



Budget Update

Finance and Governance Committee
April 13, 2021

Agenda

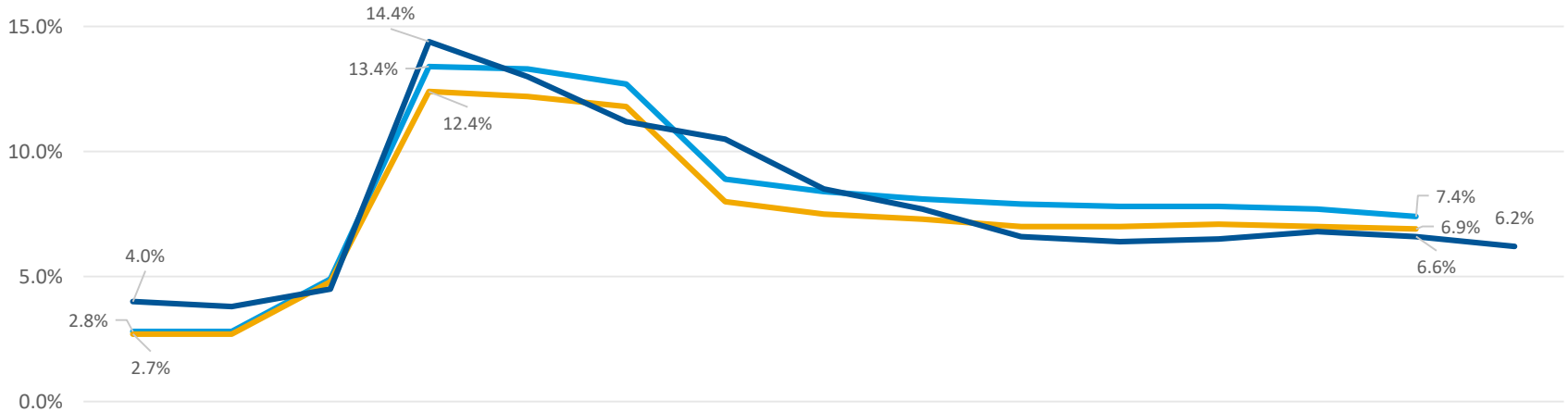
- Economic Update
- General Fund Performance
 - 2020 year-end (unaudited)
 - 2022 preliminary projections
- 2022 Operating Budget Process
- Capital Improvement Program
- Next Steps



Economic Update

Unemployment Rate

Unemployment Rate by Region, not seasonally adjusted

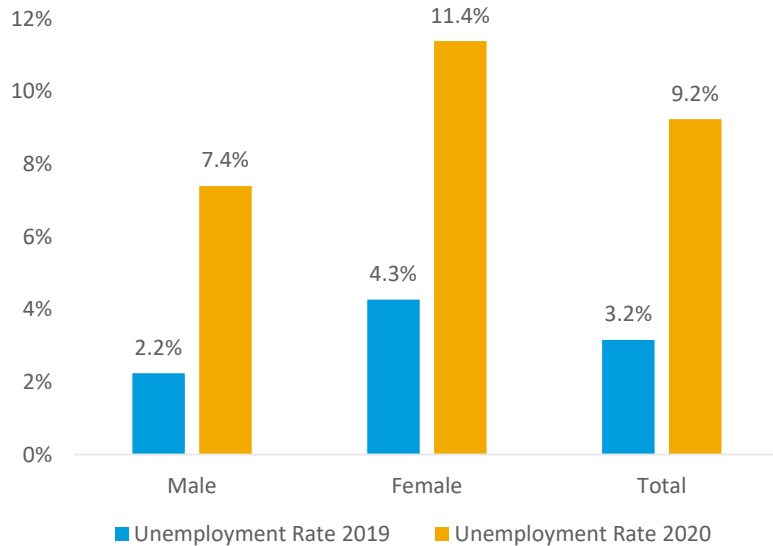


	Jan-20	Feb-20	Mar-20	Apr-20	May-20	Jun-20	Jul-20	Aug-20	Sep-20	Oct-20	Nov-20	Dec-20	Jan-21	Feb-21	Mar-21
Denver County	2.8%	2.8%	4.9%	13.4%	13.3%	12.7%	8.9%	8.4%	8.1%	7.9%	7.8%	7.8%	7.7%	7.4%	
Denver MSA	2.7%	2.7%	4.8%	12.4%	12.2%	11.8%	8.0%	7.5%	7.3%	7.0%	7.0%	7.1%	7.0%	6.9%	
National	4.0%	3.8%	4.5%	14.4%	13.0%	11.2%	10.5%	8.5%	7.7%	6.6%	6.4%	6.5%	6.8%	6.6%	6.2%

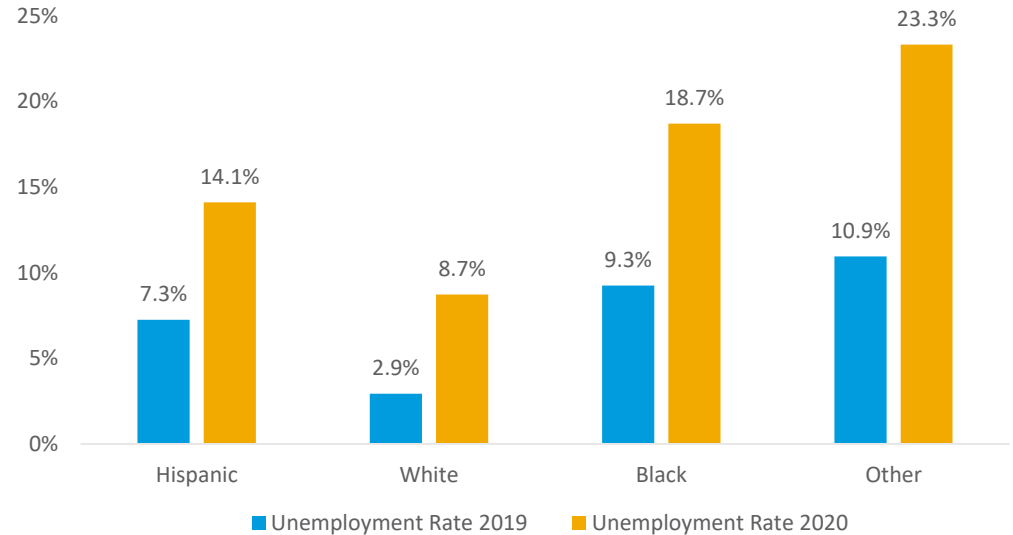
Source: CDLE; BLS; DOL

Unemployment Rate

Unemployment Rates by Gender



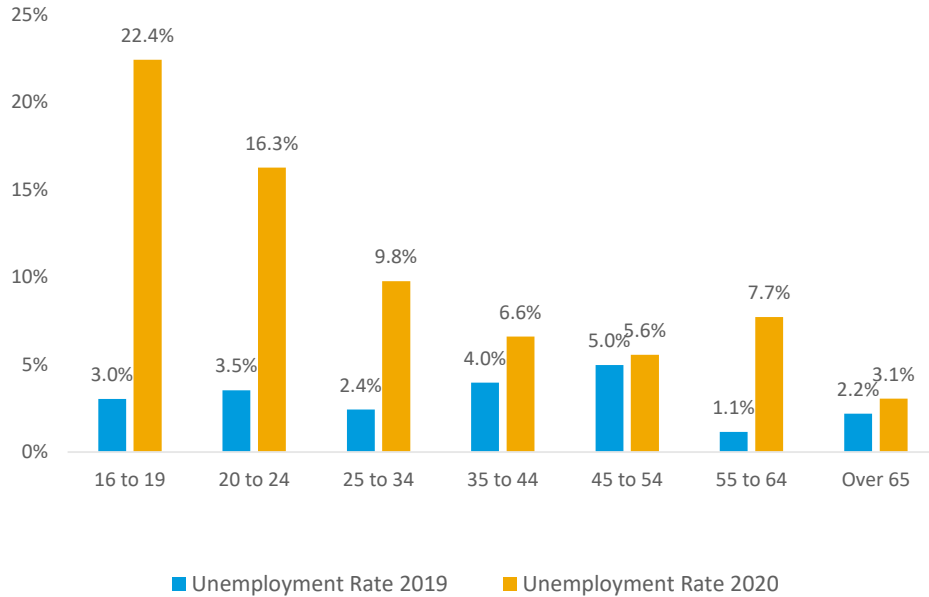
Unemployment Rates by Race and Ethnicity



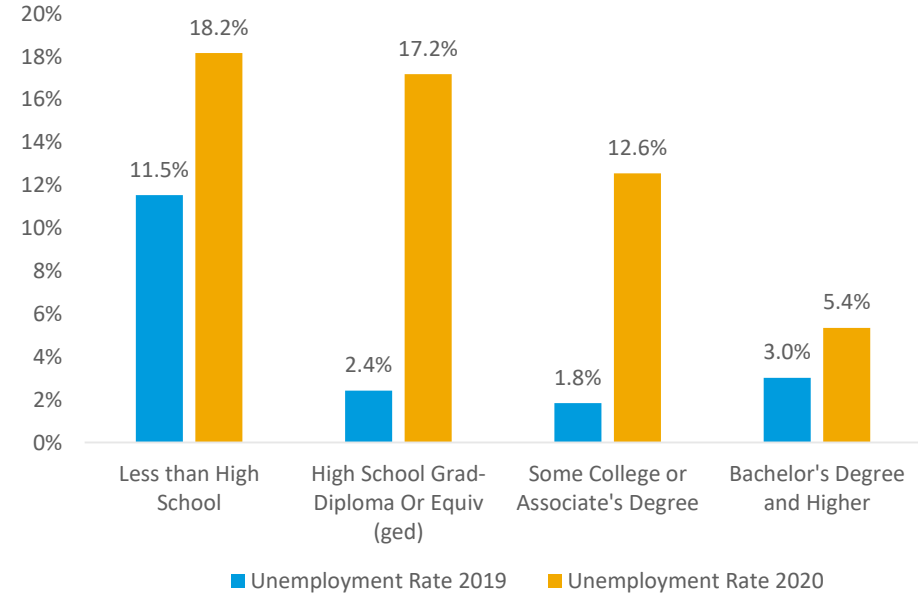
Yearly data is for 12-month period March – February; Denver County; Hispanic category not mutually exclusive
Source: U.S. Census and BLS Current Population Survey – CPS PUMS, data not seasonally adjusted

Unemployment Rate

Unemployment Rate by Age



Unemployment Rates by Educational Attainment

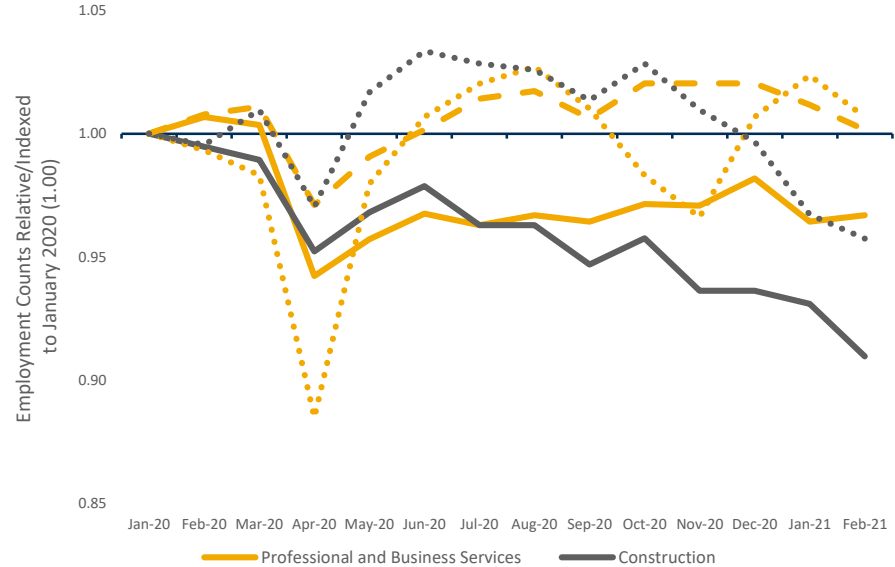
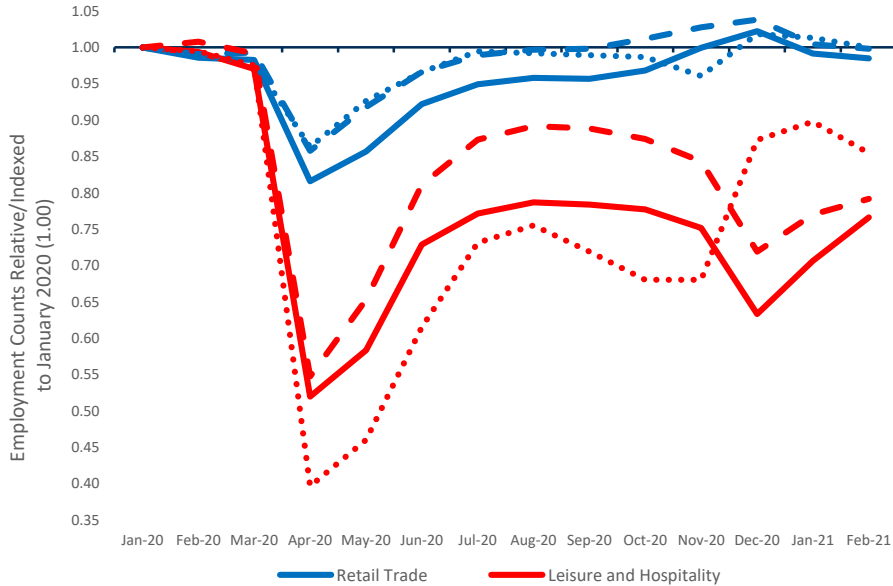


Yearly data is for 12-month period March – February; Denver County
 Source: U.S. Census and BLS Current Population Survey – CPS PUMS, data not seasonally adjusted

Employment Counts

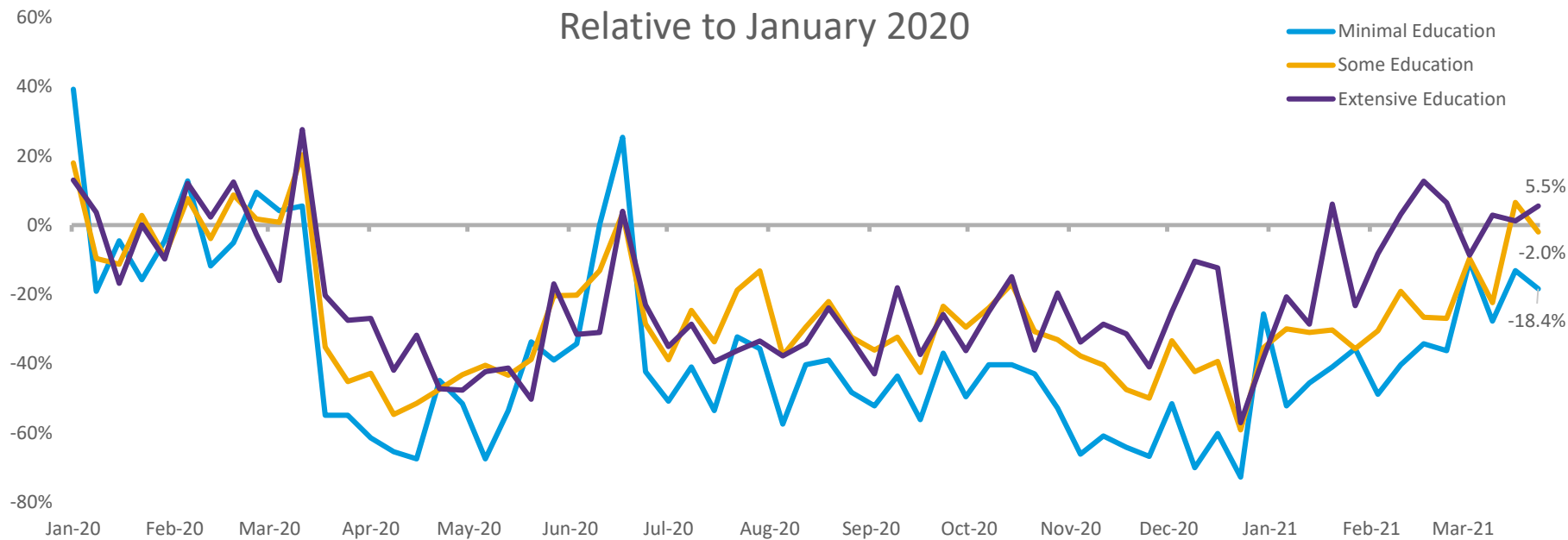
Job Loss and Recovery by Industry Sector

(Denver MSA – solid line, Remaining State MSAs – dashed line, and Non-Metro Colorado – dotted line)



Source: Colorado Department of Labor and Statistics; Bureau of Labor Statistics, Current Employment Statistics-CES data not seasonally adjusted

Percent Change in Job Postings



Source: Burning Glass Technologies, Denver MSA

Percent Change in Number of Small Businesses Open

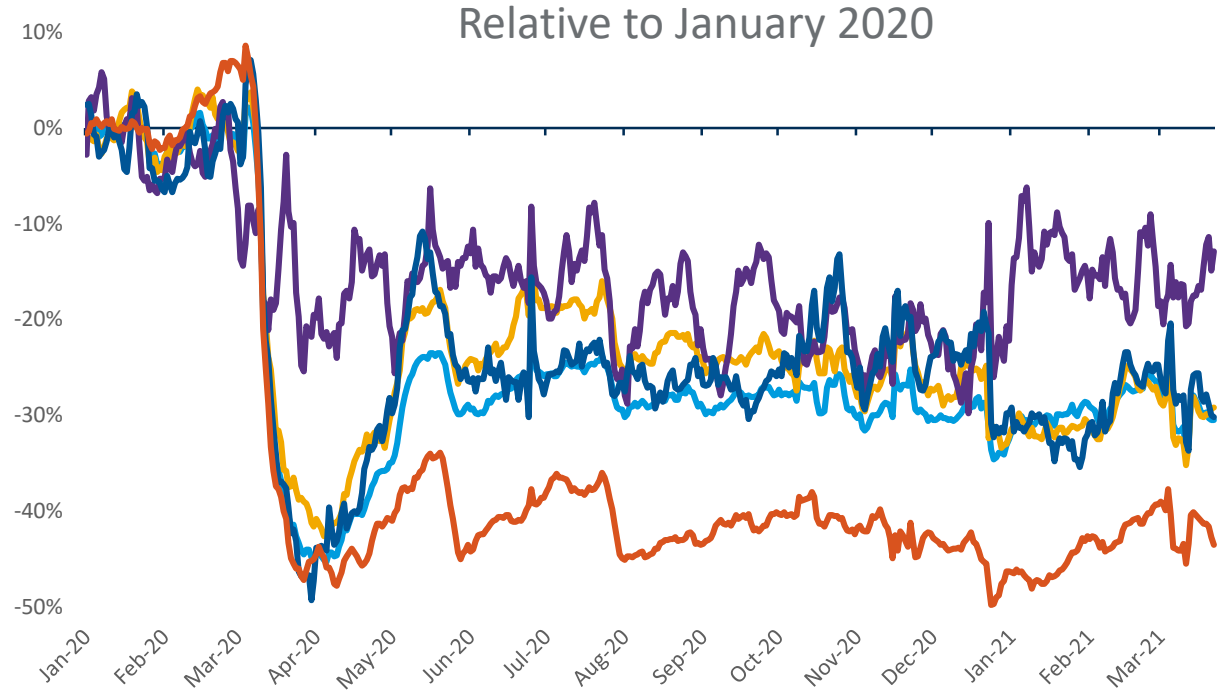
Total Denver MSA: -30.5%

Retail & Transportation:
-29.2%

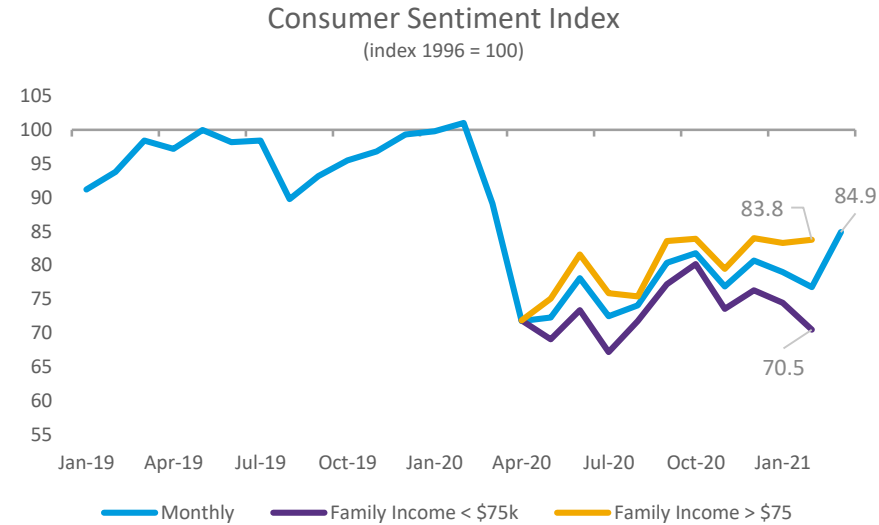
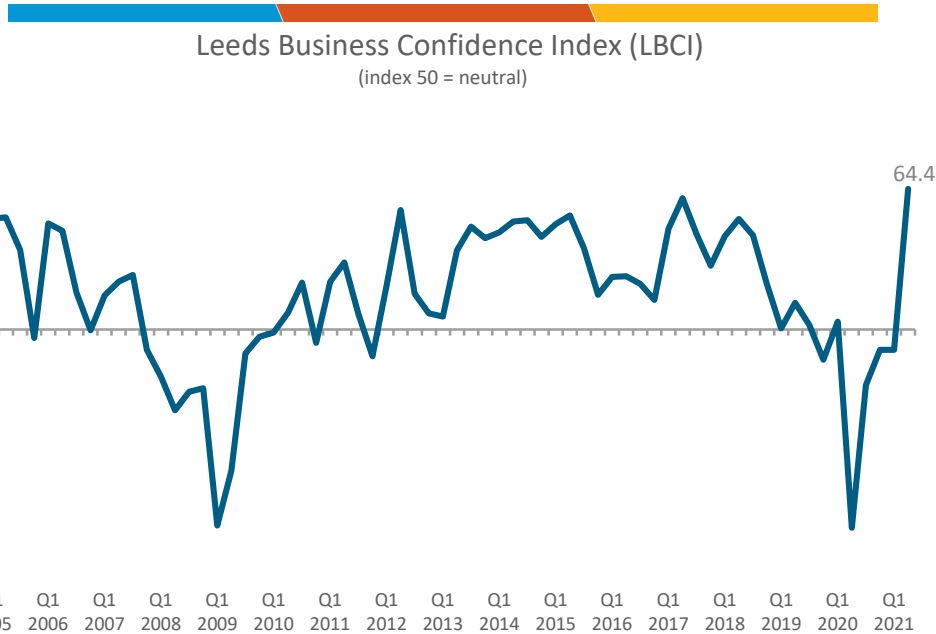
Professional & Business Services:
-12.9%

Education & Health Services:
-30.2%

Leisure & Hospitality:
-43.5%



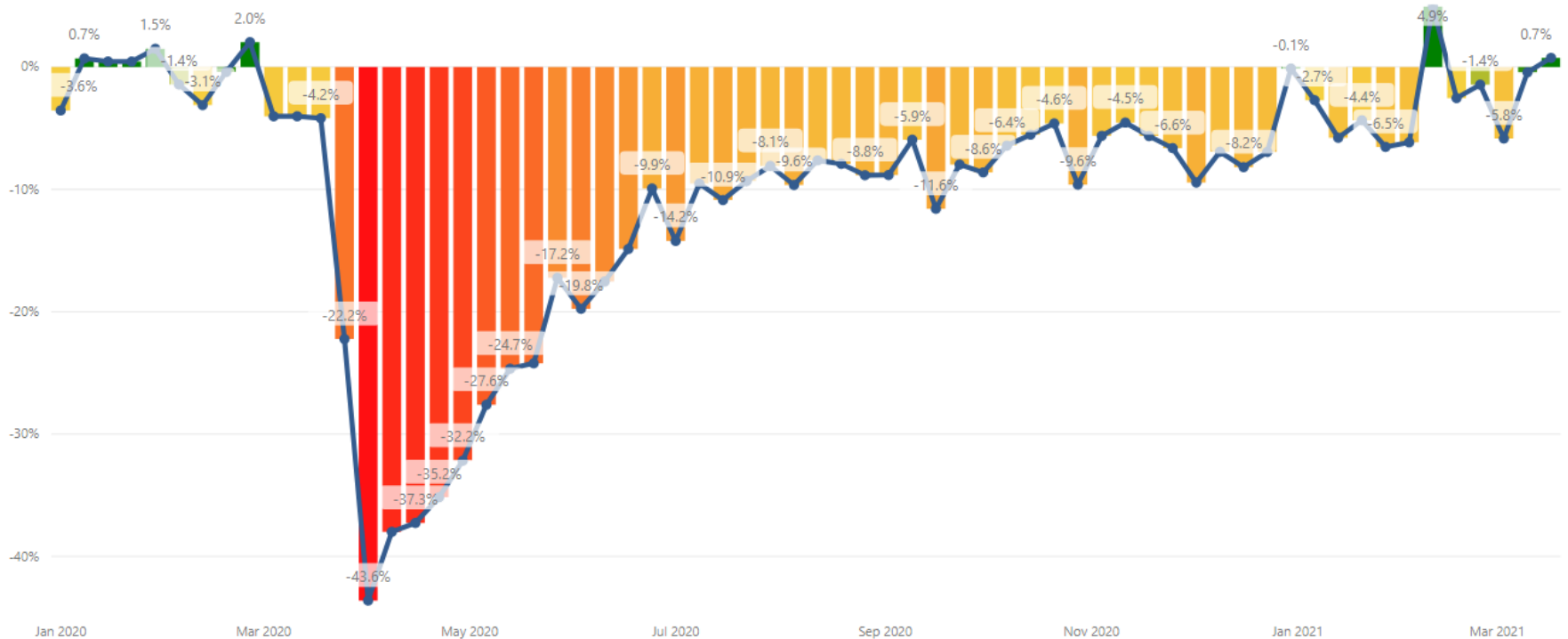
Business and Consumer Confidence Index



- Business Confidence increased sharply for Q2 to 64.4 (+16.5 pts), largely due to the pace of vaccinations and expectations about easing economic restrictions.
- Overall Consumer Sentiment rose to its highest level in a year for preliminary March results, due to the third disbursement of relief checks and better than anticipated vaccination progress. Note discrepancy between Family Income levels.

Aggregate Consumer Bankcard Activity, Denver

Weekly YoY Growth, Denver

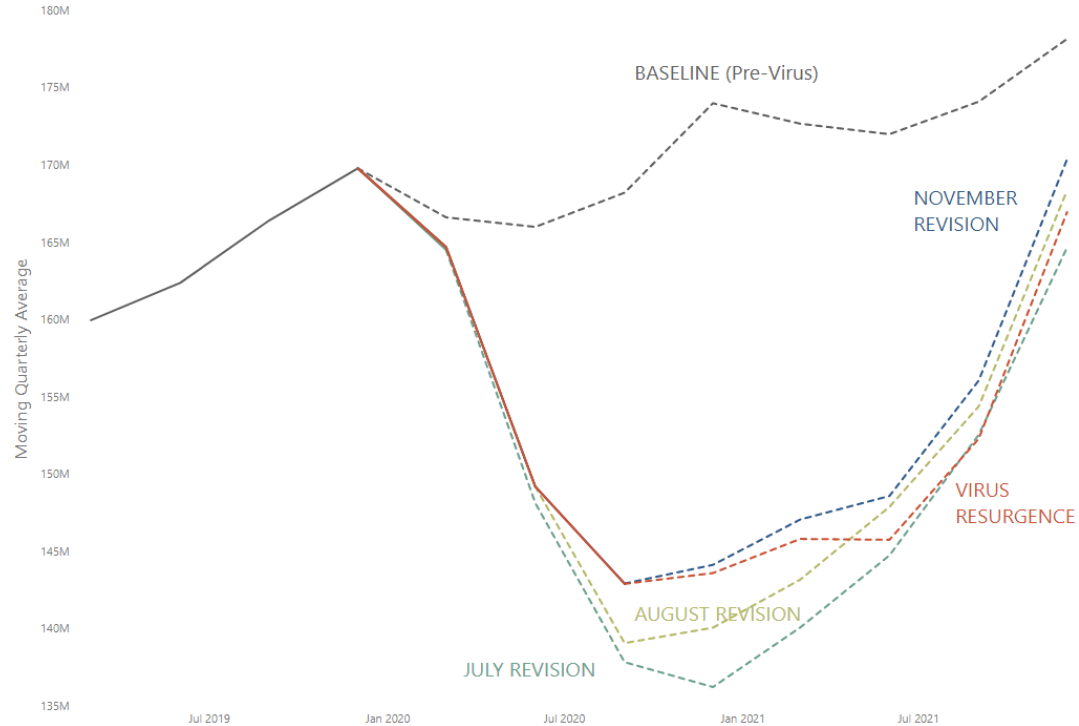


Underlying Economic Assumptions Looking Forward

- Expectations for rapid growth beginning mid-2021 with medium-term outlook for continued economic recovery into 2023:
 - Continued successful vaccination efforts with 60% of adult population vaccinated by mid-2021
 - Sharp uptick in consumer spending
 - Domestic Tourism recovery
 - In-person office occupancy recovery to begin mid-2022
 - Swift job gains with recovery of jobs lost during pandemic by end of 2022
- Longer term expectations:
 - Federal Infrastructure Investment
 - Traditional Infrastructure (transportation/water/power)
 - Social Infrastructure (education/healthcare/housing/workforce development)
- Uncertainty Remains:
 - Public Health concerns (both global and domestic)
 - Vaccine uptake and protection from variants
 - Work-from-anywhere implications
 - Office Space Supply/Demand Balance in Downtown Core
 - Inequitable economic recovery
 - Stagnation in recovery of Business travel and International tourism
 - Housing supply
 - Federal Reserve’s normalization of monetary policy

Modeling Denver's Economic Recovery- Projected Core Sales and Use Tax Collections

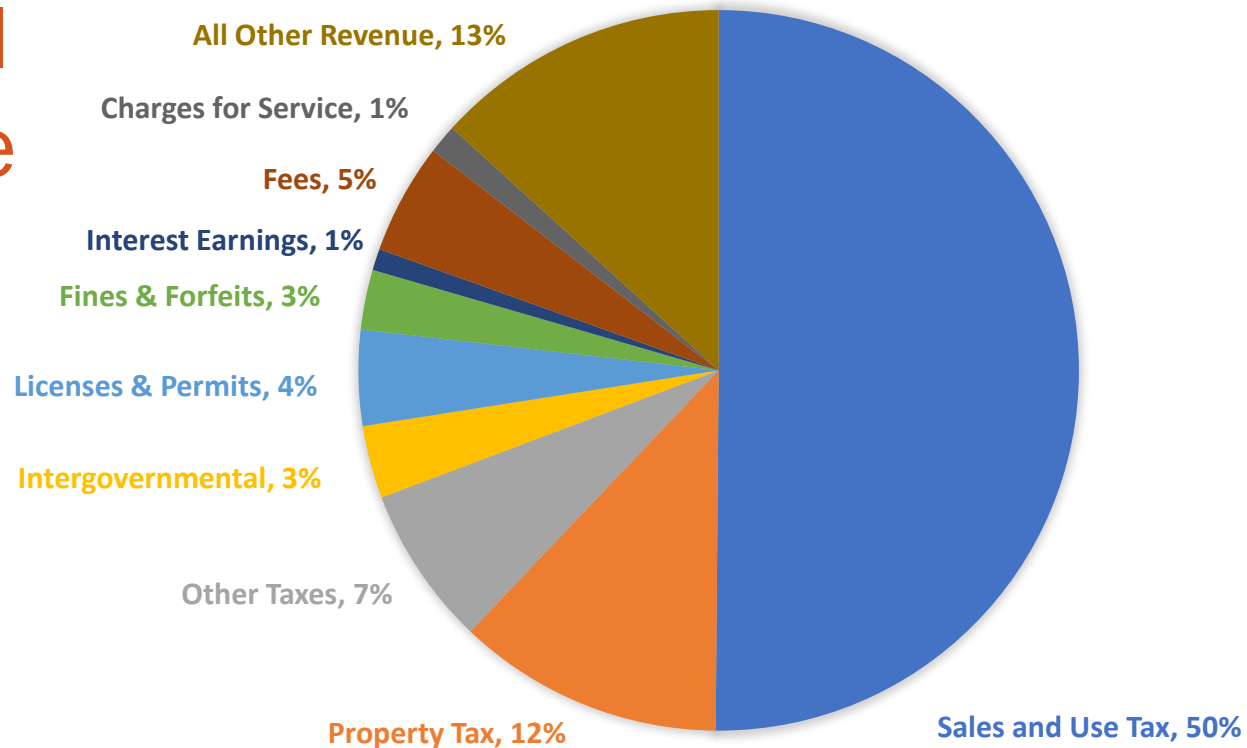
Solid lines indicate actuals, dashed lines indicate forecast at time of revision. 2020 numbers are preliminary and 2021 remains in flux due to unknowns in public health containment, consumer spending patterns, federal fiscal stimulus, and prolonged unemployment.



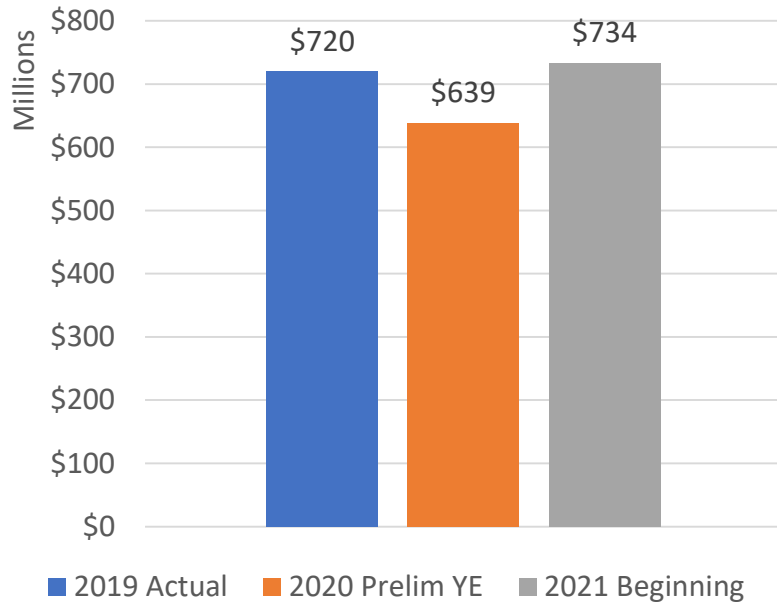


General Fund Performance

2020 General Fund Revenue (Unaudited)



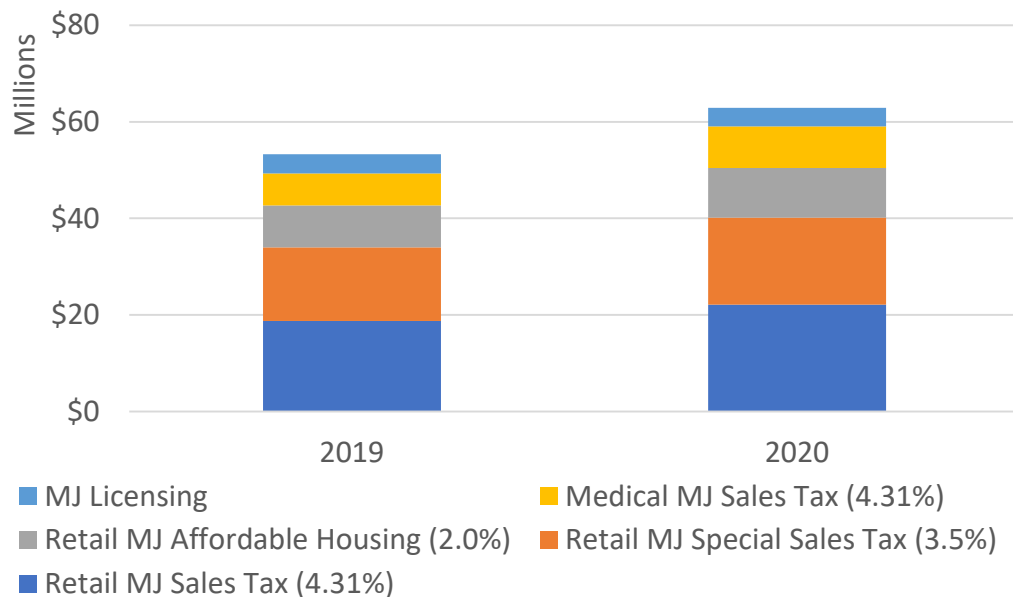
Sales Tax Revenue (unaudited)



Tax categories and 2020 y/y change

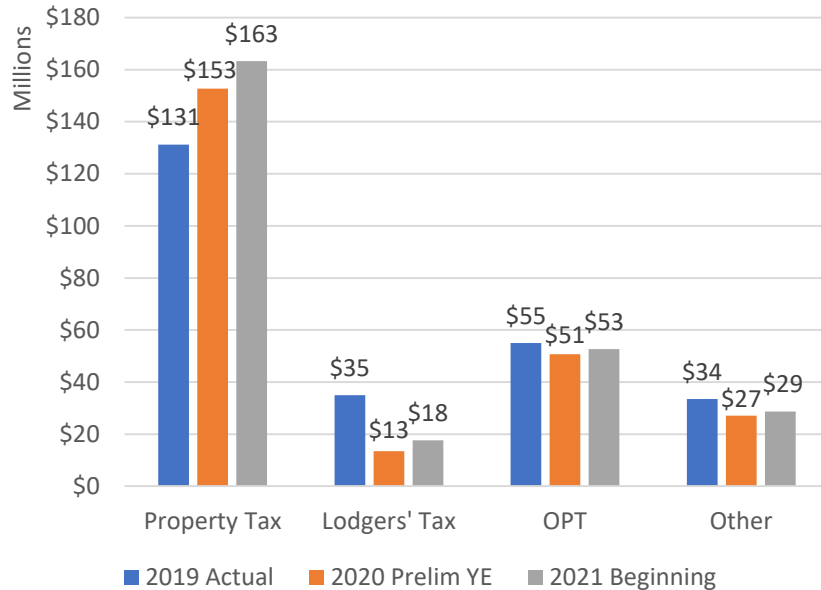
- Food and drinking services **-39%**
- Real estate/rental/leasing (short-term auto) **-28%**
- Hotel/Other Accommodation **-73%**
- Clothing/accessory stores **-26%**
- Food/Beverage Stores **+7.7%**
- Non-store retailer revenue **+8.9%**
- Retail MJ sales tax **+18%**

Marijuana Revenue (unaudited)



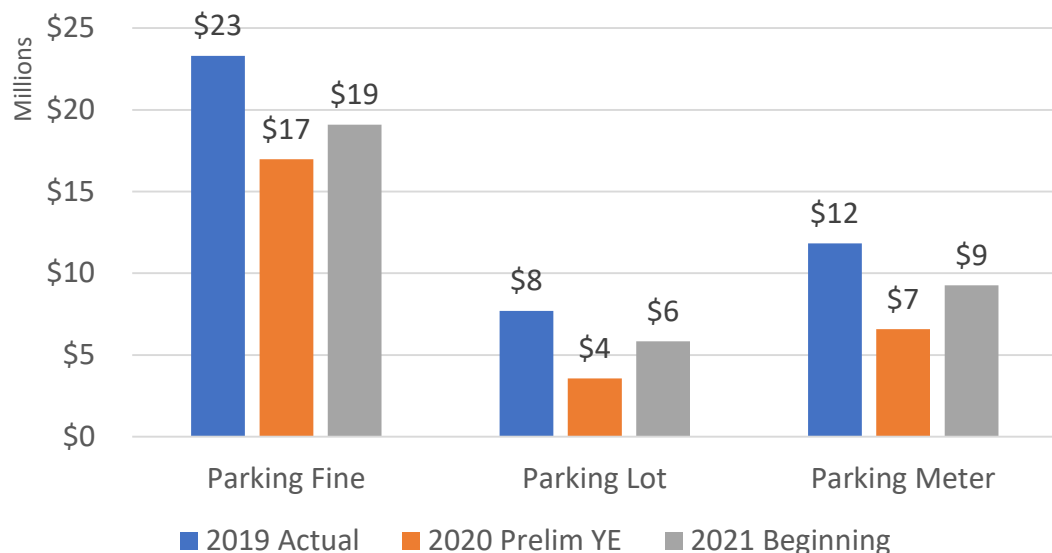
- In 2020, Denver's MJ sales tax and licensing revenue totaled \$62.9m.
- This represents a year-over-year increase of \$9.6m or 18%.

Other Tax Revenue (unaudited)



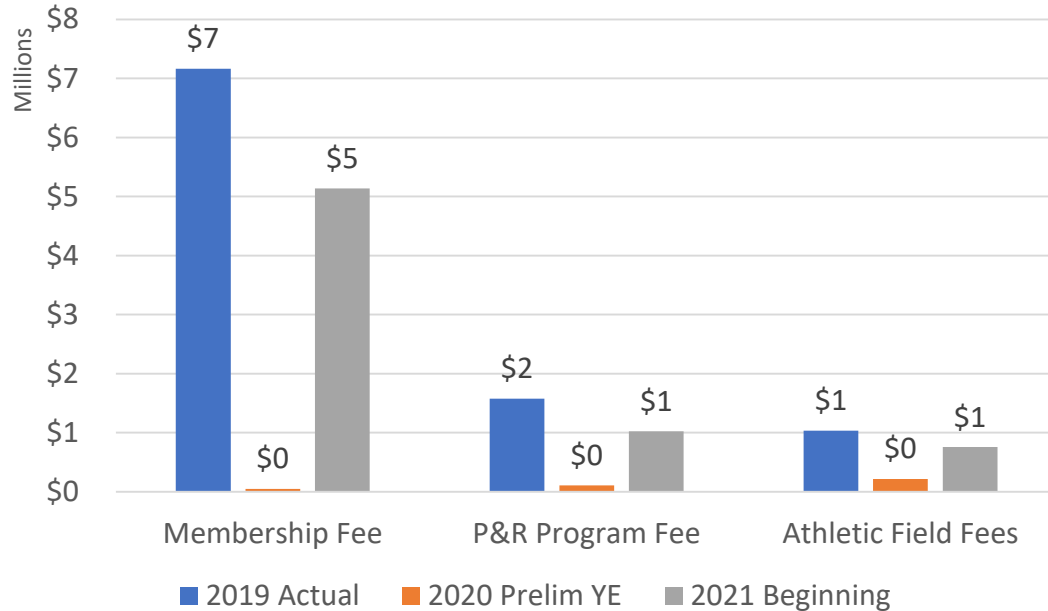
- 2020 property tax growth is due to valuation growth realized during the 2019 re-appraisal and due to transferring mills to help fund the Dept. of Housing Stability
- In 2020, occupancy rates in Denver-area lodging facilities averaged 41.7%, down from 74.3% in 2019, and room rates were down 28% y/y
- Through Q3 of 2020, Denver County employment is down 6.5% y/y

Parking Revenue (unaudited)



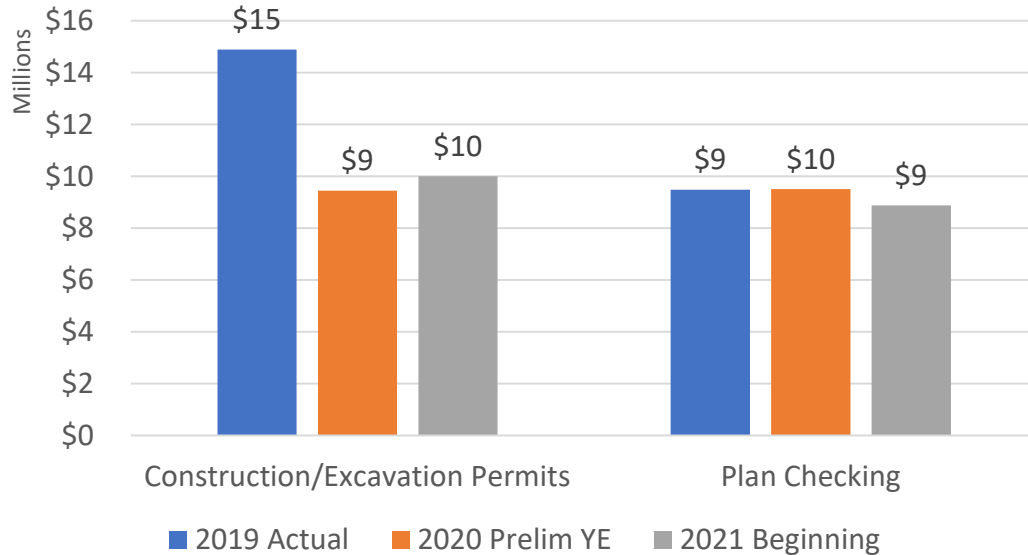
- Deactivated parking meters
- Suspended non-critical parking enforcement
- Commuting patterns and parking lot demand severely impacted
 - DPAC closed
 - Mass gathering restrictions
 - Business closures
 - Remote working

Recreational Fee Revenue (unaudited)



- Recreation centers closed
- Certain recreation centers designated as supplemental shelters
- Park rangers redeployed for Stay-at-Home Order enforcement
- Gathering restrictions

Development-Related Revenue (unaudited)

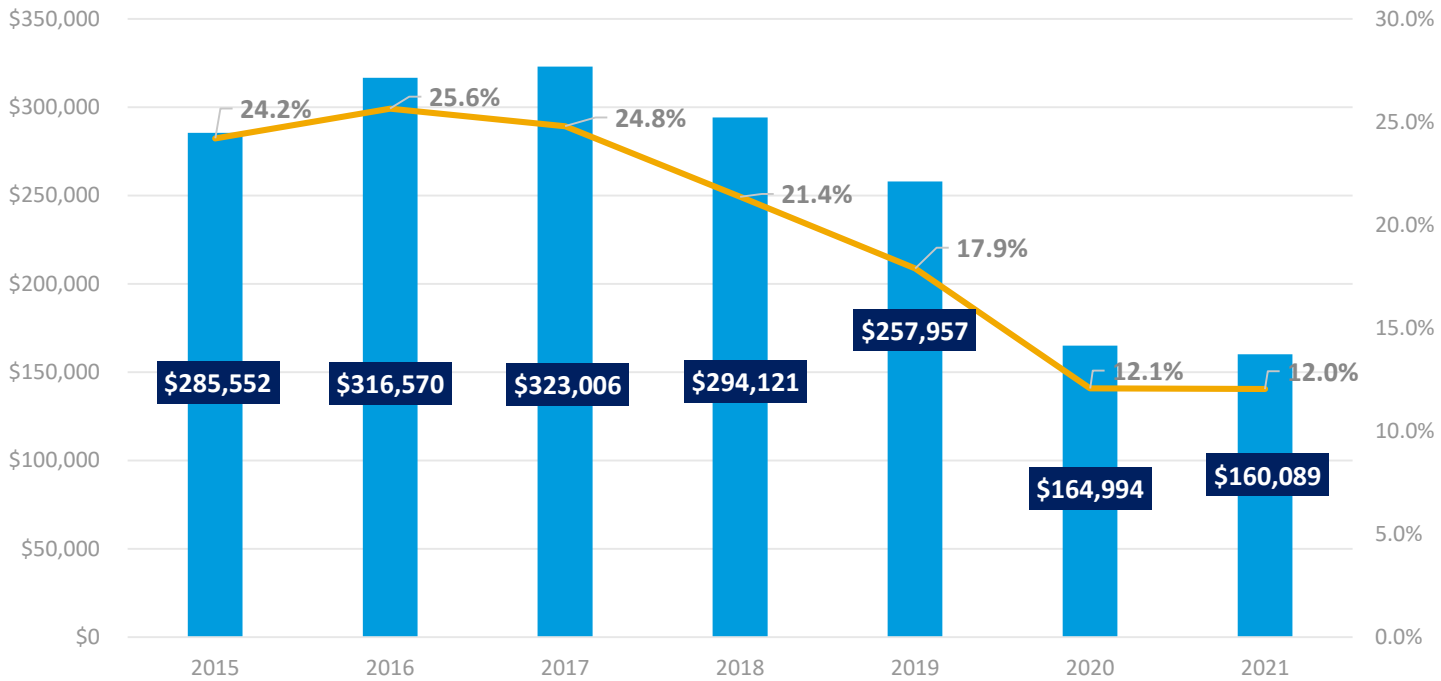


- CPD remained active for customers
 - Inspections counter, records, contractor licensing, cashiering remained open to public with reduced hours
 - Permit counters went virtual
 - Plan review drop boxes set up
- Permit volume down 16% and valuations down 37%

2020 Yearend

- Revenue exceeded revised projections by approximately 4%
- Expenditure actuals ended 0.57% over revised
 - Originally, planned to use CRF funds to offset General Fund expenditures and meet the 12/31/20 CRF deadline
 - Because the CRF deadline was extended, we did not use CRF funds to offset General Fund expenditures

GF Fund Balance





2022 Operating Budget

2022 Budget Timeline and Key Dates

January – March New Budget Year Begins



- Begin creation of comprehensive annual financial report (CAFR)
- Annual capital work plans and revenue forecasts finalized

April – June Budget Preparation



- Publish CAFR
- Prepare budget calendar and procedures
- Departments and agencies prepare coming year operating and capital budget proposals

July – September Proposal Review



- Chief Financial Officer reviews budget and capital improvement proposals
- Mayor reviews and approves proposed budget
- Mayor submits proposed budget by September 15

October – December Public Review & Final Approval



- City Council hosts public hearings and hearings on agency proposals
- City Council proposes amendments to budget
- Mayor submits final budget
- Budget is adopted

May
Base Budget

June
Budget Changes, increase requests

June
Budget Book Narratives, etc.

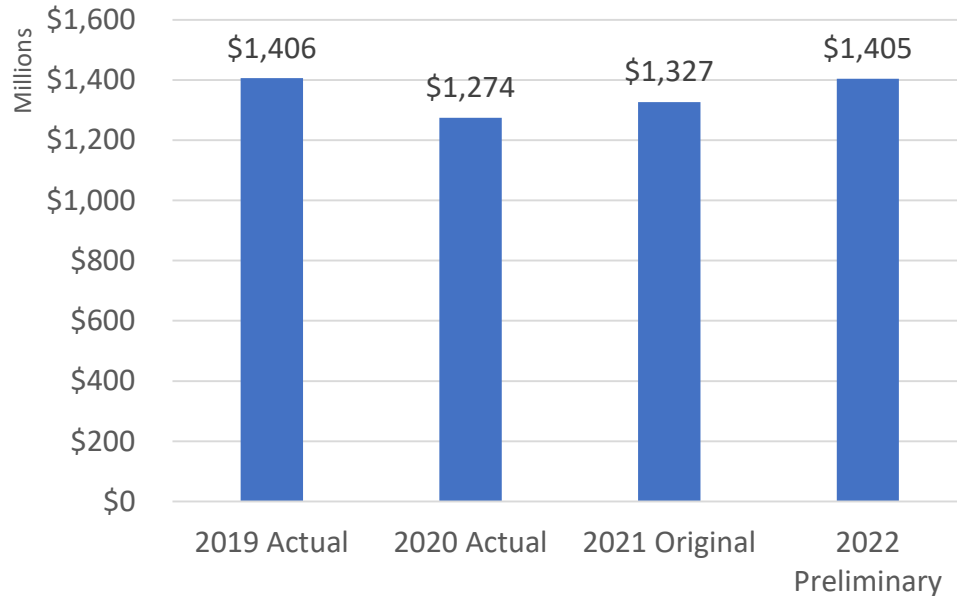
July
Finance Meetings

July – Aug.
Mayor Meetings

Sept.-Oct.
City Council Review

Nov.
City Council Vote

2022 Preliminary Revenue Forecast



\$1,404,600,000

- \$77.5m or 5.8% increase over the 2021 original forecast
- Close to 2019 collection levels
- Will be refined over the budget season

2022 Operating Expenditures

- At this time, we do not anticipate revenue to reach 2019 levels. Therefore, the City:
 - Will not be able to restore all reductions
 - Will not start with nonmandatory increases
 - Goal is to reset a base that allows for some growth: restoration of reductions, or expansion of existing services

American Rescue Plan Act

- The city has not received final guidance or allotments from the Treasury Department
- Initiated a process to fund restoration and supplemental services, primarily
- APRA process and the 2022 budget process are simultaneous and will require to coordination
- Proposals submitted as part of ARPA can also be considered as part of the 2022 budget process

Proposed ARPA Funding Categories

Restore Services

- To restore 2021 reductions
- Early restoration activities could occur after funds received
- Future allocation phases in the spring-summer
- Will be determined by future year budget capacity

Supplemental Services

- Short-term investments to address service backlogs due to COVID-19
- Allocations would support and follow more immediate restoration services
- Limited approval due to future year budget impacts

Emergency Response

- Support on-going public health and safety needs
- Distribute in coordination with CRF, prioritizing CRF funds
- On-going proposal intake

Economic Recovery

- Allocated in coordination with DEDO and larger economic recovery and reopening efforts
- Contingent on eligibility guidelines from the US Treasury

Goals

- Maximize federal funds, including
 - ARPA funds
 - Agency/Program specific funds
- Leverage the General Fund in a way that is sustainable
 - ARPA is set to expire in 2024
 - Assure ARPA expenditures can be sustained by future General Fund capacity
- Ensure equity is embedded in all aspects of the process by collaborating with the Office of Social Equity & Innovation

Denver City Council Budget Priorities

Denver City Council will be focused on prioritizing funding for the below priorities during the 2022 budget process:

- Mitigate and reduce involuntary displacement of community members and businesses
- Increase affordable housing options and support for those experiencing homelessness throughout our City
- Reframing safety in a public health, evidence-based and anti-racist approach with community investment to ensure healthy neighborhoods
- Prioritize and support the recovery, resilience and encourage innovation of our workforce, local businesses, and community organizations
- Protect our natural environment through policy and invest in communities to combat climate change
- Increase complete multimodal transportation connections throughout the city

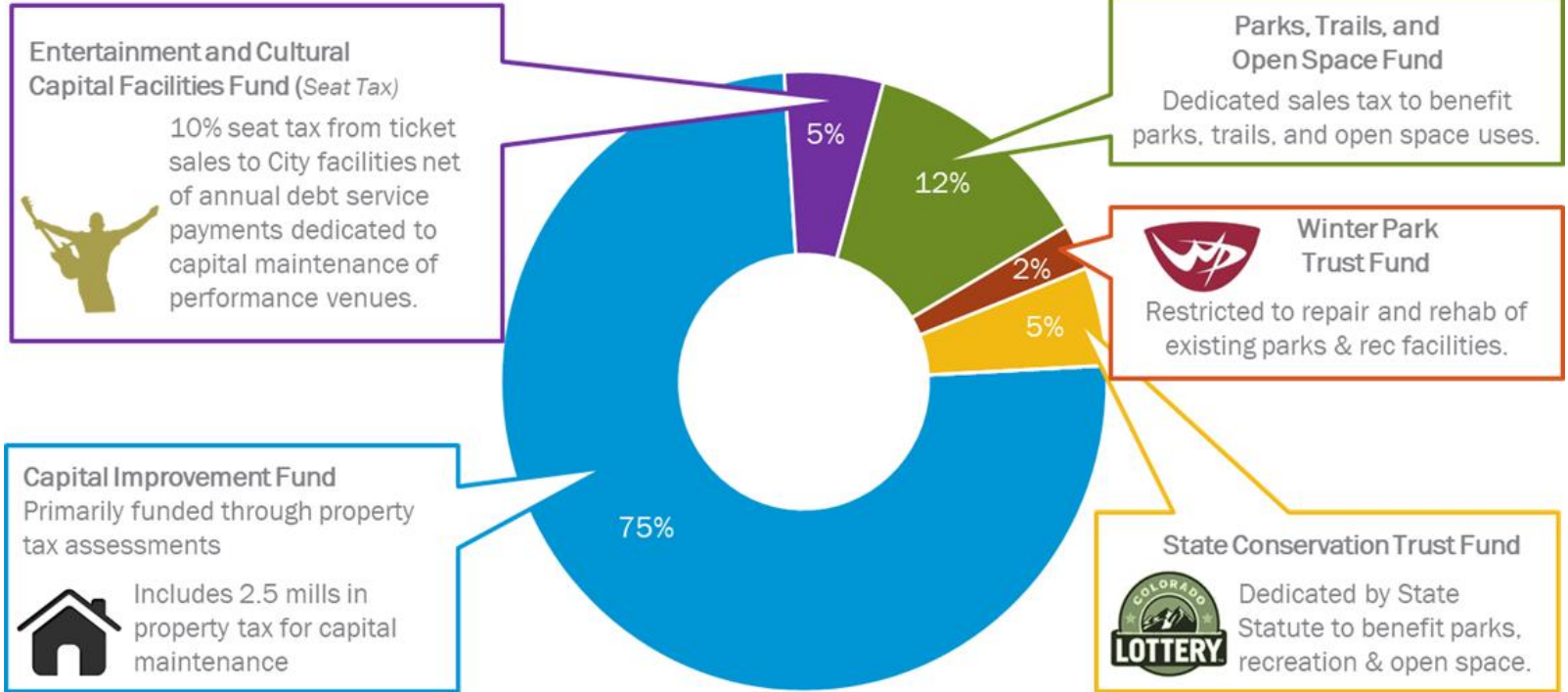
City Council is committed to pursuing a racial equity strategy that helps us advance these priorities in ways that also address structural racism.





Capital Improvement Program

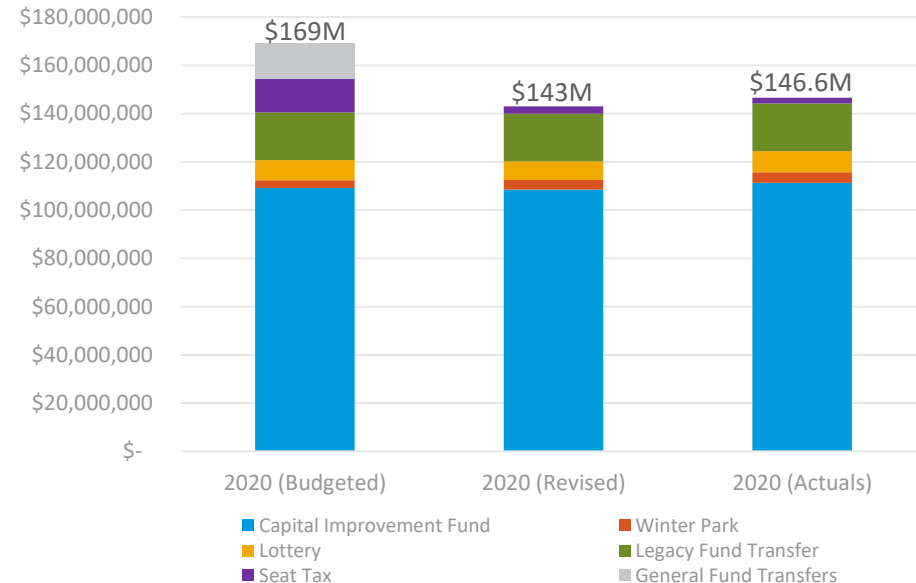
2021 CIP Revenues



2020 CIP Revenue Performance

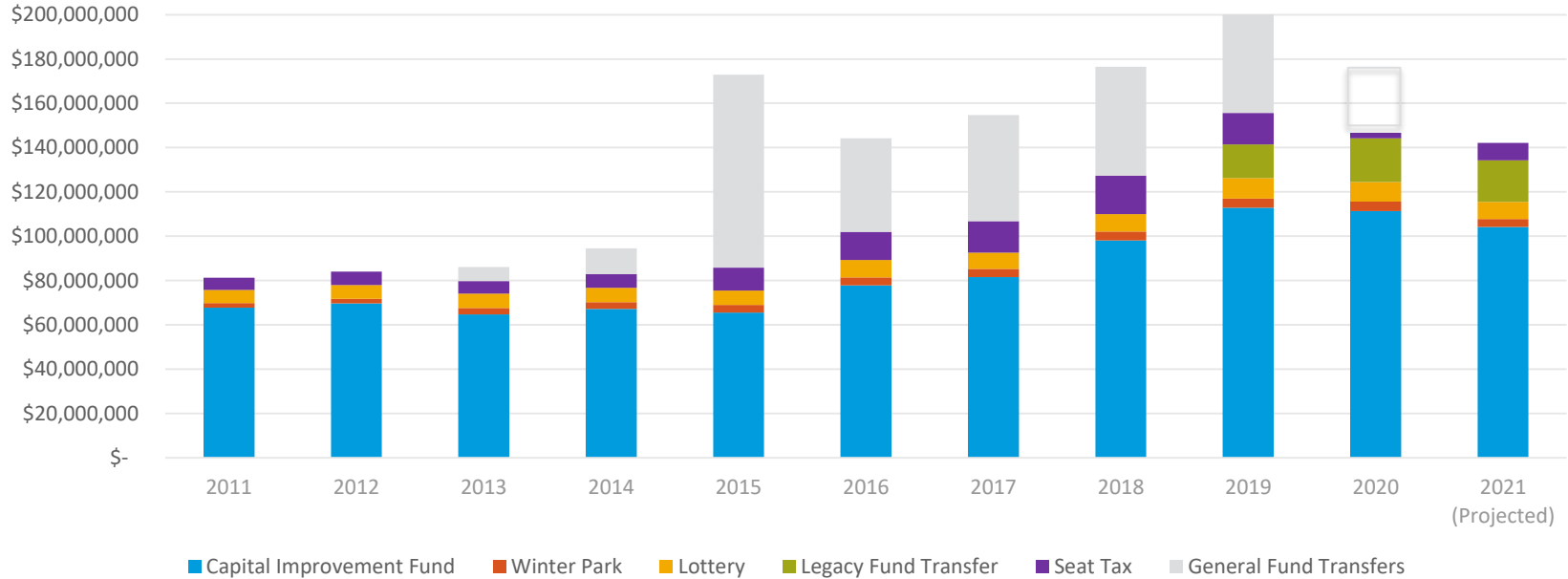
- **Closed 2020 with \$3.4M over performance from mid-year, Revised 2020 forecast**
 - \$2.5M in Capital Improvement Fund with stronger-than-expected revenue in property tax and investment earnings, unexpected real estate transactions.
 - \$1.5M attributable to Winter Park and Lottery, as people recreate outdoors
 - **Seat Tax actuals <\$600,00 than Revised 2020 projections due to refunds on pre-sales tickets for cancelled performances.**

Annual Capital Improvement Program Revenue



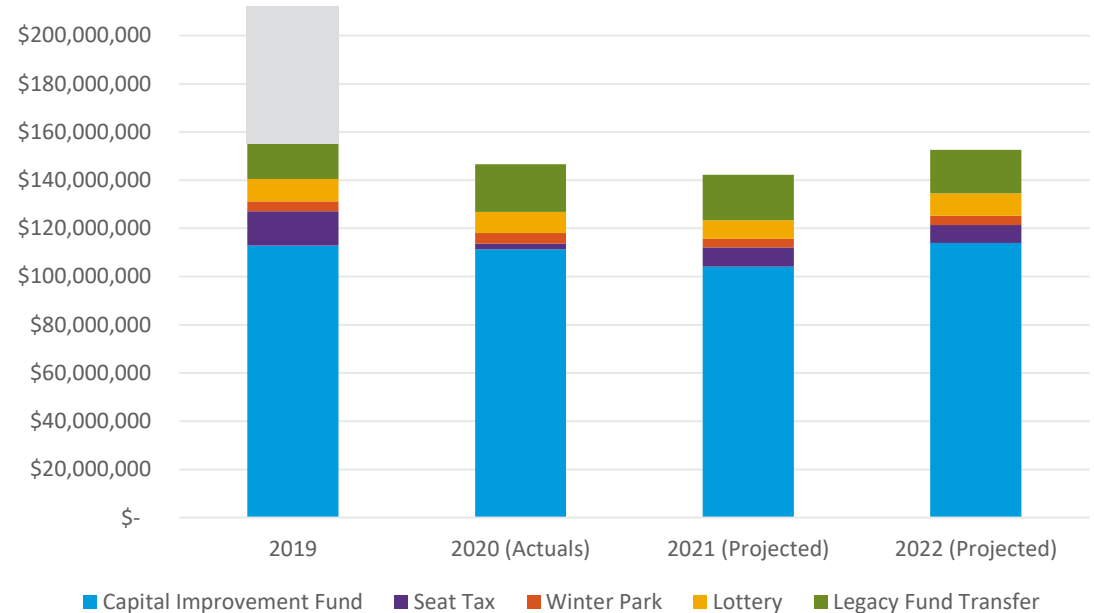
Historical CIP Revenue (2011-2021)

Annual Capital Improvement Program Revenue



2022 – CIP Preliminary Revenue Forecast

- 2022 CIP projected to be \$152.6m in total
 - \$10.5M or 7% increase over the 2021 original forecast not including any transfers.
 - Funding sources continue to be stable
- Will be refined over the budget season



*Subject to change



Next Steps

Comprehensive Funding Timelines

Funding processes are simultaneous and require coordination



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City Council
Review

Nov.
City Council
Vote



Questions?