

# STAFF MEMO

**DATE OF STUDY SESSION: April 5, 2021 / AGENDA ITEM NO. 4**

To: Mayor and City Council

From: Holly Björklund, Chief Financial Officer, 303-987-7601

Subject: **TABOR AND REVENUE OPPORTUNITIES FOR CONSIDERATION**

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**SUMMARY STATEMENT:** Staff has identified various options for the City Council to explore that would generate revenue or allow operational flexibility. A presentation will be given to expand on these topics and spark discussion. The objective of the meeting will be to identify which options the City Council would like to explore further for City Council action or the November 2021 ballot.

**BACKGROUND INFORMATION:** The City continues to experience revenue declines as a result of the COVID-19 pandemic and changes in shopper habits. Due to TABOR, this will negatively affect the City's budget over the next 3+ years, as the City's growth in spending will be restricted based on the lower revenues of 2020. This is often referred to as the "Ratcheting Effect."

Staff has identified revenue generating options in two areas – marijuana and tobacco. All proposed tax changes would need to go to the voters for approval in line with TABOR guidelines. The authorization of marijuana delivery could be approved by either City Council or a citizen vote. Other City Council options, such as the expansion of licensing for marijuana and cigarettes, have been included to allow for a comprehensive discussion on these topics. Revenues gained from the expansion of licensing would be dependent upon the parameters established by City Council and would be evaluated for materiality per TABOR guidelines.

Another option that could be pursued is the modification or elimination of TABOR for the City of Lakewood. Currently, TABOR limits have been lifted through the year 2025, allowing the City to retain any refund dollars for specified projects. This temporary time-out does not alleviate the effects of the aforementioned "Ratcheting Effect." If the citizens were to approve a modification to the TABOR base or a complete "de-brucing," the City would gain budget flexibility.

**BUDGETARY IMPACTS:** Revenue estimates vary by option identified, ranging from \$0.5M to \$5.0M.

**STAFF RECOMMENDATIONS:** Staff recommends City Council provide any specific questions in advance, so thoughtful answers may be researched and responded to suitably.

**ALTERNATIVES:** City Council could choose to pursue any or none of these items.

**PUBLIC OUTREACH:** This item was promoted through the regular communication channels for items that come before the City Council.

**NEXT STEPS:** City Council to determine which options they would like to explore further for City Council action or the November 2021 ballot.

**ATTACHMENTS:** City Council Study Session April 5, 2021 PowerPoint

**REVIEWED BY:** Kathleen E. Hodgson, City Manager  
Benjamin B. Goldstein, Deputy City Manager  
Alison McKenny Brown, City Attorney