



STAFF MEMO

DATE OF STUDY SESSION: May 3, 2021 / AGENDA ITEM NO. 3

To: Mayor and City Council

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

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

SUMMARY STATEMENT: Staff has identified options for the City Council to explore that would generate revenue and improve administrative operations. 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 and which options the City Council would like staff to prepare for 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. While staff has prepared a presentation proposing a variety of possible tax increases for the City Council to consider, any final decision regarding tax changes intended to result in increased revenue to the City would need to go to the voters for approval in line with TABOR guidelines. An additional means for generating revenue through marijuana sales may be found through marijuana delivery. 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 and spend revenue in excess of TABOR'S limitations for specified projects. This temporary time-out does not alleviate the effects of the aforementioned "Ratcheting Effect"

which results in long term negative impacts to the City's ability to continue projects when the costs of such projects continue to rise irrespective of whether the City's revenue is reduced. A full "de-brucing" ballot question accomplishes TABOR's purpose in providing for voter-retained consideration of whether to return those funds collected in excess of the TABOR limits or allow the City to use those funds to meet the costs of building and maintaining the City's infrastructure and other requirements of the City.

BUDGETARY IMPACTS: Revenue estimates vary by option identified, ranging from \$0.5M to \$8.0M.

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 May 3, 2021 PowerPoint

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