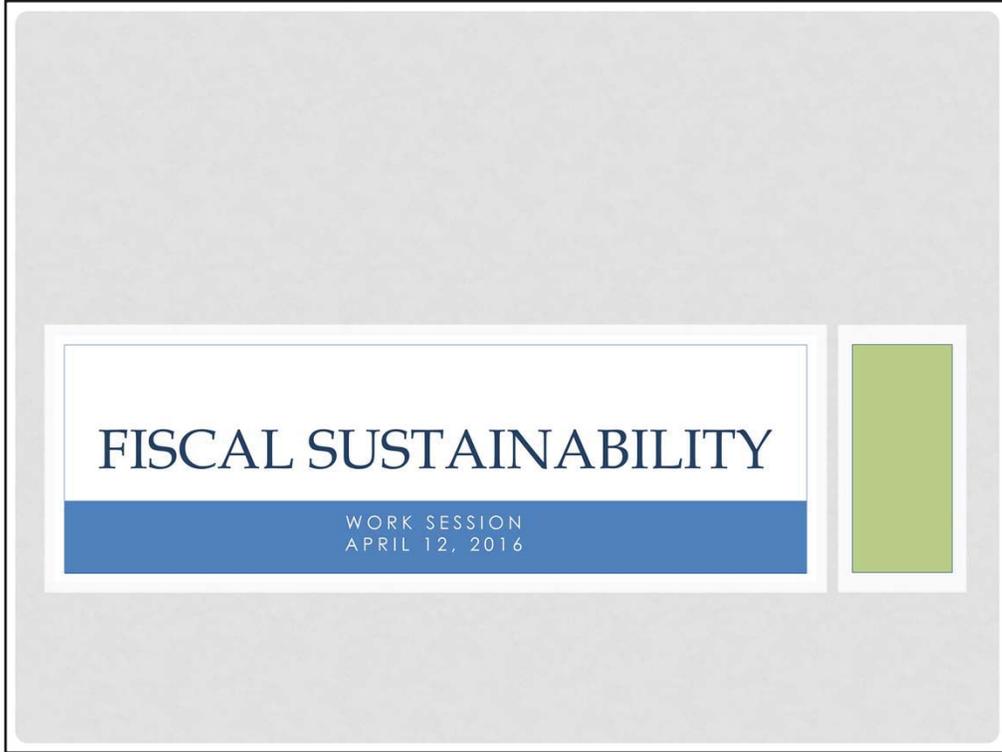


Attachment #1.



FISCAL SUSTAINABILITY

- Wikipedia Definition:
 - **Fiscal sustainability**, or **public finance sustainability**, is the ability of a government to sustain its current spending, tax and other policies in the long run without threatening government solvency or defaulting on some of its liabilities or promised expenditures.

KEY QUESTIONS

- Is our financial structure sustainable over time?
- Is our taxing structure equitable to our tax payers?
- Is the City providing the right amount of service to our citizens and guests? (Too much, too little, just right?)
- Is the City adequately preparing for infrastructure repair and replacement?

ADDITIONAL SERVICES PROVIDED SINCE 2000
(WITHOUT ADDITIONAL FUNDING SOURCES)

- Professional Fire/EMS department
- Additional street infrastructure to maintain
- Additional trails to maintain
- Additional buildings to maintain and plan for replacement
- Additional Transit Routes
- Unfunded mandates for Stormwater, water, wastewater, etc.

Attachment with additional detail.

NEW SERVICES ON THE HORIZON

- Additional City owned sidewalks (Maintenance & Future Replacement)
- Additional trails to maintain
- Additional snow removal on Yampa Street
- Additional lane miles to maintain & future replacement (Snap Dragon Way)
- Additional building space (Igloo, Police Facility, potentially new recreation facilities, etc.)
- Maintenance associated with new parks (Workman)
- Maintenance associated with park expansions (Bear River, Iron Horse river access)
- On-going unfunded mandates (MS4 permit requirements)
- Public art maintenance

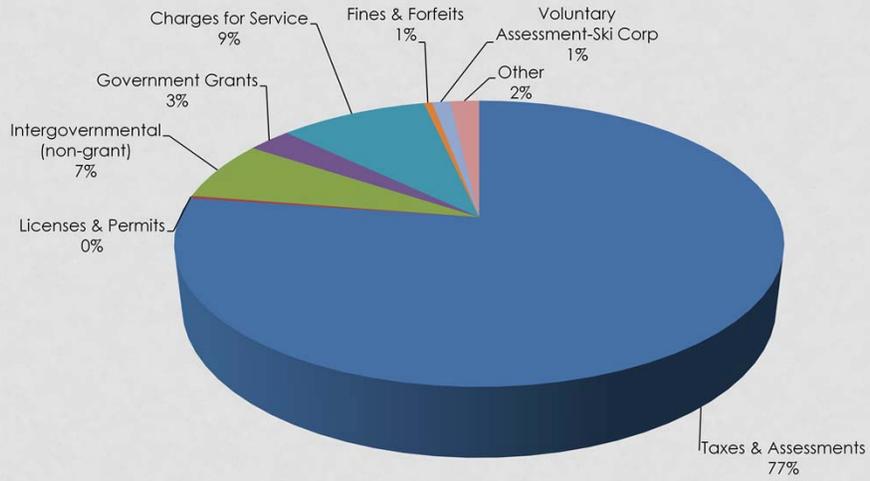
2011 ECONOMIC DEVELOPMENT POLICY

The Three Legs of Our Economic Policy



Full policy is an attachment

GENERAL FUND REVENUE SOURCES



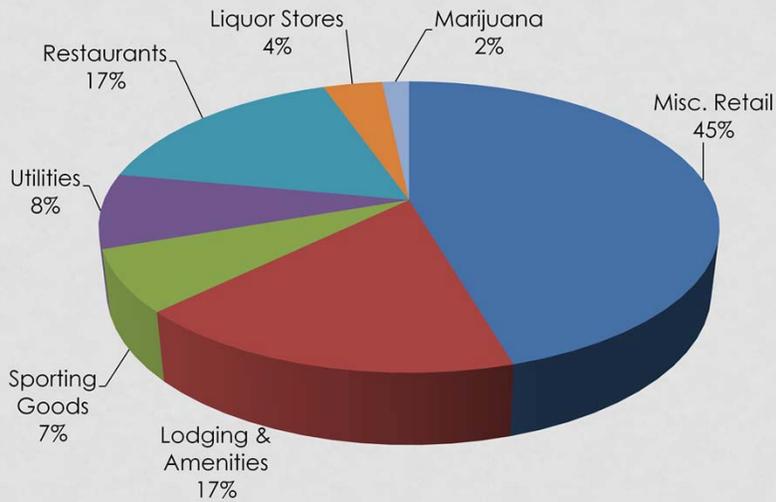
TAXES & ASSESSMENTS

(77% OF GENERAL FUND REVENUE)

- 95% - Sales Tax (4% of taxable sales)
- 3.5% - Vehicle Use Tax (4% of vehicle price)
- <1% - Franchise Fees (YVEA, Comcast, Atmos)
- <1% - Special Assessments (Longthong Road)
- <1% - Cigarette Tax
- <1% - Retail Marijuana Tax (State Collected)

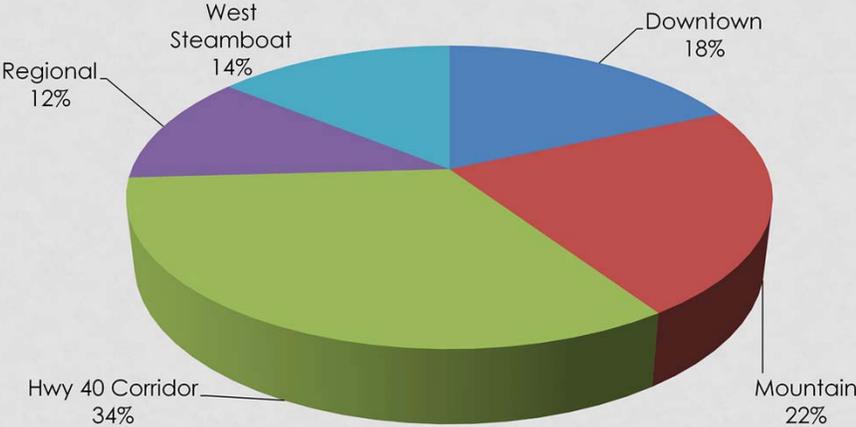
Sales Tax	21,355,816	95.08%
Vehicle Use Tax	784,015	3.49%
Franchise Fees	155,388	0.69%
Special Assessments	9,590	0.04%
Cigarette Tax	62,434	0.28%
Retail Marijuana Tax	94,810	0.42%
	<hr/>	
	22,462,053	100.00%

2015 SALES TAX COLLECTED BY CATEGORY



Misc. Retail	\$9,918,564
Lodging & Amenities	3,779,810
Sporting Goods	1,500,528
Utilities	1,812,130
Restaurants	3,636,986
Liquor Stores	803,485
Marijuana	366,456
	<hr/>
	21,817,959

2015 SALES TAX COLLECTED BY AREA



Downtown	4,005,391
Mountain	4,854,666
Hwy 40 Corridor	7,307,751
Regional	2,557,684
<u>West Steamboat</u>	<u>3,092,467</u>
	21,817,959

CAPITAL FUNDING SOURCES

- Building Use Tax -
 - \$1.1mm in 2015
 - Between \$500k-\$1.5mm/year (2009-2015)
- Building Excise Tax
 - \$637k in 2015
 - Between \$275k-\$875k/year (2009-2015)
- YVEA Franchise Fee (Utility Undergrounding)
 - \$200k/year
- Conservation Trust Fund (Lottery Funds for recreation)
 - \$120k/year
- General Fund Transfer (sales tax)
 - \$1.2mm for 2016
- Grants
 - Varies depending on projects

2015 Actual Revenue

Building Use Tax	1,146,850
Excise Tax 637,506	
Franchise Fees	208,775
Grants	1,228,217
Conservation Trust Fund	115,211
Fire District	33,845
Investment Income	33,614
Developer Contributions	169,997
<u>General Fund Transfer</u>	<u>2,531,823</u>
	6,105,838

CAPITAL PROJECTS FUND (CURRENT)

	Actual	Budget	Based on Published 2016 6-Year CIP				
	2015	2016	2017	2018	2019	2020	2021
Beginning Balance	\$ 15,197,338	\$ 17,243,298	\$ 13,225,424	\$ 2,033,698	\$ 2,063,137	\$ 1,378,986	\$ 1,751,059
Plus Revenue	6,105,838	13,864,442	6,665,024	4,757,689	5,575,849	9,926,073	4,530,863
Less Expenditures	(4,059,878)	(17,636,316)	(17,856,750)	(4,728,250)	(6,260,000)	(9,554,000)	(3,215,000)
Less Addt'l Approved after 4/5/16		(246,000)					
Ending Fund Balance	<u>\$ 17,243,298</u>	<u>\$ 13,225,424</u>	<u>\$ 2,033,698</u>	<u>\$ 2,063,137</u>	<u>\$ 1,378,986</u>	<u>\$ 1,751,059</u>	<u>\$ 3,066,922</u>
Less Restricted Fund Balance *	297,480	248,972	248,972	248,972	282,341	616,768	953,339
Unrestricted Fund Balance	<u>\$ 16,945,818</u>	<u>\$ 12,976,452</u>	<u>\$ 1,784,726</u>	<u>\$ 1,814,165</u>	<u>\$ 1,096,645</u>	<u>\$ 1,134,291</u>	<u>\$ 2,113,583</u>

*Restricted revenue for items not on current 6-year CIP

Notes:

No land cost in Police Facility.

Police Facility based on 3 year old costs.

2020 Revenue includes \$2mm sales proceeds of Yampa St. Property (Police/Fire Station)

Includes \$3.2mm in DOLA grant funding for Police Station and Fire Station that is not guaranteed.

Need to keep \$1mm in unrestricted fund balance for unforeseen expenditures or drop in revenue.

Larger portion of budgetary reserves are held in the general fund.

CAPITAL PROJECTS FUND (REVISED)

	Actual	Budget	Based on Published 2016 6-Year CIP				
	2015	2016	2017	2018	2019	2020	2021
Beginning Balance	\$ 15,197,338	\$ 17,243,298	\$ 13,225,424	\$ 1,033,698	\$ 1,063,137	\$ 378,986	\$ 751,059
Plus Revenue	6,105,838	13,864,442	5,665,024	4,757,689	5,575,849	9,926,073	4,530,863
Less Expenditures	(4,059,878)	(17,636,316)	(17,856,750)	(4,728,250)	(6,260,000)	(9,554,000)	(3,215,000)
Less Add'l Approved after 4/5/16		(246,000)					
Ending Fund Balance	<u>\$ 17,243,298</u>	<u>\$ 13,225,424</u>	<u>\$ 1,033,698</u>	<u>\$ 1,063,137</u>	<u>\$ 378,986</u>	<u>\$ 751,059</u>	<u>\$ 2,066,922</u>
Less Restricted Fund Balance *	297,480	248,972	248,972	248,972	282,341	616,768	953,339
Unrestricted Fund Balance	<u>\$ 16,945,818</u>	<u>\$ 12,976,452</u>	<u>\$ 784,726</u>	<u>\$ 814,165</u>	<u>\$ 96,645</u>	<u>\$ 134,291</u>	<u>\$ 1,113,583</u>

**Restricted revenue for items not on current 6-year CIP*

On April 1st, 2016 DOLA changed their maximum grants from \$2mm to \$1mm/project due to the continued slow down in the energy sector.

Issue: For the past 3 years we have been anticipating (budgeting) a \$2mm DOLA grant.

This slide reflects a reduction in grant revenue of \$1mm in 2017 to account for this recent news.

With the projects we currently have on 6-year CIP our fund balance goes below the Finance Director's recommended minimum \$1mm in 2017.

UNFUNDED PARKED PROJECTS LIST

- Public Works = \$49,522,500
- Parks & Community Services = \$32,925,120
- Police Department = \$110,000
- Airport = \$4,745,000
- Facilities = \$3,151,000

Total \$90,453,620

Facilities – Do not have a comprehensive facilities replacement/maintenance plan
(Potentially budget for in 2017)

- Annual maintenance and improvements under \$50,000 are accounted for in the General Fund. (\$500k-\$800k budgeted annually)

FISCAL THREATS

- Annexations
- Weather
- Tourist industry
- Recession
- Growing demand
- Community expectations
- Grant uncertainty
- Movement toward a sharing economy

IS SALES TAX “EQUITABLE”?

- Is sales tax a regressive tax?
- Sales tax = Ad valorem tax
- Property tax = Ad valorem tax
- Second home owners pay for County services through property tax, but no City services.

Regressive Tax – imposes a greater burden (relative to resources) on the poor than on the rich. Tends to reduce the tax burden on the people with a higher ability to pay, as they shift the relative burden increasingly to those with a lower ability to pay.

Is sales tax a regressive tax?

Is considered regressive on “everyday items”. Not necessarily regressive in all aspects. Taxes such as fuel tax, cigarette tax, sin taxes, social security (because there is a cop), excise taxes etc. are more often referred to as regressive taxes.

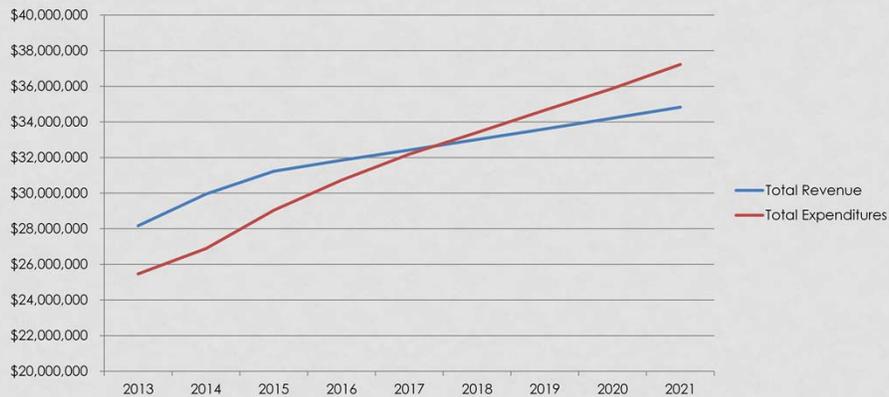
Sin taxes are typically considered regressive taxes because a higher percentage of low income individuals (based on some studies) purchase these items. Therefore, in theory impacting the poor more than the rich.

Option: Could do an allowance reduction: Allow low income individuals to provide records to get a rebate of sales taxes paid. For example, a \$200 sales tax rebate for low income individuals. (City currently does this for low income seniors)

Ad valorem tax – Sales tax is also considered an ad valorem tax which is considered “fair” because it is imposed according to value. Property tax is as well. Flat taxes are not ad valorem taxes.

5 YEAR FORECAST

2013-2021 Projected General Fund Revenues & Expenditures



2018 first negative year = (\$400k)

ASSUMPTIONS 2017-2021 Annual Increase

Revenue Taxes & Assessments 2%

Licenses & Permits 1%

Intergovernmental 1%

Charges for Services 1%

Fines & Forfeits 1%

Other Income 1%

Overhead 2%

Transfers from general fund 2%

Expenditures

Personnel 4%

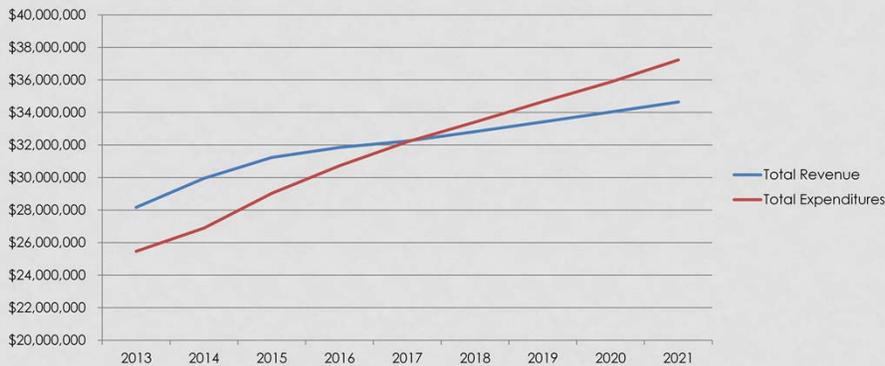
Operating 4%

Debt Current Debt Schedule + \$300k/year for downtown improvements

Operating Transfer 2%

5 YEAR FORECAST (WITH GRANT ADJUSTMENT)

2013-2021 Projected General Fund Revenues & Expenditures (With \$150k grant reduction in 2017)



2018 first negative year = (\$580k)

ASSUMPTIONS 2017-2021 Annual Increase

Revenue

Taxes & Assessments 2%

Licenses & Permits 1%

Intergovernmental 1% *This scenario includes a reduction in Transit grants in 2017 of \$150,000 based on potential funding changes*

Charges for Services 1%

Fines & Forfeits 1%

Other Income 1%

Overhead 2%

Transfers from general fund 2%

Expenditures

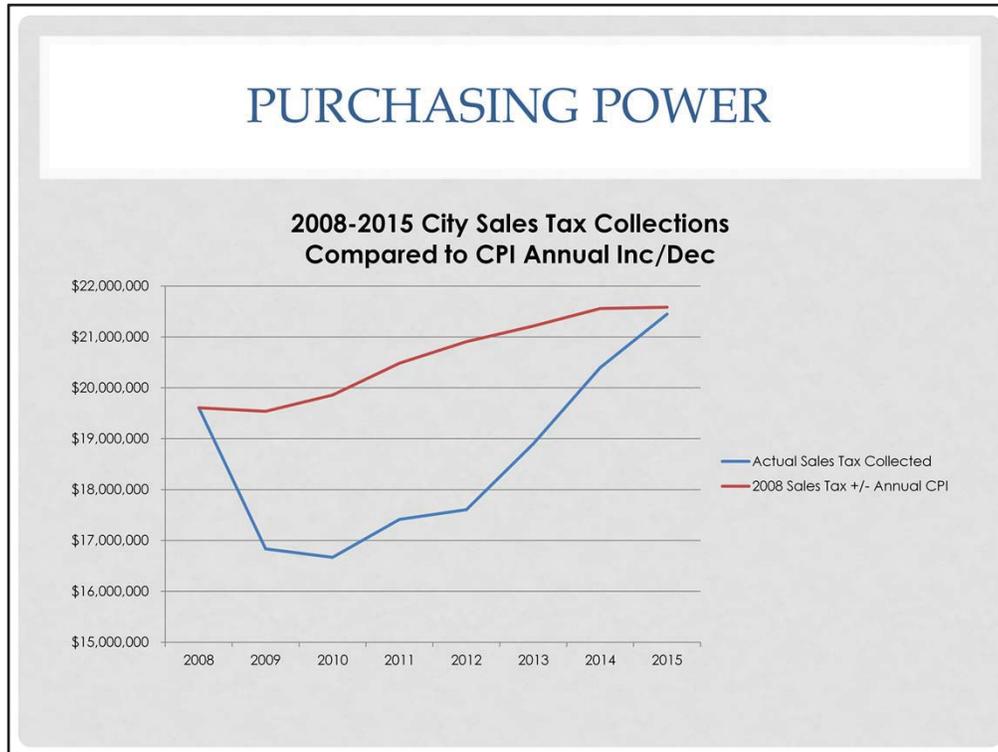
Personnel 4%

Operating 4%

Debt Current Debt Schedule + \$300k/year for downtown improvements

Operating Transfer 2%

PURCHASING POWER



Using 2008 as our base year.

Top line is 2008 sales tax plus/minus annual CPI.

Bottom line is our actual sales tax collected.

What does this say?:

We have increased services in many areas without an increase in resources. Our “purchasing power” actually diminished while we were continuing to add services.

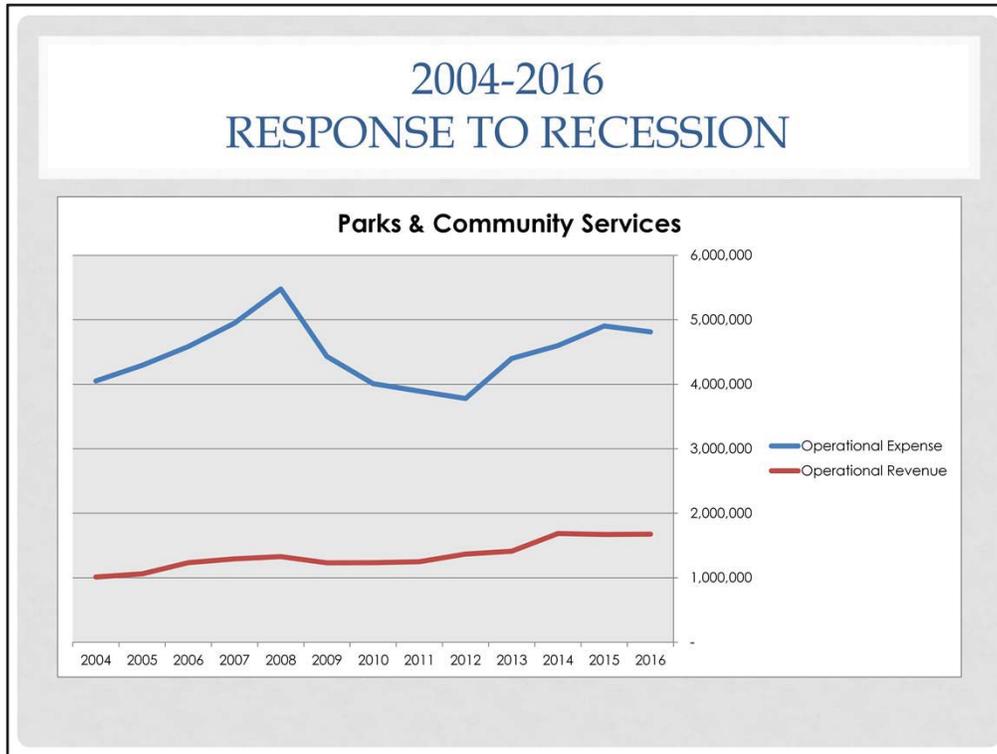
Are other things suffering in order to make this occur? Infrastructure, P&R, transit, fire, etc.

In 2015 finally catching up to the CPI from the 2009 recession as it relates to pure purchasing power.

Added trails, snow removal, financial reporting (significant grant reporting requirements), recreation teams, stormwater, etc.

Did have a drop in other areas such as Planning.

2004-2016 RESPONSE TO RECESSION



Parks & Community Services was one of the hardest hit with the recession, however many other departments were too.

This shows the immediate drop in funding with the recession.

Net year over year change:

2005 = 6.38%

2006 = 3.65%

2007 = 9.06%

2008 = 13.53%

2009 = (22.84%)

2010 = (13.29%)

2011 = (4.73%)

2012 = (8.76%)

2013 = 23.75%

2014 = (2.48%)

2015 = 11.02%

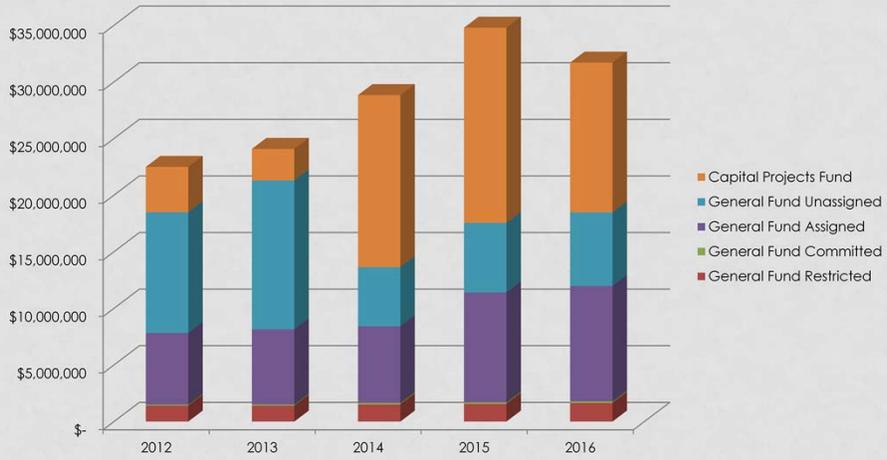
2016 = (3.00%)

GENERAL FUND BALANCE



Approximate 2016 unassigned fund balance = \$6.4mm

GENERAL FUND & CAPITAL FUND BALANCE



DISCUSSION

- What problem/problems are we trying to fix?
- What solutions would align with that?
 - Increase Revenue
 - Special Districts (Fire/Parks & Recreation)
 - General Sales Tax Increase
 - Dedicated Property Tax
 - Dedicated Sales Tax
 - Transit
 - Fire
 - Parks & Community Services
 - Capital Funding
 - Increased User Fees (up to 100% of cost)
 - Specialized Sales/Excise Taxes
 - Sin Tax
 - Lift Tax
 - Entertainment Tax
 - Decrease Services