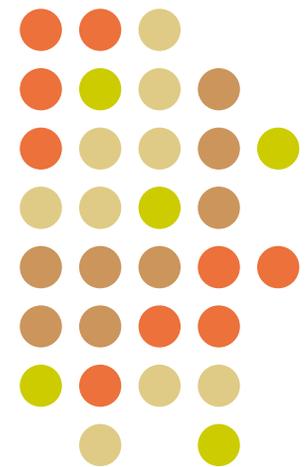
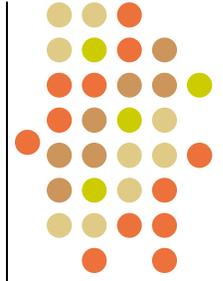


# Blue Ribbon Commission Update Presentation

Boulder City Council  
April 10, 2007

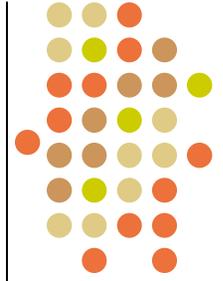


# Mission of the Blue Ribbon Commission (BRC)



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.

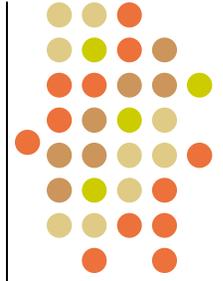




# Members of the BRC

- Matthew Appelbaum
- Steven Fisher
- Susan Graf
- Tom Hagerty
- Dickey Lee Hulinghorst
- Bruce Rothenberg
- Michael Stutzer
- Richard Wobbekind

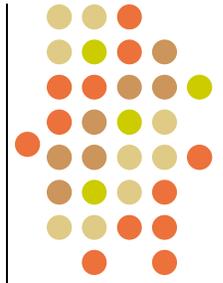




# Process to Date

- Exploration of the current revenue structure
- Initial consideration of alternative revenue sources
- Study of the sources of instability of the current structure
- Forecast of implication of instabilities for long-term fiscal position of City



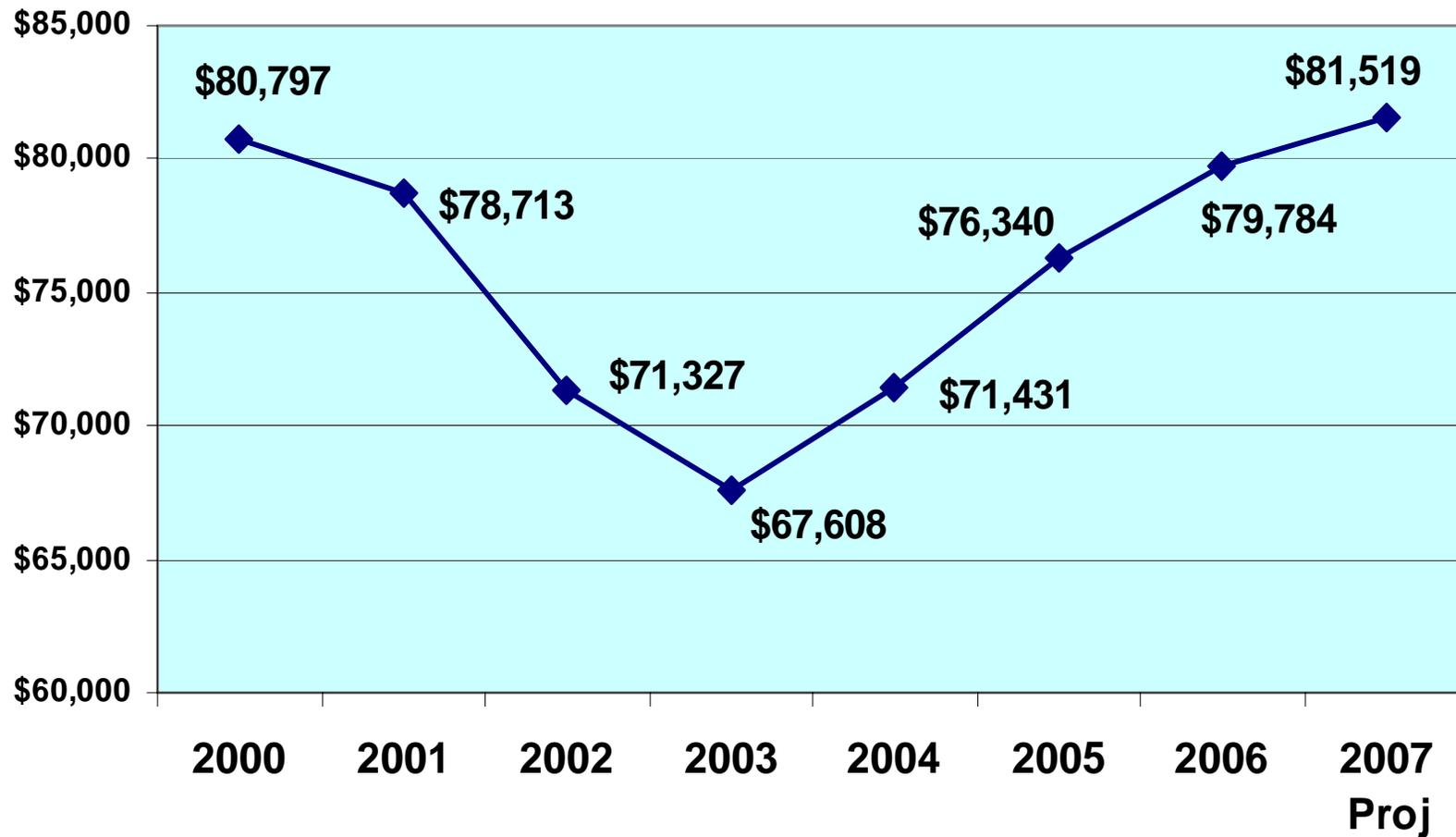
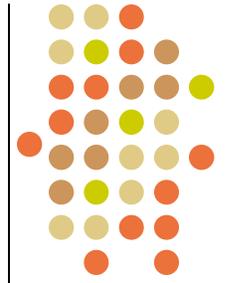


# “Don’t Bury the Lead”

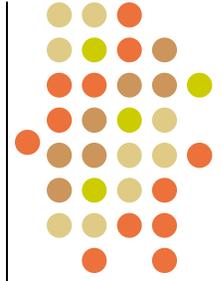
- Sales tax likely to remain work horse of local government finance in Boulder and the state
- Volatility of sales tax well understood
  - Business cycle volatility
- Structural and demographic issues with sales tax less understood
  - Changing demography rendering sales tax less productive
  - Economic conditions eroding productivity of sales tax



# Citywide Sales and Use Tax 2000-2007 (in \$1,000s)



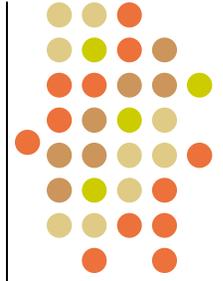
Includes .15% Open Space sales/use tax effective January 1, 2004



# What Does This Mean?

- Factors facing all Colorado communities
  - Inherent volatility will continue – We have not eradicated the business cycle
  - Volatility will be compounded by structural factors that undermine the productivity of the sales tax
    - Aging of the population
    - Failure of sales tax base to inflate with cost of doing business
  - Partially offset by Boulder's favorable income demographic





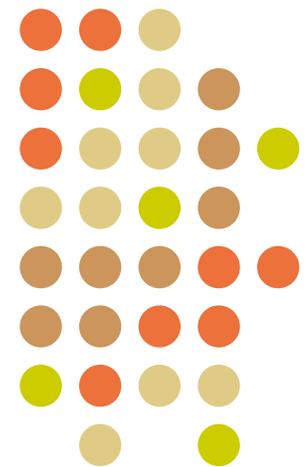
# What Does This Mean?

- Factors Specific to Boulder's future
  - Scheduled sunsets of sales taxes
    - 2011 - .38 General Fund
    - 2012 - .15 General Fund Designated
    - 2015 - .25 Parks and Recreation
    - 2018 - .33 Open Space
    - 2019 - .15 Open Space
    - 2024 - .15 General Fund
  - Earmarking revenues removes flexibility from policy-makers, but political reality may necessitate future earmarks

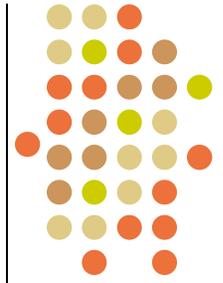


# The Evidence

How did the BRC come to these findings?



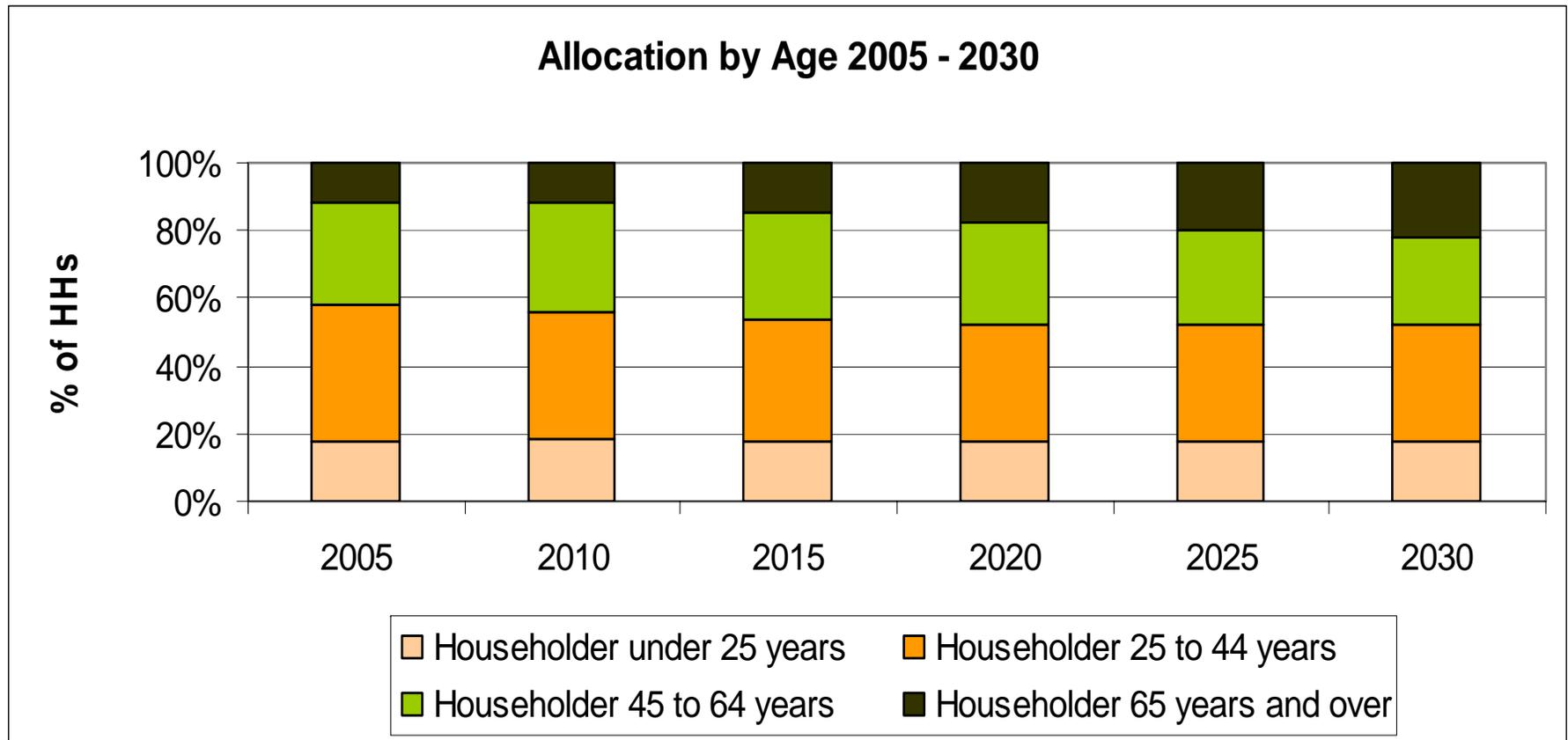
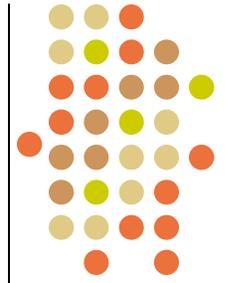
# Demographics and Their Impact on Funding Government



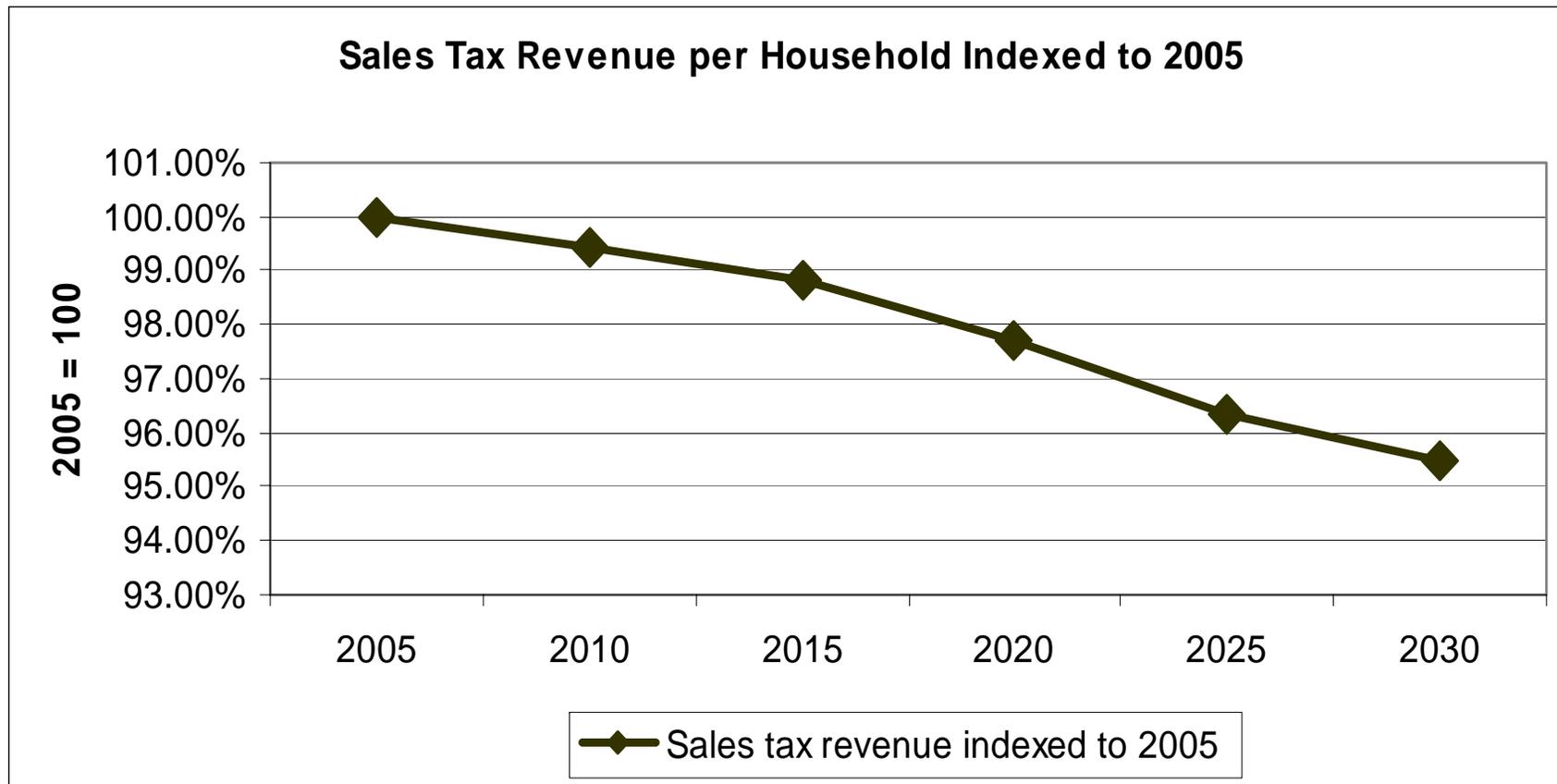
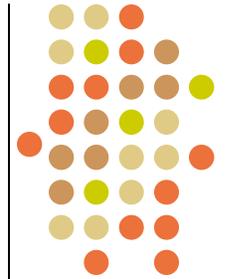
- Aging of the Baby Boomers affects
  - Age of head of household
  - Household size
  - Number of workers per household
- Each of these demographics affects taxable spending
- Income demographic may offset age

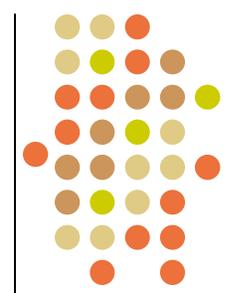


# Boulder Trend: Age of Householder

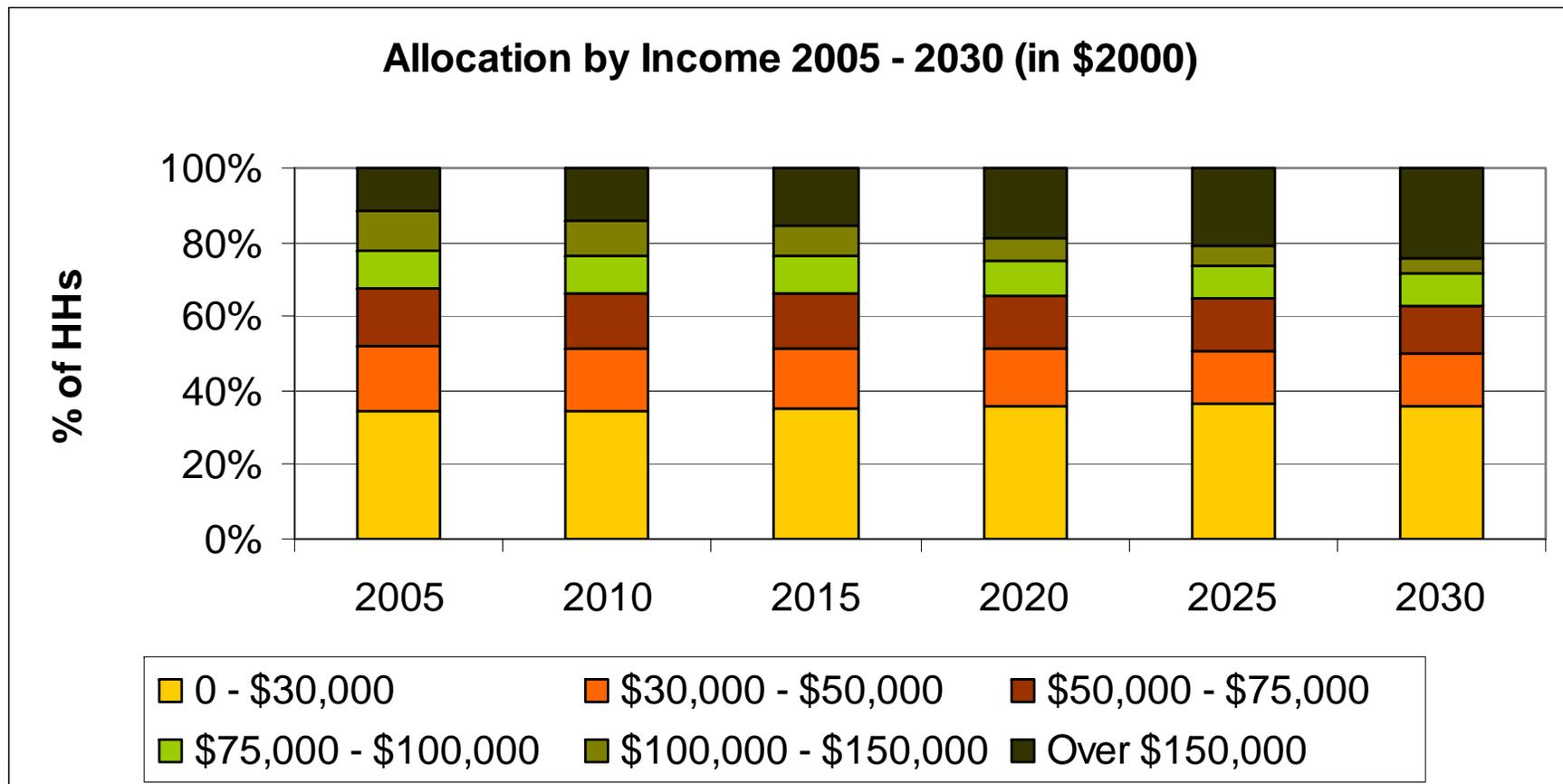


# The Impact of Age

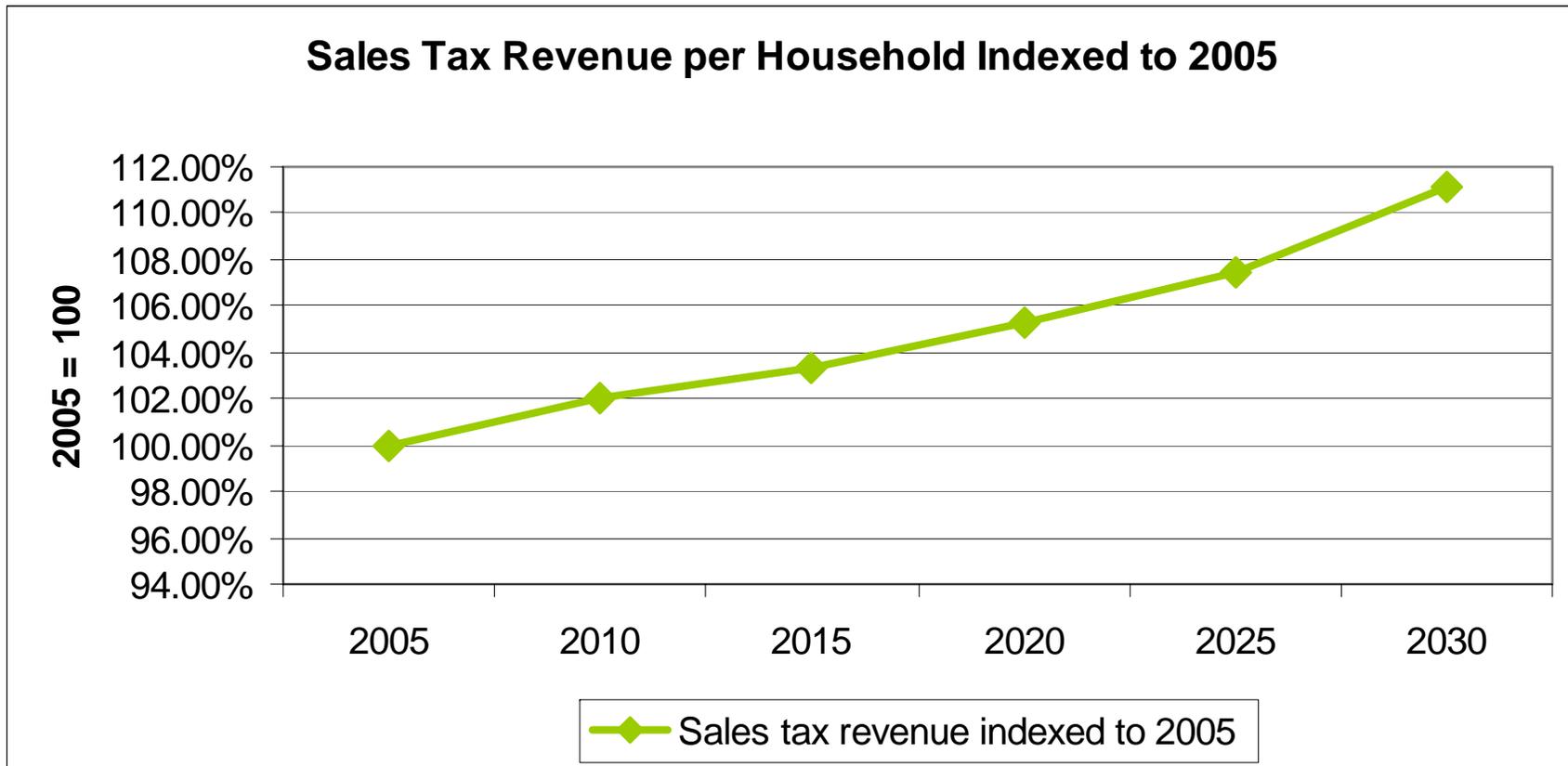
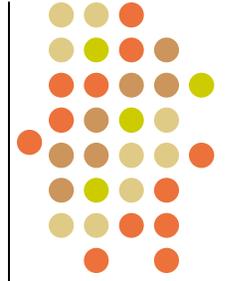




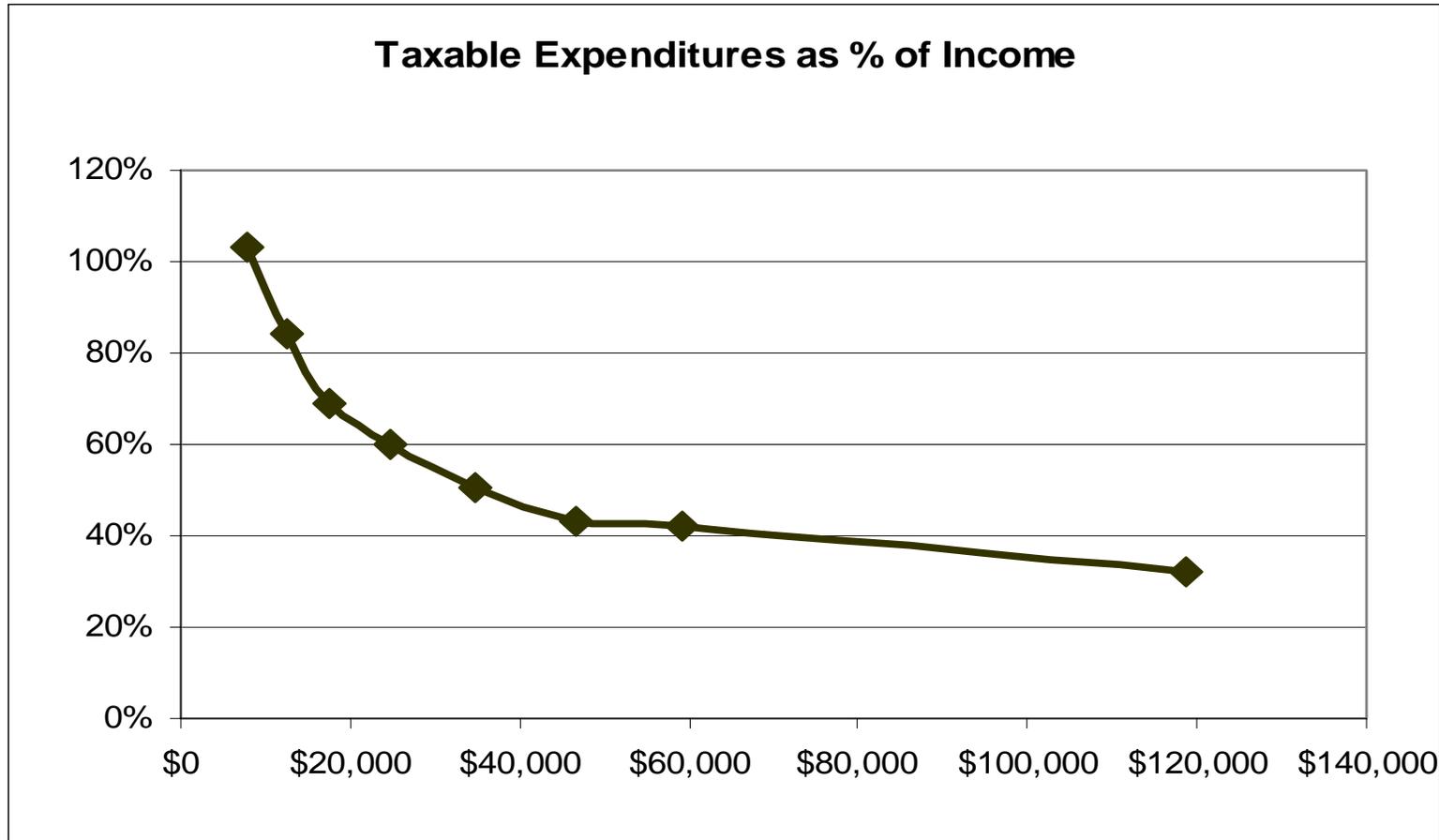
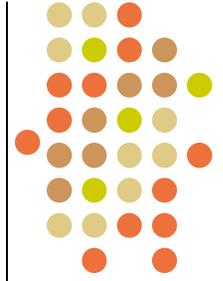
# Boulder Trend: Income



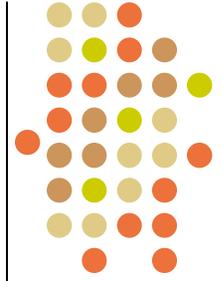
# The Impact of Income: Higher Income HHs Spend More Absolutely...



# ...Yet Not as a Percent of Income



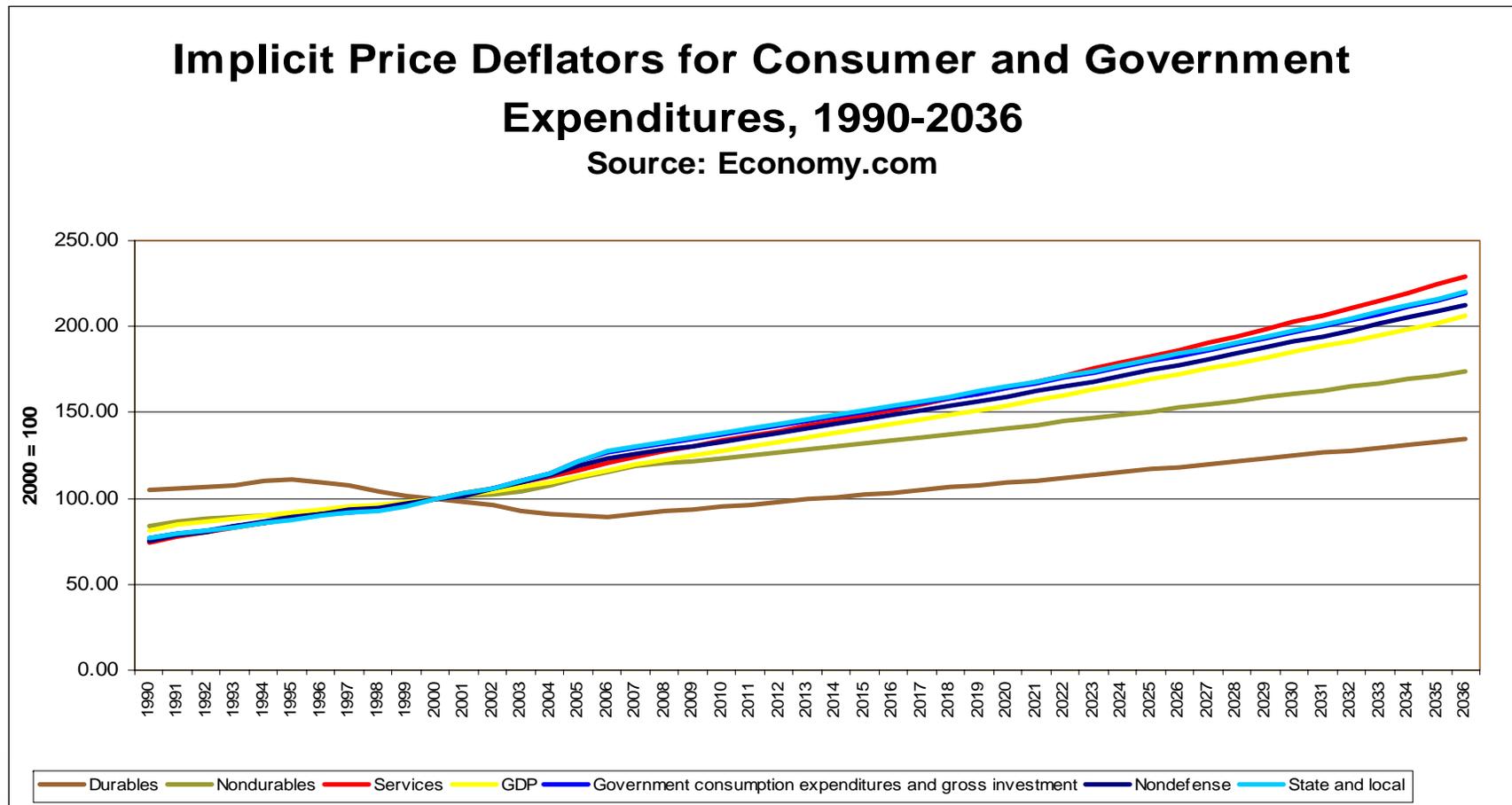
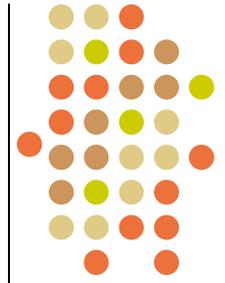
# Sales Tax Base: Key Economic Trend

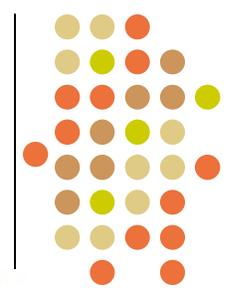


- Inflation across economic sectors not constant
- Projected rate on taxable base fails to keep pace with rate on key public expenditures
- Retail sales tax as major revenue source will fund proportionally less of the base budget



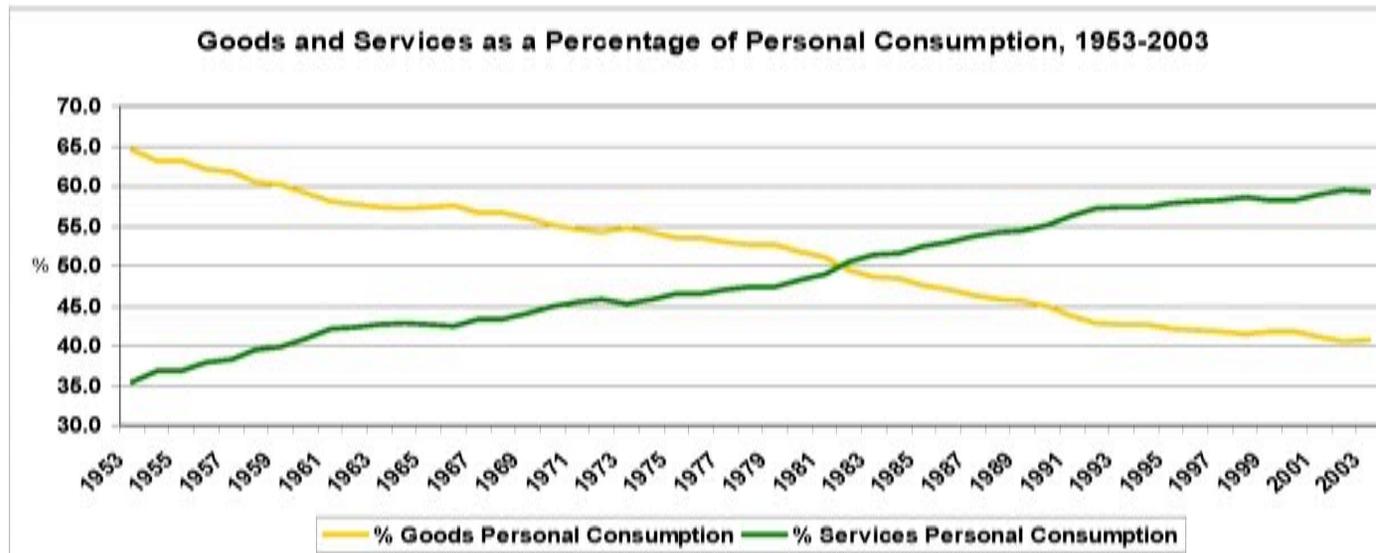
# Current Tax Base Doesn't Keep Pace





# Shift to Service-Based Economy

## Consumption of Services is Growing

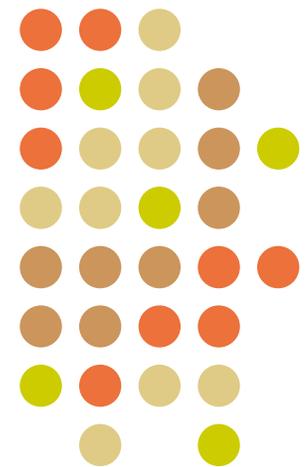


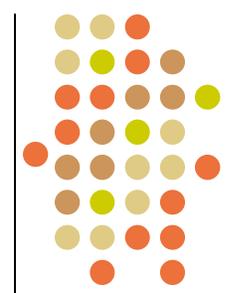
Source: Bureau of Economic Analysis



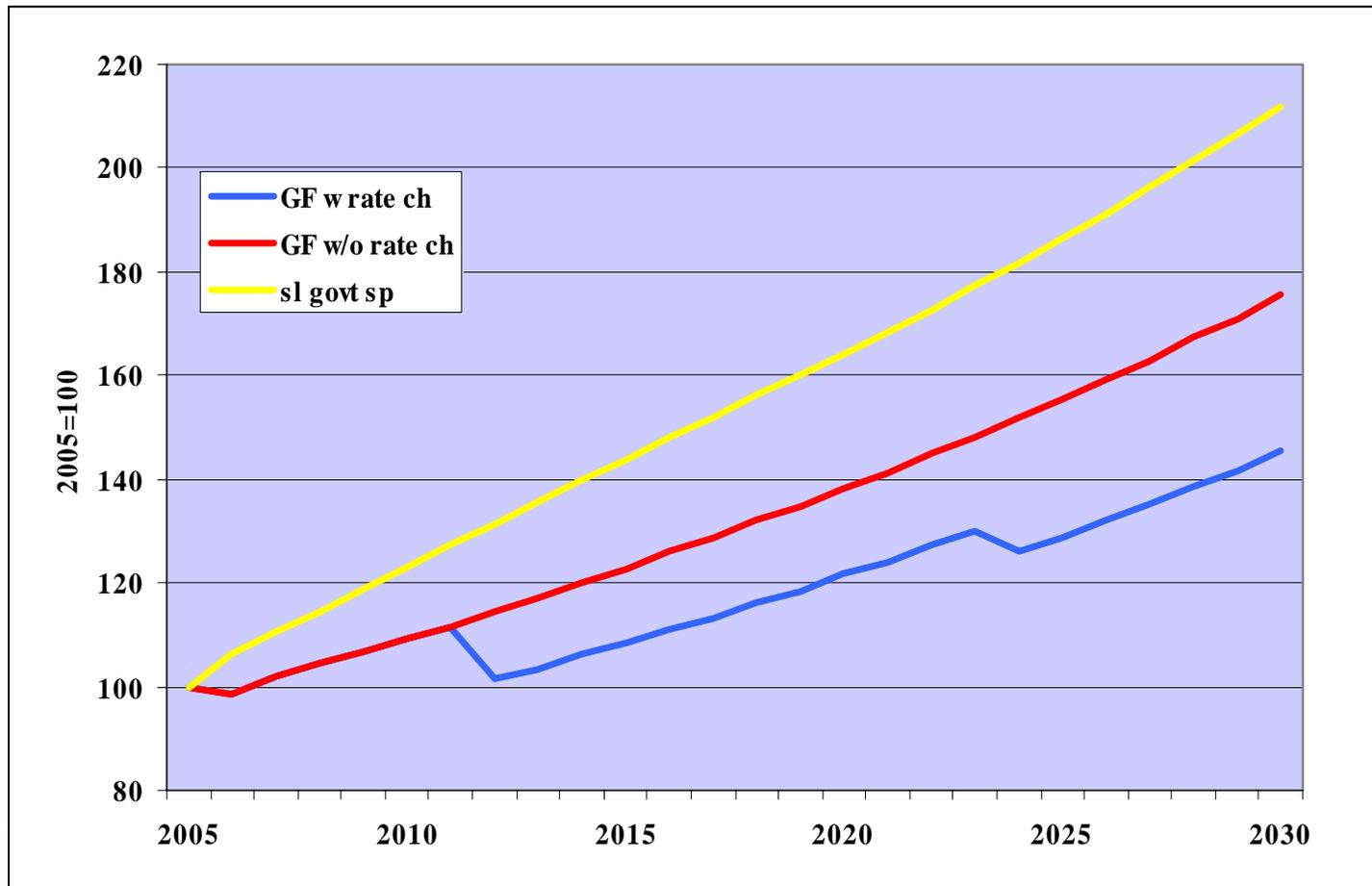
# Forecasts

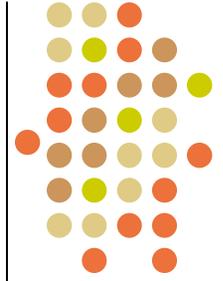
What does this mean for financing government in Boulder?





# Initial Forecast Findings

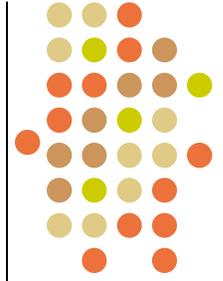




# Refining the “Yellow Line”

- 8 largest funds (excluding utilities) included in analysis
- Revenue and expenditure forecasts completed for 8 funds



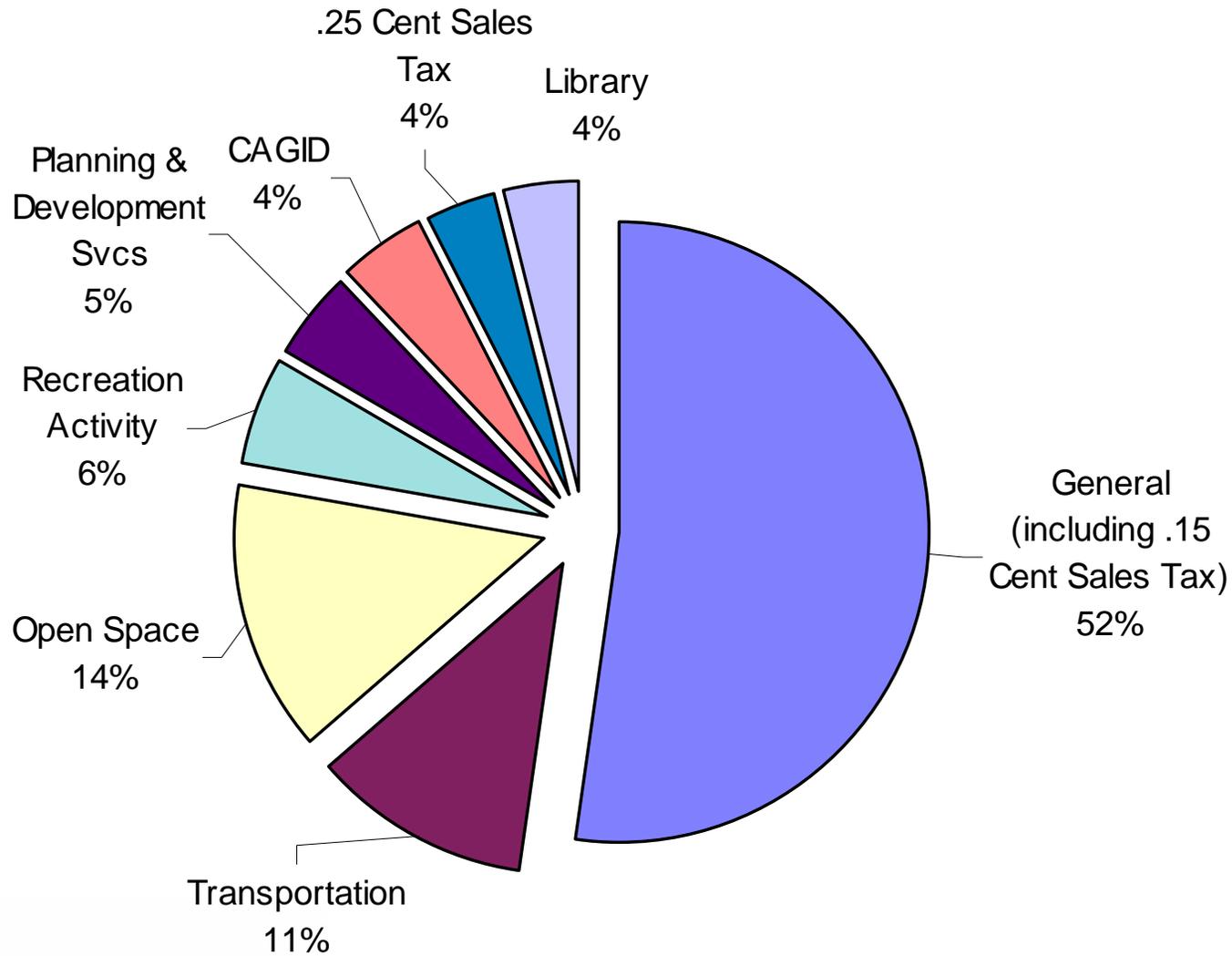
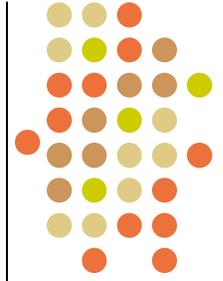


# Funds Included

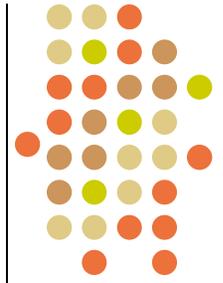
- Selected funds represent 93% of total budget, excluding utilities
  - General Fund (including designated 1992 .15 Cent)
  - Transportation
  - Open Space
  - Recreation Activity
  - Planning & Development Services
  - CAGID
  - .25 Cent Sales Tax (1995 P & R)
  - Library



# 8 Major Operating Funds Analyzed



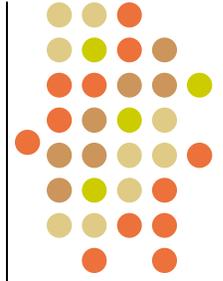
# Revenue Model: Assumptions



- Current City boundaries only - Area I
- Population, housing stock and job growth consistent with BVCP
- Household age and income distribution based on 2000 Census estimates for city and projected changes for metro area
- Regional CPI based on Legislative Council and DRCOG forecasts
- Other inflation factors forecast by Moody's Economy.com



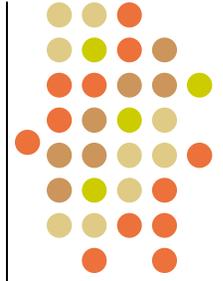
# Revenue Model: Assumptions, Cont'd



- Share of older population will increase
  - Share of households 65 & over will double by 2030
- Boulder remains high income community
- Inflation remains moderate
  - Denver-Boulder-Greeley CPI-U to increase at 2.5% annually
- Home price growth will slow



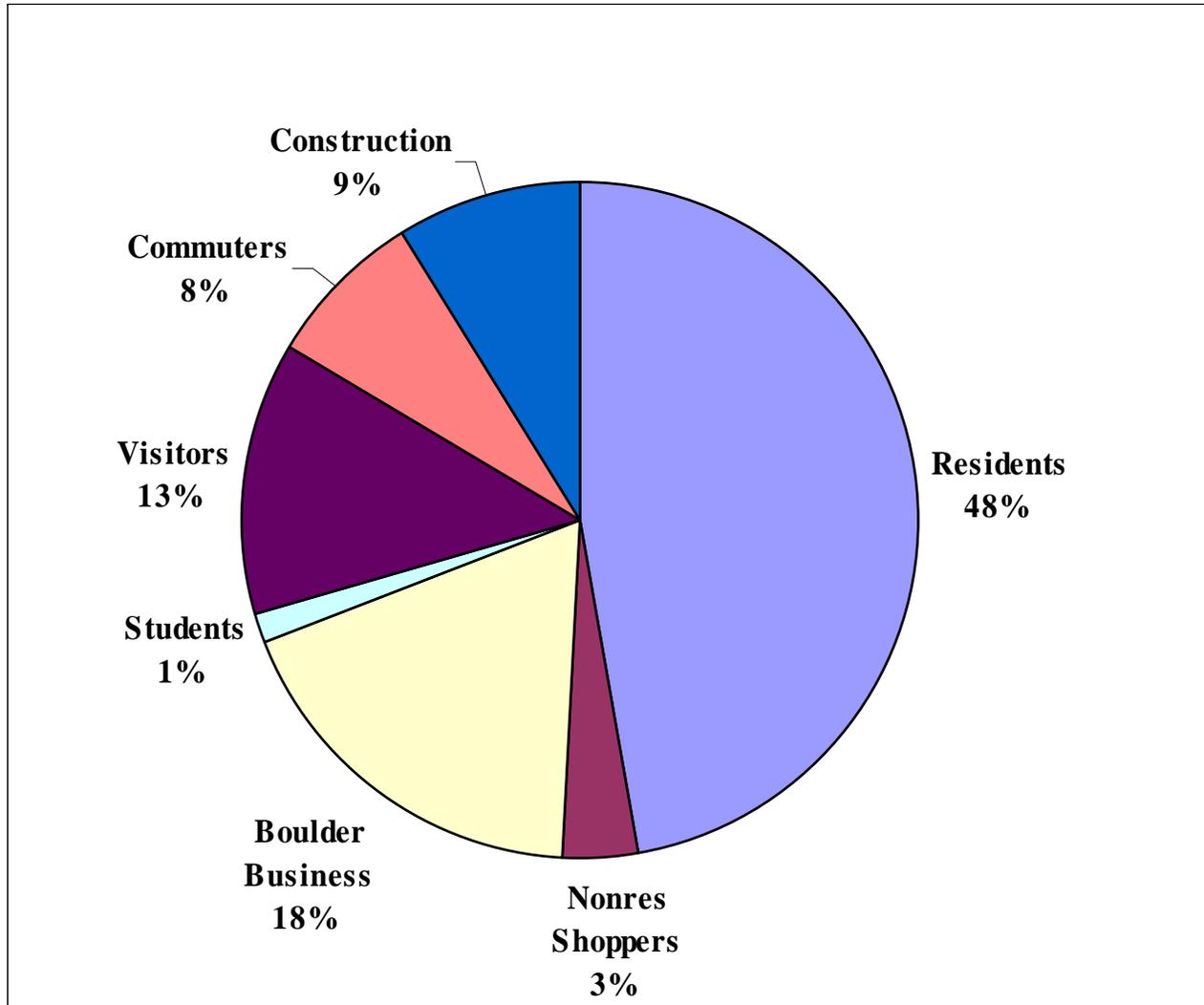
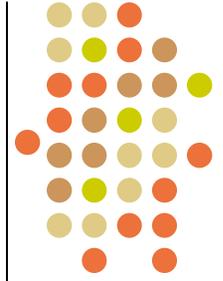
# Methodology: Sales & Use Tax Forecast



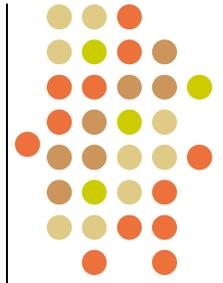
- Estimate current tax by payer for each component (sales, autos, use)
  - Households
  - Businesses
  - Students
  - Visitors
  - Commuters
- Project growth in real expenditures by each group of payers
- Project inflation of tax base



# Boulder Sales & Use Tax by Type of Payer-2005



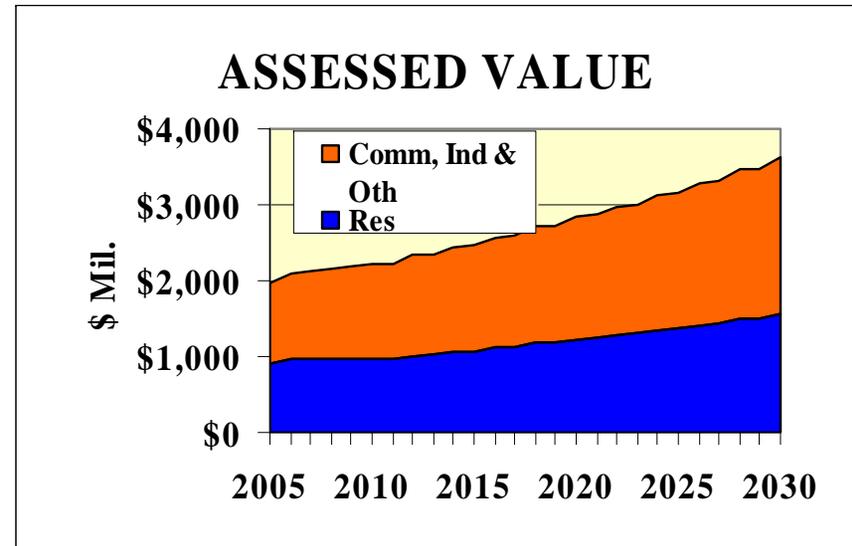
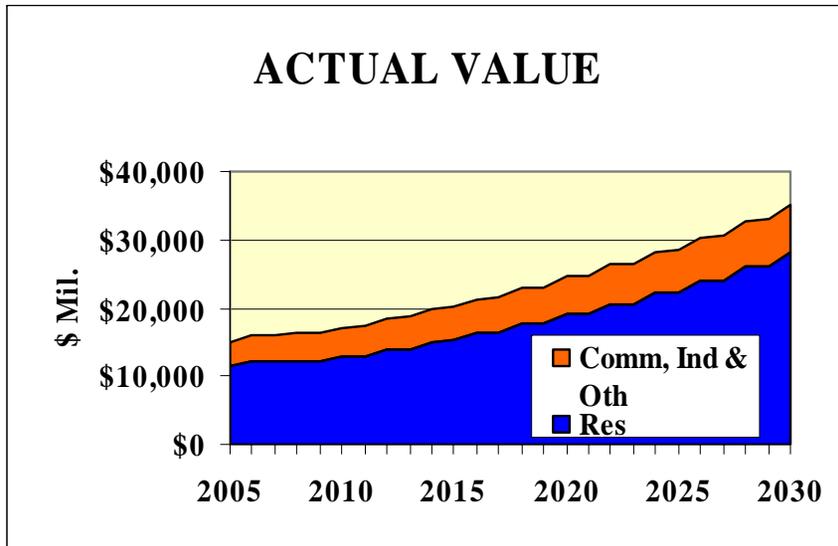
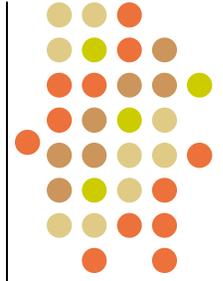
# Methodology: Property Tax Forecast



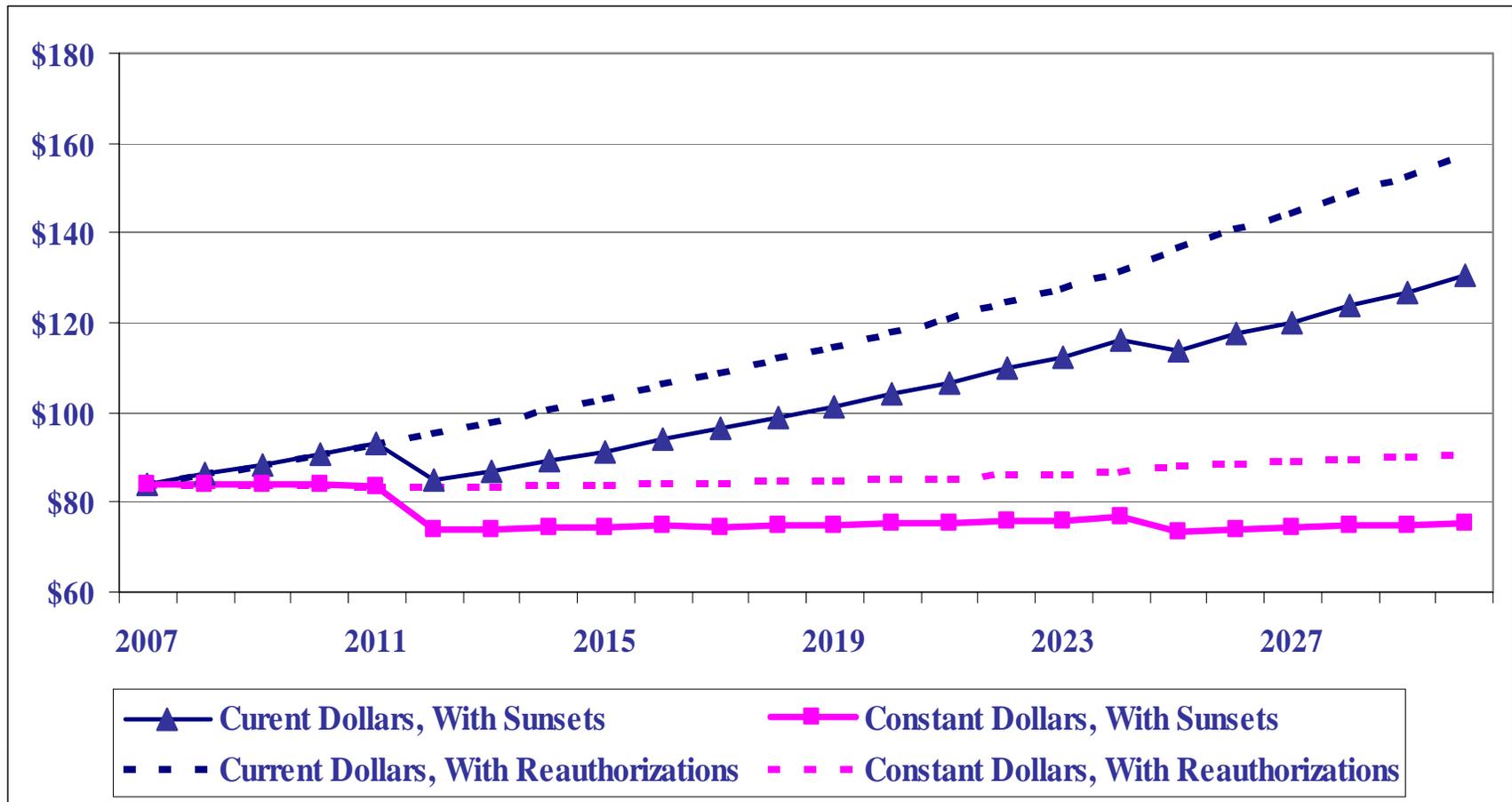
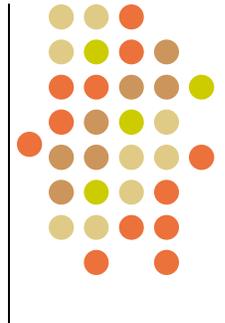
- Change in residential Actual Value based on
  - Projected change in housing stock
  - Single-family existing home (NAR series)
- Residential assessment rate continues declining
  - Consistent with state projections
- Change in commercial & industrial values based on
  - Changes in jobs
  - Weighted for 3 industry groups
- Mill levy unchanged



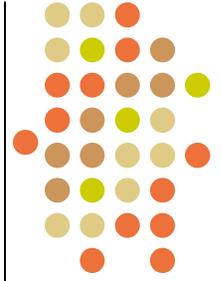
# Property Tax Forecast: Actual and Assessed Values



# General Fund Forecast: 2007-2030



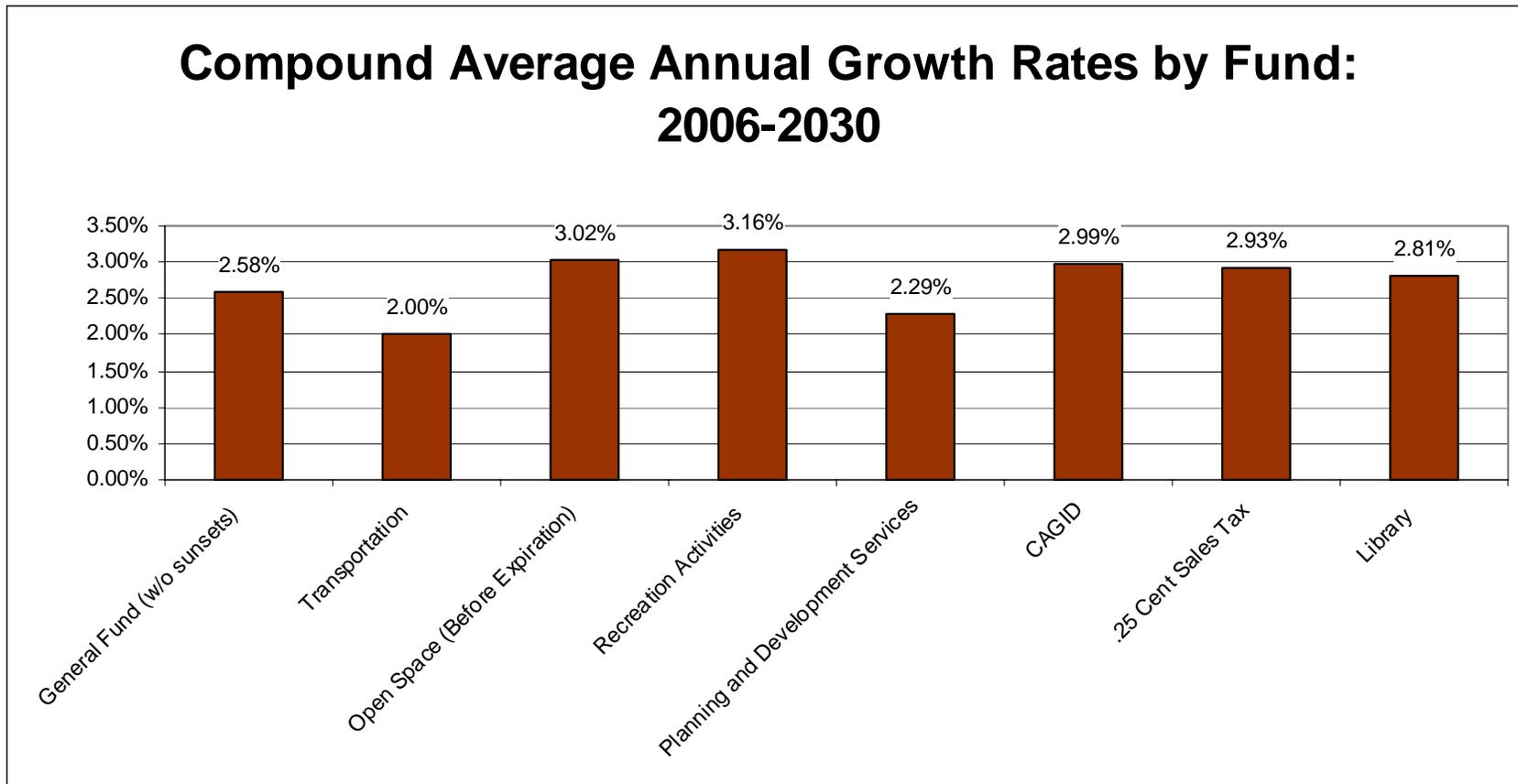
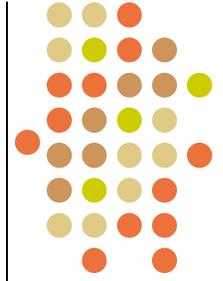
# Findings: General Fund Forecast



- Receipts do not keep pace with population growth and inflation
- Scheduled expiration of sales taxes will mean loss of \$27M/yr. by end of forecast
- Even if sales taxes are renewed, receipts won't match likely growth in expenditures

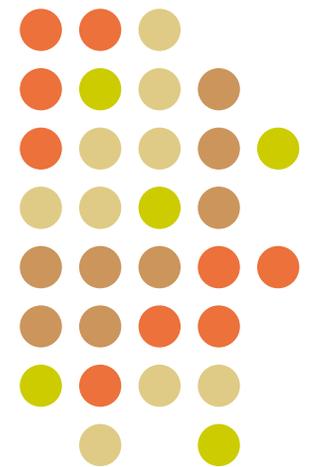


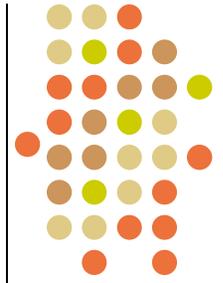
# All Funds: Projected Average Annual Growth Rates



# Matching Revenues with Expenditures

Projections to 2030



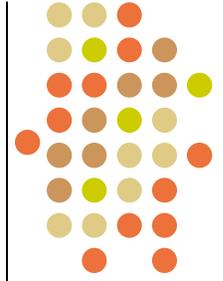


# Forecasted “Gap”

- Forecasting exercise NOT a budget exercise
- Gaps are NOT budget gaps
  - City will balance its budget annually
- Forecasting intended to explore future sufficiency of the revenue system
  - Is there a structural problem with revenues?



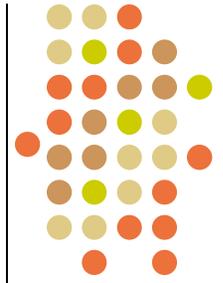
# Expenditure Model: Assumptions



- Expenditures trended off 2006 base budget
  - Fiscally constrained budget
  - Inflated by appropriate factors by type of expense
  - 2006 budget adjusted for
    - Identified critical deficiencies (Facilities, Fire Apparatus, Utilities, Software)
    - Growth



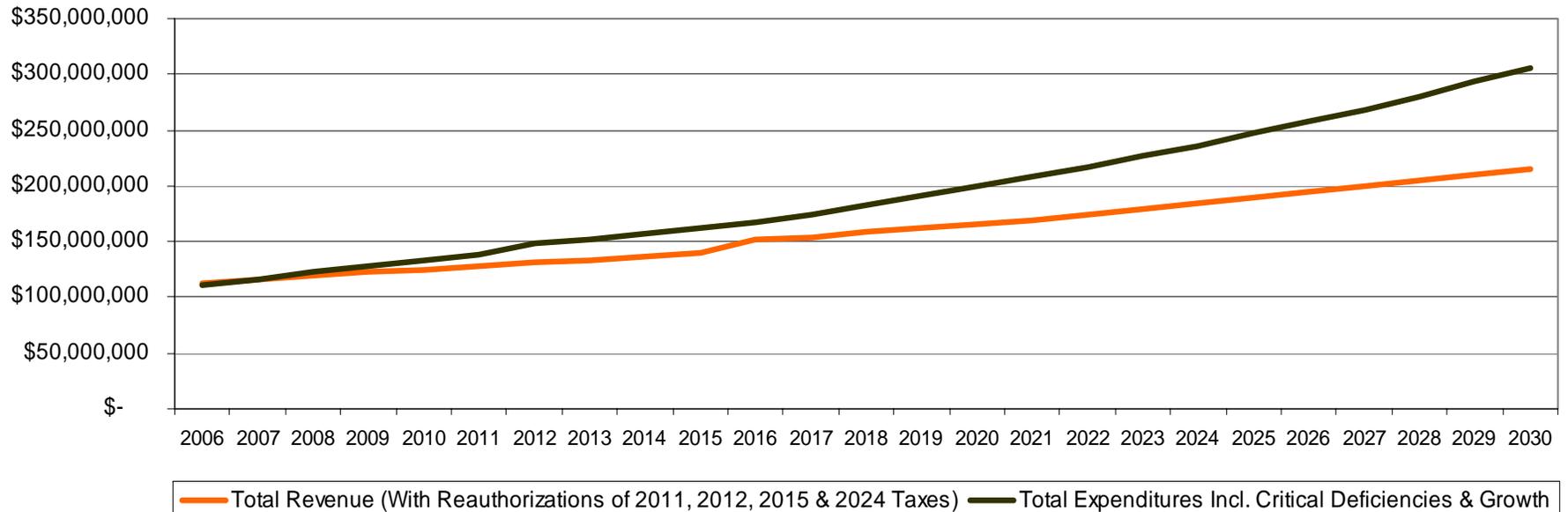
# Rollup: Assume Renewal of all General Fund Related Sales Taxes



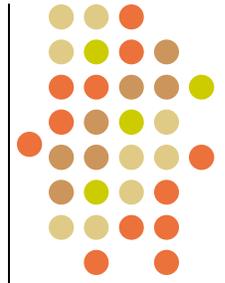
Rollup: General Fund, .15 (HHS, OEA, Arts, P&R), .25 Cent Sales Tax (P&R),  
Library, Recreation Activity, P&DS

2006-2030

Revenues Assume 2011, 2012, 2015, and 2024 Levies are Reauthorized



# Timeline of Sunsetting Sales Taxes

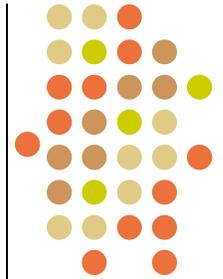


**The following sales taxes do not expire:**

General Fund	1.00%
Open Space	.40%
Transportation	.60%



# Impact of Sunsets to General Fund Related Activities

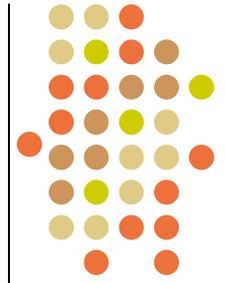


Year of Sunset	Levy	2006 Revenue	Projected Impact in 2030
2011	.38	\$8.881 M	\$19.372 M
2012	.15	\$3.505 M	\$ 7.647 M
2015	.25	\$5.843 M	\$12.745 M
2024	.15	\$3.505 M	\$ 7.647 M



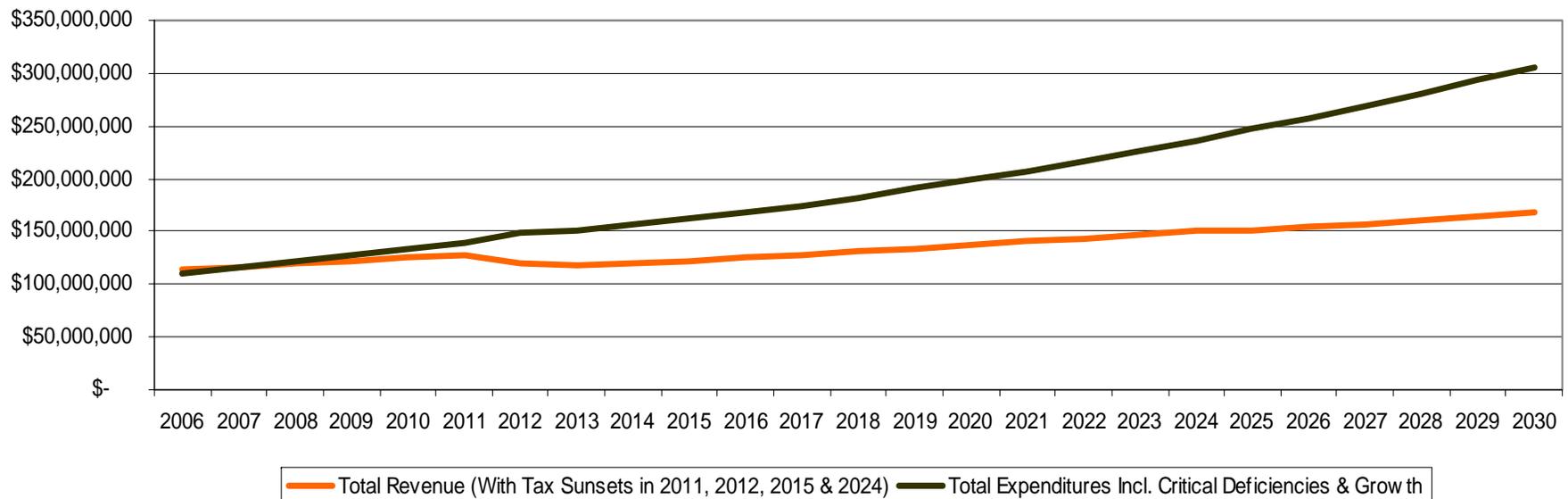
**Total Impact of Sunsets in 2030:  
\$47.411 Million**

# Rollup: Assume all General Fund Related Levies Sunset

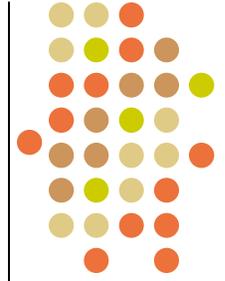


## Rollup: General Fund, .15 (HHS, OEA, Arts, P&R), .25 Cent Sales Tax (P&R), Library, Recreation Activity, P&DS 2006 - 2030

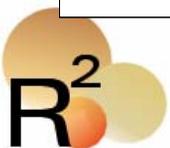
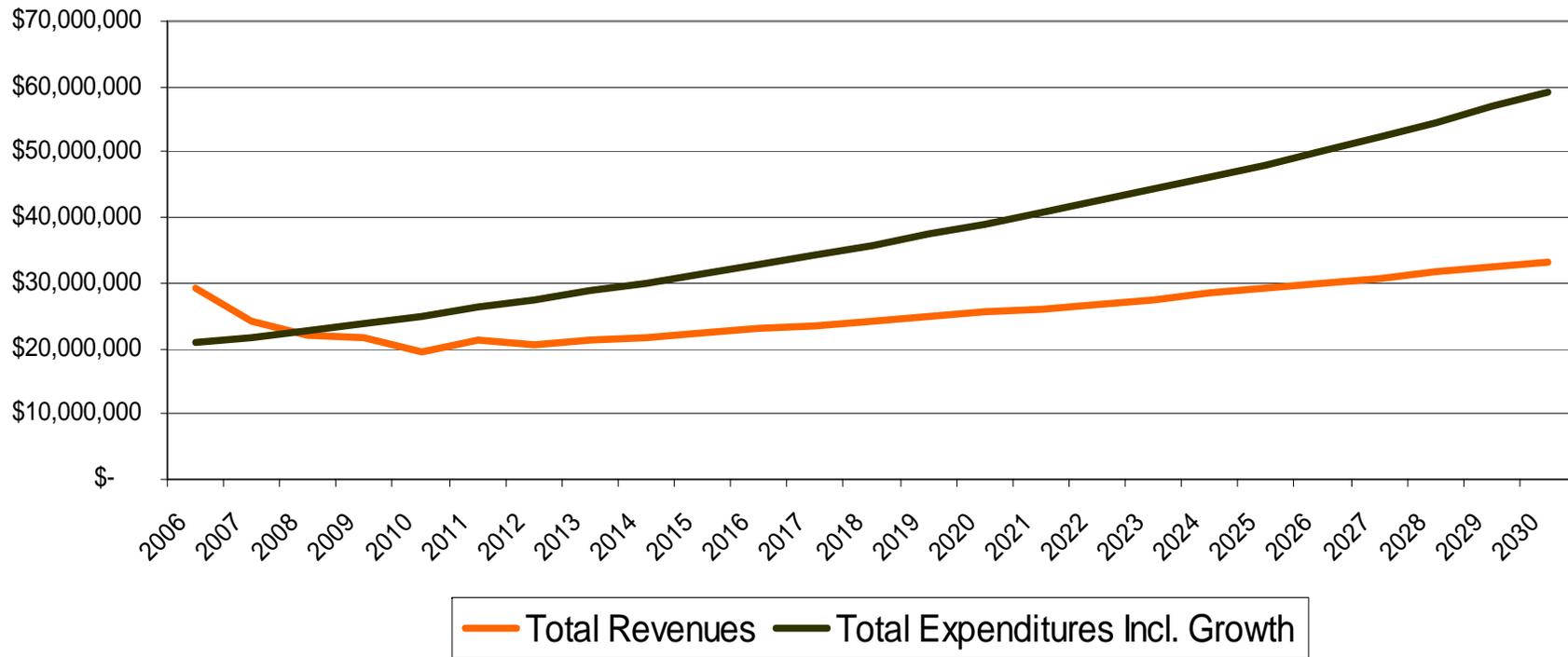
Revenues Assume 2011, 2012, 2015, and 2024 GF Levies Sunset



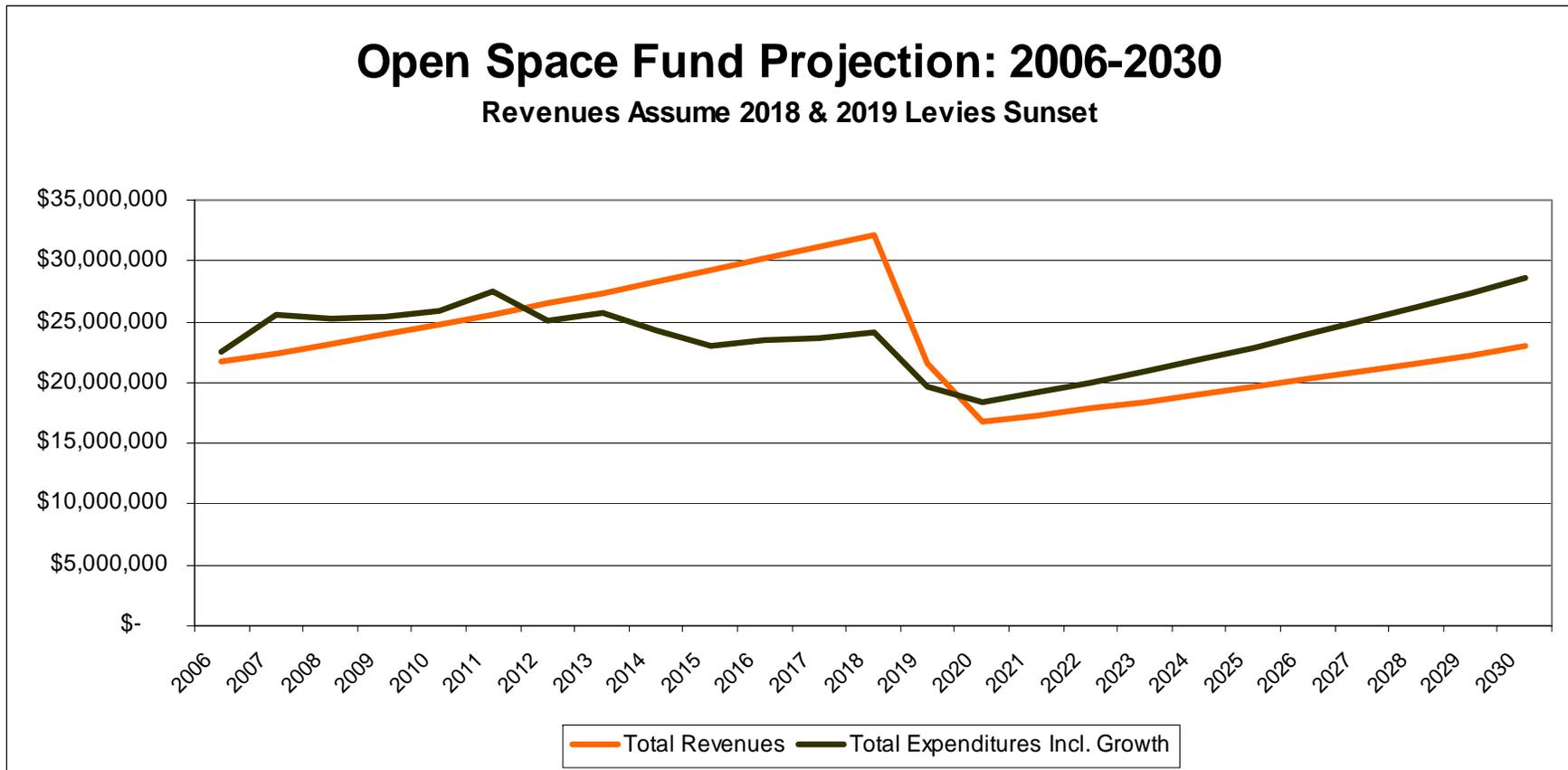
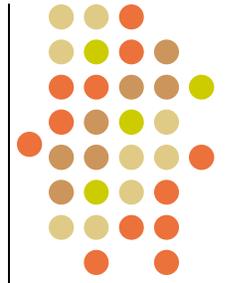
# Transportation Fund

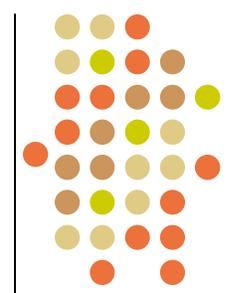


## Transportation Fund Projection: 2006-2030



# Open Space Fund

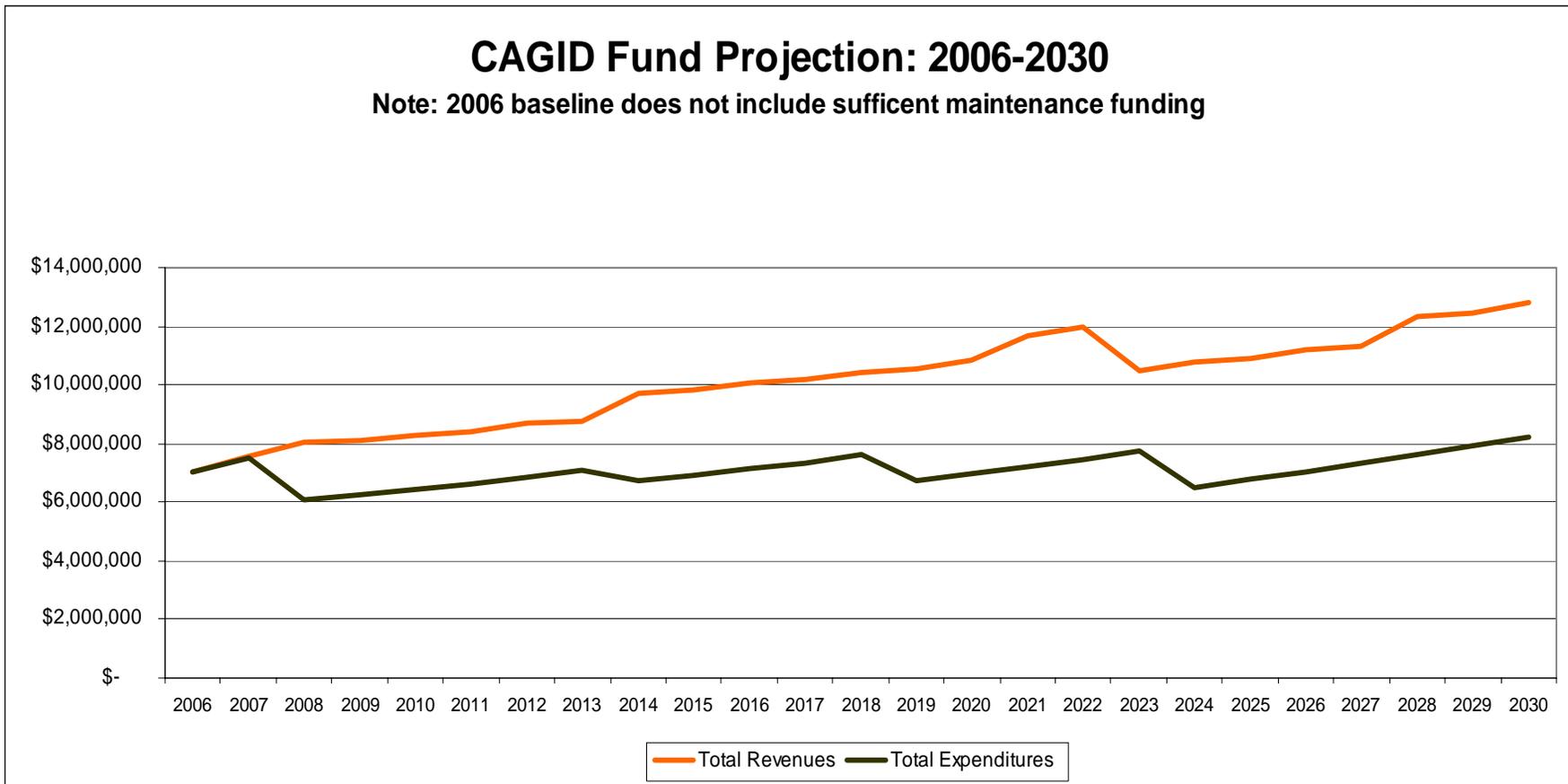


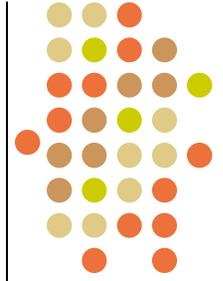


# CAGID Fund

## CAGID Fund Projection: 2006-2030

Note: 2006 baseline does not include sufficient maintenance funding





# Next Steps

- Continue exploration of revenue options
  - Reauthorizations of expiring levies
  - Alternative options
  - Diversifying of revenue stream
  - Challenges to implementation
- Return with recommendations

