CITY COUNCIL COMMUNICATION

MEETING DATE: September 29, 2020 **ITEM NUMBER:** 6.A

SECOND READING: **{{customfields.ResoOrdNumber}}**

TYPE OF ITEM: Study Session

PRESENTED BY:
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Other City Staff

SUBJECT/AGENDA TITLE:
2021 Budget Presentation

EXECUTIVE SUMMARY:
The Proposed 2021 Budget presentation will focus on the categories of Priority Based Budgeting and the 2021 budget, sustainability, NextLight programs, Advanced Metering (follow-up from September 8 Council Meeting), Longmont Public Media, use of the marijuana tax, Longmont Downtown Development Authority budget, and the Gallagher Amendment impacts. This communication includes a brief overview of each topic and has been consecutively numbered. This information will be available on the City's website with the 2021 proposed budget documents should we need to refer back to any information from this communication as we continue to move through the weekly 2021 budget presentations.
https://www.longmontcolorado.gov/departments/departments-e-m/finance/budget-office/2021-budget-documents

COUNCIL OPTIONS:
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RECOMMENDED OPTIONS:
Click or tap here to enter text.

FISCAL IMPACT & FUND SOURCE FOR RECOMMENDED ACTION:
Click or tap here to enter text.

BACKGROUND AND ISSUE ANALYSIS:
Citizens wishing to view the 2021 Proposed Budget, the 2021-2025 Proposed Capital Improvement Program or the 2021 Proposed Pay Plan can access these documents on the City's website at the following location:

https://www.longmontcolorado.gov/departments/departments-e-m/finance/budget-office/2021-budget-documents

PRIORITY BASED BUDGETING AND THE 2021 BUDGET

Since 2013 the City Council has made a commitment to use priority based budgeting to make decisions regarding resource allocations. A key component of the priority based budgeting process is to identify the results that the City is in business to achieve. Initially the City used the Focus on Longmont strategic policy directions to identify the desired results. Starting in 2014, all of the programs of the City were identified, costed and scored based on how they influence the desired results as well as the key priority based budgeting attributes: mandate to provide the program, reliance on the City to provide the program, cost recovery of the program, and portion of the community served by the program. Each individual program has an overall score based on its influence on these results and attributes that places it in one of four quartiles. Since 2014, in our annual budget processes staff has used this information to evaluate budget requests. As there are limited resources available the intent is to ensure that our new resources are going toward programs in the higher quartiles. With limited exceptions most new resources that go toward fourth quartile programs are for salary and benefit increases for employees who are part of existing programs.

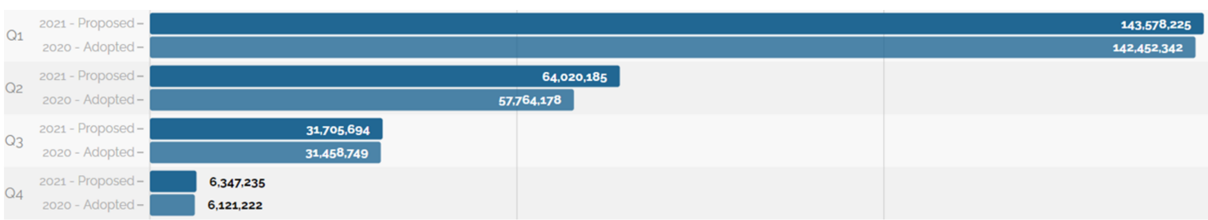
In 2016 the City Council adopted Envision Longmont, a multimodal and comprehensive plan that provides strategic direction and guidance for Longmont over a period of 10 to 20 years. Both the priority based budgeting process and the Envision Longmont process include community input toward goals and priorities. Envision Longmont includes six guiding principles that reflect key elements of the community’s desired future. These guiding principles provide focus in terms of where efforts and resources should be directed over 10 to 20 years to ensure that Longmont remains a livable, prosperous and attractive community. During the first half of 2018 the staff worked to incorporate the Envision Longmont guiding principles into the priority based budgeting process. This included the involvement of the City Council and the community along with a diverse representation of City staff. We now are using the guiding principles from Envision Longmont as the desired results in priority based budgeting. The guiding principles and their relative priority weightings as determined by the community are:

- Livable centers, corridors and neighborhoods 17.1%
- A complete, balanced and connected transportation system 12.2%
- Housing, services, amenities, and opportunities for all 20.3%
- A safe, healthy, and adaptable community 17.7%
- Responsible stewardship of our resources 16.0%
- Job growth and economic vitality through innovation and collaboration 16.7%

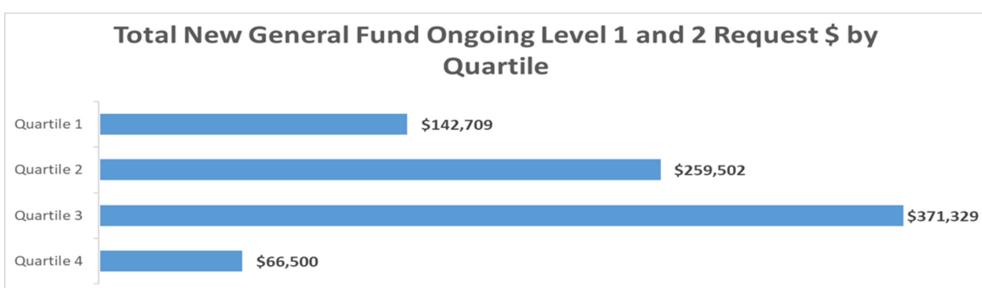
Maintaining Longmont's outstanding quality of life has been a long-standing Council goal. To keep Longmont a quality place to live as the economy struggles requires that limited resources are allocated proficiently among multiple priorities.

An overview of the City's PBB process, including the scoring criteria and the data from prior budgets, and the community PBB model can be found on the City's website at the following address: https://www.longmontcolorado.gov/departments/departments-e-m/finance/budget-office/budget-prioritization

Below is the Priority Based Budgeting quartile comparison of the 2020 adopted budget and the 2021 proposed budget. These amounts do not include any budgeted amounts for CIP, transfers, or debt service. As shown below, the 2021 proposed budget has $143.58 million (58.4%) that support quartile 1 programs and another $64.02 million (26.1%) that support quartile 2 programs. ***Attachment O*** includes the quartile graphs for each major operating fund.



This graph below shows by quartile the Level 1 and Level 2 ongoing increases for the General Fund



A complete list of all programs and the 2021 budget amounts broken out by personnel, non-personnel and total budget can be found in ***Attachment P*** for Community Programs and ***Attachment Q*** for Governance Programs. During the Council meeting we will be reviewing the 2021 Proposed PBB data.

SUSTAINABILITY

The Longmont Sustainability Plan was approved in November 2016 and updated in August 2018. The Plan identifies objectives in 10 topic areas that promote environmental stewardship, social equity, and economic vitality. The topic areas include: Air Quality, Buildings and Infrastructure, Community Cohesion and Resilience, Economic Vitality, Energy, Food Systems, Natural Environment, Transportation, Waste, and Water. The plan lists targets for each area along with immediate, near-term and mid-term strategies for meeting those targets. The Sustainability Plan not only guides efforts in the Sustainability Program, but also informs actions that are being led by various City departments and are reflected in those departmental budgets. The role of the Sustainability Program is to manage the implementation of the Sustainability Plan and to provide support and collaboration with other City work groups to meet the goals and objectives of the plan.

In October 2019, Council passed a resolution declaring a climate emergency and convened a group of subject matter experts, called the Climate Action Task Force (CATF) to develop recommendations to address the climate crisis. Several City staff worked with the CATF to develop 27 recommendations, which were presented to Council in June, July and August. Many of these recommendations are already included in the Sustainability Plan, and several are currently underway with funding and staff resources included in multiple City departments.

In 2020, the City received approximately $125,000 from Boulder County through the Environmental Sustainability Matching Grant program, which is funded through a countywide Sustainability Tax, passed by voters in 2016. The City is required to contribute a 25% cash match. The 2020 grant included funding for: a Sustainability Grant and Program Coordinator, a Neighborhood Impact Grant, WIC Farmers Market Program, and an Equitable Carbon-free Transportation Road Map. Staff is planning to submit a grant application for 2021 to the County in areas that support the Climate Action Recommendations.

In addition to the Sustainability Tax funded efforts, work that was initiated in 2020 included: the 2019 greenhouse gas inventory and waste life cycle analysis, expanding the City's Sustainable Business Program, launching Sustainable Opportunities, Lifestyles, and Leadership, creating the Just Transition Plan Committee to continue the development of just transition strategies and continued coordination of the Longmont Sustainability Coalition.

2020 was the first year that a Sustainability fund was established. Based on the funding strategies in the 2021 Sustainability budget, funding contributions are being requested from the following funds: Water, Wastewater, Stormwater, Streets, Sanitation, Open Space, Electric and General Fund.

Excluding salaries and a $50,000 one-time request for an update to the Sustainability Plan, the 2021 Sustainability base budget is $359,000. The 2021 proposed budget includes the following programs:

- $127,000 General Sustainability, which includes: temporary staff, support from Colorado communities for Climate Action (CC4CA), programs related to air quality, greenhouse gas implementation, climate action planning, waste, the natural environment and buildings and infrastructure.

- $60,000 for neighborhood sustainability programs
- $17,000 for the Sustainable Business Program
- $25,000 for facility energy efficiency audits
- $25,000 for equitable climate action outreach
- $35,000 for communications and community engagement
- $70,000 Sustainability Tax funded efforts

The 2021 Sustainability budget assumes $120,000 in grant funding from the Boulder County Sustainability Tax, with a $30,000 City match. Of the $150,000, $80,000 has been committed to fund a two-year fixed-term Grant and Residential Program Coordinator position, with the remaining $70,000 available for other efforts. Staff is planning to submit grant requests for Boulder County grant funding in the following order of preference based on input from the Sustainability Advisory Board. We will be moving forward with this request absent any additional direction from City Council.

- Continue funding for the Neighborhood Impact Grant which was initiated in 2020
- Climate Vulnerability Risk Mapping Project to identify geographical areas of climate risk and corresponding vulnerabilities to impacted communities, and subsequent identification of recommendations for planning and implementation projects.
- Climate Equity and Community Engagement Specialist to provide sufficient capacity to support equitable outreach efforts identified in the Climate Action Task Force and Just Transition Committee recommendations and existing sustainability programs.
- Expansion of other existing neighborhood programs such as SOLL - Sustainable Opportunities, Lifestyle & Leadership, Sustainable Neighborhood Solutions

In addition to funding in the Sustainability Program budget, the 2021 budget includes funding for sustainability related efforts through other program operating and capital budgets including:

- PBF218 - $200,600 Efficiency improvements to the Service Center, Utility Center, Senior Center and the Memorial Building
- Funding for Flex bus $174,700, VIA $150,000 and RideFree $487,265 and Employee Ecopass $60,000
- LPC – Commercial Benchmarking $103,000, Residential Efficiency $180,000 and Commercial Efficiency Programs $300,000
- Air Quality Monitoring $466,138
- ELE104 – Electric Vehicle Charging Stations $40,000
- ELE099 – Advanced Metering Infrastructure $7.5 million
- ELE103 – Distributed Energy Resources Innovations and Solutions $200,000
- Longmont CAReS – Low Income rebate program $45,000

- Waste Diversion Programs $2.2 million
- Water Conservation $257,000

NEXTLIGHT PROGRAMS

NextLight continues to grow and evolve ensuring as many community members as possible have access to the internet during this challenging and demanding time. A summary of 2020 progress, initiatives and results will be shared along with 2021 plans, revenue and expense budgets.

FOLLOW-UP FROM SEPTEMBER 8 MEETING – ADVANCED METERING

During the CIP presentation, Council asked for additional information on ELE099 Advanced Metering. During this meeting staff will outline the project along with the ability to evaluate alternative modes to convey the meter signals.

LONGMONT PUBLIC MEDIA

During the Budget presentations in 2018, the City Council requested that staff conduct a competitive process to source public access media services, after completing a public involvement process. The community and Council weighed in on priorities for this service that became the basis of the scope for the Request for Proposals (RFP). The Longmont Observer won the contract and started Longmont Public Media. Earlier this year, the Longmont Observer changed hands, became the Longmont Leader and is now a separate entity from Longmont Public Media.

Longmont Public Media (LPM) presented a makerspace-style service model, with classes for the public and an abundance of community programming. The current contract includes recording and broadcasting of all boards and commissions, City Council, St. Vrain Valley School District and Planning and Zoning meetings, as well as a voice-to-text service that adds automatic transcription of the meetings, among other things. Council asked staff to ask for public evaluation at the six-month mark of the contract, and the results are included as ***Attachment R***.

Obviously, the COVID-19 Pandemic created an impossible situation for the makerspace to thrive and while we hope that the chilling effects of the public health emergency are over by 2021, at this point it is difficult to predict. However, LPM's contract ends at the end of 2020, and staff is asking for Council direction on how to proceed. Per Purchasing Code, this contract requires Council approval. After negotiations with Longmont Public Media, we are presenting five options for Council consideration.

Options

1. Same Level of Service (increased one-time cost) ***Attachment S*** - Due to the pandemic essentially ending all of their volunteer outreach, and to the continually decreasing

revenues from franchise fees, LPM does not think they can offer the same services as in 2020 without additional one time funding of $117,000. This allows LPM to convert key contractors, currently paid below market, to employees and pay approximate market rates and an extra year to build the media makerspace aspects of LPM for 2022.

2. Reduced Level of Service (some additional one-time funding) ***Attachment T*** - After negotiations with LPM, we agreed on a reduced scope of work, including broadcasting recorded board and commission meetings, and eliminating:
    a. City Council meeting recap
    b. Recording of SVVSD school board meetings (at their request)
    c. LPM created podcasts
    d. Paid marketing

   This option would cost an additional $76,000 in one-time costs. This allows LPM to convert key LPM contractors to employees and pay approximate market rates. The revision also adds language that allows flexibility during the COVID-19 pandemic.

3. Further Reduced Level of Service (at current budgeted revenues of $145,000) ***Attachment U*** – After negotiations with LPM, we agreed on two potential and to be verified levels of reduced scope. This scope stays within the current revenues projected for 25% of franchise fees of $145,000 and changes:
    a. City video services from 20 hours to 8
    b. Reduces Marketing plan
    c. Eliminates enhanced metrics
    d. No designated GM/station manager, no employees, only contractors (of which one of the two contractors would need to act as 'lead')

   This option would cost no additional funds.

4. Bring Public Access Video Services In-house – Although this is an option, City staff is not prepared to do this in 2021.

5. Bid Public Access Media Services Competitively – Council could choose to put the services back out for competition.

Recommended Option
Staff recommends Option 3 (reduced scope at current revenue projection), since this new model of Public Access Media (makerspace) really didn't get an opportunity to play out, due to the pandemic. The City is also facing financial issues, so additional funding for the service is also not recommended, as it would mean cuts in other City services. LPM does not

recommend this option and has informed the City Staff it is not yet sure they can sign a 2021 contract at this funding level.

Once Council gives direction on this contract, staff will also prepare an appropriate lease agreement for the Carnegie Building, currently leased to Longmont Public Media.

USE OF THE MARIJUANA TAX

For 2021, the special sales tax on the sale of marijuana is projected at $410,000. The voter approval of the special sales tax designated that 50% of the 3% sales tax be used for affordable housing development. $205,000 is included in the proposed 2021 budget as a transfer to the Affordable Housing Fund. The other 50% can still be added to the proposed budget but remains unallocated pending council direction. In the 2020 budget the City Council designated use of the 50% as $87,000 for Human Service Agency funding and $50,000 for Early Childhood Education. To include it in the adopted 2021 budget Council will need to direct use of the 50% when final direction on the 2021 budget is given on October 13th.

LONGMONT DOWNTOWN DEVELOPMENT AUTHORITY BUDGET

The LDDA prepares and submits a number of budgets annually. First, for the LDDA itself, there are six individual sub-funds included on pages 578 to 584. They are the DDA operating fund; the DDA construction fund; the DDA debt service fund; the DDA building permit fund or development incentive program (DIP); the DDA Façade Improvement fund; and the DDA Arts & Entertainment fund. Along with those budgets the LDDA also prepares and submits the budget for the Downtown Parking Fund (pages 585-586) and the General Improvement District #1 (pages 591-592).

The LDDA operating fund proposed budget for 2021 includes an increase in overall expenses of $3,929 over 2020. About 58% of the increase is in personal services expenses as in 2021 there is growth in personal services line items reflecting increased salary costs and benefits linked to those amounts. There is a $1,645 increase in O&M expenses with some line items being reduced while others increasing. The largest increase is $5,000 in operating leases for the LDDA office space lease. The proposed budget as presented includes total expenses of $297,131 with revenue identified to cover all of the proposed expenses for 2021. The largest part of that revenue is $261,866 of property tax based on the 2019 assessed valuation. The fund balance of this fund is projected to be approximately $272,429 by the end of 2021.

The LDDA construction fund is only utilized when there are projects that involve the use of LDDA tax increment dollars. Project DTR032, Downtown Plaza Rehab, is budgeted at a cost of $100,000 from the construction fund in 2021. The LDDA is also proposing to fund a number of other projects with $165,000 of tax increment dollars in 2021. These are projects and priorities from the Downtown Longmont Master Plan of Development.

• Marketing collaboration	$ 30,000
• Redevelopment	25,000
• Employment incentives	100,000
• Economic vitality	10,000
	$165,000

The construction fund also has $40,200 of operation expense to cover project management of the CIP projects. The LDDA implements project management fees to allocate some staff time against the TIF projects that they support. Over the course of each TIF project a 4% management fee is applied to the total project cost. Finally, there is $52,064 for the annual cost for infrastructure renewal & replacement. A loan of tax increment dollars from the Debt Service Fund to the Construction Fund will be needed in 2021 to provide the funding for these projects. There is also $58,400 of parking fee revenue from the Roosevelt Apartments parking garage.

The final payment on the tax increment financing (TIF) bonds issued in 1998 was made in December of 2008. In order to have the tax increment stream of revenue continue as allowed by statute, a new debt was established in 2007 by creating an interfund debt to finance the use of TIF dollars (which can only be used to pay debt) for 2008. That debt is maintained so that the TIF revenue can continue. For 2021, the budget for the DDA debt service fund calls for the use of $298,864 of TIF dollars to fund the projects and the project management fees as referenced for the Construction Fund above. There is also another $289,120 budgeted to repay a loan to provide funding for the DDA Arts & Entertainment Fund for 2021. TIF revenue in 2021 is projected at $1,076,705.

The LDDA Building Permit Fund administers the Development Improvement Program (DIP). Revenues come from fees on building permits from construction projects in the DDA area. Under an IGA, the City transfers an amount equal to these fees to the DDA DIP Fund for downtown improvement projects. The proposed 2021 budget includes $45,000 of revenues for the program to cover a projected $42,500 of program grants.

The LDDA Façade Improvement Program is administered from the Façade Improvement Program Fund. There are no expenses for this fund included in this proposed budget for 2021.

Since 2007 the LDDA has used TIF funds to fund a marketing and advertising program to fund business recruitment, marketing, branding, special events and promotion for the downtown. The DDA Arts & Entertainment Fund was created during 2011 and funded through TIF revenues as well for a variety of program expenses. In 2014 the two programs were combined into the Arts & Entertainment Fund. At that time, operations were changed removing marketing and event operations from the day to day responsibilities of staff with them instead being accomplished through the use of professional contracts, sponsorships and partnerships. The proposed 2021 budget for the Arts & Entertainment Fund of $354,120 includes $138,650 for salary & benefits for 1.42 FTE and temporary staff wages. The budget also includes $215,470 for program expenses including $135,100 for contract services which funds event related expenses and the holiday lights downtown. The Arts & Entertainment Fund fund balance is expected to end 2021 with a balance of approximately $44,144. This budget proposes to fund the proposed 2021 expenses with new TIF funds of $289,120. This amount will combine with program revenues and $5,000 from the City for holiday lights to fund the total proposed budget for the Arts & Entertainment for 2021.

The Downtown Parking Fund is a City fund that is administered by the LDDA. Parking permits are the primary source of revenue for this fund amounting to $75,000 for 2021. That is down from actual parking permit revenue of $111,395 in 2019. The budget for the Downtown Parking Fund can be found on pages 585 & 586. Expenditures during 2021 total $119,917 for parking lot upkeep and upgrades. The fund balance of this fund is projected to be $254,184 by the end of 2021.

The General Improvement District #1 budget is also proposed by the LDDA. That can be found on pages 591-592. As shown in proposed budget document the GID includes revenue of $163,242 and expenses of $121,654. Based on 2019 assessed valuation data the revenue estimates were set as $154,342 from property tax from the GID mill levy. The fund balance of this fund is projected to be approximately $392,923 by the end of 2021.

The Arts & Entertainment District, now known as the Downtown Longmont Creative District, is an integral part of redeveloping the Downtown area for the community. The LDDA has used resources from the state designation to create Downtown Longmont Community Ventures (Ventures), a non-profit organization with a mission to promote Downtown vibrancy through arts, culture and economic development. This organization is charged with finding diversified funding streams, sponsorships and stakeholder engagement, as well as supporting implementation of the Arts & Entertainment District plan. Currently, Ventures is being managed by LDDA staff and a volunteer board of directors, as well as direction and assistance from the Longmont Community Foundation. The goal is to transition all LDDA/Creative District programming and implementation to this organization.

LDDA Tax Increment Financing

In the state of Colorado, the state statutes allow for the creation of downtown development authorities and the statutes also govern the powers of such authorities. The section of the statutes that pertain to downtown development authorities is Section 31 Article 25 Part 8. Those sections also address the use of tax increment financing by DDA's. One of the powers or responsibilities assigned to a DDA in state statute is to:

Plan and propose, within the downtown development area, plans of development for public facilities and other improvements to public or private property of all kinds, including removal, site preparation, renovation, repair, remodeling, reconstruction, or other changes in existing buildings which may be necessary or appropriate to the execution of any such plan which in the opinion of the board will aid and improve the downtown development area;

The Longmont DDA first created a plan of development upon being formed in 1982. The Authority's Plan of Development, adopted by the City Council in June of 1983, describes a series of objectives designed: to promote the health, safety, prosperity, security and general welfare of the District; to strengthen the economic vitality of the downtown area by preventing the deterioration of property values and structures and by eliminating blighted conditions; and to prepare and implement plans for the economic and physical revitalization of the DDA. The LDDA updated the Master Plan of Development in 1987; in 1995; and most recently in 2017.

In adopting the LDDA Plan of Development in 1983 the City Council adopted the use of tax increment financing as authorized in the Colorado State Statutes:

That portion of said property taxes…in excess of such amount shall be allocated to and, when collected, paid into a special fund of the municipality for the ***payment of the principal of, the interest on, and any premiums due in connection with the bonds of, loans or advances to, or indebtedness*** *incurred by, whether funded, refunded, assumed, or otherwise, the municipality for financing or refinancing, in whole or in part,* ***a development project*** *within the boundaries of the plan of development area.*

The Plan established a base property valuation for the overall District as of December 1982 and beginning in 1983, the incremental property tax generated by the various mill levies on those properties above the 1982 base level is earmarked as LDDA TIF revenue and deposited in the LDDA TIF Fund.

While the state statutes allow for tax increment financing by a DDA, they limit the use of those funds to the payment of debt used to finance a development project. Such debt is subject to voter authorization. In March of 1985 the qualified electors of the District authorized the City to issue bonds in an aggregate amount not to exceed $4,500,000 to finance DDA development projects. That authorization was used up with bond issues in 1986 and 1998 and smaller financing projects in between. In 2005 the LDDA received voter approval of a ballot question that would allow debt to be increased up to $10,000,000 for DDA development projects pursuant to the LDDA plan of development which projects may include but not be limited to, at the discretion of the Authority, a mixed use parking structure. Between 2005 and 2015 the LDDA and the City approved the use of $10 million of tax increment financing for the following projects:

Legal expenses for 2005 election	$ 7,000
St. Stephen's pocket park	142,693
Marketing & promotion of downtown	20,000
Marketing program (2007-2013)	1,000,820
Façade loan program	1,300,000
Alleyscape study	18,750
Master plan of development	75,000
Longs Peak & Main market study	8,666
DR-8 Downtown alley improvements	1,414,360
DR-24 Longmont Theatre	250,000
Arts & Entertainment District	75,000
DR-23 Parking lot improvements	340,167
DR-25 Downtown breezeway improvements	746,400
A&E District programs	1,062,504
Storefronts campaign	150,000
Business retention & recruitment	16,666
BID plan	25,000
Incentive programs	1,100,000
Parking structure @ Roosevelt apartments	2,024,000
DR-19 Streetscape improvements	175,000
Infrastructure replacement funding	47,974
Total uses	$10,000,000

In November of 2012 LDDA voters approved an additional $25 million of debt authorization which is likely to cover the use of LDDA TIF revenue through 2033 for which the TIF is authorized to continue under state statute. Since receiving the $25 million authorization the LDDA and the City have approved the use of $4,438,585 of tax increment financing for projects and efforts such as the following:

PBF-215 Coffman Project	$ 2,000,000
Incentive programs	300,000
Infrastructure replacement funding	117,249
Project management expenses	107,040
DTR-023 Downtown Parking Lot improvements	30,000
DTR-029 Downtown Alley Planning	25,000
DTR-033 Wayfinding Gateways	250,000
Arts & Entertainment programs	599,107
Clean & safe programs	80,000
Placemaking programs	320,000

Connectivity programs	150,000
Creative District programs	60,000
Economic vitality programs	97,500
Metrics	16,000
Electric assessment & upgrades	70,000
COVID grants	200,000

Beginning in 2014, the thirty-first year of the LDDA TIF, the base year for the calculation of the increment was 1992 and the LDDA was only entitled to receive 50% of the TIF. The City and the LDDA negotiated with some of the other taxing entities to receive more than 50% of the TIF generated by their respective mill levies. The annual deadline for such negotiations in reference to the next fiscal year is August 1st. The DDA has an agreement with the St. Vrain Valley School District for a portion of their mill levy. That agreement, along with the City's own mill levy, is the only TIF dollars beyond the allowed 50% that the LDDA will receive in 2019. As a result the LDDA TIF revenue in this proposed 2021 budget is projected at $1,076,705.

Downtown Infrastructure Renewal

Maintenance of the downtown is contracted for by the LDDA Executive Director as per the duties identified in the annual IGA's between the LDDA and the LGID; and between the City and the LDDA. While some services are provided by external contractors a portion of it is being provided by Public Works and Natural Resources. Depending on the type of maintenance or support provided the funding source comes from either the Longmont General Improvement District; the Downtown Parking Fund; the Arts & Entertainment Fund; and occasionally the DDA Operating Fund. Primarily the Longmont GID is the historical funding source for expenses related to the repair, replacement and maintenance of District assets including sidewalks, parking lot surfaces and improvements, breezeway walks, structures and other improvements.

In 2013 the Parks Division completed an asset inventory for the downtown to identify the need for continued maintenance and renewal of assets in the downtown. City staff met with the LDDA Executive Director to discuss approaches to meeting those needs. Staff checked with other cities with downtown development authorities that had funded infrastructure in their downtowns and how those entities handled the ongoing maintenance and replacement of those assets. Some were maintained by the City and some by the DDA. With the reduction in TIF revenue the LDDA began to experience in 2014 (year 31) it was unable to solely fund the maintenance and replacement costs. City staff concluded that the infrastructure should be treated as it would be elsewhere in the City where developer improvements are accepted and maintained by the City. Staff also concluded that services to the downtown involving trash removal and street cleaning were services being provided elsewhere in the City by the Sanitation Fund and Streets Fund respectively. Accordingly, it was decided that those services should also be provided by those funds to the downtown as well.

As indicated above, the City Council agreed to allow the LDDA to keep 100% of the TIF generated by the 13.42 mill levy of the General Fund rather than retain the 50% that is allowed for in year 31 under the state statutes. The LDDA Board designated that 50% of that amount, or 25% of the overall TIF generated by the levy (estimated at $52,064 for 2021), would be set aside for renewal or replacement of downtown infrastructure assets.

GALLAGHER AMENDMENT IMPACTS

The Gallagher Amendment was referred to Colorado voters by the legislature in 1982 in response to voters' concerns about rising residential property taxes as a result of the state's rapid population growth in the 1970's. At that time, residential property in Colorado made up about 45% of total property value in the state, with other classes of property such as commercial property, agriculture land, vacant land, industrial property and public utilities making up the other 55%. The Gallagher Amendment proposed to freeze that ratio of the total value of residential property (45%) to the total value of non-residential property (55%) forever. Colorado voters adopted the Gallagher Amendment in 1982.

The Gallagher Amendment requires the assessed value of nonresidential property remain fixed at 29%. Because residential property values have grown faster than nonresidential property over the past four decades (particularly along the Front Range), the Colorado General Assembly has had to periodically reduce the assessed value of residential property over time to maintain this statewide 45-55 ratio required by the state constitution. These incremental decreases have reduced the assessed value of residential property from 21% in 1982 (when the amendment was first passed) to 7.15% today. As originally drafted, the residential assessment rate was designed to fluctuate up and down to maintain this ratio. After TABOR was approved by voters in 1992, the legislature was no longer permitted to increase the assessed rate on residential property without voter approval. Since 1999, there have been six instances when the residential assessment rate should have increased to maintain the 45/55 ratio, but TABOR prohibited the residential assessment rate from increasing in some years without first getting a referred measure approved by voters.

In their 2020 session, the Colorado legislature referred the following proposal to the November ballot (Amendment B) which asks Colorado voters to repeal the Gallagher Amendment:

"Without increasing property tax rates, to help preserve funding for local districts that provide fire protection, police, ambulance, hospital, kindergarten through twelfth grade education, and other services, and to avoid automatic mill levy increases, shall there be an amendment to the Colorado constitution to repeal the requirement that the general assembly periodically

change the residential assessment rate in order to maintain the statewide proportion of residential property as compared to all other taxable property valued for property tax purposes and repeal the nonresidential property tax assessment rate of twenty-nine percent?"

In conjunction with referring Amendment B to the ballot, the General Assembly also adopted a companion statute that “freezes” the current residential and non-residential assessment rates at 7.15 and 29% respectively in the event Amendment B passes. However, since this is merely a statute it would not be binding on future legislatures, and the General Assembly could reduce either of these rates at any time. TABOR prevents either rate from increasing without voter approval.

Under the current system, the decline in the residential assessment rate has constrained property tax revenue to local governments. The impact varies across the state, with the largest impacts occurring in rural areas without much commercial property or with only slower growth in home prices.

Because the assessment ratio is applied statewide, increases in home values along the Front Range result in a lower assessment rate for the entire state. Over time, this has driven down critical tax revenues in rural areas, impacting funding for local services like fire protection, police, sanitation and public libraries.

K-12 education is funded through a combination of state and local tax revenue. As local property tax revenues have declined, the responsibility for funding education has increasingly shifted to the state, adversely impacting state funding for other local government priorities like transportation, affordable housing and severance tax.

Over time the residential assessment rate is projected to continue to fall due to the relative growth of residential versus nonresidential assessment rates. A stabilized assessment rate for residential property would result in higher property tax revenue for local governments in many locations in Colorado, including municipalities, counties, school districts and special districts.

Staff’s estimate of the Gallagher Amendment impacts in 2022 are based on an estimate earlier this year by the State Property Tax Administrator that the residential ratio could be changed in 2021 from 7.15% to 5.88%. The decrease is an outcome of continued growth in residential values as well as a projected impact of COVID-19 on the business sector. Staff applied the 5.88% residential ratio to the 2019 assessed values. The reduction in the residential ratio alone would reduce City property taxes by up to $2.1 million.

Applying the same rationale to the Boulder County assessed values results in a $20.2 million reduction for the County. Likewise, impacts on the St. Vrain Valley School District are about $19.4 million although part of that could be offset by the State. Keep in mind these are rough estimates. The ultimate impacts will be determined by the actual residential ratio (versus the 5.88% estimate) and the actual 2021 assessed values.

ATTACHMENTS:
Attachment O – PBB Quartile Graphs
Attachment P – 2021 PBB Community Programs
Attachment Q – 2021 PBB Governance Programs
Attachment R – Public Access TV Survey
Attachment S – Longmont Public Media Contract Option 1
Attachment T – Longmont Public Media Contract Option 2
Attachment U – Longmont Public Media Contract Option 3