

**REPORT OF THE
STEAMBOAT SPRINGS, COLORADO
TAX POLICY ADVISORY BOARD**

Presented to City Council on February 1, 2005

SPECIAL THANKS

Thanks to Paul Hughes, Julie Jordan, Heathre West, Judy Plumb, and especially to Don Taylor and the City Financial Services Department who spent many hours responding to TPAB requests, including reformatting City budgets, researching historical data, and providing sources for tax policy discussion and data from other Colorado communities. Many other City employees and Department Heads patiently answered questions and gave generously of their time. Our task would not have been possible without their willing, unreserved, and open cooperation. Special thanks also to Mike Forney for his thoughtful critique and advice on the organization of this report.

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EXECUTIVE SUMMARY

**CITY OF STEAMBOAT SPRINGS, COLORADO
REPORT OF THE TAX POLICY ADVISORY BOARD**

**CITY OF STEAMBOAT SPRINGS, COLORADO
REPORT OF THE TAX POLICY ADVISORY BOARD**

EXECUTIVE SUMMARY

The Tax Policy Advisory Board (TPAB), comprised of 12 citizens, was established in April 2004 and met weekly through January 2005 to review and assess the City's tax structure and revenues, and make recommendations for future taxation that are equitable to all taxpayer groups.

The TPAB operated independent of direction from City Council and staff, but was significantly aided by information and analysis provided by the City's Finance Director and the City Manager who attended many of the meetings. Committees of the TPAB met with City department heads and staff members and the TPAB heard presentations from several community and business representatives on a wide variety of tax related topics. All of the meetings were advertised and open to the public. A detailed discussion of the TPAB methodology, along with selected community demographics, is found in Chapter 1.

The first task the TPAB undertook was to understand and analyze the City's current and past financial operations and results (Chapter 2). The next task was to review all current sources of income and identify and analyze alternative sources of revenue for predictability, stability, growth potential, and payer demographics (Chapter 3). The final step looked at where our community is headed (chapter 4).

In the process of studying the City's finances and taxes, many members altered their preconceived notions of what was right or wrong with City taxes. More importantly, the Board arrived at a common consensus. Chapter 5 of this report outlines the conclusions and recommendations in detail.

Key Findings:

- Based on analysis of the past 10 years financial operations of the City, the Tax Policy Advisory Board believes the City has managed its financial affairs effectively during a period of rapid growth in the community that necessitated significant expansion of services, infrastructure and amenities.
- Assessment of the City's past financial results and current financial position indicates no immediate need for the City either to restructure in any major way its tax structure or to increase its tax rates to generate additional revenues (with a

caveat that grants and gifts have proven to be an important means to finance infrastructure and should continue to be aggressively but judiciously pursued).

- The City's approach to management of debt and reserves (that has resulted in a favorable bond rating) is effective and should be continued.
- The TPAB does not recommend any change to the City's tax structure at this time.

One of the critical issues considered by the TPAB was the City's heavy reliance on sales taxes (71% of operating revenues, and 57% of total City revenues) and the potential vulnerability to economic forces. Analysis of the past 10 years shows that sales taxes have had reliable growth consistent with population growth plus inflation; the sales tax works well and provides a reliable source for much of the revenue needed by the City. When coupled with the fact that more than half of the sales tax is paid by visitors and non-residents, there are obvious advantages to keeping the sales tax as the City's main source of revenue.

The TPAB examined the idea of moving the City at least partially to a property tax based system. It concluded little benefit would be gained by such a move since the local community would pay more of the property tax than is the case for sales tax. Due to TABOR and Gallagher restrictions and the way property tax is assessed, the impact of property tax falls disproportionately on local businesses. While property tax is a relatively stable and predictable source of revenue, growth in property tax revenue is no more assured than growth in sales taxes. As a result the TPAB concluded there is no current benefit to making a switch to a property tax based system.

While the City has done an effective job managing its finances and taxation, the TPAB did identify a number of areas where the financial and taxation decision-making process could be improved. These recommendations, as detailed in chapters 2 and 5, include:

- Provide financial and budgetary reporting in a conventional business format that would enable Council and public readers to better distinguish between ongoing operations and capital acquisitions/expenditures. Examples are shown in Chapter 2.
- Establish a specific set of policies and procedures for addressing requests the City receives from special interest groups. The City also needs a specific oversight policy for financial management of the funds that it provides for private and non-profit entities.

- Continue City support for effective management of grant requests and develop procedures to fully assess life-cycle maintenance and replacement costs prior to applying for or accepting capital grants.
- Establish formal criteria for approval and control of any new authorities, districts or other governmental-type entities that have taxing powers or that isolate a particular portion of taxes for a specific purpose. This policy will minimize the proliferation of government entities and bureaucracies, duplication of administrative costs, loss of control by elected officials, restriction of future tax options, designation of public revenue streams for private purposes, and loss of oversight by electors of the community.
- Establish by formal resolution a requirement that any ballot measure with financial/tax implications be submitted, for first reading, at least 180 days prior to the election.

As our Community continues to grow, there will be increased demands on our basic services, i.e. fire protection, police protection, street maintenance, and on our amenities such as the transportation system and recreational facilities. The TPAB believes that increases in population and demand for services will be accompanied by adequate increases in tax revenues. Following the successful budgetary practices of the past, the City is capable of effectively prioritizing its expenditures to assure its citizens that they will receive the highest level of basic services and varied recreational facilities.

The TPAB also believes that the City has the ability to follow past funding practices to meet the demand for anticipated capital improvements, although procedures to do so can be improved. The TPAB believes that, in this process, the City should, where possible, expect affected constituencies to share in the cost/fund raising and the City's preferred role should be to provide initial/capital funds rather than ongoing subsidy or maintenance.

Finally, although the TPAB does not believe a new tax revenue is currently needed, it does recommend the following hierarchy for consideration of future tax increases, should the need arise. The priority of fund source recommended by the TPAB differs depending on whether the funds are needed for operations or for capital items.

If the shortfall is for ongoing operations TPAB recommends:

1. Re-prioritize and reduce all capital and expense budgets
2. Increase Accommodations tax

3. Add up to .6% to sales tax
4. Implement sales tax on selected services

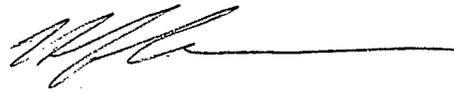
If the need is for capital items TPAB recommends:

1. Grants
2. Contributions from user/affected groups
3. Debt financing
4. Dedicated property tax in conjunction with debt financing

It was a consensus of the TPAB that a property tax, in conjunction with debt financing, would only be appropriate to fund major infrastructure or amenities that benefit a broad segment of the community.

For the Tax Policy Advisory Board
Respectfully submitted,


Jack Dysart
Co-chair


Ken Solomon
Co-chair

CHAPTER 1

INTRODUCTION
AND
COMMUNITY DEMOGRAPHICS

SECTION I – INTRODUCTION

MISSION STATEMENT

“The Tax Policy Advisory Board’s mission is to evaluate the community’s current tax structure by analyzing current taxation, finances and demographics and researching all possible revenue sources in order to recommend a fair and balanced taxation policy which is equitable to all taxpayer groups and provides sufficient funds to the City to provide to the citizens and visitors to Steamboat Springs quality facilities, services and programs for a diverse, vibrant and healthy community.”

The mission statement was developed considering the need to involve all financial resources available to the community. Choice of the word community rather than city allows us to consider the resources available, and impacts of city tax policy on Routt County residents.

INDEPENDENCE

The Board was established to make this evaluation independently: there is no charge by City Council for the Board to propose an increase or decrease in any particular tax, or to increase or decrease total revenues. The task of the Board is to evaluate current and potential revenue sources to the City of Steamboat Springs, taking into consideration projected growth, changing demographics and corresponding changes in demand for City services. In its analyses, the Board considered what impact a change in tax policy would have on various demographic segments.

ORGANIZATION

The Tax Policy Advisory Board (TPAB) consists of nine regular and three alternate(*) members who represent a cross section of the community. The board decided that all members, including alternates, would have equal opportunity to participate; votes of both members and alternates were recorded. The Board members are:

Jack Dysart	Audrey Enever	Chloe Scholes Flam*
Wade Gebhardt	Scott Glackman	John Greig
James Henry*	Steve Lewis*	Nancy Nagler
Kenneth Solomon	Richard Tramaine	Frederick Wolf

Scott Ford, of Colorado Mountain College, participated as a Community Resource Representative.

Meetings were held weekly at 11:30 on Thursdays in Centennial Hall from March 12 through January 2005. Ken Solomon, a Routt county resident, and Jack Dysart, a Steamboat Springs resident, were elected as co-chairmen. Public comment was solicited at each meeting and an email account for public input was established at taxviews@steamboat-springs.net. A Tax Policy section was established on the City web site, on which the TPAB agenda and minutes are posted.

Three committees were formed to do more in-depth research and provide summary reports for discussion by the TPAB.¹

1. The Revenue committee was formed to examine the attributes of various tax and revenue sources.
2. The Financial Information committee focused on examining the City budget and preparing an information packet for Board members.
3. The Futures committee assessed likely changes in the community over the next fifteen years and how those changes might affect tax policy

METHODOLOGY

The approach taken by the Board consisted of the following steps:

- Review Steamboat Springs current and historical budgets
- Review all current sources of income and identify and analyze alternate sources
- Compare revenue and expense structure to other communities in Colorado.
- Meet with City Department Heads and staff members

¹ The Revenue and Financial Information committees were formed at the TPAB meeting March 25, 2004. The Futures committee was created at the meeting held June 10, 2004.

- Solicit public inputs; meet with or obtain presentations from business and community organizations
- Examine operating revenues and expenses of selected City divisions.
- Prepare revenue-neutral case studies to assess impact of changes to City revenue structure
- Assess changes occurring in the community and future financial needs of the City
- Draft tax policy recommendations
- Present findings in public forum.
- Submit final report with recommendations to City Council.

SECTION II - DEMOGRAPHICS

Before looking at Steamboat Springs Tax structure, revenues and expenditures, it is useful to look at the demographics of the community served. These figures are based, for the most part on the 2000 Census. Some more recent numbers are taken from the 2003 Colorado Dept. of Local Affairs data and are marked by an asterisk (*).

	Steamboat Springs	Routt County
Population 2000	9,815	19,690
Population 2003*	10,607*	21,369*
Male	55.3%	53.8%
Female	44.7%	46.2%
Median Age	32.4	35
Largest Age Group	25-34	35-44
Percentage Married	44.9%	52.9%
Largest Ethnic Group-White	96.9%	96.9%
Largest Minority-Hispanic	3.1%	3.2%

Housing

Total Housing Units	6373	11,217
Average family size	2.84	2.92
Occupied Housing Units	4,084	7,953

Occupied & Owned	62.4%	69.2%
Occupied and Rented	37.6%	30.8%

Education

High School or higher	97.1%	95.3%
Bachelor's degree or higher	52.2%	42.5%

Income

Median Household Income	\$54,647	\$53,612
Families below Poverty Level	2.7%	2.8%
Individuals below Poverty Level	7.2%	6.1%

(Poverty level for an individual in 2000 was \$8,794 and \$17,463 for a family of two adults and two children.)

Health

Leading causes of death: Cardiovascular Disease and Cancer

Steamboat Springs Community Survey 2002

This City sponsored survey was mailed to a targeted sample of households to include all types of residents and property owners. It achieved a response rate of 27% with over 80% of the respondents being both homeowners and year-round residents. The typical respondent was male (62%), 49.6 years old and a 14.4-year resident.

- *Quality of life:* Rated 'good' or 'excellent' by 84% of the respondents.
- *Changes over the past few years:* 41% 'about the same', 36% 'deteriorated', 18% 'improved'.
- *Sense of community over the past few years:* 41% 'stayed the same', 41% 'deteriorated', 12% 'improved'
- *Priorities for the future:* Protection of environmental resources, growth management, housing opportunities for workers, and sustaining economic viability of existing businesses received the most support.

- *Financial implications:* While respondents were evenly split on whether they preferred to hold the line on taxes and cut services versus raising taxes, there was not a majority in favor of any type of new taxation except the tax on new construction.
- *Variations in responses by responder-type:* Business owners tended to rank environmental resource protection, and growth management less important and business development and employee housing issues as more important than the whole group. Renters (12% of responders) were more concerned with housing and cost of living issues.

Second Home owners were generally happier with both the quality of life and the sense of community.

Respondents stating that the quality of life has deteriorated primarily cited population growth, loss of community, cost of living, and lack of direction in planning. Those reporting an improved quality of life like the new facilities, additional events and more job opportunities.

Over 75% of respondents rated basic City services as very satisfactory. These services include snow removal, sewer & drainage, fire and rescue, drinking water quality, recreational facilities, the transit system and police services.

Planning for the future, the planning department and growth management were the areas that received the lowest satisfaction ratings from respondents.

Parks and Recreation programs and facilities were ranked 'very important' by over 80% of respondents.

CHAPTER 2

COMMUNITY FINANCIAL STATUS

HISTORICAL INFORMATION AND FINANCIAL OVERVIEW

INTRODUCTION

The first task the Financial Information committee undertook was to understand and analyze the City's current and past financial operations and results. This section of the committee's report outlines the information reviewed, observations and assessments of the City financial operations and a series of recommendations to the City.

City Council, The City Manager and the Department of Finance manage the City of Steamboat Springs financial operations. Every year the City prepares an extensive budget which is adopted by City Council and which serves to provide the detailed spending plan for the City. The City also has an independent audit of its finances every year.

In 2003 the City's total spending for ongoing operations was approximately \$18,000,000 and an additional \$5,700,000 was spent for capital projects and debt repayments. The City's principal revenue source for operations is sales taxes and, to a much lesser extent, charges for services and revenue from other governments. Capital projects are financed by a combination of operating surpluses, building use and excise taxes, and by grants and gifts as well as borrowing for a portion of major projects.

In the review it was noted that the City's Primary Budget and Financial Reports (which conform to governmental accounting standards) do not distinguish well between the costs of ongoing operations and capital outlays. The TPAB believes that this distinction is extremely important and has significant fiscal implications, not the least of which is that combining ongoing operations and capital transactions hinders both the public's and City Council's understanding of the City's financial operations and results. As a result, working with the City Finance Director, the City's financial reports were recast into a more traditional and businesslike format as shown on the following pages.

The source for these reports is the Comprehensive Annual Financial Report for years 2002 and 2003. The Analysis of Total Reserves was updated to include Council Designations for future years as of 12/2/2004.

City of Steamboat Springs
General Government Activities
Years ending December 31, 2003 and 2002
(\$000)

	<u>2003</u>	<u>2002</u>
Ongoing Operations		
Revenue		
Sales Tax	14,107	13,988
Charges for Services	1,720	1,579
Franchise Fees	836	774
Revenue from Other Governments	1,620	2,483
Other Revenues	<u>1,658</u>	<u>1,766</u>
Total Operating Revenues	<u>19,941</u>	<u>20,600</u>
 Expenditures		
General Government	2,264	2,264
Police & Fire Departments	4,378	4,352
Parks, Open Space and Recreation	4,194	4,134
Transportation	1,872	1,833
Public Works	1,953	1,959
Community Support	1,192	1,104
Interest Expenses	618	690
Other	<u>1,553</u>	<u>1,325</u>
Total Operating Expenditures	<u>18,024</u>	<u>17,661</u>
Net Revenue Available for Capital	<u>1,917</u>	<u>2,939</u>
 Financing and Capital		
Gifts and Grant Revenue	1,403	2,176
Building Use Tax	1,040	599
Excise Tax	610	
Other Capital Revenue	<u>1,656</u>	<u>124</u>
Total Revenue Available for Capital	<u>6,626</u>	<u>5,838</u>
 Capital Expenditures	4,261	5,002
Debt Principal Repayments	<u>1,479 (1)</u>	<u>1,286</u>
Total Capital Expenditures	<u>5,740</u>	<u>6,288</u>
Net Cash Flow for the Year	<u>886</u>	<u>(450)</u>

(1) Includes \$550 elective debt repayment

CITY ENTERPRISES

In addition to its General Governmental operations, the City operates three 'business-like' enterprises — The Haymaker Golf Course, the Bob Adams Airport and the Utility District for water and wastewater. Each of these activities is accounted for separately, and their results for 2003 are shown below:

	(\$000's)		
	<u>Golf</u>	<u>Airport</u>	<u>Utility</u>
Operations			
Revenue			
User Fees and Charges for Service	1,077	409	2,509
Other Operating Revenue	<u>12</u>	<u>11</u>	<u>1</u>
Total Operating Revenue	1,089	420	2,510
Cost of Operations (without depreciation)	<u>906</u>	<u>600</u>	<u>1,703</u>
Net Operating Surplus/(deficit)	<u>183</u>	<u>(180)</u>	<u>807</u>
Financing and Capital			
Non-Operating Revenues			
Accommodation Tax	616		
Grants		505	
Other	27	171	1,126
Airport Lease	<u> </u>	<u>157</u>	<u> </u>
Total Non Operating Revenue	<u>643</u>	<u>833</u>	<u>1,126</u>
Capital Outlays			
Debt Service	440	462	923
Capital Assets	<u>141</u>	<u>515</u>	<u>699</u>
Total Capital Outlays	<u>581</u>	<u>977</u>	<u>1,622</u>
Net Cash Flow	<u>245</u>	<u>(324)</u>	<u>311</u>

ACTIVITY COMPARISON

The City has several amenities and programs that cover a portion of their expenditure through user fees. These programs were analyzed to assess the level of operating expenditures covered by charges for services and a large variance in the rate of coverage was noted.² A summary of the level of operating expenses covered by user charges shows:

Activity Comparison - 2003 (\$000's)

	Charges for Services	Operating Expenses	% Operating Expenditures Covered by User Fees	Net Operating Cash Flow
Golf	\$,1077	\$906	119%	\$171
Airport	577(1)	600	94%	(23)
Water Utility	2,509	1,703	147%	806
Tennis Center	354	496	71%	(142)
Ice Arena	470	560	84%	(90)
Transit Services	222	1,871	12%	(1,649)
Howelsen Ski Complex	135	739	18%	(604)
Rodeo Grounds	21	112	19%	(91)

Note-The two analyses above focus on annual operating costs and do not consider capital expenditures or debt repayment, which were analyzed separately.

(1) Includes Building Lease

² See also Reports on Haymaker Golf Course, Tennis Center, and Ice Arena in Appendix E.

CAPITAL INFRASTRUCTURE PROGRAMS

In addition to running its ongoing operations, the City has a major role and responsibility to maintain and expand an infrastructure ranging from roads to waste water to amenities, open spaces and more. In the past 10 years, which has been a period of significant community growth and resultant infrastructure and amenities expansion, the City has invested over \$42 million in general government infrastructure. While a few of the major projects have been financed through long term borrowing (golf course, waste water plant and Centennial Hall) the majority of the projects and expenditures have been financed by a combination of operating revenue surpluses, building and use taxes and grants and gifts.

In order to manage and prioritize the financial requirements for capital programs the City prepares and approves, as part of its annual budget process, a 5 year capital improvement plan which identifies for each item the projected cost and any identified external funding such as grants, debt, contributions, etc. While the plan and priorities change from time to time for a variety of reasons, we noted that substantially all of the projects in the 1994 and the 1999 Capital Improvement Programs have been completed.

The 2004 Budget 5 year Capital Plan includes a total of \$39 million of projects (General Government \$24 million and enterprises \$14 million). The program for 2004 includes a total of \$10 million of projects and has identified external sources of funds of \$5.5 million with the balance coming from a combination of operating surpluses, building use and excise taxes and, if needed, use of reserves.

While projects and priorities will change over time, it appears that the Capital Planning being done by the City is well founded and that the City has the resources to manage and pay for its anticipated capital needs without significant additional tax resources or external borrowing. A major component of each year's Capital Program is its ability to obtain external grants as well as gifts by users and interested citizens. These sources of revenue must continue to be aggressively pursued.

HISTORICAL REVIEW

As a part of its assessment of the City's overall financial performance the committee also reviewed the growth over the past ten years (1994-2003) in the City's principal revenue sources and expenditures categories and compared such growth to a benchmark which factored in both the growth in population and inflation. We believe population growth information probably understates the growth of the City since it excludes the growth in West Steamboat (Steamboat II, Heritage Park, and Silver Spur) and does not factor in the significant growth in second homeowners in the community. A detailed analysis of the ten year information and statistics is included in the appendix section and is summarized below:

	Cumulative Growth <u>1994-2003</u>
Benchmark	<u>59%</u>
Population (City only)	26%
Inflation (CPI)	26%
Sales Tax	57%
Total Operational Revenues	67%
Total Operational Expense	71%
Total Debt Outstanding	(50) %
Number of City Employees	47%
Operating Expense per Resident	36%

The committee also attempted, based on a variety of information and analysis, to identify the historical portion of sales taxes paid by visitors (nonresidents). These estimates ranged from 45% to almost 70% of sales taxes being paid by non-residents. The consensus is that 55% is a reasonable approximation. (County residents are included as residents for this analysis).

FINANCIAL POSITION

The financial position of the City and certain key financial ratings are an important factor in evaluating the City's financial health and are a major component used by rating agencies to rate the City's debts. A summarized balance sheet for the year ended 12/31/03 is shown below:

City of Steamboat Springs
Balance Sheet - Year ending December 31, 2003

	(\$ 000's)		
	<u>Government</u>	<u>Enterprise</u>	<u>Total</u>
	<u>Activities</u>	<u>Funds</u>	
Assets			
Cash and Investments	9,057	4,355	13,412
Receivables	2,626	315	2,941
Restricted Assets	1,483	1,402	2,885
Capital Assets	50,371	43,596	93,967
Other Assets	<u>1,322</u>	<u>524</u>	<u>1,846</u>
Total Assets	<u>64,859</u>	<u>50,192</u>	<u>115,051</u>
Liabilities			
Current Liabilities	1,784	852	2,636
Long Term Debt	<u>9,207</u>	<u>14,110</u>	<u>23,317</u>
Total Liabilities	<u>10,991</u>	<u>14,962</u>	<u>25,953</u>
Net Assets			
Invested in Capital Assets, Net			
Of Related Debt	42,069	29,629	71,698
Total Reserves	<u>11,799(1)</u>	<u>5,601</u>	<u>17,400</u>
Total Net Assets	<u>53,868</u>	<u>35,230</u>	<u>89,098</u>
Debt/Net Asset Ratio	17%	40%	26%
Cash and Investments/Long Term Debt Ratio	98%	31%	58%

The City's bond rating is a true external evaluation of the overall financial health of the City which can be easily compared to other cities. Steamboat's current bond rating calculated by Moodys at A-2 is well in the upper half of small cities and indicates a strong financial position.

(1) Analysis of Total Reserves for General Government Activities:

Operating Reserves Designated by Council (15% of est. 2005 Revenues)	4,000
Restricted by Law or Bond Covenant	441
Designated by Council for Future Use	2,974*
Unrestricted	<u>4,384</u>
Total Reserves	11,799

* Designated by Council for all future budget years as of 12/02/04

OBSERVATIONS

Based on analysis of the past 10 years financial operations of the City, the Tax Policy Advisory Board believes the City has managed its financial affairs effectively during a period of significant growth in the community that necessitated significant infrastructure and amenities expansion. Past City councils and City management can take pride in these fiscal accomplishments.

Tax revenues have generally grown commensurately with population and have consistently covered expenses for ongoing general governmental operations and provided, together with grants and gifts, sufficient funds for needed capital and infrastructure expansion (including several one-time investments such as Centennial Hall, the Ice Arena, Transit Center, Airport Terminal and the Bean Pole Project) while reducing debt levels substantially.

While operating expenses have grown at a rate somewhat higher than the growth of residents plus inflation, substantial additional services account for much of this growth (permanent fire department employees, increased transportation services, ice arena and other recreational services, etc.).

Assessment of the City's past financial results and current financial position indicates no immediate need for the City either to restructure in any major way its tax structure or to increase its tax rates to generate additional revenues (with a caveat that grants and gifts have proven to be an important means to finance infrastructure and should continue to be aggressively pursued). In addition, the Tax Policy Advisory Board believes the City's approach to management of debt and reserves (which has resulted in a favorable bond rating) is effective and should be continued.

The review of City amenities noted a significant variance in the level of operating expenses covered by user fees, for example from 120% for the golf course to 70% for the tennis bubble and 18% for Howelsen Ski Complex. It seems that the City should establish a policy as to a target range of fees to expenses for City amenities (perhaps after an initial break-in period for new amenities) and work towards that target over time.

While some members of the public have expressed the view that our heavy reliance on sales tax is risky in a period of slow business activity, the Board did not consider this an issue based upon past experience. Sales tax has shown consistent growth and generally kept pace with population and expenditure growth. In addition, as one of the Board members put it so well: "How do we face the problem of a decline in revenue caused by some unexpected national event? First and foremost, such an event would cost everyone

who works in the community a decline in revenue. So why shouldn't the City also have to cope with a decline? Like any prudent family, the City should have reserves set aside for such an event but ultimately capital improvements might have to be delayed, staff might have to be adjusted, and we all might have to accept services at a lower level."

RECOMMENDATIONS

1. Financial Display

The City should augment its financial budgeting and reporting to include schedules reflecting the distinction between ongoing operations and capital transactions, along the lines of the financial analyses on pages 18, 19, and 23 of this report. In addition more public reporting in a user friendly and less detailed manner would be helpful. Providing a better overview of the City's finances would help the City Council and public put individual decisions into a better perspective.

The following is a three part reporting structure recommended by TPAB to help the public understand the basics of City finances.

The first report, General Government Activities should be structured to separate operating revenues and expenditures from financing and capital expenditures and to provide summary level details to allow basic understanding of the sources and uses of funds leading to the net cash flow for the appropriate year(s).

The second report should provide similar information about the Enterprise Activities of the City.

The third report would be a summarized balance sheet that should lead to a basic understanding of the City assets and liabilities as well as the level of long term debt and reserves. It would also include an analysis of reserve levels that should help the public understand if there is a need for increased revenue, debt or taxation levels in the future.

TPAB believes these reports could be used by the City in several ways. For instance:

- They could be part of the annual report mailed by the City to all citizens.
- They could be part of a permanent display (in the lobby of Centennial Hall) to remind the public of City financial status.

- They (and similarly formatted budget reports) could be used as part of the information package provided to inform voters of the need for future requests for additional debt or taxation.
- They could be augmented with detailed charts and descriptive information to provide a relatively concise pamphlet (brochure) to enable public understanding of City financial basics.

2. Financial Management and Budgeting

The City Council should consider revising its budget process for operating revenues and expenses. Historically, the revenue budget has been quite conservative and generally resulted in net operational surpluses greater than planned. This approach often led to perceived need for additional revenues that subsequently proved to be unnecessary and resulted in questionable requests for tax measures. Maintaining reserves and being as realistic as possible with the budget might be a more effective approach.

Additionally, the Council should consider establishing standards or benchmarks to guide and control the growth of operational expenditures. For instance, overall operational expense growth might be limited by growth in population plus growth in CPI plus growth in number of visitors (if this can be accurately established) minus some expectation of productivity improvement. This standard need not be an absolute, and should not prevent the growth in necessary services, but should help prevent unnecessary additional burdens to City resources.

The Tax Policy Advisory Board believes the Council should establish a template for consideration of requests for new services; these service requests appear to be dealt with on an ad hoc basis as they are brought before Council. At a minimum, these requests should be accompanied by a definition of the service and the resources (both monetary and manpower) required to accommodate them. Additionally, the status of reserves should be considered as those requests are evaluated.

3. User Fees

City Council should assess the varying ratios of user fees to operational expenses for the City amenities and establish a target ratio(s) for these amenities. It would be appropriate to set different targets for the different types of amenities such as Heritage Amenities (Howelsen), recreational facilities (the ice rink) and tourist oriented facilities (golf, softball).

CHAPTER 3

EVALUATION OF REVENUE SOURCES

SUMMARY OF CITY TAX AND REVENUE ANALYSES BY THE TAX POLICY ADVISORY BOARD

SECTION I - REVENUE COMMITTEE METHODOLOGY

A list of current and possible sources of City revenue was developed. Some of the larger sources of revenue, such as sales tax, were sub-divided for analysis. For example, tax on groceries was broken out from sales tax on consumer retail items. Each revenue source is discussed separately in this report; some revenue sources were selected for more detailed analysis or use in case studies.

Revenue growth projections used in this report, unless otherwise noted, are estimates provided by City Finance Dept. Projections for major sources of revenue were reviewed by the TPAB and compared to historic revenue growth rates. Little attempt was made to analyze growth projections for those current revenue sources that account for less than 1% of total City revenue.

Interviews with employees in various City departments and members of the community were held to obtain or verify quantitative data, to explore possible untapped sources of revenue, and to assess the impacts of potential changes to existing sources of funding.

The approach taken by the TPAB was to review all current sources of income and identify and analyze alternative sources of revenue for:

- Predictability
- Stability
- Change over time relative to inflation
- Caps or sunset provisions
- Restrictions on use (i.e. dedicated mill levy)
- Other limitations imposed by state laws (i.e. Gallagher amendment)
- Provider demographics
- Consistency with City policies and plans

SECTION II – MAJOR REVENUE SOURCES

SALES TAX

Sales taxes are the largest source of revenue for the City of Steamboat Springs. Sales tax in total was \$14,107,000 in 2003, or 71% of operating revenues and 57% of total City revenues (\$24,655,000).³ In general, City sales tax does not apply to services, but does apply to lodging and most material goods including food. Revenues generated by the City's 4% sales tax go to the General Fund and are unrestricted.

The following are the current sales tax rates in Steamboat Springs:

2.9%	State tax
1%	County tax
4%	City tax
<u>.5%</u>	City tax approved by voters and set aside for educational purposes ⁴
8.4%	Total Sales Tax

Note: no state or county tax is applied to groceries purchased for home consumption.

For comparison purposes it is worth noting that Steamboat Springs has one of the highest sales tax rates of municipalities in Colorado. Including the education fund, the City sales tax rate of 4.5% is equaled by Telluride and Crested Butte, and only Winter Park at 5% is higher. When comparing TOTAL sales tax rates, Steamboat Springs is in the top ten at 8.4%, along with Crested Butte, Avon, Eagle, Minturn, Vail, Telluride, and Basalt. Only Aspen (8.6%) and Winter Park (8.9%) have higher total sales tax rates.⁵

By definition, sales tax is inherently regressive in that poorer residents pay a higher percentage of their income in taxes than wealthy residents, especially when the tax is applied to basic needs such as groceries, clothing, and utilities. Despite this, sales tax is widely accepted. In opinion polls on taxation "...the public consistently identifies the state sales tax as the least objectionable U.S. tax...this favorable rating would likely extend to the

³ City of Steamboat Springs. 2003 Consolidated Annual Financial Report.

⁴ Referendum C, General election ballot, November 1993

⁵ Colorado Municipal League. January 1, 2004. Local Sales and Use Tax Clearinghouse Report.

local-option sales tax..."⁶ In fact, Steamboat Springs voters approved a higher sales tax to get rid of a property tax in 1972.

Growth in sales tax revenue growth is tied to population growth of full time and part time City residents, overall income growth of residents, visitors, and price inflation. Overall sales tax revenue has been fairly stable; compound growth averaged 5.1% over the past ten years, although it did flatten out in 2002 and 2003 due to a decline in tourism.⁷ Growth is projected to continue at 3-5% on average over the next ten years.

A key driver for local sales tax revenue growth as compared to other Colorado cities is the increase in number of second homeowners, who are generally more affluent than full time residents. As these second homeowners spend more time here, the economic impact of this segment of our population will increase as an economic driver in Steamboat Springs. Skiing may have contributed significantly to the decision to buy a second home in Steamboat Springs, but the decision to spend more time here or ultimately move here is based on a broad spectrum of amenities. As the WWII baby-boom generation ages, it will demand and create more non-recreation services.

Specific sales tax exceptions, exclusions and additional taxes are discussed in the sections below.

A. SALES TAX ON MISCELLANEOUS RETAIL (less groceries)

Revenue generated in 2003: \$4,922,000

Consumer miscellaneous retail is the largest segment of sales tax collections for Steamboat Springs, and the largest single ongoing source of income.⁸ Year to year variability in the existing tax is influenced by tourism and population growth, but growth overall has been fairly stable. Revenue growth due to inflation is built-in, but absent population growth (including second homeowners), this source of revenue would likely flatten out over time as consumer demands shift from manufactured goods to services. This tax is acceptable to

⁶ Brunori, David. 2003. "Local Tax Policy" Washington D.C.: Urban Institute Press.

⁷ City of Steamboat Springs Finance Dept and TPAB. Spreadsheet prepared 6/2/04. "Tax and Assessment Revenues by Source" derived from Comprehensive Annual Financial Report data.

⁸ Source: City of Steamboat Springs 2004 Adopted Budget. Grants from outside sources vary widely each year and it is possible that grants would exceed the retail tax collected in any given year.

the voters, but the TPAB does not consider an increase in the already high tax rate to be a viable source of additional revenue and does not recommend any change in this tax.

B. SALES TAX ON GROCERIES

Revenue generated in 2003: \$1,925,000. There is no state or county tax on groceries.

Revenue growth has been fairly stable over the past ten years and is projected to continue at 3-5% on average over the next ten years. Exact numbers by payee are not available, but by several means of analysis the Board concluded that non-residents of Steamboat Springs generate about half of the grocery tax revenue.⁹ A tax on basic necessities such as groceries for home consumption is inherently regressive, penalizing the same residents who have difficulty finding affordable housing. The TPAB performed a zero sum analysis of sales vs. property tax, which appears as part of a case study: "Impact of Replacing Sales Taxes on Groceries and Utilities with Property Taxes" in Appendix E-4. See also the discussion under Property Tax below. Due to the Colorado rate structure imposed on property tax, the high portion of sales tax paid by non-residents, and our analysis that shows a property-tax-for-grocery-sales-tax swap would actually shift more of the total tax burden to City residents, it was the consensus of the TPAB that there is little to be gained by eliminating sales tax on groceries at this time.

C. SALES TAX - RESTAURANTS

Revenue generated in 2003: \$2,048,000

Growth in restaurant sales tax revenue is tied most closely to visitors and growth of full time and part time city residents. Revenue growth over the past ten years has gone up an average of 4.3% per year (although it declined 0.5% in 2003).

The decision to eat in a restaurant, the choice of restaurant, and therefore the amount of money to spend is highly discretionary. The discretionary nature makes this revenue

⁹ Local stores do not have accurate data broken down by local vs. visitors. For discussion purposes, the Board agreed to use 55%. Several TPAB calculated estimates ranged from 45-70% visitor contribution, and varied with the assumptions used. The defining assumptions were median household expenditures on groceries, and lengths of time second homeowners spend in Steamboat Springs.

source one of the least regressive of sales taxes, makes it less stable, but also gives it higher growth potential if Steamboat continues to attract the more affluent permanent and second homeowners. The tax on restaurant sales is seen as a source of revenue with modest growth potential and the TPAB does not recommend a change in this tax.

D. SALES TAX ON RECREATIONAL EQUIPMENT AND CLOTHING

Revenue generated in 2003: \$919,000.

Revenue growth fluctuates slightly, but has averaged 3.8% over the past five years and is projected to continue at 3-5% on average over the next ten years. As a subset of consumer retail sales tax, this tax is not controversial, and little time was spent by the TPAB in discussion. The TPAB does not recommend a change in this tax.

E. SALES TAX ON ALCOHOLIC BEVERAGES

Revenue generated in 2003: \$387,000

Revenue continues to grow at an average 3.9% rate. Revenue growth has been fairly stable over the past ten years and is projected to continue at 3-5% on average over the next ten years. The tax on alcohol is slightly regressive,¹⁰ but consumption of alcohol is less sensitive to price change than many other retail items, which partly accounts for the relative stability of this revenue.¹¹ Because this tax is not controversial and accounts for less than 2% of City revenue, little time was spent by the TPAB in discussion. Tax on alcohol sales is seen as a source of revenue with growth potential and the TPAB recommends retention of this tax.

¹⁰ Samartino. 1990. "Federal Taxation of Tobacco, Alcoholic Beverages, and Motor Fuels" Congressional Budget Office

¹¹ Nelson, J.P. 1997. "Economic and demographic factors in U.S. Alcohol demand" Empirical Economics. It is also worth noting that even with a low price elasticity of demand, tax on alcohol has been used as an instrument of public policy. National Institute of Health analysis of national data showed that increasing tax on alcohol reduced traffic fatalities and overall incidence of liver damage. (F.J. Chaloupka. 1993. "Effects of price on alcohol related problems")

F. SALES TAX ON SERVICES

Currently there is no sales tax on services.

Nationwide, sales tax, income tax, and property tax are the largest sources of revenue at the state level, and the ratio varies greatly among the states. In only three states is sales tax on services a significant contributor to revenue. "In 1960, 41 percent of U.S. consumption dollars were spent on services provided by attorneys, accountants, landscapers, pool-cleaners, and the like. By 2000, this percentage had risen to 58 percent."¹² Sales tax revenue in Steamboat Springs will continue to grow, but as consumer demand shifts from manufactured goods to services, will it keep up with increasing City service costs? Yes, for the next few years, but looking farther ahead, sales tax is collected on those expenditures that represent a decreasing portion of consumer income over time.

TPAB consensus was that tax on services would be very unpopular and difficult to implement, particularly for small service providers; however, sales tax on services is one of most significant potential sources of revenue. Services are not exportable and therefore are less susceptible to "leakage" than retail commodities. TPAB advises the City to monitor long-term local trends in consumer spending, but does not recommend a sales tax on services at this time.

G. SALES TAX ON UTILITIES

Revenue generated in 2003: \$1,320,000

Growth has averaged 5% for the past five years. Tax on utilities is one of the most stable and predictable sources of revenue, but combined with the state and county tax, and the 3% Franchise Fee,¹³ businesses and residents pay a total of 11.4% tax on utilities, making the combined tax the most regressive tax affecting residents and businesses.

Utility sales tax is applied to:

- Electricity

¹² Barrett, Greene, Mariani, and Sostek. February 2003. "The way we tax, a 50 state report" from Governing magazine.

¹³ The Franchise Fee is actually a percentage-based excise tax on utilities; it is, in effect, another sales tax.

- Natural Gas
- Cable TV
- Local Telephone service

Sales tax is not applied to long distance carrier telephone service, satellite TV service, or water and sewer.¹⁴

See also the case study on Property vs. Sales Tax, Appendix E-4. Businesses have larger utility bills and paid almost 70% of the total utility sales tax revenue collected in 2003. Despite the regressive nature of the tax, full time residents pay a small portion of it, and under existing state tax laws there is very little to be gained for residents or the City from substituting this stable source of revenue for another. TPAB does not recommend any change to utility sales tax.

H. SALES TAX ON LODGING

Revenue generated in 2003: \$2,586,000

Steamboat Springs imposes its ordinary sales tax on lodging rentals of less than 30 days, as do most municipalities in Colorado. Growth in lodging sales tax revenue is tied primarily to visitors, (who are influenced by overall economic conditions in the United States, and by our own and competing destination marketing efforts) and price. Due to the dependence on tourism, with its inherent potential for volatility, lodging sales tax revenue is less predictable than some other sales taxes. Revenue peaked in 2001 and has been flat in recent years. Revenue growth is projected to be 0-3% on average over the next ten years. No change in this sales tax rate is recommended by the TPAB, however see the separate discussion on accommodations tax below.

¹⁴ The City does not tax water, but were it to do so, it would have, in effect, a progressive form of taxation when applied to an incremental rate structure. Incremental rates are often used as an instrument of social policy, for example a higher rate per gallon for water consumption above a baseline amount is used to inspire conservation during a drought. Multiple rate charges transfer some of the overall cost of the service from low volume users to high volume users. With an incremental rate structure, any tax that attaches to the total utility bill (as opposed to a tax per unit of consumption) will also shift toward high volume users.

I. ACCOMODATIONS TAX

Revenue generated in 2003: \$616,000

In addition to sales tax, the City collects an accommodations tax on lodging rental of less than 30 days. The accommodation tax rate is currently 1%, and since 1994 the City has dedicated these funds to the Haymaker Golf Course debt service. Accommodation tax revenues in recent years exceeded the debt payments, so there is an accumulated and available surplus in the Accommodations Tax Reserve fund of \$439,000, which is currently being held for future golf course improvements.¹⁵

Accommodation tax revenues steadily grew from \$486,000 in 1994 to a peak at \$634,000 in 2001¹⁶, and dropped since, showing a flat or declining trend.

In 2004 a Local Marketing District (LMD) was created that will collect an additional 2% accommodation tax on lodging within the district, which includes all lodging in the ski area and the southeast portion of Steamboat Springs. The new tax is expected to raise \$1.2 million per year. Proceeds will be dedicated almost exclusively to support for the airline guarantee program, however the City Council has oversight of the LMD budget and also has the authority to dissolve the LMD.¹⁷

In 1998, 197 Colorado cities or towns reported imposing their sales tax or an equivalent rate on accommodations, while 28 reported levying rates ranging from 0.7 to 8 percent in addition to their sales tax rates.¹⁸ Of the possible new taxes discussed by the TPAB, the accommodations tax is generally viewed as the most acceptable to voters, because predominately, only visitors would pay it. It is the consensus of the TPAB that no increase is required at this time, but the accommodations tax is the most accessible source for new City revenue, should it be needed.

J. BUILDING USE TAX

Revenue generated in 2003: \$1,040,000

¹⁵ See TPAB Supplemental Report "Haymaker Golf Course" Appendix A.

¹⁶ City of Steamboat Springs, Comprehensive Annual Financial Report - 2003

¹⁷ See also the TPAB supplemental report on Policy Implications for LMD/Accommodations Tax in Appendix E-9.

¹⁸ Colorado Legislative Council "State and Local Taxes in Colorado, Report to the Colorado General Assembly" Research Publication No. 447; December 1998.

In 1973, the Board of Trustees of Steamboat Springs enacted Ordinance No. 421, a building use tax on building and construction materials purchased outside the town of Steamboat Springs. This tax provided the City with a means to recapture some of the "leakage" of sales tax to other jurisdictions. Because exact material cost is not known at the time a permit is issued, this tax is paid on a percentage of the estimated total construction cost. The tax is collected at the time a building permit is issued. In effect it is a prepayment of sales tax on an assumed amount of material.

The construction industry in Routt County is highly volatile. From 1989 through 1997, building construction valuations generally increased each year. In 1998, construction valuations increased approximately 300% due to large commercial projects (i.e. Steamboat Grand Resort and Yampa Valley Medical Center), and tapered off significantly until 2002, and have since been rising. (See graph below.)

Revenues generated by building use tax were added to the General Fund until 2003. Since this industry is highly volatile it is not a dependable source of revenue for basic City services and operations. At the direction of City Council, the proceeds of this tax are now used only for capital improvements. TPAB agrees that the dedication of building use tax to capital projects is a fiscally sound budget policy.

The citizens of Steamboat Springs generally accept this tax as it taxes construction only, and commercial developers and non-residents pay much of it.

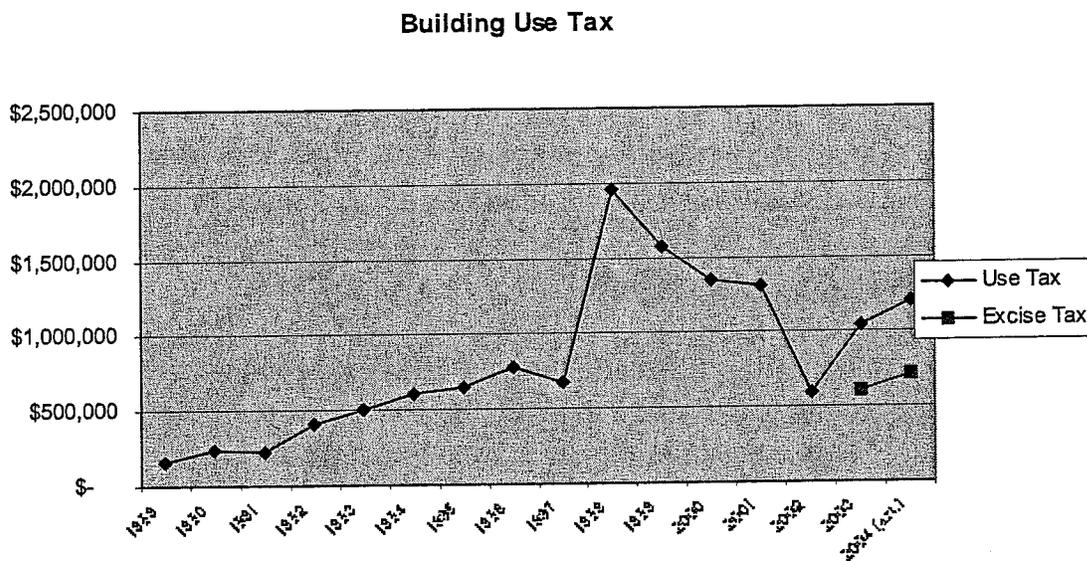
How it works: For projects within the city limits, at the time you pay for a building permit you pay a county "use tax" of 1% and a city use tax of 4.5% for the estimated materials portion of the project. This estimate is based on the total building construction valuation as determined by the Routt County Regional Building Department. Taxable materials are considered by Routt County to be 40% of the total construction valuation, and the County assesses a 1% tax on this valuation. Taxable materials are considered by the City to be closer to 50% of the total construction valuation, so the City applies a 124% multiplier to the County materials value, and then charges 4.5% tax on the new materials value.

Building and construction materials attached to a building permitted project (lumber, nails, paint, etc.) are not subject to sales tax at the point of purchase in Steamboat Springs (if a permit number is given). However, construction materials consumed at, but not attached to, permitted projects (such as propane, saw blades, etc.) are still subject to sales tax.

If the construction site is outside of city limits, one pays only the county use tax of 1%. For these projects, building materials purchased within the City limit are subject to City sales

tax, but not county sales tax. If the materials are delivered to the jobsite, neither sales tax applies. Materials purchased outside of Routt County are subject to the sales tax applicable at the point of purchase unless the material is delivered to the jobsite.

The graph below shows the volatility of the building use tax revenue.



The building department uses guidelines ranging from \$100 to \$200 per square foot to determine whether the estimated construction cost of a project is reasonable. Construction costs are rarely audited and it is likely that the actual cost of construction of some larger residences in Steamboat Springs exceed the accepted upper estimates by a substantial amount. Despite its volatility, the building use tax is a significant source of city revenue and TPAB recommends that the City periodically review and reestablish guidelines as necessary to fairly estimate material costs commensurate with the scale of permitted projects.

K. EXCISE TAX

Revenue generated in 2003: \$610,000

In 2002, the citizens of Steamboat Springs voted to enact an excise tax on new building construction. This tax is intended to offset the impacts of growth. The enactment of this

tax also repealed (replaced) the "Development Impact Fee Fund" which was unpopular with the construction industry.

The excise tax is 1.2% of the total building construction valuation as determined by the Routt County Regional Building Department, and as shown on the building permit.

The proceeds of this tax are dedicated to capital improvements with no specific break points, as was the case with the "Development Impact Fee Fund". TPAB supports this use of the relatively unpredictable excise tax funds, as it supports the cost of incremental City infrastructure caused by development.

This tax is considered fair and relatively neutral (not regressive) due to an exemption for lower cost projects. "Ordinance #1868 provided for the creation and collection of an excise tax to be paid at the time of issuing a building permit to offset the costs to the community created by new construction. An exemption was provided in the ordinance for construction that met certain criteria."

The owner is required to sign an "Affidavit for Exemption from City of Steamboat Springs Excise Tax" which states that:

- The owner will reside in the dwelling unit, and
- the dwelling will be the owner's sole residence, and
- the owner is currently employed or self-employed in Routt County, and
- the construction value, as stated on the building permit, is \$250,000.00 or less.

If the criteria are met, the first \$150,000 of the building permit value is exempted.

The City is also able to recapture the exempted and unpaid excise tax if, within the first three years of the issuance of a building permit, the qualifying unit is sold (a) to a person for whom the qualifying unit is not the "sole residence", or (b) to a person who is not employed or self-employed in Routt County.

There is no post construction audit to determine if the actual construction cost of a project was greater or less than the taxed estimates (refer also to the discussion above on Building Use Tax). TPAB recommends retaining the excise tax on construction.

L. FRANCHISE FEES (UTILITIES)

Revenue generated in 2003: \$836,000

Refer to the above discussion on Utilities Sales Tax. The Franchise fee charged on cable TV, gas, and electric utilities is used to cover the cost of maintaining City property that is used by utilities, however, to the consumer it is the same as an additional 3% sales tax. An additional 1% franchise fee on electricity is collected and is dedicated to pay for placing the utilities underground. (Note: a local telephone bill may include an "occupation tax" amount, about 1.5%. This is accounted for under franchise fees in the City budget.) Franchise fee revenue is a stable source of income and the majority is paid by local businesses. The tax is regressive for residents, but the total amount paid by most residents is small and for these reasons no change is recommended.

M. INTERGOVERNMENTAL REVENUE (EXCLUDING OPERATIONAL GRANTS)

Revenue generated in 2003: \$1,143,000

Intergovernmental revenue is expected to grow 2-4% annually, but is less predictable than most revenues in any given year due to the lack of local control over allocations from other government agencies. 2003 sources include:

SOURCE	2003 ACTUAL
County road and bridge	229,000
Mineral lease and severance	75,000
Highway user tax	323,000
Additional motor vehicle taxes	42,000
Fire protection services	452,000
County Animal Shelter	20,000
Other intergovernmental	2,000

The fire protection service revenue stems from the agreement with the Rural Fire Protection District for the City to provide fire protection and emergency medical services to this district. The highway user tax is a portion of the excise tax collected by the State of Colorado on gasoline sales. Highway tax is fairly dependable and likely to grow, but the City has no control over this tax.

N. GOVERNMENT GRANTS – OPERATIONAL

Revenue generated in 2003: \$759,000

Grants that can be used to support operations and maintenance are windfall gains and the City's success in obtaining them is strongly applauded. This source of funds is volatile: revenues in 2002 were \$1,073,000, and for 2003 were budgeted to be \$185,000 but came in at \$759,000. (Note: Grants for transit operations, approximately \$130,000, have been more stable.) The City staff seems to be fiscally conservative in managing funds so that essential services are not dependent on these sources of revenue. The City should continue its fiscal conservatism, while aggressively pursuing operational grants to supplement other sources of revenue.

O. GRANTS – CAPITAL PROJECTS

Revenue generated in 2003: \$1,403,000

Grant revenues are quite volatile, depending on many factors such as the quality of the solicitation, evidence of need, competition from other applicants, and total funds available for granting. Steamboat Springs has diligently and consistently pursued capital grants, and evidently earns a higher proportion of grants than most communities of comparable size.

Grants have been a very successful part of open space acquisitions, capital improvements, and heritage and community identity. It is recognized that increased competition for grants will likely affect the City's ability to continue at the same level of success. Perhaps the best example of this risk lies with the Transportation Division that has been so successful in obtaining funds for new buses, and is now faced with significantly increased competition and the expectation that funds awarded to Steamboat Springs will diminish.

Success is two-edged sword, because the major portion of grants awarded are for new capital projects, which often require modest matching funds, but which invariably add residual costs that the City must absorb on an on-going basis. TPAB feels that while the City does an outstanding job of securing grants, it often looks at costs only a few years into the future. It is strongly recommended the City prepare a life-cycle analysis of maintenance and replacement costs on ALL capital grants. The City should continue to aggressively pursue capital grants that are fiscally sound, and where the impact on future budgets is understood before soliciting or accepting the grants.

P. CHARGES FOR SERVICES

General Fund revenue generated in 2003: \$1,720,000

Enterprise Fund revenue generated in 2003:

Utility	\$2,509,000
Airport and FBO operations	566,000
Golf Fund	1,077,000

Enterprise funds were examined and reported separately in this report and will not be discussed here (see Chapter 2 "Community Financial Status" and TPAB reports in Appendix E).

The City's largest department, Parks and Recreation, generates the majority of General Fund charges for services. User fees and licenses are typically set by comparison with other communities. As a department goal, youth activity fees should cover up to 50% of direct program costs, and adult activity fees should cover 100% of direct costs. One argument against program fees is that City programs are a form of childcare for families and affordability is the issue. The Haymaker Golf Course is the only recreation amenity for which user fees cover all of the operating expenses.

As the population increases, so does the demand for both the quantity and variety of recreation amenities, but ongoing operations and maintenance costs to the City may well increase faster than charges for services. Examples include local interest not just in more parks, but specifically dog parks, skateboard parks, the plastic ski jump, and a new recreation center. Special interest user groups often do raise funds to pay a significant portion of the initial investments; the summer ski jump budget is \$2.4 million with all but \$144,00 provided by contributions and grants.¹⁹ Only the Botanic Park has an endowment fund to pay for ongoing maintenance.

¹⁹ Examples from TPAB interview with Chris Wilson, Director of Parks and Recreation, June 29, 2004.

SOURCE	2003 AMOUNT
Ski complex fees	\$135,000
Park fees and concessions	\$79,000
Recreation program	\$259,000
Ice rink	\$470,000
Tennis center	\$29,000
Transit fees	\$222,000
Planning fees	\$218,000
Emergency medical services	\$250,000
Other charges	\$58,000

It was the consensus of the TPAB that use of public funds to support recreation amenities is in keeping with the highest priorities of the community and the TPAB elected neither to examine nor to recommend changes to charges for any specific Parks and Recreation program. TPAB does recommend that user fee/program cost target ratios be established for each fee-for-use amenity and program. The City should also require a life cycle operation and maintenance budget, and assess its impact on the projected City budget, before approving any major investment in a new recreation amenity, regardless of the initial source of funding.

Q. PROPERTY TAX - RESIDENTIAL AND COMMERCIAL

When the TPAB first met, several members entered into the investigation of tax policy with the view that a likely outcome would be to recommend a City property tax, perhaps in lieu of a sales tax on groceries or utilities. Members of the TPAB individually sought inputs from various segments of the population, including discussions with the Steamboat Springs Chamber Resort Association, several business owners and members of the public, neighbors and acquaintances in informal social settings. No other revenue source was subject to more discussion by the TPAB than property tax.

Revenue generated in 2003: None directly.²⁰

²⁰ 50% of Road and Bridge mill levy collected within Steamboat Springs is returned to the City from Routt County. Total returned to the City in 2003: \$229,000. Source: City Finance Dept record of 2003 actual receipts.

Gallagher Amendment

Named for its sponsor, former state senator Dennis Gallagher. Adopted in 1982 in response to rising residential property assessments, Gallagher requires non-residential property owners to pay 55 percent of all property taxes, with residential property paying the remaining 45 percent. The commercial property assessed value is fixed at 29 percent of actual value, while the residential rate varies to keep the ratio at 55/45 percent.

Taxpayer Bill of Rights (TABOR)

Article X, Section 20 of the Colorado Constitution was adopted by a vote of the people on November 3, 1992. TABOR limits the annual rate of growth in property tax revenue for local governments (except school districts) to the rate of inflation plus the net change in the actual value of local real property due to additions and deletions from the tax rolls and construction and destruction of improvements to real property. It requires voter approval for any new tax, any tax rate increase, any mill levy increase over the prior year, any increase in the assessment ratio for a class of property, any extension of an expiring tax, or any tax policy change that causes a net tax revenue increase. The electorate's approval is also required for the creation of most financial obligations that extend beyond the current fiscal year unless government sets aside enough money to fund the obligation in all years that payments are due.

Effect of state law on local property taxation

Property tax is a function of assessed value and mill levies. The TABOR Amendment imposes revenue and spending limits on all levels of government and prevents taxes (including property taxes) from increasing without voter approval, while Gallagher caps the residential share. This leads to the so-called "ratchet effect," whereby once the mill levy is cut to meet TABOR restrictions, it cannot increase again to prior levels without consent of the voters. The assessment rate for residential property is adjusted whenever there is a reassessment of value to ensure that the percentage of the total statewide valuation for assessment attributed to residential real property remains the same as in the preceding year.²¹ Thus as the total value of residential real estate in Colorado increases relative to

²¹ Residential and commercial real property values are updated every two years, using one of three methods. The market approach compares market sales of similar properties. The cost approach estimates the material and labor costs to replace a similar property. The income approach converts income from rent to an estimate of value. Residential property is valued using the market approach only.

non-residential real property, the assessment rate for residential property decreases. In 1986 the residential assessment rate was 21%. By 2003, due to growth in value of all residential property, the assessment rate has dropped to 7.96%.²² Once a property tax rate (mill levy) has decreased, lawmakers are not permitted to raise the rate back to previously approved levels without another vote of the public, regardless of any change in economic conditions.

The advantages to Steamboat Springs of a property tax are:

- Non-resident homeowners would make a more substantial contribution toward City services.
- If used as a revenue-neutral trade for sales tax on groceries or utilities, a majority of residents, lower income homeowners in particular, would pay lower taxes overall.²³
- The revenue is very predictable and stable. It would increase over time as more homes are built and property values increase, although TABOR restricts the rate of increase.
- Businesses that currently pay relatively little tax to the City, and which benefit from City expenditures to promote tourism and business, would contribute more.

Disadvantages of a city property tax:

- The ratio between commercial property tax rates and residential rates is currently almost 4:1, and the disparity can only increase over time.
- To change tax rate ratios is beyond the control of local voters; it will require a change to state law approved by a majority of all voters in Colorado.
- Since 55% of sales tax is currently paid by non-residents, a revenue-neutral exchange of property tax for sales tax will transfer more of the total tax burden to City

²² Colorado Legislative Council "State and Local Taxes in Colorado, Report to the Colorado General Assembly" Research Publication No. 447; December 1998.

²³ See TPAB Case Study: Impacts of Replacing Sales Taxes on Groceries and Utilities with property taxes, Appendix E-4.

residents and businesses, i.e. taxes now paid by non-residents would be replaced by a tax on residents and local business.

The TPAB concluded that in a revenue-neutral exchange of property tax for sales tax the loss of tax revenue from visitors and county residents is too significant, and under current state law is not an overall benefit to the City. It was also concluded that the most appropriate application of a local property tax would be to fund specific amenities that are desired by the voters and that would also appeal to visitors, and thus provide economic stimulus to generate more revenue for businesses to offset the property tax rate disparity. The TPAB recommends that residents and local officials support any measure that will amend state law to reduce both the residential/commercial property tax rate disparity and the downward ratchet effect on revenue.

R. ADMISSION TAX – LIFT TICKET AND SPECIAL EVENTS

Revenue generated in 2003: \$0

An admission tax is imposed on the charge for admission to places or events open to the public. The tax can be applied to tickets sold for entertainment, athletic, convention, seminar or theater events, as well as ski lift tickets. It is usually expressed as a percentage of such charge and is collected when a ticket is sold. Some cities apply their sales tax to admission fees while others impose a separate rate or a flat fee admissions tax. As of July 1, 1998, 26 Colorado municipalities reported admission taxes, ranging from 2 to 15 percent.²⁴ There is currently no admission tax in the City of Steamboat Springs.

The TPAB did not examine the tax revenues possible from all public events, as expected revenues from smaller venues do not seem to warrant the difficulties of its collection. A selectively applied admissions tax can result in visitors paying more of the tax than residents. The largest potential source of admission tax revenue is a tax on ski lift tickets, but that also has complicating factors. The potential of ASC lift ticket tax as estimated by Chris Diamond, President, SSRC (includes season passes) is:

²⁴ Colorado Legislative Council "State and Local Taxes in Colorado, Report to the Colorado General Assembly" Research Publication No. 447; December 1998.

Tickets Sales	\$28,000,000
x 4.0% sales tax rate	<u>.04</u>
= Potential Lift Tax revenue	\$ 1,120,000

Many lift tickets are sold in advance and outside of Steamboat Springs, some are included in travel packages. Collecting the tax on these, and on tickets sold over the Internet is problematic. It was also noted that SSRC already contributes over \$1 million to local organizations such as Winter Sports Club, Community Foundation and several others each year.

Notes from TPAB discussions concerning admission tax can be read in Appendix E-7. It is the consensus of the TPAB that the admission tax, selectively applied, can be an accessible source for new City revenue, but does not recommend implementing an admission tax at this time.

S. OCCUPATION TAX

Revenue generated in 2003: \$0

Occupation taxes and licensing fees are costs imposed by municipalities on businesses to raise revenue or to impose regulations. The TPAB determined that:

- Other than liquor licenses, Steamboat Springs does not currently utilize this form of revenue generation; however, 19 other municipalities do including several resort towns.
- The yield of occupation taxes and license fees tend to be very predictable and stable.

An example of a specific tax/fee is a liquor license, which also acts as a way to regulate the industry. The TPAB decided not to analyze this tax as it is not a significant potential revenue source, but the City should note that its charges for liquor licenses are lower than the average.

Examples of general occupation taxes include an annual tax on the privilege of doing business within a municipality. General occupation taxes tend to be either a flat annual fee or a graduated scale based on number of employees or business locations.

Potential revenue:

Discussions with the Steamboat Springs Chamber Resort Association indicate that there are about 1000 businesses in Steamboat Springs, and about 10,000 Full Time Employee Equivalents (FTEE). At an annual flat fee of \$200 per business, the City would raise \$200,000. If the fee per FTEE were \$20 annually, the revenue generated would be \$200,000; \$50 per FTEE would raise \$1 Million. The City would have increased costs to provide for administration, collection and enforcement.

Shortcomings of a general occupation tax:

- Revenue generated does not grow based on population and inflation, meaning the revenue generated over time would diminish as a percentage of the overall City budget.
- The tax can be difficult to administer and the business community typically resists occupation taxes.
- Occupation taxes provide an incentive for businesses to locate outside of the municipal boundaries.

This leads the TPAB to conclude that a general occupation tax is not a suitable option at this time.

Specific occupation tax:

Rather than a general occupation tax, specific occupation taxes and licensing fees pose a potential opportunity should an industry approach the City with a viable plan. Perhaps the easiest example would be a pillow tax of \$50 annually. This tax, collected from the lodging community, could be dedicated as a stable and predictable funding source for its contribution to the flight program. (The recently enacted Local Marketing District and 2% accommodations tax accomplishes the same objective.) Using the rounded figure of 22,000 available pillows often quoted in the *STEAMBOAT PILOT/TODAY*, annual revenue would be \$1.1MM. Both Crested Butte and Breckenridge are examples of municipalities that utilize an occupation tax on either pillows or short-term rental units. Specific occupation taxes penalize the industry being taxed relative to those not taxed, however the City has historically supported tourist-oriented amenities and marketing, and can apply revenues in such a way that the businesses that would be most affected by a selective occupation tax are also those that benefit from the expenditures. The TPAB does not recommend any specific occupation tax at this time.

SECTION III – OTHER REVENUE SOURCES

Several revenue sources were not examined in detail because each individually accounts for less than 2% of City revenue, there is no notable controversy demanding scrutiny, and there is no expectation for significant change in the growth of these sources of revenue. TPAB does not recommend a change to any of the taxes listed below. Except as noted, data on these sources of revenue were taken from the Steamboat Springs 2004 Adopted Budget and 2003 audited financial report.

T. VEHICLE USE TAX

Revenue generated in 2003: \$485,000

Vehicle use taxes account for about 2% of City general fund revenue, and are a dependable source of revenue at or above current levels. The year-to-year growth rate is less predictable, averaging 6.5% over the past ten years, with four years above 12% and three years below 2.1%. Revenue growth is conservatively projected at 5% over the next several years, influenced by higher car prices and population growth. There is some revenue leakage due to a few residents registering vehicles to addresses outside of City limits.

U. SPECIAL ASSESSMENTS

Revenue generated in 2003: \$10,000

This is not a significant source of revenue and was not studied.

V. LICENSES AND PERMITS

Revenue generated in 2003: \$33,000

This is not a significant source of revenue and was not studied.

W. FINES AND FORFEITS

Revenue generated in 2003: \$166,000

Collection of fines is generally the end result of unsuccessful efforts to influence public adherence to regulations, rather than a means to generate revenue. Historically, both enforcement of some regulations, such as downtown parking, and collection of fines was notably lax. Ideally, there would be no violations and therefore no revenue. The City should periodically reevaluate regulations and revise them as needed for the public good. It must also make reasonable effort to collect those revenues that are legally due to insure the benefits for which the regulations were enacted.

X. CONTRIBUTIONS

Revenue generated in 2003: \$320,000

Contributions are usually tied to specific capital improvements and potentially are very significant, but they are not predictable and are not relied upon to finance City operations. City solicitation of contributions is encouraged

Y. INVESTMENT INCOME

Revenue generated in 2003: \$155,000.

This is not a major source of revenue. The City's main objectives for available funds are protection of principal and liquidity. Investments have been and ought to remain conservative, and therefore will generate relatively low yield.

Z. FUEL SALE INCOME

Revenue generated in 2003: \$283,000

This revenue is reported in the charges for services section of the airport enterprise revenue. The City owns the fixed base operation at Bob Adams Airport, which sells gasoline, oxygen, and other aviation supplies. The City sets the rates charged for gasoline (as opposed to rates set by franchise gasoline distributors) and the City currently earns \$1.00 profit on every gallon of aviation gasoline sold to transient aircraft. This revenue

source is less predictable than most, but it is likely to grow at a higher rate than other City revenues due to expansion of aircraft hangar capacity at the airport.

REVENUE SOURCES CURRENTLY NOT ALLOWED

TPAB recommends that the City monitor tax legislative activity and consider support for changes to TABOR that will provide more local flexibility and control of access to new revenue sources such as the Real Estate Transfer Tax (RETT). TPAB did not analyze the benefits or drawbacks of a RETT because Steamboat Springs does not currently have a RETT, and is not permitted to institute a RETT under Colorado law. Should tax law change, the City should undertake a comprehensive study to determine whether a RETT is a worthwhile substitute or supplement to the current tax structure.

CHAPTER 4

FUTURE FINANCIAL NEEDS

FUTURE FINANCIAL NEEDS

INTRODUCTION

While predicting the future is an inexact science at best, a comparison of the past and the present can identify trends that are helpful in forecasting our community's future. The Futures Subcommittee of the Tax Policy Advisory Board based its findings on a number of published studies, oral and written reports received by the TPAB, and information provided by Board members.

This chapter addresses population, employment, housing, the City's major financial commitments (which extend into the future), and the economy. It summarizes the "futures" that the TPAB collectively believes will occur and it lists what the TPAB has identified as "community needs," as perceived by various individuals and interest groups within the community.

POPULATION AND EMPLOYMENT

Projections ²⁵	Actual	Projected			
	2000	2005	2010	2015	2020
Routt County	19,690	21,521	24,390	27,151	30,039
Avg. Annual % change		1.4%	2.5%	2.2%	2.0%

Together with this increase in population there are indications that:

- The median age of the population will increase from the current 35.
- Many former second homeowners will become full-time residents.
- Mining and agriculture and related industry employment will continue to decrease.
- Service sector employment will continue to increase.

²⁵ County population for 2000 is from the 2000 U.S. Census. The projections are taken from the Colorado Demography Office web site, <http://dola.colorado.gov/demog/PopulationTotals.cfm>

- Alternate recreational/vacation sector employment will increase.
- Location neutral businesses will increase in number.
- Health related employment opportunities will increase.
- The population of minority and ethnic groups will continue to grow.
- Hourly wages will not keep up with the County's 'Living Wage' standard.

Economy

- The economy will continue to be driven by tourism, recreation and construction.
- Heritage tourism will become a larger share of the tourist mix.
- Construction will continue to provide some of the higher paying employment opportunities.
- The variety and quantity of service industry jobs will increase.

Housing

- Housing costs will continue to rise due to land and raw material costs
- Single family homes in the valley will rise from the 2003 *median price of \$429,000.00* ²⁶
- Condominium prices will be less predictable but will probably also rise from the 2003 *Median price of \$214,500.00.*
- Empty city lots will decrease in number with very few available for sale.
- The City will probably extend westward through annexation
- Older homes will continue to be demolished to make space for larger homes.
- Affordable housing will exist only where there are economic incentives or government mandates to provide it.

²⁶ Home price statistics were obtained from the Routt County Assessor.

- Older Condominium units will continue to be converted into residences for locals.

Ski resort communities in Colorado also face a lack of developable land. Supply and demand theory dictates that as resources diminish, the demand and cost for the remaining resources will increase. Hence, as the amount of buildable land decreases, the cost increases. Affordable housing and affordable land become scarce commodities, second home owners (who can afford high land and housing costs) and wealthy people dominate buyers, young people who grew up in the community can't afford to return, service industry workers can't afford to live in the community where they work, and a mismatch between income (which generally remains standard despite rapidly increased cost of living) and housing costs grows.

Second-home Impacts

- Added demand for ownership by part-time residents exacerbates rising cost of land.
- Service industry employment increases; daily commuting into the community increases.
- Civic and volunteer participation may suffer as more full-time but lower paid service people are forced to live elsewhere.
- Sense of community is diminished.

A recent study commissioned by the Northwest Colorado Council of Governments focused on issues of second homes in multiple counties in Northwest Colorado. While Routt County was not included in the study, similarities may be drawn between other resort communities featured in the study and Routt County and Steamboat Springs. The study noted second homes are a major economic driver in the researched resort communities, fueling the construction industry and increasing local sales tax revenue. With that economic benefit comes major challenges. These challenges include: land use changes, housing affordability, and transportation issues as workers are forced to commute from more affordable communities at times an hour or more away. This phenomenon of the commuter is currently occurring in Steamboat Springs as 21% of the Moffat County workforce commutes to Steamboat Springs and Routt County jobs, an increase from 3% in the past 10 years. Over 1400 workers drive or ride the bus from Moffat County and other communities to the west, south and north of Steamboat Springs.

Prior City Financial Commitments and Balances outstanding.

For the General Fund these include:

- General obligation 1989 Recreational Bond, \$1.3 million payout 2005-2009
- 1992 Sales Tax Revenue Bond, \$0.8 million payout 2005-2008
- 1999 Capital Lease, Centennial Hall, \$.45 million, payout 2005-2013
- 2001 Certificate of Participation, Fire Truck, Centennial & Ice Rink, \$8.2 million payout 2005-2021

For the Enterprise Funds these include:

- 1998 Accommodation Tax Revenue Bond, Golf course, \$3.6 million payout 2005-2013
- 1991-2001 Loans for Water & Sewer Capital, \$12.8 million payout 2005-2021
- Airport obligations, \$.4 million payout 2005-2023

THE FUTURE

1. The community will see an influx of well-educated, financially secure, older (than the current median age of 35 years) residents, for the foreseeable future. The extent of this immigration may be considerably greater than current population projections indicate. The facts which lead to this conclusion are:

- Baby boomers, as a class, are affluent, approaching retirement age, and mobile
- Steamboat Springs offers an area of great beauty and first-class, year around recreational opportunities.
- Steamboat Springs has a quality regional health care facility that is continuing to expand.
- Quality housing opportunities (condominium and single-family) that are relatively affordable compared to other ski resorts in Colorado. These housing opportunities still may not be affordable to many local workers, particularly service sector employees.

- Amenities that support the tourists are also attractive to an older population (i.e. restaurants, spa services, lawn and snow removal services).
- The in-migration of older residents will be partially offset by the departure of elderly residents who find that living here in winter becomes too difficult.

2. Demands on local government for services and facilities outside the scope of basic governmental services (i.e. police, fire, water and sewer utility services, road maintenance, snow removal, parks, and planning) will increase. The facts that support this include:

- Over the last 30 years, the City of Steamboat Springs has provided public support to the Steamboat Springs Chamber Resort Association and the arts community. It has funded a broad spectrum of recreational facilities, historic preservation projects, and the acquisition of open space.
- There is a level of community expectation for such services.
- Innovative and progressive programs and facilities supported by the City have encouraged the growth of non-profit ventures, and have created an expectation of continued governmental and foundation grants as a frequent community benefit.

Demographic changes will increase the need for housing and other support for the low and moderate-income wage earners who provide services to the more affluent residents and tourists.

3. New businesses will continue to form, relocate, or expand in this community. The facts that support this include:

- Sophisticated high-speed communications and other recent technological advances allow national and multinational businesses to locate here.
- The community provides quality support services for small businesses, whether new or already in existence, especially through Colorado Mountain College, and through the Steamboat Springs Chamber Resort Association.
- Commercial and general aviation air transportation continues to expand in Routt County, and the new smaller class of business aircraft that could use the City's airport may offer additional travel convenience.

The combination of new residents and new businesses will continue to provide business and support to the local construction industry.

4. Outside forces and tax laws will continue to impact the community's economic situation and revenue and taxation options. The facts that support this include:

- State laws such as the Gallagher Amendment (school funding; commercial tax burden) and the Taxpayers Bill of Rights (TABOR: limiting the expansion of local taxes without voter approval).
- Proposed revisions to TABOR are currently being developed.
- Actions under consideration by the United States Congress, including the reform or replacement of the income tax, and local sales tax collection on Internet sales.

Other outside forces that have substantial impact upon local economic conditions include:

- Rising interest rates
- Greater competition for government and philanthropic grants and therefore reduced dollars because those dollars are being spread thinner.
- Rising costs and prices of natural resources (especially energy-related resources)
- National and international market forces
- The potential for future terrorist acts on the U.S. mainland.
- Changing weather patterns and a global warming trend, which could drastically influence tourism and the region's seasonal activities.

PENDING COMMUNITY ISSUES/ NEEDS:

The community currently also has the perceived need for several capital improvements, such as a clubhouse at the Haymaker Golf Course, a new structure at the Tennis Center and improvements at the Steamboat Springs Airport and the Yampa Valley Regional Airport. The TPAB believes that the City has the ability to follow past funding practices to meet the demand for these capital improvements, although the procedure to do so can be significantly improved. (See chapter 5 "Conclusions and Recommendations".) The TPAB believes that, in this process, the City should, where possible, expect affected constituencies

to share in the cost/fund raising and the City's preferred role should be to provide initial/capital funds rather than ongoing subsidy or maintenance.

The TPAB believes that increases in population and demand for services will be accompanied by adequate increases in tax revenues. Following the successful budgetary practices of the past, the City is capable of effectively prioritizing its expenditures to assure its citizens that they will receive the highest level of basic services and varied recreational facilities.

In the Steamboat Springs Area Community Plan and in numerous surveys residents have expressed the desire to preserve open space and to protect the historical and agricultural heritage. The City has demonstrated a leadership role in the attempt to satisfy these desires, but many of these issues are regional issues that will require a regional response. The TPAB encourages the City to continue its policies of planning for the future, of creative, successful grant writing, and encouraging other partners in the region to follow the City's example.

Based upon the input the TPAB has received, it is believed that the following is a partial listing of the major capital improvements and service expansion which this City will need to prioritize and consider for partial City funding.

Capital Improvements

1. Yampa Valley Regional Airport terminal expansion/improvements
2. Haymaker Golf Course, permanent clubhouse (addressed by City Council in 2005 budget, October 19, 2004)
3. The Tennis Center, structure replacement (under budget consideration, October, 2004)
4. A performing arts center
5. A new or expanded public health/recreation facility
6. Housing for people of low/moderate income
7. Open space acquisition/protection
8. Base area improvements.

9. Main street improvements
10. Trail expansion.
11. Water and waste water service into developing areas.

Service Expansions

1. Fire protection
2. Police protection
3. Street and road maintenance
4. Public transportation
5. Water and sewer into developing areas.

CHAPTER 5

CONCLUSIONS AND RECOMMENDATIONS

CONCLUSIONS AND RECOMMENDATIONS

SECTION I – INTRODUCTION

Tax policy is a complex issue. All the members of this Board volunteered because of a desire to improve the City's approach to revenue; many had strongly held preconceived notions. During the course of their broad discussion of the relationships between government agencies' responsibilities and division of services, member's understanding of tax policy changed. A basic understanding of City tax and expenditure patterns, and of the restrictions and limitations in the Colorado statutes and the Colorado Constitution showed many of our preconceived approaches and solutions to be suboptimal. Similarly, each case study performed provided deeper insight that further changed our original thoughts.

As an example, increased taxation of second homeowners was a widely held desire among the board members; it seemed more equitable to make second homeowners pay their own way for streets, police, fire, parks, and similar services. It was found that getting a focused tax on the second homeowner is nearly impossible because of TABOR and Gallagher restrictions. Case studies reflected that, for example, any revenue neutral exchange of sales tax for property tax would accomplish just the opposite of the Board's desire; locals ended up paying more. Then, surprisingly, the Board was presented with evidence suggesting second homeowners actually do pay their way. The second homeowner is more likely to purchase goods at a higher cost than full time residents (who frequently shop out of the area), which produces a higher level of sales tax revenue. In effect that helps to keep the taxes paid by full time Steamboat residents at one of the lowest levels in the state.

Therefore, we encourage interested readers to take the initiative to search for validation of their strongly held taxation beliefs by reviewing this document as well as the multitude of other good resources available. It is through a well-informed community that our municipal government can operate in an effective and efficient manner. Steamboat Springs is a financially strong municipality that provides for a quality of life superior to other communities in the state, and at one of the lowest levels of tax contribution by residents. Question everything, be informed of the strength of your conviction, and have the knowledge to understand the position of the opposition. The following are the TPAB's conclusions and recommendations.

SECTION II - CONCLUSIONS

1. The current financial position of the City of Steamboat Springs is encouraging. Operating expenses and capital expenditures were managed successfully in the past ten-year period of increasing population and increased demand for new and expanded services. Costs were contained within current sources of revenue, debt was reduced significantly, and a substantial operating/capital reserve was established.
2. The City, in cooperation with other governments and with nonprofit groups, does an excellent job of obtaining grants and funding for the community.
3. The City sales tax is an appropriate tax source that works well and provides a viable, reliable source for much of the income needed by the City. The ten-year average shows that sales tax revenue growth has been reliable.
4. There is no immediate requirement for additional revenue levels or sources. The City's recent ability to fund several million dollars for capital expenditures, while maintaining sufficient reserves, provides support for this conclusion.
5. The City has the financial capability to issue bonds at favorable terms due to its overall financial position.
6. The greatest vulnerability of the City's ability to fund capital and services at the community's desired level is loss of grant income, rather than decline from sales tax and other revenue sources.
7. Without a property tax, the City has no financial motivation to annex additional property unless there is adequate commercial development within the potential annexed area.

SECTION III - CITY TAX POLICY RECOMMENDATIONS

The City Council should take specific steps to establish credibility in the community with respect to financial responsibility. Specific areas for which the City should formalize a set of policies and procedures involving management of its financial responsibilities are included in the following TPAB recommendations:

1. The Tax Policy Advisory Board does not recommend any change, at this time, to the City's tax structure.

Come back on preference

2. The City Council should develop a policy setting the criteria for approval and control of new authorities, districts, and other government-type entities (considering that State statutes seem to encourage the proliferation of such entities). This policy should be designed to minimize the number of government entities and bureaucracies, duplication of administrative costs, loss of control by elected officials, restriction of future tax options, designation of public revenue streams for private purposes and loss of oversight by electors of the community. (The Limited Marketing District and the Urban Renewal Authority are recent examples.)

3. The City should establish policy and procedures to ensure that community capital needs and community support funding requirements are submitted to the City in a timely manner – such as 90 days prior to the initial Council Budget meeting and 90 days prior to the mid-year budget review. These procedures would allow for effective City staff review prior to preparation and consideration of the budget or budget updates. The procedures should require basic information about the request, estimated initial and future costs, suggested revenue sources, the community to be served by the expenditures, etc. City Council should consider adoption of these requirements by ordinance.

4. The City should continue the policy of maintaining an operating reserve representing a set amount or percentage of operations. For example, a set percentage (15%) of total revenues or expenses, or alternatively several months (three) of operating expenses. This reserve provides protection from unexpected fluctuations in revenues, expenses, and capital requirements. It should also encourage a realistic budget of future revenues.

5. The City should establish a policy that requires that any ballot issue referred by City Council that has significant financial/tax implications be submitted to City Council for first reading at least 180 days prior to the election. The purpose of this important policy is to provide adequate time for staff and Council review and appropriate public input. City Council should consider adoption of this requirement by ordinance.

6. The City should establish a hierarchy for consideration of future tax increases should the need arise. The fund source priority recommended by the TPAB differs depending on whether the funds are needed for operations or for capital items.

If the shortfall is for ongoing operations TPAB recommends in order of priority:

1. Re-prioritize and reduce all capital and expense budgets

2. Increase Accommodations tax
3. Add up to .6% to sales tax
4. Implement sales tax on selected services

If the need is for capital items TPAB recommends in order of priority:

1. Grants
2. Contributions from user/affected groups
3. Debt financing
4. Dedicated Property tax in conjunction with debt financing

7. The TPAB further recommends that, generally, whenever a new source of revenue is required or when a change to the City tax structure or tax districts is proposed, approval be obtained by citywide vote, or of the largest segment of City voters who are potentially affected by the proposed change.

✓ 8. The City should encourage the consolidation of government entities and services. Consolidation should reduce costs and/or bureaucratic contention.

9. The City should continue to encourage the creation of public-private partnerships, and innovative approaches, to address priority capital projects and services. The City's role should be to provide initial funding, not to support ongoing operations. These partnerships may provide for successful project completion that could not otherwise be funded without new or increased taxes. The City should discourage private groups from presenting funding approaches that would designate tax revenues or public income streams for the benefit of private interests/projects.

10. The City Council should maintain effective working relationships with Routt County, and with regional and Colorado State government agencies so that consolidation of appropriate functions (such as fire fighting districts), sharing of tax revenues (roads, regional airports, etc.) and joint approaches to problems (second home owners, impacts of Gallagher, etc.) can be effectively implemented.

11. The City should establish a policy that states and describes the governmental and community role that is embraced by the City Council. A hierarchy of needs should be established, which recognizes the following:

- Primary. That the City provides a high level of generally recognized governmental services. (This includes basic services such as police, fire, roads, utilities, etc.)
- Secondary. That the City has expanded upon traditional "parks and recreation" services to acquire and protect open space, and to provide an alpine ski area, Nordic ski areas, rodeo grounds, a golf course, a tennis center, baseball and soccer fields for this community and visitors, and other amenities.
- Tertiary. That the City provides funding and sometimes staff support to community organizations, in support of community values such as the arts, the performing arts, the tourism business, the airline support program, urban renewal, historic preservation, and others.

In addition to recognizing such a hierarchy, the City Council should acknowledge that on issues related to the tertiary level of activities, there could easily be community perception of conflicts of interest. On such issues, the Council members, or City staff, should take particular care to disclose, discuss and step down from apparent or perceived conflicts.

13. The city should establish policies to guide the requirements for and levels of usage fees for amenities that serve limited or specific community interests.

14. The City should formalize the criteria for those services or amenities that require identification as Enterprises. For example, the golf course is treated as an enterprise and the ice rink is not.

15. Continue City support for effective management of grant requests and develop procedures for fully assessing life-cycle maintenance and replacement costs prior to applying for or accepting capital grants.

16. The City should develop a specific set of policies and procedures for addressing the requests that it receives from special interest groups. The City also needs a specific oversight policy for financial management of the funds that it provides for private entities.

17. The City should establish policies and procedures to assess and prioritize the annual Community Support budget within the context of all City budget needs. Policies and procedures should include a formal review process that includes an evaluation of each

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organization's fiscal and programmatic health. Coordination among all local funding entities (Routt County, Routt County United Way and the Yampa Valley Community Foundation) should be encouraged. Further suggestions and discussion on this topic are found in Appendix E-10 "Community Support Policies and Procedures."

18. The City should establish a policy for acceptable City debt levels including multi-year leases. This policy will provide consistent guidance for consideration of the need for ballot issues and funding sources.

19. The City Council and staff should establish a simplified general fund financial display that clearly displays major categories of ongoing operating revenues and expenditures, differentiates them from capital expenditures, and clearly displays general fund debt levels and restricted and unrestricted reserves. This format should aid significantly in explaining to and obtaining support from citizens should additional revenues be required. Examples are shown in Chapter 2 of this report.

20. City Council should establish an "early warning system," a process to identify and act upon negative trends in all significant sources of revenue. For example, if the sales tax numbers were to drop, as against the previous year, for three months in a row, the City might automatically set a "sales tax discussion" item for the next available agenda, to take a hard look at the reasons for the drop in revenue, and to identify any steps that need to be taken by the City.

21. The City Council should continue to improve its measurement of City government productivity in a format that is easy to understand and track (for instance: benchmarking with similar communities, limiting overall operating expense growth to growth in population plus visitors plus CPI minus regional or national productivity improvements).

22. TPAB recommends that the City and County periodically review and reestablish guidelines as necessary to fairly estimate material costs commensurate with the scale of permitted construction projects. Periodic update of the guidelines can materially affect building use tax and excise tax revenues.

23. It was the consensus of the Tax Policy Advisory Board that continuing the free local bus service is a significant benefit to the community. It is currently funded mostly from City general funds (sales tax revenues); other sources of funding may be addressed at a later date.

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APPENDIX A-1

City of Steamboat Springs
General Government Expenses by Function (\$000's)

Updated 9/24/04

	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003
General Government										
Cum. % Increase over 1994	\$1,395	\$1,661	\$1,315	\$1,650	\$1,821	\$1,763	\$2,253	\$2,706	\$3,129	\$2,769
% of Sub Total	14%	15%	11%	13%	14%	13%	15%	17%	18%	16%
Public Works										
Cum. % Increase over 1994	\$2,225	\$2,583	\$2,710	\$3,592	\$2,911	\$3,531	\$3,357	\$3,550	\$3,792	\$3,825
% of Sub Total	22%	24%	23%	27%	22%	26%	23%	22%	21%	22%
Public Safety										
Cum. % Increase over 1994	\$1,947	\$2,031	\$2,321	\$2,488	\$2,842	\$2,772	\$3,136	\$3,458	\$4,349	\$4,416
% of Sub Total	19%	19%	20%	19%	22%	20%	21%	21%	24%	25%
Recreational Services										
Cum. % Increase over 1994	\$2,341	\$2,388	\$3,327	\$3,003	\$3,185	\$3,418	\$3,649	\$4,004	\$4,134	\$4,214
% of Sub Total	23%	22%	28%	23%	24%	25%	24%	25%	23%	24%
Legal and Court										
Cum. % Increase over 1994	\$272	\$256	\$317	\$369	\$391	\$389	\$439	\$439	\$456	\$442
% of Sub Total	3%	2%	3%	3%	3%	3%	3%	3%	3%	3%
Planning Services										
Cum. % Increase over 1994	\$396	\$413	\$428	\$591	\$669	\$665	\$688	\$843	\$806	\$792
% of Sub Total	4%	4%	4%	5%	5%	5%	5%	5%	5%	4%
Community Support										
Cum. % Increase over 1994	\$1,721	\$1,468	\$1,401	\$1,429	\$1,301	\$1,251	\$1,394	\$1,305	\$1,104	\$1,192
% of Sub Total	17%	14%	12%	11%	10%	9%	9%	8%	6%	7%
Sub-total (Operational Exps.)	\$10,297	\$10,800	\$11,819	\$13,122	\$13,120	\$13,789	\$14,916	\$16,305	\$17,770	\$17,650
Cum. % Increase over 1994		5%	15%	27%	27%	34%	45%	58%	73%	71%
Capital projects	\$1,027	\$4,143	\$3,645	\$1,298	\$4,322	\$6,005	\$5,179	\$6,329	\$5,295	\$4,077
Debt Service	\$855	\$1,148	\$1,128	\$1,107	\$1,605	\$2,771	\$1,590	\$2,437	\$1,977	\$2,146
Total	\$12,179	\$16,091	\$16,592	\$15,527	\$19,047	\$22,565	\$21,685	\$25,071	\$25,042	\$23,873
Cum. % Increase over 1994		32%	36%	27%	56%	85%	78%	106%	106%	96%

APPENDIX A-2

City of Steamboat Springs

General Government Revenues by Source (\$000's)

	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003
Sales Tax	\$9,011	\$9,270	\$9,667	\$10,535	\$11,532	\$12,130	\$13,180	\$13,862	\$13,988	\$14,107
Cum. % Increase over 1994		3%	7%	17%	28%	35%	46%	54%	55%	57%
%of Sub Total	86%	85%	86%	85%	85%	85%	85%	84%	81%	81%
Vehicle Use Tax	\$265	\$298	\$281	\$329	\$368	\$419	\$456	\$461	\$471	\$485
Cum. % Increase over 1994		12%	6%	24%	39%	58%	72%	74%	78%	83%
%of Sub Total	3%	3%	3%	3%	3%	3%	3%	3%	3%	3%
Franchise Fees	\$368	\$377	\$396	\$409	\$428	\$471	\$610	\$676	\$774	\$836
Cum. % Increase over 1994		2%	8%	11%	16%	28%	66%	84%	110%	127%
%of Sub Total	4%	3%	4%	3%	3%	3%	4%	4%	4%	5%
Charges for Services	\$496	\$614	\$576	\$792	\$928	\$953	\$1,054	\$1,189	\$1,355	\$1,720
Cum. % Increase over 1994		24%	16%	60%	87%	92%	113%	140%	173%	247%
%of Sub Total	5%	6%	5%	6%	7%	7%	7%	7%	8%	10%
Fines and Forfeits	\$88	\$117	\$130	\$149	\$182	\$206	\$166	\$192	\$300	\$189
Cum. % Increase over 1994		33%	48%	69%	107%	134%	89%	118%	241%	115%
%of Sub Total	1%	1%	1%	1%	1%	1%	1%	1%	2%	1%
Other	\$213	\$231	\$171	\$180	\$192	\$158	\$125	\$120	\$349	\$126
Cum. % Increase over 1994		8%	-20%	-15%	-10%	-26%	-41%	-44%	64%	-41%
%of Sub Total	2%	2%	2%	1%	1%	1%	1%	1%	2%	1%
Sub Total (Operational Revs.)	\$10,441	\$10,907	\$11,221	\$12,394	\$13,630	\$14,337	\$15,591	\$16,500	\$17,237	\$17,463
Cum. % Increase over 1994		4%	7%	19%	31%	37%	49%	58%	65%	67%
Accommodations Tax	\$486	\$498	\$502	\$556	\$587	\$572	\$613	\$634	\$630	\$616
Building Use Tax	\$608	\$646	\$777	\$671	\$1,959	\$1,573	\$1,354	\$1,309	\$599	\$1,040
Intergovernmental	\$842	\$1,288	\$947	\$1,338	\$1,868	\$3,561	\$2,833	\$2,950	\$5,030	\$3,636
Interest & Other	\$667	\$1,175	\$1,491	\$1,154	\$1,430	\$2,780	\$1,937	\$1,545	\$1,383	\$1,906
Excise Tax										\$610
Total	\$13,044	\$14,514	\$14,938	\$16,113	\$19,474	\$22,823	\$22,328	\$22,938	\$24,879	\$25,271
Cum. % Increase over 1994		11%	15%	24%	49%	75%	71%	76%	91%	94%

APPENDIX A-3

City of Steamboat Springs

Selected Historical Statistics (1994-2003)

	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003
"Operational Revenue"(\$000's)** Cum. % Increase (1994 to 2003)	\$10,441	\$10,907	\$11,221	\$12,394	\$13,630	\$14,337	\$15,591	\$16,500	\$17,237	\$17,463 67%
"Operational Expense"(\$000's)*** Cum. % Increase (1994 to 2003)	\$10,297	\$10,800	\$11,819	\$13,122	\$13,120	\$13,789	\$14,916	\$16,305	\$17,770	\$17,650 71%
Unreserved Fund Bal.(\$000's)	\$3,579	\$4,738	\$2,533	\$3,281	\$3,214	\$3,712	\$4,320	\$9,550	\$9,299	\$9,385
Gross Bonded Debt (\$000's)*	\$12,151	\$14,378	\$13,022	\$11,948	\$10,995	\$9,214	\$5,971	\$7,754	\$6,842	\$5,912
Assessed Property Value(\$000's)	\$165,800	\$171,600	\$197,600	\$205,500	\$214,723	\$221,778	\$267,206	\$282,025	\$375,894	\$374,002
No. of City Employee's(FTE) Cum. % Increase (1994 to 2003)	174	182	178	200	220	223	238	245	263	255 46.6%
City Residents**** Cum. % Increase (1994 to 2003)	8278	8608	8851	9058	9259	9575	9815	10375	10402	10447 26.2%
Cum. Non-Farm Bus. Productivity		0.6%	3.1%	4.8%	7.4%	10.2%	13.0%	15.1%	20.1%	24.5%
Consumer Price Index***** Cum. % Increase over 1994	149.6	153.5	157.6	161.4	164.4	168.9	174.8	181.2	184.7	188.6 26.1%
Skier Days	1,021,149	1,013,606	1,017,342	1,102,751	1,053,145	1,013,254	1,024,832	1,003,317	1,001,000	1,001,020
Operating Expense/Resident Cum. % Increase (1994 to 2003)	\$1,244	\$1,255	\$1,335	\$1,449	\$1,417	\$1,440	\$1,520	\$1,572	\$1,708	\$1,689 35.8%

*Includes amounts restricted for the following years Budget-in 2003 this amount is \$2,218,000

**Excludes Accommodations Taxes, Building Use Taxes, Intergovernmental Revenues, Debt Service Revenues and Excise Taxes

***Excludes Capital Projects and Debt Service Costs

****Source is Col. Dept. of Local Affairs, Demography Division

***** All Urban Consumers, 1982-84=100

APPENDIX A-4 NOTES TO HISTORICAL SUMMARY OF REVENUES AND EXPENSES

General Government Revenues by Source

1. The primary source for this information is the Comprehensive Annual Financial Report.
2. Other includes Special Assessments, Licenses and Permits and Other for all years.
3. The Sub Total is an approximation of Total Revenues applicable to ongoing Operations-the major missing item is operational grants.
4. Accommodations taxes have been removed from the Sub Total because they have been included in Enterprise since 1999.
5. Building Use taxes have been removed from the Sub Total because they have been applied to Capital since 2000.
6. Intergovernmental Revenues have been removed from the Sub Total because grants can not be identified for all years.
7. Interest and Other have been removed from the Sub Total because they are more closely related to debt service and capital projects.
8. Excise Taxes are included in the Capital Fund beginning in 2003.

General Government Expenses by Function

1. The primary source for this information is the Comprehensive Annual Financial Report.
2. The Publics Works expenses for 1994 and 1995 have been adjusted to include Municipal Transit System expenses.
3. The Sub Total is an approximation of Total Expenses applicable to ongoing operations

APPENDIX B

COMMUNITY ASSETS

The City of Steamboat Springs has demonstrated its exceptional character by providing for the citizens of the community and visitors amenities that go far beyond those of many like-sized cities. Following is a list of some, but certainly not all, of these amenities.

Bob Adams (Steamboat Springs) Airport	Grant Ranch
Tennis bubble	Haymaker Golf Course
Howelsen Hill	Ice rink
Lodge	Bike Path
Ski jumps	Rodeo Grounds
Botanic Park	Transportation Services
Ball Fields	Depot
Spring Creek and Emerald Mountain Trails	

From 2001 through 2004 less than 20% of the Capital Projects of the City were funded from general revenues; grants make up the largest portion of the money spent. The following spreadsheets demonstrate the ability of the City of Steamboat Springs to provide these amenities at a substantially reduced cost to the local tax structure.

B-1. Capital Projects Fund 2001-2004

B-2. Capital Projects Fund 2005 Budget

Appendix B-1

CITY OF STEAMBOAT SPRINGS CAPITAL PROJECTS FUND 2001 - 2004

	2001		2002		2003		2004		TOTAL		General Revenues	TOTAL
	ACTUAL	ACTUAL	ACTUAL	ACTUAL	ACTUAL	PROJECTED	2001-2004	CONTRIBUTIONS	GRANTS	REVENUES		
EXPENDITURES												
Affordable Housing	\$ -	\$ -	\$ 125,000	\$ -	\$ -	\$ 39,025	\$ -	\$ 125,000	\$ -	\$ -	\$ -	\$ 125,000
Animal Shelter Creamatorium	-	-	-	-	-	39,025	-	39,025	-	-	11,500	39,025
Apres Ski/Village Drive	-	-	35,944	-	-	13,437	-	49,381	-	-	167	49,381
Ballfield Improvements	-	-	66,314	-	-	66,549	-	132,863	-	-	103,170	132,863
Bear River Park Development	-	-	12,490	-	-	10,307	-	22,797	-	16,500	6,297	22,797
Community Plan Update	58,381	205,204	73,197	-	-	-	-	336,782	98,032	57,500	181,250	336,782
Depot Rehab & Restoration	-	-	-	-	-	200,000	-	200,000	-	150,000	50,000	200,000
Emerald Park Shelter	-	-	13,523	-	-	-	-	13,523	-	-	-	13,523
Emerald Park Trail Linkages	-	-	11,646	-	-	-	-	11,646	-	11,646	-	11,646
Fire Trucks	-	-	-	-	-	241,931	-	241,931	33,974	140,000	67,957	241,931
Gondola Transit Center	-	-	498,595	-	-	115,500	-	614,095	159,000	384,995	70,100	614,095
Gravel Road Paving	70,782	85,990	2,186	-	-	-	-	158,958	-	138,980	19,978	158,958
Historic Renovation of Ranch Compound	59,517	108,810	4,226	-	-	102,630	-	275,183	-	185,775	89,408	275,183
Howelsen Hill Historic Preservation	-	51,649	84,640	-	-	-	-	136,289	-	86,289	50,000	136,289
Howelsen Hill Ski Jump	1,000	159,516	532,543	-	-	1,969,688	-	2,662,747	1,012,681	1,349,999	300,067	2,662,747
Howelsen Ice Arena	-	146,645	10,000	-	-	-	-	156,645	140,000	-	16,645	156,645
Mountain Fire Station Addition	-	556,895	94,903	-	-	-	-	651,798	212,527	300,000	139,271	651,798
Mt. Werner Circle Improvements	79,000	16,200	266,407	-	-	-	-	361,607	290,007	-	71,600	361,607
Mt. Werner Road/Montview	-	-	-	-	-	20,000	-	20,000	20,000	-	-	20,000
Muilt Modal Center	-	-	161,361	-	-	-	-	161,361	-	158,663	2,698	161,361
Open Space & Parks	-	-	-	-	-	1,211,500	-	1,211,500	-	1,076,500	135,000	1,211,500
Pine Grove/US 40 Intersectino	-	-	2,552	-	-	15,300	-	17,852	2,852	15,000	-	17,852
Police Building Remodel	-	-	-	-	-	407,000	-	407,000	-	237,300	169,700	407,000
Rotary Park Boardwalk	-	-	-	-	-	169,000	-	169,000	47,500	114,000	7,500	169,000
Sidewalk Improvements	15,000	-	26,430	-	-	-	-	41,430	26,430	-	15,000	41,430
Steamboat Boulevard/Mt. Werner Rd.	-	-	9,750	-	-	-	-	9,750	9,750	-	-	9,750
Stockbridge Park Development	-	35,000	50,000	-	-	-	-	85,000	-	50,000	35,000	85,000
Transit Coach Replacement	894,193	1,160,819	-	-	-	1,172,520	-	3,227,532	-	2,428,132	799,400	3,227,532
Transit Operation Center Remodel	25,220	34,745	17,734	-	-	1,442,000	-	1,459,734	-	1,329,880	129,854	1,459,734
Upgrade Records Software	-	-	-	-	-	-	-	59,965	-	52,006	7,959	59,965
US Hwy 40 Intersection	-	-	50,000	-	-	516,000	-	50,000	50,000	-	-	50,000
Walton Creek Trails	-	-	-	-	-	-	-	516,000	-	516,000	-	516,000
Western Extension Trail	-	-	38,225	-	-	-	-	38,225	-	13,431	-	38,225
West of Steamboat Legacy Project	-	-	-	-	-	124,717	-	124,717	-	90,000	34,717	124,717
TOTAL EXPENDITURES	\$ 1,203,093	\$ 2,561,473	\$ 2,187,666	\$ 7,837,104	\$ 8,902,596	\$ 2,539,032	\$ 13,789,336	\$ 2,347,708	\$ 8,902,596	\$ 2,539,032	\$ 13,789,336	

Appendix B-2

CITY OF STEAMBOAT SPRINGS CAPITAL PROJECTS FUND 2005 BUDGET

	2003 ACTUAL	2004 ORIG. BDGT.	2004 PROJECTED	2005 BUDGET	% INC/(DEC)
FUND BALANCE, JANUARY 1	\$ 2,658,566	\$ 1,101,173	\$ 3,210,259	\$ 3,344,622	4.19%
REVENUES					
Building Use Tax	1,040,423	750,000	1,200,000	775,000	-35.42%
Excise Tax	609,623	325,000	750,000	525,000	-30.00%
Franchise Fees - Undergrounding	128,197	140,000	130,000	135,000	3.85%
Government Grants	1,304,437	1,765,000	5,675,816	2,163,925	-61.87%
State Lottery Apportionment	98,693	100,000	95,000	95,000	0.00%
Contributions	807,267	640,300	788,646	72,200	-90.85%
Offsite Improvement Fees	82,687	-	22,000	-	-100.00%
Proceeds from Issuance of Debt	-	-	-	-	N/A
Other	27,594	13,000	28,000	35,000	25.00%
Transfers	535,579	273,997	1,000,000	1,100,000	10.00%
TOTAL REVENUES	4,634,501	4,007,297	9,689,462	4,901,125	-49.42%
TOTAL AVAILABLE	7,293,067	5,108,470	12,899,721	8,245,747	-36.08%
EXPENDITURES					
13th Street Sidewalk	55,811	-	228,189	-	-100.00%
Accounting/Finance Software	-	45,000	45,000	-	-100.00%
Affordable Housing - RALF	250,000	-	-	-	N/A
Ambulance Replacement	-	-	-	117,600	N/A
Animal Shelter Creamatorium	-	-	39,025	-	-100.00%
Apres Ski/Village Drive Intersection	22,507	-	13,437	-	-100.00%
Ballfield Expansion	-	50,000	-	250,000	N/A

**CITY OF STEAMBOAT SPRINGS
CAPITAL PROJECTS FUND
2005 BUDGET**

	2003	2004	2004	2004	2004	2005	%
	ACTUAL	ORIG. BDGT.	PROJECTED	Contributions	Grants	BUDGET	INC/(DEC)
Ballfield Improvements/Sponsorship	66,314	50,000	66,549	15,000		50,000	-24.87%
Bear River Park Development	32,192	-	10,307		4,010	-	-100.00%
Casey's Pond Drain & Dredge	-	-	-			25,000	N/A
Catch Basin Manhole Replacement	-	48,000	-			35,000	N/A
Centennial Hall		-	-				N/A
City Hall Remodel	14,594	-	-			-	N/A
Community Development Code	-	-	-			50,000	N/A
Community Plan Update	165,430	-	10,144			-	-100.00%
Community Wide Sidewalk & Trail Plan	-	-	-			50,000	N/A
Concrete Trail		-	-				N/A
Craig Bus Storage Park & Ride	-	625,000	-			-	N/A
Depot Rehab & Restoration	-	200,000	200,000		150,000	-	-100.00%
E-Gov. Project	-	-	22,000			-	-100.00%
Electric Undergrounding	256,463	-	275,000			-	-100.00%
Emerald Mountain Trail Linkage	10,927	-	-			-	N/A
Emerald Park Shelter	33,672	-	-			-	N/A
Fire Trucks		-	241,931	33,974	140,000	-	-100.00%
Fire/EMS Major Equipment		-	-			-	N/A
Fleet Storage Addition	17,666	-	-			-	N/A
Gondola Transit Center Renovation	424,494	-	115,500		45,400	-	-100.00%
Gravel Road Paving	-	-	-			100,000	N/A
Hard Surface Sidewalk - Mtn Fire Station	-	-	-			39,000	N/A
Historic Pres.: Restoration of Springs	-	-	-			130,000	N/A
Historic Renovation of Ranch	7,857	-	102,630		73,222	-	-100.00%
Howelsen Hill Historic District Projects	-	-	-			100,000	N/A
Howelsen Hill Historic Preservation	128,216	-	-			-	N/A
Howelsen Hill Skt Jump	613,449	1,175,000	1,969,688	640,347	1,043,275	-	-100.00%
Howelsen Ice Arena	353,285	-	-			-	N/A

**CITY OF STEAMBOAT SPRINGS
CAPITAL PROJECTS FUND
2005 BUDGET**

	2003	2004	2004	2004	2005	%
	ACTUAL	ORIG. BDGT.	PROJECTED	Contributions	BUDGET	INC/(DEC)
Mountain Fire Station Addition	188,305	-	-	-	-	N/A
Mount Werner Road/Montview	-	-	20,000	20,000	-	-100.00%
Mt Werner Circle Improvements	430,956	-	-	-	-	N/A
Open Space & Parks	-	-	1,211,500	472,000	600,000	-50.47%
Park Facilities Development	95,907	-	83,000	-	-	-100.00%
Parks & Rec. Maint. Shop Replacement	-	-	-	-	25,000	N/A
Paving Program	353,815	475,000	475,000	-	540,000	13.68%
Pine Grove/US 40 Intersection Imp.	-	15,300	15,300	300	114,775	650.16%
Police Building Remodel	-	250,000	407,000	-	-	-100.00%
Police Building Renovation - Phase II	-	-	-	-	275,000	N/A
Prefabricated Picnic Shelters	72,862	-	-	-	-	N/A
Public Art	-	-	-	-	25,000	N/A
Pumphouse and Irrigation System Replacement	7,136	40,000	40,000	-	40,000	0.00%
Recreational Water Rights	11,563	-	270,715	-	-	-100.00%
Regional Bus Facility	-	-	-	-	961,000	N/A
River Management Plan/Improvements	104,014	66,500	66,500	-	-	-100.00%
River Restoration	-	-	-	-	25,000	N/A
Rotary Park Boardwalk	-	-	169,000	47,500	-	-100.00%
Sidewalk Improvements	-	-	12,935	-	75,000	479.82%
Ski Time Square Reconstruction	-	50,000	50,000	-	-	-100.00%
Ski Time Square Cul-de-Sac	-	-	-	-	-	N/A
Ski Time Square/Christie Base Turnaround	-	-	-	-	50,000	N/A
Snowmaking System	-	-	-	-	25,000	N/A
South Lincoln Median Improvements	-	-	-	-	20,000	N/A
Spring Creek Project	24,858	82,500	82,500	-	-	-100.00%
Stockbridge Multi-Modal Center Phase III	161,361	-	-	-	-	N/A
Stockbridge Park Development	81,203	-	-	-	-	N/A
Stored Water Supply in Cow Creek	-	-	-	-	82,500	N/A

**CITY OF STEAMBOAT SPRINGS
CAPITAL PROJECTS FUND
2005 BUDGET**

	2003	2004	2004	2004	2005	%
	ACTUAL	ORIG. BDGT.	PROJECTED	Contributions	Grants	INC/(DEC)
Storm Water Modifications	1,984	-	-	-	-	N/A
Street Shop Expansion	-	-	-	-	1,213,000	N/A
Tennis Bubble Replacement	-	-	-	-	2,155,293	N/A
Tennis Center Improvements	-	-	51,000	36,770	-	-100.00%
Trail Improvements	-	-	-	-	75,000	N/A
Trail Projects	23,865	-	-	-	-	N/A
Transit Ops. Center Parking Lot Repairs	-	-	-	-	25,000	N/A
Transit Operations Center Remodel	22,167	-	1,442,000	-	1,312,146	-100.00%
Transit Coaches	-	625,000	1,172,520	-	913,203	-22.12%
Transit Hoist Replacement	-	-	-	-	140,000	N/A
Walton Creek Trails	3,926	-	516,000	-	516,000	-100.00%
Western Extension trail	38,255	-	-	-	-	N/A
West of Steamboat Legacy Project	283	-	124,717	-	90,000	-100.00%
World Cup Improvements/Sponsorship	1,462	-	-	-	25,000	N/A
Yahmonite Bridge Replacement	-	-	-	-	30,000	N/A
Yampa River Core Trail Restrooms	-	-	-	-	40,000	N/A
TOTAL EXPENDITURES	4,082,808	3,803,312	9,555,099	834,686	5,120,816	-11.80%
FUND BALANCE, DECEMBER 31	\$ 3,210,259	\$ 1,305,158	\$ 3,344,622	\$ (834,686)	\$ (181,639)	-105.43%

APPENDIX C.

DOCUMENTS REVIEWED

- Vision 2020 Report, prepared in 1994
- Community Plan and Amendments
- Community Survey, 2002
- Report to TPAB on April 22, 2004, from Chris Diamond/Steamboat Springs Ski Corporation
- Report to TPAB on May 13, 2004, from Sandy Evans Hall; Steamboat Springs Chamber Resort Association
- Report to TPAB July 15, 2004 from Linda Kakala/Grant Funding
- Report to TPAB June 10, 2004 from Marty Kolonel/Airport Commission
- Report to TPAB June 17, 2004 from Steve Dawes/Accommodations Tax Increase
- Report to TPAB June 24, 2004 from David Baldinger, Jr./Base Area Reinvestment Coalition
- Community Indicators
- The Social and Economic Effects of Second Homes (NWCOG; 2004)
- City of Steamboat Springs Budget, 2004
- City of Steamboat Springs Budget Decisions for 2005
- Monthly City Sales Tax Reports, 2004
- Public comments, received by TPAB, April 2004 to October 2004
- Report on the YVRA/Bob Adams, Two Airport Model Costs/Benefits
- Steamboat Springs Area Community Plan
- Colorado Municipal League 2004 Report
- Tennis Facility Replacement Committee Report
- Base Area Reinvestment Coalition Report
- City of Steamboat Springs Code of Ethics
- General Requirements for Permits, Inspections and Approvals, Routt County Regional Building Department
- 2003 Abstract of Assessment and Levies, Routt County Colorado
- Yampa Valley Medical Center Annual Report 2004
- Level of Service, Cost & Revenue Assumptions for Prototype Land Use Fiscal Analysis prepared by Tischler & Associates, Inc., 3/2/2001
- 2003 Audited Financial Statements of the City of Steamboat Springs

APPENDIX D

PUBLIC PROCESS

The Tax Policy Advisory Board held over 40 public meetings since its first meeting on March 12, 2004. Time is set aside during each meeting for public comment. The meetings are advertised in The City Page calendar which appears on the City's web site www.steamboatsprings.net and *Steamboat Today's* Tuesday edition. Upcoming agendas and minutes are also on the City's web site. Each meeting is posted at the City Hall kiosk. Two copies of all agendas and minutes are in the City Hall lobby for public viewing and checkout. On April 15, 2004, the web address, taxview@steamboatsprings.net was up and running, which opened public comment up via email.

In addition to the Tax Policy Advisory Board scheduled meetings, one or both co-chairs have made presentations at four Steamboat Springs City Council regular meetings, one of which was a joint meeting between Steamboat Springs City Council and Routt County Commissioners. Each of those meetings is also open to the public and have allotted time for public comment.

APPENDIX E

CASE STUDIES and

TPAB SPECIAL REPORTS

E-1. Haymaker Golf Course

E-2. Tennis Center

E-3. Ice Arena

**E-4. Case Study: Impacts of Replacing Sales Taxes on Groceries and Utilities
with property taxes**

E-5. Steamboat Springs Transportation Services

E-6. Relationship of Ski season to Steamboat Springs Transit Operations

E-7. Admissions Tax-Lift Ticket Sales Tax

E-8. Comparison Of Property Paid Within Routt County Taxes

E-9. Policy Implications For The LMD/Accommodations Tax

E-10. Community Support Policies and Procedures

APPENDIX E-1

Haymaker Golf Course

Current Finances (2003 Actual)

Operating Revenues	\$1,116,440
Operating Expenses (includes capital exp. of \$141,944)	<u>1,045,443</u>
Current Operating Surplus	70,997
Accommodations (Lodging) Tax Revenues	615,635
Debt Service (includes \$1,496 operating)	<u>440,377</u>
Current Tax Surplus	175,258
Fund Reserves: Debt Service Reserve Fund	826,000
Accommodations Tax Reserve Fund	439,054
Fiscal Policy Reserve	350,000
Operational reserve (Capital, etc.)	<u>993,719</u>
Total Reserve	2,608,773

Public Input/Restrictions

November 1986 Ballot Issue (1% Lodging Tax) - passed by 71%

Shall the City Council of Steamboat Springs, in order to provide revenues to fund development of improvements and amenities in Steamboat Springs which will promote tourism and enhance the vitality of Steamboat Springs as a premiere destination resort, and enhance the community identity, environmental desirability and economic health of Steamboat Springs, enact an ordinance levying a lodging tax of 1% on public accommodations of less than 30 days?

November 1994 Ballot Issue 2C-Golf-Increase Debt* - passed by 70%

"Shall the City of Steamboat Springs, Colorado's Debt be increased up to \$4,550,000 with a repayment cost of up to \$9,150,000 for the purpose of constructing an eighteen hole public golf course at the City owned property at the intersection of State Highway 131 and U.S. Highway 40, commonly referred to as the Cornerstone site, by the issuance and payment of accommodations (lodging) tax revenue bonds?"

* A1993 Ballot Issue on this subject failed, partly because of lack of specificity.

November 1994 Ballot Issue 2D-Golf Revenue – passed by 64%

“Shall the City of Steamboat Springs, Colorado, be authorized to spend the revenues derived from the proposed eighteen hole public golf course at the City owned property at the intersection of State Highway 131 and U.S. Highway 40, commonly referred to as the Cornerstone Site, notwithstanding any revenue or spending limitation? “

Usage Statistics (approximate for year 2003)

Visitor golf rounds: 4900 (21% of total rounds)

Visitor golf revenues: \$435,000+ (at least 39% of total operating revenues)

Comments

Visitors generated at least 39% of total golf course revenues in 2003 (this was the lower than the average for previous years). Although it is difficult to quantify, there is little doubt that lodging, grocery and other retail revenues were generated by these golfers. On the other hand, it is also difficult to quantify the percentage of these golf course revenues that were generated by visitors here specifically to play golf (as opposed to Triple Crown participants that decide to play golf, etc.).

Junior golfers benefit from Haymaker. In 2003 there were junior golf events each month from May through August with over 400 participants. In addition Haymaker participates with other local courses to provide practice facilities for High School golfers.

Currently Haymaker operates each year with both an operational and accommodations tax surplus. If current accommodations tax trends continue, the debt for the course will be retired by 2013 and the accommodations tax surplus could also cover expenditures for a new club house by the same year. At that point, surpluses from Haymaker operations should contribute to General Funds each year.

APPENDIX E-2

Tennis Center

Current Finances (2003 Actual Revenues and Estimated Expenses)

Revenues	\$353,680
Expenses (Estimated for 2003)	\$496,200
General Tax Support	\$142,520

Public Input/Restrictions

November 1986 Ballot Issue (1% Lodging Tax) - passed by 71%

Shall the City Council of Steamboat Springs, in order to provide revenues to fund development of improvements and amenities in Steamboat Springs which will promote tourism and enhance the vitality of Steamboat Springs as a premiere destination resort, and enhance the community identity, environmental desirability and economic health of Steamboat Springs, enact an ordinance levying a lodging tax of 1% on public accommodations of less than 30 days?

Usage Statistics

Total player visits: 28,000 per year for all courts
Total visiting player visits: Approximately 2,000 per year for all courts
(similar ratio for bubble)
Number of local players: 1200
High School Team (40 to 50 players each year) use courts for practices and matches
Junior Academy: 90 players for week in summer
Junior Tennis Camp: 9 sessions of about 10 players-one week each

Comments

The tennis bubble was built using Accommodations Tax revenues anticipating promotion of tourism. Recently the Tennis Facility Replacement Committee recommended to City Council a more permanent and effective replacement facility with an additional two courts (making ten in total) at an estimated cost of \$1,980,000 with approximately 1/6th being provided by fundraising contributions and with energy savings of about \$25,000 per year.

APPENDIX E-3

Ice arena

Current Finances (2003 Actual)

Operating Revenues	
Charge for Services	\$469,972
Contributions	<u>100,000</u>
Total Revenues	\$569,972
Operating Expenses	
Personnel	\$307,813
Other	<u>252,493</u>
Total Expenses	\$560,306
General Tax Support (excluding capital & debt service)	(\$9666)

Public Input/Restrictions

No voter referendums or other known restrictions.

Usage Statistics

Tournaments: approx. 400 players/year plus families (weekend lodging)
Schools and Camps: approx. 200 skaters/year plus families (1 week each)
Youth Hockey: approx. 3500 player/year plus families (weekend lodging)
Adult Hockey: approx. 600 players/year plus families (weekend lodging)

Comments

Ice Arena operating revenues are exceeding operating expenses, with the aid of contributions of \$100, 000 per year.

Arena activities attract considerable out of town attendance with the associated benefits to the lodging and other business enterprises.

APPENDIX E-4

Case Study: Impacts of Replacing Sales Taxes on Groceries and Utilities with property taxes

Draft 5/20/04

Assumptions:

- This analysis assumes revenue neutrality.
- 1 mill equals \$381,000.
- The average residential household spending on groceries is \$3,200 per year.
- The average residential household spending on utilities is \$3,300 per year.
- Commercial properties in total pay \$906,000 per year in sales taxes on utilities and \$100,000 per year in sales taxes on groceries.

Observations:

A majority of residential households will benefit by a replacement of sales taxes with property taxes. The average household would save \$128 ($\$3200 \times .04$) on grocery taxes and \$132 ($\$3300 \times .04$) on utility taxes. Houses valued at approximately \$350,000 and less, which represent about 65% of residential properties, would benefit using the above assumptions. Perhaps 1/3rd of these properties are owned by non-residents who won't receive much benefit from the sales tax decrease.

County residents would benefit from the sales tax reduction on groceries with no offsetting increase in property taxes.

Commercial properties in total would benefit significantly from the switch from sales taxes on utilities to a property tax. In total they would pay additional property taxes of \$381,268 ($\$110,193,170 \times 3.46$ mills) while utility taxes would be reduced by \$906,000. The impact on individual commercial properties, however, may vary significantly and should be examined.

Commercial properties in total would experience some benefit from a replacement of sales taxes on both groceries and utilities. In total they would pay additional property taxes of \$868,322 ($\$110,193,170 \times 7.88$ mills) and would save approximately \$1,000,000 in sales taxes.

The calculation of City support to the Steamboat Springs Chamber Resort Association (currently based on a percent of total sales tax revenues) would require modification if the same level of support was to be provided.

The major negative impact of the sales tax/property tax switch appears to be on non-resident homeowners, vacant lot owners and higher priced homeowners.

Impacts of Replacing Sales Taxes on Groceries and Utilities With Property Taxes

Prepared 5/20/04

	No. of Parcels	Average Assessed Value	1 Average Additional Property Tax if Grocery Sales Tax Eliminated	2 Average Additional Property Tax if Utilities Sales Tax Eliminated	Average Additional Property Tax if Both Eliminated
			4.42	3.46	7.88
Residential Only	Total Assessed Value = \$185,195,240				
\$1-\$200,000	2185	\$11,938	\$53	\$41	\$94
\$200,001-\$300,000	1658	\$20,082	\$89	\$69	\$158
\$300,001-\$400,000	1323	\$27,943	\$124	\$97	\$220
\$400,001-\$500,000	723	\$35,863	\$159	\$124	\$283
\$500,001-\$1,000,000	815	\$52,338	\$231	\$181	\$412
Over \$1,000,000	185	\$109,524	\$484	\$379	\$863
	6889				
Vacant Lots	Total Assessed Value = \$56,383,240				
\$1-\$100,000	311	\$13,642	\$60	\$47	\$107
\$100,001-\$200,000	250	\$40,272	\$178	\$139	\$317
\$200,001-\$300,000	106	\$67,989	\$301	\$235	\$536
\$300,001-\$400,000	142	\$97,308	\$430	\$337	\$767
\$400,001-\$500,000	24	\$118,258	\$523	\$409	\$932
Over \$500,000	72	\$252,915	\$1,118	\$875	\$1,993
	905				
Commercial	Total Assessed Value = \$110,193,170				
\$1-\$200,000	220	\$33,951	\$150	\$117	\$268
\$200,001-\$300,000	72	\$70,170	\$310	\$243	\$553
\$300,001-\$400,000	65	\$101,383	\$448	\$351	\$799
\$400,001-\$500,000	56	\$126,605	\$560	\$438	\$998
\$500,001-\$1,000,000	108	\$199,845	\$883	\$691	\$1,575
\$1m-\$2m	58	\$390,136	\$1,724	\$1,350	\$3,074
\$2m-\$5m	28	\$898,291	\$3,970	\$3,108	\$7,079
\$5m-\$10m	4	\$2,157,365	\$9,536	\$7,464	\$17,000
\$10m-\$40m	1	\$5,999,570	\$26,518	\$20,759	\$47,277
	612				

1. Elimination of sales taxes on groceries is equivalent to 4.42 mills (\$1,685,000/\$381,000)

2. Elimination of sales taxes on utilities is equivalent to 3.46 mills (\$1,320,000/\$381,000)

APPENDIX E-5

Steamboat Springs Transportation Services

Transportation Services includes the local bus service, which is currently free to all riders, the regional bus service (Steamboat to Craig), vehicle maintenance, and City parking management. Cost of overall transit operations and administration is allocated among these programs. Bob Adams Airport is not included in these numbers.

Current Finances (2003 Actual)

Bus service Operating Revenues:*		
Regional bus charges for services		\$114,097
Local bus charge for services and advertising		18,587
Private sector service (Storm Meadows)		<u>62,090</u>
		\$194,774
Bus service Operating Expenses*		
Personnel		1,314,000
Operating cost		364,000
Vehicle maintenance		257,000
Maint Personnel	207,000	
Maint Expenses	50,000	
		<u>\$1,925,000</u>
Current Bus Operating Surplus/(Deficit)		(\$1,730,226)
Other revenue and expenses:		
Inter-governmental Grants/transfers for operations		130,000
Greyhound contract**		47,250
Stockbridge Center**		(47,250)
Parking Management		<u>(33,000)</u>
Transit Operating Surplus/(Deficit)		(\$1,633,226)

Average grant for new vehicles: \$900,000/yr

*Includes Regional bus service:

Fares collected:	65,500
Charges to govt for service:	48,597
to Hayden, Craig, Moffat & Routt County	

Operating expenses (excluding maint)	<u>160,000</u>
Current Operating (Deficit)	(45,903)

****Stockbridge Operations Center**

Operating Revenues:	
Greyhound Contract	47,250
Operating Expenses	
Personnel	45,000
Operating cost	<u>2,250</u>
	<u>\$47,250</u>
Current Operating Surplus/(Deficit)	\$0

Public Input/comments

- Ridership would improve if service were expanded. Areas most often suggested by members of the public are Steamboat II and Fish Creek Falls road.
- System costs too much. We should charge rider fees, or use accommodation, lift ticket, or other tax on visitors to fund the system

Usage Statistics (approximate for year 2003)

Ridership hovering at 1,000,000 per year. Increased since 1996 with new route designs. Slightly lower in 2004.

22 vehicles = 16 coaches + 6 large vans
 Coaches cost \$250,000, last 10-12 years
 Large vans cost \$110,000, last about 7 years
 (coming regional coaches cost \$350,000 last 15 years)
 \$55/hr to operate one bus

Budget issues:

Transit budget has been 103% of previous year for the last two years. While rising fuel costs have been dramatic, funding has not kept pace.

Fuel cost:

2002	2003	2004 est.	2005 est
99,810	114,120	145,000	160,000

The Greyhound contract ended in 2004. Other than charges for services and federal grants, there is no dedicated funding for the City bus system.

Federal grant situation:

- \$130,000 grant for rural bus operations is fairly stable and raises to \$150,000 in 2004
- -\$900,000 average over last 5 years = \$4.4 mil
- -Steamboat has aggressively pursued and benefited (beyond any scale of town size i.e. we receive more Federal money than Colorado Springs)
- -Other cites are getting more competitive for available grant funds; possible changes in allocation formulas indicate Steamboat's share may drop to \$500,000/yr

Potential Revenues:

Additional sales tax: (Ref: Colorado Revised Statutes 29-2-103.5 Sales tax for mass transit.) The county may levy a county sales tax, use tax, or both up to ½ % for the purpose of financing, constructing, operating or maintaining a mass transportation system within the county. Voter approval is required.

A tax supporting initiative might need to be county wide, with services provided on the wider area. Expansion of countywide services could cost more than new income.

Comparison to other Communities:

Cost per rider is one of the lowest in the state at \$2.07. The Colorado range for city/county/regional transit systems is about \$8/rider, down to \$1.64 in Crested Butte (lowest in Colorado). Smaller systems, particularly those dedicated to senior citizens, cost over \$20 per one-way rider.

Bus systems require significant maintenance. SST is well below the norm at 3 Mechanics for a ratio of 7.3 vehicles/mechanic. The industry standard is 4.5-5 vehicles/mechanic.

Comments:

It was the consensus of the Tax Policy Advisory Board that continuing the free local bus service is a significant benefit to the community. It is currently funded mostly from City general funds (sales tax revenues) and other sources of funding may be addressed at a later date.

APPENDIX E-6

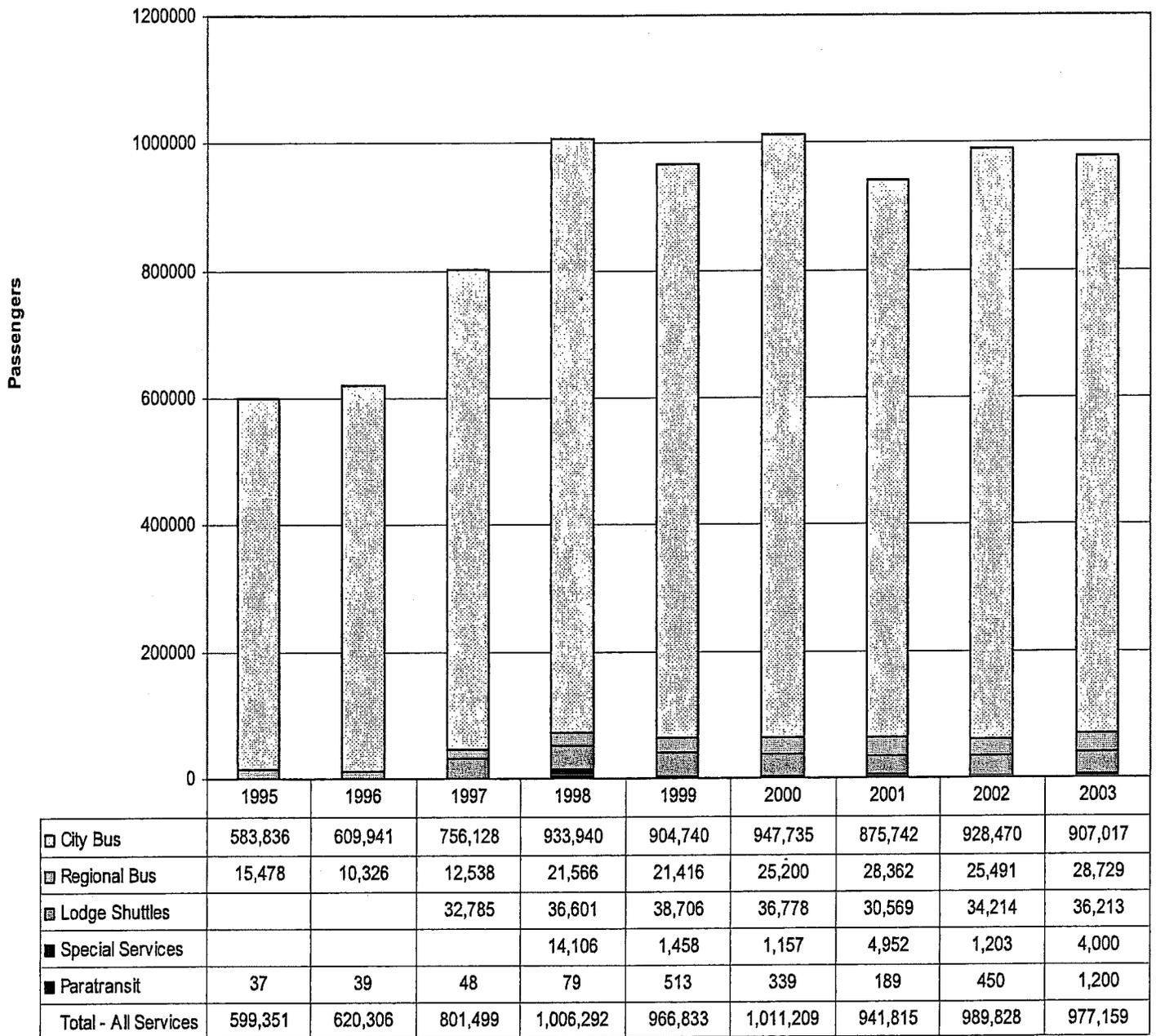
Relationship of Ski Season to Steamboat Springs Transit Operations

Historical data show a strong correlation between ski mountain operations and public transit usage, despite the fact that many of the resort visitors either have rental cars or stay in condominiums that provide private bus service to the ski mountain.

For most of the year, daily one way rides (locals who depend on bus service) average about 1000 trips per day. Assuming these riders use the bus all year, they account for only one-third of total annual riders. Between Thanksgiving and Christmas average daily rider trips increases to over 5000 trips per day. What changed? The ski mountain opened. From late March to mid April the average of daily rides drops quickly back to the base level 1000 daily trips, and except for 2-3 weeks in July, remains that way. What changed? The ski mountain closed. TWO THIRDS OF TOTAL ANNUAL RIDERSHIP OCCURS DURING THE SKI SEASON. These seasonal riders include tourists, locals commuting to and from downtown and the ski area, and ski season employees.

Lodge shuttles cater mostly to an important segment, the destination skier, but are a minor supplement to the City bus service, accounting for approximately 6-7% of ski season riders.

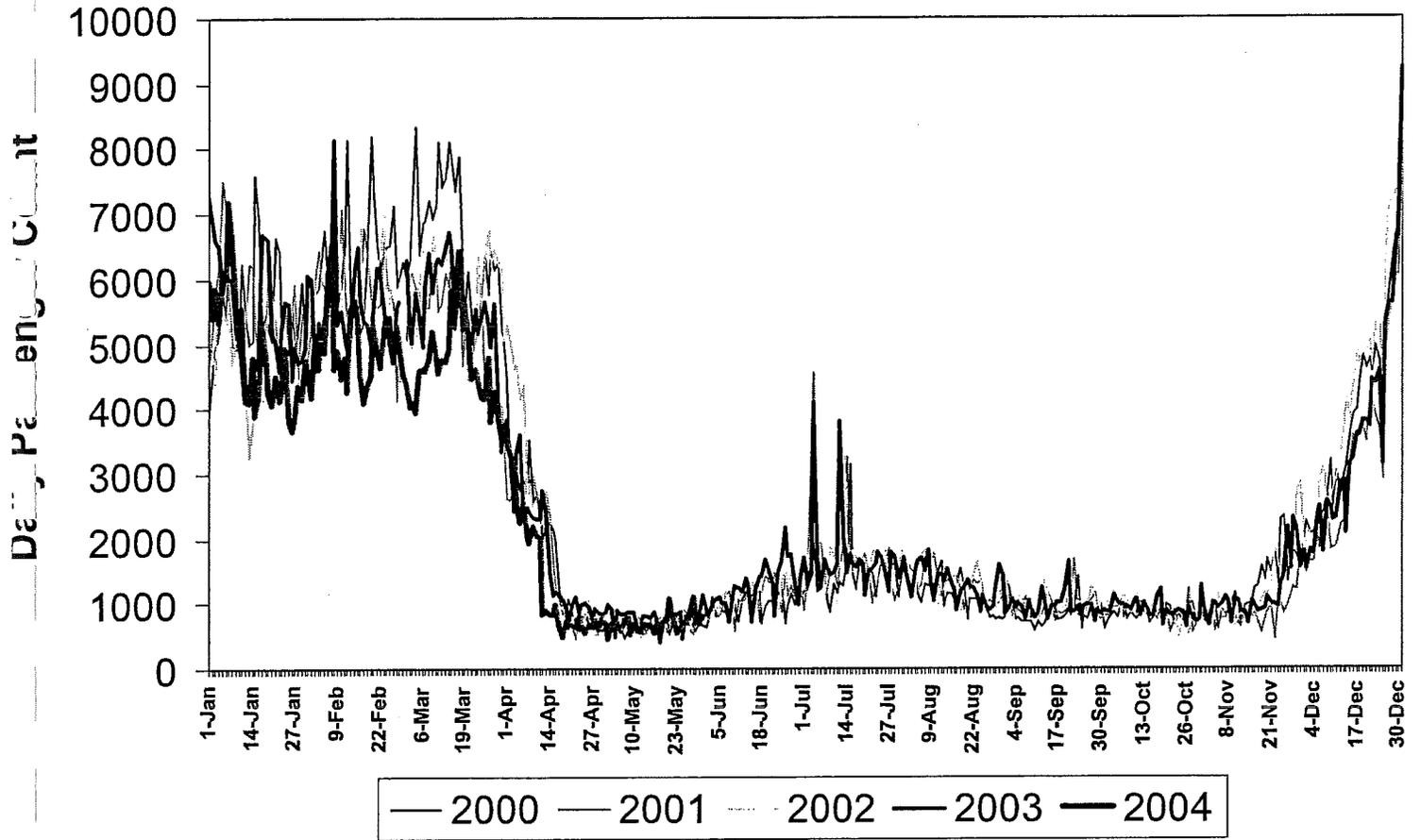
These data are shown graphically in the charts below.



STEAMBOAT SPRINGS ALL GROUND TRANSPORTATION SERVICES

SST City Bus Ridership

(through March 31, 2004)



APPENDIX E-7

Admissions Tax-Lift Ticket Sales Tax

An admissions tax would be levied on the public's entrance or acceptance to venues of entertainment, conventions, seminars, etc. Admissions are not currently taxed in Steamboat Springs. Little information is available on the revenues of this sector. The TPAB has not looked into tax revenues possible from the whole sector, as expected revenues from such a tax do not seem to warrant the difficulties of its collection. Variety of local ticket sales mechanisms and a percentage of "off site" ticket sales are two of the difficulties envisioned. For scale, we note Strings In The Mountains, as an indicator with approximate sales of \$236,000²⁷ might bring in tax revenue of \$9,400.

A discriminatory admissions tax could achieve visitors paying more than residents, according to choice of events to be taxed. Voter approval is required to apply such a tax. A simpler, and significantly larger revenue source from admissions tax would be Steamboat Ski and Resort Corporation's (SSRC) lift ticket sales:

Potential of ASC lift tickets tax as estimated by Chris Diamond, President, SSRC:
(includes season passes)

Tickets Sales	\$28,000,000	
x 4.0% sales tax rate	\$ 1,120,000	
Potential Lift Tax revenue		\$ 1,120,000

SSRC Contributions to Community, 2003/04 SSRC fiscal year:²⁸

Self assessed sales tax in unincorporated area	\$ 208,046	
Yampa Valley Community Foundation	\$ 235,278	
Steamboat Springs Winter Sports Club	\$ 435,265	
Charitable – Lifts and lessons	\$ 177,677	
Fundraising - Snowball, United Way	\$ 45,800	
Fundraising – Corporate, In-Kind	\$ 124,727	
Grants to community organizations	\$ 75,000	
City garage maintenance	\$ 25,000	
Total		\$ 1,326,793

²⁷ Strings in the Mountains front office

²⁸ All data provided by Chris Diamond, President, SSRC

When viewing the Steamboat Ski and Resort Corporation (SSRC) as a unique admission tax revenue source, the City must balance several factors into its analysis. The cooperative, symbiotic relationship between the City and SSRC is a certain element of such analysis. While some of the community contribution elements listed above likely cost SSRC less than shown (i.e. actual SSRC cost vs. full retail value as given for Charitable-Lifts and lessons), SSRC community contributions can be expected to greatly diminish if a lift ticket tax is applied.

The SSRC contribution to the marketing of Steamboat Springs is centered on the Airline Revenue Guarantee Program, which commits airlines to provide air service into our valley in exchange for revenue guarantees. SSRC has contributed approximately \$1,200,000, on average, to the airline program each of the past 5 years. The average program cost over the same 5 years is about \$2,000,000²⁹. Additionally, SSRC's marketing contribution to the airline program through advertising, sales, direct marketing and direct salaries of the program last season was \$820,000, with management costs of \$150-200,000³⁰. None of these costs of the airline program are included in the above list of "Contributions to Community".

As noted above, SSRC collects a voluntary sales tax on its food and beverage operations outside the City limits. The average of this tax revenue over ten years is \$215,000³¹. Ski lessons might be an alternative tax revenue source, short of a lift ticket tax. Ski rentals are already taxed as a sale. We did not analyze the ski lesson tax possibility. It is not of the scale of the lift ticket tax, but would be in a similar mode.

The TPAB met with Chris Diamond, SSRC president, and Andy Wirth, SSRC marketing executive. Approximately 65% of ticket sales occur offsite. Chris described how applying a lift ticket tax at the point of sale would be further complicated by fluctuating vacation package bundles.

Mr. Diamond estimates that our total community winter marketing is currently \$6,000,000 a year. Of this amount, SSRC accounts for \$5,000,000.

²⁹ Steamboat Springs Chamber Resort Association

³⁰ Chris Diamond, President SSRC

³¹ SSRC

The growth of a lift ticket tax would likely be flat, as evidenced by the same trend in skier days at SSRC.

Vail is the only resort community in Colorado to tax lift tickets. Vail applies this revenue directly to funding its transit system. Andy Wirth noted that Vail's lift ticket tax has achieved both transit systems and transit infrastructure for Vail, while SSRC has had to invest in infrastructure to support its Steamboat bus service, as well as its own shuttle system to remote parking. The Town of Vail took on the burden of constructing all the covered parking and the transit system, while in return VA agreed to a 2% lift ticket tax.

APPENDIX E-8 COMPARISON OF PROPERTY TAXES PAID WITHIN ROUTT COUNTY

Tax Areas selected represent the highest/lowest and cities for each of the three school districts.

Area	Tax Area	County	School	CoMtn	Library	Hosp.	Cemet.	Upper	CO.			Total Mill Levy	Property Tax On MV of 300,000.00
									Yampa	River	Town		
In RE-2													
Lowest	05	13.752	26.875	3.997	2.250		0.130		0.255			47.259	1,128.54
Steamboat	20SS	13.752	26.875	3.997	2.250		0.130	1.820	0.255			49.079	1,172.01
Tree Haus	24	13.752	26.875	3.997	2.250		0.130	1.820	17.275	4.606		70.960	1,694.52
Timbers	18	13.752	26.875	3.997	2.250		0.130	1.820	20.243	4.606		73.928	1,765.40
Steamboat 2 (highest)	13	13.752	26.875	3.997	2.250		0.130	1.820	30.700	4.606		84.385	2,015.11
In RE-1													
Lowest	33	13.752	30.599		2.415	0.170	0.391		0.255			47.582	1,136.26
Hayden (highest)	35H	13.752	30.599		2.415	0.170	0.391	1.820	0.255	3.082	25.284	77.768	1,857.10
In RE-3													
Lowest	66	13.752	39.301		1.147		0.695	1.820	0.255			56.970	1,360.44
Oak Creek	50OC	13.752	39.301		1.147		0.186	1.820	0.255	9.938	9.982	76.381	1,823.98
Yampa	60Y	13.752	39.301		1.147		0.695	1.820	0.255	3.405	12.545	72.920	1,741.33
Morrison Cr. (highest)	55	13.752	39.301		1.147		0.186	1.820	0.255	16.714	9.938	83.113	1,984.74

APPENDIX E-9

Policy Implications For The LMD/Accommodations Tax

Sept 7, 2004

TPAB has decided not to focus on the merits of the current proposal before City Council regarding use of the accommodations tax to fund airline guarantees; rather, we are addressing the policy and procedures being established by the process of this LMD/Accommodations tax request. Specifically we choose to address the implications of this procedure on future City revenue needs and requests from other organizations and entities for special tax districts and taxes.

TPAB was established by the City Council to assess the City's financial health, current and future expenditure needs, revenue sources, and tax policies. The accommodations tax proposal from the Steamboat Springs Chamber Resort Association, lodging community, and Ski Corps is being considered by the City Council prior to completion of the TPAB report and recommendations. The LMD/Accommodations tax is therefore under review by the City Council without the benefit of a guiding City Policy and without the complete picture of current and future City financial needs and potential revenue sources.

During the course of TPAB study of City revenue and expenditures, we became aware of a number of potential and currently proposed special taxes and tax districts including the TIF/base area revitalization plan, a proposed tax for the Main Street program, the intent of Multi-Jurisdictional Housing Authority to seek a limited property tax, and the possibility of a tax request for Steamboat Springs Parks and Recreation. Currently, the City has no guiding policies or standards in place to consider these different taxing authorities and tax needs. The proposed LMD/Accommodations tax sets an unfortunate precedent for fragmenting City revenues from the general fund.

Because the LMD/Accommodations tax is being considered outside of a broader consideration of City revenue needs and potential sources to meet those needs, it leaves open the possibility of other entities/organizations seeking taxing ability in the same ad hoc manner. Each organization could approach the City and present a needs assessment and benefit analysis for the City and reference the policy and procedures established by the City for consideration of LMD/Accommodations tax as merit for the same approach. Each of these entities/organizations would establish separate boards to oversee funding and separate areas and residents of the City that would be taxed. While the boards may be established by City Council, on a day-to-day basis, they would operate independently of the City. The result would be a proliferation of organizations/entities within the City that manage tax districts and tax authorities largely separate from City control. A demographically fragmented approach to City taxes will further complicate an objective assessment of each successive layer of tax proposal considered.

APPENDIX E-10

Community Support Policies and Procedures

Steamboat Springs Community Support Program, a funding program for non-profit organizations that operate in Steamboat Springs and Routt County, is unique among municipalities. Started when the City had surplus in sales tax revenues, the program has become a mainstay of the annual budget process. While revisions to the process and grant application were made in 2004, additional changes are needed to maintain City integrity and legal protection.

The Community Support Program bears striking similarity to non-profit Foundation/philanthropic grant making. However, where Foundations have specific legal and IRS mandated operations and protections for their funding efforts, the City has no such guidelines or protections. Annually, the City distributes over \$100,000 in General Fund revenue to non-profit organizations. Funding per individual non-profit organization (between \$10,000 and \$40,000) far exceeds the competitive per-grant spending of the Yampa Valley Community Foundation as well as most small to mid-size foundations nationally.

The Community Support budget is discretionary, not mandated funding, and should be treated as such. Available funding per year should be based upon careful analysis of all other City needs and allocated only after all essential services, such as fire and police, are funded.

Recommendations:

- That the City adopt the National Council on Foundations Recommended Principles Practices for Effective Grant Making as guidelines for community support funding;
- That the City encourage adoption of a common grant application for use by all local donor organizations (Yampa Valley Community Foundation, Routt County United Way, City of Steamboat Springs) to insure uniform funding guidelines and procedures;
- That the City adopt strict conflict of interest standards and insure that no organization or individual who receives community support funding recommends City community support allocations;

- That the City adopt standard philanthropic procedures for all funding requests exceeding \$10,000 and include a site visit to better examine the fiscal and programmatic health of grant seeking organizations;
- That the City ask its legal counsel to investigate potential liabilities for the City related to its Community Support funding program and legal protection afforded to foundations;
- That the City include as a part of its Community Support funding application a requirement to submit the total budget of the non-profit organization, broken out by line item, and including other donors and outstanding requests for funds for the programs or activities listed in the community support application;
- That the City adopts clear policies and procedures related to City staff non-profit assistance particularly as it relates to City preparation of grants and budgets for non-profit organizations.

APPENDIX F

PREVIOUS BOND ISSUES

City of Steamboat Springs Tax Questions

Date	Question	Results
November 1986	<p>City Collected Sales Tax</p> <p>Shall the City Council of Steamboat Springs, in order to improve upon the State's administration of City sales tax, enact an ordinance amendment which provides for local collection and administration of Steamboat Springs sales tax; retains the current sales tax rate; and gives Steamboat Springs local determination in the definition of how sales tax will be applied, to include all transactions currently covered, as well as equipment leases and rentals, cable television and telecommunications access charges?</p>	<p>Passed</p> <p>Yes - 1185 No - 724</p>
November 1986	<p>1% Lodging Tax</p> <p>Shall the City Council of Steamboat Springs, in order to provide revenues to fund development of improvements and amenities in Steamboat Springs which will promote tourism and enhance the vitality of Steamboat Springs as a premiere destination resort, and enhance the community identity, environmental desirability and economic health of Steamboat Springs, enact an ordinance levying a lodging tax of 1% on public accommodations of less than 30 days?</p>	<p>Passed</p> <p>Yes - 1362 No - 564</p>
November 1989	<p>Question A - Bond Issue</p> <p>Shall the City of Steamboat Springs be authorized to issue its general obligation bonds, in one series or more, in the aggregate principal amount of \$3,680,000, or so much thereof as may be necessary, for the purpose of constructing, otherwise acquiring, equipping, extending, improving and developing public parks and recreation facilities and related administrative facilities for the City parks and recreation department, including, without limitation, construction of trails and the acquisition of real property therefore, improvements to Howelsen Hill,</p>	<p>Passed</p> <p>Yes - 732 No - 585</p>

Date	Question	Results
	including additions to the lodge associate therewith, and the Howelsen Rodeo Grounds and construction and equipping of parks and recreation parks building.....	
November 1993	Referendum C – Increase Sales Tax Shall City of Steamboat Springs, Colorado taxes be increased up to \$1,150,000 annually to be used for educational purposes by increasing the sales tax rate from four (4%) percent to four and one-half (4 ½%) and by increasing the use tax rate from four (4%) percent to four and one-half percent (4 ½%), and shall the City be authorized to receive and spend the proceeds of the City’s sales and use tax notwithstanding any revenue or expenditure limitations?	Passed Yes – 1301 No – 893
November 1993	Referendum D – Bond – Golf Issue Shall City of Steamboat Springs, Colorado debt be increased up to \$5,015,000 with a repayment cost of up to \$9,568,500 by the issuance and payment of sales and accommodation tax revenue bonds for the purpose of constructing a public golf course, and shall the City be authorized to spend the proceeds of such bonds, the revenues derived from such public golf course and the revenues pledged to such bonds notwithstanding any revenue or spending limitations?	Not passed Yes – 1093 No – 1132
November 1993	Referendum E – LIDs Issue Shall City of Steamboat Springs, Colorado debt be increased up to \$2,165,000 with a repayment cost of up to \$3,223,138, by the issuance and payment of special assessment revenue bonds for the purpose of financing certain local improvements within the City and, in connection therewith, shall the City be authorized to make special assessments against the properties benefited thereby, and shall the City be authorized to receive and spend the proceeds of such bonds and such special assessments notwithstanding any revenue or expenditure limitations?	Not Passed Yes – 993 No – 1210
November 1994	Ballot Issue 2C – Golf – Increase Debt Shall the City of Steamboat Springs, Colorado’s Debt be increased up to \$4,550,000 with a repayment cost of up to \$9,150,000, for the purpose of constructing an	Passed Yes – 2056

Date	Question	Results
	eighteen (18) hole public golf course at the City owned property at the intersection of State Highway 131 and U.S. Highway 40, commonly referred to as the Cornerstone site, by the issuance and payment of accommodations (lodging) tax revenue bonds?	No – 863
November 1994	Ballot Issue 2D – Golf Revenue Shall the City of Steamboat Springs, Colorado, be authorized to spend the revenues derived from the proposed eighteen (18) hole public golf course at the City owned property at the intersection of State Highway 131 and U.S. Highway 40, commonly referred to as the Cornerstone site, notwithstanding any revenue or spending limitation?	Passed Yes – 1871 No – 1032
November 1996	Referendum 2A – Increase Sales Tax (1/2 cent continuation for School Education Fund) Shall the City of Steamboat Springs, Colorado taxes be increased up to \$1,367,495.00 annually to be used for educational purposes by extending the increase in the sales tax rate from four percent (4%) to four and one-half percent (4 ½%), and by extending the increase in the use tax rate from four percent (4%) to four and one-half (4 ½%), and shall the City be authorized to receive and spend the proceeds of the City’s sales and use tax notwithstanding any revenue or expenditure limitations?	Passed Yes – 2339 No – 1380
June 1997	Downtown Development Authority (DDA) Shall a Downtown Development Authority be established for the City of Steamboat Springs, Colorado, pursuant to Part 8 of Article 25 of Title 31 of the Colorado Revised Statutes, as amended, within the area set forth in the City’s ordinance No. 1551 finally adopted on May 20, 1997?	Passed Yes – 514 No – 255
November 1997	Referendum 2A (TABOR Issue) Shall the City of Steamboat Springs, Colorado be permitted to collect, retain and expend the full proceeds of the City’s sales and use tax, accommodations tax, non-federal grants and all other revenues, notwithstanding any state restriction on fiscal year spending, including without limitation the restrictions of Article X, Section 20 of the Colorado	Passed Yes – 1243 No – 800

Date	Question	Results
	Constitution, from the 1997 fiscal year and thereafter?	
November 1997	<p>Referendum 2B (YVEA Franchise)</p> <p>Shall the City of Steamboat Springs pass an ordinance extending the franchise to Yampa Valley Electric Association, Inc. ("YVEA"), its successors and assigns, to construct, operate, and maintain an electric system in the City of Steamboat Springs, Colorado, and amending the franchise as follows: (1) to allow YVEA to use the "Public Places and Property of the City" in addition to the streets or alleys for its purposes; (2) to allow YVEA the use of City rights-of-way without additional payment to the City; (3) to prohibit periodic review and mutual periodic re-negotiation of the franchise for 20 years; (4) to provide advance consent by the City Council to assignment of the franchise by YVEA; (5) to extend the franchise for 20 years; and (6) to reduce consideration for the franchise from 3% to 1% of YVEA's gross revenues?</p>	<p>Not Passed</p> <p>Yes - 643 No - 1421</p>
November 1997	<p>Referendum 2C (Longthong Road)</p> <p>Shall the City of Steamboat Springs, Colorado debt be increased up to \$418,700.00 with a repayment cost of up to \$606,414.00 by the issuance and payment of Special Assessment Revenue Bonds for the purpose of financing certain improvements to Longthong Road within the City and maintenance thereto, in connection therewith, shall the City be authorized to make special assessments against the properties benefited thereby and shall the City be authorized to receive and spend the proceeds of such bonds and such special assessments notwithstanding any revenue or expenditure limitations?</p>	<p>Passed</p> <p>Yes - 22 No - 1</p>
November 1998	<p>Referendum 2D</p> <p>Shall the City of Steamboat Springs, Colorado taxes be increased \$407,000.00 annually in the first fiscal year by imposing a levy of general ad valorem taxes, which levy shall commence after the termination of the levy of general ad valorem taxes and repayment of the bonds issued to finance construction of the water filtration plant, with all of the proceeds to be used and</p>	<p>Not Passed</p> <p>Yes - 1216 No - 1904</p>

Date	Question	Results
	<p>spent for the purpose of funding, for the benefit of the public, the cultural and performing arts, the preservation of the history and heritage of the Yampa Valley, and for related purposes, without limitation or condition on the amount collected or spent under the Colorado Constitution?</p>	
November 1999	<p>Referendum 2A – TABOR Issue: Increase sales and use tax from 4% to 4 ½% from 1/1/01 – 12/31/09 for educational purposes Shall the City of Steamboat Springs, Colorado taxes be increased up to \$1,837,500.00 annually to be used for educational purposes by extending the increase in the sales tax rate from four percent (4%) to four and one-half percent (4 ½%) and by extending the increase in the use tax rate from four (4%) to four and one-half percent (4 ½%), and shall the City be authorized to receive and spend the proceeds of the City’s sales tax and use tax notwithstanding any revenue or expenditure limitations?</p>	<p>Passed Yes – 1195 No – 931</p>
November 1999	<p>Referendum 2B – DDA Question: Affirm the adoption of the Plan of Development, effective August 17, 1999 Shall citizens of the City of Steamboat Springs, Colorado vote yes and by so doing ratify and affirm the action of the City Council in adopting the Downtown Development Authority’s Plan of Development, effective August 17, 1999, or vote no, and by so doing reject the Plan of Development, in which case the Plan of Development shall be immediately deemed null and void and of no further effect?</p>	<p>Not Passed Yes – 551 No – 1563</p>
November 2000	<p>Referendum 2A – Affordable Housing Shall the City of Steamboat Springs taxes be increased by \$1,500,000 annually, commencing January 1, 2001, and by whatever additional amounts are raised annually thereafter from an Excise Tax to be assessed against new development at varying rates not to exceed \$2.00 per square foot as more specifically set forth in Ordinance No. 1752, adopted by the City Council and subject to approval of this ballot issue, and used to preserve and create sustainable affordable housing through the acquisition of property, capital expenditures, and expenses directly related to those</p>	<p>Not Passed Yes – 1269 No – 3251</p>

Date	Question	Results
	acquisitions; and shall the revenues derived from such excise tax be spent as a voter-approved revenue change and an exception to the limits that would otherwise apply?	
November 2001	<p>Referendum 2A – TABOR Issue: Increase taxes up to 2.9 million annually for transportation needs</p> <p>Shall City of Steamboat Springs taxes be increased up to \$2.9 million annually (for tax year 2002) to be used for transportation needs in the City of Steamboat Springs and into the Steamboat Springs region, in accordance with City Ordinance No. 1805, duly adopted by the City Council at second reading on August 21, 2001, by instituting a dedicated transportation tax consisting of a new 3% tax on the sale of lift tickets, an additional 2% tax on the rental of rooms and accommodations, an additional 2% tax on the rental of sporting goods equipment, a new 2% tax on the charges for outdoor recreational activities and outdoor recreational instruction, and an additional 1% sales tax on the sale of alcohol and food in restaurants, cafes and related establishments, commencing January 1, 2002; and, in connection therewith, shall the City of Steamboat Springs be entitled to collect and spend all revenues from such tax regardless of whether the annual revenues from such tax, in any year after the first full year in which it is in effect, exceed the estimated dollar amount stated above, and without limitation or condition, and without limiting the collection or spending of any other revenues or funds by the City of Steamboat Springs under Section 20 of Article X of the Colorado Constitution or any other law?</p>	<p>Not Passed</p> <p>Yes – 1174 No – 1580</p>
November 2001	<p>Referendum 2B – TABOR Issue: Increase taxes up to \$1,600,000 for early childhood education and care</p> <p>Shall City of Steamboat Springs taxes be increased up to \$1,600,000 annually, commencing calendar year 2002, to be used solely for providing, assisting, and enhancing early childhood education and care in the City of Steamboat Springs, in accordance with the ordinance proposed to the City Council on September 4, 2001 by First Impressions if Routt County and referred to the qualified electors by the City Council by Resolution No. 2001-19 on the 4th day of September,</p>	<p>Not Passed</p> <p>Yes – 615 No – 2104</p>

Date	Question	Results
	<p>2001, by instituting a .5% sales tax for four (4) years commencing 12:01 A.M. January 1, 2002 and ending with 11:59 P.M. December 31, 2005; and in connection therewith shall the City of Steamboat Springs be entitled to collect and spend all revenues from such tax regardless of whether the annual revenues from such tax in any year after the first full year in which it is in effect exceed the estimated dollar amount stated above, and without limitation or condition, and without limiting the collection or spending of any other revenues or funds by the City of Steamboat Springs under Article X, Section 20, of the Colorado Constitution or any other law?</p>	
November 2002	<p>Referendum 2A – Increase taxes up to \$1,900,000 annually for ambulance, fire prevention and fire suppression services Shall City of Steamboat Springs taxes be increased \$1,900,000.00 annually (first full fiscal year dollar increase), through the imposition of an ad valorem property tax mill levy of 5.0 mills, commencing with calendar year 2002 to be collected in 2003 on all real property, both vacant and improved, dedicated to pay the expenses of the City related to the provision of ambulance services, and fire prevention services, and fire suppression services, in accordance with City Ordinance No. 1861, duly adopted by the City Council at second reading on August 20, 2002?</p>	<p>Not Passed</p> <p>Yes – 1699 No – 1941</p>
November 2002	<p>Referendum 2B – Increase taxes by \$275,000 annually repealing the impact fee & assessing an excise tax Shall City of Steamboat Springs taxes be increased by \$275,000.00 annually, the passage of which shall automatically repeal the existing impact fee, commencing January 1, 2003, and by whatever additional amounts are raised annually thereafter, from an excise tax to be assessed against new development at the rate of 1.2% if the estimated construction costs as more specifically set forth in Ordinance No. 1868, adopted by the City Council, and subject to approval of this ballot issue, and used to offset the costs to the community created by new construction by funding the construction of capital improvements and infrastructure needs of the City; and, in connection therewith shall the City of</p>	<p>Passed</p> <p>Yes – 1948 No – 1571</p>

Date	Question	Results
	<p>Steamboat Springs be entitled to collect and spend all revenues from such tax regardless of whether the annual revenues from such tax in any year after the first full year in which it is in effect exceed the estimated dollar amount stated above, and without limitation or condition, and without limiting the collection or spending of any other revenues or funds by the City of Steamboat Springs under Article X, Section 20, of the Colorado Constitution or any other law?</p>	
November 2003	<p>Referendum 2A – Increase taxes by \$1,350,000 for ambulance, fire prevention and fire suppression services Shall City of Steamboat Springs taxes be increased \$1,350,000 annually (first full fiscal year dollar increase), through the imposition of an ad valorem property tax mill levy of 3.55 mills, commencing with calendar year 2003 to be collected in 2004 on all real property, both vacant and improved, dedicated to pay the expenses of the City related to the provision of ambulance, fire prevention services, and fire suppression services, and requiring that an amount equal to that resulting from the tax increase be transferred to the City’s capital projects fund and spend on capital improvements, in accordance with City Ordinance No. 1906, duly adopted by the City Council at second reading on August 19, 2003?</p>	<p>Not Passed</p> <p>Yes – 959 No – 1626</p>

November 2004-LMD

APPENDIX G

Affordable Housing, the Second Homes Study, and Land use and Growth

The issues of land use, growth and development and affordable housing are inextricably linked. While ski resort areas in Colorado struggle to balance growth and development, green space preservation, and housing development, the issues faced are not wholly different from other resort areas in the country or expanding metropolitan areas. Land use itself is rapidly changing from family farms and ranches to metropolitan area development and large homes on large lots. With that change comes the loss of open space, the loss of ranch/farm land and agricultural "culture", and additional challenges to affordable housing, transportation, and long-term environmental preservation.

Ski resort communities in Colorado also face a lack of developable land. Supply and demand theory dictates that as resources diminish, the demand and cost for the remaining resources will increase. Hence as the amount of buildable land decreases, the cost increases. As a result, affordable housing and affordable land become scarce commodities and second homeowners (who can afford high land and housing costs) and wealthy people begin to dominate buyers. Further, young people who grew up in the community can't afford to return, service industry workers can't afford to live in the community where they work, and a mismatch between income (which generally remains standard despite rapidly increased cost of living) and housing costs grows.

Land cost and state laws that dictate large lot requirements in rural areas exacerbate land use issues in resort communities in Colorado. Routt County Commissioners have, to date, been reluctant to consider higher density developments in the County that could offer multiple units and more affordable alternatives. Within the City of Steamboat Springs, some City officials have balked at the idea of offering development incentives for affordable housing development throughout the City and beyond designated areas in the West of Steamboat Plan. Similarly, while other Colorado resort communities and cities require affordable housing be included in new housing developments, the Steamboat Springs City Council has, to date, refused to impose any such requirement. Currently, one mobile home park within the City limits that offers affordable housing for essential workers is proposed for redevelopment as higher end housing. Three other mobile home parks sit on prime development land that could likely be redeveloped for commercial or residential purposes in the future.

The median sale price for a single family home in 2003 in Steamboat Springs was \$429,000 while the median sale price for condominiums and townhomes was \$214,500. At the end of October 2004, the average asking price for single-family homes in Steamboat Springs was \$1.1 million and the average asking price for condominiums and townhomes was \$304,950. Less than 8% of the total number of residential lots within the City remain empty with very few available for sale and even fewer priced at less than \$200,000. These factors are indicative of steadily increasing housing costs within the City.

The City of Steamboat Springs and Routt County jointly created a multi-jurisdictional housing authority, the Yampa Valley Housing Authority, in 2003. Multi-jurisdictional housing authorities were established by the Colorado Legislature to create new revenue streams for the maintenance and development of affordable housing. The Regional Affordable Living Foundation (RALF) had operated as a non-profit affordable housing development agency within the County. As a part of the agreement establishing the Yampa Valley Housing Authority, RALF will be dissolved and the assets of the organization transferred to the Yampa Valley Housing Authority.

A recent study commissioned by the Northwest Colorado Council of Governments focused on issues of second homes in multiple counties in Northwest Colorado. While Routt County was not included in the study, similarities may be drawn between other resort communities featured in the study and Routt County and Steamboat Springs.

Half the current inventory of housing units in Steamboat Springs are owned by non-residents – a trend likely to continue as the nation's "Baby-Boomers" move into the 50-65 age group, optimum time for purchasing second homes. Initial studies indicate many of the second homeowners are choosing to become full-time residents in Steamboat Springs and Routt County either as retirees or employees in a location-neutral business or by telecommuting. Second home development will continue to drive new housing construction prices higher and will cause some older condominium units to become obsolete and may provide the possibility of conversion to local residences.

The Second Homes Study noted second homes are a major economic driver in the researched resort communities and, with that economic benefit, comes major challenges. As noted previously, as second homes begin to dominate the landscape, land use changes, affordability of all housing diminishes, and communities face transportation issues as workers are forced to commute from more affordable communities at times an hour or more away. This phenomenon of the commuter is currently occurring in Steamboat Springs as 1400 workers drive and bus from Moffat County, and other communities to the west, south and north of Steamboat Springs.