

## November 10, 2020 Work Session

- Explored multiple revenue opportunities
- Provided direction to staff to further evaluate property tax and lodging tax

## December 8, 2020 Work Session

- Reviewed comparable communities
- Direction to proceed with ballot question for property tax in 2021
- Direction to explore offsetting tax scenarios
- Direction to postpone changes to lodging tax

***The City is too reliant upon sales tax as a primary revenue source.***

- *Subject to external factors beyond the City's control*
  - *Tourism, weather, wildfires, special events, retail sales, airline travel, pandemic, economic recession*
- *Service level expectations exceed current revenue*



## Examples of 2020 & 2021 Budget Reductions

- Majority of training – including public safety employee training
- Reduced economic development incentives
- Reduced facility maintenance
- Reduced pavement maintenance
- Reduced public safety operating equipment
- Reduced trails & parks maintenance
- Reduced or eliminated streetscape maintenance/watering
- Eliminated teen programs
- Reduced transit operations
- Deferred public works maintenance (traffic lights, stormwater, curb/sidewalk repair)

## Topics:

- Community Comparisons
- Property Tax, Sales Tax, Sales Tax on Groceries, & Sales Tax on Utilities
- Scenarios
- Timeline

## Key Questions:

- Should City Council plan for a property tax ballot question for 2021 election?
  - If so, should property tax be revenue neutral?
  - What scenario or combination does council want to pursue?
  - Should it be dedicated for a specific purpose/project?

## Total Statutory Municipalities

168

## Total Home Rule Municipalities

103

## Municipalities without property tax

1. Salida
2. Delta
3. Orchard City
4. Lone Tree
5. Edgewater
6. Montrose
7. South Fork
8. Sawpit
9. Silverthorne

# Community Comparisons

	Steamboat	Aspen	Breckenridge	Durango	Glenwood	Telluride	Vail	Silverthorne
Sales Tax Rate	4.5%	2.4%	2.5%	3.5%	3.7%	4.5%	4%	2.725%
Dedicated Sale Tax	.5%	.3%	.57%	1.5%	2.2%	2.5%	2%	.725%
Groceries	Taxable	Taxable	Taxable	Taxable	Taxable	Non-Taxable	Taxable	Taxable
Utilities	Taxable	Taxable	Taxable	Taxable	Taxable	Taxable	Non-Taxable	Taxable
Property Tax Mill	2	4.947	5.07	5.007	8.603	4.866	4.69	None
Real-estate Transfer Tax	None	1.5%	1%	None	None	None	1%	None
Provide Fire/EMS	Yes	Separate District	Separate District	Separate District	Yes	Separate District	Yes	Separate District
Lodging Tax	3%	2%	3.4%	2%	2.5%	2%	1.4%	2%
Dedicated To	LMD & Tourist Amenities	Mktg & Transit	Mktg & General Fund	Mktg & Transit	Tourism Promotion	Airline Guarantee	LMD & Special Events	Parks & Open Space & Mktg

## Total (Overlapping) Mill Levy

- Basalt 88.539
- Glenwood 74.703
- Avon 62.019
- Breckenridge 56.791
- **Steamboat Springs 54.238**
- Vail 50.919
- Durango 40.446
- Aspen 36.025



## Property Tax:

2020 City's Net Assessed Valuation ~ \$730,000,000

1 Mill ~ \$730,000

5 Mills ~ \$3,650,000

## 2019 - 4% City Sales Tax:

Revenue = \$28,000,000

Each 1% = \$7,000,000

Each 0.5% = \$3,500,000

0.52% City Sales Tax = 5 Mills Property Tax ~\$3,650,000

Sales tax rate reduced to 3.48% + .5% Schools = 3.98%

.52% of the city's current sales tax rate is roughly equal to a 5 mill city property tax.

## Sales Tax on Food For Home Consumption (Groceries)

4% = \$3,500,000 - \$4,000,000 annually

4% city sales tax on groceries is roughly equal to 4.8 – 5.5 mill city property tax

## Education Fund Board – Sales Tax on Groceries

0.5% - Education Fund Board = \$437,500 - \$500,000 annually

Note: Food for home consumption is not a number that is currently tracked by the City, therefore this is an estimate

## Sales Tax on Utilities

4% = \$2,000,000 annually

4% city sales tax on utilities is roughly equal to 2.74 mill city property tax

## Education Fund Board – Sales Tax on Utilities

0.5% - Education Fund Board = \$250,000 annually

### Add 5 Mill Property Tax & Reduce City Sales Tax Rate by 0.5%

*Revenue Neutral*

#### Pros:

- Property tax is generally more stable and reliable than other taxes
- Creates an equitable tax on residential property owners
- Reduces a regressive tax
- New development would pay a portion of city services

#### Cons:

- Transfers a portion of tax burden from non-residents to property owners
- Could increase lease and rental rates
- Doesn't address the city's level of service expectations



## Add 5 Mill Property Tax & Eliminate City Sales Tax on Utilities

### *Revenue Positive*

#### Pros:

- Creates an equitable tax on residential property owners
- Reduces a regressive tax
- New development would pay a portion of city services
- Property tax partially offset by reduction in utility cost
- Generates ~1.65M more in revenue to account for additional service expectations

#### Cons:

- Could increase lease and rental rates by adding a property tax
- Largest utility users benefit the most
- Eliminates one of the more stable sources of sales tax
- Could undermine energy conservation efforts
- Could reduce education funding by exempting utilities from sales tax

## Add 5.5 Mill Property Tax & Eliminate City Sales Tax on Groceries

*Revenue Neutral*

Pros:

- Creates an equitable tax on residential property owners
- Reduces a regressive tax
- New development would pay a portion of city services

Cons:

- Transfers a portion of tax burden from non-residents to property owners
- Could increase lease and rental rates by adding a property tax
- Eliminates one of the more stable sources of sales tax
- Could reduce education funding by exempting groceries from sales tax

*Note: Food for home consumption is an estimate, therefore the exact impact is unknown*

## Add 5.5 Mill Property Tax & Eliminate City Sales Tax on Groceries

### Property Tax Increase

$\$500,000 \times 7.15\% = \$35,750 \times .0055 = \text{\$196/year}$  in property tax

### Sales Tax Savings

Disposable Income -  $\$77,419 \times 86\% = \$66,580$

Spent on groceries -  $\$66,580 \times 7.5\% = \$4,994$

Tax on groceries -  $\$4,994 \times 4\% = \text{\$200/year}$

Median Household Income = \$77,419 (census.gov – 2019 dollars)

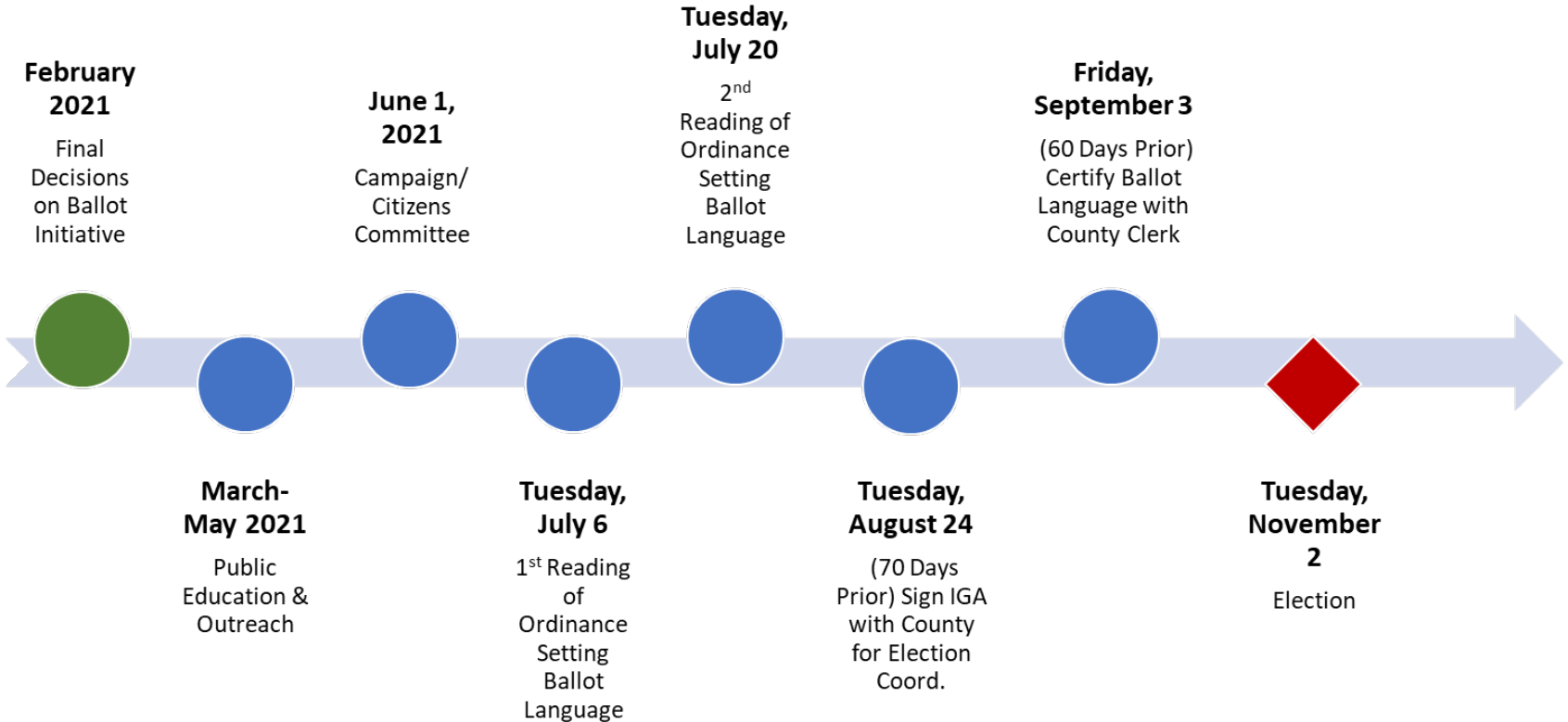
Median Residential Property Actual Value = \$500,000 (includes all residential property per Routt County Assessor)

- Move forward with 5-7 mill property tax on 2021 ballot
- Dedicated to programs within Central Governmental Services
- Revenue positive to achieve service level expectations and long-term fiscal sustainability goal
  - Avoid tax shift from non-residents to property owners with reduction of overall sales tax rate or sales tax on groceries
  - Avoid undermining energy conservation efforts by reducing sales tax on utilities
- Review Community Survey results for further guidance

## Offset Scenario:

Staff recommends Scenario 2 - Add 5 Mill Property Tax & Eliminate City Sales Tax on Utilities





1. Should City Council plan for a property tax ballot question in 2021?
2. If so, should property tax be revenue neutral?
  - More likely to gain voter support, however, does not solve full initial problem statement and it shifts a portion of tax burden from non-residents to property owners.
3. What scenario or combination does council want to pursue?
  - Staff Recommendation – 5-7 property tax mill levy for Central Governmental Services
  - Scenario 1 – 5 mill property tax and reduce overall sales tax by 0.5%
  - Scenario 2 – 5 mill property tax and eliminate sales tax on utilities (staff’s alternative recommendation)
  - Scenario 3 – 5.5 mill property tax and eliminate sales tax on groceries
  - Other
4. Should it be dedicated for a specific purpose/project?
  - Central Governmental Services
  - Specific Central Governmental Services (Police, Fire, Streets, etc.)
  - Other (capital projects, parks, Howelsen Hill, Transit, etc.)



- Additional information needed?
- Next steps?