

**Financial Update,
2015 Budget Development, and
Potential Ballot Items**

**City of Boulder
City Council Study Session
Council Chambers
April 22, 2014**

Presentation Outline

- Financial Update for 2014
- Budget Development for 2015
- Long Range Financial Plan
 - Potential Ballot Items
 - Pay as You Go Capital Financing
 - Vacation Rental By Owner
 - Exempting the city from state law on telecommunications networks and related services
- Charter items

Financial Update

2013 Financial Results (Unaudited)

- Unaudited results at this time– indications are:
 - 2013 revenue projections were met
 - Expenditures within appropriations
 - Reserve targets met
 - Some reserves used to cover flood costs
 - Insurance and FEMA dollars will eventually replenish some of this
 - Plan for rebuilding reserves will be included in 2015 budget

Sales/Use Tax Revenue Information

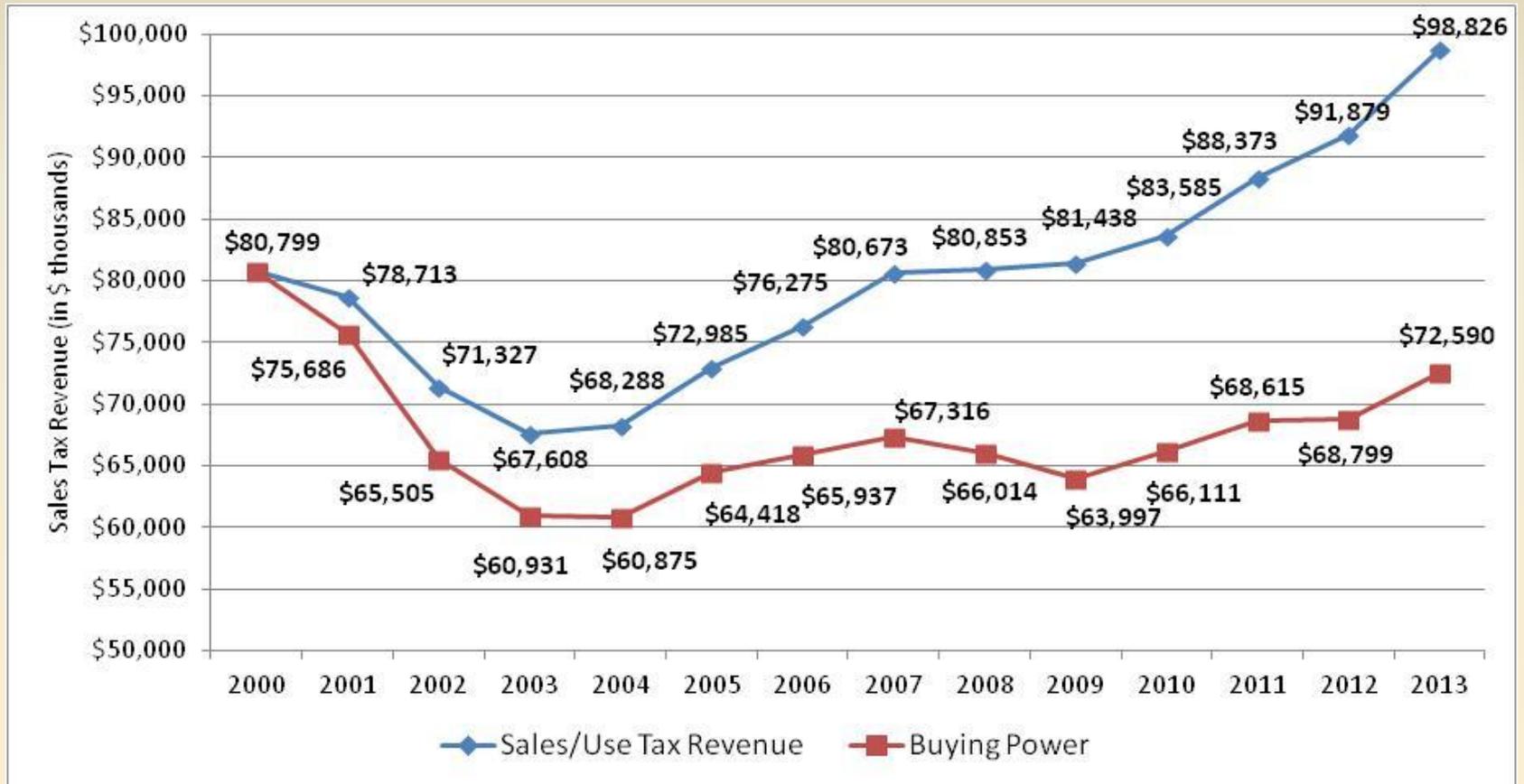
	2012 Actual	2013 Unaudited	2014 Projected	2014 February
City of Boulder Sales/Use Tax	4.0%	7.6%	3.5%	2.9%
COB Retail Sales Tax	3.7%	4.8%	3.5%	4.4%
Denver-Boulder-Greeley CPI	1.9%	2.8%	2.6%	NA
State Retail Trade Sales	6.0%	4.2%	5.8%	NA
Colorado Personal Income Growth	5.1%	3.5%	5.7%	NA

The GAP Remains

Overview at this point in time:

- \$55M by 2030 if expiring taxes are renewed
- Both revenue and expenditures have been addressed since BRC reports
- Original work included operations only
- Capital added and first step addressed in 2012
 - \$49M bond issue with no tax increase
- Future capital items to be discussed later
- Operating update

Sales/Use Tax Revenue Information



To allow for comparison between 2000 and 2011, .15% Open Space sales tax collected since 2004 and .15% Fire Training Center sales tax collected only in 2007 not included.

What is Holding the Economy Back?

- Unemployment continues to decrease slowly
 - While Colorado is doing better than much of the country it does not take into account under employment or people who have given up on looking for jobs
- Internet sales – national legislation has stalled
- Flood reimbursements have been moving slowly
- Consumer and business confidence remain volatile
 - Translates to retail sales tax and business use tax being erratic and challenging to predict

What is Pushing the Economy Forward?

- Inflation remains low
- Banks are loosening lending criteria and loans are becoming easier to obtain
 - Lending criteria still more strict than prior to 2008
- Specific to Boulder
 - Property values in Boulder have stabilized
 - Ongoing retail sales tax collection have been volatile but meeting projections
 - Still too early to say what impact non-medical marijuana will have on revenues

Conclusions

- Revenues are meeting projections
- The economy will continue to make steady progress
- The trend in revenue collections will be important to watch in 2014 and as we prepare for 2015.
- There will be swings in revenue collections due to volatility

2015 Budget Development

2015 Budget Framework

- Priority Based Budgeting
 - Accessible and Connected
 - Economically Vital
 - Environmentally Sustainable
 - Healthy and Socially Thriving
 - Safe
 - Good Governance

2015 Budget Framework



2015 Budget Focus

- Proposed Council Action Items for 2014-2015
 - Climate
 - Local Food
 - Housing/Land Use Planning
 - The Hill
 - The Arts
 - Livability
 - Open Space
 - Transportation
 - Homelessness/Human Services
 - Economy/Budget

2015 Budget Focus

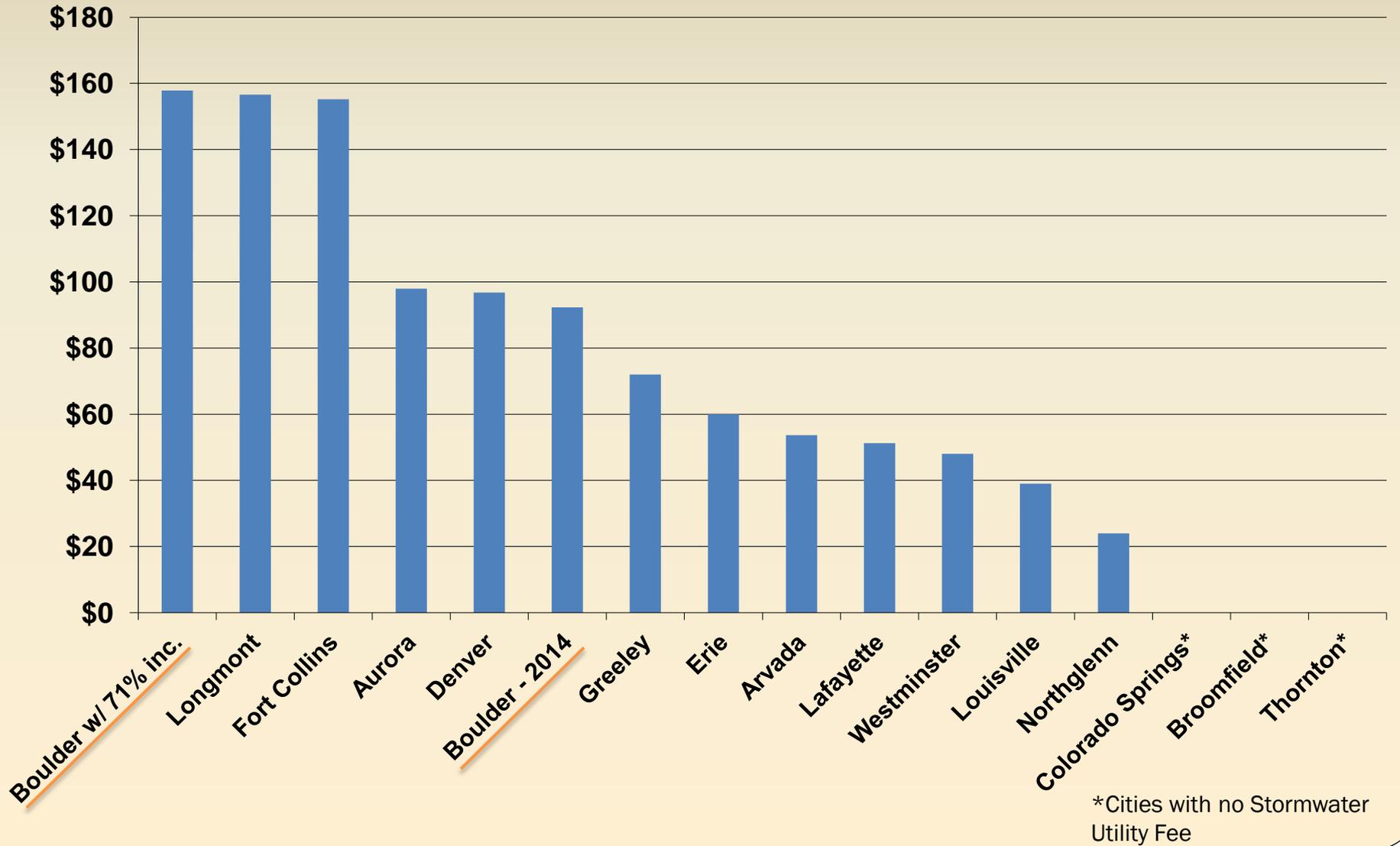
- Public Safety
- Boulder's Energy Future
- The Civic Area
- Flood Recovery and Resilience
 - Ongoing recovery
 - Reimbursement
 - Resilience
 - Utility Rates

Utility Rates
Water, Wastewater,
Stormwater & Flood Management

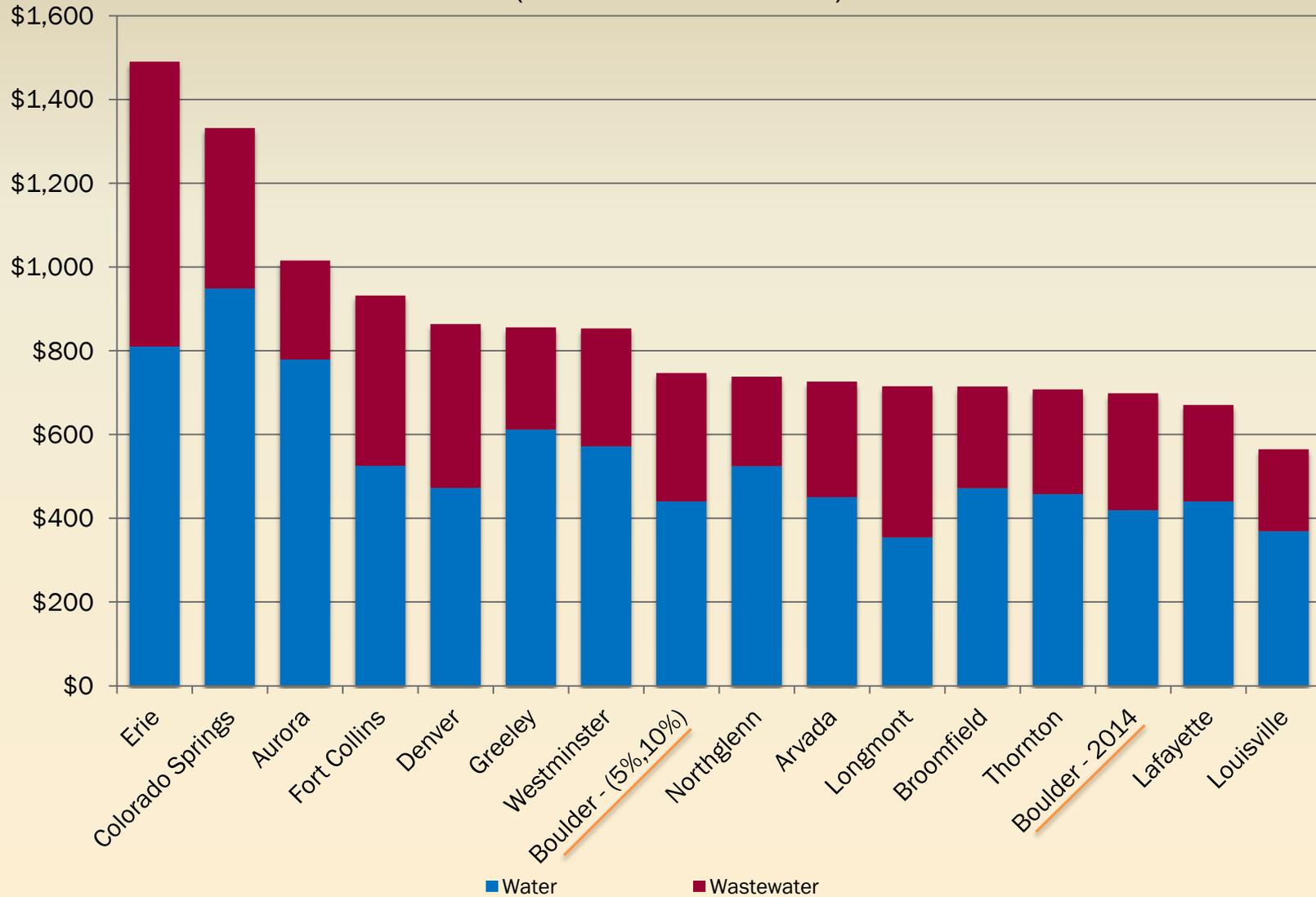
Flood Recovery Costs (Estimated)

- Water - \$1.5M
- Wastewater - \$1.9M
- Stormwater/Flood Management \$11M

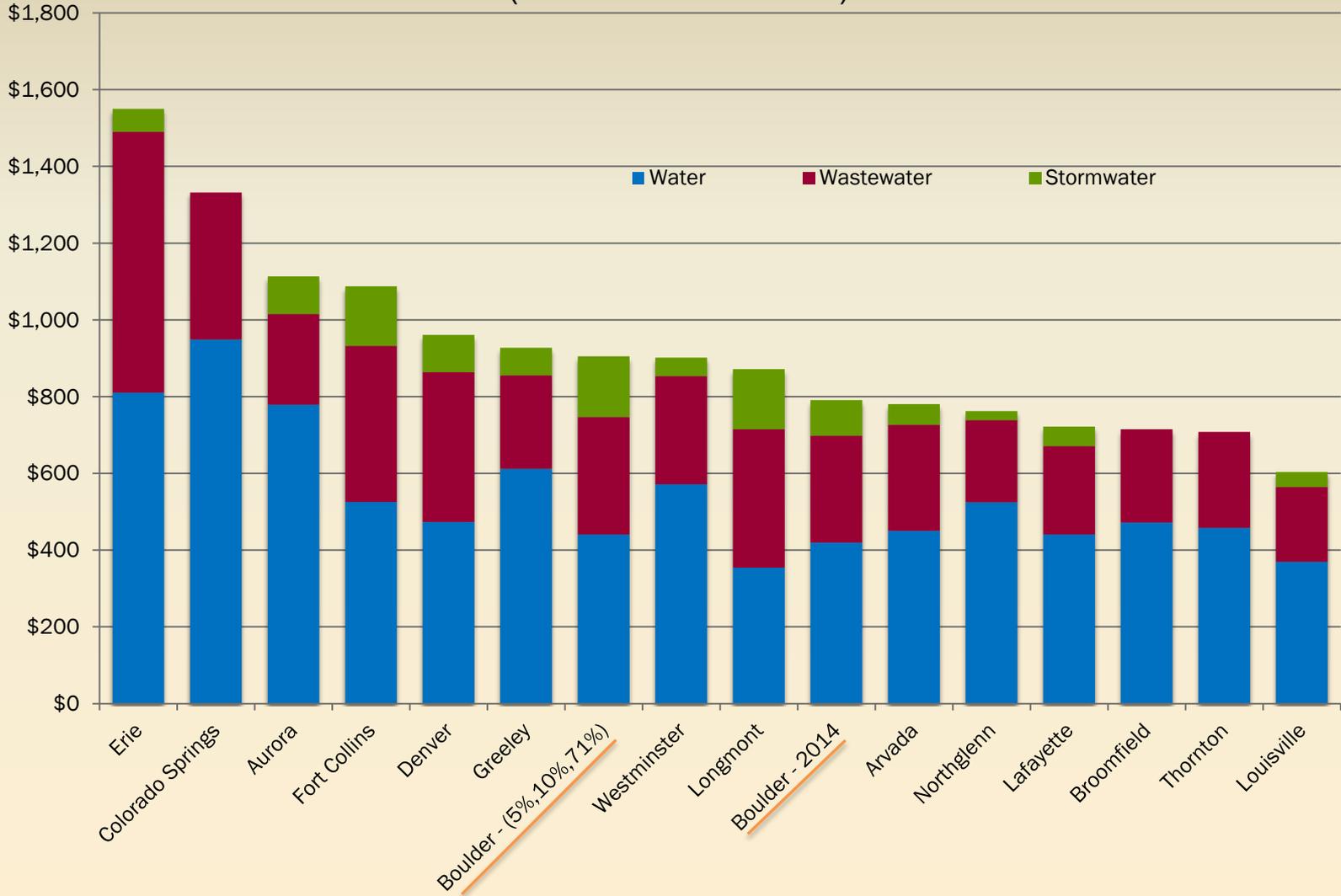
2014 Stormwater Rates (Annual Residential)



2014 Combined Water and Wastewater Rates (Annual Residential)



2014 Combined Utility Rates (Annual Residential)



2015 Budget Calendar

Begin PBB
Process &
Revenue and
Cost Projection

2015 Budget
Development

Council Study
Sessions

Council
Budget
Ordinances



JAN - JUL

AUG

SEP

OCT



Today, Budget Update



Study Session, Capital Improvement Program (CIP)



Council Study Session and Public Hearings on Recommended Budget and its implementing ordinances

Questions

Does City Council have any questions regarding the financial update and/or the 2015 Budget process?

Long Range Fiscal Planning Looking Ahead

Short

- Sunsetting taxes on the horizon
- Consideration of 2014 ballot items
 - Revenue
 - Charter items
- Update to the long range fiscal plan

Intermediate Term: 2015-2019

- Capital Investment Strategy II – Large projects
 - New and visionary projects
 - Funding to include both capital and ongoing operating costs
 - Capital Bond Issue 2015 or 2016
- Occupation and CAP taxes will become more clear as the decision on the electric utility unfolds

Long Term: 2020 - 2039

- Sunset of three current taxes
 - 2024 General Fund .15%
 - 2035 Parks and Recreation .25%
 - 2039 Reallocated .15%

Tax Expiration Schedule

	2014 Projected Revenue	Tax Expiration Date
Utility Occupation Tax	\$6.00 M	12/31/2017
CAP Tax	\$1.80 M	3/31/2018
.15% General Fund Tax	\$4.20 M	12/31/2024
.25% Parks and Recreation Tax	\$7.00 M	12/31/2035
.15% Sales and Use Tax	\$4.20 M	12/13/2039

What Various Revenue Streams Generate

- Property tax yields \$2.5M per mill
- Sales tax yields \$2.8M per .1%
- Occupational privilege tax (Head tax) impact per \$1 of tax would need to be reanalyzed.

Comprehensive Financial Strategy Update

- The long range fiscal planning process for the City of Boulder
 - Due to the flood and other major finance projects staff has been unable to complete this work.
 - The update of this work is considered essential for the long term fiscal health of the city.
- A consultant has been selected and will lead the process with guidance from CMO and Finance.
 - Work has already begun and will be completed during the first quarter of 2015.

2014 Ballot Considerations

Potential Ballot Items for 2014

- Pay As You Go capital short term sales and use tax
 - Depending on projects ongoing operating costs may need to be considered
- Vacation Rental By Owner Tax
- Exemption from state law restricting telecommunication networks and related services such as offering broadband.
- Due to a lack of solid data and timelines for reimbursements the replacement of reserves has not been included as a 2014 ballot item for the tax supported funds.

Pay As You Go Temporary S/U Tax

- A temporary tax to pay for capital projects that cannot be funded with current revenues
- Projects of a size that lend themselves to a short term tax instead of a bond issue
- Projects that can be completed in a three to five year horizon
 - Projects need to be prioritized if collections fall short or inflation erodes buying power
 - If new operating dollars cannot be absorbed will need to have a funding mechanism for the new costs

Sales and Use Tax Projections for Pay As You Go Capital Projects

Rate	One Year	Three Years	Five Years
.1%	\$2.8M	\$8.4M	\$14.0M
.2%	\$5.6M	\$16.8M	\$28.0M
.3%	\$8.4M	\$25.2M	\$42.0M

For Consideration:

- The Hill:
- Commercial District Event Street \$700,000
- Gateway Features \$500,000
- Commercial District Tree Street Irrigation \$520,000

- Flatirons Event Center \$6,700,000
- Boulder Civic Area Catalytic Improvements \$8,700,000
- Total \$17,120,000*

* .2% for three years projected tax to generate \$16,800,000 in 2014 dollars.

For Consideration, cont:

Entity	Project	Amount Requested
Dairy Center for the Arts	Building Renovations	\$4,000,000
Chautauqua	Electric Line Undergrounding	\$3,000,000
Museum of Boulder	Various for the new museum	\$4,000,000
Total		\$11,000,000

Non-Profit Projects: Library & Arts Department will begin a Community Cultural Plan in May of this year. The topic will be part of a June 10, 2014 Study Session.

Vacation Rental By Owner (VRBO)

- Increasing number of VRBOs
- Compliance issue versus revenue issue
- More difficult to administer than the lodging tax
 - Staff would recommend that these costs be covered before sharing any revenues
- Options:
 - A new tax – VRBO Tax set at the lodging tax rate to maintain equity in the type of service being provided
 - Expansion of the current lodging tax by expanding the definition of the tax so it includes VRBO

City Investment in Telecommunication (e.g. Broadband) Services

- Colorado Senate Bill 05-152 restricts ability of cities to invest in telecommunication/broadband networks
- Reform is an element of 2014 City Legislative Agenda; *no action likely by State Legislature*
- City well-positioned to reap benefits of next-generation broadband services
 - Favorable demographics
 - Available city-owned fiber optics and conduit
- Supports social, economic and environmental sustainability

City Investment in Telecommunication (e.g. Broadband) Services (cont.)

- Senate Bill 05-152 allows local exemption votes
- Two suggested alternatives:
 - Option 1: Complete exemption (e.g. City of Longmont)
 - Option 2: Partial exemption – allow public/private partnerships (e.g. City of Centennial)
- No current city broadband plans, but exemption would enable unencumbered visioning

Charter Items

Charter Committee will be meeting in the near future

Questions for Council

Does council want staff to move forward with next steps to

- A. Place a short term Pay As You Go Tax on the ballot with projects to be decided?
If yes, should non-profits be included in the funding?
- B. Place a Vacation Rental by Owner tax on the ballot?
If yes, should it be a Vacation Rental Tax or an expansion of the Lodging Tax?
- C. Prepare and propose a ballot item to exempt the city from state law for telecommunication networks and related services, such as broadband?

Does council want staff to bring forward any additional revenue ballot items or information on other revenue items for the 2014 November ballot?