



Fiscal Sustainability Focuses on Property Tax Question

Council Explores Revenue Diversification & Sales Tax Reliance

STEAMBOAT SPRINGS, COLORADO-January 8, 2021-During the upcoming City Council work session on January 12, Councilors will dive further into whether a property tax is the way to diversify the municipal budget and move away from its reliance on sales tax as its sole revenue source.

“This issue has been on council’s radar for several years and moved up on the priority list especially as the community deals with unforeseen challenges like the past year,” commented City Manager Gary Suiter. “The pandemic has shined an even brighter light on our reliance on a single revenue source and the impacts that has on providing superior services to the community.”

Over past meetings, a variety of options were discussed; however, council decided to narrow the conversation solely on property tax, which are usually less susceptible to short-term economic fluctuations than sales tax. The overall discussion will determine whether a property tax measure is the preferred method to achieve that and should be placed on an upcoming 2021 ballot.

To help frame the discussion, staff is proposing a property tax for the 2021 ballot in the amount of 5 to 7 mills. In addition, the proposal recommends avoiding a reduction in the overall sales tax rate, which would shift the tax burden away from visitors and non-city residents to exclusively city property owners.

As part of the presented scenarios, the revenue from the tax would be dedicated to central governmental services that include police, fire, public works, planning, municipal court, facilities maintenance and administrative services. In addition, considerations on other components of a proposed tax such as indefinite or sunset provision, appropriate tax rate, and possible offset scenarios, will be outlined for council.

“Our goal is to set the city and community up to be able to weather economic fluctuations, diversify revenue and spread the weight as equitably as possible,” continued Suiter. “With any scenario, a balance must be struck between anticipated revenues and corresponding service levels.”

The city’s approved 2021 general fund budget is \$39.5M. For reference, one mill of property tax, based on current assessed valuation, generates approximately \$730,000 per year, and 1% sales tax brings in approximately \$7M a year.

Fiscal Sustainability – Property Tax Scenarios will be the first item on the work session agenda. The Council Communication form as well as accompanying reference materials and work session presentation can be found [online](#).

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Contact

Gary Suiter, City Manager, 970.871.8225 or [email](#)

Tom Leeson, Deputy City Manager, 970.871.8249 or [email](#)

Kim Weber, Finance Director, 970.871.8250 or [email](#)