



Development of the 2025-2026 Budget

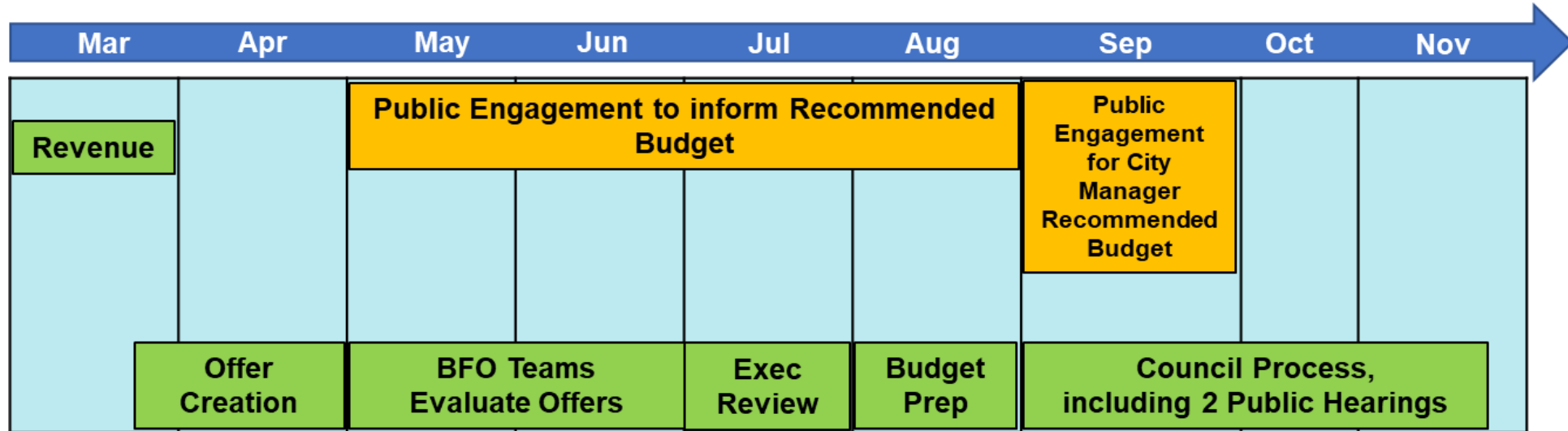
City Council Work Session

June 25, 2024



- **Process and Timeline**
- **2025-26 Budget Assumptions**
- **Expense Trends and Availability of Funds**
- **Emerging Themes**
- **Public Engagement**

2025-26 Budget Process and Timeline



- Improvements to the 2024 Adopted Strategic Plan by decreasing the volume of objectives may impact the Outcome to which Enhancement Offers are submitted
- Offers addressing similar issues, like safety, should now be reviewed holistically for ranking and prioritization by the same BFO Team
- It is anticipated the majority of Ongoing Offers will now link to the new operational objectives, rather than the reduced # of strategic objectives in the plan

- **BFO Teams wrapping of their work this week**
- **Team chairpersons and financial leads will deliver recommendations to the executive team**
- **Executive team deliberates through the month of July**
- **Propose Council 2x2's to orient to budget status in Aug/Sept**

Timeline of City Council Meetings

Aug 30 City Manager's Recommended Budget published

Sep 10 Work Session #1

Sep 17 Council Meeting – Public Hearing #1

Sep 24 Work Session #2

Oct 1 Council Meeting – Public Hearing #2

Oct 8 Work Session #3

Nov 4 Council Meeting – First Reading (Monday)

Nov 19 Council Meeting – Second Reading

Revenue and Expense Assumptions

Sales Tax

- Retail growth is expected to settle into pre-pandemic trends
- Softening growth in 2nd half of 2023 anticipated into 2024, then return to historic trends in 2025 and 2026

2024 Budget	2024 Forecast	2025	2026
3.9% Budget to reach 2.5% effective	2.9% Growth (excluding 2050 Tax)	Forecast 3.0% Growth	Forecast 3.0% Growth

Use Tax

- Use tax on building permits on par with previous years
- Shifts: increase in car tax, but a decline in return tax

'24 Budget (without 2050 Tax)	'24 Forecast (without 2050 Tax)	2025	2026
\$20M	\$23M	\$25M	\$25M

Property Tax

- Recommendation based on preliminary 2024 valuations and discussions with the Larimer County Assessor's Office
- Poudre Fire Authority receives 67% of the city's portion of property tax via current Inter-Governmental Agreement

2024 Budget	2025	2026
33.6M	1%	2%

Proposed Utility Rate Increases for 2025-26

Utility Rate	2024	2025	2026
Water	4.0%	7.0%	9.0%
Wastewater	4.0%	6.0%	8.0%
Stormwater	3.0%	6.0%	6.0%
Electric	5.0%	6.5%	6.0%

- **Rate increases reviewed at Council Finance Committee (CFC) in Dec 2023, Feb 2024, and April 2024**
- **In general, the increases are necessary to support asset renewal and replacement across all 4 funds**
- **The electric rate increases also include estimated wholesale purchase power increases from Platte River Power Authority (PRPA). The previous estimate conveyed to CFC of 5% has increased to 6.3%; with City distribution costs the 2025 and 2026 rate changes are 6.5% and 6.0%, respectively**

- Recent inflationary pressures have minimized opportunities for new expenses in 2025-26
- Federal Reserve rate increases have lessened; anticipating minimal changes in 2024
- Proposed 2.5% inflation for non-personnel service expenses
- Personnel expenses proposed higher than 2.5% to maintain market competitiveness
- Ongoing funding for ARPA programs ends in 2024; many of which sunset in 2025
- Increased focus on leveraging grants, as applicable, to offset rising prices

2025-26 Budget Assumptions

Non-Personnel Inflation

2.5%

Personnel Inflation

2.5% - 3.5%

Salaries & Wages

- Current BFO Compensation Assumptions: 3.5% in 2025 and 3.5% in 2026
- Talent market data continues to be released and indicates a need to reconsider initial assumptions; current data reveals anticipated wage increases of 4% and higher for 2025.
- Off cycle personnel moves budgeted at \$1M in 2025, \$2M in 2026 (inclusive of '25 base building).

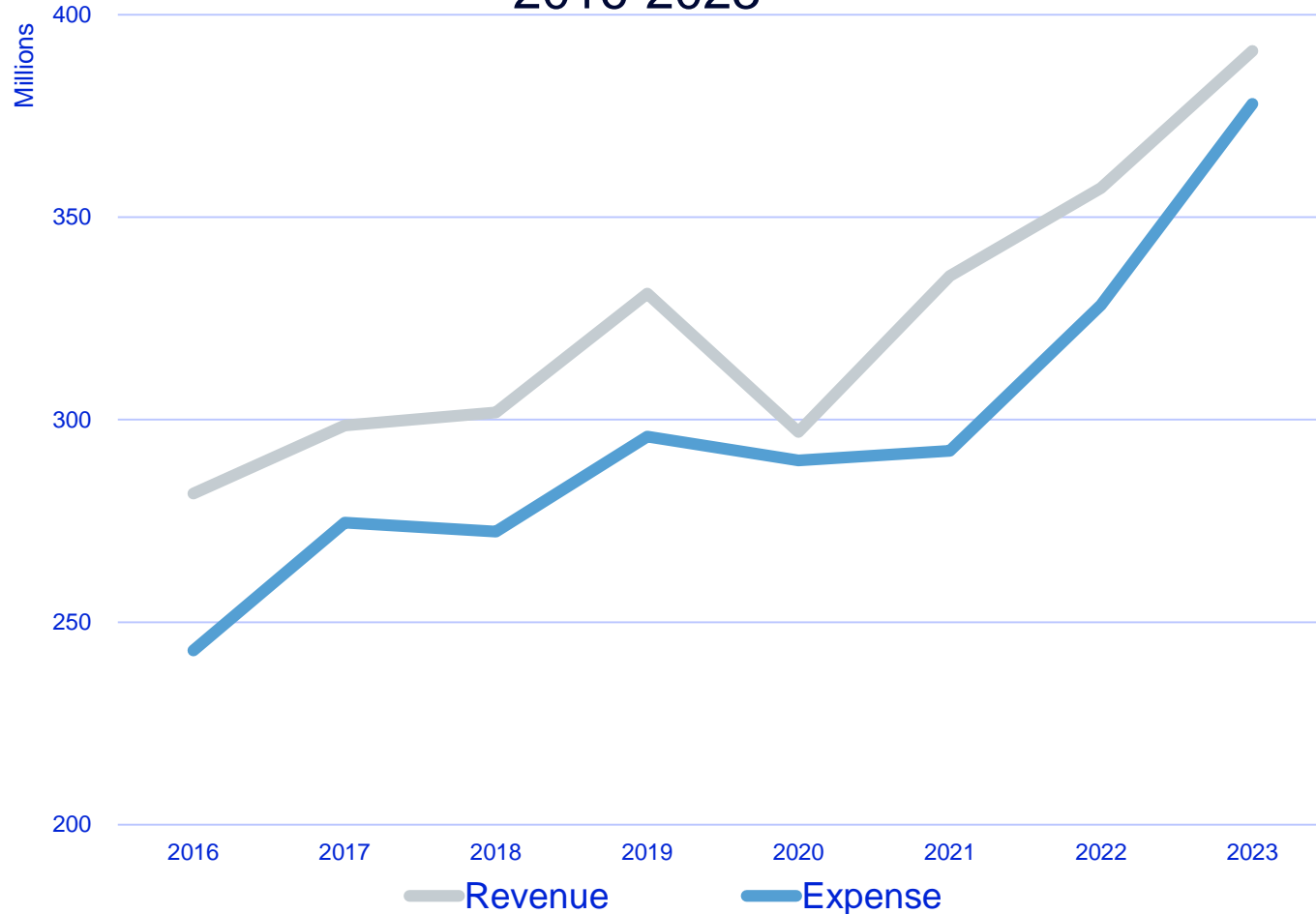
Benefits

- Medical Per Employee Per Month (PEPM) Increase:

	<u>2025</u>	<u>2026</u>
City-Employer	7.0%	7.0%
City-Employee	5.5%	5.5%
- Medical costs up 7 - 7.5% / Rx 11% / Combined 8 – 8.5%
- Dental costs: 2% Increase for both employer and employee in 2025 / 3.5% in 2026

Expense Trends, Availability of Funds and Emerging Themes

Governmental Revenue vs. Expense 2016-2023



Data from year-end Financial Monthly Report (FMR) 2016-2023

Revenue	Expense
4.8%	6.5%

Compounded Annual Growth Rates (CAGR) 2016-2023

Electrical Distribution Transformers

- Typical cost per unit prior to post-pandemic inflation = **\$3,300**
- Current cost per unit or quantity = **\$16,650**
- Typical lead times were **32** weeks and currently at **113** weeks



High Performance Storm Pipes

- 18-Inch diameter HP Storm Pipe cost **\$14** per linear foot in 2019
- 18-Inch diameter pipe cost is currently **\$26** per linear foot in 2024
- Currently, the pipe availability has improved compared to the peak of the pandemic impacts

HVAC On-call Services

- Typical cost prior to post-pandemic inflation = **\$80 per hour**
- Current cost being quoted = **\$145 per hour**

Vehicles – Ford F550 CNG Crew Truck – Light and Power

- \$140k per vehicle in 2020 with 6-9 month lead time
- \$177k per vehicle in 2024 with 12-18 month lead time

Vehicles – Hybrid Patrol Unit

- \$52k per vehicle in 2019 with 9-12 month lead time
- \$68k per vehicle in 2025 (estimated) with 18-24 month lead time

Vehicles – Forestry CNG Bucket/Aerial Truck

- \$147k per vehicle in 2020 with 12 month lead time
- \$317k per vehicle in 2024 with 3.5 to 4.5 year lead time



- **Expense inflation outpacing revenue growth impacting fund availability across the City**
- **The ‘backstop’ for governmental funds is the General Fund; most governmental funds are balanced by contributions from the General Fund**
- **There are only a few areas of availability for ‘net new’ expenses, like the 2050 Tax, Community Capital Improvement Program (CCIP) and Natural Areas**
 - Continuation of programs previously funded by ARPA will be a big challenge, as was discussed in the 2023-24 Budget conversations
- **Increasing costs within budgeted expenses negatively impacts growth in fund balances**
- **Some specific reserves, like the Harmony Road reserve and the Street Maintenance Program reserve, are proposed to be used in full in the budget**
- **General Fund reserve availability is at a multi-budget cycle low of about only \$1.0M per year**

- **Criteria and approach for Parks and Rec**
 - Parks: Balance asset condition with equity and other criteria to address deferred maint.
 - Recreation: Complete asset assessment and start implementation of deferred maint.
 - Strategically grow reserves to fund SE Community Center, along with City partners
- **2024 Appropriation**
 - 3 Offers for \$5.3M with \$4.7M going to reserves
 - Ongoing expenses for staffing
 - Remainder dedicated to shovel ready infrastructure projects & design
- **2025-26 Submitted Offers**
 - 1 Ongoing Offer of \$0.5M & 2 Enhancements from Parks & Rec for \$6M in both years
 - Funding those offers would leave ~\$4.5M going to reserves in both 2025 & 2026
 - Additional Operations Services ask for Investment at EPIC pending Recreation CIP prioritization

- **Criteria and approach for Transit**
 - Grow workforce to increase service and ridership levels
 - Improve safety & security throughout system
 - Leverage grant funding to further priority projects
- **2024 Appropriation**
 - 3 Offers for \$1.15M with \$3.85M going to reserves
 - Ongoing expenses for enforcement/support staff and competitive pay
 - Future reserves needed for grant opportunities for system buildout
- **2025-26 Submitted Offers**
 - 1 Ongoing Offer for \$1.15M, 1 Enhancement Offer for \$500k & 3 One-time Enhancements for \$944k (2025)
 - Funding the Ongoing & Enhancement Offers leaves \$3.85M to go into reserves
 - Funding The Enhancement Offers leave a balance of \$2.9M in 2024 reserves

- **Criteria and approach for Our Climate Future**
 - Evaluation for ballot language eligibility (GHG and air pollutant mitigation) + OCF commitments to equity and resilience
- **2024 Appropriation**
 - 16 Offers for \$3.8M with \$1.2M going to reserves
 - Prioritized shovel ready projects with high likelihood of completion in 2024
- **2025-26 Submitted Offers**
 - 12 Offers for \$5.4M (2025) and \$3.6M (2026) optimized with OCF outcomes
 - Refining recommendation with BFO team expertise
 - Includes FTEs for OCF administration and program support
 - Anticipated use of BFO revision process in 2025 for 2026 work

- **Minimal discretionary money anticipated to be available for 2025-26**
 - Guidance provided to staff to be intentional on highest and best use of resources for priority areas
 - Continued focus on serving the community by being efficient and effective within current levels of service
 - Use data to evaluate performance and improve the customer experience
 - Leverage partnership and collaboration opportunities, both inside of the City and with other organizations
- **Utilize dedicated revenue sources to advance strategic objectives**
- **Use of reserves to continue taking care of asset management backlog and technology needs**

Public Engagement

Phase	Goals	Tactics
1 (Apr - May)	<ul style="list-style-type: none"> • Build awareness of budget & engagement opportunities • Identify historically underserved audiences for targeted Involvement 	<ul style="list-style-type: none"> • Community Survey (over 1,070 responses) • OurCity page / content • Engagement Toolkit
2 (Jun – Aug)	<ul style="list-style-type: none"> • Drive OurCity engagement/feedback • Engagement summary to BLT 	<ul style="list-style-type: none"> • Social Media • OurCity • Press Release
3 (Sep – Nov)	<ul style="list-style-type: none"> • Continue resident input sessions • Share Recommended Budget and solicit feedback 	<ul style="list-style-type: none"> • OurCity tools • Work Sessions & Public Hearings • Email/letter collection

- **City's Budget site: www.fcgov.com/budget**



- **City's Public Engagement site: <https://ourcity.fcgov.com/>**



Budget Resources Intended to be available on fcgov.com



Fcgov.com/budget - Site broken into 3 sections



1) BFO timeline and dates



The City of Fort Collins is returning to a two-year cycle as of the 2023-24 Budget. The process begins with Council adoption of the 2022 Strategic Plan which has been used to create the Offers for the programs and services that are provided to our Community.

Budget process dates

- May - Sep Public Engagement to inform Recommended Budget
- Sep 2 City Manager's Recommended Budget published
- Sep 13 Council Work Session #1
- Sep 20 Council Meeting – Public Hearing #1
- Sep 27 Council Work Session #2
- Oct 4 Council Meeting – Public Hearing #2
- Oct 11 Council Work Session #3
- Nov 1 Council Meeting – First Reading of the Budget Ordinance
- Nov 15 Council Meeting – Second Reading of the Budget Ordinance

2) Link to the OurCity Budget Public Engagement site

Go to OurCity to learn more and share feedback on the 2023-24 City Manager's Recommended Budget
Do you want to provide input and feedback on the programs and services that the City of Fort Collins provides?

See below for the published documents.

[Go to OurCity](#)

2023-24 Budget Requests Information

Below is a link to the list of the 2023-24 budget requests (offers) being considered for the City Manager's Recommended Budget.

- [2023-24 Budget Requests list](#)

The file is sorted by Outcome and can be filtered in many ways. When you find an offer of interest, you can read the offer narrative by clicking on the Outcome link on the left side. Doing so will open a PDF file with all the offers being considered in that Outcome. The offers are listed in numeric order and you can also search for the specific offer # you wanted to learn about. Please note that within each narrative there are links to view performance measures, as well as summary financials.

2023-24 Offer Narratives:

- [Neighborhood Livability & Social Health](#)
- [Culture & Recreation](#)
- [Economic Health](#)
- [Environmental Health](#)
- [Safe Community](#)
- [Transportation & Mobility](#)
- [High Performing Government](#)

2022 Strategic Plan:

- [DRAFT copy of the 2022 Strategic Plan as read by Council](#) (the published version will be posted in the coming weeks)

Measures used in Offers:

- [Measures used in Offers with links](#)

Capital Projects Map: Coming in June

3) Resources to review and analyze budget requests

3) Resources to review and analyze budget requests:

Neighborhood and Community Vitality

Excel file listing all Offers

- Can be filtered in many ways, including by department
- Contains links directly to the Offer Narrative by Outcome reports

Offer Narrative Reports by Outcome

- Budget requests sorted numerically (searchable)
- Includes specific alignment with adopted strategic plan
- Links to view published metrics / performance data and analysis
- Summary financials follow each narrative

Adopted 2024 Strategic Plan

Excel file with all performance metrics (measures) included in offers

- Searchable by Offer #, Offer Name or key words in metric name
- Contains links to view published data/charts and analysis

Map of Capital Projects requests being considered

2025-26 Budget Requests Information

- [2025-26 Budget Requests List](#)

The file is sorted by Outcome and can be filtered in many ways. When you click on the Outcome link on the left side. Doing so will open a PDF of the Offer Narrative. The offers are listed in numeric order and you can also search for the specific offer number. Within each narrative there are links to view performance measures, as well as links to view the Offer Narrative.

2025-26 Offer Narratives

- [Neighborhood and Community Vitality](#)
- [Culture & Recreation](#)
- [Economic Health](#)
- [Environmental Health](#)
- [Safe Community](#)
- [Transportation & Mobility](#)
- [High Performing Government](#)

2024 Strategic Plan

- [2024 Adopted Strategic Plan](#)

Measures used in Offers:

- [Measures used in Offers with links](#)

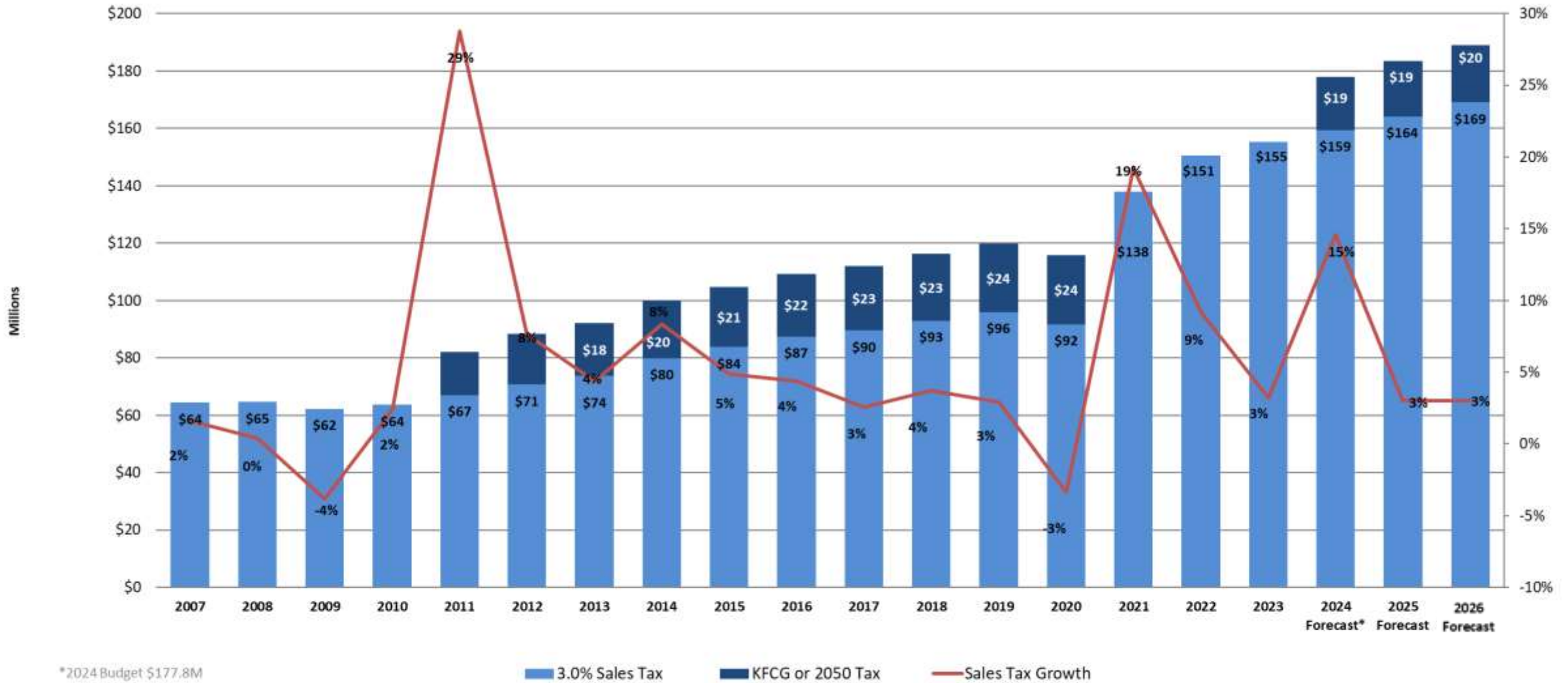
Capital Projects Map

- ‘OurCity’ is the name of the City’s online public engagement website (ourcity.fcgov.com/priorities)
- Interactive platform for sharing info and gathering feedback relating to City priorities, such as connections to the Budget and Strategic Plan
- Types of Engagement Activities:
 - ❑ **1 minute:** * Follow the City of Fort Collins on social media
 - ❑ **5 minutes:** * Click the “Ideas” tab on OurCity to share what’s most important to you
* Watch the short Budget overview videos to learn more about the process
 - ❑ **10 minutes:** * Click the “Survey” tab on OurCity to share what areas you think the City should prioritize and leave free-form comments and suggestions
 - ❑ **20+ minutes:** * Have a conversation with your organization, friends or neighbors using the Budget Engagement Toolkit in the Document Library for materials you can use
* Email aresseguie@fcgov.com to invite City staff to meet with your group to discuss whatever aspects of the budget you'd like
* Staff are available to meet in person or via Zoom

What initial feedback or guidance does City Council have as the Budget Leadership Team begins their work in July?

Back-up Slides

Sales Tax History

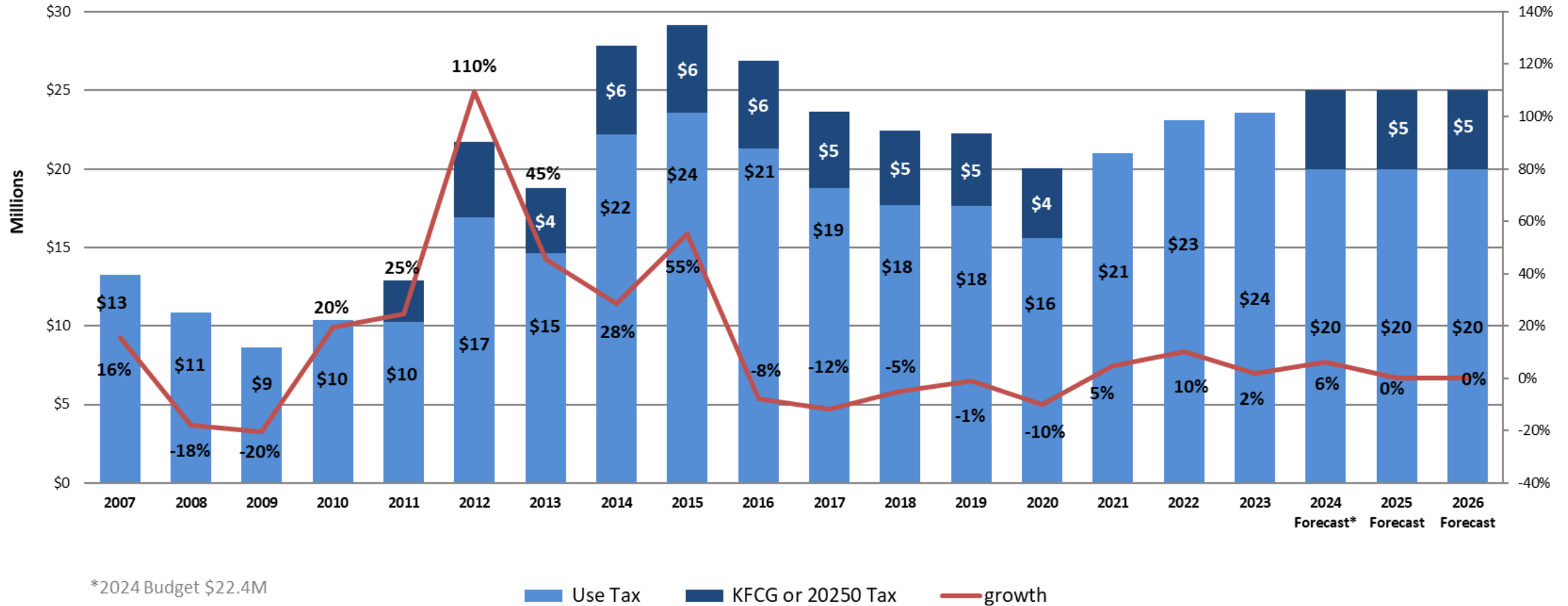


*2024 Budget \$177.8M

■ 3.0% Sales Tax
 ■ KFCG or 2050 Tax
 — Sales Tax Growth

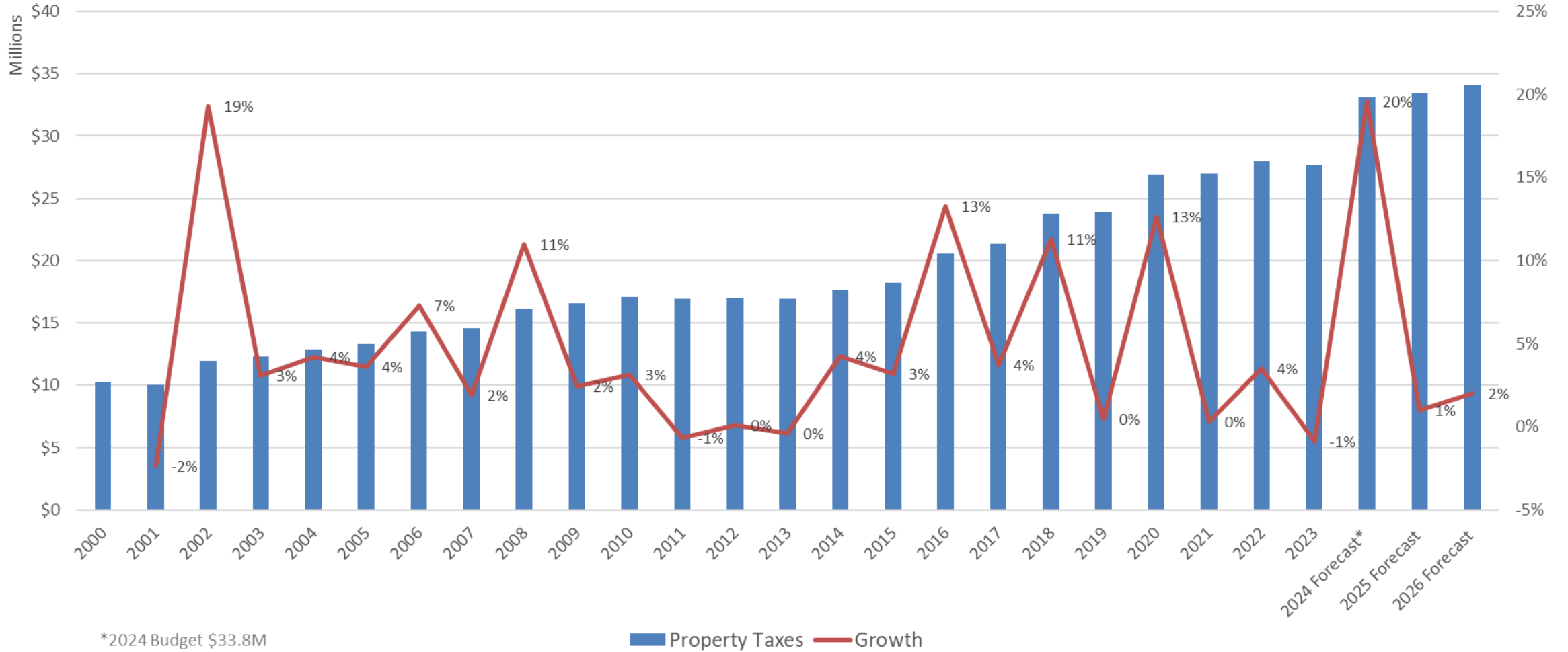
Sales Tax is projected to return to pre-pandemic growth trends

Use Tax History



Use Tax is volatile and difficult to forecast, driven largely by development and business investment

Property Tax History



After recent significant growth in property values, slow to flat growth is expected