TOWN OF CASTLE ROCK COLORADO

# MEMORANDUM

**Date:** March 30, 2021

**To**: Honorable Mayor and Members of Town Council

**Thru:** David L. Corliss, Town Manager

**From:** Matt Gohl, Special Projects Manager

**Title**: Alternative Revenue Planning

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**Executive Summary**

Key municipal functions provided by the Town of Castle Rock are primarily supported by sales tax revenue. Stability of sales tax revenue, including year over year growth, can be affected by numerous factors. The Town continues to experience sales tax revenue growth, but this growth is insufficient to meet the increasing demands that result from a growing community. Castle Rock has consistently been one of the 15 fastest growing large cities (by percent change) in recent years – number 14 based on July 2018 to July 2019 data. Researching and evaluating other similar communities provides a helpful comparison for Castle Rock in numerous ways, including assessment of other municipal funding sources and uses. For reference, **Attachment A** includes a summary report discussing other fast growing cities.

Given that projected revenues are unable to meet increasing demands, several department requests are not able to be funded in current financial planning. In order to fund these operational needs, Town Council may wish to consider new, or increased, revenue sources. Pursuing additional revenue sources would help fund key services like Police, Fire and Transportation (roads) and also provide funding for parks, recreation, open space acquisition and maintenance.

Staff has identified and evaluated numerous alternative revenue options that could be pursued to assist in funding core Town priorities. Among the options include a reallocation of existing revenues, increasing or adding new taxes or exploring potential fees for government services. A detailed discussion of these options is included in **Attachment B** with a summary of options in **Attachment C**. Additionally, a comparison showing which revenue sources are used by area municipalities is included in **Attachment D** for reference. While further evaluation of alternative revenue sources is needed, staff is particularly interested in focusing on the following:

- Development excise tax on new residential construction to support Public Safety and Transportation needs
- Lodging Tax to help fund parks, recreation, open space acquisition and maintenance

- TABOR “De-Brucing” to exclude new revenues and project-specific contributions from the Town’s TABOR revenue limit

In accordance with TABOR, any changes to the tax base require approval by Castle Rock voters - election considerations are also discussed in the following information. Staff is seeking direction from Town Council regarding desired next steps for the Town’s future financial planning including the possibility of exploring additional revenue sources.

## Discussion

The Town, in accordance with State statute, adopts an operationally balanced budget that is also included in a five-year balanced financial plan. These most recent plans can be found at www.CRgov.com/2021budget. As a Town priority, the Town’s Finance Department works diligently each year to manage existing budgets and plan conservatively for future years. This planning involves evaluating current expenditures to ensure appropriate funding levels, monitoring revenue sources to cautiously project future amounts and maintaining fund reserves to accommodate unforeseen events and legal requirements (such as TABOR). After undergoing these efforts and in order to maintain a balanced budget, the Town has not been able to accommodate all department requests that are needed to maintain existing levels of service.

General Fund departments, including Police and Fire, requested 37.5 new FTEs spanning the current five-year planning period and 3.5 were able to be included. One Fire Plans Examiner position was also approved, but is funded from the Development Services enterprise fund. The unfunded position requests included one general government employee and 32 Police and Fire personnel. Town residents continue to emphasize the importance of preserving community open space as well and the Town does not have a dedicated revenue stream for future open space acquisition and maintenance.

Town operations are primarily funded by sales tax revenue; for 2021, sales tax revenue comprises 65 percent of general fund revenue. Sales tax revenue continues to increase each year but the increase is not sufficient to offset the needs of Town departments. Sales tax is used to support the General, Transportation and Community Center Funds and is budgeted to grow by 3 percent in each year. While this is considered a healthy increase, it is not enough to meet the operational needs of the growing community.

### Projected Future Needs

The Town’s Police, Fire and Public Works departments have provided information to Town Council regarding current operations, future needs and funding issues at recent meetings. Castle Rock residents continue to show great support for these areas in the citizen survey. Parks, recreation and open space opportunities are also highly valued by residents. Without additional funding, it is reasonable to expect a decline in the Town’s level of service in these areas.

### Revenue Options

Town staff evaluated numerous revenue options including reallocation of existing resources, taxes and fees. These are discussed in detail in **Attachment B** with a summary also available in **Attachment C**. After reviewing the numerous options, staff is interested in further analysis of a residential development excise tax on new development, lodging tax and “de-Brucing” specific revenue sources to help Town departments maintain levels of service. In addition to these sources, staff can further evaluate any other options as directed by Town Council. Following is a summary of the estimated impact and pros/cons of a potential residential development excise tax, lodging tax and TABOR “de-Brucing”:

| Option | Impact | Pros & Cons |
|---|---|---|
| Residential Development Excise Tax | Based on projected new residential development:<br>$1/sq ft = $1.7M<br>$2/sq ft = $3.4M<br>$3/sq ft = $5.1M<br><br>*Or, tax could be assessed on valuation rather than home size* | Pros: General revenue that can be allocated to multiple Town priorities; Assessed only on new residential development; Could apply inflationary factor to accommodate future needs<br>Cons: Volatile revenue stream based on construction activity; |
| Lodging Tax | 1% = $107,000<br>3% = $321,000<br>6% = $642,000 | Pros: General revenue that can be allocated to multiple Town priorities; Lodgers, primarily non-residents, will pay additional tax; Will grow with construction of new lodging facilities<br>Cons: Slightly volatile revenue based on actual lodging; Limited lodging options in Castle Rock – no conference or destination facilities |
| “De-Bruce” Specific Revenue | Varies by year – depending on actual revenues | Pros: Ensures new revenue sources and project specific contributions can be dedicated to identified purposes.<br>Cons: Alteration to TABOR structure including limits on governmental revenues |

Staff anticipates that this revenue could be used to support numerous community priorities. The residential development excise tax could be used to support public safety and transportation (road) needs. The addition of lodging tax could provide a dedicated revenue source to support parks, recreation, open space acquisition and maintenance. While there is volatility to each potential revenue, staff believes the benefits of these sources outweigh the risks. Additionally, by “de-Brucing” these revenue streams would ensure the Town would receive full benefit of the funding into the future. By also “de-Brucing” project specific contributions, the Town will also be able to ensure that those contributions can be used for their designated purpose. It is possible that specific project contributions (developer, intergovernmental, etc.) could generate excess revenues that would trigger a refund to residents thereby limiting the use of contributions.

Staff has focused on these sources at this time and can further explore other options at the direction of Town Council. While staff believes these options would provide great support to key town priorities, it is important to note that other additional revenues may need to be explored in the future as Town departments respond to the needs of a growing community.

**Election Planning**

If Town Council wishes to ask voters to approve a new tax in the November 2021 election, there are several considerations including timing, polling and voter education.

Town Council would need to approve two ordinances by August 17 in order to get a question on the ballot for the November 2021 election. One ordinance is to call the election and approve an intergovernmental agreement with the County (must be done 70 days prior to the election) and the other is to certify the ballot with the County (must be done 60 days prior to the election). Ordinances require two readings, so the first reading would have to occur on July 20 since the August 3 meeting has been cancelled.

In past instances when Town Council contemplated financial ballot measures, political polling was used to determine a ballot question's likelihood of success ahead of Council deciding whether to place the question on the ballot. The thinking behind this is, the Town may not wish to "spend" political capital and ask voters a ballot question that is likely to fail. Polling can help determine which ballot question(s) have the greatest likelihood of success by helping to determine what formats of, and arguments for, additional funding resonate most with the Town's voters.

The Town last fielded a political poll in 2014, when Council was contemplating a ballot question requesting voters to lift TABOR restrictions on the Town. In early 2020, staff explored the possibility of a lodging-tax related political poll but ultimately halted that process in light of the pandemic. A proposal provided last year indicated a statistically valid voter opinion poll regarding a potential lodging tax would cost roughly $25,000. Council could expect that amount to be higher if multiple potential revenue sources would be included in a polling process.

Past Town political polls have been conducted by phone and therefore can generally be completed more quickly than the community survey. For example, if Council provides direction in April to commission a political poll, Council could realistically expect staff to complete the poll and present results at a June Council meeting.

If Council wished to use a political poll as an input ahead of deciding whether to proceed with a fall 2021 financial ballot question, the timing previously described would leave a couple of months for Town staff to complete voter education, as the Council may direct. Colorado's Fair Campaign Practices Act prohibits the expenditure of Town resources to advocate for a ballot initiative once the ordinance approving the ballot question language has been passed on second reading. As earlier explained, second reading to place a question on the November 2021 ballot would need to occur no later than Council's August 17 meeting. So, staff would have the time between a June decision point on whether to proceed with a ballot question and August 17 to complete any advocacy for the question as Council may direct.

Following second reading of a ballot question ordinance, staff may only provide neutral, factual information to the public regarding a ballot question. Any advocacy "for" passing a ballot question beyond that point would need to be spearheaded by a third-party group.

Voter education and advocacy can be approached using many forms of communication, from social media, to online videos, to mailed publications and more – like speaking engagements. If Council decides in June to move forward with a ballot question, staff would immediately present a proposed plan for voter education and advocacy, including a corresponding budget, on which Council could provide direction.

## Next Steps

Staff is seeking direction from Town Council to determine next steps. While the initial focus is on new residential development excise tax, lodging tax and “de-Brucing” specific revenues, staff will explore other options as directed by Town Council.

## Attachments

**Attachment A:** Fastest Growing Cities Summary
**Attachment B:** Revenue Options Detail
**Attachment C:** Revenue Options Summary
**Attachment D:** Municipal Revenue Comparison

**To:** David L. Corliss, Town Manager

**From:** Kristin Read, Assistant Town Manager

**..Title**

**Report: Review of The 15 Fastest-Growing Large Cities**

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## Executive Summary

A practice it began in 2019, Town Manager's Office staff again in 2020 reviewed information relative to the U.S. Census Bureau's list, The 15 Fastest-Growing Large Cities By Percent Change: July 1,2018-July 1, 2019. Castle Rock was No. 14 on that list, the same position it held in the prior year's iteration. The list puts Castle Rock's population at 68,484, for comparison purposes within this report.

Staff in 2020 did not re-examine in 2020 any cities it had already examined in 2019. Rather, it focused examinations on the communities that were newcomers to the list. Of the 14 cities other than Castle Rock, six had been on the prior year's list, and eight had not. The six that were on the prior year's list, and thus were not closely examined in 2020, are:

- Apex, North Carolina – ranked No. 3 in 2020 and No. 2 in 2019
- Meridian, Idaho – ranked No. 6 in 2020 and No. 5 in 2019
- Georgetown, Texas – ranked No. 7 on both lists
- Buckeye, Arizona – ranked No. 8 in 2020 and No. 1 in 2019
- New Braunfels, Texas – ranked No. 9 in 2020 and No. 2 in 2019
- Frisco, Texas – ranked No. 11 in 2020 and No. 4 in 2019

The remainder of this memo summarizes information about the eight communities that were closely examined during staff's 2020 review.

## Discussion

### No. 1 – Leander, Texas

Leander is an exurb of Austin with a population of over 62,000. It's a full-service community that saw more than 1,700 new single-family permits in 2019. Its 2019 sales tax revenue was about $6 million. Development-related fees, meanwhile, generated about $7.8 million that year, and property tax about $18 million. That year's General Fund budget was about $40.7 million.

Growth management is a top concern in Leander, as is protecting "small-town character." Residents surveyed there said they are seeking more entertainment and parks, trails and open spaces. Additional jobs are another top desire. Transportation and water concerns also appeared prevalent in Leander, per the survey. These aspects of life in Leander appear comparable to life in Castle Rock.

### No. 3 – Chico, California

Chico is a university community north of Sacramento with a population of over 103,000. Chico was expecting about $63 million in General Fund revenue in 2020 prior to the pandemic and revised that estimate down closer to $59 million. About a half-million in the anticipated reduction was in lodging tax, and about $3 million was in sales tax, with revised projected sales tax collections of $22.8 million. Property tax brings in about $9.4 million and “property tax in lieu of VLF (vehicle license fee)” about $8.5 million. There are no apparent impact fees. Total operating expenditures in the current budget are about $54.2 million. Curiously, Police represents 48.8% of General Fund expenditures while Fire represents 24%. Staff surmises the spike in growth in this community during the period in question was due to wildfires in the area.

**No. 4 – Doral, Florida**

Doral is a suburb of Miami with a population of over 65,000. Its 2021 total budget is $76.2 million, including a $61.7 million General Fund. ($5.4 million is budgeted for capital improvements across all funds.) Property taxes account for $24.8 million of annual revenues, and other taxes for $12.8 million. (Tax revenues account for 71% of revenues into the General Fund.) There are no apparent development fees in Doral.

The city has 435 FTEs, 428 of which are in the General Fund. Doral does not appear to have its own fire department, nor to operate its own water systems. (Although, stormwater utility revenue bonds are noted among its debts.) Police expenses account for over 40% of General Fund expenses. The city has roughly $90 million in debt. A recent bond initiative has brought a flurry of park construction. Staff there is also working to mitigate traffic concerns. The median family income in Doral is about $77,000, and the community’s top employer is Carnival Cruise Lines.

**No. 6 – Bentonville, Arkansas**

Bentonville has a population of about 55,000. The closest major city is Fayetteville, which is the second-largest in Arkansas and has a population of about 90,000. Bentonville is home to Walmart’s corporate headquarters. The city issued 471 single-family permits in 2019, which was actually down 3% from the prior year. (Only communities over 50,000 in population are on the list being examined, which is presumably why Bentonville was not on the prior year’s list.)

1,210 multifamily units were completed in Bentonville in 2019, which was up nearly 200% from 2018. Commercial development was also reported to be on the rise, per the city’s budget message. (They issue an interesting development report that might be worth consideration for Castle Rock to help contextualize our growth.) Among the city’s goals are attracting growth to improve revenues.

Bentonville is a full-service city with a strong mayor form of government. Its operations include an electric utility, library and an airport. Police and Fire expenses each comprise roughly 27% of General Fund expenses. Like us, they hire 12 staff when opening a fire station. Their PD has 116 FTEs, including 82 sworn staff. Also like us, they operate a taxi “punch card” program.

The 2020 budget was about $160 million, which included $16 million in capital expenditures. Roughly $25 million in sales tax revenue was anticipated for operations, and $11 million for capital. They charge impact fees for fire ($300,000 expected in 2020 revenue), parks ($900,000 budgeted), police ($500,000 budgeted) and library ($85,000 expected). Property tax was expected to generate about $8 million in revenue – this appears to be the lowest amount in property tax expected by any community being examined. Of note is that the city’s health insurance costs increased by 15% for 2020.

## No. 10 – Redmond, Washington

Redmond is a suburb of Seattle with a population of about 72,000. Redmond has a strong mayor form of government and operates on a two-year budget. For 2021 and 2022, nearly $800 million in revenues are anticipated. Fund balance accounts for 30% of this amount. Charges for services comprise almost 20% of revenues, and various taxes make up roughly that same amount. Among those, sales and use tax is budgeted at 8% and property tax at 7%. Redmond has balanced its budgets to date but is projecting a gap between revenues and expenditures in its multiyear financial outlook, which extends to 2026. Additionally, the city reduced its budget by about $5.6 million during the pandemic.

Redmond's General Fund is more tax-reliant than its overall budget, with sales and use tax accounting for 28% of budgeted General Fund revenue and property tax 23%. Sales tax brings in about $27 million annually and is projected to grow 1.5% and .5% during the current two years budgeted. Property tax, meanwhile, is expected to grow 5.2% and 4.6%, ultimately bringing in $23.5 million. The city's portion of the property tax accounts for 12% of residents' total tax assessment, with the County accounting for 15%, schools for 27% and the state for 33%. Other smaller services comprise the remaining amount.

Redmond's General Fund supports about 435 FTEs, which is 65% of the city's staff. Expenditures are $195.3 million, of which 65% are personnel. Redmond collects impact fees, a .5% tax on the sale of real estate, and $117 annually per FTE from businesses operating in Redmond. The city budgeted roughly $40 million on transportation capital for the two-year period. The water utilities are funded via enterprise funds. The city has a long-range financial strategy document of which examination by a larger Town staff audience could be useful.

Community survey findings in Redmond for 2019 indicated consistent themes to those seen in Castle Rock, with overall direction and quality of life ratings declining and traffic and "overdevelopment" being top concerns. Growth in this area is "allocated" regionally, so the circumstances there are somewhat different overall than in Castle Rock. The city is working to update its comp plan through 2050. Of note is that Microsoft employs nearly 40,000 FTEs in Redmond.

## No. 12 – Fort Myers, Florida

Fort Myers is located toward the southern end of Florida's Gulf Coast, near the larger community of Cape Coral. Fort Myers' population for comparative purposes is about 87,000. The city anticipated collecting about $60 million in property tax revenue in 2020, with total budgeted General Fund revenues that year of nearly $130 million. (The city does not receive sales tax revenue.) Total General Fund expenditures totaled the same, with $81.3 million budgeted toward public safety. No positions were added for the city's 2020/2021 budget, which totaled $466.7 million overall. It appears the city mainly funds capital projects by issuing debt, with $370.8 million in total outstanding debt. (Total debt has ranged from $300 million to $400 million since 2008.) Fort Myers also collects impact fees for roads, fire, parks, water and sewer.

Five-year CIP projects totaled $631.2 million. $123.3 million of this is for buildings; $5.9 million for "development"; $32.7 million for equipment; $20.8 million for parks and beautification; $14.1 million for stormwater; $79.1 million for transportation; and $355.2 million for utilities. Of note is that the city reduced its building permit fees by 75% during the pandemic.

### No. 13 – Lehi, Utah

Lehi is a suburb of Salt Lake City with a population of about 70,000. Lehi's growth trajectory has been similar to Castle Rock's; its 2000 population was just shy of 20,000, and its 2010 population was also similar to ours. The city is 28.5 square miles with 560 lane miles of roadway, and 297 acres of developed parks. Technology firms Adobe, Ancestry.com and others are among the top 10 employers. Sales tax brings in about $18.7 million annually, while property tax generates about $20.5 million. Grants, which generally appear to be intergovernmental revenues, are the largest governmental revenue source, at $28.4 million.

The 2021 General Fund budget is $42.5 million. Water, electric and sanitation utilities are operated as enterprises. Impact fees fund capital projects for fire, parks, police and roads. The city had a total bonded debt of $74.8 million in 2019; it had no GO debt among that amount.

Lehi residents in a 2020 survey reported the growth there was a major concern. Still, they reported a high quality of life, although satisfaction with that aspect and with the overall direction of the city were shifting toward the negative, as has been seen in Castle Rock. Traffic was the aspect related to growth causing the most concern. Similar to Castle Rock, Lehi offers numerous community events. Its overarching goal is to "Develop a cutting-edge, family-centric community." The city anticipates reaching a population near 125,000 by 2050.

### No. 15 – Milpitas, California

Milpitas is a city of about 84,000 at the southern end of California's Bay Area. The current budget is $220.3 million, which includes about 440 FTEs and about $40 million in capital improvements. The General Fund budget is $117.1 million. $36.9 million in General Fund revenues are budgeted from property tax, and $28.4 million from sales tax. Police and fire expenses are $62.4 million. The city is 13.62 square miles and has four fire stations.

In the city's 2020 survey, 49% of respondents said things in Milpitas were headed in the right direction, while 32% said they were headed in the wrong direction. 80% were satisfied with the quality of life. 41% said the city is growing too fast, and 49% said the rate of growth was "about right." Improving traffic was the No. 1 thing respondents said the city could do to improve its services. Many of these themes are consistent with those seen in the Town's recent community surveys. Of note is that population in Milpitas seems considerably more diverse than that of Castle Rock.

### Conclusion

Most of the rapid-growing cities examined are full service, like Castle Rock. The cities' overall budgets vary widely, but so do their populations – from 55,000 on the low end to 103,000 on the high end. Many of the cities charge impact fees to help fund growth-related expenses. All of them collect considerably more in property tax than Castle Rock, with the closest to our $1.4 million being $8 million.

Many of the cities have growth-related concerns similar to those experienced in Castle Rock, including traffic concerns and concerns over the direction the community is headed overall. Staff recommends continuing the practice of studying other rapidly growing cities to review if anything can be learned from their practices and experiences.

The following consists of a description of potential revenue sources, specific considerations and estimated revenue impacts (where applicable) for revenue options including resource reallocation, taxes and fees. A summary of these sources is also available in **Attachment C**.

This information has been prepared because projected revenues are not sufficient to meet the needs of some key Town priorities. In order to maintain a balanced budget while increasing funding for these key areas, the Town either needs to reduce funding for other key areas or explore additional revenue opportunities.

Reducing funding for other departments and reallocating to others may address issues in some areas while creating issues in others. Budget planning already includes scrutiny of existing expenditures, so a reduction in funding would likely equate to a reduced level of service. Additionally, there are restrictions on how certain types of funds can be used (impact fees, enterprise funds, etc.), so a reallocation of resources would likely not fully accommodate the needs outlined previously.

Expanding the Town's revenue base with new revenue sources also has inherent challenges. The Taxpayer Bill of Rights (TABOR) requires that voters approve any new or increased tax within the Town of Castle Rock. There are numerous tax options including increasing the property tax mill levy, eliminating current property tax growth limits, or adding lodging tax, tobacco tax or another new revenue source. These taxes are considered general revenue sources that can be used for municipal services.

The Town also has the ability to assess fees that do not require approval by Castle Rock voters. While taxes are considered a general revenue, fees are more specific in nature whereby fee revenue needs to be used to defray the cost of a particular government service.

After initial evaluation of the following potential revenue sources, staff has focused on three areas including a residential development excise tax on new construction, lodging tax and "de-Brucing" specific revenue sources. Discussion on these three options plus other potential revenue sources follows.

## Revenue Options

Development Excise Tax

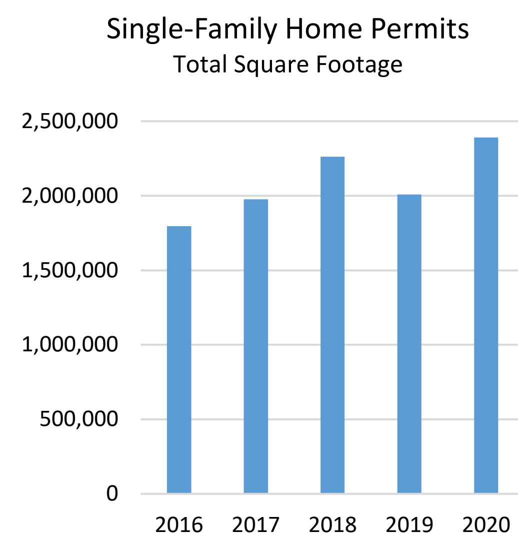
A development excise tax can be assessed in lieu of, or in addition to, development impact fees on new residential and/or commercial construction. For this discussion, staff has considered a development excise tax only on new residential construction, excluding non-residential (commercial) development. Non-residential construction generally results in an increase to the Town's sales tax base and additional taxes on non-residential construction could discourage future commercial development in Castle Rock.

Residential development excise taxes are used to offset the increased needs of municipal services that are generated by the increase in development/population in the jurisdiction. This excise tax could be assessed in addition to impact fees. Castle Rock currently imposes the maximum allowable development impact fee (per the 2018 impact fee study) on new residential development. These impact fees are used to support capital needs for Transportation, Parks & Recreation, Police, Fire and other municipal facilities. Castle Rock Water assesses a separate system development fee to support water infrastructure needs related to growth. These fees are reviewed regularly and any recommended increases will be brought forward for Council consideration.

Voters would be required to approve implementation of a development excise tax in Castle Rock. This excise tax could be assessed in addition to existing impact fees with revenue allocated for general government support, including public safety and transportation needs. Because this tax would be assessed on new residential development, it should not be considered a steady, recurring revenue source. The variability of development in the community could result in significant inconsistencies in total revenue received from a development excise tax. Therefore, utilizing this revenue to support personnel and ongoing operations could result in financial strain when the rate of development slows.

The addition of a development excise tax will presumably increase the cost of housing in Castle Rock. April 2020 data indicates that the current median home value in Castle Rock is $428,977. Any amount of development excise taxes assessed by the Town will likely be passed through to the consumer, thereby increasing housing costs.

A development excise tax could be assessed on the square footage of the home being constructed or as a percentage of valuation. Additional staff research would be required if Council would like to pursue asking voters to approve a development excise tax on new construction in Castle Rock. However, for illustrative purposes, the Town could assess a development excise tax of $1 per square foot – resulting in $2,200 for a 2,200 square foot home (the average size of new home permits in 2020). The Town's current Five-Year Balanced Financial Plan includes single family growth estimates of 700 units per year. Assuming an average of 2,200 per home, the development excise tax would result in roughly $1.7 million to the Town. Total square footage of single-family home permits is shown to the right to provide additional context.




Should Town Council desire to pursue this option, Council could consider a higher rate for larger homes (i.e. homes greater than 2,500 sq. ft.) and including an annual inflationary adjustment to the tax rate.

Lodging Tax
A lodging tax, also known as an accommodations tax, is a consumer tax on accommodation rentals for a continuous period of less than thirty days. This tax is assessed in addition to the sales tax rate and is applicable on the rental of one or more temporary places to use or occupy including:

- Hotels
- Motels
- Resorts
- Bed & Breakfasts
- Campgrounds and RV Parks
- Cabins
- Vacation Homes
- Private Residences

Lodging taxes are commonplace around the country and throughout Colorado and can be assessed at a specific amount per room per day or a percentage. Since Castle Rock does not currently assess a lodging tax, voter approval would be required. A lodging tax would likely be paid primarily by non-residents visiting Castle Rock. This revenue source can be volatile as seen in 2020. The Town's sales tax applies to short term lodging and 2020 information shows a 51 percent decline due to impacts from the COVID pandemic. Previous years indicate less volatility, but it is important to recognize the potential unpredictability of this revenue stream.

A lodging tax would apply to any short-term rentals located within Castle Rock. As noted in a February staff report, there are a number of short-term rental properties located in Town but the cost of enforcing compliance with sales tax remittance outweighs the benefit of doing so. The Town seeks voluntary sales tax remittance from short-term rentals but is not pursuing active enforcement at this time. Short-term rentals qualify as lodging facilities and would be assessed any specific lodging tax in addition to the Town's 4 percent sales tax.

Castle Rock does not have destination hotels or convention facilities at this time. However, based on current lodging facilities in Town, analysis shows that the Town could expect roughly $107,000 for each 1 percent of lodging tax assessed. While not a significant source of revenue, the addition of a lodging tax would help diversify existing revenue streams.

Respondents to the 2021 Community Survey were also asked – as they had been in other recent survey iterations – to provide input regarding a possible lodging tax within in Castle Rock. The early results indicated continued but slim majority support for implementing that tax within Castle Rock, with slightly more than 6 of 10 respondents in support. This year's results show decreased support from the 2019 survey, when slightly more than 7 of 10 respondents were in support of a lodging tax within Castle Rock. Still, it appears from the results that a ballot question to implement a lodging tax within Castle Rock at this time has a greater likelihood of success than one to increase the mill levy in Town.

“De-Bruce” Specific Revenue

Town Council could ask Castle Rock voters to “de-Bruce”, or exempt, certain revenue streams from the TABOR revenue calculation. Exempting revenue streams ensures the Town would receive full benefit of the funding into the future. By also “de-Brucing” project specific contributions, the Town would also be able to ensure that those contributions can be used for their designated purpose. It is possible that specific project contributions (developer, intergovernmental, etc.) could generate excess revenues that would trigger a refund to residents thereby limiting the use of contributions. The actual revenue impact of exempting revenue from TABOR calculations varies by year depending on actual revenues received.

Property Tax Mill Levy

The Town currently assesses a 1.196 mill levy on property owned in Castle Rock that will generate roughly $1.4 million for the General Fund in 2021 – equating to 2.5 percent of total General Fund revenue. Based on the 2021 Adopted Budget, property tax revenue will cover about 15 days of operations for the Police and Fire Departments. The Town Charter limits this property tax revenue growth to 5.5 percent each year and more discussion on the growth limit is included in the following section.

Property tax is generally viewed as a stable revenue source for governmental agencies with fluctuation based on assessed valuation of the properties within the jurisdiction. While valuation and assessment rates may vary with economic changes, the fluctuations tend to be less volatile than other revenue sources.

The Town of Castle Rock has the lowest municipal mill levy compared to other full-service front range municipalities. However, total property tax assessments vary widely throughout the community due to metro district assessments. Certain areas have no metro district assessments while others can be over 87 mills. Based on 2020 information, property tax payments for median homes in Castle Rock can range from roughly $2,100 to over $4,800 – the Town receives $36.68 of this amount. More information about metro district assessments can be found in **Exhibit 1** of this attachment.

Any increase to the Town’s mill levy must be presented to and approved by Castle Rock voters. Given the variation in total tax bills for Castle Rock property owners, there is likely variation in voter tolerance for increasing the Town’s mill levy. Mill levy increases can be presented to voters in many ways including asking voters to simply approve a new mill levy rate, phasing in an increased mill levy over time and/or phasing a mill levy out at a point in time.

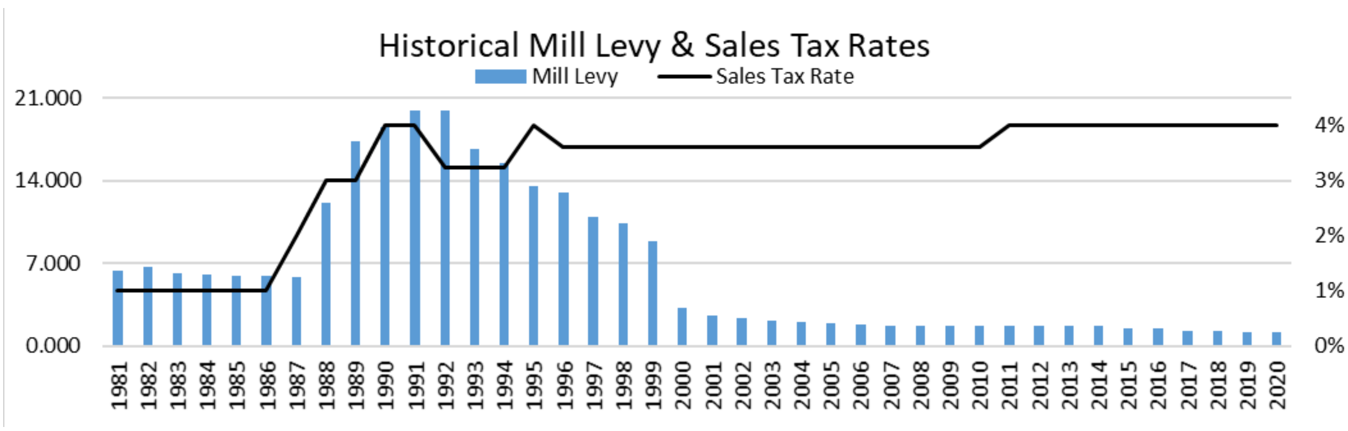
Early results from the scientific 2021 community survey indicate a lukewarm reception to the notion of a property tax increase to help fund additional public safety needs. Fewer than 5 out of every 10 respondents surveyed said they would support a mill levy increase that equates to about 4.5 mills – the amount of the law enforcement mill levy assessed in unincorporated Douglas County. And, about 75 percent of those respondents said their opinion would not be swayed if the increase included a 10-year time limit.

These results show that significant voter education and advocacy for a ballot question would be needed in order for a mill levy increase question to pass on the November 2021 ballot. In particular, survey respondents expressed dislike for tax increases in general. Rather than pursue a property tax increase, the respondents suggested the Town should tighten its belt to be able to accommodate additional public safety needs, or shift additional financial burdens for these needs to growth-related funding sources. Additional information on voter education and advocacy is shared in this memo's Election Planning section.

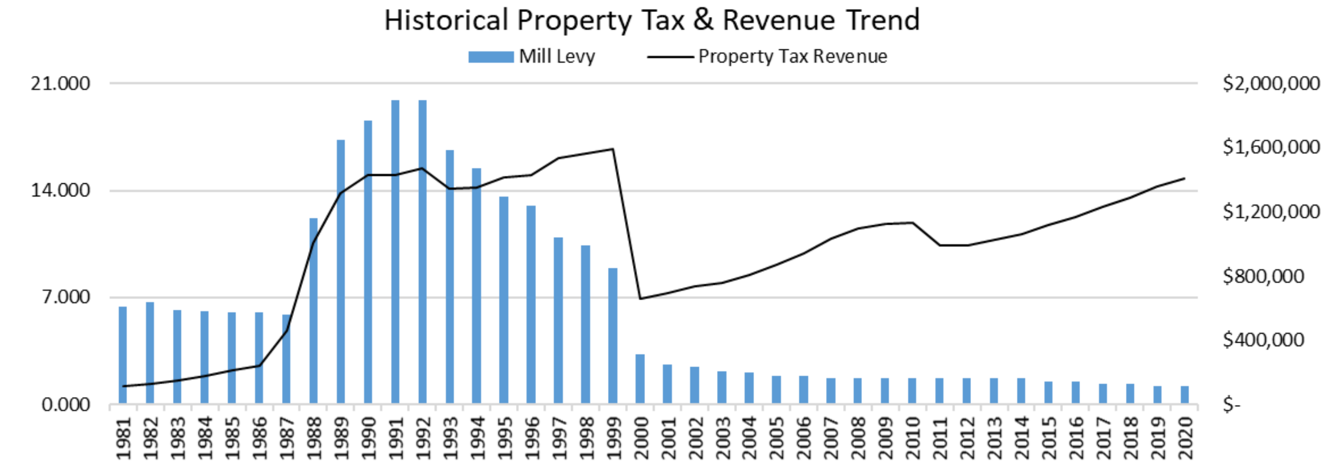
Based on the 2021 Adopted Budget, the value of one mill is roughly $1.16 million. Town Council could consider asking voters to approve an additional mill levy specifically to help fund public safety and/or transportation needs.

<u>Property Tax Growth Limit Removal</u>
The Taxpayer Bill of Rights (TABOR) limits annual property tax revenue growth to a 5.5 percent increase over the previous year for statutory cities. Although this provision does not apply to home-rule municipalities, section 13-2 of the Town Charter includes the same revenue limitation on property tax revenue growth. Based on increasing valuation of Castle Rock properties, the Town's actual property tax growth has exceeded the 5.5 percent limit in recent appraisal years. The Douglas County Assessor's Office appraises properties and adjusts values every other year in odd-numbered years. The assessed valuation of residential property equates to 7.15 percent of actual value and all other properties are assessed at 29 percent.

Based on valuation increases in appraisal years, the Town has exceeded the 5.5 percent property tax growth limit in recent years. Exceeding this limit requires ratcheting down the Town's mill levy in order to remain within the 5.5 percent growth limit. The chart below demonstrates this impact over time and also shows the sales tax rate in each year for reference.



To further understand Castle Rock property tax, the following chart demonstrates historical revenue earned from the Town's mill levy. Property tax revenue is determined by applying the mill levy against assessed valuation so revenue can increase despite a mill levy reduction. Property tax revenue growth, however, is limited to 5.5 percent.




Since this growth limit is included in Town Charter, removing or altering this provision requires a majority vote by Castle Rock residents. Any additional revenue received by removing this limit would be subject to TABOR revenue limits, unless exempted as part of the ballot question.

Simply removing the 5.5 percent limit, without any other mill levy adjustments, provides little additional property tax revenue in the near term. However, there is longer term benefit to the Town by maintaining the current mill levy assessment of 1.196 mills. This is projected to result in roughly $300,000 more property tax revenue by 2030 if the limit is removed – a 21 percent increase over 2021 property tax of $1.4 million.

Sales Tax Projections

The Town of Castle Rock levies a 4 percent sales tax on goods purchased within the community. Sales tax is a volatile revenue source and can be affected by numerous factors including recessions, business closures, inflation and more. In addition to sales tax paid by residents, Castle Rock benefits from sales tax paid by visitors and non-residents. In a 2019 study performed by Buxton Company, 92 percent of traffic to the Castle Rock Outlets and 58 percent of traffic to local grocery stores is from non-residents.

Town staff manages finances conservatively in accordance with stated priorities. As such, future revenue is projected conservatively when developing the annual budget and five-year balanced financial plan. Sales tax is planned to grow at 3 percent each year for the 2021 – 2025 planning period. However, staff continually evaluates actual financial performance and updates financial plans throughout the year. Based on actual performance in 2020 and current indicators, staff is currently estimating that sales tax will increase 4 percent in 2021 over the 2020 actual. Future-year projections will be re-evaluated throughout development of the 2022 budget.

Town Council approves the annual budget and five-year balanced financial plan. By approving these, Town Council is also approving the projection parameters. While continuing to manage finances conservatively, the sales tax growth factors could be adjusted if desired. As stewards of taxpayer funds, staff believes remaining conservative is the preferred approach. Essentially, over budgeting revenues could result in necessary cut-backs while under budgeting provides the opportunity to have funding available to invest funds in key priorities as determined by staff and Council.

Total sales tax revenue budgeted in 2021 is $50.9 million to Town funds; therefore, each 1 percent increase in revenue would be approximately $500,000 that would be distributed across the three benefitting funds.

Sales Tax Reallocation

Sales tax revenue is distributed amongst three Town funds as shown below:

| Sales Tax Revenue by Operating Fund | 2021 Percent Allocation | Percent of Total Fund Revenue for 2021 |
|---|---|---|
| *General* | *70.29%* | *65.14%* |
| *Transportation* | *24.46%* | *50.49%* |
| *Community Center* | *5.25%* | *32.61%* |

The General Fund supports key government functions including public safety, park maintenance and general government administration services such as Human Resources, Community Relations, Finance, Facility Maintenance, Municipal Court and the Division of Innovation and Technology (DoIT). Sales tax revenue in the Transportation Fund supports ongoing operational costs like the annual pavement maintenance program and also supplements capital projects as appropriate. The Community Center Fund is largely supported by user fees, but receives a portion of sales tax revenue to support operations. Each of these funds support key Town priorities, so altering the current sales tax distribution would require much consideration to ensure that current levels of service can be maintained.

As stated in Town Code (§3.04.023), “the revenues derived from the Town's four-percent sales and use tax shall be distributed and used according to the appropriation set annually by Town Council.” In practice, this annual appropriation has been affirmed through adoption of the Town’s budget. Town Council has the authority to adjust the distribution of the Town’s sales tax revenue amongst Town funds. Although voters in the past approved certain allocation amounts, there are currently no restrictions or requirements that any specific portion of sales tax be allocated to the General Fund, Transportation Fund or Community Center Fund. Additionally, there are no existing bond covenants that require certain sales tax allocations to a specific fund – only general sales tax pledges (i.e. Transportation Revenue Bonds).

This allocation is approved by Town Council within the adoption of the annual budget. Town Council may choose to change the sales tax allocation administratively and without voter approval if desired. As noted previously, the value of each 1 percent change equates to roughly $500,000.

Sales Tax TIF Reallocation
A portion of sales tax generated in the downtown area is eligible to be designated for approved downtown uses. This portion is referred to as Tax Increment Financing (TIF) and equates to the amount of downtown sales tax that is greater than a static base amount established in 2008. These funds are placed into the DDA TIF Fund, commonly referred to as the DDA Special Fund, and have been used to support numerous projects in the downtown area. The DDA TIF mechanism is currently scheduled to sunset in 2038. If desired, downtown merchants will have to vote to extend this time period at some point in the future.

The DDA TIF Fund has several obligations that are projected to utilize the sales and property tax revenue through 2025 including reimbursing Town funds for waived fees related to recent downtown development projects. Although Town Council has discretion regarding the amount of sales tax TIF to allocate to the DDA Special Fund, current obligations, parking lot maintenance costs and any additional incentives for future downtown development will limit the amount of available TIF in future years.

Use Tax Reallocation
The Town assesses building use tax on construction materials when a building permit is issued. This use tax is assessed 4 percent on residential and non-residential development alike. Commercial use tax is fully dedicated to the Economic Development Fund and is used to support existing economic assistance/incentive agreements and service agreements with the DDA, Downtown Merchants and Economic Development Council. Commercial use tax can vary each year depending on actual development and is budgeted to be $735,000 in 2021. Staff recommends continuing the allocation of commercial use tax to further support economic assistance/incentives for business development in Castle Rock.

Residential use tax can also vary based on actual development and is projected to generate roughly $6 million in 2021. This is based on projected 700 single-family and 118 multi-family residential units. Much of this revenue (69 percent) is allocated to the Transportation and Transportation Capital Funds with another 5.61 percent supporting Community Center operations. The remaining 25.39 percent is allocated to the General Long-term Planning Fund which is primarily used to fund replacement and repair of general government assets including technology, parking lots, building improvements and turf replacement at Town parks. A summary showing the use tax distribution by fund is shown below:

| **Residential Building Use Tax Revenue by Fund** | **2021 Percent Allocation** | **Percent of Total Fund Revenue for 2021** |
|---|---|---|
| *Transportation* | *36.29%* | *8.78%* |
| *Transportation Capital* | *32.71%* | *17.00%* |
| *General Long Term Planning* | *25.39%* | *67.93%* |
| *Community Center* | *5.61%* | *4.08%* |

While changing the 4 percent tax rate would require a vote of Castle Rock residents, Town Council can shift the distribution among Town funds as desired. Town Council could choose to shift the distribution amongst the existing four funds or designate a portion for General Fund operations as well. Based on budgeted amounts, each 1 percent change in allocation equates to roughly $6,000. Because building use tax is based on construction, the amount of revenue can vary significantly by year.

<u>Tobacco Tax</u>
The State of Colorado imposes sales and excise taxes on the purchase of cigarettes. In 2020, the State excise tax was 4.2¢ per cigarette or 84¢ per pack of 20 cigarettes. The State excise tax was increased to 9.7¢ per cigarette or $1.94 per pack – the minimum price for a pack of cigarettes in 2021 is $7. A lesser excise tax is in place for modified risk tobacco products which are defined as having less risk of certain health effects than smoking cigarettes. A portion of the State excise tax is shared back to the municipality where the cigarettes were sold.

Statutory changes in 2019 allow local governments to assess a separate cigarette tax and still be entitled to an allocation of state cigarette tax revenue. A handful of Colorado municipalities including Avon, Crested Butte, New Castle, Vail and Glenwood Springs have approved a tobacco tax. These local tobacco taxes range from 15 – 20¢ per cigarette and 40 percent on other tobacco and nicotine products. Should Town Council wish to pursue a similar tax in Castle Rock voter approval would be required. In 2020, Douglas County voters approved Proposition EE (increasing nicotine and vaping taxes) by a margin of 2.4 “yes” votes for every one “no” vote, indicating that Castle Rock voters may vote favorably on a tobacco tax measure.

The Town currently receives 27 percent of the State tax for cigarettes sold within Town boundaries. Given the Town’s recent cigarette tax revenue from the State, staff estimates that applying a 15¢ per cigarette ($3 per pack) tax could result in excess of $1.5 million in revenue, not including any tax on other tobacco or nicotine products. Applying this tax rate would result in each pack of cigarettes costing at least $10 in Castle Rock. Town Council could choose to use this funding to support General Fund needs or allocate it to support current and future needs of the Community Center Fund.

If Castle Rock voters were to approve this tax, it is possible that tobacco purchasers may choose to drive to neighboring jurisdictions in order to avoid the additional cost. Additionally, tobacco tax revenue could vary based on changes in the number of users and economic factors such as disposable income.

<u>Marijuana Tax</u>
The State of Colorado allows operation of marijuana establishments including cultivation, manufacturing and testing facilities plus retail marijuana stores. However, the Town prohibits the operation of these facilities in the Municipal Code (§5.06.030). Medical marijuana businesses are also prohibited (§5.07.020).

Colorado voters approved the legal sale of marijuana in 2012. In addition to the State's regular sales tax (2.9 percent), marijuana purchases are also assessed a 15 percent excise tax that is dedicated for schools plus a 15 percent special sales tax. Local governments are allocated 10 percent of the proceeds generated by the special sales tax.

There are many factors to be considered should Town Council wish to pursue revenue diversification through a marijuana tax. Marijuana operations are currently prohibited in the Town of Castle Rock. Town Council enacted this prohibition in 2013 and changes would require amendments to the Town's Municipal Code. Additionally, while marijuana operations generate additional revenue, staff anticipates additional demands on the Town's Police Department. These demands are not considered into Town planning and would increase the needed staffing to maintain levels of service provided by Castle Rock Police. Additional administrative staffing may also be needed in order to accommodate increased licensing, tax collection/audit and code enforcement needs – further limiting the benefit of the additional revenues. In addition to the marijuana prohibition on operations, marijuana facilities are also prohibited in all zoning districts. Any allowance of marijuana activity would also necessitate changes to land use in Castle Rock.

Using 2019 information, Statewide marijuana sales averaged $376 per person per year. Applying this to Castle Rock's recent population estimate of roughly 76,000, the Town could expect to see revenue of roughly $1.3 million in revenue including the Town's sales tax and the local government portion of the State's special sales tax. Additionally, the Town could request voters to approve an additional excise tax on the sale of marijuana in Castle Rock – each 1 percent of excise tax is estimated to generate $230,000 of additional revenue. Additional tax rates on marijuana sales range from 3 – 10 percent in Front Range communities. Staff can provide further analysis on potential revenue from allowing marijuana sales in Castle Rock if Council desires.

<u>Consumer's Use Tax</u>

The consumer's use tax is paid by consumers who purchase taxable goods in a different jurisdiction without paying sales tax but then use the goods within the taxing jurisdiction. Examples of this can include online purchases that are delivered into the jurisdiction, assuming no sales tax was paid at the time of purchase. Many online retailers now charge local sales tax rates at the time of purchase after the Supreme Court decided that businesses without a physical presence should remit sales taxes in the 2018 *South Dakota v. Wayfair* case. The consumer's use tax would apply only to transactions that were not initially taxed. Sales tax remitted by businesses located "Out of Town" grew by 10 percent in 2020 and remittance from "Out of State" increased by nearly 26 percent. This increase could be due, at least in part, to an increase in online purchasing during the closures and restrictions required through the COVID pandemic.

Assessment of a consumer's use tax would require approval by Castle Rock voters. This tax would also be collected locally and additional staffing support would likely be necessary to successfully implement and administer a consumer's use tax program.

Staff has estimated the consumer's use tax could generate over $3 million in revenue to the Town each year. Through regular tax audit processes, staff has evaluated potential consumer's use tax and believes this to be a reasonable estimate at this time. Since this tax applies to good delivered within the Town boundaries, this tax would be paid solely by Castle Rock residents.

Occupational Privilege Tax (OPT)

OPT, also known as a head tax, is assessed for operating a business within a specific tax jurisdiction. The tax is often paid by the employee and employer; and can be applied to all businesses within a jurisdiction or applied to select types of businesses. Other Front Range entities with OPT include Denver, Greenwood Village, Aurora and others. The tax rate varies by jurisdiction. Current OPT rates include $2 per person per month in Aurora (paid by both employees and employers) and Denver charging employees $5.75 and employers $4 per month.

As a tax, voter approval would be required to begin assessing OPT in Castle Rock. OPT can be a predictable and potentially significant source of revenue, depending on the number of employees that work within jurisdiction boundaries. Despite the benefits of assessing OPT, it could also be a deterrent to primary employers considering to locate in Castle Rock.

According to 2018 Census data, there are approximately 23,000 jobs in Castle Rock. For every $1 (per person, per month) OPT assessed on all jobs, the Town could generate $276,000. Assuming that $1 OPT would be assessed to both employee and employer, total revenue would be $552,000 per year. Many jurisdictions have minimum income requirements, so the actual amount received could be less than estimated here.

Admissions Tax

Home-rule municipalities in Colorado are able to assess an admissions tax if approved by voters. A flat percentage would be applied to the purchase price of admission to places or events in the community that are open to the public such as movie theaters or concerts.

In accordance with TABOR, Castle Rock voters would have to approve this as a potential tax increase. While this tax would apply at the Douglas County Fairgrounds and Events Center, Castle Rock does not currently have significant entertainment venues, such as concert or athletic event facilities. Because of this, an admissions tax is not expected to be a significant source of revenue for the Town. Staff has estimated that an admissions tax could generate up to $100,000 per year but actual amounts could vary depending on disposable income and the amount of events held.

Local Income Tax

The State of Colorado does not permit municipalities to assess its own local income tax.

Real Estate Transfer Taxes

Real estate transfer taxes/fees are assessed on the sale of properties within the jurisdiction. Generally, the assessment is a percentage of the sale price. The State of Colorado does not permit implementation of a new real estate transfer tax after 1992 – the year of TABOR adoption.

Impact Fee Evaluation

Impact fees are one-time assessments on new development that are intended to fund increased growth-related needs associated with police, fire, transportation (roads), parks and municipal government impacts. Essentially, the new growth is intended to pay, at least in part, for the impacts resulting from that new growth. These funds cannot be used to pay for operational needs, such as personnel, but can be used to fund capital needs like fire stations and roads.

The Town in 2018 completed an impact fee study to determine the maximum supportable fees for 2019. Town Council voted in 2018 to gradually increase impact fees over time to get to the maximum supportable amount, but subsequently voted to increase fees in full by January 1, 2020. Town Council also approved an annual inflationary adjustment to the Town's impact fees in 2018.

Staff could undertake a new impact fee study to validate previous findings and ensure that the Town is receiving appropriate impact fee amounts from new development. As a fee, these amounts can be approved by Town Council without a vote of Castle Rock residents. Additional revenues from this effort are unknown at this time and would require further research and completion of a new impact fee study.

Transportation Fee

Colorado municipalities do not appear to impose a transportation fee on property or residents. There are some states where municipalities have imposed a transportation fee on new and existing properties, this has sometimes been called a "driveway fee." This type of transportation fee would be similar to the stormwater utility fee, charging property owners for transportation based on the size of property, or driveway, or something similar to transportation generation. It would apply to both new and existing development. Given the lack of Colorado statutory authority for this type of fee and the lack of precedent for use of Colorado home rule authority for a transportation fee (at least that staff research has indicated), staff doesn't see this revenue alternative with high value compared to other possible revenue alternatives.

Disposable Bag Fee

Disposable bag fees are assessed on each single-use disposable bag used by grocery stores and other retailers. This fee is generally established as an effort to curb the use of disposable bags and encourage more sustainable options such as reusable grocery bags. Given that the goal is to reduce the use of disposable bags, the long-term predictability of this revenue source is uncertain.

As a fee, the revenue generated from the program needs to be used to defray specific related costs. Both Denver and Boulder have adopted 10¢ disposable bag fees. Four cents of each fee is retained by the retailer to cover costs of complying with the ordinance and the remaining six cents is remitted to the city. Boulder uses this revenue for supplies, marketing and outreach costs (including personnel) related to administering the bag fee program. According to Boulder's website, the city generated roughly $1 million between 2013 and 2018 from the disposable bag fee and saw an initial 70 percent reduction in plastic bag use when the program was implemented.

Given that the purpose of this type of fee is to reduce the use of disposable bags and change consumer behaviors, it should not be considered a source of revenue to support general municipal operations.

**Exhibit 1: Metro District Comparison**

# About this information

These maps compare what residents in Castle Rock's various metro districts pay in annual property tax. (Property tax usually is paid as part of one's mortgage payment.) A metro district is a taxing entity separate from the Town of Castle Rock that exists primarily to finance public improvements that benefit property owners in the district.

Some taxing districts are common to most Castle Rock property owners – those are listed on the table to the right.

Tax amounts are based upon Castle Rock's median home value, per April 2020 Douglas County Community Development Department data, which is $428,977. (This means that half of the homes in Castle Rock are valued below $428,977, and half are valued above that amount.) Douglas County's current assessment percentage is 7.15%, or $30,672 on a home valued at $428,977.

| Taxing entity | Mill levy |
|---|---|
| DC School District | 43.839 mills |
| Douglas County Gov't | 19.274 mills |
| DC Libraries | 4.023 mills |
| **Town of Castle Rock** | **1.196 mills** |
| Cherry Creek Basin | 0.451 mills |
| Cedar Hill Cemetery | 0.128 mills |

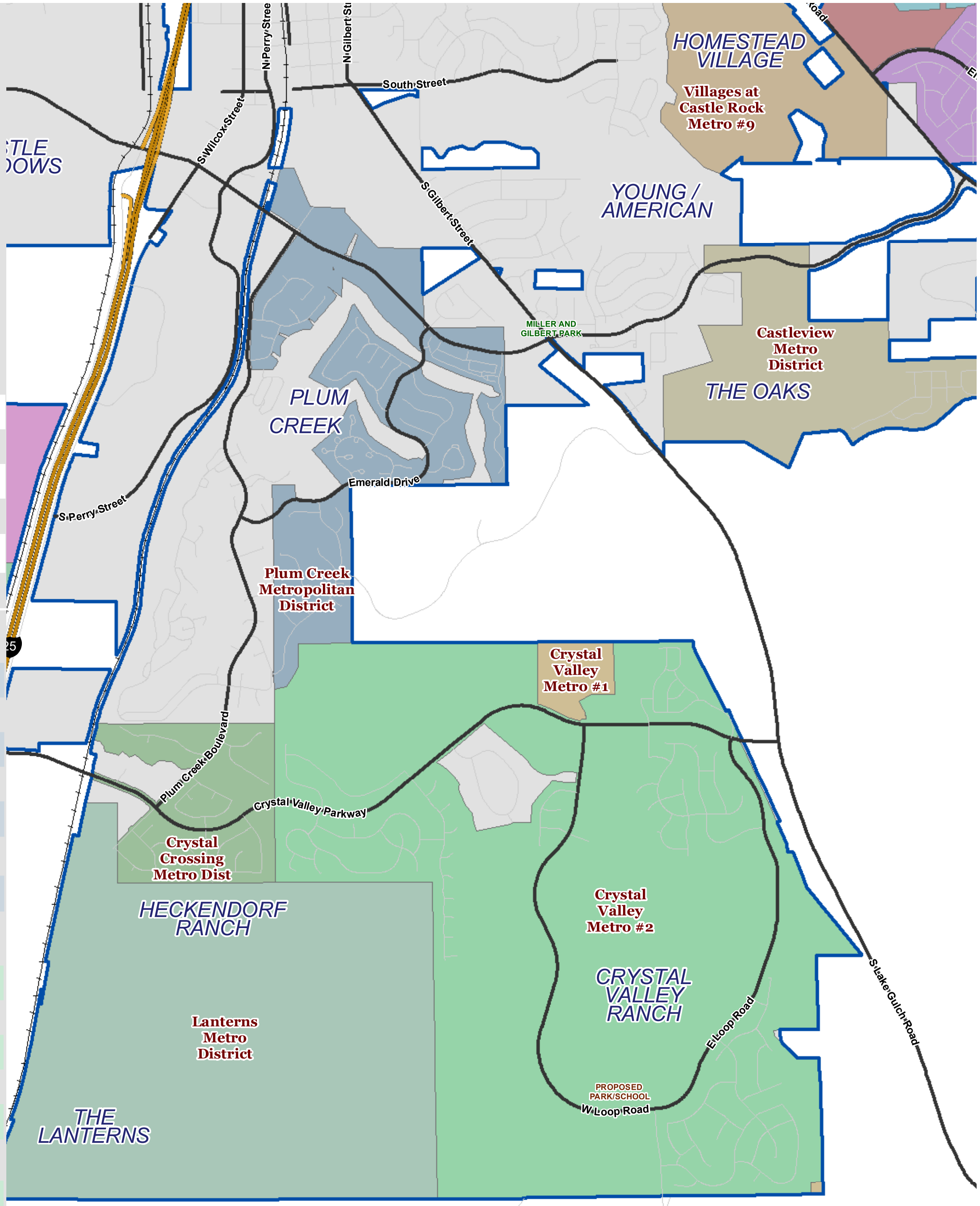
Plum Creek – 0 mills

| Entity | Tax amount |
|---|---|
| DC School District | $1,344.62 |
| Douglas County Gov't | 591.17 |
| DC Libraries | 123.39 |
| **Town of Castle Rock** | **36.68** |
| Cedar Hill Cemetery | 3.93 |
| Plum Creek Metro | 0.00 |
| **TOTAL** | **$2,099.79** |

Crystal Valley – 54.854 mills

| | |
|---|---|
| Crystal Valley Metro #2 | $1,682.47 |
| DC School District | 1,344.62 |
| Douglas County Gov't | 591.17 |
| DC Libraries | 123.39 |
| **Town of Castle Rock** | **36.68** |
| Cedar Hill Cemetery | 3.93 |
| **TOTAL** | **$3,782.26** |

Updated June 2020



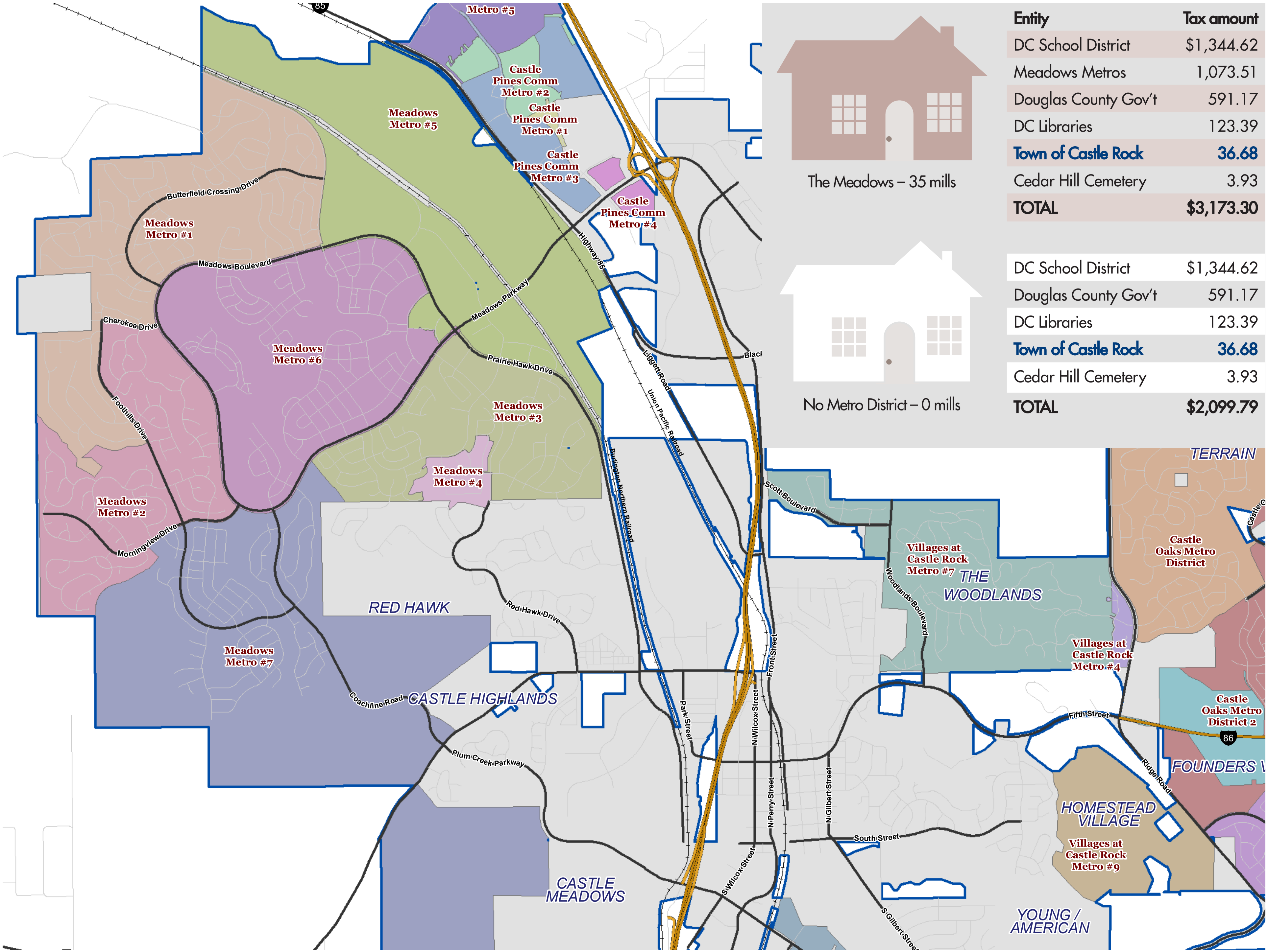
# ATTACHMENT B - EXHIBIT 1

The Meadows – 35 mills

| Entity | Tax amount |
|---|---|
| DC School District | $1,344.62 |
| Meadows Metros | 1,073.51 |
| Douglas County Gov't | 591.17 |
| DC Libraries | 123.39 |
| **Town of Castle Rock** | **36.68** |
| Cedar Hill Cemetery | 3.93 |
| **TOTAL** | **$3,173.30** |

No Metro District – 0 mills

| | |
|---|---|
| DC School District | $1,344.62 |
| Douglas County Gov't | 591.17 |
| DC Libraries | 123.39 |
| **Town of Castle Rock** | **36.68** |
| Cedar Hill Cemetery | 3.93 |
| **TOTAL** | **$2,099.79** |




Updated June 2020

# ATTACHMENT B - EXHIBIT 1

Castle Oaks/Terrain – 55.664 mills

| Entity | Tax amount |
| --- | --- |
| Castle Oaks Metro #3 | $1,707.32 |
| DC School District | 1,344.62 |
| Douglas County Gov't | 591.17 |
| DC Libraries | 123.39 |
| **Town of Castle Rock** | **36.68** |
| Cherry Creek Basin | 13.83 |
| Cedar Hill Cemetery | 3.93 |
| **TOTAL** | **$3,820.95** |

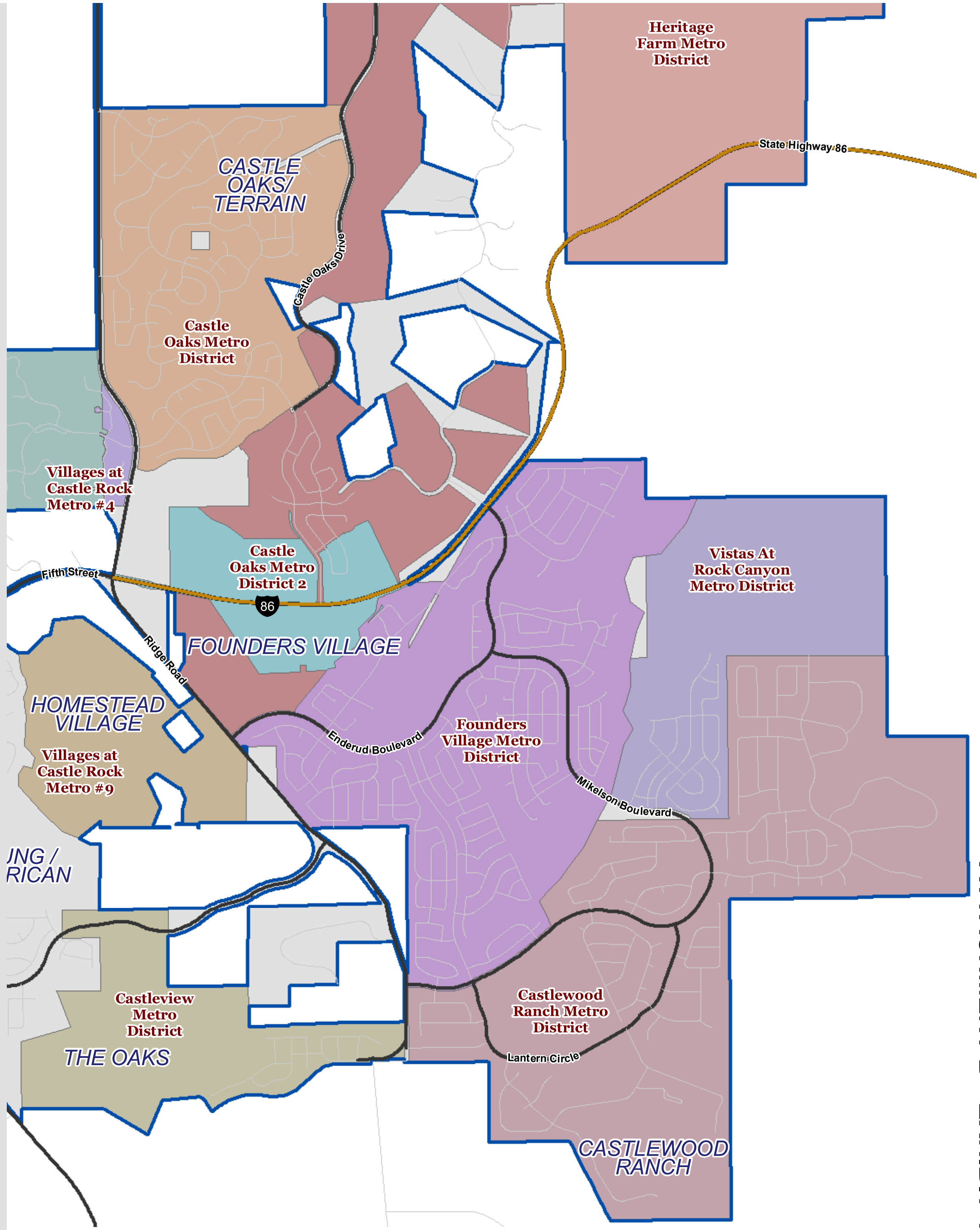
Founders Village – 87.842 mills

| Entity | Tax amount |
| --- | --- |
| Founders Village Metro | $2,694.28 |
| DC School District | 1,344.62 |
| Douglas County Gov't | 591.17 |
| DC Libraries | 123.39 |
| **Town of Castle Rock** | **36.68** |
| Cherry Creek Basin | 13.83 |
| Cedar Hill Cemetery | 3.93 |
| **TOTAL** | **$4,807.90** |

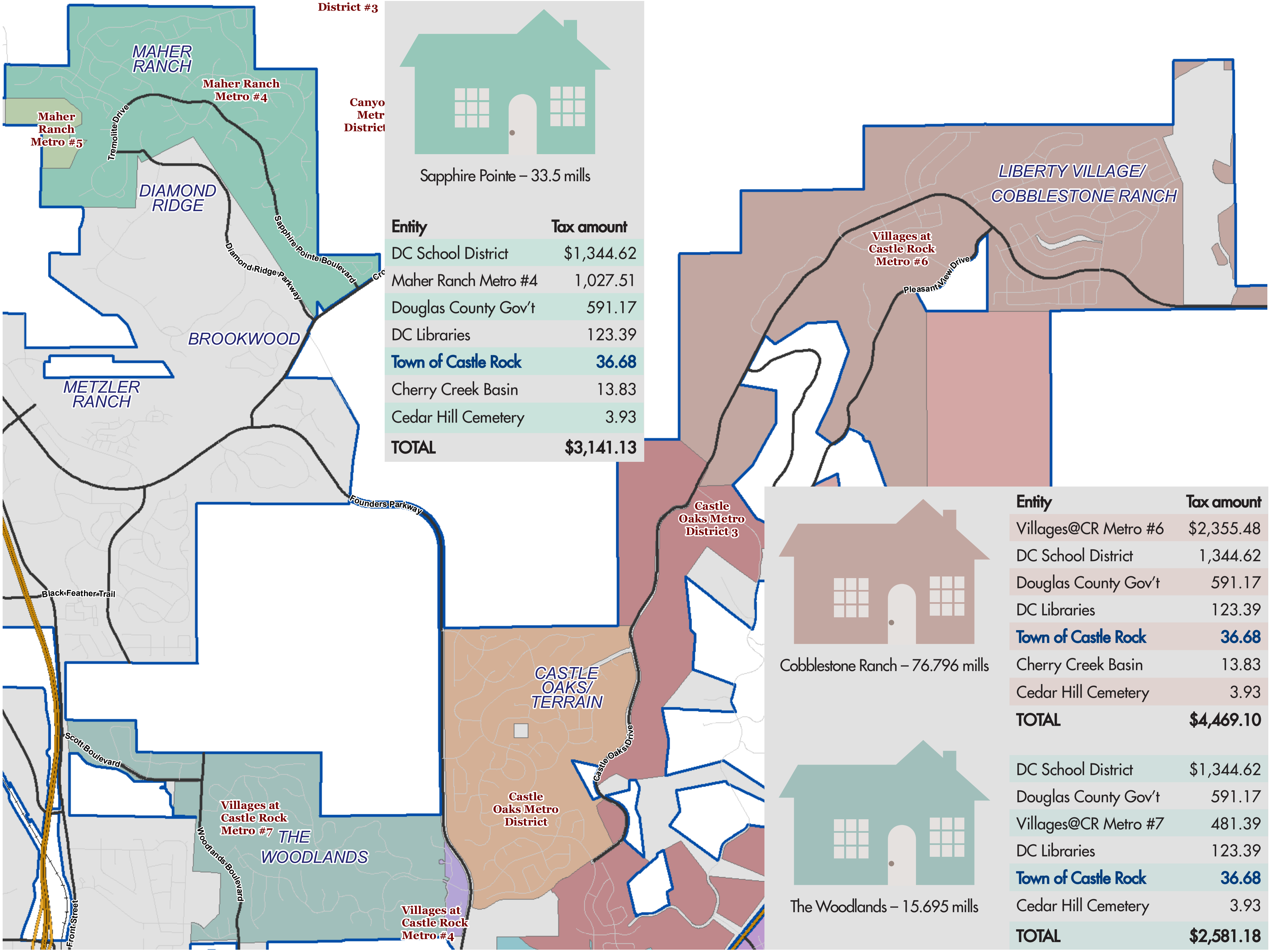
Castlewood Ranch – 40 mills

| Entity | Tax amount |
| --- | --- |
| DC School District | $1,344.62 |
| Castlewood Ranch Metro | 1,226.87 |
| Douglas County Gov't | 591.17 |
| DC Libraries | 123.39 |
| **Town of Castle Rock** | **36.68** |
| Cherry Creek Basin | 13.83 |
| **TOTAL** | **$3,336.56** |

Updated June 2020



# ATTACHMENT B - EXHIBIT 1




Sapphire Pointe – 33.5 mills

| Entity | Tax amount |
| --- | --- |
| DC School District | $1,344.62 |
| Maher Ranch Metro #4 | 1,027.51 |
| Douglas County Gov't | 591.17 |
| DC Libraries | 123.39 |
| **Town of Castle Rock** | **36.68** |
| Cherry Creek Basin | 13.83 |
| Cedar Hill Cemetery | 3.93 |
| **TOTAL** | **$3,141.13** |

Cobblestone Ranch – 76.796 mills

| Entity | Tax amount |
| --- | --- |
| Villages@CR Metro #6 | $2,355.48 |
| DC School District | 1,344.62 |
| Douglas County Gov't | 591.17 |
| DC Libraries | 123.39 |
| **Town of Castle Rock** | **36.68** |
| Cherry Creek Basin | 13.83 |
| Cedar Hill Cemetery | 3.93 |
| **TOTAL** | **$4,469.10** |

The Woodlands – 15.695 mills

| Entity | Tax amount |
| --- | --- |
| DC School District | $1,344.62 |
| Douglas County Gov't | 591.17 |
| Villages@CR Metro #7 | 481.39 |
| DC Libraries | 123.39 |
| **Town of Castle Rock** | **36.68** |
| Cedar Hill Cemetery | 3.93 |
| **TOTAL** | **$2,581.18** |

Updated June 2020

ATTACHMENT C

## Revenue Reallocation

Town Council has discretion to reallocate existing sales and use tax allocations among funds. Following are estimated amounts associated with reallocating these revenues. This does not generate additional revenue, and there are certain restrictions that need to be considered.

### Sales Tax

Every 1% of sales tax reallocated would shift approximately $500,000 annually. Currently, 70.29% goes to the General Fund, 24.46% goes to the Transportation Fund, and 5.25% goes to the Community Center Fund.

### Sales Tax TIF

Although Town Council has discretion regarding the amount of Sales Tax TIF to allocate to the DDA Special Fund, current obligations, parking lot maintenance costs and any additional incentives for future downtown development will limit the amount of available TIF in future years.

### Residential Use Tax

Reallocating this tax - 100% of which is presently used to repair and replace general Town assets - would shift approximately $6,000 for every 1% changed.

## Taxes

New taxes require approval by Castle Rock voters. These revenues are general in nature and could support numerous Town needs as determined by Town Council.

### Property Tax Mill Levy

The addition of every 1 mill of property tax equates to about $1.16 million in revenue annually.

### Property Tax Growth Limit

Removing the 5.5% limit on property tax growth in the Town Charter could generate $300,000 more annually by 2030.

### Lodging Tax

Lodging tax could generate $107,000 annually for each 1% assessed.

### Tobacco Tax

A 15¢ per cigarette tax, and a 40% tax on other tobacco products, could generate in excess of $1.5 million annually.

## Taxes (continued)

### Marijuana Tax

Allowing marijuana sales in Castle Rock could generate $1.3 million in annual revenue - plus $230,000 for each additional 1% in excise tax.

### Consumer's Use Tax

Assessing a 4% consumer's use tax could result in $3 million in revenue annually.

### Occupational Privilege Tax

A $1 occupational privilege tax assessed on employees and employers would generate about $552,000 per year.

### Admissions Tax

Admissions tax could generate about $100,000 per year.

### Development Excise Tax

A $1/square foot development excise tax could result in $1.7 million in annual revenue.

### N/A

Local income taxes and new real estate transfer taxes are prohibited.

## Fees

New fees do not require approval by Castle Rock voters. These revenues are assessed and must be used to defray costs of a particular government service.

### Impact Fee

Staff is analyzing current impact fees and will bring forward any recommended adjustments for Town Council's consideration in second quarter 2021.

### Transportation Fee

More research is required.

### Disposable Bag Fee

More research is required to determine estimated revenue, which would need to be used toward this program.

## Municipal Revenue Comparison

**ATTACHMENT D**

Below is a Municipal Revenue Comparison including numerous Colorado communities showing what taxes/fees, and rates, are assessed in the jurisdiction including the property tax mill levy, sales tax rate, lodging tax, tobacco tax, marijuana tax, consumer's use tax, occupational privilege tax, admissions tax and a disposable grocery bag fee. Definitions and more information about how these taxes may apply in Castle Rock are available in **Attachment B**. This information was gathered from websites and direct communication with jurisdiction employees. This information is accurate as of March 2021.

| Municipality | Taxes | | | | | | | | Fee |
|---|---|---|---|---|---|---|---|---|---|
| | Mill | Sales | Hotel | Tobacco | MJ | Consumer Use | OPT | Admissions | Grocery Bag |
| Castle Rock | 1.196 | 4.00% | - | - | - | - | - | - | - |
| Arvada (Adams) | 4.310 | 3.46% | 2.00% | - | - | 3.46% | - | 4.00% | - |
| Arvada (Jeffco) | 4.310 | 3.46% | 2.00% | - | - | 3.46% | - | 4.00% | - |
| Aurora | 8.605 | 3.75% | 8.00% | - | Y | 3.75% | $2.00 ea | 3.75% | - |
| Aurora (Arapahoe) | 8.070 | 3.75% | 8.00% | - | Y | 3.75% | $2.00 ea | 3.75% | - |
| Boulder | 11.981 | 3.86% | 7.50% | *40.00% | Y | 3.86% | - | 5.00% | $0.10/bag |
| Brighton (Adams) | 6.650 | 3.75% | 3.00% | - | - | - | - | - | - |
| Brighton (Weld) | 6.650 | 3.75% | 3.00% | - | - | - | - | - | - |
| Broomfield | 11.457 | 4.15% | 1.60% | - | - | - | - | - | - |
| Castle Pines | 4.500 | 2.75% | - | - | - | - | - | - | - |
| Centennial | 5.003 | 2.50% | - | - | - | - | - | - | - |
| Colorado Springs | 4.279 | 3.07% | 2.00% | - | - | 3.07% | - | - | - |
| Denver | 25.184 | 4.00% | 10.75% | 4.81% | 9.81% | 4.81% | $5.75 ee | - | *$0.10/bag |
| | | | | | | | $4.00 er | - | - |
| Elizabeth | 5.500 | 4.00% | *$6.50/day | - | - | - | - | - | - |
| Englewood | 9.576 | 3.50% | 2.00% | - | 3.5% med | 3.50% | - | - | - |
| | | | | | 10% retail | | - | - | - |
| Fort Collins (FHC 2.25%) | 9.797 | 3.85% | 3.00% | - | - | - | - | - | - |
| Golden | 12.340 | 3.00% | - | - | - | - | - | - | - |
| Greeley (FHC 3.46%) | 11.274 | 4.11% | 3.00% | - | - | 4.11% | - | - | - |
| Greenwood Village | 2.932 | 3.00% | *3.00% | - | - | 3.00% | *Y | - | - |
| Lafayette (FHC 3.5%) | 10.184 | 3.50% | *2.00% | - | 5.00% | 3.50% | - | - | - |
| Lakewood | 4.711 | 3.00% | 3.00% | - | - | 3.00% | - | - | - |
| Littleton | 2.000 | 3.00% | - | - | 3.00% | - | - | - | - |
| Lone Tree | - | 1.81% | **6.00% | - | - | 1.81% | - | 4.00% | - |
| Longmont | 13.420 | 3.53% | 2.00% | - | 3.00% | 3.53% | - | | - |
| Louisville | 5.184 | 3.65% | 3.00% | - | *5.00% | 3.65% | - | - | $0.25/bag |
| Loveland (FHC 3%) | 9.564 | 3.00% | 3.00% | - | - | 3.00% | - | - | - |
| Monument | 6.152 | 3.00% | - | - | - | 2.00% | - | - | - |
| Parker | 2.602 | 3.00% | 3.00% | - | - | - | - | - | - |
| Sheridan | 20.640 | 3.50% | - | - | **5.00% | 3.50% | $3.00 ea | $0.25/entry | - |
| Thornton | 10.210 | 3.75% | 7.00% | - | 8.75% | 8.75% | - | - | - |
| Westminster | 3.650 | 3.85% | 7.00% | 3.85% | - | 3.85% | - | 6.00% | - |
| Wheat Ridge | 1.786 | 3.50% | ***10.00% | - | - | 3.50% | - | 4.00% | - |
| | | | | | | | | | |
| Notes: | | | *1-30 days | *e-items | *cultivation | | monthly | | *starts 7/1 |
| | | | **<60 days | | **excise, too | | | | |
| | | | ***no ST | | | | | | |

**None of the entities examined have in place the following potential municipal revenue sources:**

Local income tax or real estate transfer fee