MOU outlined the intent to partner on a mixed-income redevelopment of the property that would include a minimum of 50% affordable housing serving households at 80% AMI or below. Since the MOU was signed, the City and HC have continued to discuss the redevelopment of the Site. At the beginning of this year, staff began drafting a Purchase and Sale Agreement (PSA) for Council to consider. The PSA would have initially been presented to the Council Finance Committee in April. After delaying the presentation two months, staff chose to pause discussions with HC until after the conclusion of the ongoing Parking Optimization study

2. 2025 Budget Update / 2026 Revision Process Preview

The purpose of this item is to discuss 2025 year-to-date governmental revenue and expenses, along with trends and forecasts for 2025 and 2026.

C) ANNOUNCEMENTS

D) ADJOURNMENT

Upon request, the City of Fort Collins will provide language access services for individuals who have limited English proficiency, or auxiliary aids and services for individuals with disabilities, to access City services, programs and activities. Contact 970.221.6515 (V/TDD: Dial 711 for Relay Colorado) for assistance. Please provide advance notice. Requests for interpretation at a meeting should be made by noon the day before.

A solicitud, la Ciudad de Fort Collins proporcionará servicios de acceso a idiomas para personas que no dominan el idioma inglés, o ayudas y servicios auxiliares para personas con discapacidad, para que puedan acceder a los servicios, programas y actividades de la Ciudad. Para asistencia, llame al 970.221.6515 (V/TDD: Marque 711 para Relay Colorado). Por favor proporcione aviso previo. Las solicitudes de interpretación en una reunión deben realizarse antes del mediodía del día anterior.

File Attachments for Item:

1. Remington/Oak Parking Lot Update

The purpose of this item is to review the history and nature of discussions on the property with Housing Catalyst (HC) to date and provide greater clarity on why and when staff recommend resuming discussions.

In 2022, the City entered a Memorandum of Understanding (MOU) with Housing Catalyst (HC) to develop the city owned property at Block 122 (also known as the Remington/Oak Parking Lot). The MOU outlined the intent to partner on a mixed-income redevelopment of the property that would include a minimum of 50% affordable housing serving households at 80% AMI or below. Since the MOU was signed, the City and HC have continued to discuss the redevelopment of the Site. At the beginning of this year, staff began drafting a Purchase and Sale Agreement (PSA) for Council to consider. The PSA would have initially been presented to the Council Finance Committee in April. After delaying the presentation two months, staff chose to pause discussions with HC until after the conclusion of the ongoing Parking Optimization study

June 5, 2025

WORK SESSION AGENDA

ITEM SUMMARY

City Council



STAFF

Tyler Marr, Deputy City Manager
Josh Birks, Deputy Director, Sustainability Services

SUBJECT FOR DISCUSSION

Remington/Oak Parking Lot Update

EXECUTIVE SUMMARY

The purpose of this item is to review the history and nature of discussions on the property with Housing Catalyst (HC) to date and provide greater clarity on why and when staff recommend resuming discussions.

In 2022, the City entered a Memorandum of Understanding (MOU) with Housing Catalyst (HC) to develop the city owned property at Block 122 (also known as the Remington/Oak Parking Lot). The MOU outlined the intent to partner on a mixed-income redevelopment of the property that would include a minimum of 50% affordable housing serving households at 80% AMI or below. Since the MOU was signed, the City and HC have continued to discuss the redevelopment of the Site. At the beginning of this year, staff began drafting a Purchase and Sale Agreement (PSA) for Council to consider. The PSA would have initially been presented to the Council Finance Committee in April. After delaying the presentation two months, staff chose to pause discussions with HC until after the conclusion of the ongoing Parking Optimization study

GENERAL DIRECTION SOUGHT AND SPECIFIC QUESTIONS TO BE ANSWERED

1. What questions does Council have regarding the status of the Remington/Oak Parking Lot and its potential disposition?
2. What other feedback do councilmembers have as staff approaches this work moving forward?

BACKGROUND / DISCUSSION

The City of Fort Collins currently owns Block 122 (a.k.a. the Remington/Oak Parking Lot) in Downtown Fort Collins, bounded by Oak Street on the North, Remington Street on the East, Olive Street on the South, and Montezuma Fuller Alley on the West (see **Attachment 1 - Location Map**; the Property). The 1.3-acre site has functioned as a surface parking lot for several decades.

HISTORY

Original financing: In 1976, General Improvement District No. 1 (GID No. 1) issued \$1.1 million in General Obligation Bonds “for the purpose of constructing and installing off-street parking, and street and mall improvements.” The bonds matured in 1996 and were completely paid off. No additional record exists of outstanding debt based on GID No. 1 revenue. Approximately \$126,000 of the bonds were used in 1977 to acquire the Property. The property has operated as off-street surface parking from shortly after acquisition to today – nearly 5 decades.

Historic Redevelopment Interest: The Property has received a significant amount of interest over the years from the private sector and even included a public/private partnership to redevelop the parking lot as a hotel, which failed due to the 2008 financial crisis. Past discussions have always included a 1:1 replacement of the existing available public parking.

Existing MOU: In April 2022, the City and Housing Catalyst (HC), the City’s housing authority, signed a Memorandum of Understanding (MOU) outlining the intent to partner on a mixed -income redevelopment of the Remington lot that would include a minimum of 50% affordable housing serving households at 80% AMI or below. Since the MOU was signed, the City and HC have continued to discuss the redevelopment of the site. At the beginning of this year, staff began drafting a Purchase and Sale Agreement (PSA) for Council to consider. The draft PSA did not require a 1:1 parking replacement.

DISCUSSIONS WITH HOUSING CATALYST

Early Discussions. In late 2021, as information about housing related American Rescue Plan Act (ARPA) funding opportunities were released, staff from HC, DDA, and the City began to discuss the potential for partnering on a redevelopment of the Property. At that time, HC was pursuing funding from Operation Turnkey, a funding program offered by the Colorado Department of Local Affairs, Division of Housing, Office of Housing Finance and Sustainability and the Office of Homeless Initiatives (collectively DOLA). The funding program was intended, in part, for the acquisition of land and/or existing properties suitable for the purpose of providing or developing affordable housing for extremely low to moderate income individuals and families (DOLA Funding).

MOU Purpose & Additional Details. To pursue the DOLA Funding, HC needed to demonstrate some form of site control of the Property. To meet this requirement, City staff and HC drafted an MOU, which was subsequently considered and approved by City Council (*Resolution 2022-033, February 15, 2022*). In addition to the items outlined above, the MOU included the following stipulations:

1. Parties (City and HC) acknowledged that DOLA Funding may not be available, or appropriate. Accordingly, the Parties agree to work in good faith towards identifying and pursuing other appropriate sources of funding.
2. Parties agreed to work in good faith toward an agreement on the amount and sources of funding for the potential project.
3. The City stated its intent to provide HC the option to enter into a long-term ground lease with the City for the Property with a term of ninety-nine (99) years. The lease was to be subject to Council approval by ordinance.
4. Preservation or replacement of all existing public and permitted parking spaces existing on the Property – then 152 spaces, along with adequate parking for the proposed development.
5. Allowed for termination under several conditions:
 - a. HC did not apply for funding in 2022.

- b. Denial of HC's application(s) for funding.
- c. Despite reasonable and good faith efforts, the Parties are unable to reach agreement on any matter for which the future agreement of the Parties is necessary for completion of the project.
- d. Either party is unable to fulfill its obligations under the MOU or otherwise complete the Project as envisioned in the MOU.

Ongoing Discussions 2022-2024. By late, 2022, it was clear that the additional anticipated DOLA Funding was not imminently available. By **January 2023**, HC shifted focus to a different funding source – Transformational Affordable Housing Funds requiring a submittal by May of 2023. At that time, HC provided an estimate for replacing parking 1:1 on site that it could cost the project as much as \$8.0 million. City staff began discussions internally about the 1:1 parking replacement. **HC did not pursue this funding source.**

In **June 2023**, City staff met again with HC staff. The targeted funding source had shifted to a competitive tax credit application to be submitted in 2024. All “special” funding sources had now vanished, and the project was going to need to pursue more typical affordable housing funding sources. To support a potential competitive application, the Parties agreed to target June/July 2024 for a letter of intent (LOI) to transfer/lease the property. The LOI would address a minimum affordable housing requirement and refine the parking replacement expectation.

Significant work began to make an application in 2024. This included the City of Fort Collins Parking Services conducting some basic parking utilization analysis of the Property. That data was shared with Housing Catalyst. In addition, HC took several steps to prepare for an application as well.

In **January 2024**, staff met with HC to get an update on the preparations for an application later in the year. As part of HC's due diligence work, they shared the findings from their efforts to redevelop the parking lot while meeting the 1:1 parking replacement condition. Several headwinds to this approach were shared, including:

1. Replacing the parking spaces on-site would render the project financially infeasible.
2. Construction of the parking garage would require a complicated condo arrangement (similar to that at the Firehouse Alley); and
3. The public parking portion of the project would not be eligible to receive Low Income Housing Tax Credit (LIHTC) funding and would thus only add cost to the project without benefiting the affordable housing development.

At this time, HC requested a shift in approach to focus on the northern portion of the property only as a 100 percent affordable housing project without a requirement to mitigate the lost parking on-site.

In **June 2024**, the Colorado Housing and Finance Authority (CHFA) announced a new round of LIHTC funding that would be non-competitive. The round would run from September to November 2024 and be rolling, meaning that the sooner an application was submitted the more likely it is to receive the credits. City staff and HC began to work diligently to prepare to support an application in the 1st or 2nd week of September.

In **July 2024**, HC decided not to pursue an application for this LIHTC round. This was based on intelligence that the accelerated state credits were oversubscribed and highly competitive. Additionally, they were not able to obtain a letter of commitment from the Division of Housing for a nonaccelerated application. As a result, the project still faced a significant funding gap of several million dollars.

In **September 2024**, City staff met with HC to discuss an update to the MOU, which at that point was over 24 months old. The Parties agreed that an update would be in order and should address: (1) geography (a shift to focusing on only the northern portion of the property), (2) removing the 1:1 parking replacement

requirement and instead requiring a parking mitigation plan, (3) update the timeline, and (4) require that 100% of the now smaller property be developed as affordable housing.

Staff began to prepare redlines to the existing MOU with the intent of presenting it to Council for consideration.

Shift to Purchase and Sale Agreement. In January 2025, Staff met with HC to discuss the ongoing discussion regarding a revised MOU. During an early meeting, HC presented a new market rate partner that had an interest in developing the southern portion of the property. This development would include four (4) middle-income deed restrict condos and a variety of market rate units. The project once again shifted directions. All agreed that an updated MOU was no longer needed and that give the timeline for a LIHTC application later in the year it would be appropriate to shift to developing a Purchase and Sale Agreement (PSA).

Staff in partnership with the City Attorney's Office (CAO) began to develop the terms of a PSA. At the same time, Staff commissioned an updated appraisal of the property based on a fee-simple sale of the northern portion to HC. On **March 5, 2025**, Staff shared the draft PSA with HC in anticipation of getting feedback in advance of an April Council Finance Committee (Committee) meeting.

On **March 18, 2025**, Staff at the request of HC postponed the presentation of the PSA to the Committee until May. HC wanted to conduct additional outreach efforts before the item was considered by the Committee.

DOWNTOWN DEVELOPMENT AUTHORITY INPUT & CONCERNS

In **January 2025**, the Downtown Development Authority (DDA) raised concern regarding the GID No. 1 original purchase of the Remington Street parking lot and its relationships to HC and their private partner redevelopment concept. The concern focused on the original purpose for the purchase of the property and its acquisition with GID funds. The CAO reviewed GID statutes, and nothing appears to exist impeding the legal transfer of this property to HC. Furthermore, nearly 5 decades of off-street surface parking operations have clearly delivered the original intent of the acquisition.

In **February 2025**, Staff shared the CAO's findings and the City's perspective that DDA, City, and GID all share multiple aligned and competing interests for Downtown. Parking and Housing being two of the largest aligned and competing interests. The DDA continued to express concerns regarding the displacement of downtown parking and the challenges it would present to all of Oldtown, including the small businesses that own and operate in the area.

STAFF'S EVOLVING PERSPECTIVE

Between **February 2025** and early **May 2025**, Staff continued to reflect on the advancing an affordable housing development on the Property. Throughout this period, staff received pertinent information regarding the property, including: (1) a revised appraisal at a significantly higher amount than previously anticipated; (2) additional input from Parking Services about the changing nature of downtown parking demand and impacts of displacing parking at the Property, (3) input from a variety of business owners in Oldtown, and (4) clarification on the timing and output from the Downtown Parking Optimization Study Parking Study.

Evolving Downtown Parking Information. In 2024, Parking Services conducted several windshield surveys of parking utilization at the Remington/Oak Parking Lot. This suggested that utilization at the Property was primarily tied to Permitted Parking during the day. Similar data was supported by HC's own internal parking study completed by Walker Parking. However, it was later revealed that the parking studies had not evaluated evening, late-evening, or weekend parking fully. The utilization of the Property for parking is highly variable and depends on the time-of-day and day-of week. Taking a broader perspective

indicates that the loss of unmitigated parking could have an impact at certain peak times and days of the week.

Since 2021, staff have been committed to reaching an agreement with HC that could deliver affordable housing at the Property. That commitment, unfortunately, led staff to skip over several common steps in a public/private partnership of this scale: (1) engaging important downtown development partners, such as the DDA and GID; (2) considering a broad set of opportunities for the use of a key asset site such as the Property, and (3) not engaging stakeholders early and often. These oversights have resulted in a process that does not meet City standards for this scale of project and opportunity.

Furthermore, the active Downtown Parking Optimization Study will provide important information regarding the health both financially and operational of Oldtown parking. This information will be invaluable in determining the right solution for mitigating the loss of parking by developing the Property.

As a result, staff concluded that a break in the discussions with HC was the most appropriate course of action. It allows the Downtown Parking Optimization Study to complete providing useful insight. Additionally, it can allow for implementation of key recommendations from the study to advance and stabilize before making a significant change in parking inventory through development of the Property.

While this delay means a loss in momentum for the proposed affordable housing project. It does not mean a reduction in commitment to affordable housing. Ample opportunities to partner with HC and other affordable housing partners remain available across the community. However, there is only one Remington/Oak Parking Lot, and any development of the site will be with the community for many decades to come. It is the view of staff that this is a time to get it right rather than get it done fast.

Housing Catalyst Request. On May 20, 2025, HC presented City Manager DiMartino with a letter requesting a no-interest loan for the costs incurred related to the Oak/Remington redevelopment project. The letter cites the City's decision to withdraw consideration of the PSA, "without sufficient consultation or resolution" as the reason for the request. However, it should be noted that the City and HC remain engaged in a MOU. The terms of the MOU indicate: "If either party terminates this MOU, each party shall be responsible for its own costs related to its performance pursuant to this MOU." Staff believe this aspect of the MOU makes it clear that both parties entered the good faith discussions regarding redevelopment, understanding they each would be responsible for their own costs associated with those discussions. The City has not taken action to terminate the MOU but would be within its rights under the MOU to do so.

REFLECTIONS

Staff have reflected on how the organization arrived at this point – where significant time has been invested by both the City and HC on a project that now should be paused for a length of time.

The Key Reflection. Staff is pausing the project as it shifted and changed over time, such as when the unique funding opportunities of the ARPA- and pandemic-period ceased to be available. 2023, when the funding did not materialize was the first opportunity to step back and undertake a more wholistic look at the site, to engage key downtown partners, to evaluate a range of possibilities, to engage stakeholders, and to consider more deeply the impacts on parking from developing the site. Another key moment was in 2024 when HC indicated they could not mitigate lost parking, which was substantially different from the then approved Council MOU.

The Lesson Learned. The commitment and passion of staff to achieve a significant affordable housing project at the Property has driven our engagement with HC. It has also meant that we fell prey to "spotlighting" – focusing on a singular outcome as the most appropriate and best course of action. Taking a step back may have led us to a different development strategy. It may have resulted in a better outcome.

NEXT STEPS

Staff is pausing discussion with HC until at least when the Parking Study is completed later this year. In addition, staff is recommending setting specific triggers to define when discussions regarding the development of the Property should resume. Those triggers include:

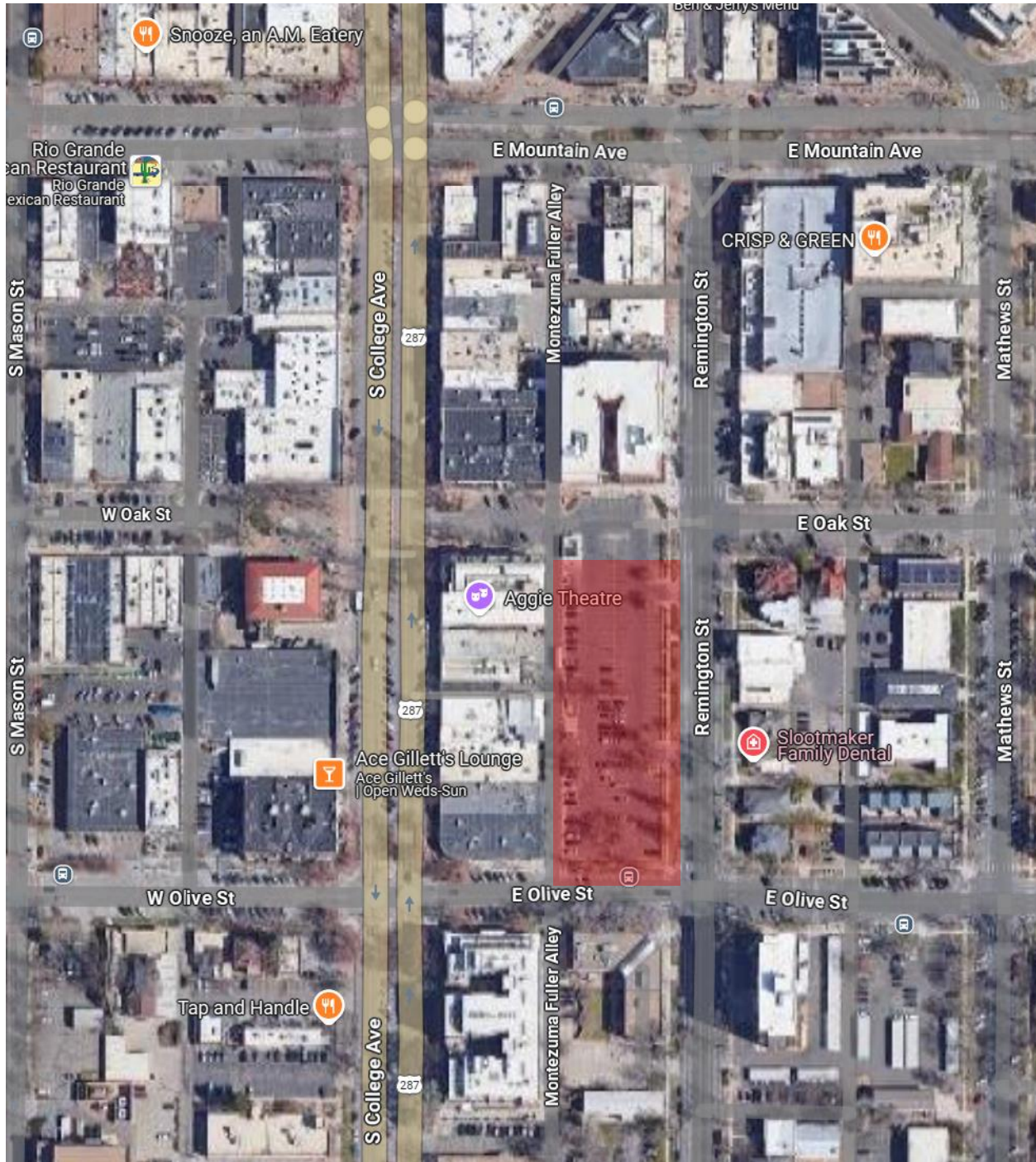
1. Review and consideration by staff or Council of the recommendations from the Parking Study;
2. Implementation of the Parking Study recommendations; and
3. Allowing sufficient time for the recommendations to impact the operations of parking in downtown and resident behaviors, so that we can re-evaluate the impact of developing the Property on parking supply.


It is difficult to estimate when these triggers will occur. However, it is likely to take at least a year and potentially two before all three triggers occur. In the meantime, staff remain committed to affordable housing and development partnerships to deliver on this top community and Council priority.

ATTACHMENTS

1. Location Map
2. Presentation

Attachment 1 – Remington/Oak Parking Lot: Location Map



 Subject Property

Remington/Oak Parking Lot Update

Tyler Marr

Deputy City Manager

Josh Birks

Deputy Director, Sustainability
Services



1. What questions does Council have regarding the status of the Remington/Oak Parking Lot and its potential disposition?

2. What other feedback do councilmembers have as staff approaches this work moving forward?

- Acquired in 1977 from proceeds of a GID No. 1 bond issuance
- Purchase price ~ \$126,000
- Bonds matured in 1996 and were completely paid off
- Has operated as surface parking for nearly 5 decades

Significant redevelopment interest

e.g., 2008 public/private partnership to redevelop as a hotel





Approved by Council: February 2022

Executed: April 2022

Parties: Housing Catalyst (HC) & City of Fort Collins

Key Aspects:

- Included entirety of the Remington/Oak Parking Lot
- Envisioned a mixed-income redevelopment
- Required a minimum of 50% affordable housing at or below 80% Area Median Income
- Required 1:1 preservation or replacement of all existing and permitted parking spaces (approximately 152 space)
- Allowed for termination if:
 - Housing Catalyst did not apply for funding in 2022
 - Their application for funding was denied
 - The parties were unable to reach agreement on any matter
 - Either party is unable to fulfill its obligations under the MOU

going Discussion Highlights

- **January 2023** – HC shifts focus to Transformational Affordable Housing Funds after ARPA- & Pandemic-period funding did not materialize (*HC did not ultimately pursue this funding source*)
- **June 2023** – HC and City staff shift towards more traditional Low Income Housing Tax Credit (LIHTC) funding – targeting a 2024 application (*HC later decided not to pursue this funding*)
- **January 2024** – HC shared findings of their efforts including several headwinds:
 - Replacing parking spaces would render the project financially infeasible
 - Construction of the parking garage would require a complicated partnership
 - Public parking is not an eligible expense under LIHTC funding
- **September 2024** – Staff and HC discuss updating the MOU
- **January 2025** – HC presents new approach to the site including a new market rate development partner; Work on a Purchase and Sale Agreement Begins
- **March 2025** – Staff postpones PSA presentation to Finance at HC's request (*HC indicates a desire to do additional engagement*)





Two Primary Concerns:

- Can the City sell property to private entity purchased with GID No. 1 funds?
 - Legal review did not reveal any limitations to sell*
 - All bonds have matured and been paid off*
 - Property has served intended purpose for 5 decades*
- Lack of replacement parking will negatively impact downtown parking capacity.
 - Significant difference of perspective related to utilization*
 - Parking analysis of evenings, weekends, & late evening reveals a different type of utilization pattern*
 - Request to consider findings of ongoing Downtown Parking Optimization Study*

Many businesses echo these concerns

Additional Information

- Revised appraisal – significantly higher value
- Refined understanding of parking demand and impacts
- Input from DDA & Business Stakeholders
- Clarification on Parking Study timing and output

Evolved Thinking

- ***Utilization of parking*** different than originally understood
- ***Missed opportunities*** to engage stakeholders and follow common City practices when contemplated major partnerships
- ***Usefulness of Parking Study*** output to understanding both financial and operational health of Downtown Parking
- ***Narrow focus of efforts since 2022*** – myopic approach to redevelopment focusing on the City's affordable housing priority without considering other City/community priorities/goals
- ***Operating in isolation*** – not leveraging downtown partners





Key Reflection:

- Staff should have paused when the project shifted/changed
- Multiple points where we could/should have stepped back

Lesson Learned:

- Commitment and passion can overshadow process
- Need to work to actively avoid “spotlighting”

Next Steps:

1. Review and consider the Parking Study when complete
2. Implement Parking Study recommendations
3. Allow time for recommendations to impact parking demand and operations

In the meantime:

- Continue supporting affordable housing
- Improve disposition/ redevelopment processes for City owned property



1. What questions does Council have regarding the status of the Remington/Oak Parking Lot and its potential disposition?
2. What other feedback do councilmembers have as staff approaches this work moving forward?



Thank you!

File Attachments for Item:

2. 2025 Budget Update / 2026 Revision Process Preview

The purpose of this item is to discuss 2025 year-to-date governmental revenue and expenses, along with trends and forecasts for 2025 and 2026.

June 5, 2025

WORK SESSION AGENDA ITEM SUMMARY

City Council



STAFF

Caleb Weitz, Chief Financial Officer
Lawrence Pollack, Budget Director
Jennifer Poznanovic, Sales Tax & Revenue Director

SUBJECT FOR DISCUSSION

2025 Budget Update / 2026 Revision Process Preview

EXECUTIVE SUMMARY

The purpose of this item is to discuss 2025 year-to-date governmental revenue and expenses, along with trends and forecasts for 2025 and 2026.

GENERAL DIRECTION SOUGHT AND SPECIFIC QUESTIONS TO BE ANSWERED

This item is informational only.

BACKGROUND / DISCUSSION

Economic conditions have changed since the 2025-2026 recommend budget. Given economic uncertainty at the national, state and local level, Fort Collins is anticipating budget shortfalls in revenue due to economic activity and expense overages through the first quarter in 2025.

Sales & Use Tax

Sales and use tax revenue is approximately 50% of city governmental revenue and the largest governmental revenue stream. Sales and use tax revenues are generally the most flexible revenues for the provision of City services.

2024 Results

In 2024, sales tax was 2.1% under budget (\$3.7M) and use tax was over budget by 13.2% (\$3.0M). Combined, sales and use tax was 0.3% (\$700k) under budget. In 2025, the use tax budget was rightsized to be in line with prior year actuals. For the 2025 budget, sales tax growth from the 2024 budget is 3% and flat growth for use tax.

April Year-to-Date 2025 Results

For a direct comparison of year-to-date results (the 2050 tax was effective January 2024 with collections starting in February 2024), taxable sales are up 0.5%. As sales tax came in under budget in 2024, 4.2%

instead of 3% growth is needed to hit the 2025 budget. Year-to date through April, growth is softening across the majority of sales tax categories except for categories with a majority of online retailers.

Year-to-date through April, sales tax is \$600k under budget and use tax is \$3.1M over budget. Sales and use tax combined is \$2.5M over budget. The favorability is largely driven by a strong start to the year with volatile one-time revenue for audits, voluntary disclosure agreements and building permit use tax.

The April year-to-date sales tax budget is down 1%, excluding one-time revenue the sales tax budget would be down 4%. The April year-to-date use tax budget is up 37%, excluding one-time revenue the use tax budget would be up 25%.

Sales Tax Trends

In 2024, taxable sales in Fort Collins were up 2.4%. The 2025 budget was based on 3% growth off the 2024 budget. However, based on 2024 actuals, 4.2% growth is needed in to hit the 2025 budget.

According to the Colorado Business Economic Outlook 2025, Colorado retail sales growth is projected to be 1.9%. In the State's March 2025 Economic & Revenue Forecast, Colorado sales tax revenue is expected to grow by 2.7% in 2025, down from expected growth of 3.4% from the December 2024 Forecast.

Across the Front Range and in Norther Colorado, many cities are realizing budget shortfalls.

2025 and 2026 Sales and Use Tax Projections

For 2025, staff are currently projecting 2% growth based on 2024 actuals. This is a 2% budget shortfall for 2025. The total anticipated revenue shortfall is \$3.8M with the General Fund shortfall portion at \$2.5M. The 2025 forecast is driven by significant year-to-date one-time revenue in 2025. Without one-time revenue April year-to-date sales tax would be down 4% instead of 1% under budget.

Staff are currently forecasting 2% growth in 2026 from the 2025 forecast. The 2026 Forecast of 2% growth is negative 3% growth compared to the original 2026 budget, a \$5.7M shortfall. If economic conditions deteriorate, the impact in 2026 could be larger. Therefore, staff is anticipating a reductions budget for the 2026 Budget Revision process.

Other Revenues

Speed Corridors:

Transportable units to support Vision Zero goals have been delayed in deployment, with a total budget of \$2 million. Red light speed citations are down 50% from December 2024 levels, with reductions in citations a revenue shortfall of \$1.0M to \$1.5M is expected.

Expenditure Pressures

Increased budget accuracy since COVID, along with inflationary pressures, has significantly reduced the amount of unspent budget each year. Although this is good at not letting City funds sit idle, it does directly impact the availability of reserves. As such, an increased focus on financial monitoring is necessary.

Since personnel costs are a large portion of the City's budget, total compensation costs are budgeted at less than 100% so as to not lock up budget that will go unused, like for position vacancies. This year the City has experienced a sharp decrease in turnover, driven by the City's employee engagement strategies and economic concerns and uncertainty. These realities are the main drivers of the personnel overspend being experienced so far this year.

Actions to Date

- A hiring 'pause' has been implemented to directly address personnel costs.
- Expense reductions are planned for the 2nd half of 2025, primarily focused on more discretionary spending like training, travel, food and supplies.
- Rolling forecasts for both revenue and expense are being implemented for better, real-time understanding of the City's financial position; especially within the governmental funds.
- Executive management is fully expecting the 2026 Budget Revision process to be one of reductions and contraction.

NEXT STEPS

Staff will continue to monitor revenue and expenses ahead of the 2026 Budget Revision process that begins in early fall of 2025. Based on the current 2025 revenue and expenditure outlook, it's anticipated that the Budget Revision process will be a reduction process to align expenditures with anticipated revenues.

ATTACHMENTS

1. Presentation

Council Finance Committee

2025/2026 Budget Update

Caleb Weitz
Jen Poznanovic
Lawrence Pollack



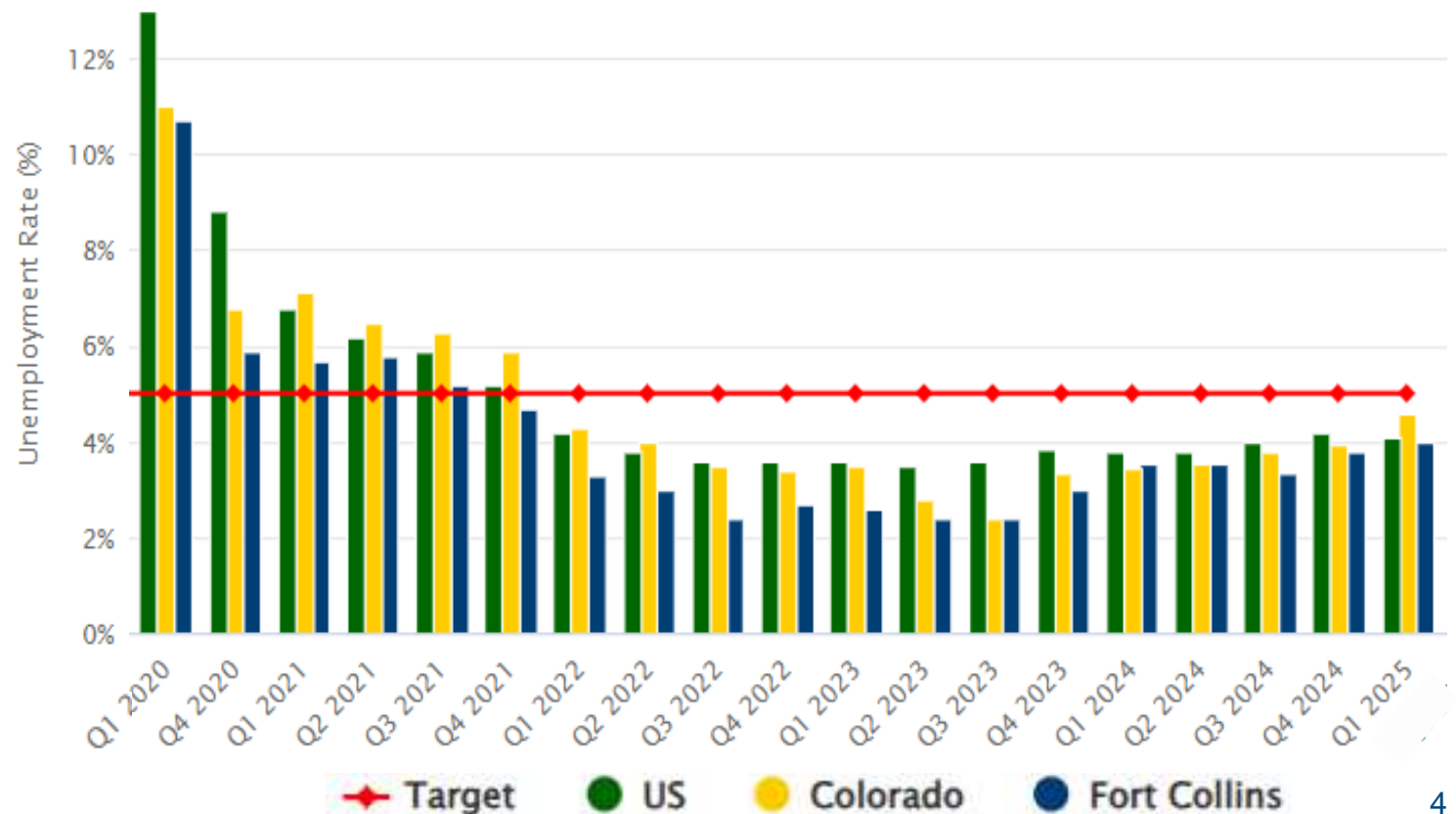
Update is informational for City Council, no action currently requested

Agenda:

- Economic indicators
- Revenue update
- Expense update
- Actions taken and next steps

- University of Michigan Consumer Sentiment fell for 4th straight month with April down significantly from March by 8% and down 32% since January.
- Federal Reserve Meeting 5/6-5/7 - Interest rates are not changing. [Article](#)
- US GDP contracted: - 0.3% in Q1. [Article](#)
- Uncertainty in National Policy: Drivers are International Trade Tariffs & Federal Budget.

- University of Colorado Leeds Business School reports job openings are down and job postings per unemployed person are fewer. [Article](#)
- Coloradoans are saddled with high levels of consumer debt.
- Unemployment expected to tick upward slowly; Colorado Rate was 4.6% at the end of Quarter 1 of 2025, up from 4.0% at the end of Quarter 4 of 2024.



- Economic Conditions have changed since 2025-2026 Recommended Budget.
- Consumers are worried; they are spending less.
- Market conditions remain volatile; no Federal Reserve rate cut in May.
- Uncertainty around trade policy and tax cuts creates a pull back in spending.
- Unemployment is expected to increase in Colorado.
- High levels of debt for Colorado households; they must spend less.
- Economic indicators point to a relatively stagnant Q2 2025, likely similar or worse in performance to Q1. Possible improvement mid-to-late Q3, if there is clarity with trade policy.

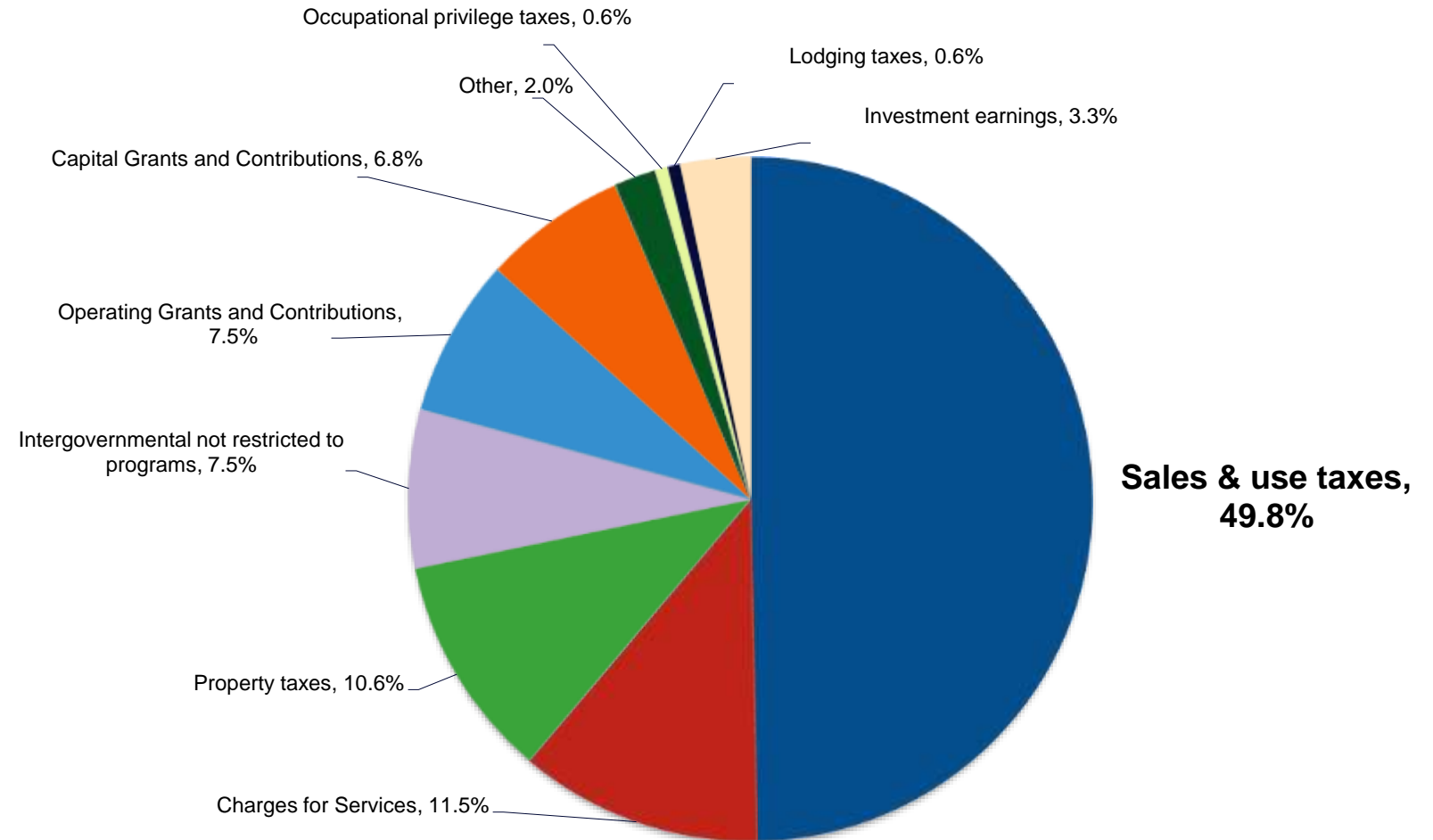
- **Sales and Use Tax**
- **Speed Corridors**



Sales & Use Tax:

Approx. 50% of City
governmental revenue

2024 Revenue by Source - Governmental Activities
\$408.8 million



24 Adjusted Actual to 2025 Budget

	2024 Actual Adj.	2025 Budget	% Δ	\$ Difference
Sales Tax	176,049,379	183,392,521	4.2%	7,343,142
Use Tax	25,560,807	25,000,000	-2.2%	(560,807)
Total	201,610,186	208,392,521	3.4%	6,782,335

- 2024 actual adjusted to reflect 12 months of 2050 tax collections to allow apples to apples comparisons between 2024 and 2025.
- Original 2025 budget 3% growth.
- Based on 2024 sales tax shortfall, **4.2% growth is required to hit 2025 Budget.**
- Taxable sales up 2.4% in 2024.

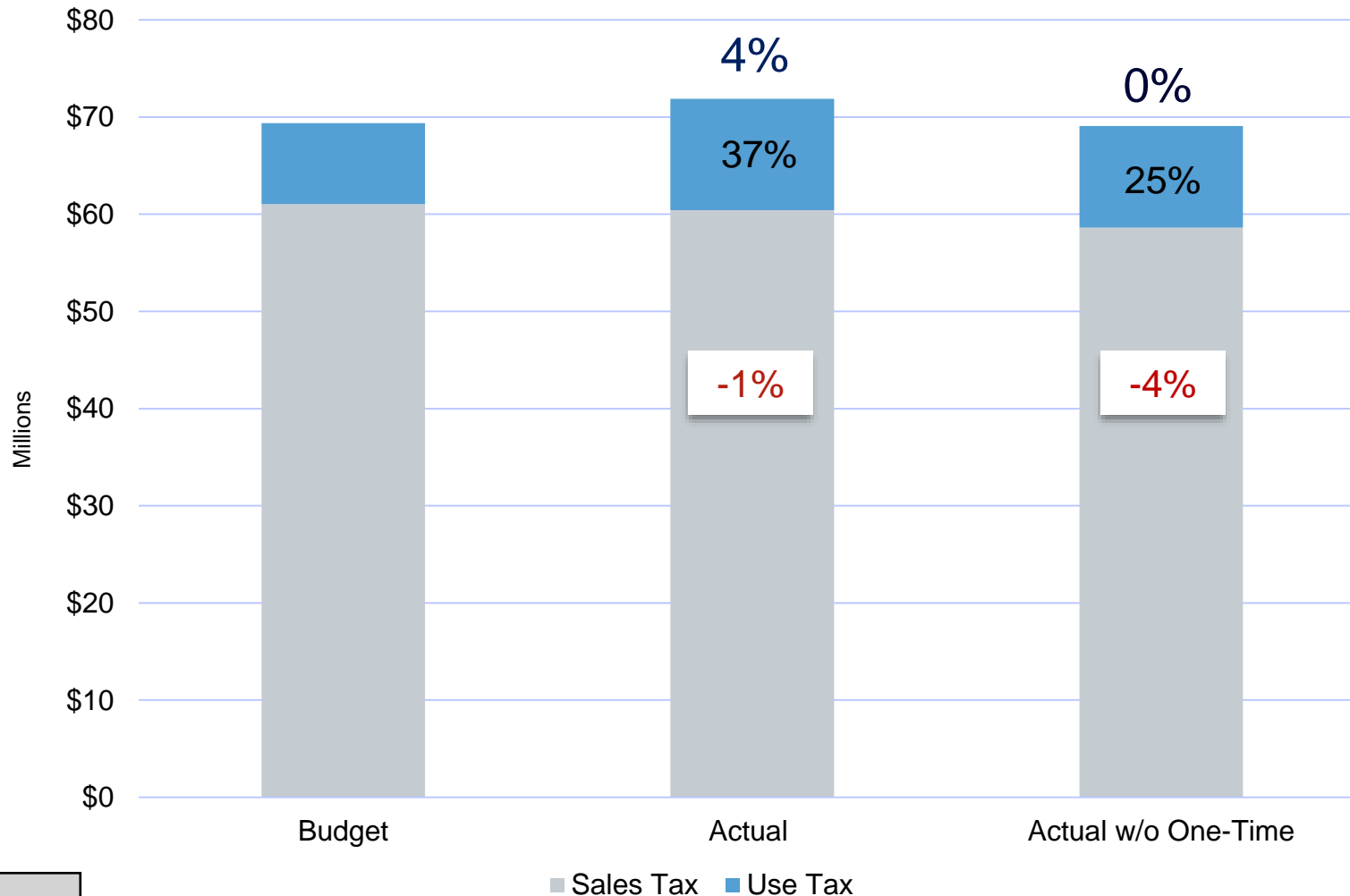
Budget to Actual

Sales Tax	\$600k under budget (\$2.4M under without one-time revenue)
Use Tax	\$3.1M over budget (\$2.1M over budget one-time revenue)
Combined	\$2.5M over budget (\$300k under without one-time revenue)

- Strong start of the year for audits, voluntary disclosure agreements (VDAs) and building permit use tax.
 - Volatile revenue streams
- Taxable sales are up 0.5%. However, if we **net for audits/VDAs, taxable sales are down 1.2%**. Growth of 4.2% needed to hit 2025 budget.
- Softening across majority of sales tax categories except for online retailers.



April YTD Budget to Actual



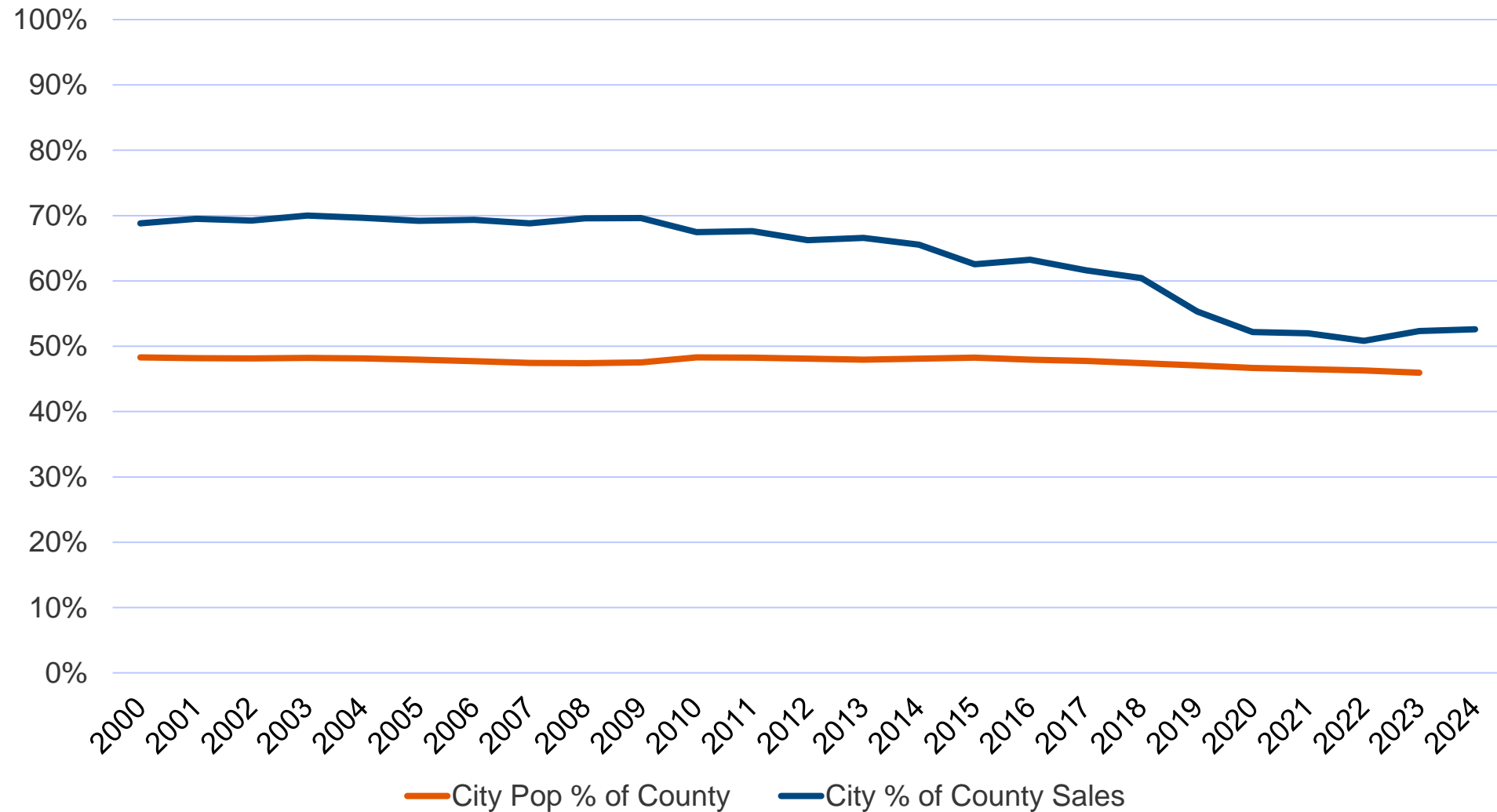
Sales Tax

- YTD April sales tax budget is down 1%.
- Excluding one-time revenue, the sales tax budget would be down 4%.

Use Tax

- YTD April use tax budget is up 37%.
- Excluding one-time revenue, the use tax budget would be up 25%.

Fort Collins Net Taxable Sales (revenue trends and comparisons)



ends & Projections: Front Range Cities Sales Tax Growth

City	2025 Budget	2025 YTD***
Commerce City	6.2%**	8.4%
Westminster	5.4%	4.8%
Aurora	4.5%	4.7%
Boulder	0.0%**	2.0%
Thornton	2.5%	0.6%
Fort Collins	4.2%*	0.5%
Lakewood	3.4%	-0.3%
Centennial		-1.2%
Greeley	5.5%	-2.0%
Englewood	0.0%	-2.3%
Longmont		-2.4%
Loveland	3.5%	-5.0%
Windsor	5.0%	-6.1%

- Most Front Range cities are realizing budget shortfalls.
- Some cities like Commerce City, Westminster and Aurora are seeing growth.

* Fort Collins budgeted growth was 3.0%. Due to 2024 sales tax shortfall, 4.2% growth is needed to hit budget

** 2025 budget figure is for both sales and use tax

*** 2025 YTD April or most recent data available

25 and 2026 Forecasts

2025 Budget & Forecast

	2025 Budget	2025 Forecast	% Δ	\$ Difference
Sales Tax	183,392,521	179,570,367	-2%	(3,822,154)
Use Tax	25,000,000	25,000,000	0%	0
Total	208,392,521	204,570,367	-2%	(3,822,154)

2026 Budget & Forecast

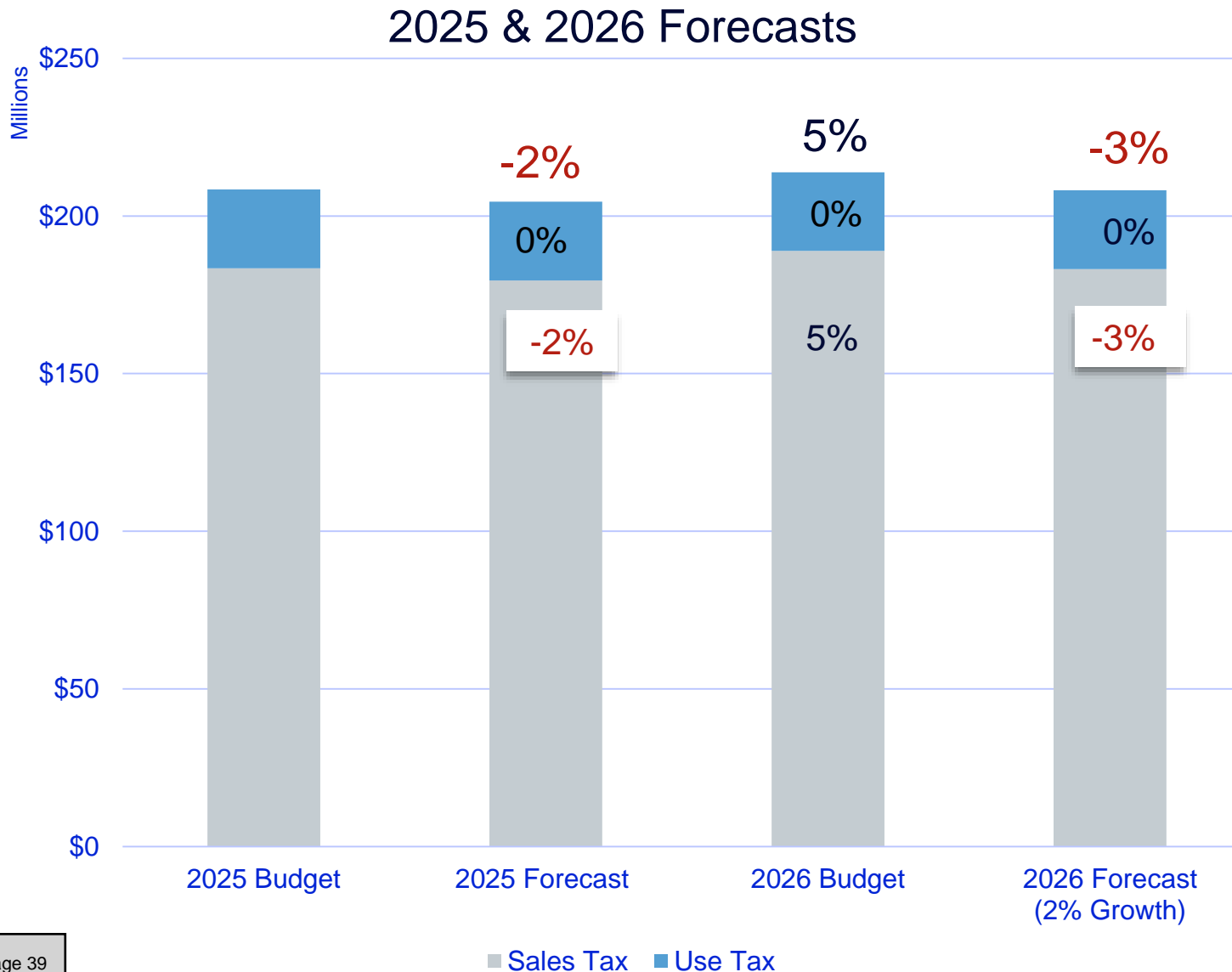
	2026 Budget	2026 Forecast	% Δ	\$ Difference
Sales Tax	188,894,296	183,161,774	-3%	(5,732,522)
Use Tax	25,000,000	25,000,000	0%	0
Total	213,894,296	208,161,774	-3%	(5,732,522)

2025:

- To hit the 2025 budget 4.2% sales tax growth is needed.
- 2% growth forecast, anticipated 2% shortfall of \$3.8M.
- 2025 Forecast driven by significant YTD one-time revenue in 2025.

2026:

- 2% growth forecast, anticipated 3% shortfall of \$5.7M.
- Anticipating a reduction budget in the 2026 Budget Revision process.



- 2025 Forecast of -2% would be a \$3.8M shortfall compared with the 2025 Budget.
- 2026 Forecast of -3% would be a \$5.7M shortfall compared with the 2026 Budget.
- If economic conditions deteriorate, 2026 impact will be larger.

Speed Corridors

- Transportable units to support Vision Zero goals have been delayed in deployment – Total budget of \$2 million.
- Red light speed citations down 50% from December 2024 levels (1st full deployment month). Budget modeled a 70% reduction.
- \$1.0 to \$1.5 million revenue shortfall expected.
- Some offsetting expenditure savings.



Budget to Actual

Revenue

Light & Power + 1.9% over budget
Water + 3.7%
Wastewater + 3.1%
Stormwater + 3.4%

Expense

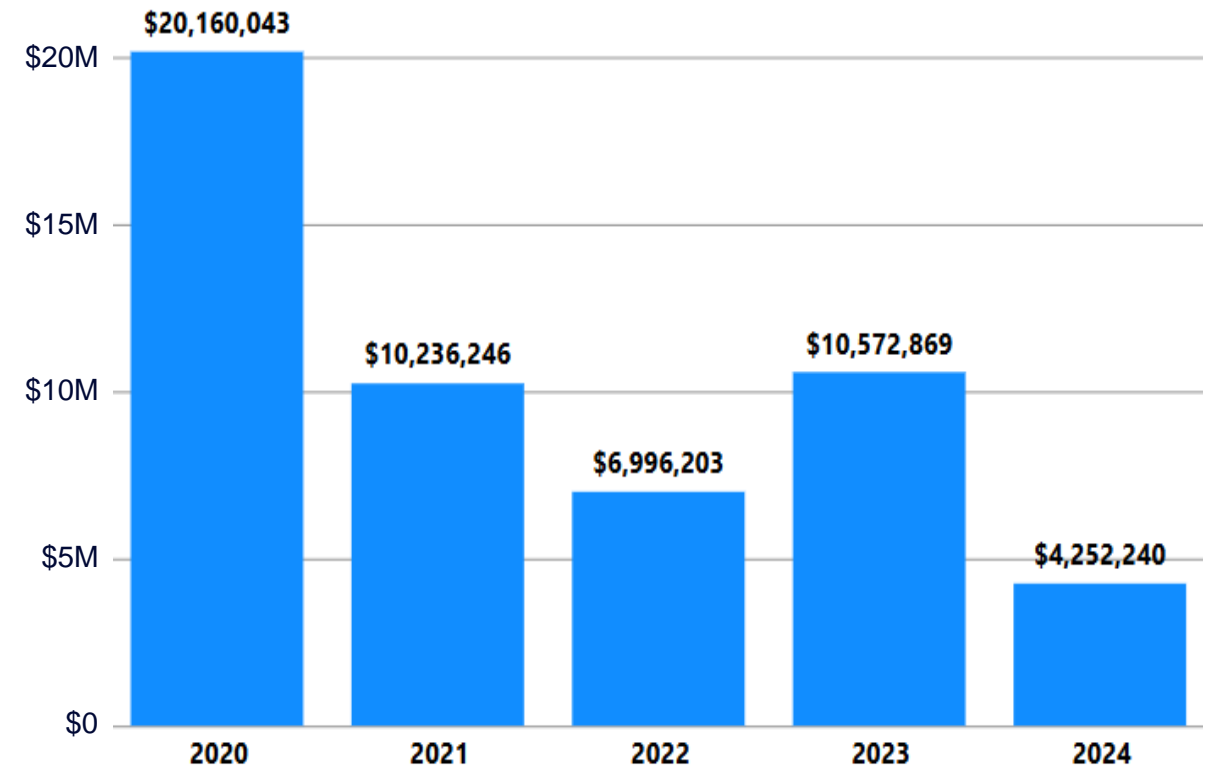
Light & Power – 4.2% under budget
Water – 1.0%
Wastewater – 4.4%
Stormwater – 1.9%

- Utility enterprise funds experiencing strong Q1 results for development fees.
 - Slightly exceeding revenue forecasts for ongoing operating revenues.
- Personnel expenses 2.0% below budget YTD.

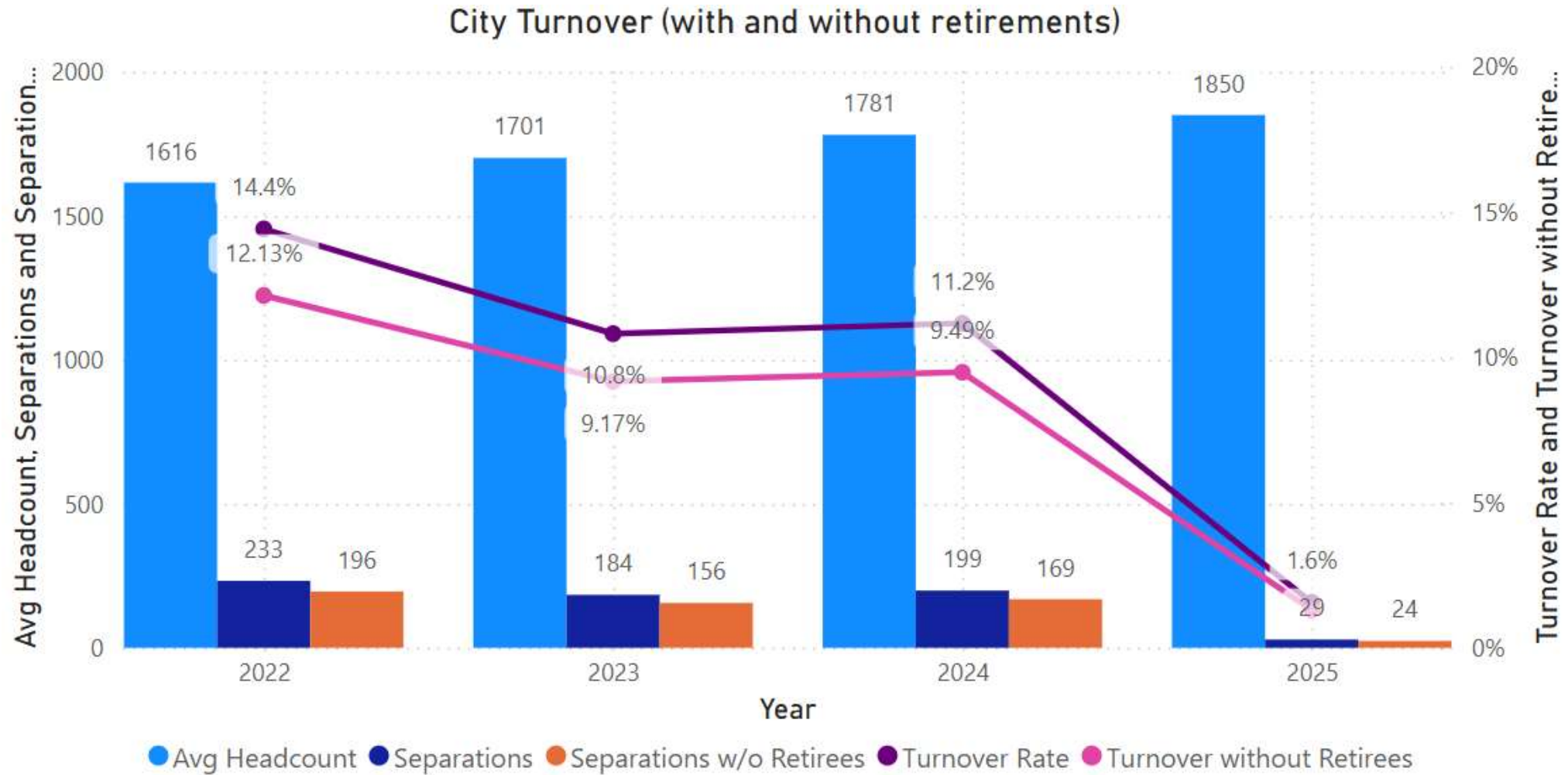


- Since COVID, departments continue to utilize a greater percentage of their budgets each year.
- Increased budgeting accuracy is good; however, it reduces unspent budget each year and the amount that falls to fund balance (i.e., reserves).
- Greater financial monitoring is necessary to ensure spend does not surpass the budgeted amounts by fund authorized by Council.

General Fund Unspent Budget



- **Personnel Costs are a significant portion of the City's budget and, thus, total compensation costs are budgeted at less than 100%.**
 - Maximizes budget availability for programs and service delivery
- **Lower than expected turnover puts additional pressure on Personnel Costs.**
 - More effective recruiting
 - Economic uncertainty may also be contributing to lower attrition
 - Employee retention strategies may also be contributing to reduced turnover
- **Overtime and Hourly expenses are also being monitored and managed.**



Actions to date

- **Hiring ‘pause’ to help address budgeted Personnel Costs.**
- **Expense reduction proposals discussed in quarterly service area reviews.**
 - Decisions starting in June as to where to reduce, as necessary for 2025
 - 2025 reduction examples: training, supplies, holding open vacancies
- **Reimplementing rolling forecasts for real time inputs for year-end projections for both revenue and expenses.**
- **Communication and transparency.**

Next Steps

- **2026 Budget Revision process.**
 - Reductions expected based on the current financial picture

Date	Process
Sept. 4	Council Finance Committee meeting
Sept. 23	Council Work Session #1
Oct. 14	Council Work Session #2
Nov. 3	1st Reading of the 2026 Annual Appropriation
Nov. 18	2nd Reading