

Centennial connection

Your link to the city of Centennial

August 2006

A TABOR issue for your consideration

The City of Centennial is wrestling with an issue that may require your attention at the ballot box this November. When the City was formed in 2001, voters approved a Taxpayers' Bill of Rights (TABOR) waiver of certain revenues for the City's first four years of operation to help Centennial get on its feet financially.

That waiver expired December 31, 2004, making these City revenues subject to TABOR revenue increase limitations. A modest amount of revenue over the TABOR limit was generated in 2005 and additional

amounts will likely be generated in 2006 and 2007. This excess revenue would be required to be refunded to the residents under TABOR.

City Council will decide in early September whether to refer a ballot question to the voters to keep this revenue and apply it to the needs of Centennial's citizens.

This ballot question would ask voters to waive the TABOR restriction (also called "de-Brucing") and authorize the City to retain and use this restricted revenue.

This measure would not be a tax increase, but a request to use the monies that the City already collects for key services that the City already provides.

This special edition of *Centennial Connection* provides information about this issue and the possible ballot question. The City Council must make a decision whether or not to place a TABOR de-Brucing measure before City voters and set the ballot language by September 6.

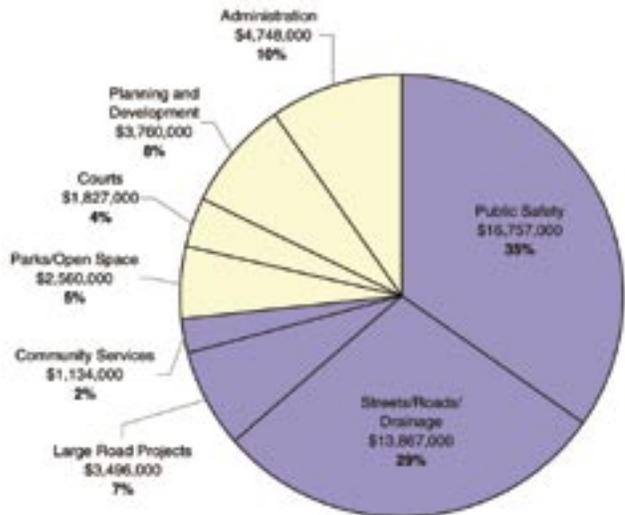
Why is this an issue?

This TABOR issue is the result of the structure of Centennial's service costs and revenue sources. Of a total 2006 budget of \$48.1 million, \$35.3 million or 73 percent is budgeted for four key City service areas: public safety (35 percent), streets, roads, & drainage (29 percent), major roads projects (7 percent), and a small amount for community services such as code enforcement and animal/mosquito control. These key services are shown in purple in the chart on the right.

The City wants your input

We hope you find this publication informative. If you have questions or comments regarding the TABOR revenue issue, please contact the City at citizen@centennialcolorado.com or at 303-754-3412. This email address and phone number have been set up especially for this purpose.

2006 Key City Services



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What is “TABOR” and “de-Brucing”?

The Taxpayers Bill of Rights (TABOR) is a 1992 Colorado constitutional amendment intended to limit the growth of government in Colorado. One provision of TABOR that most restricts government growth is a limitation on the amount of revenues that a government can collect and spend each year.

Under TABOR, the total amount of a city’s revenue that can be spent to provide public services each year cannot be greater than the previous year’s revenue plus a small annual percentage increase based on inflation and the local growth in real property values (the annual permitted increase is usually between two and four percent). If a city collects more revenue in a year than the amount collected in the prior year plus the authorized increase, TABOR requires the city to refund revenue over the limit to its citizens.

If a city collects less revenue in a year than the amount permitted by TABOR, the city will be adversely impacted in the next year by what is known as the TABOR “ratchet effect.” The lower level of revenue collected will be used in the next year as the maximum amount the city can collect and spend. As a result, the city’s revenues are “ratcheted” downward whenever its annual revenues are weak from one year to the next.

Importantly, TABOR also allows voters to approve a waiver of TABOR’s revenue and spending limitations. If the voters approve a waiver, the extra or surplus revenue collected can be used to maintain or enhance services to the citizens. This act of waiving TABOR’s limitation on spending is often called “de-Brucing,” a term referring to TABOR’s principal proponent, Douglas Bruce.

Why now?

◆ In 2001, Centennial voters approved a permanent TABOR waiver for sales taxes, property taxes and use taxes, and a temporary four-year waiver for all other revenues. The temporary waiver expired December 31, 2004 and all TABOR-restricted revenues since that time are now subject to TABOR limits and refunds.

◆ The City is experiencing significant fluctuations in annual revenue which are causing potential TABOR refunds. The Arapahoe County Open Space funding program, for example, provided \$1.4 million to the City in 2004, \$800,000 in 2005, and \$2.0 million in 2006. The \$1.2 million increase from 2005 to 2006 is one of the main causes for an estimated \$1.6 million refund for 2006.

◆ The City is facing extremely large cost increases for materials used in road projects. Concrete costs have risen nearly 50 percent in the past year alone. This will add \$700,000 to the cost of the Arapahoe Road and University Boulevard intersection reconstruction project and the City must bear this entire cost increase. Smaller increases will be necessary with other projects.

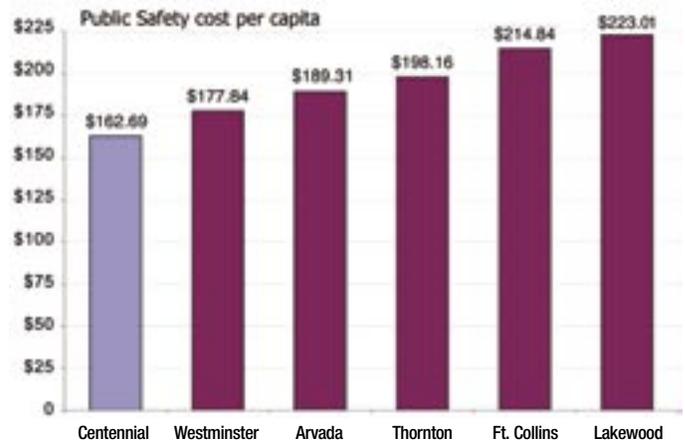
Why not just spend less?

It’s an obvious question, and one that is difficult for the following reasons.

◆ Open space and recreation funds, land use fees, highway funds and court fines are all either legally required or cost driven and must be spent for these areas. The City has no flexibility with these revenues.

◆ Public safety, the City’s largest budget area, already has the lowest costs per capita of any city of comparable size in the Denver metro area as shown in the chart at right.

◆ Critical public works programs such as street and road maintenance, drainage and major road improvements remain underfunded despite the significant additional funding the City has devoted in the past three years to these areas.



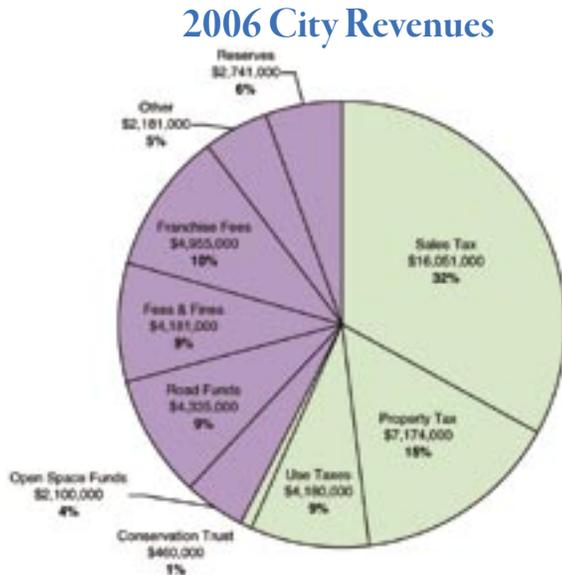
Much of this is the result of major cost increases (25 percent for asphalt and 50 percent for concrete during 2006 alone), but also involves a significant amount of catch-up work from before Centennial was formed.

◆ The City has kept its administrative costs at an absolute minimum and employs, on average, one third fewer administrative staff than other Denver metro cities of similar size.

While efficiency can always be improved and costs reduced, Centennial is about as close to the bone as possible without creating significant operating problems or reducing the level of key services that the City provides.

Why is this an issue? cont.d

On the other hand, the three primary City revenue sources (sales taxes, property taxes, and use taxes) which were permanently de-Bruiced in 2001 and 2003, provide only \$27.9 million or 56 percent of the City's revenues. These de-Bruiced revenues are shown in green in the following chart:



Because the cost of providing the City's key services exceeds City revenues that are currently de-Bruiced, \$7.4 million is needed from revenue that is no longer de-Bruiced and subject to revenue limitations, in order to fully fund the City's most critical services.

To further complicate this issue, about 60 percent, or \$10.6 million, of Centennial's TABOR-restricted revenue is from four sources (county open space funds, state and county highway funds, land use fees, and court fines), which must be used for these specific purposes and cannot be used for any other purpose.

As a result, any significant reduction of City revenue through a slowdown in the economy – or through TABOR refunds when times are good – will result in a reduction in funding available for the City's most important service areas (public safety, streets/roads/drainage, major roads projects, and community services).

The ballot proposal

As the City Council considers whether to approve a TABOR de-Bruicing measure for the November ballot, there are several major issues under discussion:

◆ *What revenue should be included?*

The City Council is considering asking for a TABOR exemption for all current revenue sources not already de-Bruiced. It has considered de-Bruicing a lesser number of revenue sources, but has found that the same problems will carry over into future years for any revenue source that remains TABOR restricted.

◆ *Should the additional de-Bruiced revenues be earmarked for special purposes?*

The City Council is considering earmarking all funds that would be released by the ballot initiative for three specific purposes:

- public safety
- street and road repair and maintenance
- open space projects

The TABOR-restricted revenues would be limited to these three uses only and could not be used for any other purposes.

◆ *Should the TABOR exemption have a sunset provision specifying when it will end?*

The City Council is considering either a permanent de-Bruicing of the remaining TABOR-restricted revenues or a "sunset" provision that would require these revenues to again become TABOR restricted at some time in the future. If a sunset provision is included, the likely sunset date would be December 31, 2013 to coincide with the expiration of the Arapahoe County Open Space funding program.

How would a TABOR waiver benefit you?

In the event that City Council places a question on the November ballot to de-Bruice City revenues and earmark them for specific purposes, the following are the areas where this spending would be applied:

◆ *Public Safety*

Continuation of the existing level of

services provided by the Arapahoe County Sheriff's Office, including patrol and crime prevention services, community policing, and the School Resource Officer program.

◆ *Streets & Roads*

Increased spending for filling potholes, street overlays, sidewalk

and curb/gutter repairs and construction, traffic signals, weed control, and snow and ice removal.

◆ *Open Space*

Acquisition, construction, and/or maintenance of open space areas, pocket parks, and trails and trail connections.



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SPECIAL EDITION

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Return Service Requested



Which other cities have put TABOR waivers into place?

Statewide, 232 of 271 cities and towns have de-Bruced their revenues. Of the 64 counties in Colorado, 47 have de-Bruced. The following cities that are either in the south Denver metro area or are similar in size to Centennial have de-Bruced their revenue sources:

City	TABOR Waiver	Revenues	Sunset	Earmarks
Arvada	Yes	All revenue	None	None
Cherry Hills	Yes	All revenue	None	None
Greenwood Village	Yes	All revenue	None	None
Lakewood	Yes	All revenue	2006	None
Thornton	Yes	All revenue	None	None
Parker	Yes	All excess revenue	None	None
Lone Tree	Yes	All excess revenue	None	None
Westminster	Yes	All taxes	None	None
Aurora	Yes	Fees, Sales and Use Taxes	None	None
Littleton	No			

How much would you receive?

If the proposed ballot measure should be unsuccessful, the amounts of the resulting projected refunds would be as shown in the following chart:

Year	Per Person Refund
2005	\$0.97
2006	\$15.33
2007	\$4.38

*Source: City of Centennial.
 Based on population of 103,000. Based on current projections.*

These figures do not include administrative costs. Such costs cannot be paid from the amount of revenues to be refunded, but must be funded from general City monies.

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