

Fiscal Sustainability – Revenue Diversification & Future Funding Options

May 22, 2018



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6-Year Revenue & Expense Projection

- Council Direction – April 10, 2018
 - Update 2018 sales tax projections
 - Provide scenarios with a range of sales tax increases
 - Provide a scenario that shows city included in the fire district
 - Provide pros and cons for new/additional revenue sources
 - Paid Parking
 - Sin Tax
 - Admissions Tax/Lift tax
 - Transit Fee
 - Sales Tax
 - Lodging Tax
 - Property Tax
 - Fire District
 - Provide core service rankings from prior years

Annual Projected Shortfall

<u>Multiple Assumptions:</u>	<u>2019 – 2024</u>
• 2% annual increase in sales tax revenue	\$3.4 - \$10.2M
• 2.5% annual increase in sales tax revenue	\$2.8 - \$8.8M
• 3% annual increase in sales tax revenue	\$2.7 - \$8M
• 4% annual increase in sales tax revenue	\$2.4 - \$6.2M
• 3% increase in sales tax & approval of fire district -	\$2.8M shortfall in 2024

Used for this Discussion (2024 Shortfall)

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Paid Parking (per 2014 parking study)

- Capital Cost = \$500,000
- Projected Revenue = \$460,000/year
- Annual Projected Cost = \$140,000-\$185,000
- Net Income (excluding capital) =\$275,000-\$320,000

- Pros
 - Encourage employees to park elsewhere
 - Help guests find parking close to stores & restaurants
 - Convenience of a phone app – locate parking spot for you
 - Potentially increase transit ridership
- Cons
 - Snow removal
 - Code enforcement
 - Highly unpopular
 - Pushes employees and locals into neighborhoods to park
 - May not solve parking “problem”

Sales Tax on Liquor & Marijuana – “Sin Tax”

- 1.40% New Sales Tax on Packaged Liquor & Marijuana
- Revenue = \$500,000 – 600,000/year
 - Approximately equivalent to community support coalition annual funding
- Pros
 - Typically a more socially acceptable form of sales tax
 - Supported by community based on survey
- Cons
 - State already has an additional sales tax on marijuana
 - Viewed as a regressive tax
- Notes:
 - If Cigarettes included, will forfeit ~\$60K/year in state excise tax.
 - Could include non-cigarette tobacco (chewing & smoking), vaping products, etc.

Lift Ticket Tax

- 900K – 1.1M estimated skier days
- Assume 50% are lift tickets & 50% passes (8 day, 15 day & Season)
- \$4 tax / lift ticket / day
- Revenue = \$1.8M - \$2.05M
- Loss of Ski Corp voluntary contribution = \$330,000 - \$380,000
- Net Revenue = \$1.47M - \$1.67M

- Pros
 - Lift tickets are relatively demand inelastic
 - Could be structured to have less of a burden on locals
 - Supported by community based on survey
- Cons
 - There could be a concern on the additional cost to tickets
 - Has been highly political between City Council and Ski Corp in the past
 - Unsure how new pass structure will change pass/ticket sales

Fee for Local Transit Service

- \$2.00-\$3.00/Rider
- Revenue = \$750K - \$1.125M
- Annual Expense = \$250,000
- Net Income (excluding capital) = \$500,000-\$875,000
- Capital Costs:
 - Initial Equipment Expense = \$333,750
 - Additional Bus to keep existing service level = \$2.6M
- Pros
 - Possibly reduce overcrowding during special events
 - Direct correlation between user and service provided
- Cons
 - Reduction of service or capital purchase of additional bus (\$2.6M)
 - 15-20% time increase
 - Possible decreased ridership
 - Compete with other resort communities that offer a fare-free system
 - Politically unpopular

Sales Tax

- 1% Sales Tax
- Revenue = \$6.25M - \$7.5M

- Pros
 - Collection process already established for city and vendors
 - Approximately 40% paid by visitors

- Cons
 - Research indicates that tangible personal property sales are diminishing over time
 - By definition – sales tax is a regressive tax
 - Competition by other entities proposing sales tax increases (Air Service)

Lodging Tax

- 1% Lodging Tax
- Revenue = \$1.1M - \$1.3M
- Pros
 - Collection process already established for city and vendors
 - Many city services & service levels are correlated with number of visitors
 - Does not tax locals
 - Support by community based on community survey
- Cons
 - Total sales & accommodation tax within the LMD is 11.4%
 - Competition by other entities proposing lodging taxes (Chamber)

Property Tax

- 9-11 Mills
- Revenue = \$5.8M - \$7.2M
- Pros
 - Diversify the city's revenue
 - Non-regressive tax
 - Align with city services (streets, stormwater, fire/EMS, etc.)
 - Low property tax community
 - One of only 5 Colorado municipalities that don't have a property tax
 - Second home owners contribute to pay for city services
- Cons
 - New tax
 - Gallagher amendment effect
 - Lower community support based on survey

Fire District

- Remove Fire/EMS Revenue & Expense from General Fund
- General Fund Budget Savings = \$2.9M - \$5.2M
- Pros
 - Remove Fire/EMS from city's General Fund (eliminate fund competition)
 - Governing Board focuses specifically on Fire/EMS
 - Funded with property tax which aligns with the type of service received
 - Community Survey – “Maintaining fire and EMS service levels” 95% support
- Cons
 - Lessens City Council's control of Fire/EMS
 - New property tax within city limits
 - Property tax has lower support based on community survey

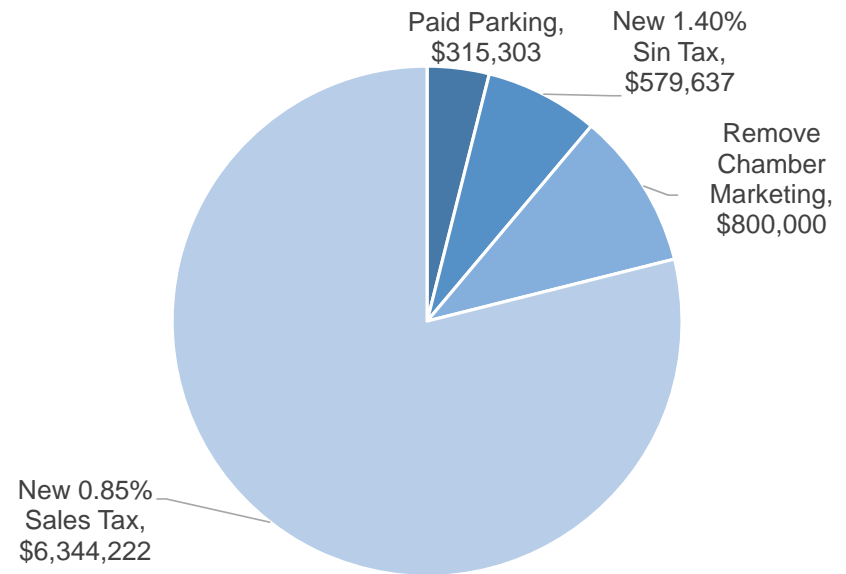
Potential Solutions to Budget Shortfall

Combination 1

Sources

- Paid Parking
- 1.40% Sales Tax Liquor & Marijuana
- 0.85% City-Wide Sales Tax
- Separate dedicated funding source for Chamber Marketing

Total = \$8M

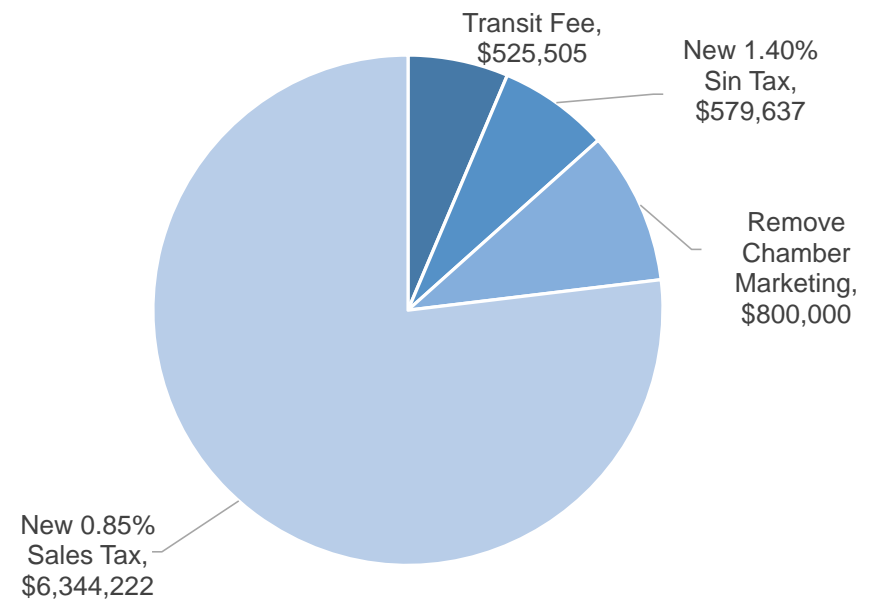


Combination 2

Sources

- Fee for local transit (excluding capital cost)
- 1.40% Sales Tax Liquor & Marijuana
- 0.85% City-Wide Sales Tax
- Separate dedicated funding source for Chamber Marketing

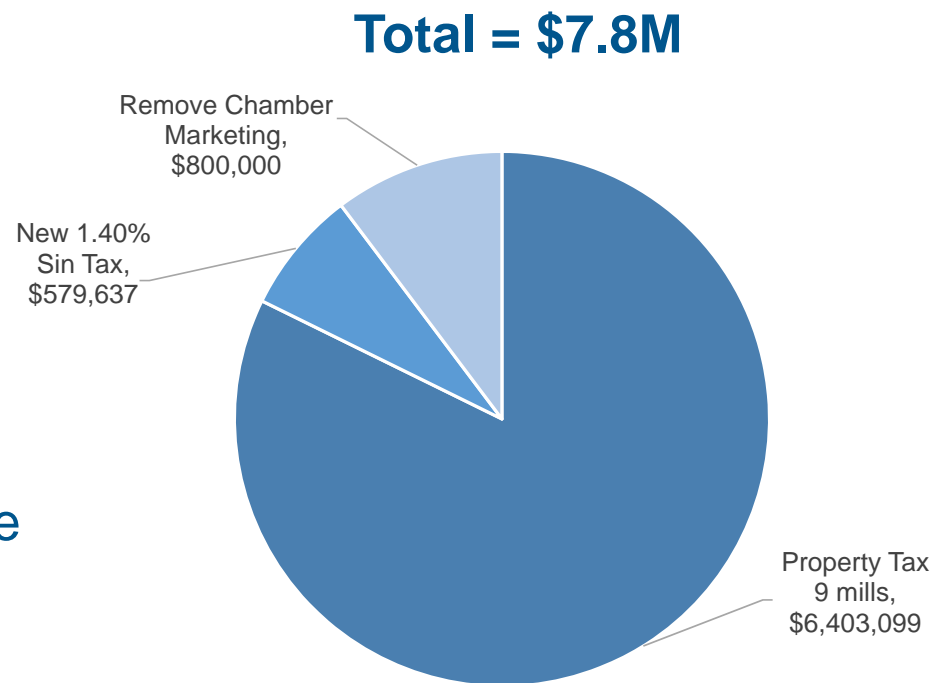
Total = \$8.2M



Combination 3

Sources

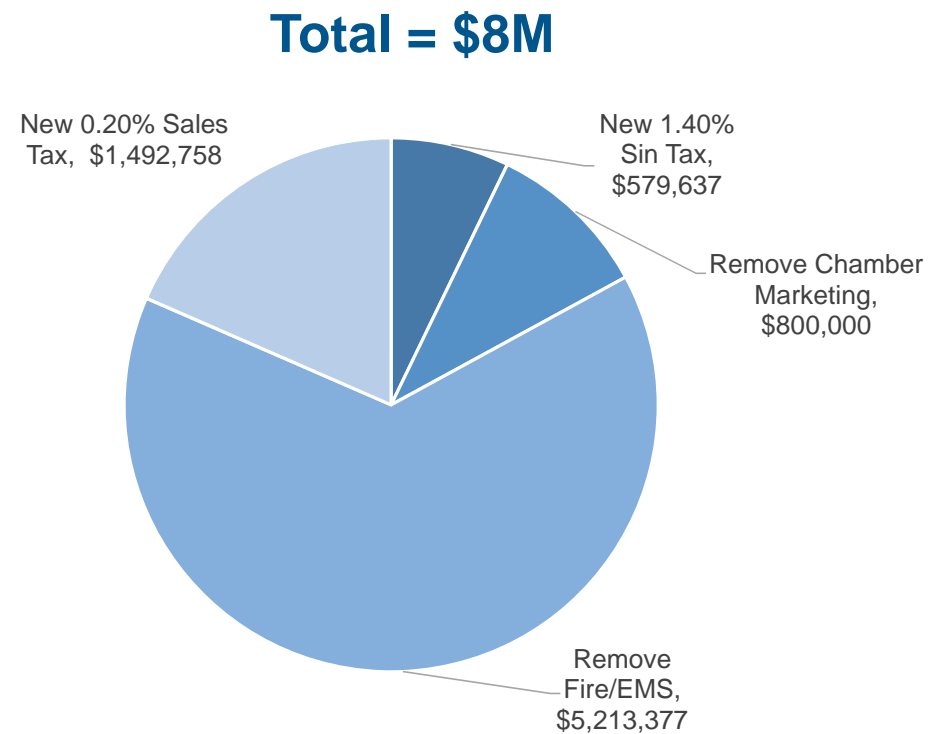
- 1.40% Sales Tax Liquor & Marijuana
- City Property Tax – 9 mills
- Separate dedicated funding source for Chamber Marketing



Combination 4

Sources

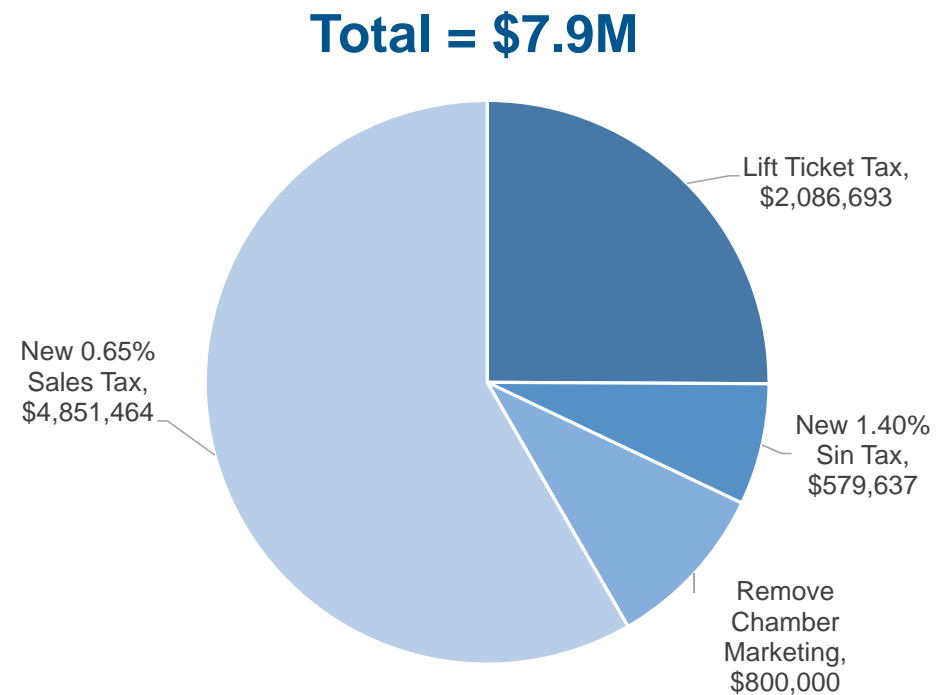
- 1.40% Sales Tax Liquor & Marijuana
- 0.20% City-Wide Sales Tax
- Fire/EMS becomes a separate district
- Separate dedicated funding source for Chamber Marketing



Combination 5

Sources

- 1.40% Sales Tax Liquor & Marijuana
- 0.65% City-Wide Sales Tax
- \$4 Lift Ticket Tax
 - Eliminate voluntary assessment \$330k-\$380k
- Separate dedicated funding source for Chamber Marketing

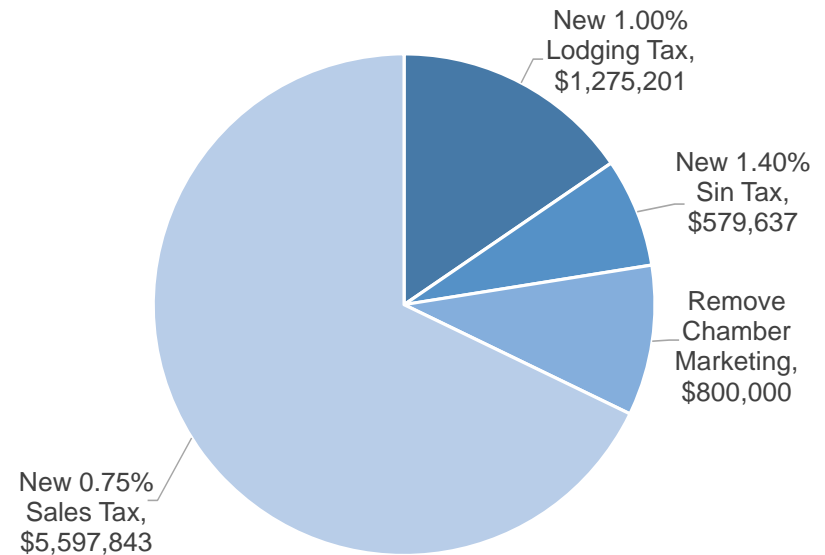


Combination 6

Sources

- 1.40% Sales Tax Liquor & Marijuana
- 0.75% City-Wide Sales Tax
- 1.00% City-Wide Lodging Tax
- Separate dedicated funding source for Chamber Marketing

Total = \$8.2M



Combination Recap

	Lift Tax	Lodging Tax	Paid Parking	Sin Tax	Transit Fee	Sales Tax	Property Tax	Fire /EMS District	Chamber Dedicated Funding	Total
1			X	1.40%		0.85%			X	\$8M
2				1.40%	X	0.85%			X	\$8.2M
3				1.40%			X		X	\$7.8M
4				1.40%		0.20%		X	X	\$8M
5	X			1.40%		0.65%			X	\$7.9M
6		X		1.40%		0.75%			X	\$8.2M