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.