

Council Finance Committee

2025/2026 Budget Update

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Update is informational for City Council, no action currently requested

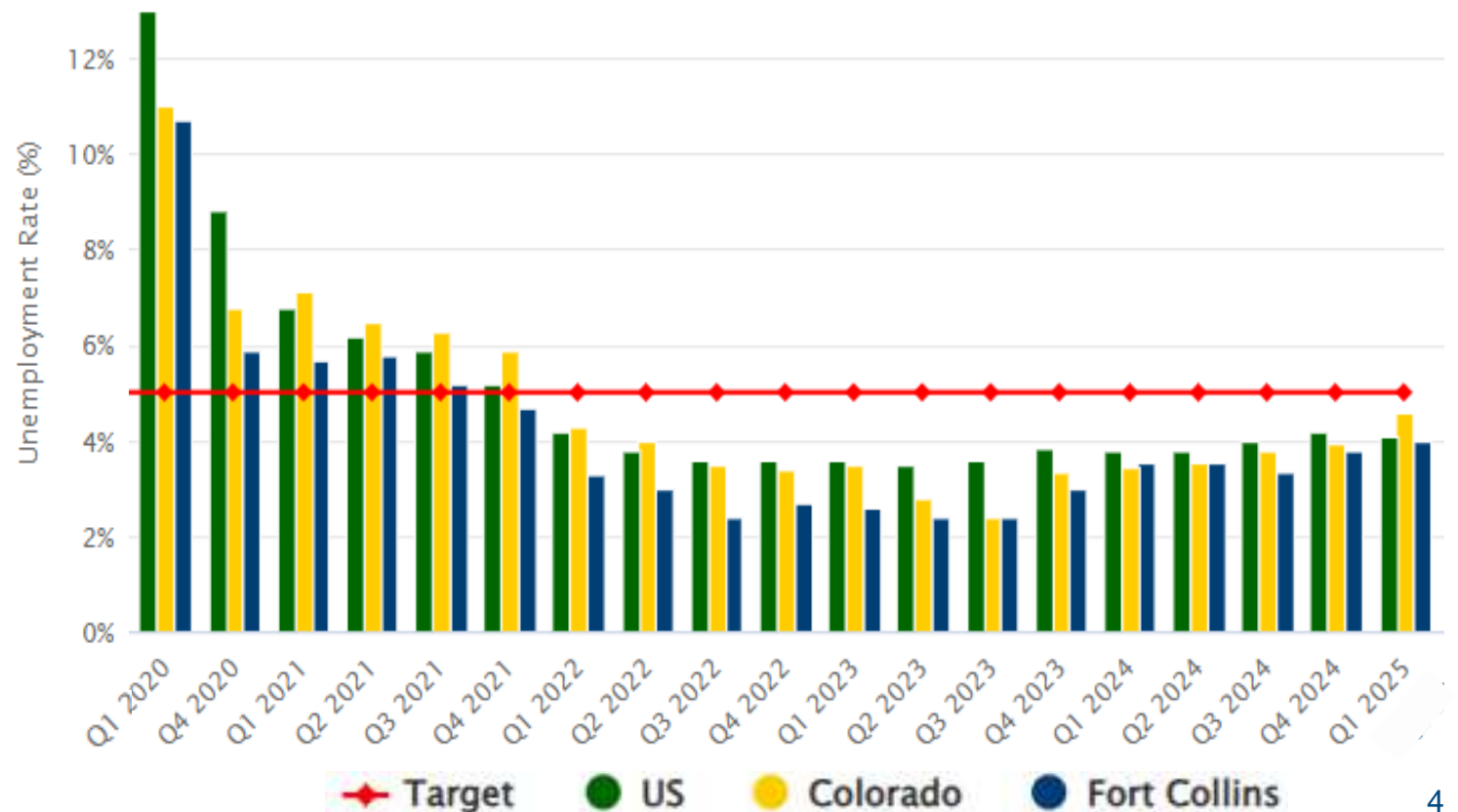
Agenda:

- Economic indicators
- Revenue update
- Expense update
- Actions taken and next steps

- University of Michigan Consumer Sentiment fell for 4th straight month with April down significantly from March by 8% and down 32% since January.
- Federal Reserve Meeting 5/6-5/7 - Interest rates are not changing. [Article](#)
- US GDP contracted: - 0.3% in Q1. [Article](#)
- Uncertainty in National Policy: Drivers are International Trade Tariffs & Federal Budget.

Colorado Economic Trends & Indicators

- University of Colorado Leeds Business School reports job openings are down and job postings per unemployed person are fewer. [Article](#)
- Coloradoans are saddled with high levels of consumer debt.
- Unemployment expected to tick upward slowly; Colorado Rate was 4.6% at the end of Quarter 1 of 2025, up from 4.0% at the end of Quarter 4 of 2024.



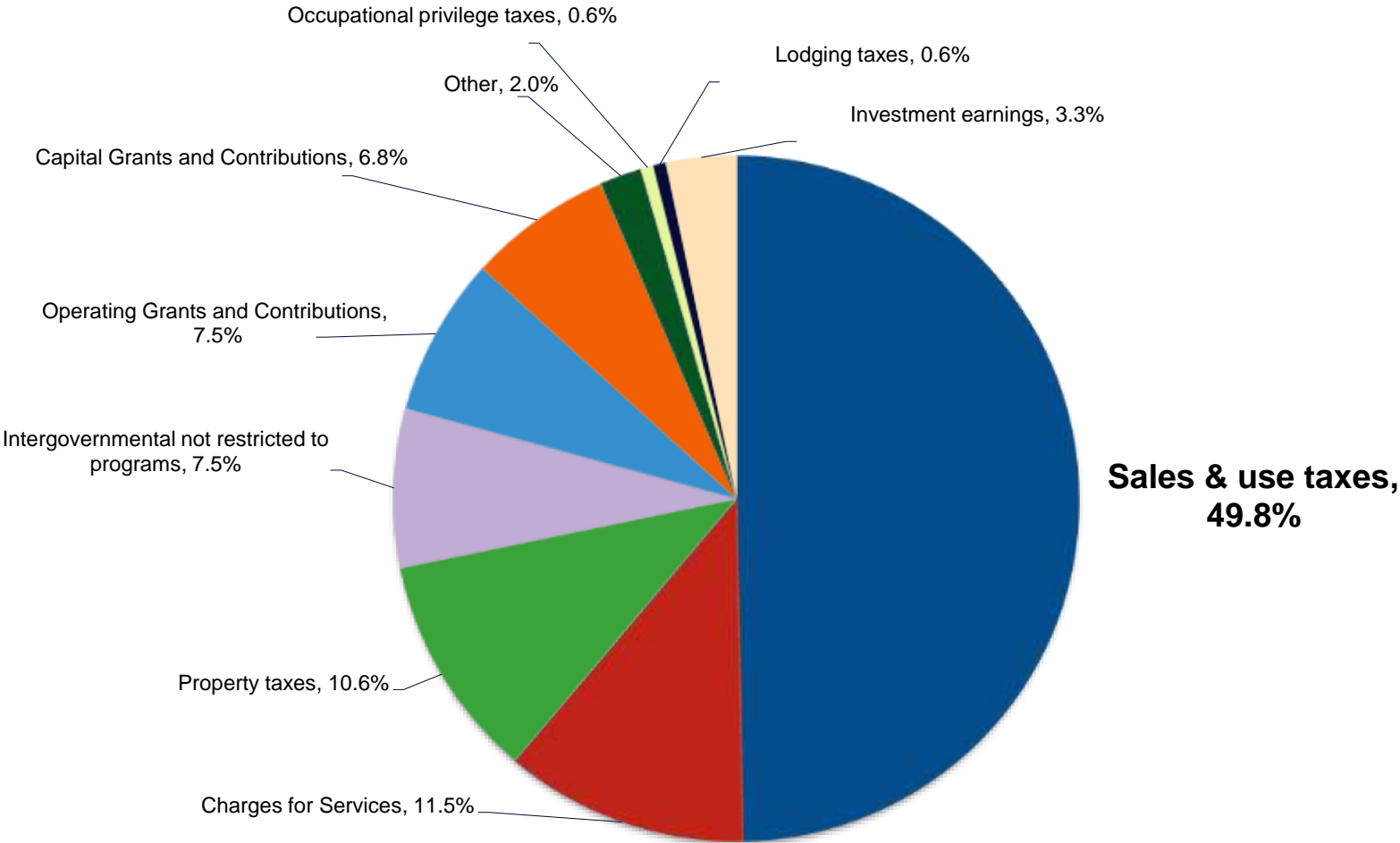
- Economic Conditions have changed since 2025-2026 Recommended Budget.
- Consumers are worried; they are spending less.
- Market conditions remain volatile; no Federal Reserve rate cut in May.
- Uncertainty around trade policy and tax cuts creates a pull back in spending.
- Unemployment is expected to increase in Colorado.
- High levels of debt for Colorado households; they must spend less.
- Economic indicators point to a relatively stagnant Q2 2025, likely similar or worse in performance to Q1. Possible improvement mid-to-late Q3, if there is clarity with trade policy.

- **Sales and Use Tax**
- **Speed Corridors**



Sales & Use Tax:
Approx. 50% of City
governmental revenue

2024 Revenue by Source - Governmental Activities
\$408.8 million



2024 Adjusted Actual to 2025 Budget

	2024 Actual Adj.	2025 Budget	% Δ	\$ Difference
Sales Tax	176,049,379	183,392,521	4.2%	7,343,142
Use Tax	25,560,807	25,000,000	-2.2%	(560,807)
Total	201,610,186	208,392,521	3.4%	6,782,335

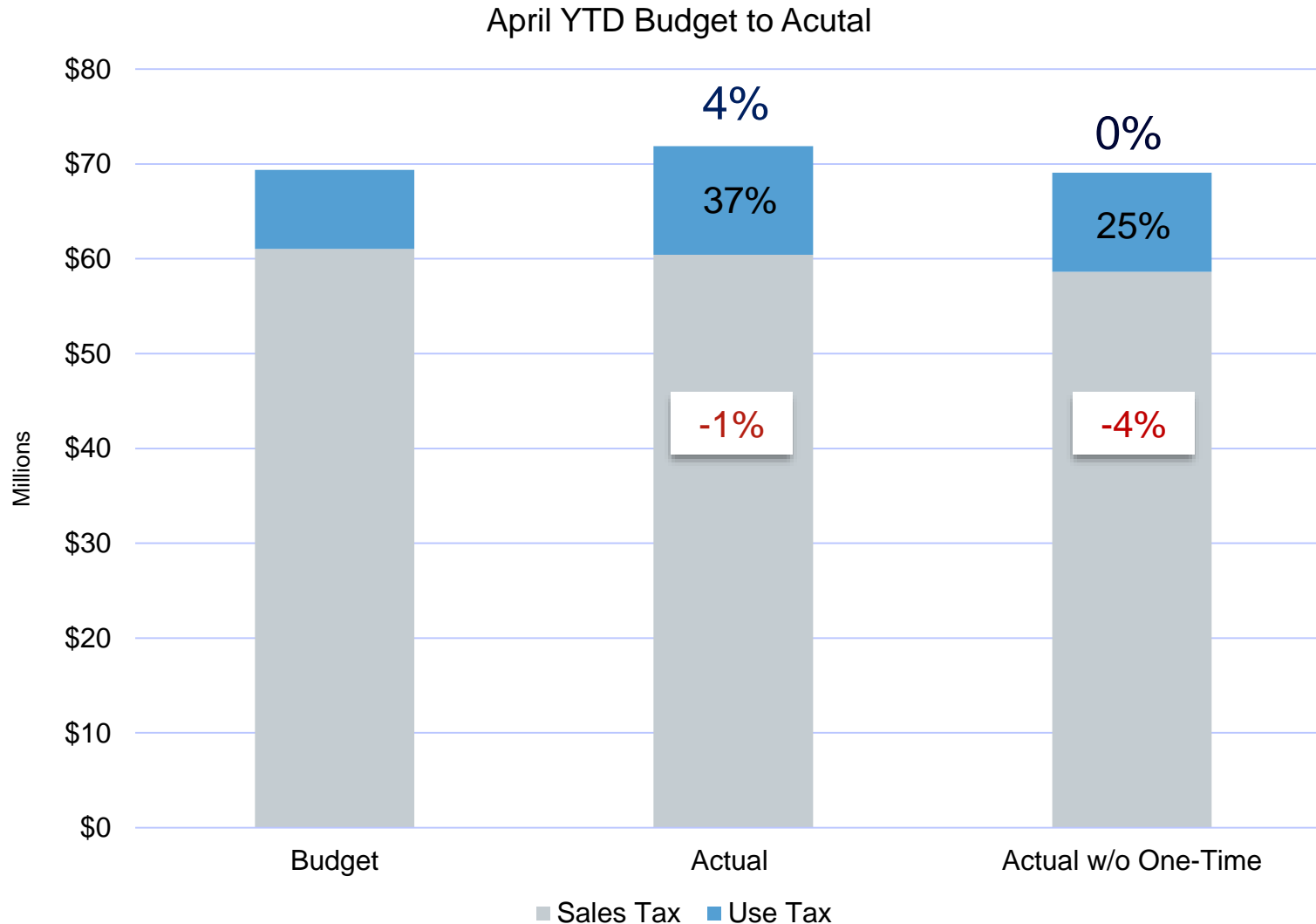
- 2024 actual adjusted to reflect 12 months of 2050 tax collections to allow apples to apples comparisons between 2024 and 2025.
- Original 2025 budget 3% growth.
- Based on 2024 sales tax shortfall, **4.2% growth is required to hit 2025 Budget.**
- Taxable sales up 2.4% in 2024.

Budget to Actual

Sales Tax	\$600k under budget (\$2.4M under without one-time revenue)
Use Tax	\$3.1M over budget (\$2.1M over budget one-time revenue)
Combined	\$2.5M over budget (\$300k under without one-time revenue)

- Strong start of the year for audits, voluntary disclosure agreements (VDAs) and building permit use tax.
 - Volatile revenue streams
- Taxable sales are up 0.5%. However, if we **net for audits/VDAs, taxable sales are down 1.2%**. Growth of 4.2% needed to hit 2025 budget.
- Softening across majority of sales tax categories except for online retailers.



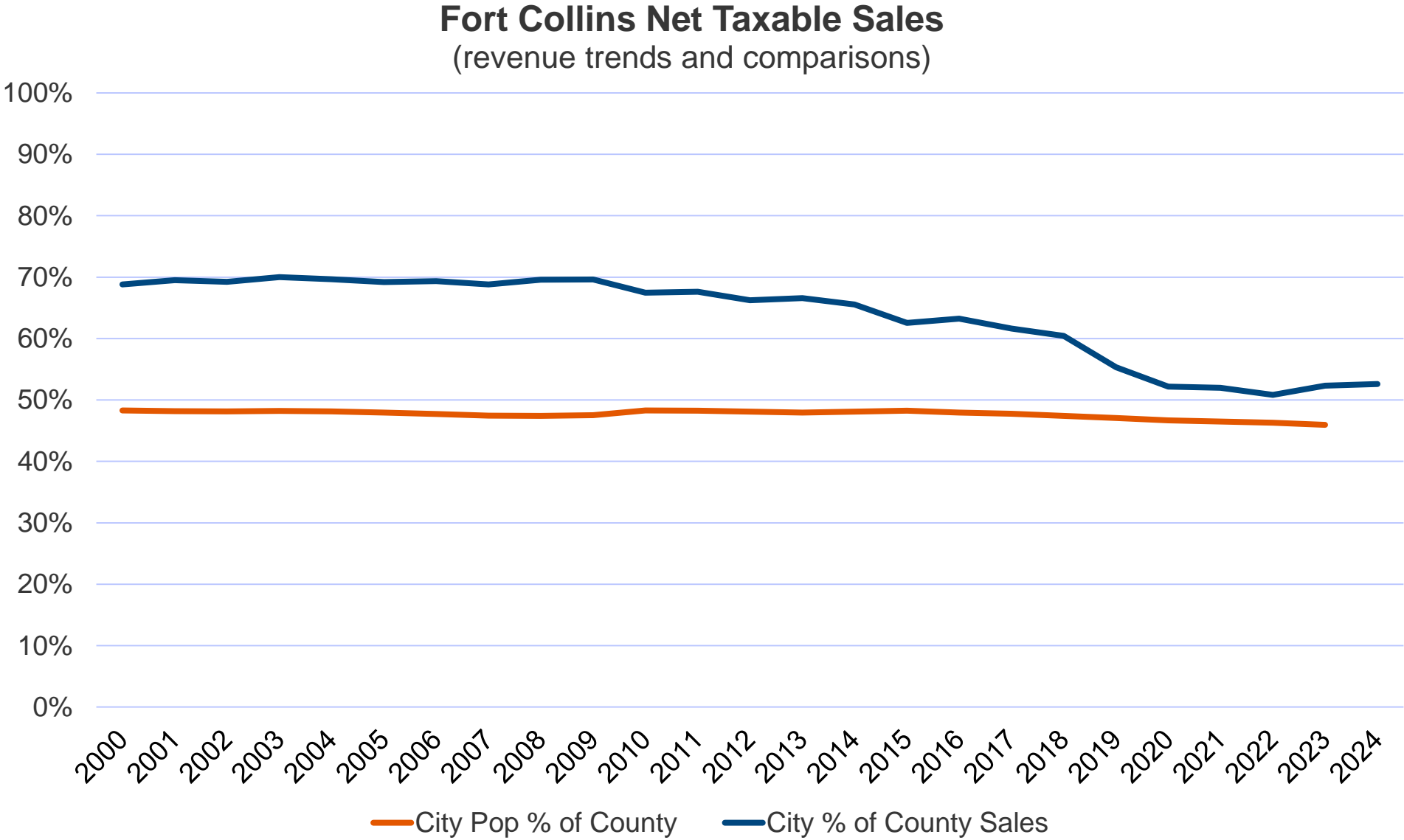


Sales Tax

- YTD April sales tax budget is down 1%.
- Excluding one-time revenue, the sales tax budget would be down 4%.

Use Tax

- YTD April use tax budget is up 37%.
- Excluding one-time revenue, the use tax budget would be up 25%.



Trends & Projections: Front Range Cities Sales Tax Growth

City	2025 Budget	2025 YTD***
Commerce City	6.2%**	8.4%
Westminster	5.4%	4.8%
Aurora	4.5%	4.7%
Boulder	0.0%**	2.0%
Thornton	2.5%	0.6%
Fort Collins	4.2%*	0.5%
Lakewood	3.4%	-0.3%
Centennial		-1.2%
Greeley	5.5%	-2.0%
Englewood	0.0%	-2.3%
Longmont		-2.4%
Loveland	3.5%	-5.0%
Windsor	5.0%	-6.1%

- Most Front Range cities are realizing budget shortfalls.
- Some cities like Commerce City, Westminster and Aurora are seeing growth.

* Fort Collins budgeted growth was 3.0%. Due to 2024 sales tax shortfall, 4.2% growth is needed to hit budget

** 2025 budget figure is for both sales and use tax

*** 2025 YTD April or most recent data available

2025 and 2026 Forecasts

2025 Budget & Forecast

	2025 Budget	2025 Forecast	% Δ	\$ Difference
Sales Tax	183,392,521	179,570,367	-2%	(3,822,154)
Use Tax	25,000,000	25,000,000	0%	0
Total	208,392,521	204,570,367	-2%	(3,822,154)

2026 Budget & Forecast

	2026 Budget	2026 Forecast	% Δ	\$ Difference
Sales Tax	188,894,296	183,161,774	-3%	(5,732,522)
Use Tax	25,000,000	25,000,000	0%	0
Total	213,894,296	208,161,774	-3%	(5,732,522)

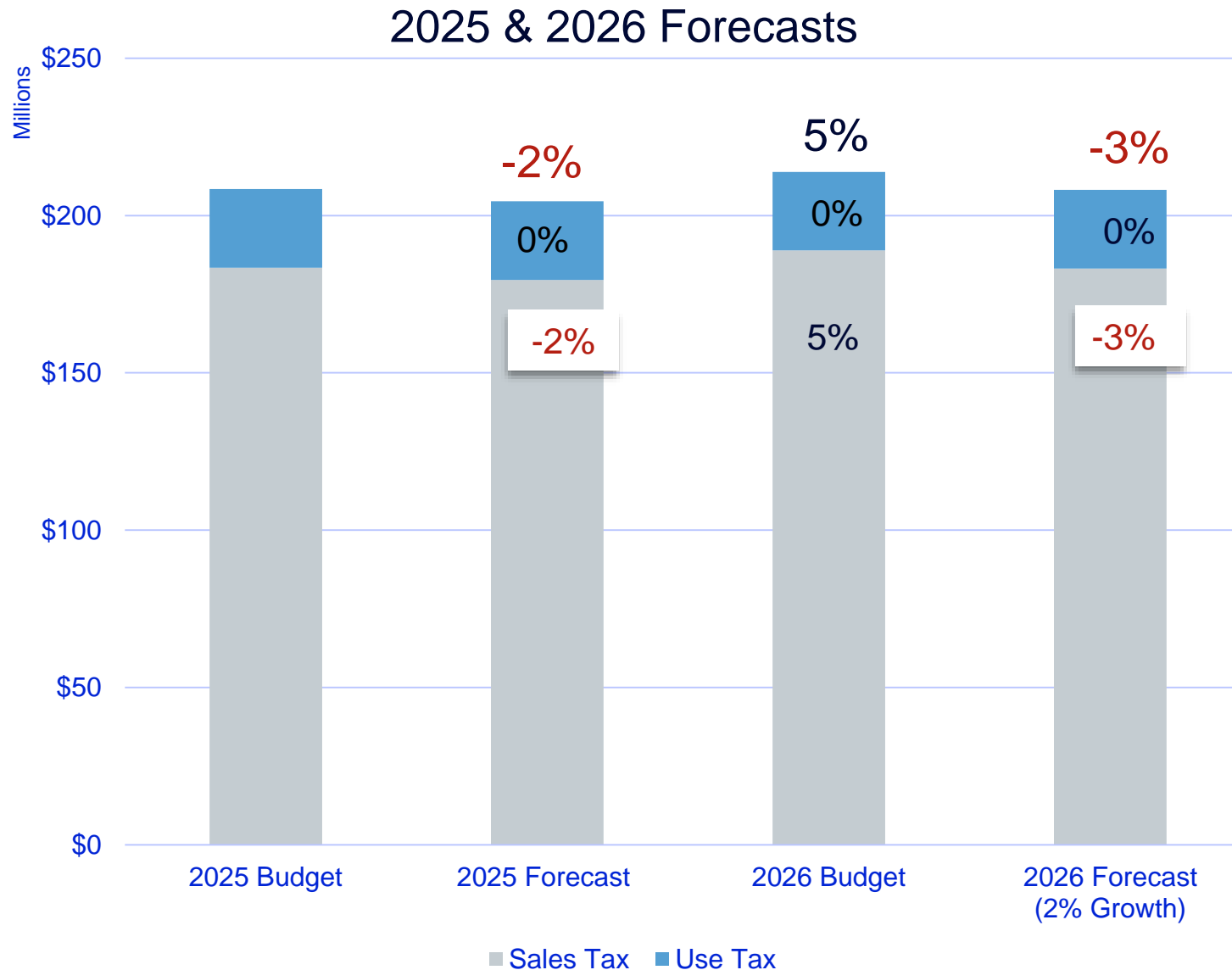
2025:

- To hit the 2025 budget 4.2% sales tax growth is needed.
- 2% growth forecast, anticipated 2% shortfall of \$3.8M.
- 2025 Forecast driven by significant YTD one-time revenue in 2025.

2026:

- 2% growth forecast, anticipated 3% shortfall of \$5.7M.
- Anticipating a reduction budget in the 2026 Budget Revision process.

2025 and 2026 Forecasts



- 2025 Forecast of -2% would be a \$3.8M shortfall compared with the 2025 Budget.
- 2026 Forecast of -3% would be a \$5.7M shortfall compared with the 2026 Budget.
- If economic conditions deteriorate, 2026 impact will be larger.

Speed Corridors

- Transportable units to support Vision Zero goals have been delayed in deployment – Total budget of \$2 million.
- Red light speed citations down 50% from December 2024 levels (1st full deployment month). Budget modeled a 70% reduction.
- \$1.0 to \$1.5 million revenue shortfall expected.
- Some offsetting expenditure savings.



Budget to Actual

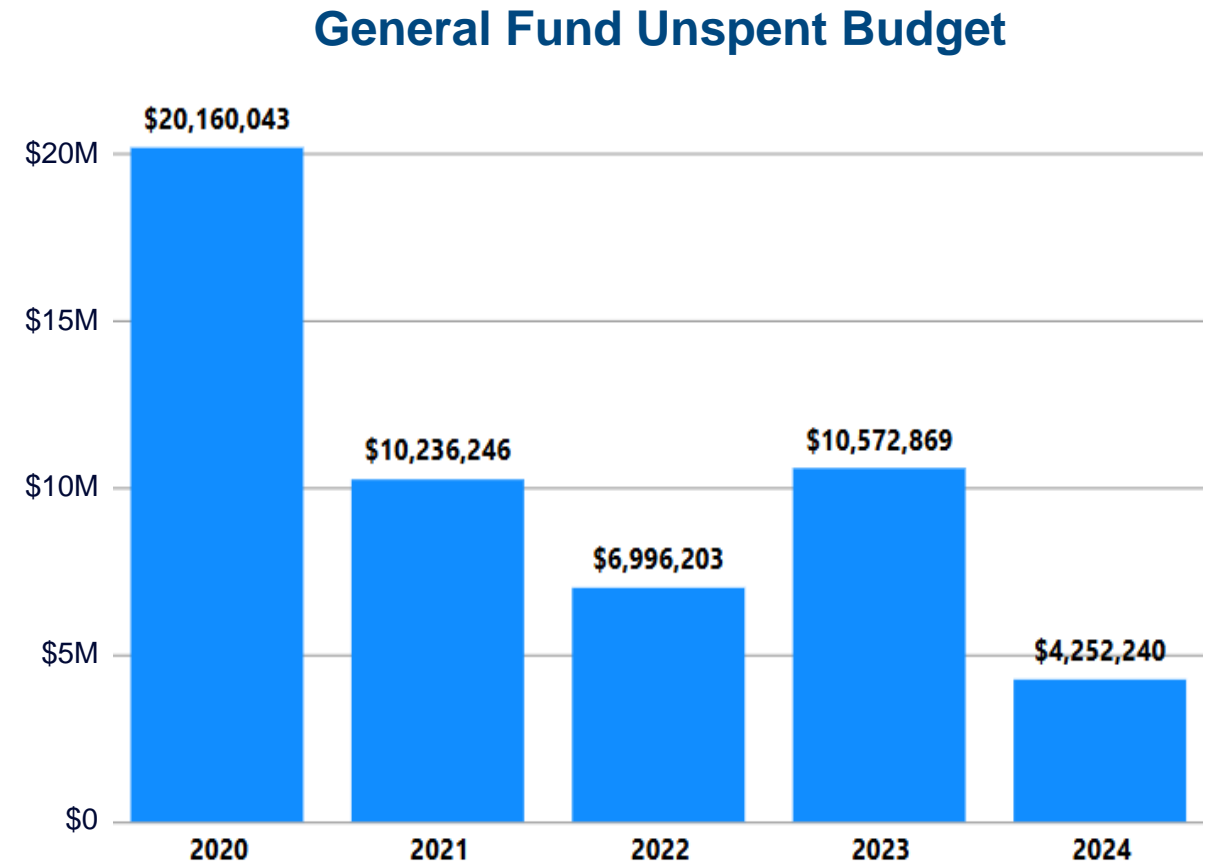
Revenue	Light & Power + 1.9% over budget Water + 3.7% Wastewater + 3.1% Stormwater + 3.4%
Expense	Light & Power – 4.2% under budget Water – 1.0% Wastewater – 4.4% Stormwater – 1.9%

- Utility enterprise funds experiencing strong Q1 results for development fees.
- Slightly exceeding revenue forecasts for ongoing operating revenues.
- Personnel expenses 2.0% below budget YTD.



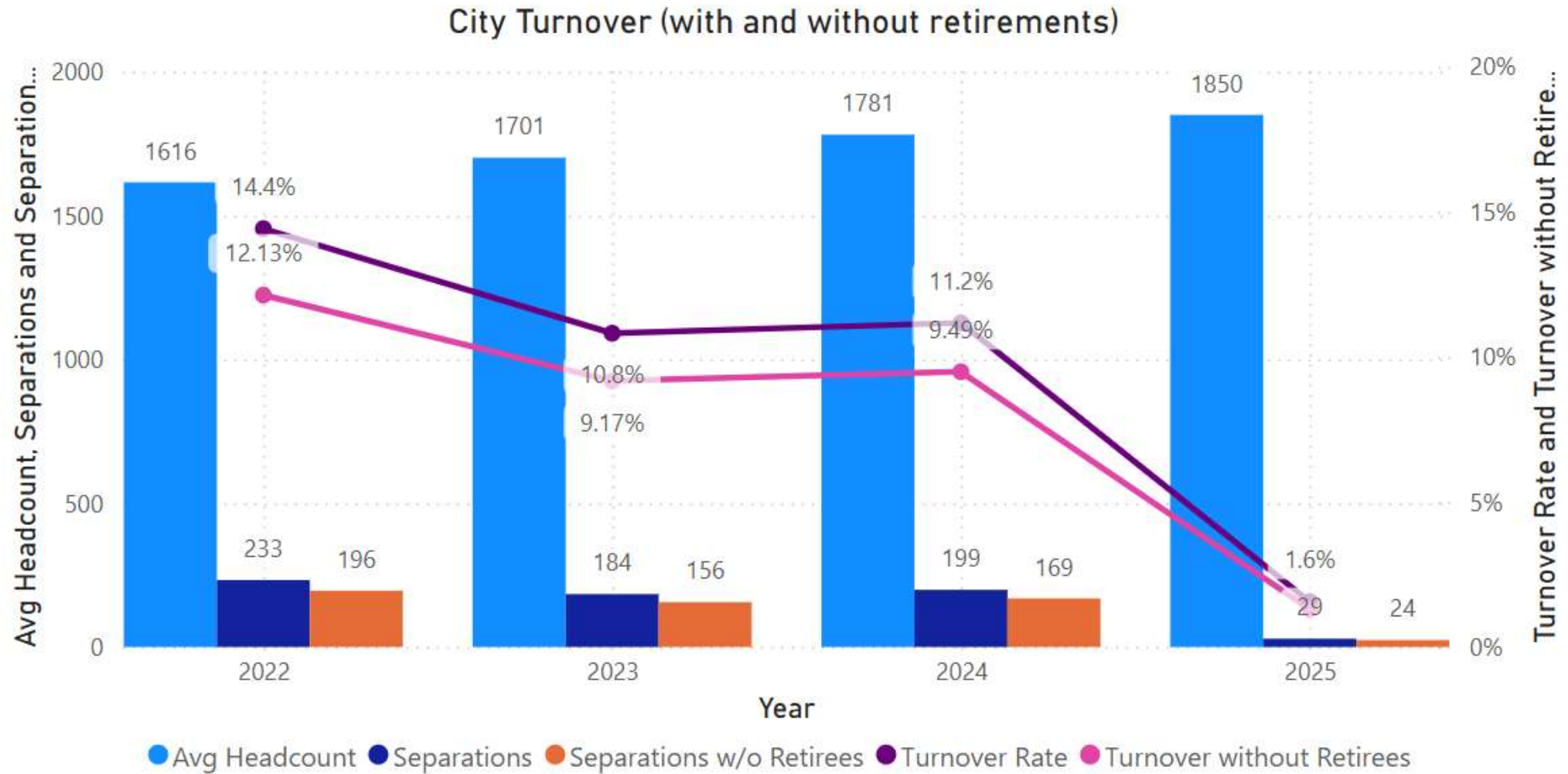
Expense Areas of Focus – Unspent Budget Authorizations

- Since COVID, departments continue to utilize a greater percentage of their budgets each year.
- Increased budgeting accuracy is good; however, it reduces unspent budget each year and the amount that falls to fund balance (i.e., reserves).
- Greater financial monitoring is necessary to ensure spend does not surpass the budgeted amounts by fund authorized by Council.



- **Personnel Costs are a significant portion of the City's budget and, thus, total compensation costs are budgeted at less than 100%.**
 - Maximizes budget availability for programs and service delivery
- **Lower than expected turnover puts additional pressure on Personnel Costs.**
 - More effective recruiting
 - Economic uncertainty may also be contributing to lower attrition
 - Employee retention strategies may also be contributing to reduced turnover
- **Overtime and Hourly expenses are also being monitored and managed.**

Expense Areas of Focus



*Data through Q1 2025

Actions to date

- **Hiring ‘pause’ to help address budgeted Personnel Costs.**
- **Expense reduction proposals discussed in quarterly service area reviews.**
 - Decisions starting in June as to where to reduce, as necessary for 2025
 - 2025 reduction examples: training, supplies, holding open vacancies
- **Reimplementing rolling forecasts for real time inputs for year-end projections for both revenue and expenses.**
- **Communication and transparency.**

Next Steps

- **2026 Budget Revision process.**
 - Reductions expected based on the current financial picture

2026 Budget Revision Process - Timeline



Date	Process
Sept. 4	Council Finance Committee meeting
Sept. 23	Council Work Session #1
Oct. 14	Council Work Session #2
Nov. 3	1st Reading of the 2026 Annual Appropriation
Nov. 18	2nd Reading