



AGENDA ITEM SUMMARY

City Council

STAFF

Kelly DiMartino, City Manager
Travis Storin, Chief Finance Officer
Lawrence Pollack, Budget Director

SUBJECT

First Reading of Ordinance No. 163, 2024, Being the Annual Appropriation Ordinance Relating to the Annual Appropriations for Fiscal Year 2025; Adopting the Budget for the Fiscal Years Beginning January 1, 2025, and Ending December 31, 2026; and Fixing the Mill Levy for Property Taxes Payable in 2025.

EXECUTIVE SUMMARY

The purpose of this item is to present the Annual Appropriation and Budget Ordinance for First Reading. This Ordinance sets the City Budget for the two-year period (2025-2026) which becomes the City's financial plan for the next two fiscal years. This Ordinance sets the amount of \$893,553,000 to be appropriated for fiscal year 2025. However, this appropriated amount does not include what is being budgeted and appropriated by separate Council/Board of Director actions to adopt the 2025 budget for the General Improvement District (GID) No. 1 of \$319,731, the 2025 budget for General Improvement District (GID) No. 15 (Skyview) of \$1,000, the Urban Renewal Authority (URA) 2025 budget of \$5,185,096 and the Downtown Development Authority 2025 budget of \$31,622,757. This results in the City-related total operating appropriation of \$930,681,584 in 2025.

Also included for Council consideration are two possible amendments.

This Ordinance also sets the 2025 City mill levy at 9.797 mills, unchanged since 1991.

STAFF RECOMMENDATION

Staff recommends adoption of the Ordinance on First Reading.

BACKGROUND / DISCUSSION

The creation of the 2025-2026 Recommended Budget was accomplished using a process called Budgeting for Outcomes (BFO), which is a form of priority-based budgeting. The process included the following major steps:

- Council adopted the 2024 Strategic Plan, which encompasses the adopted 2024-2026 Council Priorities.
- City financial staff created revenue forecasts for fiscal years 2025 and 2026.

- City staff developed budget requests (offers) for individual programs and services to help achieve operational objectives and/or specific strategic objectives within the adopted strategic plan. The primary objective selected within the budget request determines which of the City's seven key Strategic Outcomes the request is then submitted for consideration.
- BFO Teams comprised of seven (7) staff members each (one team per Outcome) reviewed the offers and discussed them, as applicable, with the staff (aka Sellers) who submitted the budget requests. This unique aspect of BFO allows for a much deeper review and understanding of the programs and services being proposed. The teams each deliver a prioritized ranking of budget requests to the executive team for their next level of review.
- Concurrently, public outreach began with a press release and ongoing communications through social media channels to invite the community to share their perspectives. The City's online public engagement tool, called OurCity, allows individuals to provide various types of input based on their level of interest and the amount of time they have available. The information received about the offers being considered for the recommended budget, and the remaining inputs collected through September will be shared with Council as final decisions are being made for the adopted 2025-2026 Budget.
- A work session item summarizing the development of the 2025-2026 Budget was discussed on June 25. That session included high-level assumptions within the budget, as well as the themes that were emerging.
- The prioritized lists of funding recommendations from the BFO Teams were then reviewed by the City Manager and the rest of the Budget Leadership Team (BLT). The BLT deliberated similar to the BFO Teams, but they looked holistically across all seven Outcomes. This included conversations with each BFO Team and discussions with various directors about their budget requests. These inputs, along with other data and information discussed by the BLT, resulted in the decisions on what is recommended for funding in 2025 and 2026.
- The 2025-2026 Recommended Budget was delivered to City Council on August 30 along with a cover memo outlining highlights and challenges of this year's budget process. Attachment #1 of that memo included a comprehensive listing of all the recommended offers, both ongoing and enhancements, that supported the 11 adopted Council Priorities.
- Council reviewed the Recommended Budget during three Council work sessions. In addition, residents were provided the opportunity to give input to Councilmembers through two public hearings and public engagement, which continued through the end of September. From these discussions City Council has provided direction and guidance for the following changes that have been incorporated into First Reading of the 2025-2026 Budget.

- **Changes to Offers from what was originally proposed in the City Manager’s Recommended Budget (Exhibit A):**

Note - Offers listed below are in the same order as presented in the work session on October 8

Outcome	Offer Number and Title	Funding Source(s)	Changes Made from Recommended Budget	Ongoing Costs		One-Time Costs	
				2025	2026	2025	2026
C&R	58.6 - Golf Facility Assets	Golf Fund Reserves	Included for funding in 1st Reading			\$929,180	\$248,540
C&R	26.16 - Access Funds for Low-Income Community Residents	Cultural Services Fund Reserves	Included for funding in 1st Reading at a scaled amount of \$75k per yr.	\$75,000	\$75,000		
HPG	16.16 - Operation Services: 1.0 FTE - Real Estate	General Fund - Facilities Work for Others	Included for funding in 1st Reading	\$75,736	\$91,427		
HPG	16.19 - Operation Services: 1.0 FTE - HVAC Technician	General Fund - Facilities Work for Others	Included for funding in 1st Reading	\$130,060	\$84,446		
SAFE	29.20 - Police Colorado Regional Information Sharing Project [CRISP] REHOST	General Fund Ongoing Revenue for \$667k (The balance of the offer is funded by partner orgs.)	Included for funding in 1st Reading			\$2,000,000	
SAFE	16.14 - Police Services HVAC	General Fund Reserves	Offer still funded, but amount reduced to \$2.5M to align with updated anticipated costs			(\$4,000,000)	
NCV	18.8 - CDNS: Eviction Legal Fund - formerly ARPA funded	General Fund Reserves	Included for funding in 1st Reading	\$220,000	\$220,000		
NCV	18.9 - CDNS: Immigration Legal Fund	General Fund Reserves	Included for funding in 1st Reading	\$220,000	\$220,000		
NCV	44.2 – Affordable Housing Capital Fund	Community Capital Improvement Fund (shift to Offer 44.10)	Offer still funded, but at amount reduced from from \$500k to \$100k in 2025 to fund Offer 44.10. 2026 is \$0 due to the expiration of the 0.25 cent tax.			(\$400,000)	
NCV	44.10 - Affordable Housing Fee Relief	Community Capital Improvement Fund (shift from Offer 44.2)	Included for funding in 1st Reading. This budget is intended to be non-lapsing with the targeted intent of \$200k per year			\$400,000	
SAFE	62.4 - Municipal Court: Judicial Services	General Fund Reserves	Included for funding in 1st Reading	\$34,906	\$36,129		
HPG	11.5 - CPIO: Expanded Communication Methods - formerly ARPA funded	General Fund Reserves	Included for funding in 1st Reading			\$100,000	\$100,000
HPG	16.9 - Fleet Vehicle and Equipment New Replacements	General Fund Reserves	Offer still funded, but at increased amount of \$1.2M for total funding of \$2.2M	\$400,000	\$1,800,000		
T&M	19.8 - FC Asphalt Art Program	- Broadband Fund APP @ \$53k per year and - General Fund Reserves @ \$9.5k per year	Included for funding in 1st Reading at scaled amount for 2 installations per year instead of 4			\$62,500	\$62,500
T&M	21.9 - PDT Active Modes Facility Maintenance	Transportation Fund Reserves	Included for funding in 1st Reading at a scaled down amount that excluded streetsweeping	\$189,233	\$193,964	\$68,000	
T&M	65.21 - Transfort Sunday and Holiday Service	- 2050 Tax Ongoing: Transit	Included for funding in 1st Reading at \$300k starting in 2026	\$0	\$300,000		
T&M	65.22 - Transfort: 4.0 FTE - Additional Transit Security Officers	- 2050 Tax Ongoing: Transit	Offer still funded, but at amount reduced from 7.0 FTE to 4.0 FTE in 2026 (to pay most of Offer 65.21)	\$0	(\$253,485)		
T&M	19.11 - Adaptive Program Specialist for Safe Routes to School and FC Moves	Transportation Fund Reserves	Included for funding in 1st Reading	\$28,639	\$29,928		

Additionally, the following administrative changes have been made for First Reading:

- The 2025 Budget for the Downtown Development Authority (DDA) was approved by its Board of Directors on September 5, 2024. Offer 69.1 - Downtown Development Authority: Operating & Capital Budget has been updated to reflect the final DDA 2025 Budget, as approved by the Board
- Update to the sales tax portion of the developer payments based on revised revenue projections in Offer 45.2 - Urban Renewal Authority Debt Service

Per Council conversation at the October 8 work session, the following two offers have been prepared for potential amendments on First Reading:

1. Offer 10.3 – Cybersecurity Enhancement: Virtual CISO and Endpoint Management Modernization

- 2025 Expense = \$250,000
- 2025 Funding:
 - General Fund = \$135,000
 - Transportation Fund = \$10,000
 - Broadband Fund = \$20,000
 - Light and Power Fund = \$28,050
 - Water Fund = \$26,350
 - Wastewater Fund = \$19,550
 - Stormwater Fund = \$11,050
- 2026 Expense = \$250,000
- 2026 Funding: (same as 2025)
 - General Fund = \$135,000
 - Transportation Fund = \$10,000
 - Broadband Fund = \$20,000
 - Light and Power Fund = \$28,050
 - Water Fund = \$26,350
 - Wastewater Fund = \$19,550
 - Stormwater Fund = \$11,050

Amendment language: *I move that Section 1 of Ordinance No. 163 be amended to add “Offer 10.3 – Contracted cybersecurity support,” as described on page 4 of the Agenda Item Summary, to Exhibit B, the list of funded offers added to the City Manager’s Recommended Budget in addition to the items listed in Exhibit A. I further move that the appropriated amounts for each of the affected funds be increased to add the amounts stated for that Offer, and all totals adjusted accordingly.*

2. Offer 72.1 - Poudre Flows Design and Permitting

- 2025 Expense = \$550,000
- 2025 Funding:
 - General Fund = \$180,000
 - Water Fund = \$185,000
 - Natural Areas Fund = \$185,000
- 2026 Expense = \$300,000
- 2026 Funding:
 - General Fund = \$100,000
 - Water Fund = \$100,000
 - Natural Areas Fund = \$100,000

Amendment language: *I move that Section 1 of Ordinance No. 163 be amended to add “Offer 72.1 – Poudre Flows Design and Permitting,” as described on page 4 of the Agenda Item Summary, to Exhibit B, the list of funded offers added to the City Manager’s Recommended Budget in addition to the items listed in Exhibit A. I further move that the appropriated amounts for each of the affected funds be increased to add the amounts stated for that Offer, and all totals adjusted accordingly.*

If no amendments are made on First Reading, Exhibit B will be deleted from the Ordinance and related references will be removed from the Ordinance for second reading.

In response to Council’s inquiry about funding sources to support Offer 74.1 for carbon sequestration, City Staff recommends the following solution: Offer 38.2 Nature in the City - CCIP will fund a scaled effort to restore riparian areas in Natural Habitat Buffer Zones with a focus on ethnically diverse, low-income census block groups. This will not require any modifications to the recommended budget. CDNS staff will follow the established process for City-led projects to receive Nature in the City (NIC) funding. Nature in the City will provide \$100,000 in funding for this one-time pilot effort, with a goal of sequestering up to 400 metric tons of carbon across 25 acres of land. Up to \$50,000 in funds from the 2050 tax will be used to support soil carbon sampling, analysis, interpretation, and reporting on carbon sequestration efforts.

CDNS and Natural Areas (NIC) staff will coordinate through Q1 2025 to refine a project charter and scope, with initial funding awarded in this timeframe, allowing CDNS staff to begin the process of finalizing a scope of work and securing consultant proposals. Restoration work will take place between the summer of 2025, continuing through 2026, with ongoing, restoration management to follow. Soil carbon levels will be monitored before project work begins and then at two-year intervals for the next 8-10 years.

Staff believe this pilot effort will help refine this concept and could inform a future proposal for enhancement funding.

2025-2026 Budget Summary

This annual Appropriation Ordinance sets the amount of \$893,553,000 to be appropriated for fiscal year 2025. It does not include the 2025 adopted annual appropriations and budgets for the General Improvement District (GID) No. 1 of \$319,731, the GID No. 15 (Skyview) of \$1,000, the Urban Renewal Authority (URA) of \$5,185,096 and the Downtown Development Authority of \$31,622,757. This results in City-related total appropriations being \$930,681,584 in 2025. Below is a summary of the City’s proposed 2025 total and net budgets

TOTAL AND NET CITY BUDGET					
(\$ millions)					
	Adopted 2024	2025	% Change	2026	% Change
Operating	\$718.1	\$775.1	7.9%	\$756.2	-2.4%
Debt	52.0	47.0	-9.5%	55.6	18.2%
Capital*	65.2	108.6	66.5%	63.7	-41.3%
Total City Appropriations**	\$835.3	\$930.7	11.4%	\$875.4	-5.9%
Less					
Internal Service Funds	(\$99.4)	(\$103.8)	4.5%	(\$109.3)	5.2%
Transfers to Other Funds	(78.0)	(96.4)	23.5%	(71.9)	-25.4%
GID #1, #15	(0.3)	(0.3)	0.5%	(0.3)	0.3%
URA Funds	(6.1)	(5.2)	-15.3%	(4.8)	-7.8%
Downtown Development Auth.	(26.3)	(31.6)	20.0%	(31.6)	0.0%
Total	(\$210.2)	(\$237.4)	12.9%	(\$217.9)	-8.2%
Net City Budget	\$625.1	\$693.3	10.9%	\$657.6	-5.2%

CITY FINANCIAL IMPACTS

This Ordinance sets the annual appropriation for fiscal year 2025 in the amount of \$893,553,000. The Ordinance also sets the City property tax mill levy at 9.797 mills, unchanged since 1991.

BOARD / COMMISSION / COMMITTEE RECOMMENDATION

Various City boards and commissions submitted memos to Council for its consideration of what they believed should be included in the 2025-2026 Budget.

PUBLIC OUTREACH

In order to emphasize that the City's Strategic Plan and Budget are complementary efforts, public engagement about community priorities actually began in the fall of 2023 to inform both the 2024 Strategic Plan and the 2025-2026 Budget. This included a series of community events focused on the City's Outcomes and how funded programs and services could help in achieving those high-level goals. This input, along with OurCity and other forms of social media, helped inform the strategic plan. That plan, along with the adopted Council Priorities, significantly impact the creation of the recommended budget.

This summer, the City's Communications and Public Information Office continued public engagement that continued through September. Results from that engagement were summarized for City Council in the agenda materials for the third budget work session conducted on October 8.

ATTACHMENTS

1. Ordinance for Consideration
2. Ordinance Exhibit A
3. Ordinance Exhibit B
4. Presentation