

2009 BUDGET AMENDMENT

CITY MANAGER'S
PRESENTATION
JANUARY 26, 2009

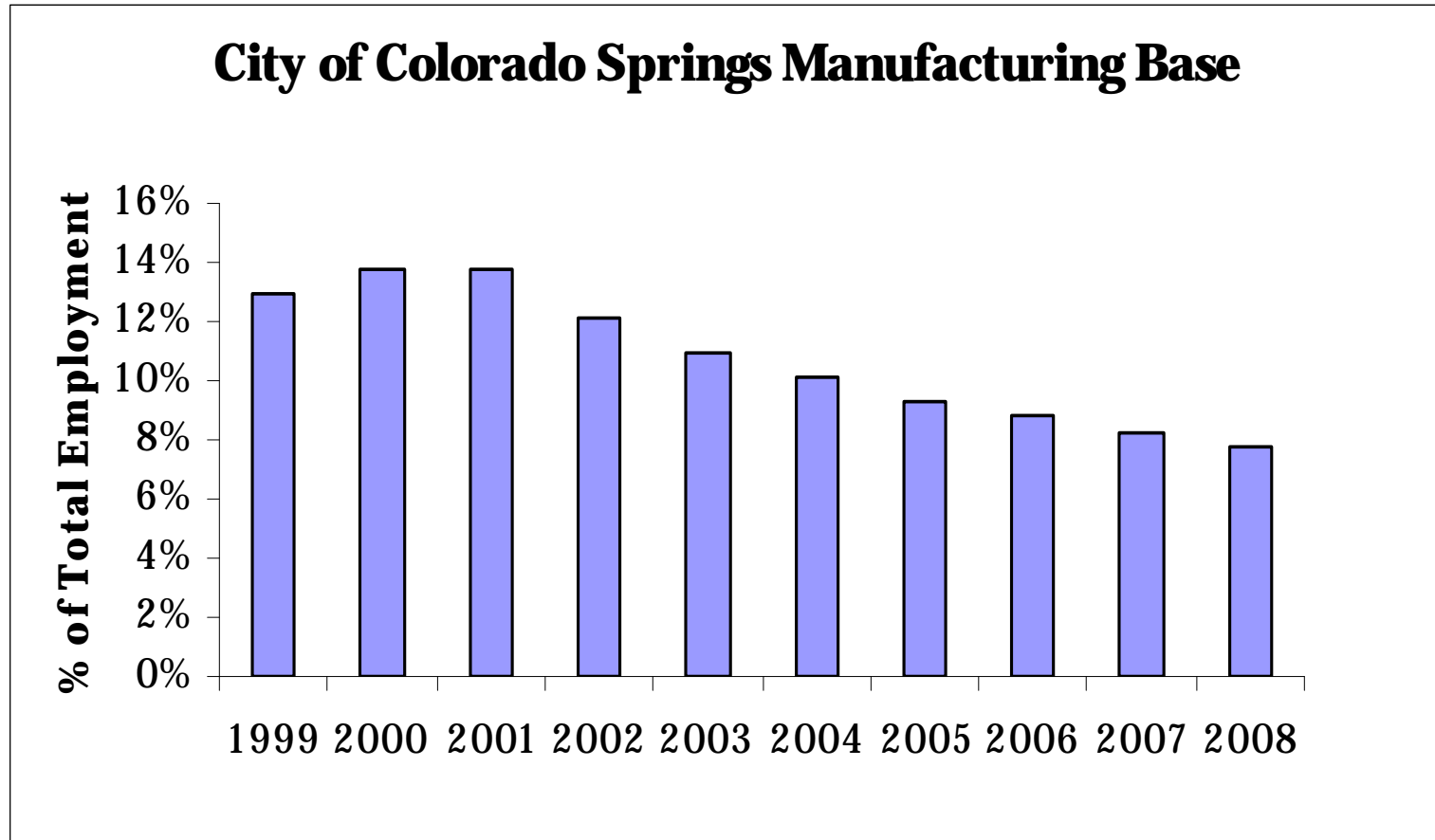
Colorado Springs' Condition

Our revenues have not kept
pace with population and cost
for services have increased

Colorado Springs' Condition

Decline of industrial
employment base

Decline of Manufacturing Base



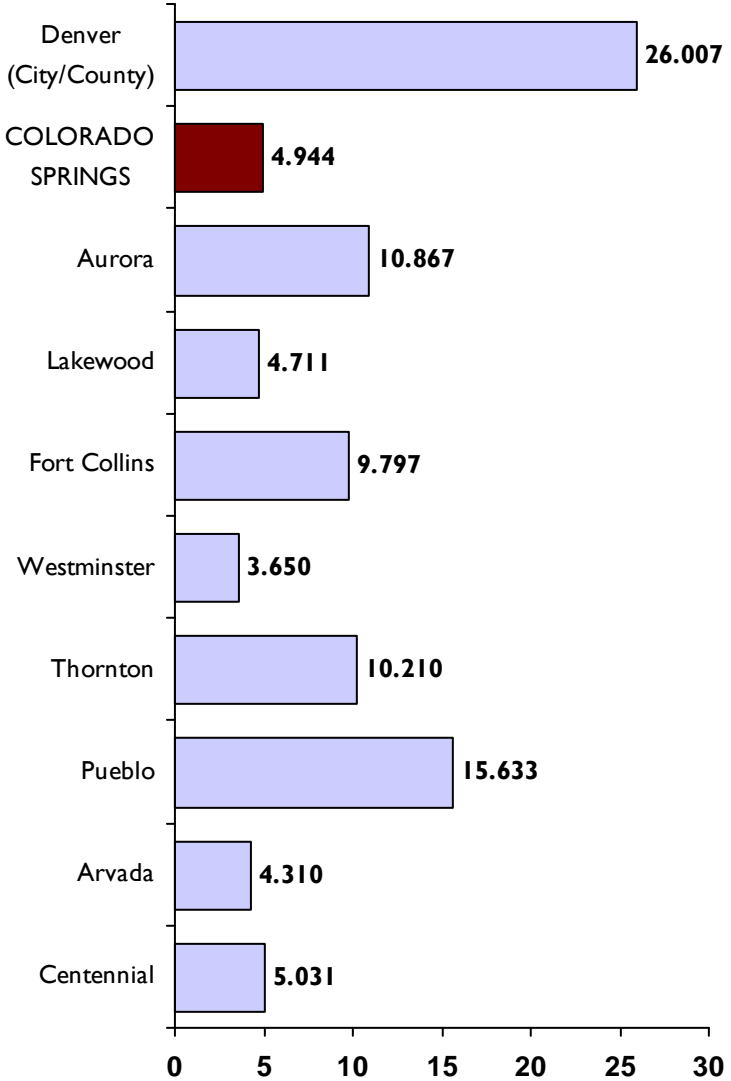
Colorado Springs' Condition

Heavy service economy and reliance on sales tax; sales tax is our primary source, which is based on product—not service, which means lower and declining sales tax potential

Colorado Springs' Condition

Local tabor in addition to state
tabor; state waived its tabor
limit ratchet down for 5 years;
Many Front Range cities have
also waived

Comparative Property Tax Rates



2007 mill levies for taxes payable in 2008, cities are in order of descending population.

Colorado Springs' Condition

Our voters have been generous with taxation for trails, parks, and open space, public safety, and transportation but many ballot measures do not come with any or adequate funding to administer so the general fund has more responsibility and less dollars

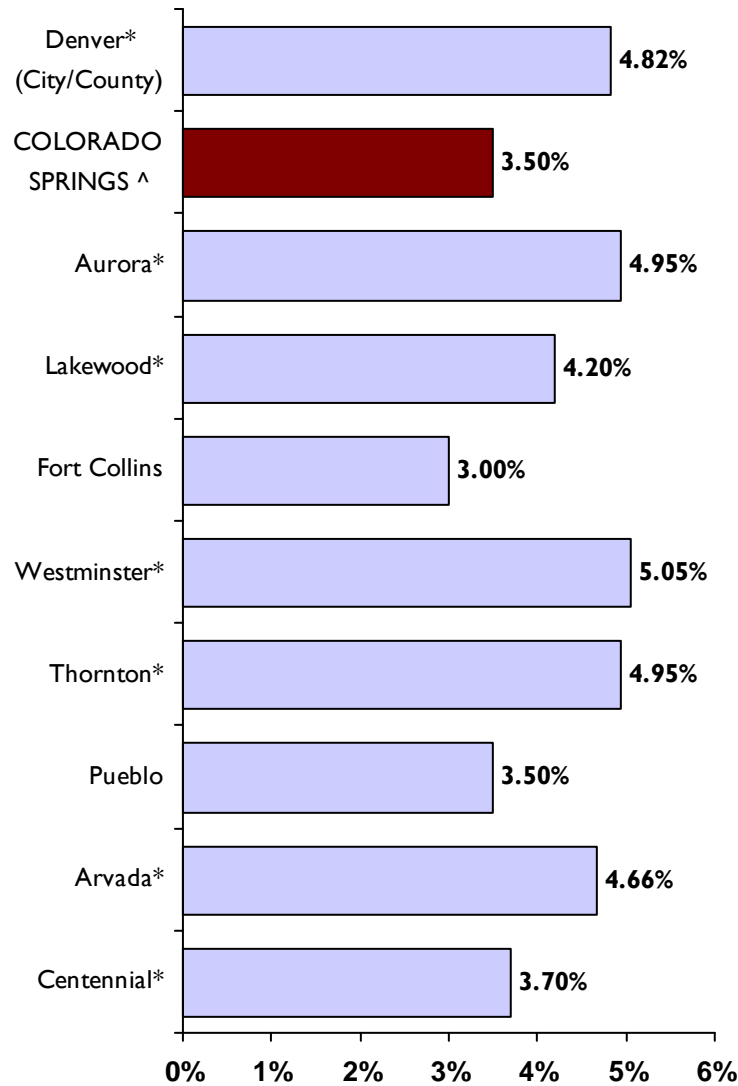
Colorado Springs' Condition

We have been aggressive with grants to provide our citizens with more service; when the grant goes away, we have the burden to maintain grant services with the general fund; federal grants count against our cap on enterprises so that gives us less opportunity to use taxes paid

Colorado Springs' Condition

The county's sales tax rate is lower than the city so development gravitates to unincorporated areas, causing sales tax leakage

Comparative Sales Tax Rates



Colorado Springs' Condition

El Paso County's deteriorating financial condition has resulted in the County taking our road and bridge mill levy funds of \$2.8 million in 2009

Colorado Springs' Condition

The TABOR ratchet down results in even greater loss of city revenue when the economy improves or exceeds revenues from the prior year (adjusted for inflation and growth)

Colorado Springs' Condition

Our tax law requires we set aside general fund revenue for an emergency reserve and requires it be repaid if used--but there is no provision for using those funds in economic downturn and the city has no ability to repay them if used

Colorado Springs' Condition

The city has relied on one-time revenues to maintain service levels; as a result, equipment replacement funds, capital projects, workers comp, health insurance, and liability reserves have been depleted, causing these needs to be paid from general fund cash flow--means less \$ for services

Colorado Springs' Condition

Low LART (2% lodging, 1% auto rental) with only 33% going to the general fund, which is where the services to support our tourists is paid for

Accommodations Tax Comparisons

	Lodging Tax
Boulder	5.5%
Longmont	2.0%
Colorado Springs	2.0%
Denver	10.75%
Fort Collins	3.0%
Broomfield	1.6%
Westminster	7.0%
Glenwood Springs	2.5%
Grand Junction	3.0%
Aspen	1.0%
Steamboat Springs	1.0%

2008 Fiscal Actions

1. Council formed Long-Term Financial Sustainability Committee
2. Cut \$9 million
3. Collapsed management structure, efficiencies

2009 Budget Balancing

Cut \$23 million

Cut 93 General Fund positions

What Happened to Cause Another \$16.8 Million Shortfall?

1. Significant drop in Oct and Nov sales tax
2. Anticipate drop in Dec sales tax, causing revisit of 2009 projections
3. Additional Road and Bridge impact
4. Significant health insurance claims

About the Cut List

About Today's Presentation