To: Honorable Mayor and Members of Town Council

From: David L. Corliss, Town Manager

..Title

Discussion/Direction: Sales Tax on Food for Home Consumption

Executive Summary

For nearly 25 years, the Town's tax structure – which voters have approved – has been to have a higher sales tax rate and a lower property tax rate. This takes advantage of the fact that Castle Rock is a regional commercial hub, so nonresidents pay a significant portion of Town sales taxes. (Conversely, only Town property owners pay Town property taxes.) This also reflects that the Town is a full-service municipality and uses Town tax revenue – predominantly sales tax revenue – to pay for such services as fire, emergency medical and parks and recreation. (In many neighboring jurisdictions, those services are funded through separate special districts, which impose property taxes.)

Town Councils in recent years have discussed potentially reducing Town taxes and/or fees. Most recently, on February 20, Council directed staff to bring to Council updated information regarding the potential removal or reduction of the Town's sales tax on food for home consumption (FHC).

FHC tax is sometimes considered a regressive tax, as people need to buy food regardless of their income levels; therefore, FHC tax can more negatively impact lower-income households. Still, many similarly sized Colorado cities tax FHC; jurisdictions that do not tax FHC typically are larger and have broader commercial bases. To that point, the Town's FHC tax helped provide economic stability during the Great Recession, as people needed food, generally regardless of economic climate. (Detailed information on how Castle Rock's taxes compare to other cities' is in **Attachment I**.)

Using Bureau of Labor Statistics data, the impact that removal of FHC tax would have on a Castle Rock household can be estimated at about $170 per year. This impact is relatively small when compared to the $1,727-$4,085 per year the average Town property owner pays in total property tax, when taxes to all taxing entities are included. (The Town's portion of that average property tax is only $35.74.) Significantly, sales tax is the Town's largest source of tax revenue, and the FHC tax represents about 14% of the Town's total sales tax revenue.

The primary purpose of this memo is to provide Council current information on what implications removal or reduction of the Town's FHC tax would have on revenues and, thereby, Town services. In short, removing the FHC tax would have an estimated annual impact of at least $7.2 million, and growing, to three major Town funds: 1) the General Fund, which provides for public safety services; 2) the Transportation Fund, which allows for road maintenance; and 3) the Community Center Fund, which helps support the Recreation Center and Miller Activity Complex. If the FHC tax is removed, and no alternate revenue sources put in place, services would have to be reduced accordingly. (It's important to note that many core Town services – such as Police and Fire services – do not benefit much from economies of scale; population growth drives growth in service costs.)

Because reducing service levels could impact the quality of life in Castle Rock, staff within this memo outlines two general options for consideration, should Council opt to make any FHC tax changes:

1) Phase out the FHC tax and supplement Town revenue with alternate revenue sources
2) Retain the FHC tax but offer a rebate program for residents, as several other area communities have done

A third option is to not make any changes, or 3) Maintain the status quo.

Alternatives under each option, including their projected financial outcome, are outlined in attachments to this memo. Staff has outlined additional points to consider in **Attachment A**.

A vital point is that any future alternative revenue source desired by Council would need voters' approval under the State's Taxpayer Bill of Rights. Also worth noting is that staff also considered, but did not extensively analyze, numerous other options, including:

- Increasing the overall sales tax rate or mill levy to absorb the revenue loss associated with the removal of the FHC tax
- Adding an "occupational privilege tax" – essentially, a tax on employees working within Town – as a possible alternative revenue source
- Exploring shifts in how Town services are provided, i.e., examining potential special district structures, as are common in neighboring communities

Should Council wish to further consider any option presented – in depth or in short – within this memo, staff will prepare additional research and analysis.

Notification and Outreach Efforts

In the 2017 Community Survey, residents were asked if they think they are getting their money's worth for their tax dollars. Four out of five residents who responded said they believed they are getting their money's worth.

History of Past Town Council, Boards & Commissions, or Other Discussions

In 2013 and 2016, Council considered reducing or eliminating certain fees and taxes. Reductions in property tax, and in the tax on food for home consumption, were considered. Following those discussions, Council's decision was to keep these taxes as part of the revenue stream for needed Town services and projects.

Discussion

The Town collects sales tax at a rate of 4%. Sales tax revenue supports the General, Transportation and Community Center funds.

Based upon a 2003 voter-approved change to the Town's sales tax base, the Town imposes its sales tax on all food, whether for immediate or home consumption. Immediate consumption foods can be consumed right after purchase, like a candy bar, or a prepared meal. Foods for home consumption are those bought for later use, like a gallon of milk or loaf of bread. The taxability can be difficult to explain; there are guidelines used in this area of sales tax administration.

Many cities in Colorado tax FHC. Within the immediate area – where Castle Rock generally competes for sales-tax generating purchases – the Towns of Elizabeth and Parker also tax FHC. The cities of Castle Pines and Lone Tree, as well as Douglas County (including Highlands Ranch), do not.

To provide Council additional context for this discussion, staff has surveyed many municipalities regarding their tax structures. See **Attachment I** for a chart that shows:

- The jurisdiction's population
- If the jurisdiction taxes FHC and at what rate; also, if the jurisdiction has an FHC tax rebate program
- The jurisdiction's overall sales tax rate
- The jurisdiction's mill levy
- A sample overall property tax mill levy within the jurisdiction
- If the jurisdiction has a consumers use tax (further explained in **Attachments D-H**) and, if so, at what rate

Staff has worked to gain an accurate number for how much tax revenue the Town collects annually related to the FHC tax. Using information from Douglas County's Finance Department, staff compared businesses' remittances to the County to remittances to the Town. Staff grossed up the County's collections to account for the difference between the County (1%) and Town's (4%) sales tax rates and examined the difference in revenue. The only major difference between the County and Town's sales tax base is FHC. Thus, the difference in tax revenue between the County's grossed-up collections and the Town's collections from grocery stores is the amount the Town collects on FHC.

Projecting the resulting amount forward to 2019, staff estimates each 1% of Town sales tax on FHC will generate more than $1.8 million in annual revenue, or more than $7.2 million total, at the Town's current 4% FHC tax rate. Of note is that this estimate includes only grocery and general merchandise stores; FHC is also sold at convenience stores and various other retail stores.

2019 Estimated Town FHC Tax Annual Revenue by FHC Tax Rate			
1%	2%	3%	4%
$1,801,264	$3,602,531	$5,403,796	$7,205,062

Broken out by fund, it is estimated that $5.1 million in General Fund revenue; $1.8 million in Transportation Fund revenue; and $378,266 in Community Center Fund revenue in 2019 will be attributable to taxing FHC. If the FHC tax is removed, and no alternate revenue sources put in place, services would have to be reduced accordingly.

Possible financial impacts by Town function for the upcoming three-year financial planning period are listed in the following chart. Note that, while the chart lists impacts through 2021, they would be ongoing beyond that time. Using a 3% inflationary rate, annual revenue loss would increase to more than $9.5 million at the 10-year mark and $12.9 million at 20 years, not accounting for any continued growth within the Town. So, the revenue reduction would be even larger in outgoing years, based on continued growth.

Est. impact by function						
General Fund	**Curr 2019 Forecast**	**Potential 2019 Dec.**	**Curr 2020 Forecast**	**Potential 2020 Dec.**	**Curr 2021 Forecast**	**Potential 2021 Dec.**
General Gov't	$14,211,807	($1,410,224)	$14,830,713	($1,456,508)	$15,215,804	($1,510,887)
Police	$14,909,641	($1,479,469)	$15,676,698	($1,539,591)	$16,259,446	($1,614,517)
Fire	$16,499,421	($1,637,211)	$16,918,481	($1,661,546)	$17,315,458	($1,719,376)
Dev Srvcs	$611,701	($60,698)	$632,672	($62,134)	$655,418	($65,081)
Parks	$4,805,306	($476,826)	$5,572,162	($547,236)	$5,718,539	($567,835)
Total	$51,037,876	($5,064,438)	$53,630,726	($5,267,015)	$55,164,665	($5,477,696)
Percent Chg.		*-9.92%*		*-9.82%*		*-9.93%*
Transp. Fund	$27,098,609	($1,762,358)	$25,969,318	($1,832,852)	$22,195,791	($1,906,167)
Percent Chg.		*-6.50%*		*-7.06%*		*-8.59%*
Comm Ctr Fund	$7,576,850	($378,266)	$7,660,188	($393,396)	$7,751,140	($409,132)
Percent Chg.		*-4.99%*		*-5.14%*		*-5.28%*
TOTAL IMPACT	$85,713,335	($7,205,062)	$87,260,232	($7,493,263)	$85,111,596	($7,792,995)
Percent Chg.		*-8.41%*		*-8.59%*		*-9.16%*

In order to better understand the long-term impacts such losses could have on the impacted funds, staff first prepared a baseline financial forecast through 2028 (**Attachment B**). The forecast – and all of alternatives outlined later in this memo – assumes conservative sales tax growth over the 10 years and does not account for any potential recession. For expenditures, historic (2009-2017) averages for personnel, services and supplies were used in each fund. **Attachment A** offers more detailed information about the assumptions used in the projections.

Attachment C shows what the Town's long-term financial forecast would look like if FHC tax was completely removed beginning January 1, 2019. In the graphs, any instance where the revenues bar is beneath the expenditures line, that indicates a shortfall of funds needed to sustain existing levels of service. As explained earlier in this memo, in order to allow levels of service to be maintained, staff has looked at phasing out the FHC tax, or offering a FHC tax rebate, rather than eliminating that revenue altogether. Staff has examined in detail two general options – each with multiple alternatives – for Council's consideration and discussion. See the corresponding **Attachments D-H** for details of each alternative.

Option 1 – Phase out FHC tax and supplement with other revenue sources

D. Cut the FHC tax to 2% starting in 2019 and phase out the remaining 2% over the next 12 years
E. Cut the FHC tax by 1% starting in 2019 and phase out the remaining 3% over the next nine years
F. Cut the FHC tax by .5% starting in 2019 and phase out the remaining 3.5% over the next 14 years

Option 2 – Retain the FHC tax but offer a rebate program for residents

G. Offer the rebate to all households, which would require alternative revenue sources
H. Offer the rebate program based on qualifications without adding alternative revenue sources

Conclusion

Beyond potential impacts to Town services, there are other consequences to altering the FHC tax that Council should consider:

Downtown Development Authority Impacts

Of the $980,000 in sales tax increment the Downtown Development Authority's received in 2017, approximately $750,000 was generated by FHC tax. Thus, removing or reducing FHC tax would drastically decrease the DDA's ability to use sales tax increment financing.

A possible solution for making the DDA's funding whole in the event of an FHC tax removal or reduction is "resetting the base" for the DDA's sales tax increment. For illustrative purposes, assume the current base for the DDA's sales tax TIF is $2 million. That means the Town receives the $2 million in sales tax revenue from the DDA that it always had prior to TIF being implemented. The DDA, meanwhile, receives any revenue over the $2 million. Resetting the base would drop the "base" amount to reflect a tax base absent FHC tax revenue. For this example, let's say the new amount would be $1 million. In that case, the Town would only receive the first $1 million in sales tax from the DDA area, with the DDA receiving amounts over $1 million. While the DDA's revenue could stay consistent in such a scenario, the Town would lose out on $1 million in revenue it otherwise would receive from the DDA area. So, Council and the community must carefully consider any adjustments to the DDA's TIF base, as they would have wider spread implications.

Bond Repayment Impacts

Another noteworthy item is the effect the removal or reduction of FHC tax would have on the repayment of metro district bonds for the Promenade project, pursuant to the Promenade public incentive agreement. A portion of sales from Sam's Club – among other Promenade merchants' sales – is comprised of FHC tax. A removal/reduction of that tax will delay the bond payoff date. (All current payoff projections include FHC tax revenues.)

Additionally, the Town currently has transportation bonds issued, and a portion of sales tax revenue is pledged to repay the bonds. There is a covenant indicating that the Town has agreed not to make changes to the sales tax that would "materially adversely affect the security for the bonds."

Other Impacts

To counterbalance removal of the FHC tax, efforts to recruit retailers to the community would need to be stepped-up to help ensure adequate revenues for core Town operations. Recreation Center user fee increases would also likely be proposed to make up for lost sales tax revenue within the Community Center Fund.

Worth mentioning again is that every dollar in sales tax revenue paid by nonresidents – estimated to be up to half of the Town's sales tax revenue – is a dollar that does not have to be generated by Town residents or businesses through other taxes. Removing/reducing the FHC tax, therefore, shifts more costs to Town residents and property owners. While staff does not have specific numbers as to how much out-of-town shoppers contribute to the FHC tax, it is safe to say that the impact is significant, and the difference would need to be made up in service reductions, or through more costs to Town residents and property owners.

FHC tax has become a recurring topic of conversation in Castle Rock, and it's possible that a citizen-initiated process could attempt to change the Town's tax structure, regardless of whether Council as a whole wishes to proceed in that direction. Staff believes it is best to lead the community through a dialogue to come to a consensus on what tax structure is best for the community moving forward.

A thriving economy is a cornerstone of the Town's long-term vision. This includes maintenance of a healthy tax base. A strong tax base is critical to another of the Town's four cornerstones: community services that maintain a high quality of life.

Sales tax is presently the Town's most important revenue source, but that might not remain the case as the community ages. Staff continually monitors the Town's financial sustainability in attempt to ensure that the new infrastructure afforded to the community by growth is able to be maintained over the long term. This will become an increasingly important conversation to have as the Town gets to build-out. Some neighboring communities are presently seeing stagnating revenues and are attempting to adjust their financial and service models accordingly. It is important to remain ahead of the curve in this regard, so a gap does not develop between revenues and operations and maintenance funding needs.

Staff encourages Council to review and discuss Alternatives D-H and provide staff any further direction regarding research and analysis on this topic.

<u>Attachments</u>

Attachment A	Alternatives Information and Considerations
Attachment B	Baseline Financial Information
Attachment C	Baseline With FHC Tax Removed
Attachment D	Alternative D Detail
Attachment E	Alternative E Detail
Attachment F	Alternative F Detail
Attachment G	Alternative G Detail
Attachment H	Alternative H Detail
Attachment I	Municipal Tax Information

Attachment A: Alternatives Information and Considerations

The following assumptions have been utilized in the preparation of the 2019-2028 alternative planning related to possible changes to the FHC tax:

- Historical (2009-2017) averages have been utilized for most revenue and expenditure categories as the basis for predicting future trending. Exceptions to this methodology include:
  - o Planning for 2019-2021 includes current balanced financial planning; 2022-2023 includes planned Capital Improvement Program items
  - o Total sales tax revenue is projected to increase by:
    - * 4% in 2019-2024
    - * 3% in 2025-2028
  - o Building use tax is projected to increase by 5% annually
  - o Where available, projections have been modified to reflect known current debt schedules

Utilizing these assumptions, staff prepared a 10-year projection for the General, Transportation and Community Center funds related to five possible alternatives (D-H) for possible changes to the FHC tax.

Each alternative resulted in a downward trend in the annual net gain/loss within each examined fund. Therefore, in order to maintain balanced financial planning, the Town would need to consider adjustments to strategic priorities and/or levels of service in the future.

Possible considerations may include:

	General Fund	Transportation Fund	Community Center Fund
Revenue	Additional and/or diversified revenue sources		
Personnel Expenditures	Evaluation of current Town strategic priorities and levels of service related to new personnel costs -- including new staff, healthcare, and annual performance-based pay increases -- would need to occur, including in Police, Fire, Parks and Recreation, Development Services and general government	Evaluation of current Town strategic priorities and levels of service related to new personnel costs -- including new staff, healthcare, and annual performance-based pay increases -- would need to occur, including in transportation planning, engineering, traffic and street operations	Evaluation of current Town strategic priorities and levels of service related to new personnel costs -- including new staff, healthcare, and annual performance-based pay increases -- would need to occur, including in facility operations, aquatics and youth, adult, community and other programming
Operating Expenditures	Items to be evaluated would include utilization of water for Town parks/facilities; service contract agreements; software/hardware system utilization; staff training/development and other operating expenditures	Annual pavement maintenance program expenditures, along with other operating expenditures, would need to be evaluated	Operating expenditures would need to be evaluated; these expenditures support community programming and may impact future program offerings and/or hours of operation
Capital Expenditures	Prioritization/deferral of future capital projects, including facility maintenance and repair and replacement of departmental equipment, would need to be considered	Prioritization/deferral of future capital projects -- including the traffic signal program, street reconstructions, ADA ramps and supplementation of growth-related projects -- would need to be considered	Prioritization/deferral of capital projects including equipment replacement and facility maintenance, would need to be considered

Attachment B: Baseline Financial Information

This shows status quo financial information:

FHC tax remains in place at 4%

*Planning for 2019-2021 includes current balanced financial planning
*Known current debt schedules are incorporated

★★★★★

No new revenues are included

*Sales tax revenue is projected to increase by 4% in 2019-2024, then by 3% in 2025-2027

Based on the assumptions included:

The net gain/(loss) by fund in 2028 is projected to be:

General Fund: ($1,897,406)
Transportation Fund: $276,978
Community Center Fund: ($131,424)

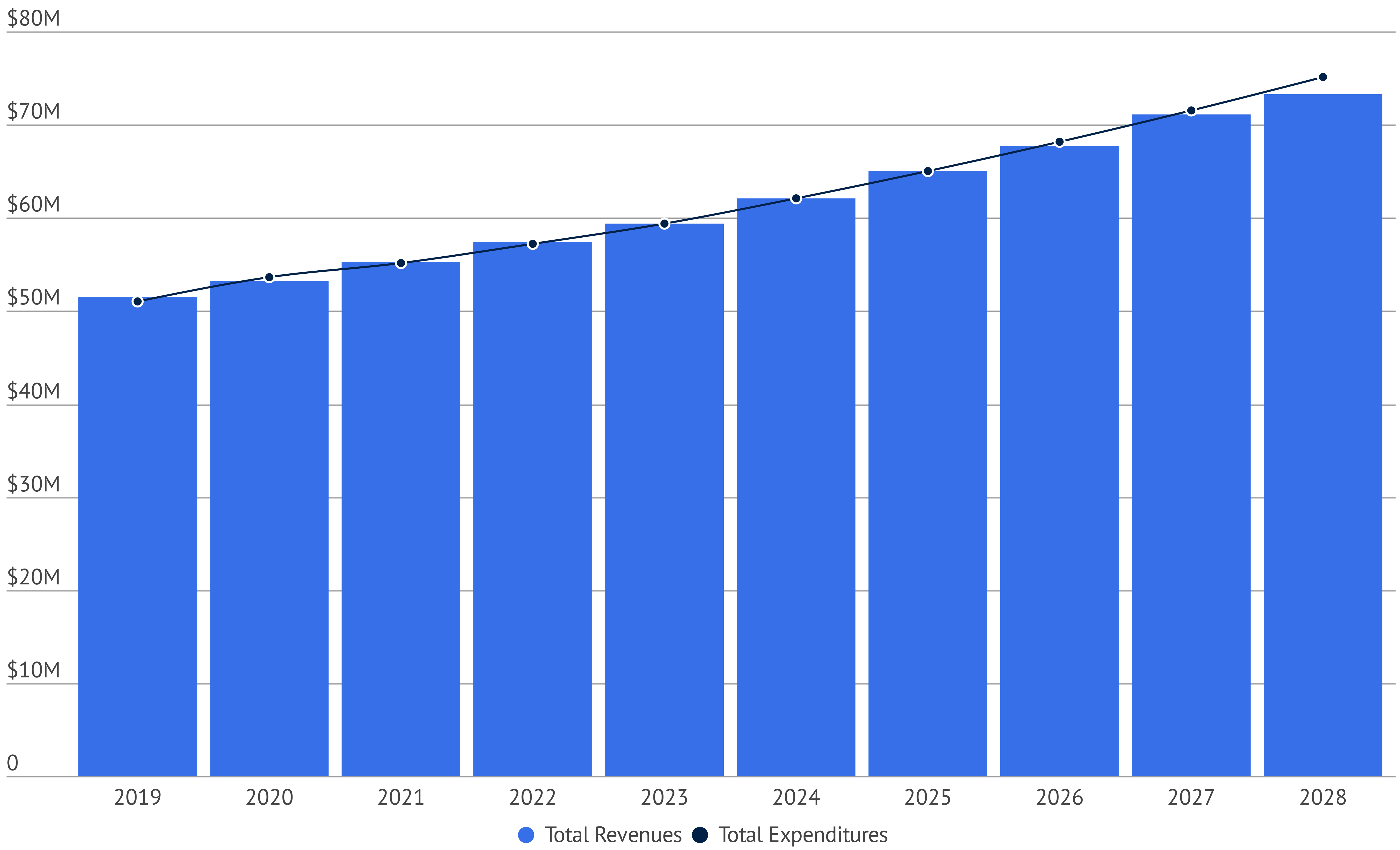
★★★★★

The cumulative gain/(loss) by fund for 2019-2028 is projected to be:

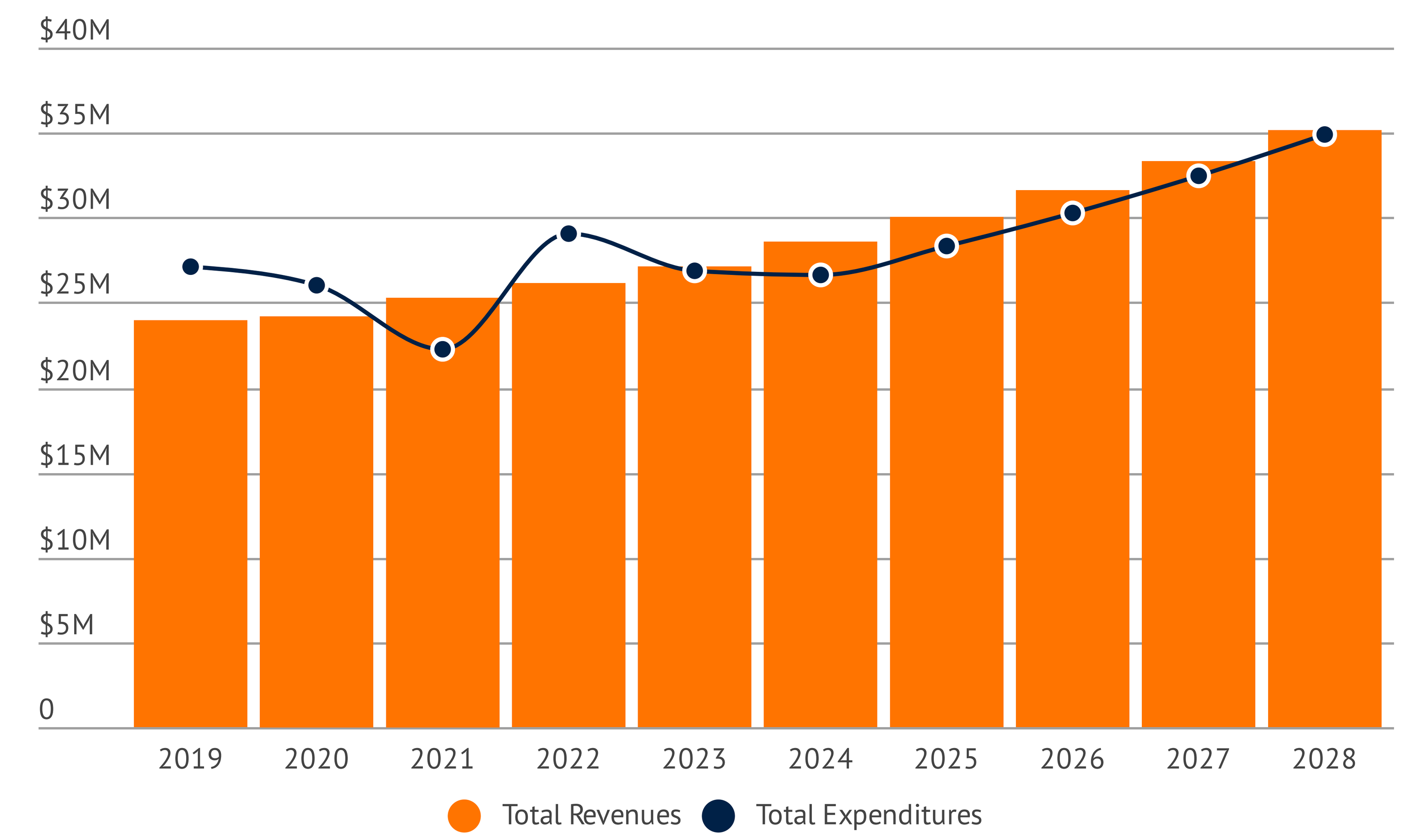
General Fund: ($2,630,275)
Transportation Fund: $1,457,485
Community Center Fund: $1,327,529

General Fund

★ Utilizing historic (2009-2017) changes in budget categories combined with known current planning, the alternative outlined above has been applied to future planning to determine possible budget impacts to sales tax-receiving funds.

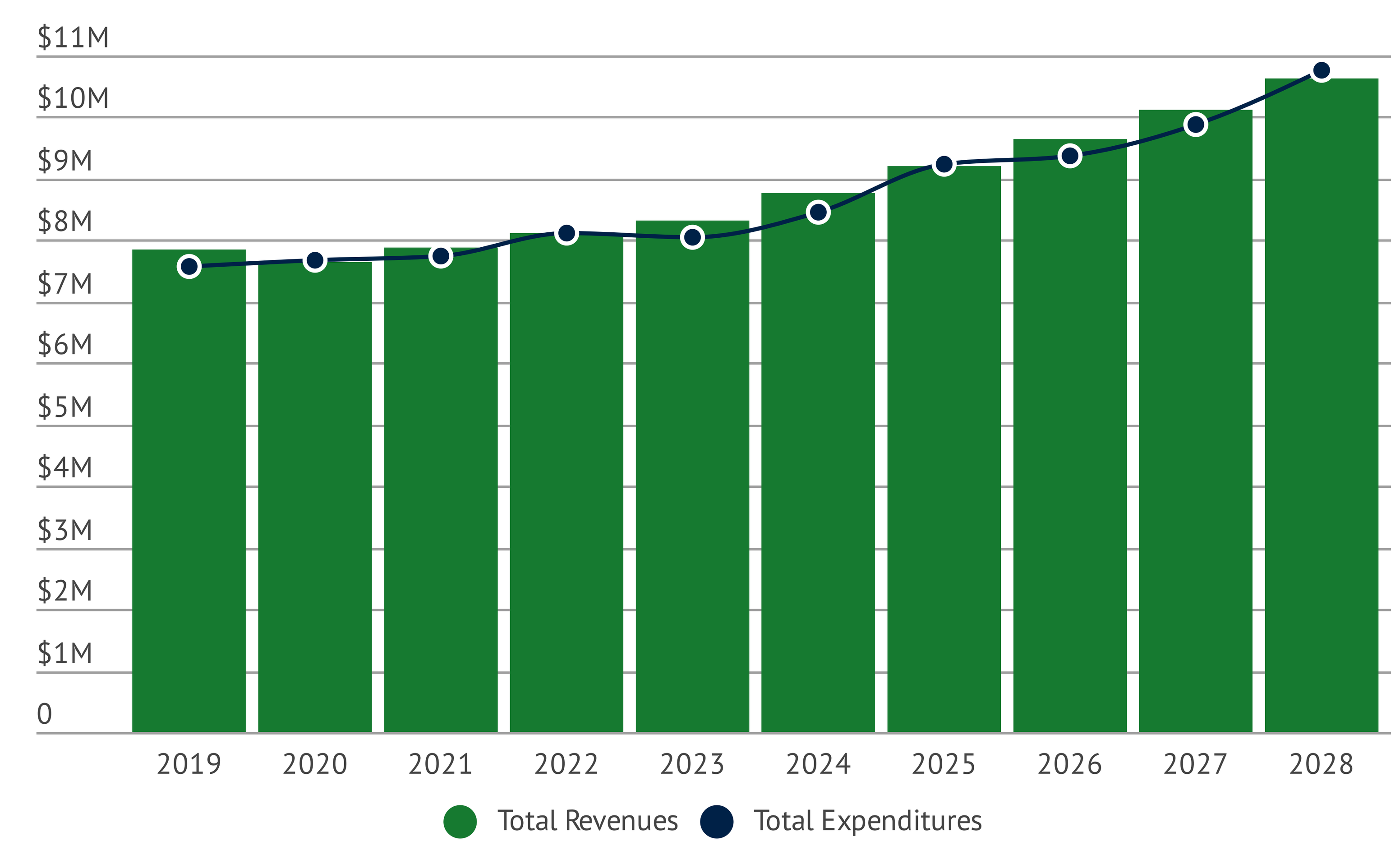


Transportation Fund



★ The difference in revenues and expenditures in 2019, 2020 and 2022 is due to the planned use of reserves for capital projects

Community Center Fund



Attachment C: Baseline With FHC Removed

This shows reduced revenues and unbalanced budgets:

FHC tax is eliminated effective January 1, 2019

★★★★★

No new revenues are included

- Sales tax revenue is projected to increase by 4% in 2019-2021

Based on the assumptions included:

The net (loss) by fund in 2028 is projected to be:

General Fund: ($8,899,742)
Transportation Fund: ($2,159,743)
Community Center Fund: ($654,432)

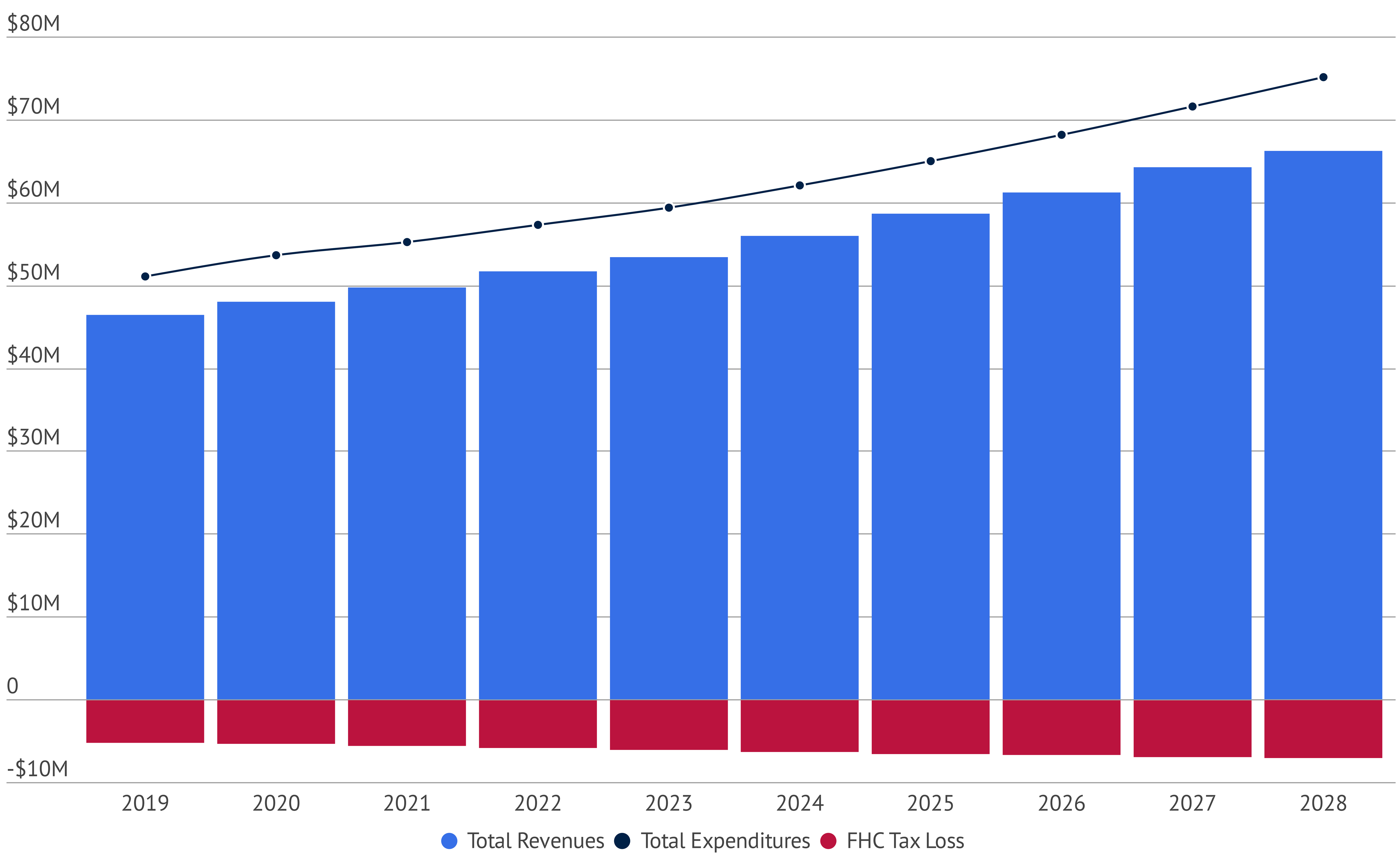
★★★★★

The cumulative (loss) by fund for 2019-2028 is projected to be:

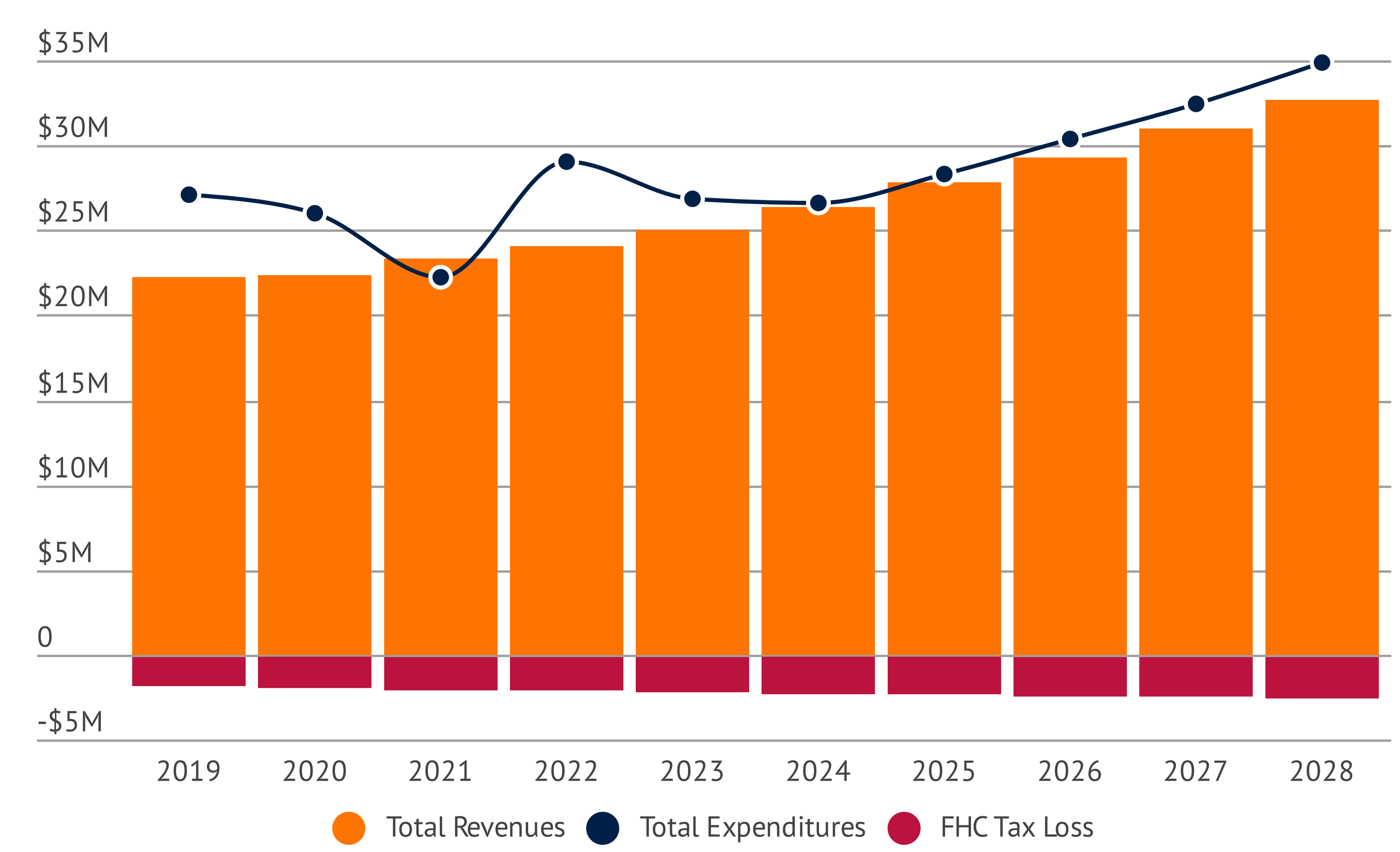
General Fund: ($63,031,794)
Transportation Fund: ($19,561,452)
Community Center Fund: ($3,183,894)

General Fund

★ Utilizing historic (2009-2017) changes in budget categories combined with known current planning, the alternative outlined above has been applied to future planning to determine possible budget impacts to sales tax-receiving funds.

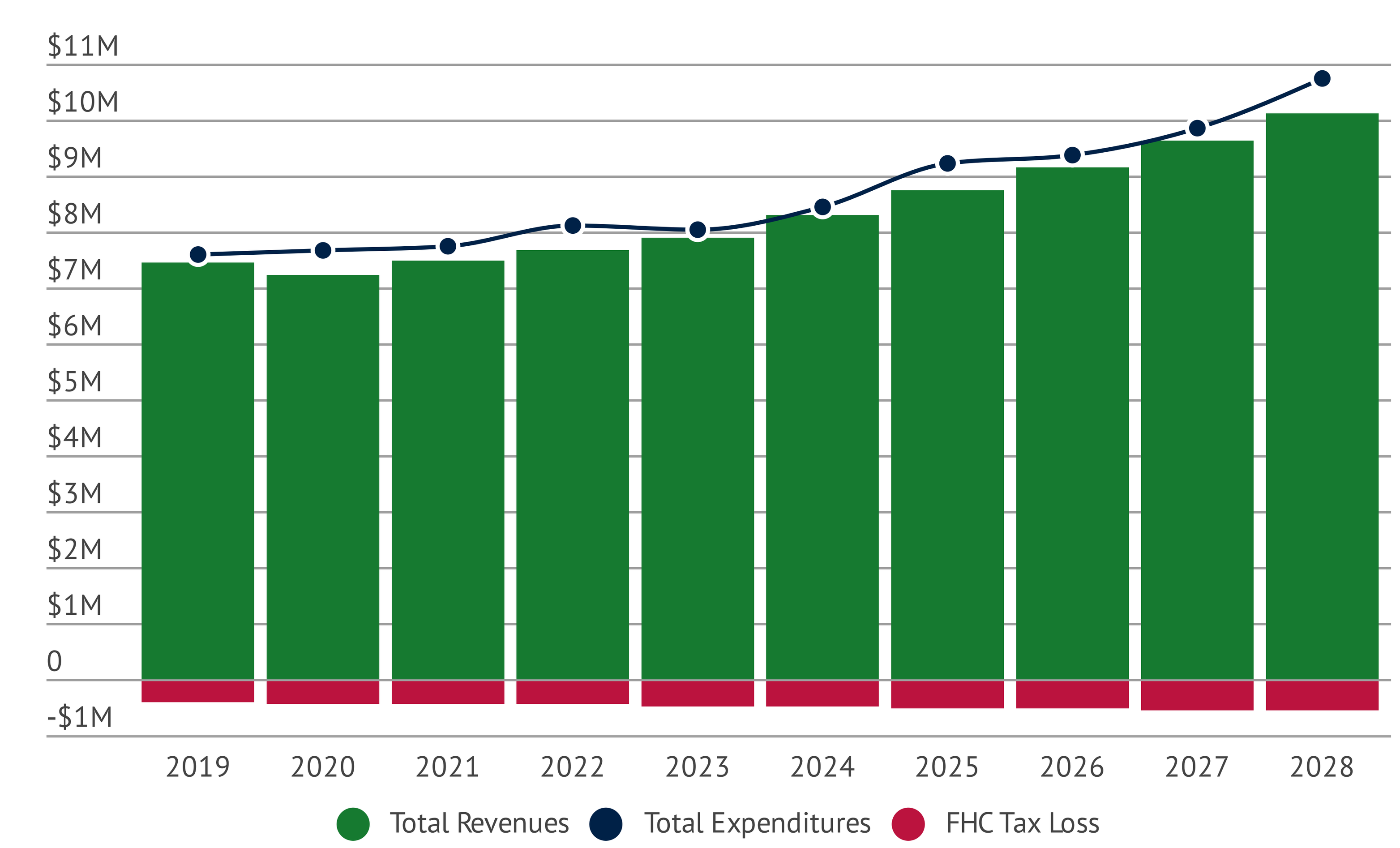


Transportation Fund



★ The difference in revenues and expenditures in 2019 and 2020 is due to the planned use of reserves for capital projects

Community Center Fund



Alternative D

In this alternative:

The Town phases out FHC tax over a 13-year period

2% reduction in 2019 .5% reductions in 2022, 2025, 2028 and 2031

★ ★ ★ ★ ★

Additional revenues are required and are included to begin in 2019

6% lodging tax: tax on rooms for accommodation occupied less than 30 days at a time
4% admissions tax: levied on charges or fees imposed to gain admission to a place or event open to the public
4% consumers use tax: tax on purchases made outside the State through online, telephone or catalog ordering
Additional revenues would go into the General Fund and would not be split among the three sales tax-receiving funds

Based on the assumptions included:

The net (loss) by fund in 2028 is projected to be:

General Fund: ($2,374,464)
Transportation Fund: ($1,855,153)
Community Center Fund: ($589,056)

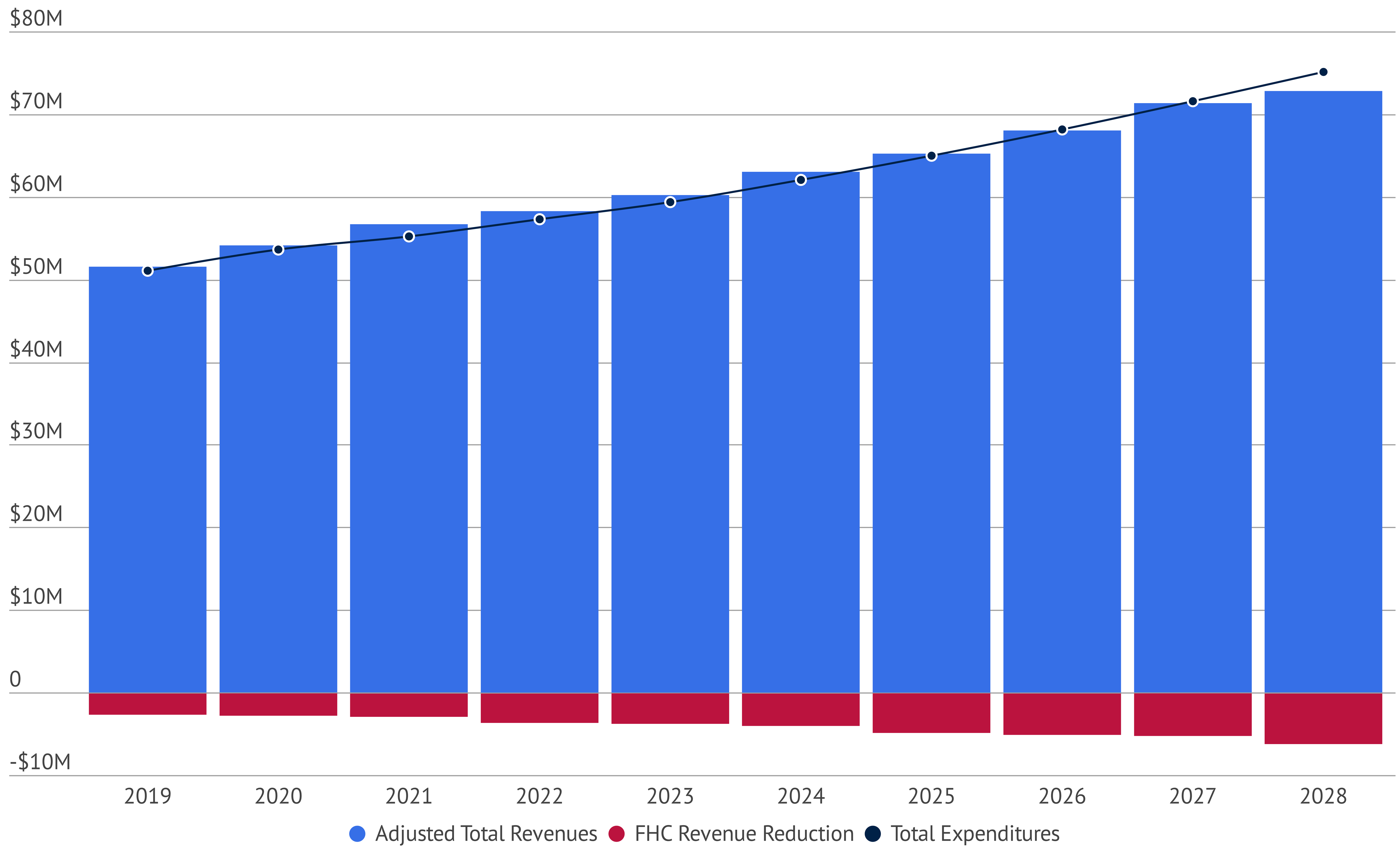
★ ★ ★ ★ ★

The cumulative gain/(loss) by fund for 2019-2028 is projected to be:

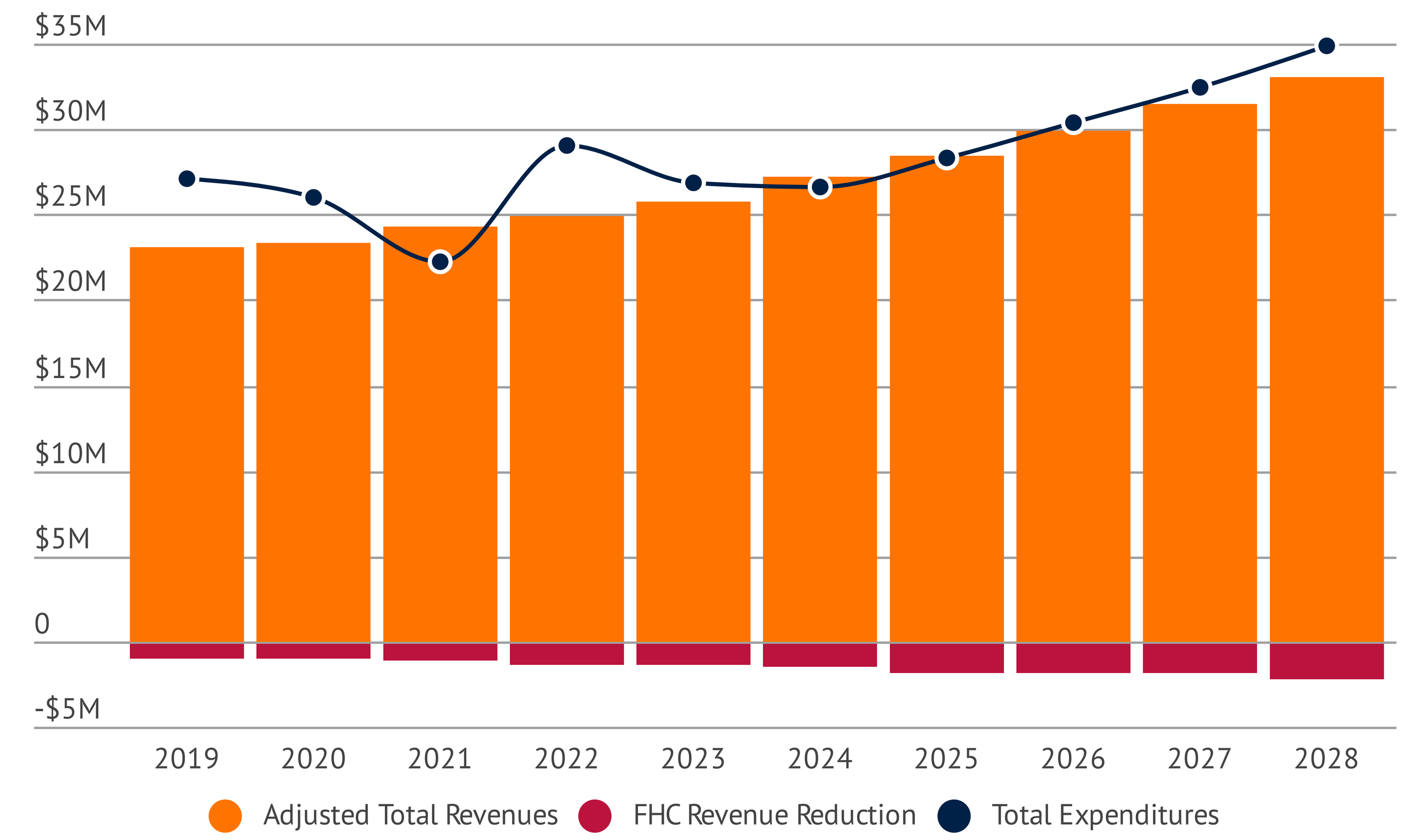
General Fund: $2,592,578
Transportation Fund: ($12,462,426)
Community Center Fund: ($1,660,185)

General Fund

Utilizing historic (2009-2017) changes in budget categories combined with known current planning, the alternative outlined above has been applied to future planning to determine possible budget impacts to sales tax-receiving funds.

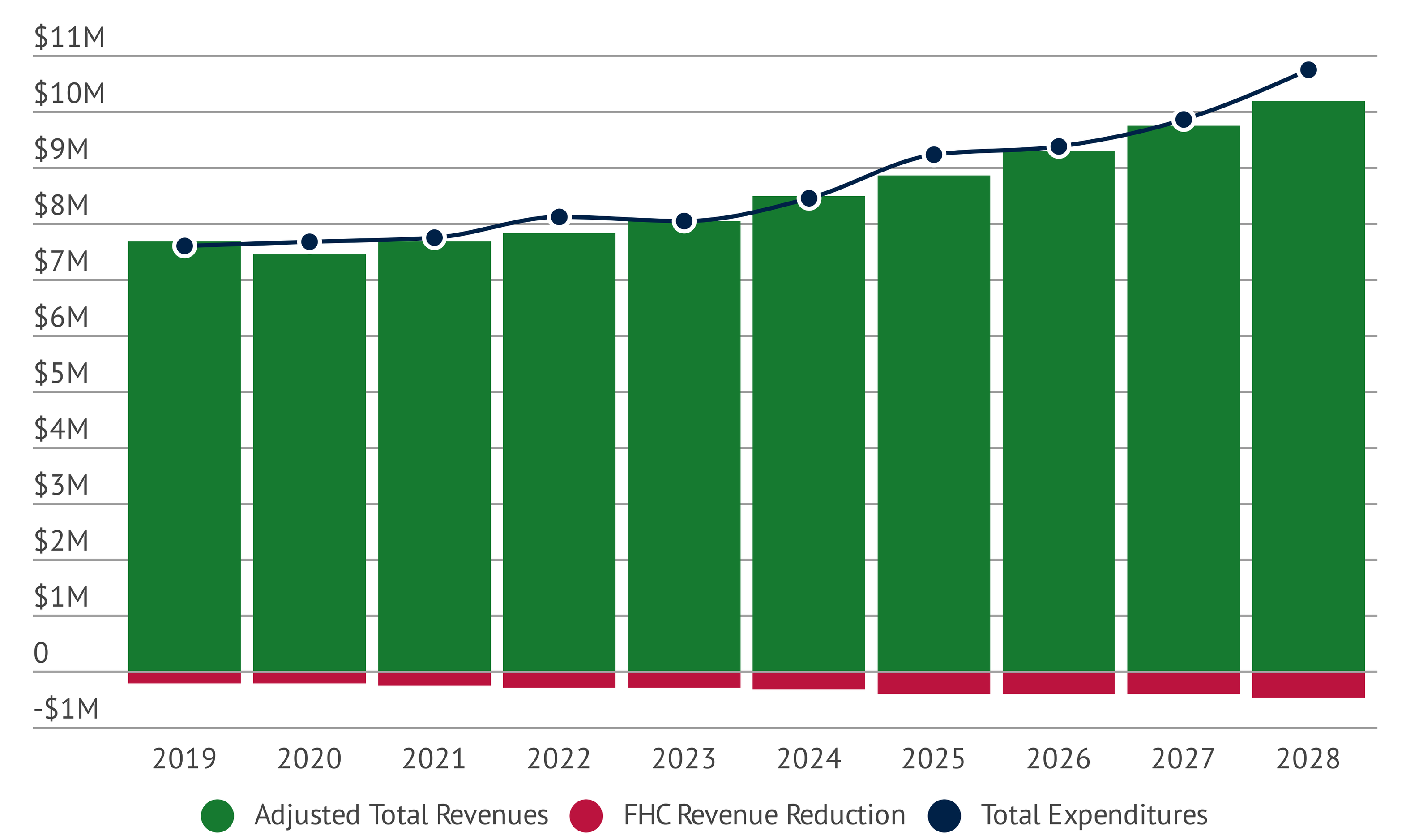


Transportation Fund



The difference in revenues and expenditures in 2019 and 2020 is due to the planned use of reserves for capital projects

Community Center Fund



Alternative E

In this alternative:

The Town phases out FHC tax over a 10-year period

1% reduction in 2019
1% reductions in 2022, 2025 and 2028

★★★★★

Additional revenues are required and are included to begin in 2019

6% lodging tax: tax on rooms for accommodation occupied less than 30 days at a time
4% admissions tax: levied on charges or fees imposed to gain admission to a place or event open to the public
4% consumers use tax: tax on purchases made outside the State through online, telephone or catalog ordering
Additional revenues would go into the General Fund and would not be split among the three sales tax-receiving funds

Based on the assumptions included:

The net (loss) by fund in 2028 is projected to be:

General Fund: ($3,249,756)
Transportation Fund: ($2,159,743)
Community Center Fund: ($654,432)

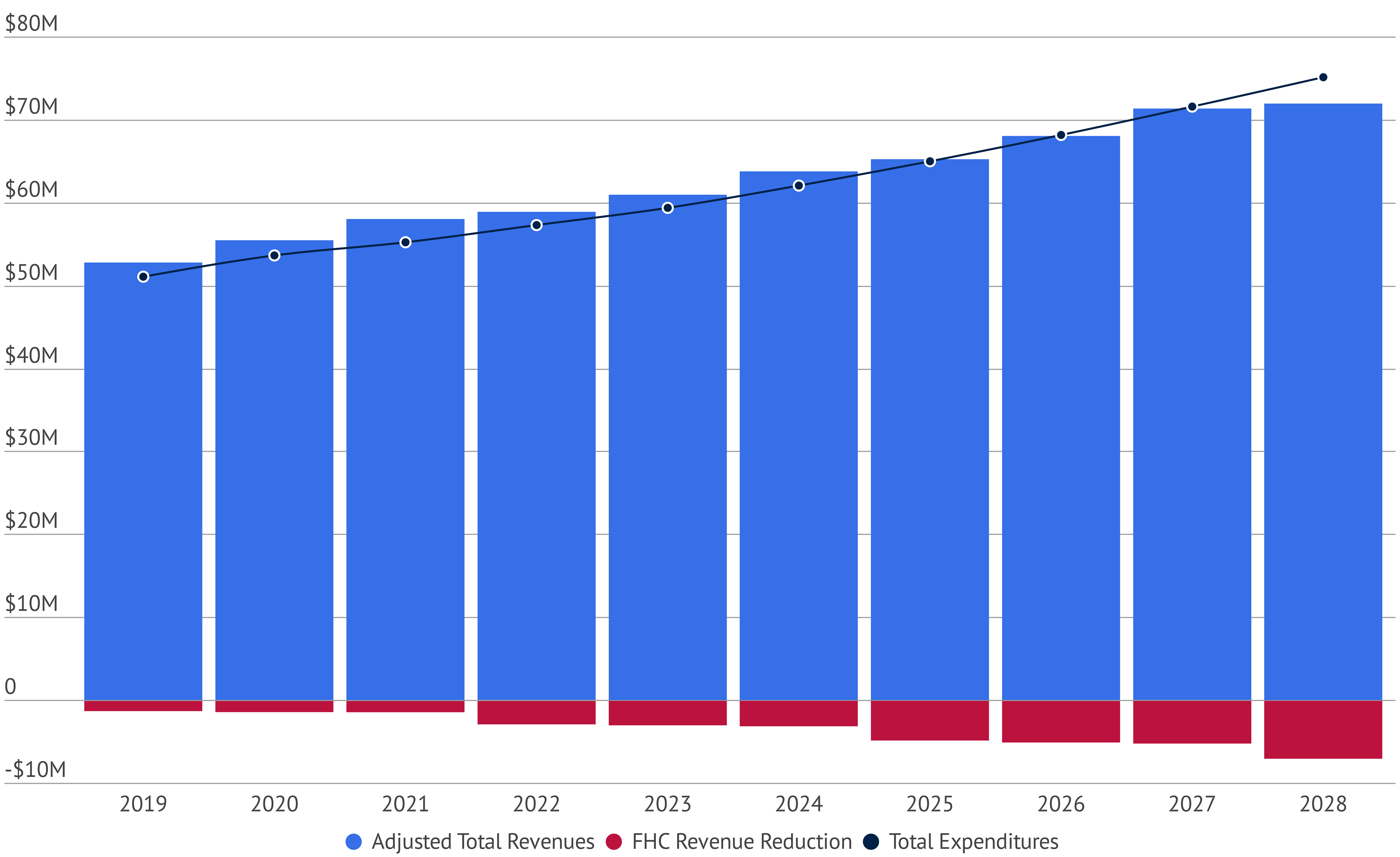
★★★★★

The cumulative gain/(loss) by fund for 2019-2028 is projected to be:

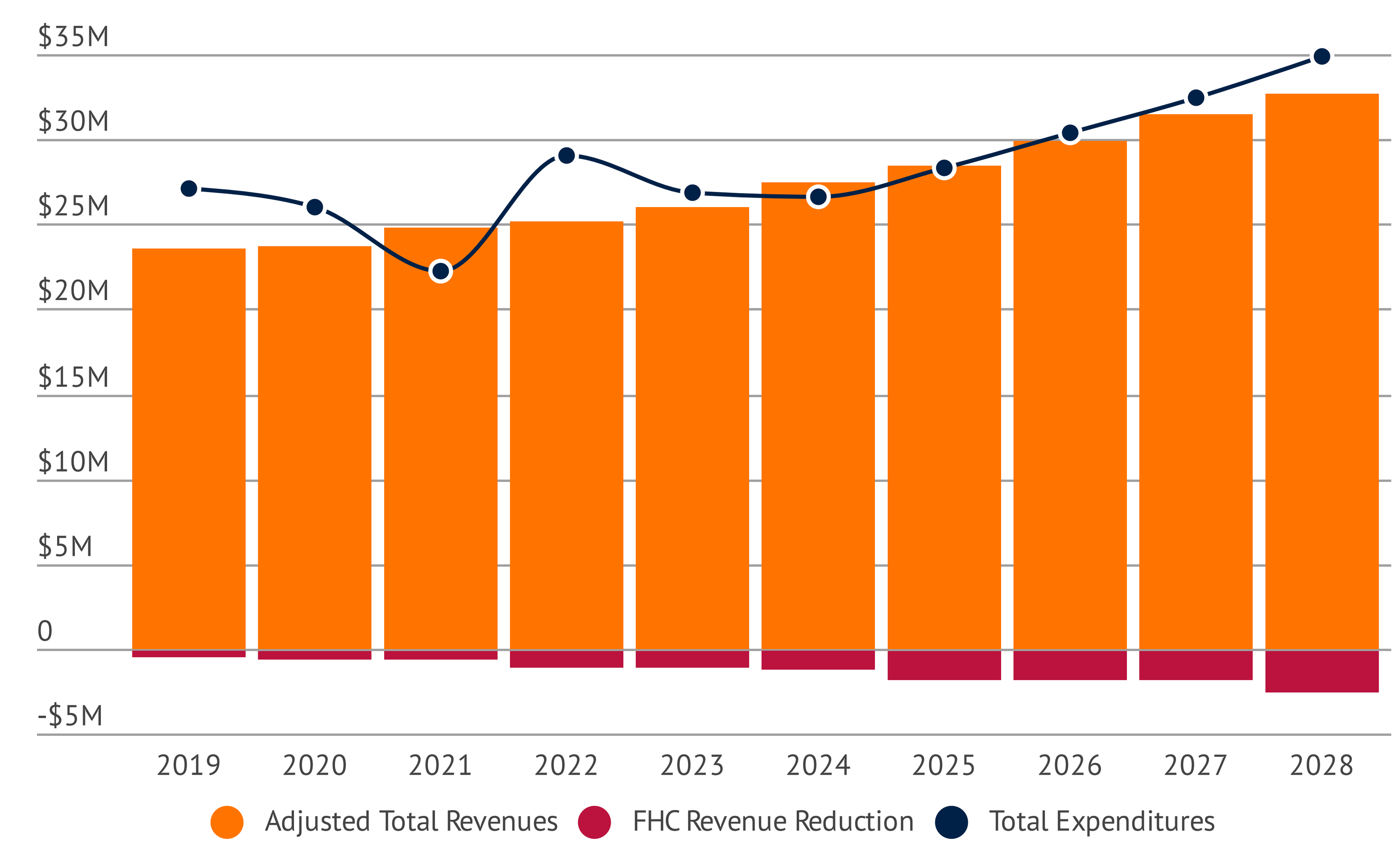
General Fund: $7,892,468
Transportation Fund: ($10,618,134)
Community Center Fund: ($1,264,334)

General Fund

★ Utilizing historic (2009-2017) changes in budget categories combined with known current planning, the alternative outlined above has been applied to future planning to determine possible budget impacts to sales tax-receiving funds.

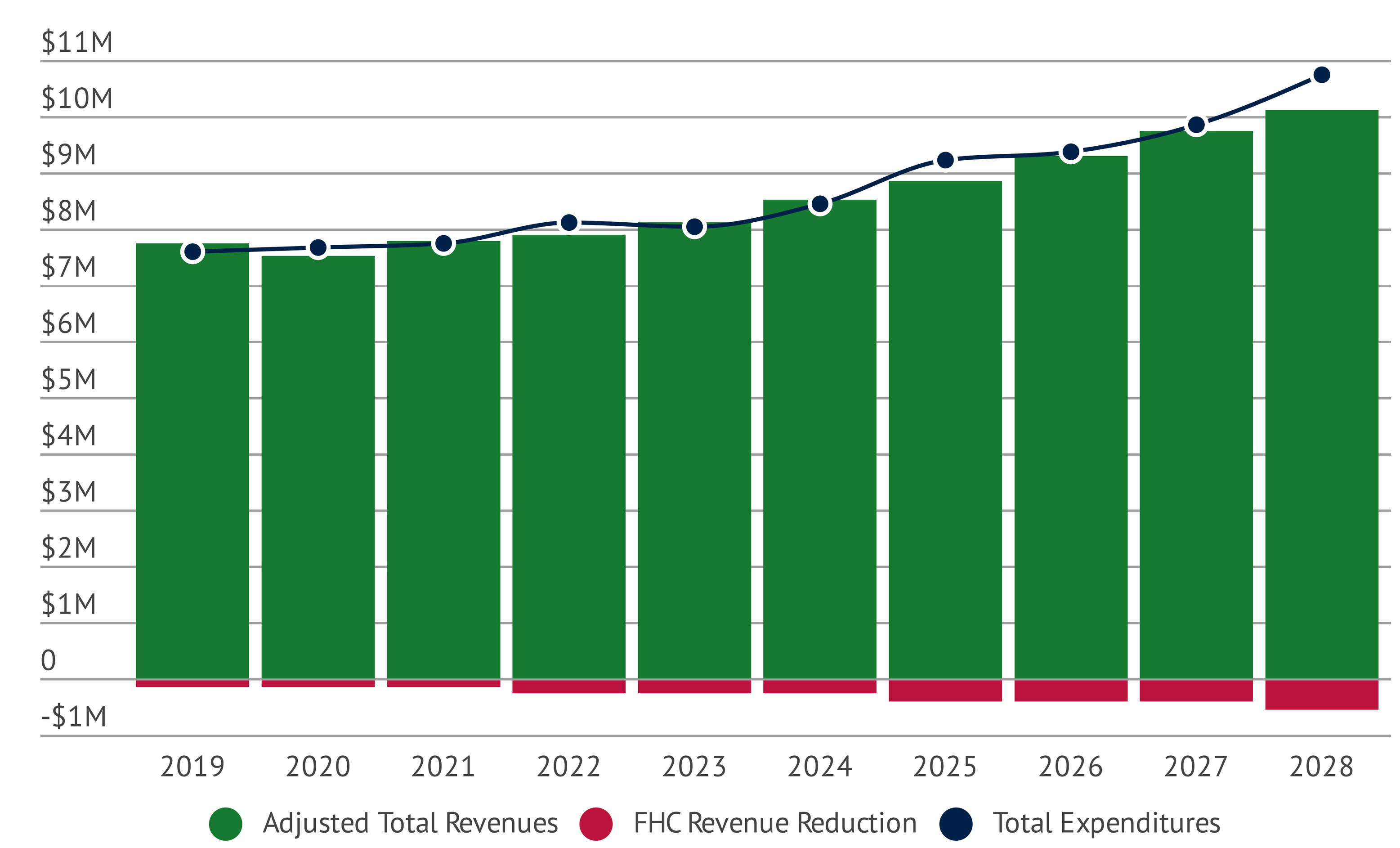


Transportation Fund



★ The difference in revenues and expenditures in 2019, 2020 and 2022 is due to the planned use of reserves for capital projects

Community Center Fund



Alternative F

In this alternative:

The Town phases out FHC tax over a 15-year period

.5% reduction in 2019
.5% reductions in 2021, 2023, 2025, 2027, 2029, 2031 and 2033

Additional revenues are required and are included to begin in 2019

6% lodging tax: tax on rooms for accommodation occupied less than 30 days at a time
4% admissions tax: levied on charges or fees imposed to gain admission to a place or event open to the public
4% consumers use tax: tax on purchases made outside the State through online, telephone or catalog ordering
Additional revenues would go into the General Fund and would not be split among the three sales tax-receiving funds

Based on the assumptions included:

The net (loss) by fund in 2028 is projected to be:

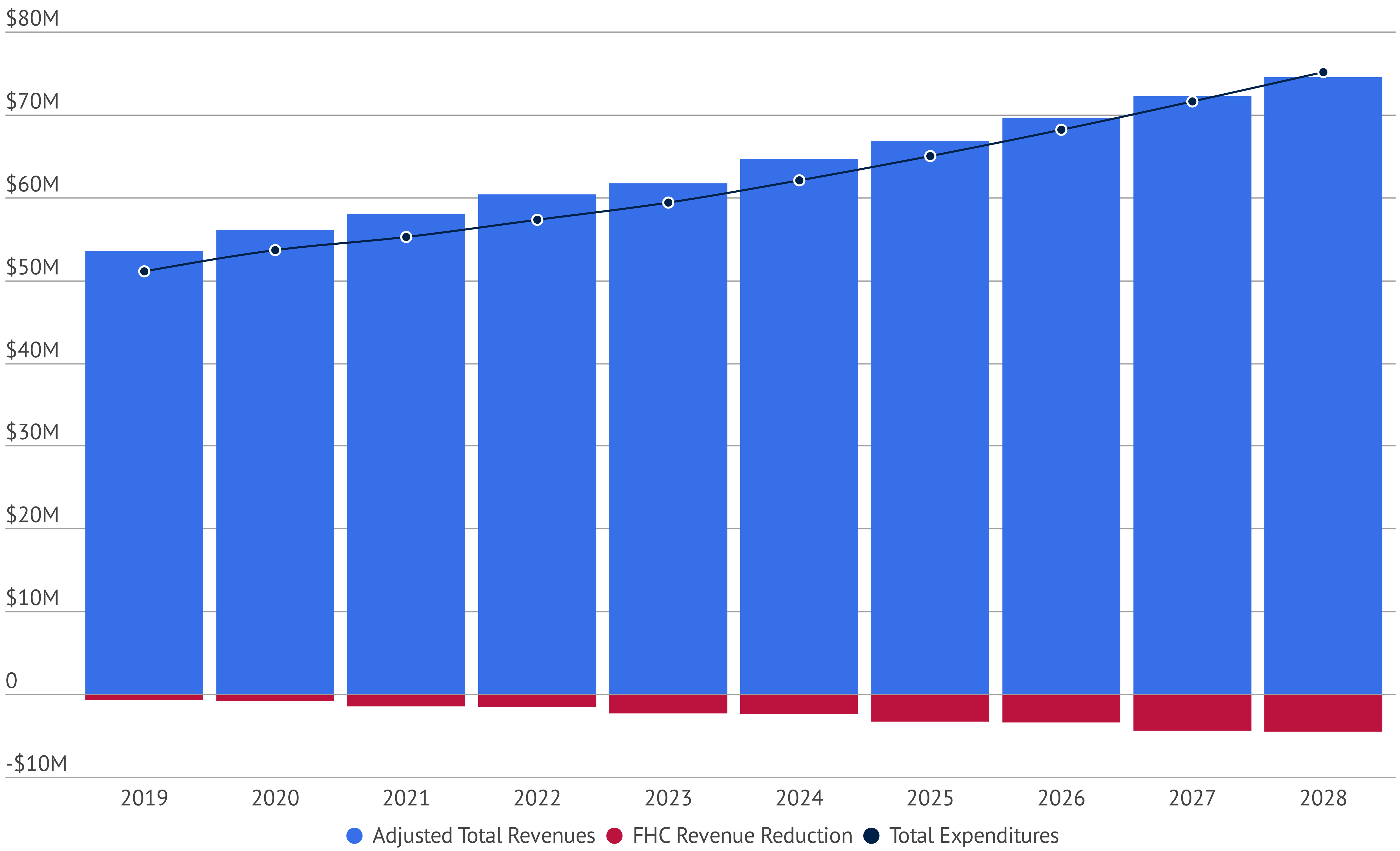
General Fund: ($623,879)
Transportation Fund: ($1,245,973)
Community Center Fund: ($458,304)

The cumulative gain/(loss) by fund for 2019-2028 is projected to be:

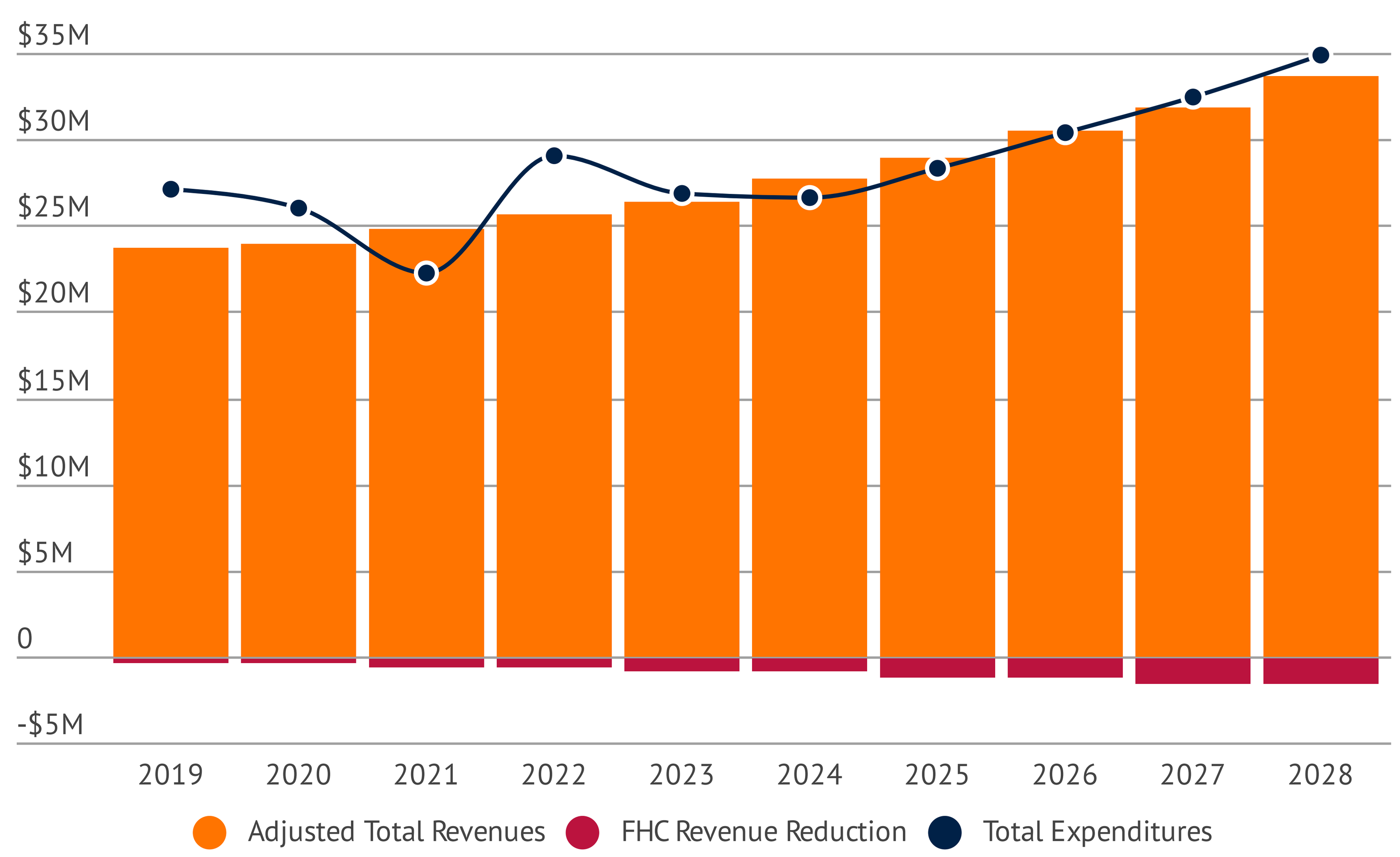
General Fund: $18,846,694
Transportation Fund: ($6,806,207)
Community Center Fund: ($446,157)

General Fund

Utilizing historic (2009-2017) changes in budget categories combined with known current planning, the alternative outlined above has been applied to future planning to determine possible budget impacts to sales tax-receiving funds.

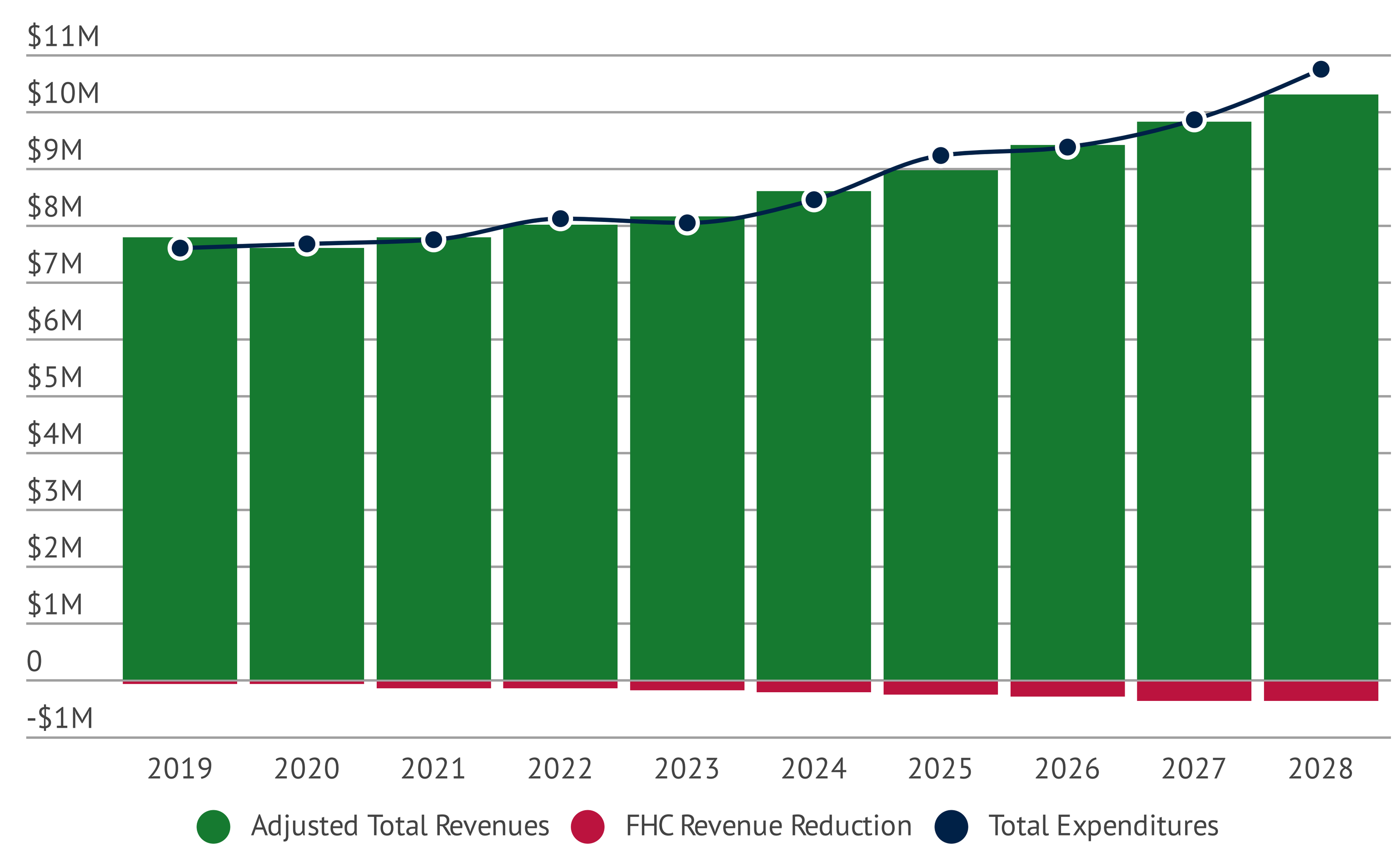


Transportation Fund



The difference in revenues and expenditures in 2019, 2020 and 2022 is due to the planned use of reserves for capital projects

Community Center Fund



Alternative G

In this alternative:

The Town retains the FHC tax and offers a rebate program for all residents (20,000 households)

Each household would be offered an annual rebate of $170, which is the amount Bureau of Labor Statistics data indicates a Town household pays in FHC tax annually.

Offering a rebate program for all residents would require alternative revenue sources as listed below.

★★★★★

Additional revenues are required and are included to begin in 2019

6% lodging tax: tax on rooms for accommodation occupied less than 30 days at a time
4% admissions tax: levied on charges or fees imposed to gain admission to a place or event open to the public
4% consumers use tax: tax on purchases made outside the State through online, telephone or catalog ordering
Additional revenues would go into the General Fund and would not be split among the three sales tax-receiving funds

Based on the assumptions included:

The net gain/(loss) by fund in 2028 is projected to be:

General Fund: $45,123
Transportation Fund: ($1,013,168)
Community Center Fund: ($408,336)

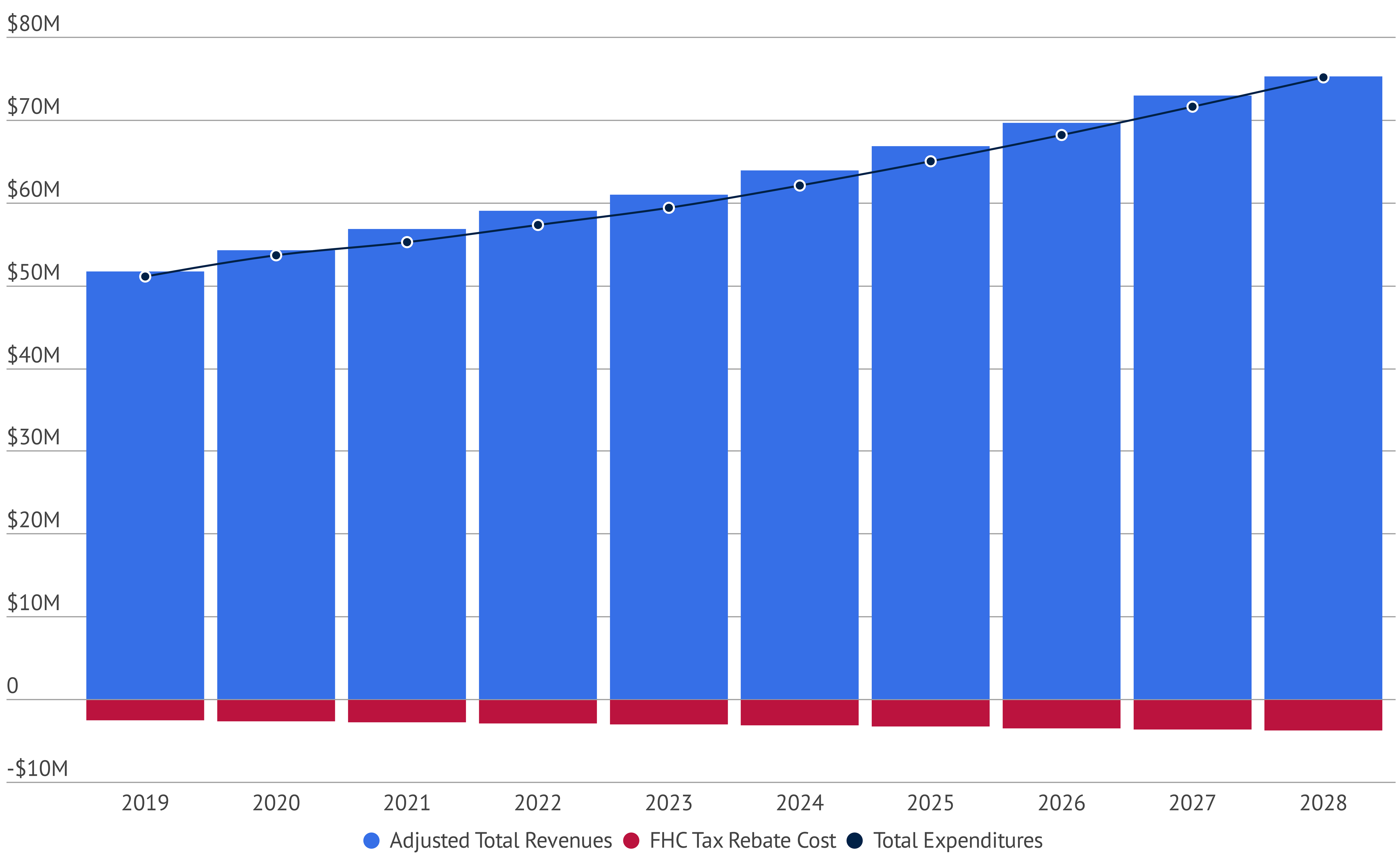
★★★★★

The cumulative gain/(loss) by fund for 2019-2028 is projected to be:

General Fund: $12,534,425
Transportation Fund: ($9,002,793)
Community Center Fund: ($917,624)

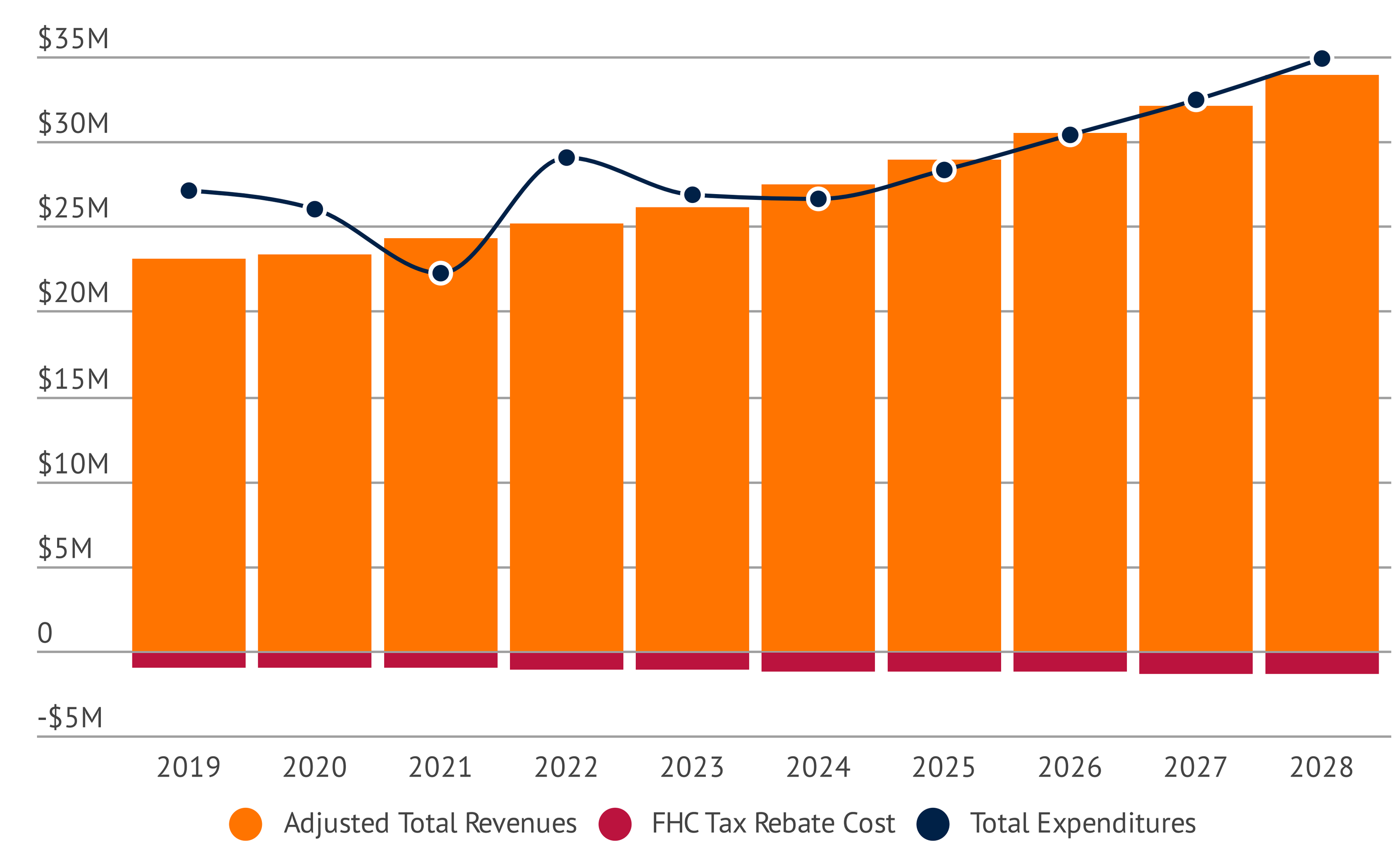
General Fund

★ Utilizing historic (2009-2017) changes in budget categories combined with known current planning, the alternative outlined above has been applied to future planning to determine possible budget impacts to sales tax-receiving funds.



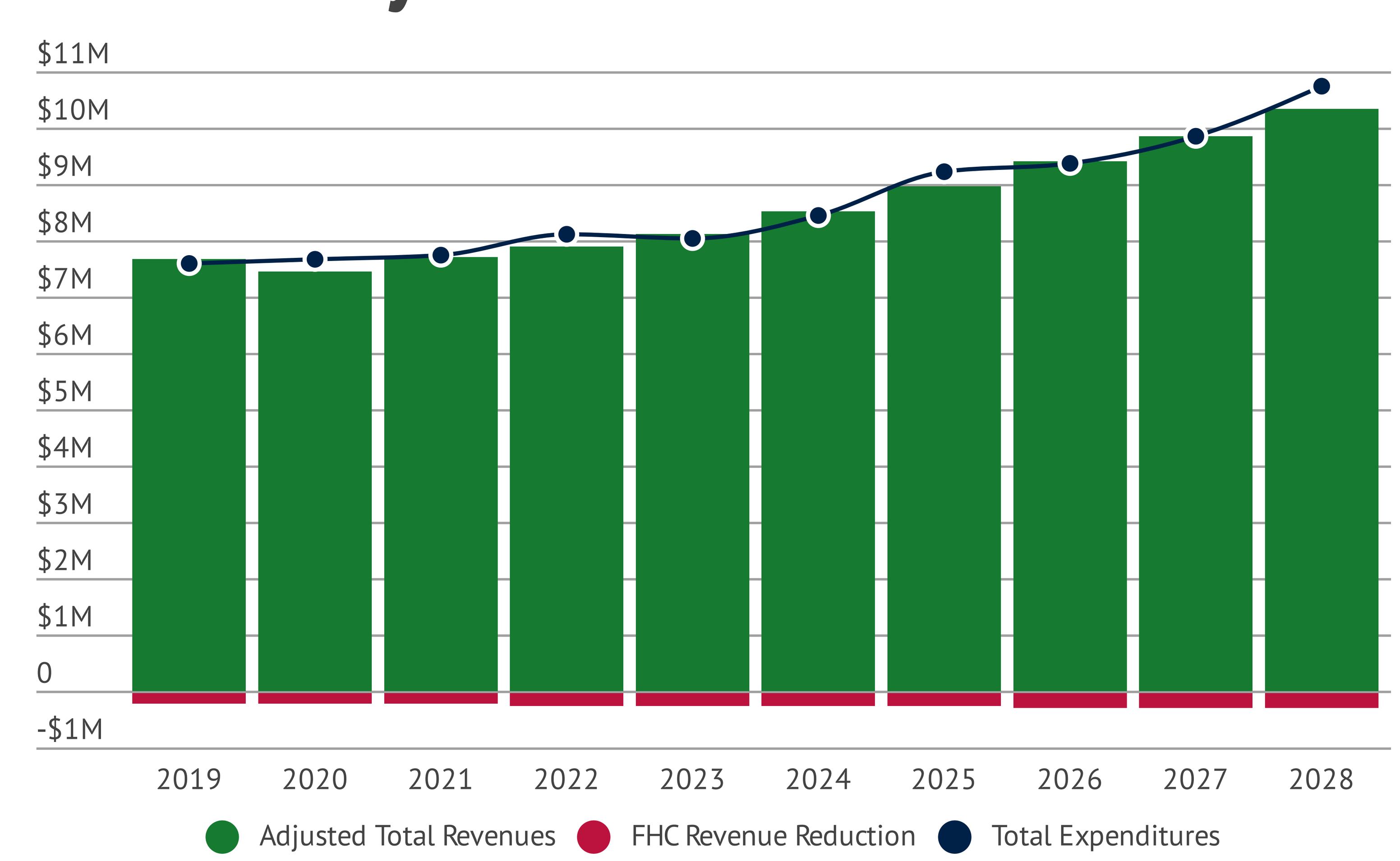
★ In this scenario, the cost of the FHC tax rebates would be split among all three sales tax-receiving funds

Transportation Fund



★ The difference in revenues and expenditures in 2019, 2020 and 2022 is due to the planned use of reserves for capital projects

Community Center Fund



Alternative H

In this alternative:

The Town retains the FHC tax and offers a rebate program for qualified residents

Each qualified household would be offered an annual rebate of $170, which is the amount Bureau of Labor Statistics data indicates a Town household pays in FHC tax annually.

Note: This scenario shows outcomes of offering a rebate for qualified residents without the addition of any alternative revenue sources.

★★★★★

Rebate qualifications (2,000 households used for illustrative purposes)

Cities' rebate programs utilize a variety of qualifying factors (Council could set the criteria for such a program):

- Income (50% of median)
- Senior/disabled
- Number in household

Based on the assumptions included:

The net gain/(loss) by fund in 2028 is projected to be:

General Fund: ($2,268,153)
Transportation Fund: $147,963
Community Center Fund: ($159,115)

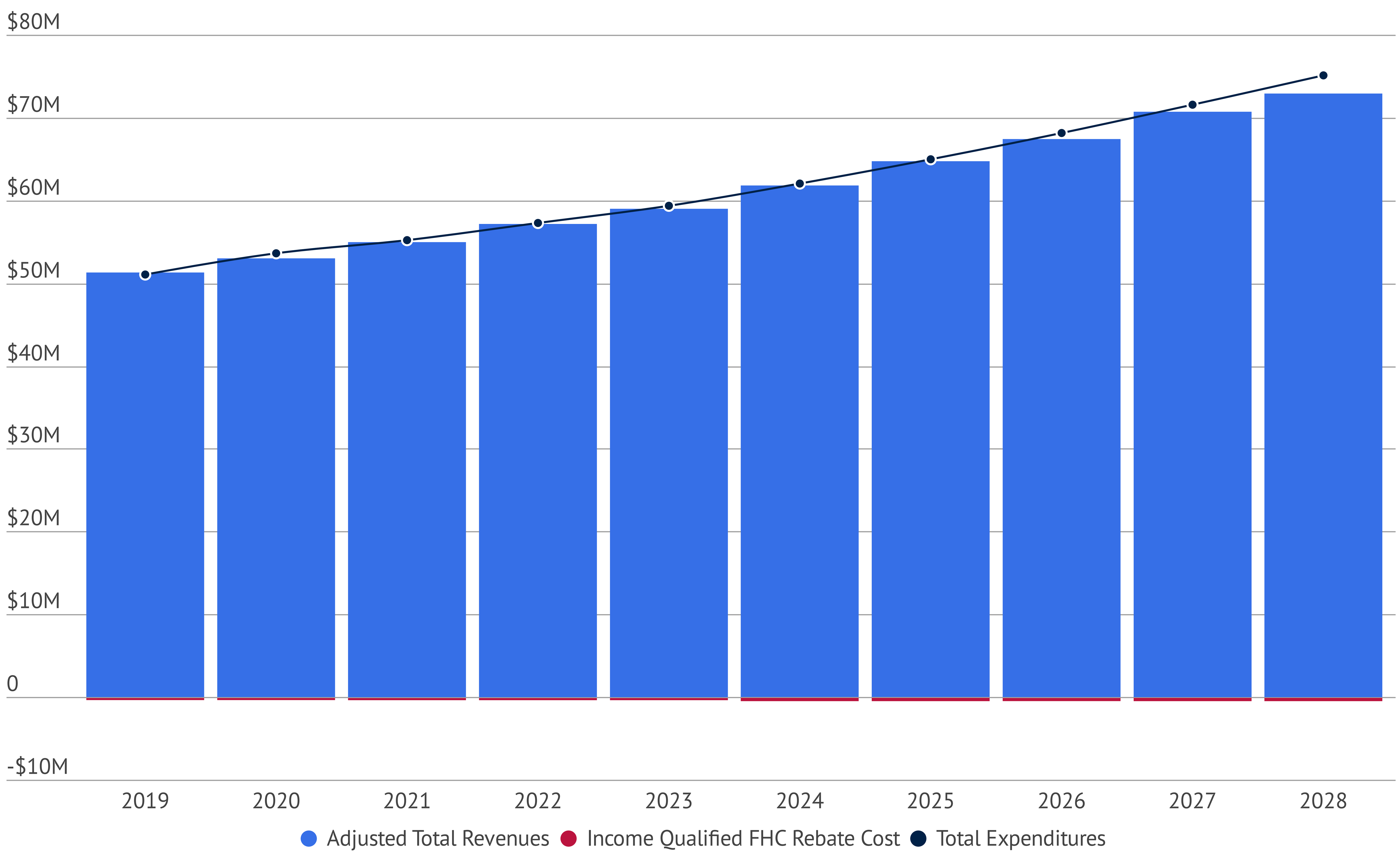
★★★★★

The cumulative gain/(loss) by fund for 2019-2028 is projected to be:

General Fund: ($5,636,223)
Transportation Fund: $411,454
Community Center Fund: $1,103,011

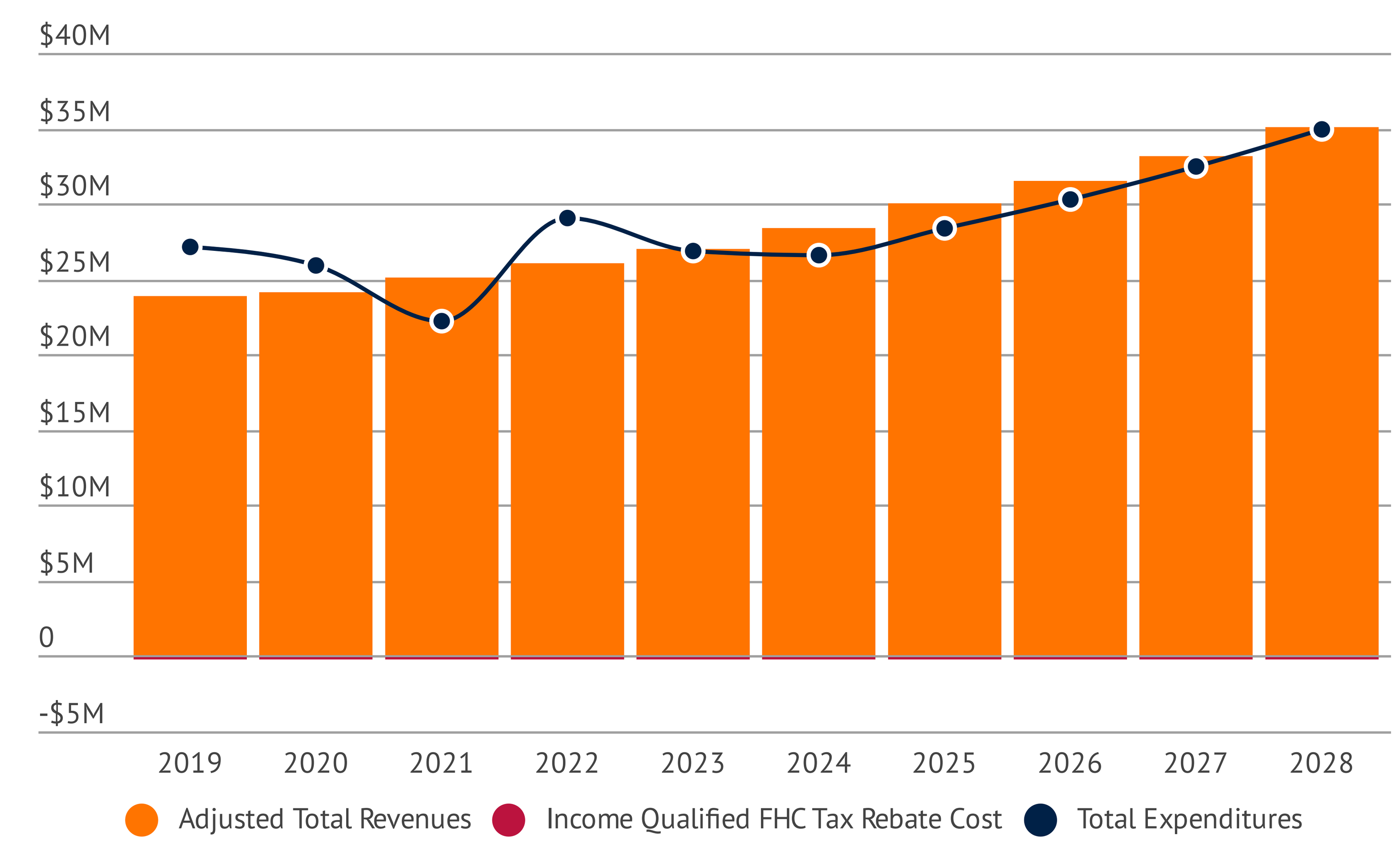
General Fund

★ Utilizing historic (2009-2017) changes in budget categories combined with known current planning, the alternative outlined above has been applied to future planning to determine possible budget impacts to sales tax-receiving funds.



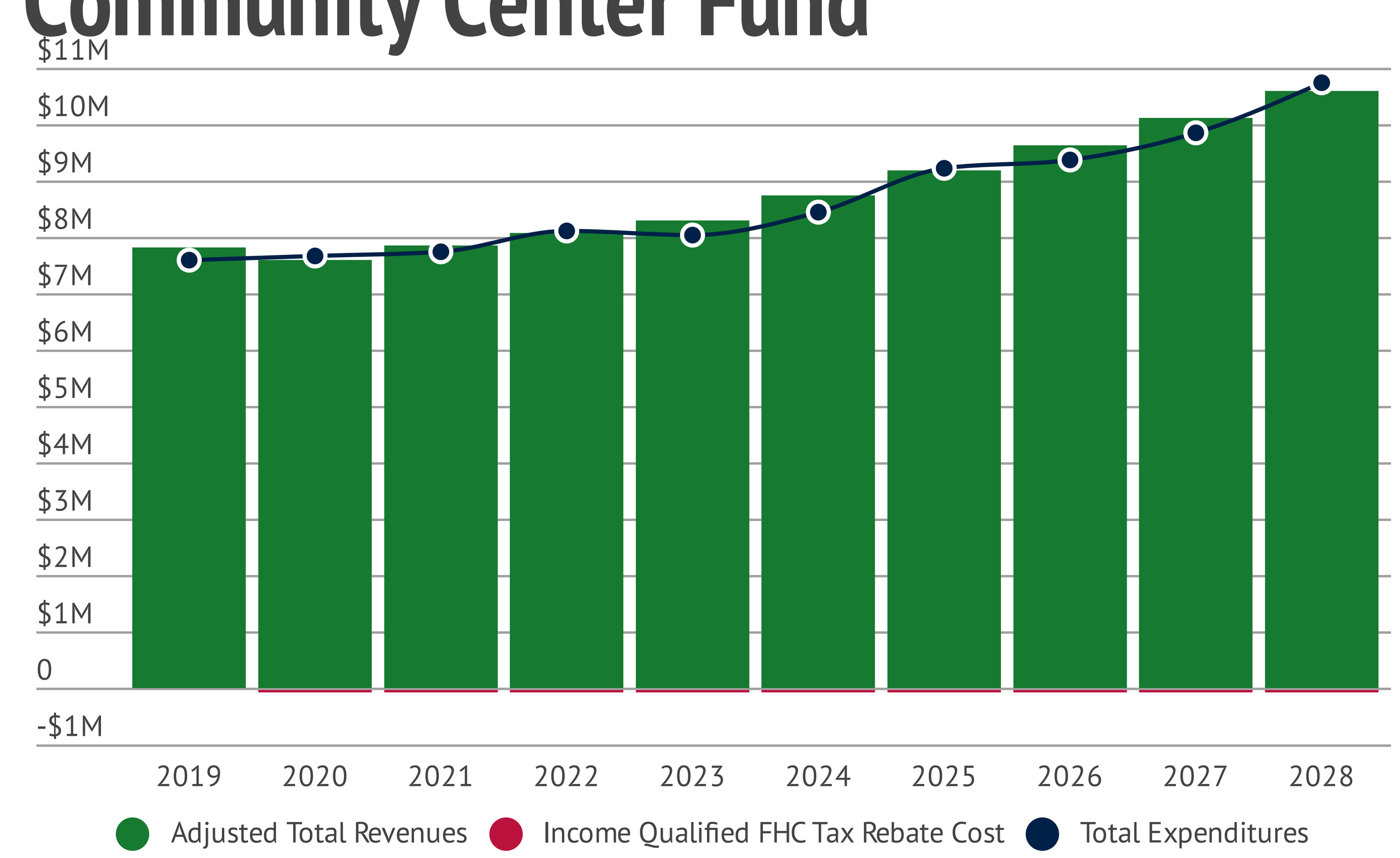
★ In this scenario, the cost of the FHC tax rebates would be split among all three sales tax-receiving funds

Transportation Fund



★ The difference in revenues and expenditures in 2019, 2020 and 2022 is due to the planned use of reserves for capital projects

Community Center Fund



Attachment I: Municipal Tax Information

Of note for the following table is that the State's 2.90% sales tax rate does not apply to FHC. (Nor does Douglas County's 1.00% sales tax rate.)

Jurisdiction	Population	FHC tax information			Overall Sales Tax	Mill Levy	Random Mill Levy**	Consumers Use Tax
		Yes	Muni Sales Tax	No				
Broomfield	68,341	X	4.15%		8.15%	11.457	138.630	-
Greeley (FHC tax 3.46%)	105,448	X*	4.10%		7.01%	11.274	83.275	4.11%
Castle Rock	62,276	X	4.00%		7.90%	1.330	100.220	-
Elizabeth	1,409	X	4.00%		7.90%	19.619	100.951	3.00%
Northglenn	38,928	X	4.00%		8.75%	11.597	120.274	4.00%
Boulder	107,125	X*	3.86%		8.85%	11.981	83.980	3.86%
Westminster	112,812	X	3.85%		8.35%	3.650	94.395	3.85%
Fort Collins	165,080	X*	3.85%		7.30%	9.797	90.828	3.85%
Brighton (Adams)	40,562	X*	3.75%		8.50%	6.650	100.564	-
Brighton (Weld)	see above	X*	3.75%		6.65%	6.650	83.168	-
Thornton	136,978	X	3.75%		8.50%	10.210	109.703	3.75%
Louisville	21,128	X	3.65%		8.64%	8.869	87.561	3.65%
Lafayette	28,328	X	3.50%		8.49%	16.879	88.885	3.50%
Wheat Ridge	31,294	X	3.50%		8.00%	1.806	80.786	3.50%
Arvada (Adams)	118,807	X	3.46%		8.21%	4.310	88.022	3.46%
Arvada (Jeffco)	see above	X*	3.46%		7.96%	4.310	89.633	3.46%
Parker	54,202	X	3.00%		8.00%	2.602	84.798	-
Golden	20,571	X*	3.00%		7.50%	4.710	78.195	3.00%
Loveland	76,701	X*	3.00%		6.45%	9.564	70.871	-
Castle Pines	10,523		2.75%	X	6.75%	4.500	96.551	2.75%
Centennial	110,250		2.50%	X	6.75%	5.060	95.931	-
Lone Tree	13,566		1.81%	X	6.81%	0	129.559	1.81%
Monument	7,380		2.00%	X	7.13%	6.225	69.494	-
Greenwood Village	15,721		3.00%	X	7.25%	2.932	84.540	3.00%
Littleton	47,734		3.00%	X	7.25%	6.662	91.452	3.00%
Lakewood	154,958		3.00%	X	7.50%	4.711	82.664	3.00%
Denver	704,621		2.90%	X	7.65%	4.719	77.134	3.65%
Englewood	34,407		3.50%	X	7.75%	7.804	77.491	3.50%
Sheridan	6,098		3.50%	X	7.75%	22.363	88.550	3.50%
Larkspur	203		4.00%	X	7.90%	15.000	97.092	-
Aurora	366,623		3.75%	X	8.00%	8.569	91.985	3.75%
Colorado Springs	464,474		3.12%	X	8.25%	4.279	74.494	3.12%
Longmont	94,341		3.53%	X	8.50%	13.420	93.696	-

*Indicates communities with a FHC tax rebate program

**The total mill levy stated is for comparison purposes only. Due to the complexity of multiple jurisdictions in each municipality an apples-to-apples comparison could not be provided. The mill levies listed are only a representation of an address in each municipality. For this purpose, we randomly picked an address in each municipality, which may represent a higher or lower mill levy than average due to the numerous districts with a boundary. For example, in the Town of Castle Rock, combined mill levies range from 64.722 to 152.036.

Population numbers are the U.S. Census Bureau's 2017 population estimates.