

FUTURE TAX ISSUES

INTRODUCTION

Under the Taxpayer Bill of Rights (TABOR), elections for new taxes or tax increases can only be held in the month of November. The current .75 Street sales tax sunsets on December 31, 2006. In order to continue the existing level of street maintenance and improvement services without interruption an extension would have to be approved in a November election in either 2004 or 2005. Before a decision is made to place the question on a ballot it would be strategic to first analyze any other tax questions that may go before Longmont voters at the same time as the Street sales tax question. An overload of ballot questions for tax increases or extensions could lead to a negative voter response on each. However, it may be impossible to avoid having several tax issues on each of the two November elections.

Staff has identified the following tax issues that may or may not appear on future ballots before Longmont voters:

State Issues

- In November 2003, Referendum A, which proposed a \$2 billion bond funding program for water projects, was defeated at the polls. It is too early to know if and when there will be an alternative question proposed but there is likely to be some attempt to meet the need for some water projects at the state level. Referendum A did not call for a tax increase but a significant bonding question still can have the same effect of competing with tax questions in the mind of the voters.
- It is expected that the state lawmakers will grapple with the issue of tax policy during the 2004 legislative session. A key concern is the cumulative effects of the Gallagher amendment, the TABOR amendment, and Amendment 23. The Gallagher amendment limits the property tax residents pay to 45% of the total collected statewide. The TABOR amendment limits revenue growth. Amendment 23 mandates increases in school spending. Collectively, these amendments make it very difficult to balance the state budget. It is possible that any solution reached regarding tax policy could be put in front of the voters of the State.

County Issues

- In 2001, Boulder County proposed a sales tax of .10 to pay for transportation improvements. That sales tax proposal passed and it will continue in place through June of 2009. The County has since discussed the potential of pursuing costly improvements like HOV lanes and flyovers at certain intersections that could only be paid for through increased taxes. Although these have been discussed by County officials there currently is no intent to pursue a tax increase in the near future.

School District Issues

- In 2002, the St. Vrain Valley School District received voter approval to issue up to \$212.9 million of bonds to build new schools and improve existing schools. Of that amount, \$96.2 million were issued in the spring of 2003 to fund the construction of new schools. It is expected that these new schools will have an operating expense impact. Additionally, the District has a need to restore some program expenses. As a result, the District may ask the voters for the authorization of a property tax mill levy override. The amount of that request is unknown at this time. It is likely that this question will be on the ballot in November of 2004.

Regional Transportation District (RTD) Issues

- The current sales tax rate for the RTD is .60. The Board of Directors of the RTD has discussed proposing an increase in that rate of .40 to one full cent for the purpose of the FasTracks Plan. The FasTracks Plan includes a regional multi-modal fixed rapid transit network; park-n-rides; enhanced and redeployed bus network supporting growth in suburb-to-suburb travel; development of Union Station Multimodal Center and timed transit centers/facilities that would also serve Longmont. The vote would be in November of 2004 for a sales tax increase effective January 1, 2005 and the authorization to issue an estimated \$3.4 billion in bonds provided they gather the necessary signatures to get it on the ballot.

City of Longmont

- As indicated previously, the street sales tax will need to be considered for an extension vote. The street sales and use tax accounts for approximately 67% of the overall Street Fund revenues. At its December meeting, the Transportation Advisory Board voted to recommend that that the vote not be scheduled until November of 2005 because of the potential for competing ballot issues such as the RTD FasTracks Plan. It will also need to be determined whether the street sales tax should be extended for five years, ten years, or even permanently.
- The Water/Wastewater Utilities Department is considering the need for a bond election in the fall of 2005. We are currently in the preliminary study phases of two raw water storage projects, the Windy Gap FIRMING Project and the Union Reservoir Enlargement Project. These projects will be partially funded with funds held in balance in both the Construction Fund and the Operating Fund and will need to be partially funded with the proceeds of a bond sale. Staff is currently estimating the need to go to the public with a bond election for water projects in the fall 2005 election cycle. Longmont's share of the Windy Gap FIRMING Project is estimated at \$32 million and will require bonding of approximately \$12 million. The Union Reservoir Enlargement will require bond proceeds in the range of \$10 million. We would not proceed with construction of both projects at the same time, so the bond election would only need to be held for one project. It is most

- likely that we will be proceeding with the Windy Gap Firing Project first, so we would anticipate the need for a bond election for \$12 million. The 2004 election is too soon to have sufficient detail for the project and the 2006 election likely is not soon enough to allow the City to participate in the Windy Gap firing project.
- In November of 2000, Longmont voters approved a .20 sales tax for a period of twenty years for the purpose of open space. In 2001, the City sold \$22 million of open space revenue bonds. Most all of the bond proceeds have either been spent or committed to open space purchases. With the recent decline in sales and use tax revenues, it will be a while before the revenues from this source are sufficient to leverage another bond issue or even cash purchases of open space. In order for the City to continue to purchase open space as it becomes available it may be necessary to increase the rate of sales tax for open space.
 - Other capital projects could be considered for bonding in future years. The Parks & Recreation Board has discussed the need for an ice arena and it remains as an unfunded project in our CIP at an estimated cost of \$6.3 million. A downtown parking structure to address the dual needs of customer parking and city employee parking is unfunded at an estimated cost of \$3.8 million. Other major unfunded projects include a branch library for \$6.2 million; a community youth center for \$3.9 million; and the remodel and expansion of a number of city facilities at an estimated cost of over \$7 million. Our Public Improvement Fund at its current funding level will not be able to fund these projects on either a cash or bonded basis for quite some time. There may be a desire to consider a sales tax increase to fund some of these projects.

Discussion Questions

- 1) The City Council will need to analyze each of these issues as they develop and decide which of them it will choose to support.
- 2) Timing of the city questions going to voters.
- 3) How much emphasis does the City Council want to place on trying to avoid conflicting tax issues with RTD and the St. Vrain Valley School District?