



Appendix E—Summary of Selected Financial Considerations

Arvada’s financial condition is adequate but strained. Through a combination of necessity and invention, the City has streamlined its expenditures, focusing on maintaining the quality of its current service delivery. Streamlining has been at the expense of allocating fewer dollars for parks and open space acquisition and development, reducing the targeted fund balances for most funds, eliminating the annual curbside clean-up program, and insufficiently funding some capital maintenance needs. Most of these decisions have been relatively invisible to the public in its daily use of City services and facilities.

General Fund Revenues

The City has two major sources of annual revenue for its general government services: sales tax and property tax. The volume of City sales tax revenue is modest on a relative scale. Assessed values, upon which property taxes are based, are highly dependent on residential property.

Sales Tax Revenues

Arvada is heavily dependent on its sales and use tax revenues, just like other Colorado municipalities. In Arvada, sales and use tax revenues comprise 44% of General Fund revenues. Statewide, this figure is 48%. When the City Center Urban Renewal pledged sales tax revenues become available in 2007, Arvada’s sales and use tax revenues will comprise about 48% of General Fund revenues.

Using State Department of Revenue statistics for 2003, the volume of taxable sales in Arvada per capita (\$7,729) was nearly 40% below the statewide average (\$12,444) and substantially below other comparably sized municipalities. This is because Arvada contains relatively fewer retail square feet than other communities; for example, it contains no regional shopping center.

SALES TAX REVENUE: % OF GENERAL FUND

Arvada	44%
Statewide (except Denver)	48%

**RESIDENTIAL:
% OF TOTAL ASSESSED**

Arvada	70%
Statewide	49%

**Property Tax Revenues –
What Do They Generate?**

- Every additional 100,000 square feet of office or retail development generates about \$12,500 in annual property tax revenues to the General Fund. *(100,000 sf x \$100 x 29% x 4.310 mills)*
- Every 50 homes (approximately 100,000 square feet) of residential development generates about \$3,860 in annual property tax revenues to the General Fund *(\$225,000 x 50 homes x 7.96% x 4.310 mills)* It is important to mention that households generate sales tax revenue through purchases of goods from Arvada stores and vehicles.

Property Tax Revenues

Property tax revenues comprise about 8% of General Fund revenues. Nearly 70% of Arvada’s property tax revenues are from residential development, which is assessed at about 8% of actual values. This is an unusually high percentage, even for suburban municipalities. Statewide, 49 percent of revenues are from residential development. Given this condition, any further downward adjustment in the ratio of residential assessed to actual value will have a sizeable impact on Arvada revenues. Efforts to bolster nonresidential development that is not burdened by tax increment financing would provide more economic balance and stability for the General Fund.

General Fund Expenditures

Arvada is cost-effective in its delivery of general government services, relative to other Colorado municipalities. It spends less money on a per capita basis for General Fund services such as general government, roads, parks and recreation, and capital outlay than a number of other comparably sized municipalities. *(Data from Colorado Fiscal Compendium, 2001)*

Signature Features of Arvada

Among Arvada’s signature features are the Arvada Center and its park and recreation facilities and services. Each comes with an on-going financial burden on the General Fund.

- The General Fund transfers about \$2.4 million to the Arvada Center on an annual basis in cash and in-kind contributions; about \$1 million is cash and \$1.4 million is in-kind. This transfer comprises about one-third of The Center’s annual operating budget.
- Maintaining existing parks and open space costs about \$5 million per year. Primary revenues used to fund these annual costs are from Jefferson County and Adams County open space allocations, and a transfer from the City General Fund. In a few years, the City will need to use 100% of these revenues for park maintenance, leaving no funding available for new park, open space and trails land acquisition or development or for matching grant opportunities. The master plan calls for \$165 million in new capital improvements.

Capital Replacement and Deferred Maintenance

Arvada is 101 years old. As the City continues to age, capital replacement requirements for infrastructure can increase more than proportionately with increasing revenues.

The City has developed a replacement program for its vehicles, computers, and telecommunications but was forced to reduce its commitment for 2005. The City has taken the first step towards a 15-year plan of user fee increases to fund a long-term replacement program for stormwater, water and wastewater facilities. Yet, there is a growing backlog of deferred maintenance in roads, parks and buildings. When new projects are funded, the associated upkeep and maintenance requirements are frequently not funded.

Tax Increment Financing (TIF)

Arvada was among the first Colorado municipalities to use tax increment financing. There are currently three TIF areas: Arvada City Center, Ralston Fields and the Jefferson Center. The pledged revenue period for Arvada City Center expires in mid-2006; one effect will be an additional \$6 to \$8 million flowing back into the General Fund annually. For the first few years, these funds have already been “spoken for” in additional capital projects. The 25-year pledged revenue period for Ralston Fields began in 2003; the City is in negotiations regarding Jefferson Center. Sales tax revenues associated with these retail developments to be constructed in the near term will not be available to help finance needed operations and capital maintenance needs.

Arvada’s Capital Replacement and Deferred Maintenance Needs

- *Parks* - There are about \$8 million of existing park capital maintenance needs. The City currently uses its allocation of State lottery funds for park capital maintenance; at its current rate of funding, it will take 42 years to make these existing needed improvements.
- *Streets* - The current rate of expenditures in capital improvements plan allows for road replacement every 28 years, assuming no increase in lane miles. To avoid deferred maintenance, expenditures should allow for road replacement every 20 years.

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