

Financial Strategy Committee

2024 BUDGET PREVIEW, PART I

AUGUST 16, 2023





Agenda

1. Review of Key Budget Assumptions
2. Financial Conditions Overview
3. Dedicated Funding Analysis
4. 2024 Budget Overview
5. 2024-2029 Capital Improvement Program Overview

Review of Key Budget Assumptions

➤ Shared with Council on May 11

1. Slowing economic growth and known funding requirements significantly limit budget flexibility for ongoing costs.
2. Key Council priorities (behavioral health, day services center, and Alpine-Balsam development) will be prioritized for use of library budget reallocation funds.
3. The Capital Improvement Program will include long-range facilities planning to ensure sustainable funding strategies for building maintenance and associated services.
4. Flexibility within dedicated funds will be explored and emphasized to ease burden on General Fund, including other revenue strategies such as the Parks & Recreation fee policy.
5. Uncertainty related to the expiring 0.15% undedicated General Fund sales tax necessitates preservation of ongoing funding from library reallocation.
6. Other ongoing funding needs are significant and beyond funding availability, requiring a long-term financial strategy across all funds and city functions.

Financial Conditions Overview



Sales and Use Tax Projections

- CU Boulder provided a Sales and Use Tax model in March and an updated version in July.
- **Total Sales and Use Tax Rate - 3.86%**
- Current projections assume the expiration of the 0.15% sales tax at the end of 2025
- Sales and Use Tax is distributed to the General Fund, as well as dedicated to specific departments:
 - General Fund – 1.79% (1.64% after 2024)
 - Community Culture & Safety Tax – .30%
 - Parks and Recreation – .25%
 - Open Space and Mountain Parks – .77%
 - Transportation – .75%



Sales and Use Tax Projections

- CU's July 2023 model **revises down** 2024 projections by 1.61% with an impact of \$2.9 million less than March projections
 - 2.3% less than 2023 Budget projections
- While broader economic conditions remain stable, there are specific indicators that retail consumption is slowing and may face significant headwinds into 2024
 - Inflation is slowing across most major categories
 - National slowdown in retail sales
 - Colorado is facing a slowing economy as compared to other states
 - Boulder County population growth and tight labor market impacts local economy
 - Some local sales tax categories have turned negative year-over-year



Sales and Use Tax Projections

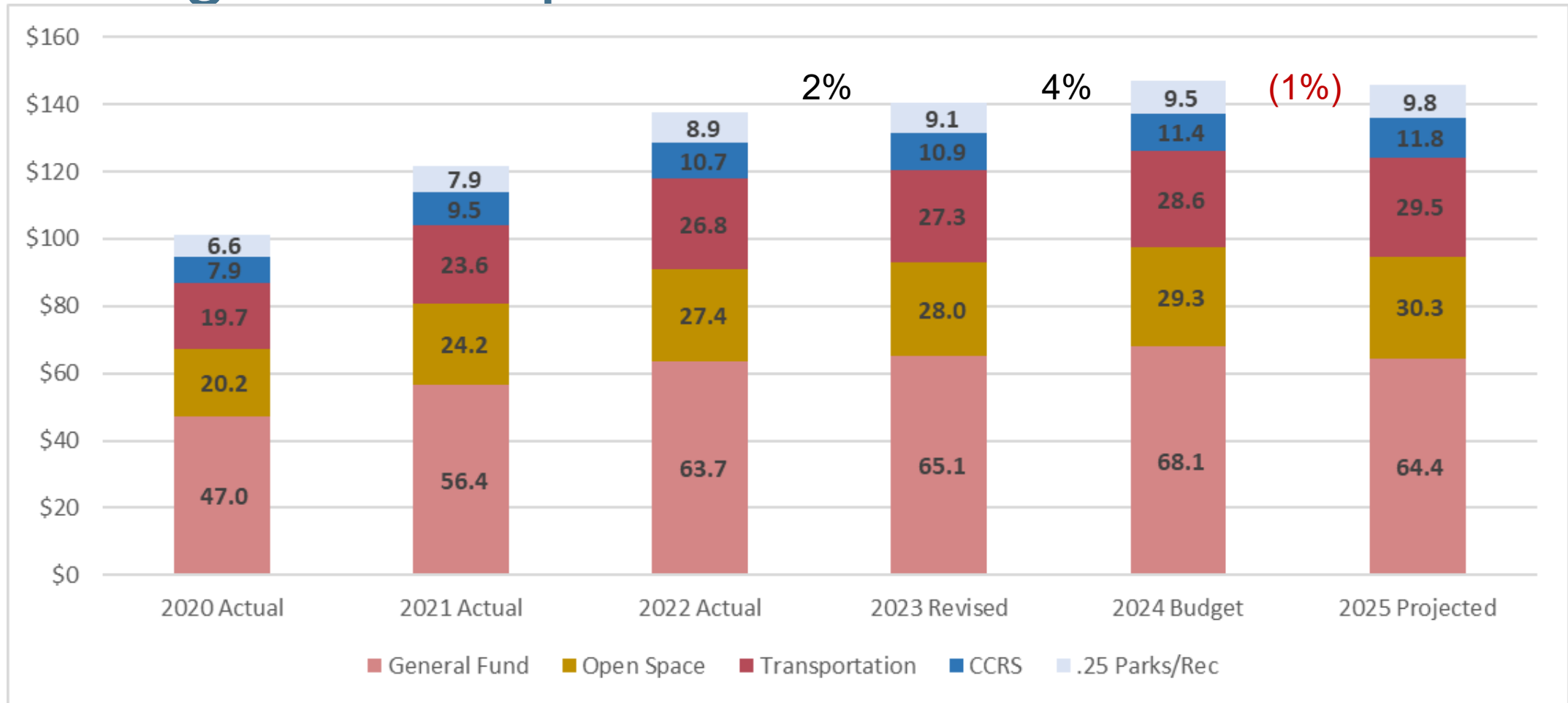
All Funds

- FY22 Revised Budget - \$169,610,814
- FY22 Actuals - \$167,794,366 (\$1.8 million less than projected)
- March projections methodology is based on anticipated economic conditions
- FY23 Revised Budget - \$173,879,713 (\$2,443,366 less than adopted)

	2024 Budget	2025 Budget	2026 Budget	2027 Budget	2028 Budget	2029 Budget
July 2022 Projections	\$180,501,495	\$180,114,202	\$186,147,233	\$191,933,374	\$197,946,285	\$0
July 2023 Projections	\$177,845,331	\$176,262,059	\$180,815,592	\$185,289,320	\$189,884,580	\$194,535,883
	-\$2,656,164	-\$3,852,143	-\$5,331,641	-\$6,644,054	-\$8,061,706	



Retail Sales Tax Performance and Current Budget Assumptions





Sales and Use Tax Projections

Other Notable Trends:

- Recreation Marijuana Sales Tax (Dedicated to the General Fund)
 - The city collects the base 3.86% sales and use tax on medical and recreational marijuana
 - The city also collects an additional 3.50% sales and use tax on recreational marijuana
 - Collection is down significantly, with a 26% decrease from prior year actuals
- Business Use Tax and Motor Vehicle Tax revenues have also decreased from the prior year

Property Tax Projections and Implications



- Property taxes make up almost a quarter of General Fund revenues
 - Property taxes go to the General Fund, Community Housing Assistance Program (CHAP) Fund, and Permanent Parks & Recreation Fund
- 2024 is a reassessment year - Assessment values for property up 32%
- Proposition HH (Governor Polis' initiative) – would reduce annual growth to 28% for '24 revenues
- Possibility of other action on property revenues remains on the table for Nov '24
 - Possible 4% cap on annual property tax revenue increases is circulating
- Expected One-time Backfill in 2024 from impacts of SB-238 (passed in 2022)

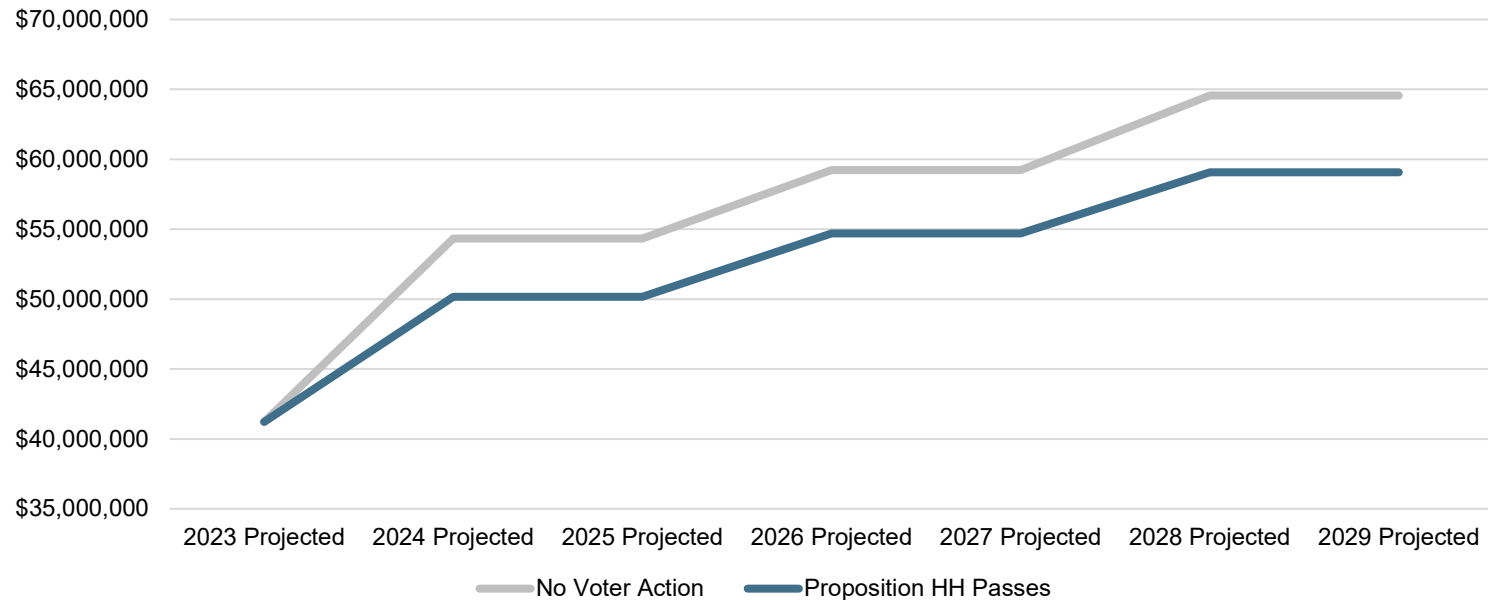
Property Tax Projections and Implications



GENERAL FUND PROPERTY TAX REVENUES

	2023 Projected	2024 Projected	2025 Projected	2026 Projected	2027 Projected	2028 Projected	2029 Projected
No Voter Action	41,212,132	54,336,762	54,336,762	59,227,070	59,227,070	64,557,506	64,557,506
Proposition HH Passes	41,212,132	50,170,710	50,170,710	54,686,073	54,686,073	59,060,959	59,060,959

Property Tax Projection Scenarios (GF Only)



Other Investments and Considerations



Mid-Year Budget Decisions Impact Ongoing Constraints:

	2023 Budget	2024 Budget	New Ongoing Budget Needed
Day Services Center	\$0.8 million (One-time)	\$10 million (Capital) \$1.6 million (Operating)	\$1.6 million
Behavioral Health (CARE Program)	\$1.4 million (One-time)	\$2.1 million (Ongoing)	\$2.1 million
Alpine-Balsam Debt Service or Partnership	\$3.5 million (One-time)	\$18.3 million (Capital)	\$2.5 million (Beginning in 2025 - \$6.1 million total)
TOTAL			\$6.2 million

Other Investments and Considerations



Continued investments in employees:

- Base Workforce Plan Increases (e.g. compensation structure adjustments, mid-year position adds, annual compensation increases, etc.)
 - = \$9.9 million (all funds)
- Three new Employee Union Contracts (BPOA, IAFF, BMEA)
 - Net additional = \$1.8 million (mostly General Fund impact)

Dedicated Funds – Analysis & Budget Implications



Dedicated Funds Analysis Overview

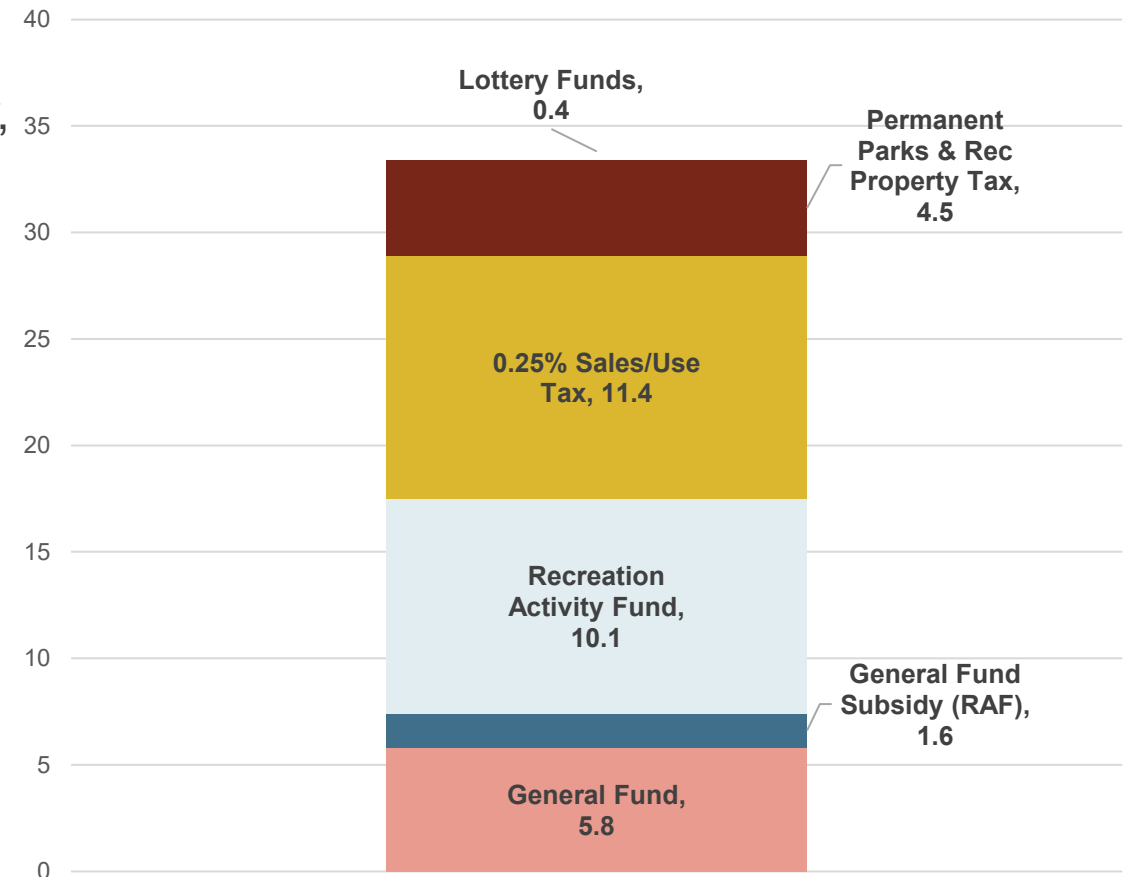
- Scope of analysis included exploration of dedicated funding sources supporting City of Boulder operations and their intended uses.
 - This included funding restrictions based on voter-approval, municipal code, and/or management policy
 - Exploration of the city policies associated with each funding mechanism. This could include Council-approved policies, departmental policies, and/or current practice or process
- Central Budget worked with departments to compile comprehensive research on dedicated funding sources (some of which had multiple mechanisms)
- Analysis highlighted areas of key flexibility in the City's dedicated funding, including:
 - Historical performance and capacity of select funds
 - Expanded flexibility in the uses of some funds based on current practices



Parks & Recreation Funds

- Permanent Parks & Recreation Fund
 - Dedicated Property Tax (0.9 mills)
 - Parks & Recreation permanent improvements only, must be in designated fund
 - Expenditures must be approved by PRAB
- Parks & Recreation 0.25 Sales & Use Tax
 - Dedicated 0.25 sales and use tax
 - General parks & recreation uses
- General Fund (Department Budget and RAF Subsidy)
- Community, Culture, Resilience, and Safety (CCRS) Tax

Parks & Recreation Budget Sources - 2024 Base



Parks & Recreation Funds



FY23 Adopted budget relied on significant subsidy from the General Fund – \$2.1 million

- There were funding capacity issues in the RAF, however significant leverage in the .25 ST.

Implications for Budget Review:

- No restrictions on the two funds working together to achieve sustainability – recreation activities would be funded through user fees and taxes in both funds
- Additional capital and project capacity in other funds, such as Permanent Parks, Lottery, Transportation, and CAGID funds

Recreation Activity Fund	FY23 Approved	FY24 Projected	.25 Sales Tax Fund	FY23 Approved	FY24 Projected
Total Sources of Funds	\$11,673,277	\$11,923,422	Total Sources of Funds	\$10,405,345	\$10,897,723
Total Uses of Funds	\$11,564,069	\$11,877,969	Total Uses of Funds	\$9,059,351	\$9,267,459
Ending Balance After Reserves	\$7,903	\$20,358	Ending Balance After Reserves	\$3,831,493	\$5,266,184



Transportation Fund

- Summary of restrictions
 - 0.75% Sales & Use Tax designated for use by Transportation Department, to fund “transportation construction and services such as maintenance of pavement, construction of transportation infrastructure, transit service, and other transportation purposes”
- Preliminary 2024 Budget would impact Projected 2029 Fund Balance After Reserves from \$37.8M to \$23.4M
- Implications for Budget Review:
 - Opportunities to examine additional transportation-related capital projects and maintenance activities as fund can support additional investments
 - Long-term flexibility dependent on prioritized projects in out-years

	2023 Revised	2024 Base	2029 Projected
Sources	\$49,904,783	\$45,809,335	\$46,976,220
Uses	58,208,826	47,273,381	42,853,101
Reserves	4,616,477	4,768,309	5,066,751
Ending Fund Balance After Reserves	17,876,329	16,260,451	37,786,207



Climate Tax Fund

Summary of Fund:

- Voter-approved tax levied on the providers of natural gas and electricity with an annual collection amount of \$6.5M, adjusted by CPI. Ability to borrow up to \$52.9M.
- Merges the Utility Occupation Tax and Climate Action Plan Tax as of January 2023.
- Dedicated spending to support city's climate-focused programs, clean energy goals and climate resilience efforts.
- \$1.5M dedicated to wildfire resilience efforts

Implications for Budget Review:

- Ensure sustainable expenditure levels for ongoing investments
- Consider future ability to incur debt (if needed)

	2023 Revised	2024 Base	2029 Projected
Sources	\$10,374,193	\$7,533,351	\$8,340,732
Uses	\$9,692,480	\$5,805,332	\$8,730,247
Reserves	\$1,521,914	\$1,419,842	\$1,449,268
Ending Fund Balance After Reserves	\$2,473,588	\$4,329,241	\$658,885



P&DS Fund

- Summary of Restrictions
 - Special revenue fund established to account for revenues and expenditures related to development and building services functions.
 - Services provided by P&DS fund are cost recovery either through direct customer charges (such as permit fees) or through annual General Fund transfer for broader, general city benefit, such as work on BVCP.
 - Some fees and charges are 50% cost-recovery, with General Fund subsidizing part of the cost (Land Use Review, Administrative Review)
- Implications for Budget Review:
 - Comprehensive review of fees and cost recovery structure has not occurred in at least a decade
 - Review of fee structure, policies, and General Fund support of fund on 2024 work plan

	2023 Revised	2024 Base	2029 Projected
Sources	\$12,582,624	\$13,474,062	\$15,620,131
Uses	14,449,674	14,321,895	16,603,002
Reserves	3,317,100	3,313,997	3,681,773
Ending Fund Balance After Reserves	10,212,983	9,368,252	4,364,178

University Hill General Improvement District (UHGID)



- Summary of restrictions
 - UHGID was created so that property owners could tax themselves to manage parking and access, and general area vitality
 - City Council is board of directors for UHGID
- Implications for budget review
 - One of two parking assets was sold to facilitate hotel development (~\$2.5 million)
 - Without additional revenue source, fund will turn negative by 2029 (much sooner with a capital investments)
 - Additional support from General Fund and/or from “De-Brucing” would not solve long-term financial issues
 - Long-term fund/commercial area support on work plan for 2024

	2023 Revised	2024 Base	2029 Projected
Sources	\$ 430,065	\$ 434,667	\$ 488,504
Uses*	736,325	517,015	607,442
Ending Fund Balance After Reserves	2,740,251	2,652,294	(367,630)

Central Area General Improvement District (CAGID)



- Summary of restrictions
 - Originally created to support parking and access and general area vitality
 - City Council is board of directors for CAGID
- Summary of fund financial
 - Debt free in 2023; long-term asset strategy will drive any additional debt
- Implications for budget review
 - Strong fund health allows for strategic decisions about capital investments and supporting operations.

	2023 Revised	2024 Base	2029 Projected
Sources	\$ 9,611,485	\$ 9,251,080	\$ 9,894,987
Uses*	11,729,714	11,044,107	7,720,344
Reserves	1,121,102	1,062,866	1,289,759
Ending Fund Balance After Reserves	17,542,100	15,807,309	23,968,023



Affordable Housing Fund: Cash-in-Lieu and Linkage Fees

Summary of Restrictions:

- Cash-in-lieu contributions from residential developments that serve as offsets in lieu of building permanently affordable units on-site, providing permanently affordable units off-site within the city, or dedicating vacant land for affordable unit development.
- Affordable housing linkage fees are paid by non-residential developers to offset the impacts of new development.
- Funding is restricted for the construction, purchase, maintenance, and administration of affordable housing development and programming.

Budget Implications:

- Low fund balance does not leave flexibility in the event of revenue interruption, delays
- General Fund is only “backstop” to support projects without Affordable Housing Fund dollars

Department-Submitted	2023 Revised	2024 Base	2028 Projected
Sources	\$9,677,009	\$4,379,567	\$13,757,009
Uses	\$14,335,759	\$17,059,687	\$16,619,075
Reserves	\$254,581	\$269,189	\$247,430
Ending Fund Balance After Reserves	\$12,748,560	\$53,832	\$52,606

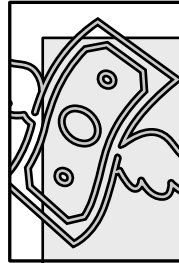
2024 Recommended Budget Preview

Major Budget Themes/Highlights



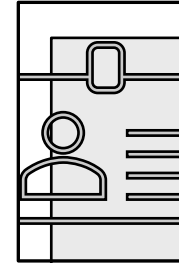
Year 2 of Budgeting for Resilience – Alignment with SER Goals, Objectives

- Outcomes help drive prioritization
- Moving towards outcome measurements



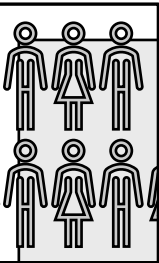
Constrained General Fund highlights importance of dedicated fund alignment with citywide goals

- Maximizing use of resources to meet needs



Continued investments in employees

- Employee contracts
- Living wage



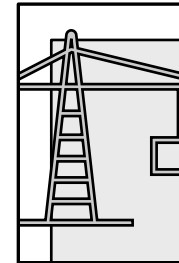
Sustained commitments to people-focused programs and services

- Behavioral health
- Day services
- Safe and managed public spaces
- Additional EFAA, Boulder Shelter support



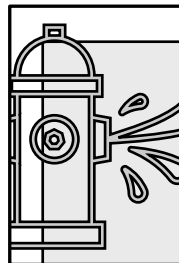
Support for affordable housing and other housing support

- Alpine-Balsam
- Staffing to support code changes
- Permanently supportive housing vouchers



Realizing critical capital investments with CCRS

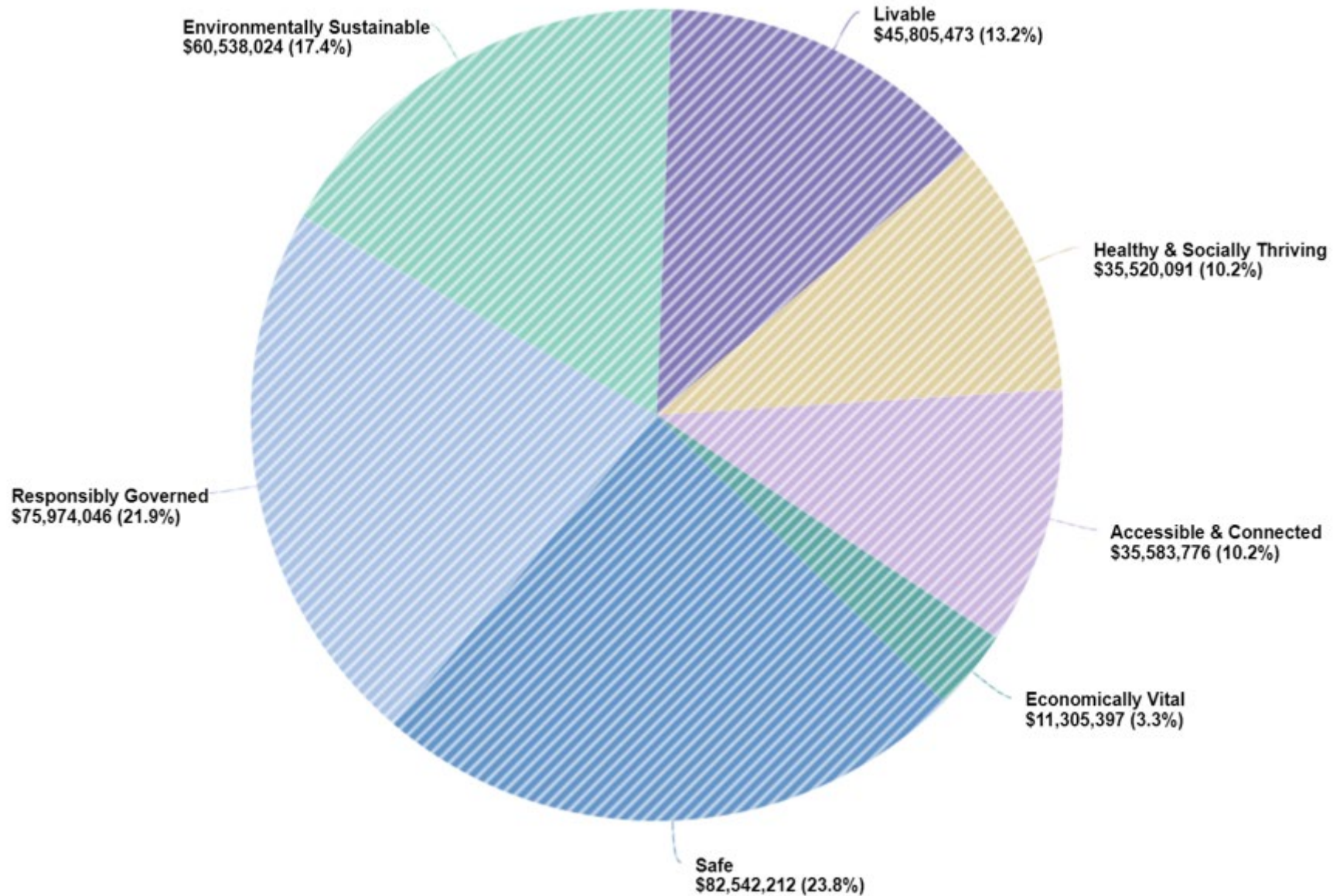
- Recreation Centers
- Fire Stations
- Civic Area
- Pearl Street Mall



Continued wildfire resilience efforts

- Open space management
- Community grants

2024 Operating Budget by Goal Area



2023 vs. 2024 Operating Budget by Goal Area



Goal Area	2023 Adopted Budget	2024 Recommended Budget	% Change
Safe	\$79.3M	\$82.5M	4.0%
Responsibly Governed	\$68.8M	\$76.0M	10.4%
Environmentally Sustainable	\$49.5M	\$60.5M	22.2%
Livable	\$42.7M	\$45.8M	7.2%
Accessible & Connected	\$33.1M	\$35.6M	7.4%
Healthy & Socially Thriving*	\$31.2M	\$35.5M	13.8%
Economically Vital	\$11.0M	\$11.3M	3.6%

*Excludes Library from Healthy & Socially Thriving



Total Budget Overview

	2022 Actuals	2023 Budget (Adopted)	2024 Budget (Recommended)	% Change (23-24)
Total Budget	\$ 389.0M	\$ 515.4M	\$ 514.4M	-0.2%
Excluding Utilities	\$ 296.8M	\$ 381.5M	\$ 399.4M	4.7%
General Fund	\$ 169.1M	\$ 188.4M	\$ 196.2M	4.1%

General Fund Overview (With 0.15 Renewed; Dedicated 50%)



	2024 Recommended	2025 Projected	2026 Projected	2027 Projected	2028 Projected	2029 Projected
Beginning Fund Balance	\$41.1M	\$45.4M	\$43.9M	\$45.4M	\$45.3M	\$48.1M
Total Sources	\$200.5M	\$190.0M	\$197.4M	\$200.3M	\$207.6M	\$210.7M
Total Uses	\$196.2M	\$191.5M	\$195.9M	\$200.4M	\$204.9M	\$209.6M
Contribution/(Draw)	\$4.3M	(\$1.5M)	\$1.5M	(\$0.1M)	\$2.8M	\$1.1M
Fund Balance After Reserves	\$8.0M	\$5.1M	\$5.1M	\$3.4M	\$4.7M	\$4.4M

General Fund Ongoing Sources/Uses (With 0.15 Renewed; Dedicated 50%)



	2024 Recommended	2025 Projected	2026 Projected	2027 Projected	2028 Projected	2029 Projected
Total Ongoing Sources	\$179.1M	\$183.0M	\$190.3M	\$193.2M	\$200.4M	\$203.4M
Total Ongoing Uses	\$172.4M	\$184.6M	\$188.9M	\$193.4M	\$198.1M	\$202.8M
Surplus/(Deficit)	\$6.8M	(\$1.6M)	\$1.4M	(\$0.3M)	\$2.4M	\$0.6M

- Average of \$500,000 available room in 2025-2029 TOTAL to add ongoing expenses in the General Fund

General Fund Overview – With 0.15% S/U Tax Not Renewed



	2024 Recommended	2025 Projected	2026 Projected	2027 Projected	2028 Projected	2029 Projected
Beginning Fund Balance	\$41.1M	\$45.4M	\$38.7M	\$35.0M	\$29.5M	\$26.8M
Total Sources	\$200.5M	\$182.8M	\$190.1M	\$192.8M	\$200.0M	\$202.9M
Total Uses	\$196.2M	\$189.5M	\$193.8M	\$198.3M	\$202.7M	\$207.4M
Contribution/(Draw)	\$4.3M	(\$6.7M)	(\$3.8M)	(\$5.5M)	(\$2.7M)	(\$4.5M)
Fund Balance After Reserves	\$8.0M	(\$0.1M)	(\$5.4M)	(\$12.4M)	(\$16.7M)	(\$22.6M)

General Fund Overview – With 0.15% Renewed as is



	2024 Recommended	2025 Projected	2026 Projected	2027 Projected	2028 Projected	2029 Projected
Beginning Fund Balance	\$41.1M	\$45.4M	\$38.7M	\$35.0M	\$29.5M	\$26.8M
Total Sources	\$200.5M	\$190.0M	\$197.4M	\$200.3M	\$207.6M	\$210.7M
Total Uses	\$196.2M	\$189.5M	\$193.8M	\$198.3M	\$202.7M	\$207.4M
Contribution/(Draw)	\$4.3M	\$0.5M	\$3.6M	\$2.0M	\$5.0M	\$3.3M
Fund Balance After Reserves	\$8.0M	\$7.0M	\$9.0M	\$9.5M	\$13.0M	\$14.9M

General Fund Overview – Summary of Scenarios: Fund Balance After Reserves

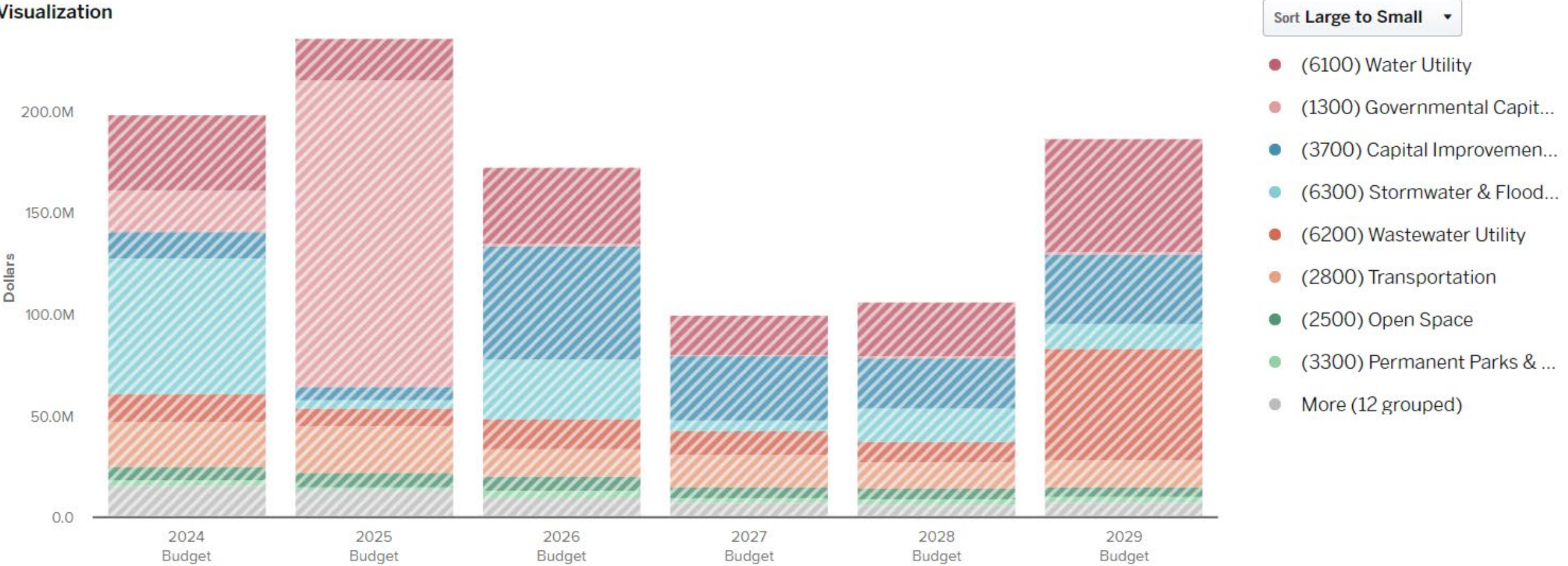


	2024 Recommended	2025 Projected	2026 Projected	2027 Projected	2028 Projected	2029 Projected
Renewed As Is	\$8.0M	\$7.0M	\$9.0M	\$9.5M	\$13.0M	\$14.9M
Renewed 50% Dedicated	\$8.0M	\$5.1M	\$5.1M	\$3.4M	\$4.7M	\$4.4M
Not Renewed	\$8.0M	(\$0.1M)	(\$5.4M)	(\$12.4M)	(\$16.7M)	(\$22.6M)

2024 – 2029 Recommended Capital Improvement Program

2024 – 2029 Capital Improvement Program

Visualization



\$141M in 2024 Capital Budget

\$903M planned spending across 2024-29 CIP

Majority supporting capital maintenance and enhancements of Utilities, Facilities & Fleet, and Transportation capital projects

Alpine-Balsam Project – Governmental Capital Fund



- Western City Campus Implementation
 - \$168.3 million across six-year CIP
 - \$18.3M in 2024
 - \$150.0M in 2025
 - Financing opportunities, cost estimates, and discussion on consolidation of city buildings
- Financing Recommendations:
 1. Cash finance the \$18.3M in 2024 (additional GF transfer to GovCap)
 2. Set aside additional \$2.5M in debt service (\$6.1M total)
 3. Ensure other projects do not interfere with sale of buildings
- Cash Sources for \$18.3M:
 - Existing \$5.625 million in GovCap (via 2023 ATB)
 - Additional \$8 million GF transfer to GovCap in 2024
 - Existing GovCap fund balance
 - In future years, must transfer additional one-time sources to replenish fund balance and drive total required borrowing down for A/B

CCRS 2023 – 2029 Capital Improvement Program

CCRS Project	2023 (Revised)	2024	2025	2026	2027	2028	2029
Fire Station #3	14,477,795						
CRM Software	450,000						
Enterprise Data Warehouse Platform - IT	500,000						
30th Street Multimodal Project - Transportation	1,300,000						
28th Street Multimodal Project - Transportation	526,000						
Mass Alert System Replacement	100,000						
Boulder Creek Improvements - Parks & Recreation	450,000						
Pavement Management Program Support	750,000						
Streetlight Acquisition	7,000,000						
Civic Area Phase II	500,000		2,000,000	10,000,000	5,500,000		
Pearl Street Mall Refresh			150,000	1,000,000			
Central Avenue Bridge Replacement	300,000	700,000	4,000,000	1,000,000			
Traffic Signal Upgrades	210,000	210,000	140,000	140,000	140,000	140,000	
EBCC Retrofit and Renovations & Other Rec Impvs	1,500,000	4,000,000		40,000,000			7,500,000
Fire Station #2		6,000,000	500,000	12,000,000			
Fire Station #4					6,500,000		12,000,000
10% Community Non-Profit Grants	2,650,626	1,382,218	1,425,300	1,462,121	1,498,296	1,535,455	1,573,066
Project Management Support	148,047		158,588	164,931	171,529	178,390	185,525
Public Art 1%	121,626	124,400	128,277	131,591	134,847	138,191	141,576
Debt Service					7,737,600	7,737,600	7,737,600
Total Uses of Funds	30,984,093	12,416,617	8,502,165	65,898,643	21,682,272	9,729,636	29,137,768



Budget Community Engagement

- **OpenGov Community Feedback**
 - Testing of community-wide survey tool to solicit broader community input
 - Wider use expected for 2025 Budget process
- **Community Connectors-in-Residence**
 - March – April – Central Budget engaged CC-in-Rs to receive feedback on 2023 investments, SER objective prioritization, and 2024 budget priorities
 - May – CC-in-Rs shared budget priorities with Department Directors to help inform budget development process
 - August 18 – Central Budget will meet with CC-in-Rs to provide summary of 2024 Budget process, proposed budget enhancements included in the City Manager’s Recommended Budget as aligned to the CC-in-R top SER objectives, and perform a final prioritization exercise of 2024 proposed investments
 - September 14th – CC-in-Rs to attend Council Study Session to present on 2024 budget community engagement and top priorities



Part 2 Preview

- Key Operating Budget Investments, Outcomes, Measurements
- Results of Engagement Window #2
- Overview of Specific CCRS Capital Projects
- Look Ahead to Year 3 of Budgeting for Resilience
- Implications Related to Long-Term Financial Strategy
- Reschedule September FSC Meeting – Options:
 - August 31, 1:00 – 2:15pm
 - September 6, 1:00 – 2:15pm
 - September 7, 1:00 – 2:15pm