

**CITY OF BOULDER
CITY COUNCIL AGENDA ITEM**

MEETING DATE:

April 4, 2006

**AGENDA TITLE: Presentation of Blue Ribbon Revenue Stabilization Commission
Scope of Work and Commission Composition**

PRESENTER/S:

**Frank Bruno, City Manager
Kevin Burke, Deputy City Manager
Bob Eichen, Finance Director**

EXECUTIVE SUMMARY:

This initiative, put forth by Councilmember Schultheiss at the 2006 City Council Retreat, served as a “bucket” for placing various other council initiatives that had significant long-term financing components. The initiative was removed from the retreat process in order to facilitate a quicker start-up and incorporate staff’s expertise in the matter. This agenda item represents staff’s commitment to bring back a proposed scope of work and proposed composition of the commission for Council’s consideration.

The proposed “Purpose” of this Blue Ribbon Commission is:

Establish a long-term, balanced and stable revenue stream for the city of Boulder that accomplishes public priorities while allowing flexibility to meet the varied and dynamic needs of the municipal corporation in the next twenty years.

FISCAL IMPACTS:

Budgetary: This commission has a likely duration of 12-18 months. Staff support would primarily be provided by existing staff within existing resources. This is an item on the City Manager’s work plan for 2006. Additional research, analysis and meeting expenses have not been budgeted at this time but are anticipated. The Finance Department will examine existing resources for accomplishing these needs.

OTHER IMPACTS:

Economic: The intent of this commission is to affect the long-term revenue structure of the municipal corporation while maintaining an economically competitive tax burden for businesses and residents.

Social: Staff recommends that appointments to the commission have an understanding of the tax implications of any revenue recommendation upon the under-served, under-participating and under-represented populations of this community. If such appointments are unable to be accommodated, then the importance of the Community/Social Sustainability Council Goal Committee reviewing the recommendations is more critical.

Environmental: This commission is not anticipated to have a direct environmental impact, however, long-term revenue sources being pursued as part of the Climate Action Plan should be considered in any recommendation by this commission.

ANALYSIS:

This section is intended to serve as the material that would be presented to potential commission members.

Background

The city of Boulder provides a wide range of services. These include many traditional services of a municipal corporation (e.g. police, fire and libraries) and enhanced services that are less common (e.g. human services, environmental affairs, open space and mountain parks). The current revenue stream is characterized by heavy dependence upon sales tax and significant earmarking (i.e. dedicating a portion of the sales tax revenue to an exclusive purpose)--an outcome of a population partial to ballot initiatives. The city of Boulder maintains a 3.41% sales tax rate and a 9.643 effective mill levy rate. Of that sales tax rate, over one third of it will expire within an eight-year time period beginning on 12/31/2011. Of the mill levy rate, only two mills are de-Bruced, but those revenues are dedicated to public safety.

The overall tax environment in Boulder is one of managing competitive impacts and limitations. When FlatIron Crossing opened and Crossroads Mall closed, the sales tax revenue source became a less reliable revenue stream. Couple this with a voter approved increase in sales tax for RTD (i.e. FastTracks) and Boulder has reached the edge of a competitive sales tax rate within the region (8.31% total sales tax). With a recently adopted increase in property tax by Boulder Valley School District, a property owner in Boulder will see a mill levy greater than 70 mills. The impact of the Gallagher Amendment (an amendment to the Colorado Constitution regarding property tax assessments) in Boulder County assesses commercial property at almost four times the rate of residential property. There has also been significant push from some portions of the community to explore a head tax. Given the City's heavy government job sector, the burden of a head tax could fall on many small employers who would likely push back intensively. Furthermore, the City has had to raise fees on water and sewer utilities in order to fund federally mandated improvements to water quality. Lastly, the City is considering municipalizing Xcel's electrical distribution system for the purposes of better affecting the City's pollution reduction goals. This is an initiative that could cost in the neighborhood of \$130 million dollars—possibly impacting debt issuance strategies of other departments. All combine to present a tax environment that may be near competitive limits and restrict flexibility to meet tomorrow's challenges.

Concurrently, the city has embarked on the development of a comprehensive business plan. This plan has facilitated budget cuts for various Boulder services as well as provided a strategy for expending money once revenues improve. Rather than simply restore those items that were cut or appease those who are the most vocal, the business plan outlines the programs and services that most effectively and efficiently achieve a larger strategy. As such, funding is broken into three distinct categories—fiscally constrained, action and vision. The fiscally constrained funding level takes funding at the 2006 level and assumes no new revenues beyond inflation. Any new programming must be funded through the reallocation of dollars for existing programs or services. The action plan level of funding examines where the first new dollars would be expended if available. In many cases, this may be to bring existing programs to standard levels of service. In some cases, these are new or enhanced services designed to achieve council goals, the objectives of the Boulder Valley Comprehensive Plan or policy decisions articulated in department master plans. The vision level of funding is the funding required to accomplish the full complement of services necessary to achieve goals and policy objectives. Many action plan and vision plan items necessitate new revenue sources that may require voter approval.

Work Plan/Scope

1. Understand the revenue system in place for the city of Boulder
 - a. What types of fees and taxation are employed and to what extent.
2. Understand the current tax impacts from a Boulder resident perspective.
 - a. Recognize that we are not the only taxing agent in town and that while the City may have the ability to achieve a balanced revenue stream, it may present an unbalanced picture to a resident who is also paying tax to the school district, county, RTD and special districts.
3. Determine the best use of earmarking revenues in the reality that initiative based ballot measures may usurp strategic use of this tool.
4. Determine a strategy for renewing expiring sales tax levies in the context of seeking new revenue sources to achieve prioritized Business Plan goals.
5. Develop a 20-year revenue strategy for the city of Boulder that achieves the “purpose” denoted above.

Members:

A twelve-member commission is probably the outer limits of a committee with enough diversity yet a manageable group to achieve consensus. The commission would have a heavy emphasis on technicians, but a significant representation of members with community knowledge to ensure recommendations are feasible and would be successful in an election.

Technicians – These members have both an in-depth knowledge of governmental revenue and a stake in the larger taxation impacts of any new revenue strategy. They would include representatives from other taxing agents in Boulder County. Specifically, financial representatives from the County and the Boulder Valley School District would be invited. Staff further recommends that experts from the university and the community

with specific knowledge of this topic be invited. Staff anticipates a total of six or seven technicians to be seated.

Community Members – These members have an in-depth knowledge of Boulder’s political climate, knowledge of the business climate, a sensitivity to the concerns of the under-represented, under-served and under-participating populations, and/or stake in any changes to the revenue strategy. Staff suggests members from boards or committees that have significant long-term revenue issues such as transportation, environment, open space, etc, fill two to four spots. Community members would also include those from the business community. The participation of councilmembers on the commission was not clear. Total community commissioners would range from five to six.

Staff/Facilitators

City Manager

Deputy City Manager for Administrative Services

Boulder Finance Director

Boulder Budget Manager

Questions for Council

1. *Does council concur with the purpose and scope presented?*
2. *Does council wish to be represented on the commission by some number of councilmembers?*
3. *Does council concur with the make-up of the commission?*
4. *Should the City Manager prepare a slate of potential appointments for the council’s consideration?*

Approved By:

Frank W. Bruno,
City Manager