

There's Been Significant Discussion Concerning Fiscal Sustainability, What's The Deal?

As a home rule city, a balanced budget must be adopted each year. Just as you manage your household budget, the city does the same thing. As we have seen the past several years, this process is becoming more and more difficult due to population and community growth, increases in service level demands and over-reliance upon a single revenue source, sales tax.

Like many businesses, the city is experiencing rising costs of doing business including cost-of-living adjustments, health insurance, requested services and basic maintenance. City Council has tasked staff with providing multiple options for expense reduction and revenue diversification.

Sales Tax Wasn't Down by Much Last Year, So I Thought The City Was In Great Shape?

Not necessarily. Sales tax is one indicator in the overall health of the city. As some are aware, the city's only property tax is a small 2 mil property tax dedicated to Fire/EMS; but the city is funded primarily through sales and use tax revenues, which fluctuates from month-to-month and year-to-year.

In addition, sales tax responds quickly in relationship to national trends such as a recession, unemployment, weather extremes and consumer confidence. As the city strives to maintain current levels of service enjoyed by residents, despite rising costs, it becomes more and more difficult to balance municipal services with the budget without significant changes.

What is the Identified Problem?

"The city is too reliant upon sales tax as a primary revenue source."

- Subject to external factors beyond the city's control
 - Tourism, weather wildfires, special events, retail sales, airline travel, pandemic, economic recession
- Service level expectations exceed current revenue

You have Reserves – Why Not Use Those?

In fact, the city has already used reserves in 2019 and 2020. With more demands on budgets, rising costs and fluctuations in the market (remember, the city depends upon sales tax to a large extent), the city conservatively plans for economic down cycles. Just like your home finances (reserves = savings). City staff does a very good job of managing to budget and using every dollar efficiently, but to survive economic downturns, a city must have a stable reserve.

Where Does Steamboat Springs Fall Within the State?

Steamboat Springs is one of 103 home rule cities within Colorado and is unique in some ways and not so unique in other ways. In particular, many similar communities levy a sales tax on groceries and utilities (just like us) and typically have a lodging tax (just like us).

These communities also tend to have other revenue sources that Steamboat Springs does not, such as, a special district to provide for Fire/EMS, a real estate transfer tax, and special excise taxes, for example.

Why Aren't the Alarm Bells Going Off?

Council along with city staff have been working on this issue for several years. However, the focus has become more immediate recently. More than 20 regular meetings and work sessions have been dedicated to fiscal sustainability since 2016. In addition, city staff has compiled information about how Steamboat Springs' revenue structure compares to similar Colorado communities.

While a particular outcome is not being lobbied; many scenarios are being 'put on the table' for discussion by council, staff and residents. It is highly likely that the analysis will conclude that the city needs to take steps on the revenue side of the equation to maintain current service levels and why it remains City Council's top priority.

Why Don't You Just Spend Less?

Today, residents have a high expectation for quality services and the city, a service driven organization, has continued to do more and more with less – something that isn't sustainable. Over the last 5 years nearly \$2 million annually was cut out of the general fund simply to achieve a balanced budget. These difficult cuts left the city unable to fund valuable positions in Fire, Police and Parks & Recreation, needed to properly deliver increased services asked by the community. This isn't expected to change as we head into the 2022 budget.

With a collaborative budgeting process internally, city staff prioritizes services and expenses, so that every dollar is used in the most efficient and meaningful way for residents. However, the city's current situation has reached a level where a change must be made.

City Employees Have It Too Good, Just Cut There!

In 2020, due to the uncertainty of sales tax, the majority of city employees took a 10% cut in pay for 8 months of the year. In 2017, the city conducted a salary analysis against similar sized cities and found it lagged competitively. The city has worked to achieve a competitive pay structure, however, with recent salary reductions and lack of merit increases, it is likely we are once again lagging the competitive market.

Staffing is often the first and easiest target during difficult times; however, its ability to return to previous service levels demanded by residents rarely moves at a similar rate. Under this scenario within a competitive public service landscape, the city is always trying to catch up and that is why some departments, such as police services, struggle to remain fully staffed.

We often forget that city employees are valuable members of the community and taxpayers, like everyone else. Employee compensation and benefits is simply one piece of the larger financial pie as it relates to the city's overall health and future outlook.

Why Don't We Let Future Generations Figure Out This Issue?

It's our duty to provide for future generations through responsible governance. These issues must be faced now and together. We must make demanding choices that position our community best for a successful and sustainable future.