

AGENDA ITEM SUMMARY

City Council



STAFF

Kelly DiMartino, City Manager
Travis Storin, Chief Financial Officer
Lawrence Pollack, Budget Director
John Duval, Deputy City Attorney
Ryan Malarky, Assistant City Attorney

SUBJECT

First Reading of Ordinance No. 145, 2023, Being the Annual Appropriation Ordinance Relating to the Annual Appropriations for the Fiscal Year 2024; Amending the Budget for the Fiscal Year Beginning January 1, 2024, and Ending December 31, 2024; and Fixing the Mill Levy for Property Taxes Payable Fiscal Year 2024.

EXECUTIVE SUMMARY

The purpose of this item is to amend the adopted 2024 Budget. This Ordinance sets the amount of \$802,507,950 to be appropriated for fiscal year 2024. This appropriated amount does not include what is also being appropriated by separate Council/Board of Director actions to adopt the 2024 budgets for the General Improvement District (GID) No. 1 of \$318,275, the 2024 budget for GID No. 15 (Skyview) of \$1,000, the Urban Renewal Authority (URA) 2024 budget of \$6,121,898 and the Downtown Development Authority 2024 budget of \$26,344,303. The sum of these ordinances results in City-related total appropriations of \$835,293,426 for 2024. This Ordinance also sets the 2024 City mill levy at 9.797 mills, unchanged since 1991.

STAFF RECOMMENDATION

Staff recommend adoption of the Ordinance on First Reading.

BACKGROUND / DISCUSSION

Council previously adopted the 2023-2024 Biennial Budget and appropriated monies for expenditure in fiscal year 2023. State statutes and the City Charter both require an annual appropriation to cover expenses for the ensuing year (2024) based upon the adopted budget. Per City Charter, Second Reading must occur before the last day of November and is currently scheduled for November 21, 2023.

The Net City Budget, as amended, is broken down as follows:

| TOTAL BUDGET (in Millions) | | | |
|--|------------------|------------------|-----------------|
| | Original | Revised | |
| | 2024 | 2024 | % Change |
| Operating | \$716.4 | \$718.1 | 0.2% |
| Debt | 45.8 | 52.0 | 13.5% |
| Capital* | 64.8 | 65.2 | 0.6% |
| Total City Appropriations** | \$827.0 | \$835.3 | 1.0% |
| Less | | | |
| Internal Service Funds | (\$98.3) | (\$99.4) | 1.1% |
| Transfers to Other Funds | (78.4) | (78.0) | -0.5% |
| GIDs | (0.3) | (0.3) | 1.2% |
| URAs | (6.1) | (6.1) | 0.0% |
| DDA | (24.3) | (26.3) | 8.6% |
| Total | (\$207.4) | (\$210.2) | 1.3% |
| Net City Budget | \$619.6 | \$625.1 | 0.9% |
| * Capital in this table includes all capital related items, which will be significantly greater than the sum of Capital Project offers | | | |
| ** This includes the GID #1, GID #15, URA and DDA all of which are appropriated in separate ordinances | | | |

This Ordinance also sets the 2024 City mill levy at 9.797 mills, unchanged since 1991.

Overview

The mid-cycle Budget Revision process is different from the biennial Budgeting for Outcomes (BFO) process in that:

1. There is no broad request for new and innovative Offers. This is because the City is operating within the approved 2023-24 Biennial Budget and these revisions should be exceptions based on information not known at the time the budget was adopted in November 2022.
2. Likewise, there is no review by BFO Teams or request for public engagement. However, the Executive Leadership Team and City Manager conducted a comprehensive review to determine which requests should be forwarded for Council's consideration. Revised revenue projections and available fund reserves were carefully considered when making these recommendations.

The 2024 Budget Revisions include offers for Council's consideration based on information that was not available at the time the 2023-24 Budget was adopted, as well as a few administrative adjustments explained below. The following are key objectives which the 2024 Budget Revision recommendations are intended to address:

- Matching appropriations for ongoing expenditures to current ongoing revenue estimates
- Council priorities
- High-priority projects and other needs not known at the time of the adoption of the 2023-24 Budget
- Fiduciary responsibilities and fund balance requirements

The recommended 2024 Budget Revisions meet these goals, as applicable. Recommended Revision Offers to the 2024 Budget must also meet one of the following criteria:

- The request is specifically directed by the City Manager or Council.
- The request is related to a previously approved offer where either revenue shortfalls or unforeseen expenses are significantly impacting the delivery of that program or service.

Revenue

Overall, most significant City revenue sources are coming in at, or above, the 2023 budget. Based on year-to-date actual collections and other information, both Sales Tax and Property Tax forecasts are recommended to be increased for 2024.

Sales tax collection through August is about \$930k over budget. It is estimated that the total 2023 collections will be about \$1.5M over budget, which raises the base of ongoing Sales Tax in 2024 by that same amount. Staff recommend keeping Sales Tax growth on that higher base at the 2.5% growth already included in the adopted 2023-24 Budget. This equates to about \$1.5M of new ongoing revenue for City operations in 2024. Of that amount, about \$1.1M would be available from the General Fund.

Property Tax assessments this year are seeing 25% to 35% growth, or more. This will be realized as increased Property Tax collections in 2024 over the budgeted increase of 13% already included in the 2023-24 Budget. This equates to about \$2.1M of new ongoing revenue for City operations in 2024.

However, there are risks to that new property tax revenue associated with State Proposition HH, which is to be voted on this fall. If Proposition HH passes, the County Assessor is estimating reduced growth to be realized at about 23%. This would equate to about \$1,450,000 of new ongoing revenue for City operations in 2024. This conservative lower amount has been modeled to ensure increased ongoing revenue is available to cover increased ongoing expenses approved by Council in the 2024 Budget Revisions process.

Twenty twenty-two (2022) Year-end reserve balances have been finalized and previously shared with the Council Finance Committee. Unassigned fund balances (i.e., reserves) are available in excess of the requested amounts for the 2024 Budget Revisions.

Summary of 2024 Revenue Changes and Available Reserves

| Description | General Fund - Ongoing | General Fund - 1-Time | Cultural Services | Light & Power | Water | Stormwater | Broadband | Equipment | TOTAL |
|--|------------------------|-----------------------|-------------------|------------------|----------------|------------------|------------------|----------------|-------------------|
| Summary of Revenue Changes & Reserves | | | | | | | | | |
| - Increased 2024 Sales Tax forecast for General Fund (ongoing) | \$1,110,390 | | | | | | | | \$1,110,390 |
| - Increased 2024 Property Tax forecast for General Fund | 1,450,000 | | | | | | | | \$1,450,000 |
| - Increased 2024 Carnegie Center revenue forecast (ongoing) | | | 25,000 | | | | | | \$25,000 |
| - Available Ongoing Revenue from the 2023-24 Budget | | | | 3,200,000 | 360,000 | 1,200,000 | 1,159,674 | 203,947 | \$6,123,621 |
| - Available Reserves (1-Time, if requested) | | 8,100,000 | | | | | | | \$8,100,000 |
| - Less: 2023 Reappropriation (1-Time) | | (602,754) | | | (52,500) | | | | (\$655,254) |
| - Less: 2023 Supplemental Approps (ongoing) | (582,000) | | | | | | | | (\$582,000) |
| - Less: 2023 Supplemental Approps (1-Time) | | (1,125,100) | | | | | | | (\$1,125,100) |
| Subtotal of Funding Changes | 1,978,390 | 6,372,146 | 25,000 | 3,200,000 | 307,500 | 1,200,000 | 1,159,674 | 203,947 | 14,446,657 |

The revenue and reserves above are available to fund the recommended additions to the 2024 Budget. The table below summarizes those proposed additions, and the attachment contains the details of those recommended offers. During the reconciliations for First Reading, it was determined that \$63k of funding that had been characterized as General Fund was actually expenses related to the Equipment Fund, so these three tables have been modified to display that update.

Summary of 2024 Recommended Additions

| Fund / Revision Requested | FTE | Ongoing \$ | One-Time \$ | Total |
|--|--------------|--------------------|------------------|--------------------|
| General Fund | | | | |
| Rental Housing Program with 4.0 FTE | 4.00 | 401,755 | 78,750 | 480,505 |
| 1.0 FTE Carnegie Center for Creativity Programming | 1.00 | 111,722 | | 111,722 |
| Municipal Court Services - 1.0 FTE Deputy Court Clerk II | 1.00 | 70,419 | 18,000 | 88,419 |
| Municipal Court Services - Technology | - | 189,201 | 146,410 | 335,611 |
| Additional Prosecution Staff | 1.00 | 155,150 | 19,472 | 174,622 |
| Waste Contracting Operating Budget plus 2 FTE | 2.00 | 300,896 | - | 300,896 |
| Bringing the operations of the TRC in-house plus 3 FTE | 3.00 | 232,900 | 311,476 | 544,376 |
| Encampment cleaning and prevention additional funds | - | 111,000 | - | 111,000 |
| Expansion of the Enterprise Service Management (ESM) System | - | 68,500 | 87,500 | 156,000 |
| Household Hazardous Waste | - | - | 114,240 | 114,240 |
| Total General Fund | 12.00 | \$1,641,543 | \$775,848 | \$2,417,391 |
| Cultural Services & Facilities | | | | |
| 1.0 FTE Carnegie Center for Creativity Programming | - | 25,000 | - | 25,000 |
| Total Cultural Services & Facilities Fund | 0.00 | \$25,000 | \$0 | \$25,000 |
| Light and Power Fund | | | | |
| Debt service for 2023 Bond Issuance | - | 2,954,708 | - | 2,954,708 |
| Total Light and Power Fund | 0.00 | 2,954,708 | 0 | 2,954,708 |
| Water Fund | | | | |
| Poudre Instream Flows Plan: Early Design and Cost Estimating | - | - | 60,000 | 60,000 |
| Total Water Fund | 0.00 | 0 | 60,000 | 60,000 |
| Stormwater Fund | | | | |
| Encampment cleaning and prevention additional funds | - | 64,000 | - | 64,000 |
| Household Hazardous Waste | - | - | 89,760 | 89,760 |
| Total Stormwater Fund | 0.00 | \$64,000 | \$89,760 | \$153,760 |
| Broadband Fund | | | | |
| Debt service for 2023 Bond Issuance | - | 1,159,674 | - | 1,159,674 |
| Total Broadband Fund | 0.00 | \$1,159,674 | \$0 | \$1,159,674 |
| Equipment Fund | | | | |
| Bringing the operations of the TRC in-house plus 3 FTE | - | 63,524 | - | 63,524 |
| Total Equipment Fund | 0.00 | \$63,524 | \$0 | \$63,524 |
| | | | | |
| TOTAL ALL FUNDS | 12.00 | 5,908,449 | 925,608 | 6,834,057 |

The table below summarizes the available funding (displayed at the bottom of the first table above). The 2024 Budget Revisions are then summarized into ongoing/one-time expenses and then subtracted from the available funding. In all cases, there is enough available funding to support the proposed 2024 Budget Revisions. Additionally, fund balances remain strong and well above minimum fund balance requirements.

Summary of Available Reserves and Revenue after Recommended Additions

| Description | General Fund - Ongoing | General Fund - 1-Time | Cultural Services | Light & Power | Water | Stormwater | Broadband | Equipment | TOTAL |
|--|------------------------|-----------------------|-------------------|--------------------|------------------|--------------------|--------------------|------------------|--------------------|
| Available Revenue and Reserves | 1,978,390 | 6,372,146 | 25,000 | 3,200,000 | 307,500 | 1,200,000 | 1,159,674 | 203,947 | 14,446,657 |
| 2024 Budget Revision Requests | | | | | | | | | |
| - Ongoing Requests | (1,641,543) | | (25,000) | (2,954,708) | | (64,000) | (1,159,674) | (63,524) | (5,908,449) |
| - One-Time Requests | | (775,848) | | | (60,000) | (89,760) | | | (925,608) |
| Total of 2024 Revisions | (1,641,543) | (775,848) | (25,000) | (2,954,708) | (60,000) | (153,760) | (1,159,674) | (63,524) | (6,834,057) |
| Net Impact (positive = available) | \$336,847 | \$5,596,298 | \$0 | \$245,292 | \$247,500 | \$1,046,240 | \$0 | \$140,423 | N/A |

The 2024 Budget Revisions allow the City to include a small number of additional budget requests in the 2024 Budget, which address Council priorities that benefit our community.

In addition to the recommended budget revisions, there are a few other recommended administrative changes for the 2024 Budget, as follows:

- Modification to 2023-24 Offers 14.4 and 17.1: After the budget was completed, an organizational staffing decision was made to move the Network Engineers from Broadband back to central Information Technology (IT). This removes the need for the transfer of money from IT to Broadband. Instead of being transferred, those funds will now be used to pay the personnel expenses within IT.
 - a. There is no change in expenses for IT.
 - b. The removal of the transfer of funds impacts Broadband by reducing the associated transfer revenue and the previously budgeted expenses by the same amount of \$835k with no net financial impact.
- Modification to 2023-24 Offer 15.6: Police District One is located on the first floor of the Civic Center Parking Structure. In April 2022, when the budget offer was submitted, the building was owned by Post Modern Development, with a rent of \$84k for 2024. In December of 2022, the Civic Center Parking Structure was purchased by the City. Now that the City owns the building, there is no longer any rent to be paid for this facility.
 - a. The removal of the transfer of funds impacts Operations Services by reducing the associated transfer revenue and the previously budgeted expenses by the same amount of \$84k with no net financial impact.
- Modification to 2023-24 Offer 1.42: This offer to update the Water Efficiency Plan was approved for \$100k in 2023 and \$150k in 2024. A Colorado Water Conservation Board (CWCB) grant for this effort was awarded and appropriated with Ordinance No. 034, 2023, thus the \$150K in 2024 no longer needs to be appropriated.
 - a. That budgeted amount of \$150k will remain in Water Fund reserves for future use, as approved by Council.

During the review at the September 26, 2023, Work Session, and unrelated to the City’s annual appropriation, a question was asked about what drove such a large use of reserves in the Airport’s 2023 operating budget. This was primarily driven by a Purchased Services change related to a Small Community Air Service Development Program Grant for \$750,000 that the Airport applied for and did not get. It showed

as a deficit pending the receipt of the grant. Since the Airport did not receive the grant, the \$750,000 budgeted in Operating Expenses was not spent so there was no deficit. No backfill is needed from the Cities.

CITY FINANCIAL IMPACTS

This Ordinance amends the City Budget for fiscal year 2024 and represents the annual appropriation for fiscal year 2024 in the amount of \$802,507,950, excluding the GID's, URA's and DDA. The Ordinance also sets the City mill levy at 9.797 mills, unchanged since 1991.

BOARD / COMMISSION / COMMITTEE RECOMMENDATION

The only material changes to the 2024 appropriations are the 2024 Revision Offers which do not go through the Budgeting for Outcomes (BFO) process. Rather, those items that met the specific criteria for the 2024 Revision process were thoroughly vetted by City staff, the executive management team, the Council Finance Committee during their meeting on September 7, and then Council during their work session conducted on September 26.

PUBLIC OUTREACH

The various methods of public outreach conducted as part of the 2023-24 Biennial Budget are not applicable to the 2024 Revision process. This process is only intended to revise the previously adopted budget to address items not known at the time it was adopted.

ATTACHMENTS

1. Ordinance for Consideration
2. Presentation