



2027 Budget Kickoff

Department of Finance

April 28, 2026

Table of Contents

- 2025 Year-End Results
- Economic Update and Outlook
- Launching the 2027 Budget Process:
 - Operating
 - Capital
- Questions/Discussion



2025 Year-End Results

2025 Highlights

- The city's revised revenue projections were accurate: General Fund revenue was only \$2 million below our forecast (within 0.1%)
- Strategic reductions in 2025 worked: the city reduced expenses by more than expected, reducing our draw on reserves
- National credit rating agencies have pointed to this work for why Denver remains AAA/Aaa-rated

Employee Innovation Helped Drive Savings

Employees were asked to submit “red tape reduction” ideas in mid-2025

54

Innovations
Completed

15,789

Staff Hours
Saved

\$2.2M

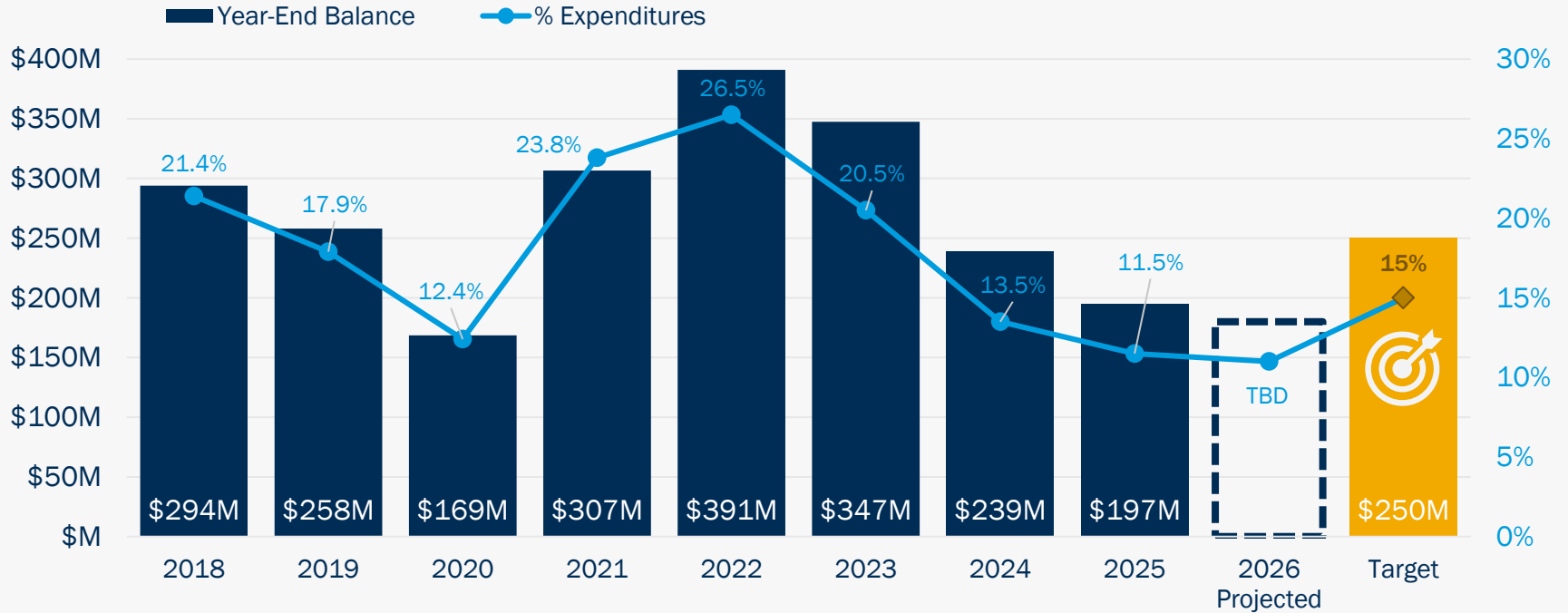
Dollars
Saved

50+ initiatives are still in progress for 2026

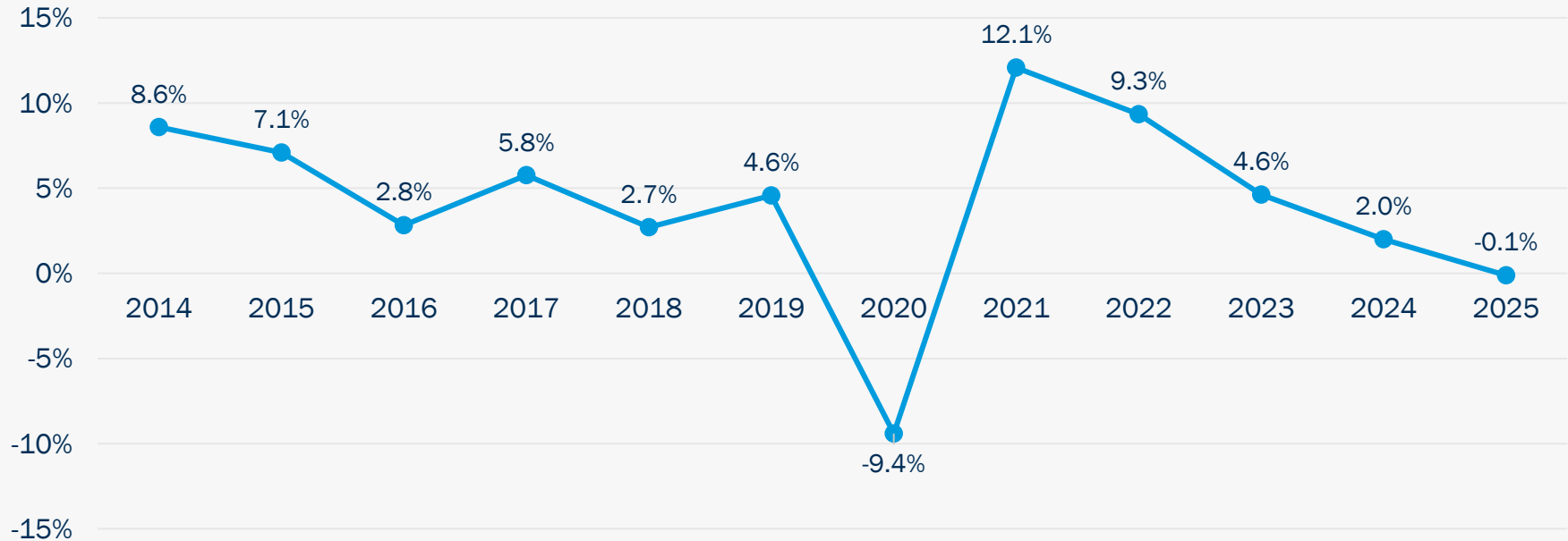
2025 Reserves Slightly Better Than Expected

	2025 Revised	2025 Actuals	Actual vs. Revised
Revenues	\$1.666B	\$1.664B	▼ \$2M Less Than Expected
Expenditures	\$1.727B	\$1.707B	▼ \$20M Less Than Expected
Change in Fund Balance	-\$60.9M	-\$42.8M	▼ \$18M Less Than Expected
Ending Fund Balance	\$179M	\$197M	▲ \$18M More Than Expected
Ending Fund Balance %	10.3%	11.5%	▲ 1.2% Higher Than Expected

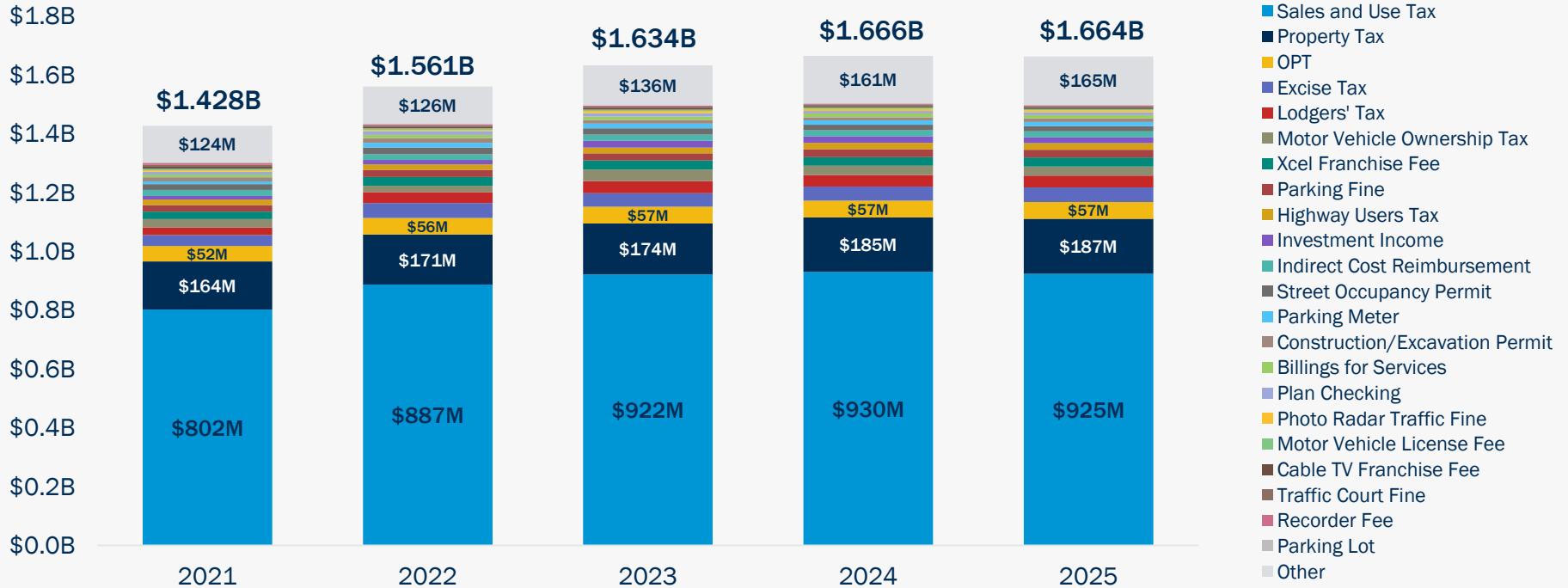
Historical General Fund Reserves



Year-over-Year Revenue Change



2025 Revenue by Source



Revenue Sources

Top 22

1. Sales and Use Tax
2. Property Tax
3. Occupational Privilege Tax
4. Excise Tax
5. Lodgers' Tax
6. Motor Vehicle Ownership Tax
7. Xcel Franchise Fee
8. Parking Fines
9. Highway Users Tax
10. Indirect Cost Reimbursement
11. Street Occupancy Permits
12. Investment Income
13. Parking Meters
14. Construction/Excav. Permits
15. Billings for Services
16. Plan Checking Fees
17. Photo Radar Traffic Fines
18. Cable TV Franchise Fees

19. Motor Vehicle License Fees
20. Traffic Court Fines
21. Recorder Fees
22. Parking Lots

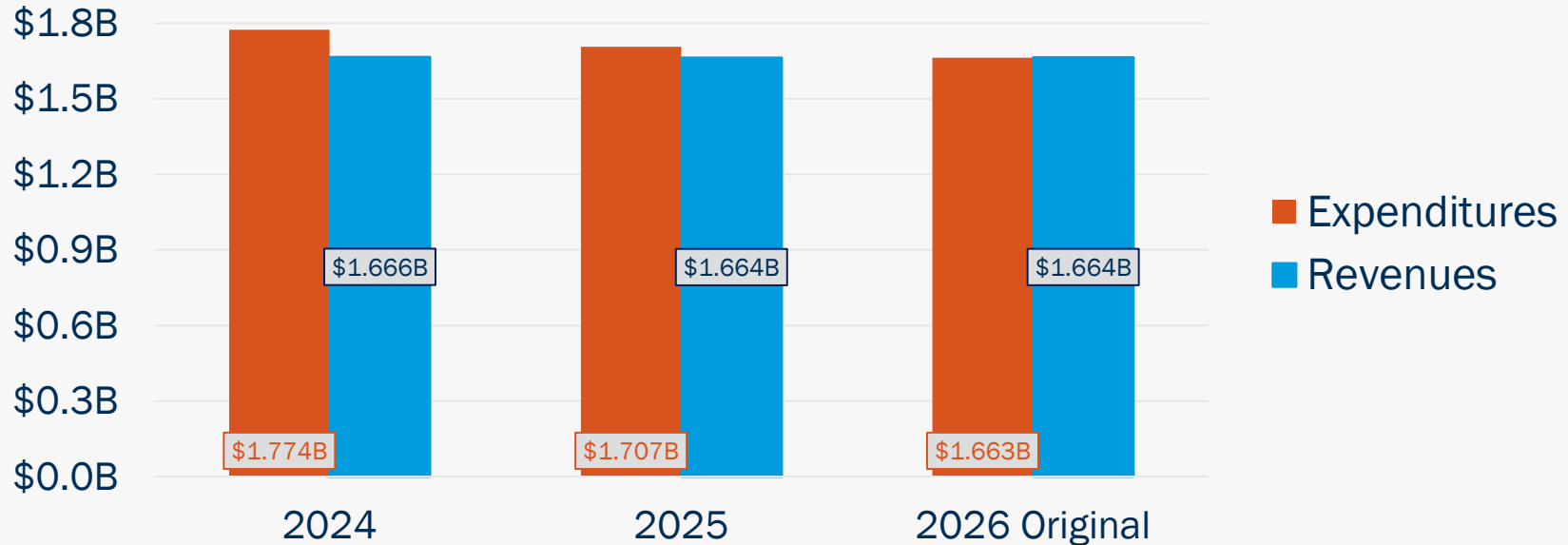
Next 13

23. External Service Charges
24. Membership Fees
25. State Retail MJ Shareback
26. Property Tax Collection Fees
27. Auction Revenue – Auto
28. Electrical Permits
29. Parking Meter Sacking
30. Building Permit Reimb.
31. Fire Permit Fees
32. Fire Annual Inspections Fees
33. Elevator Inspection Fees
34. Misc. Motor Vehicle Fees
35. Marijuana Licensing Fees

Other 300+ Examples

- State Cigarette Tax
- Telephone Company Tax
- Repair/Maintenance Charges
- Street Cut Fees
- Probation Fees
- Storage Charges
- Administrative Penalties
- Facility Lease Rentals
- Restaurant Licenses
- Cabaret/Night Club Licenses
- Fire Alarm Permit
- Boiler/AC Permits
- Criminal Traffic DUI Fines
- Fitness Class Fees
- Reservation Fees
- Ice Cream Vendor Licenses
- Animal Licenses
- Civil Union License Fees

Aligning Expenditures to Revenue



Rating Agencies' Review of Denver

AAA / Aaa – Highest Possible Credit Ratings from All Three Agencies

In early 2026, rating analysts validated Denver's fiscal management and long-term economic trends.

Strong Fiscal Management

- “Strong governance and disciplined financial management” (Moody's)
- “A sophisticated financial management framework, and a historically sound budgetary environment” (S&P)

Adaptability & Resilience

- “Demonstrated ability to implement operating adjustments to address budget shortfalls, align recurring revenues and expenditures, and maintain ... reserve levels” (Moody's)

Economic Opportunity

- Large, diverse economy expected to outperform nation (Moody's)
- Strong demographic and economic indicators (Fitch)
- Core gov't of major metro, making up 1.2% of US GDP (Fitch)

Risks to Monitor

Rating analysts – and the Department of Finance – are monitoring several risks for Denver:



- Strength of General Fund reserves
- Slowdown in revenue growth
- Ongoing government cost pressures (e.g., labor, healthcare)
- Volatile national economy and increasing pressure on consumers

City budget decisions going into 2026 reduced costs and strengthened reserves. This will also be a central focus of the 2027 budget process.



Economic Update and Outlook

Economy on Edge

Current Shocks

- Middle East conflict
- Inequality in wealth
- Fiscal policy / domestic policies
- Tariffs, geopolitics, trade
- AI
- Financial markets

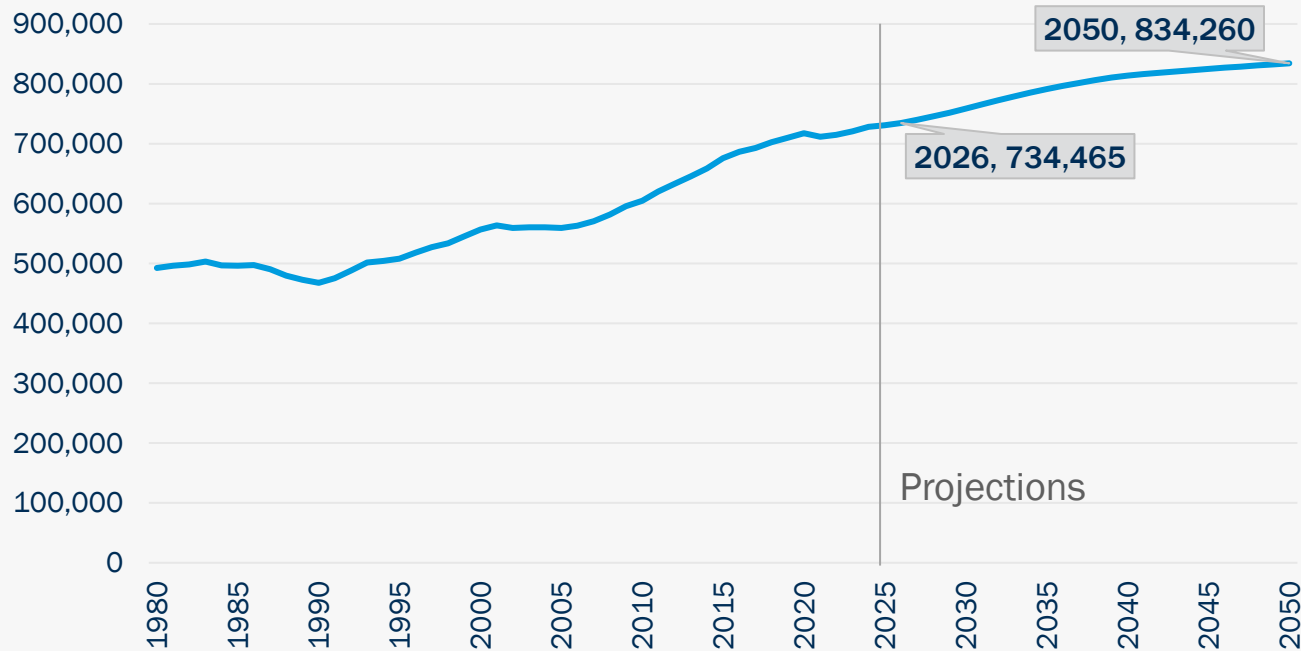
Uncertainty

**upside/downside
risks to outlook**

Constant Factors

- Household spending / saving
- Business investment / hiring
- Demographics / labor supply
- Productivity growth
- Monetary policy

City and County of Denver Population

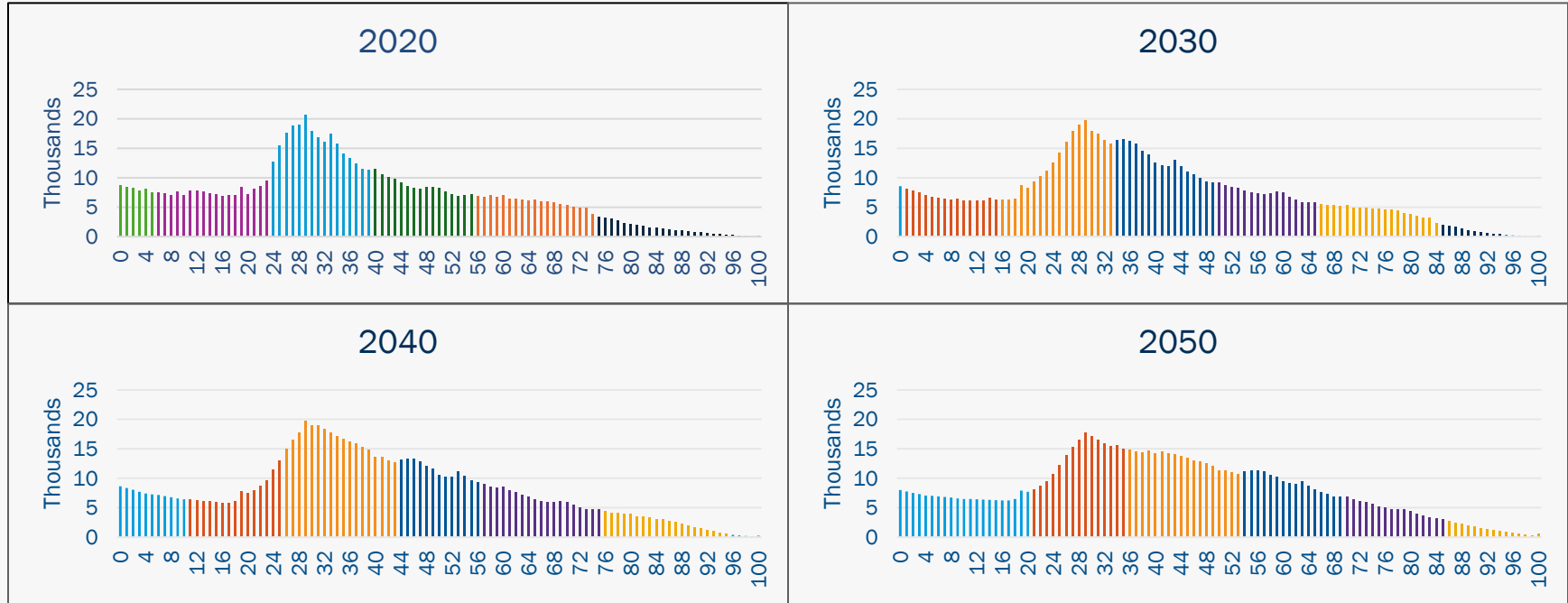


Average Annual Growth by Decade

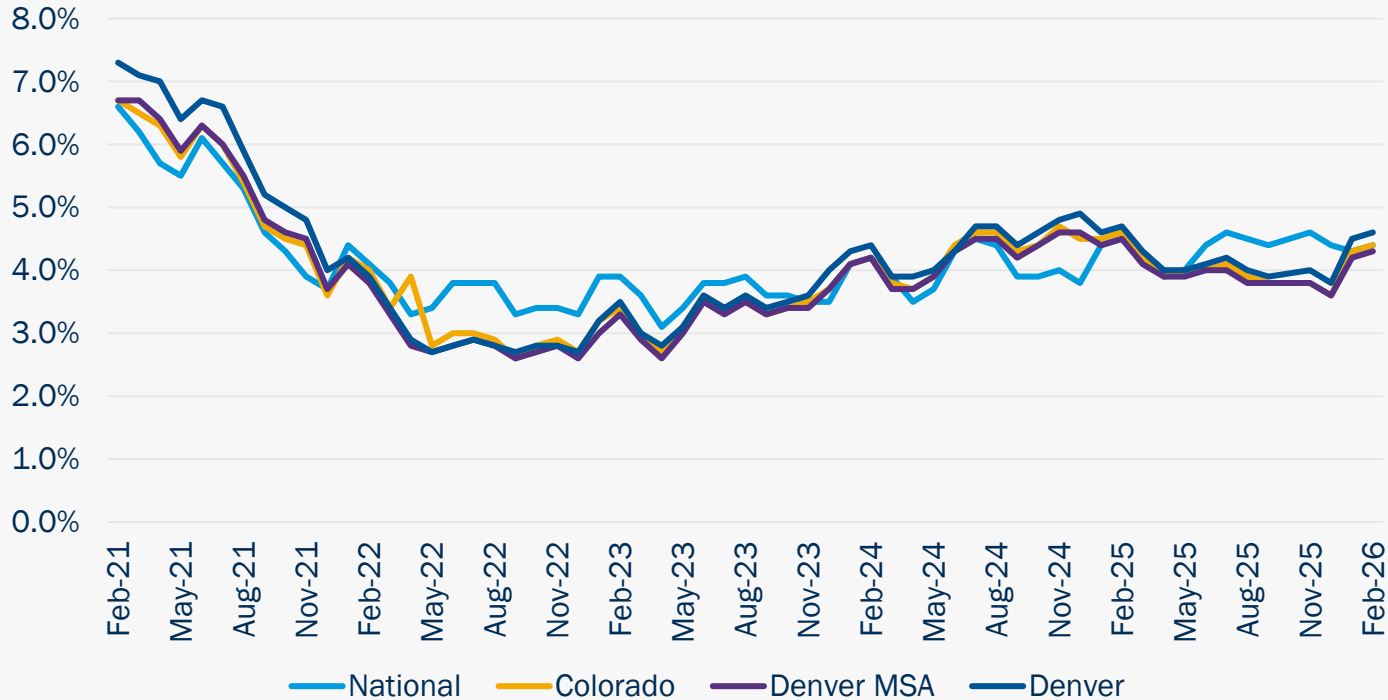
1980s	-2,348	-0.5%
1990s	7,273	1.4%
2000s	5,006	0.9%
2010s	11,457	1.8%
2020s	4,180	0.6%
2030s	5,835	0.8%
2040s	2,221	0.3%

Source: Colorado State Demography Office

Denver's Population by Age and Generation



Unemployment Rate by Region (not seasonally adjusted)



Unemployment Rates

February 2026

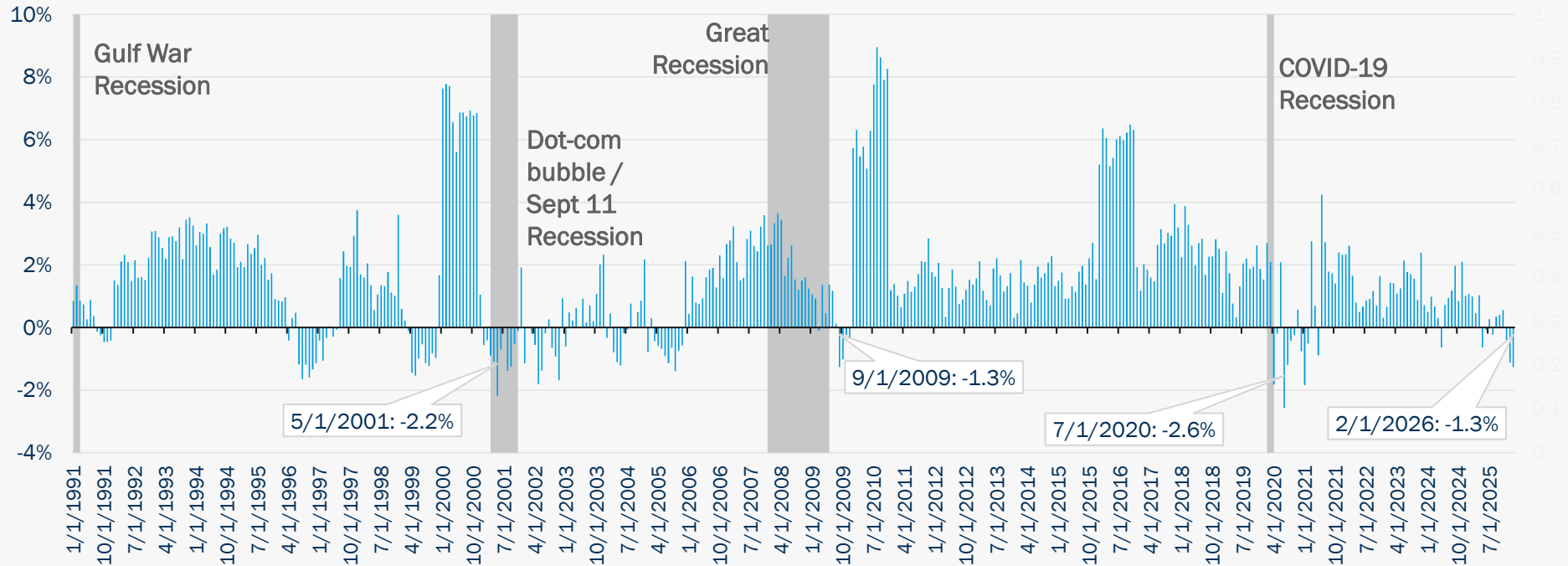
National: 4.4%

Colorado: 4.4%

Denver MSA: 4.3%

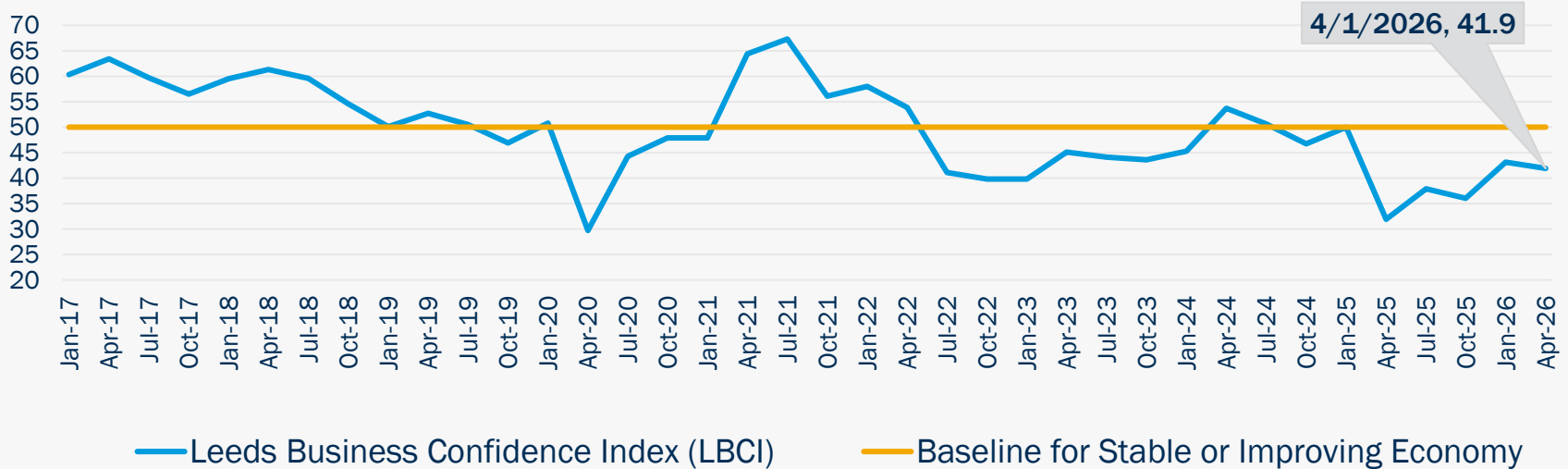
Denver: 4.6%

Denver County Labor Force (YOY % Change, not seasonally adjusted)



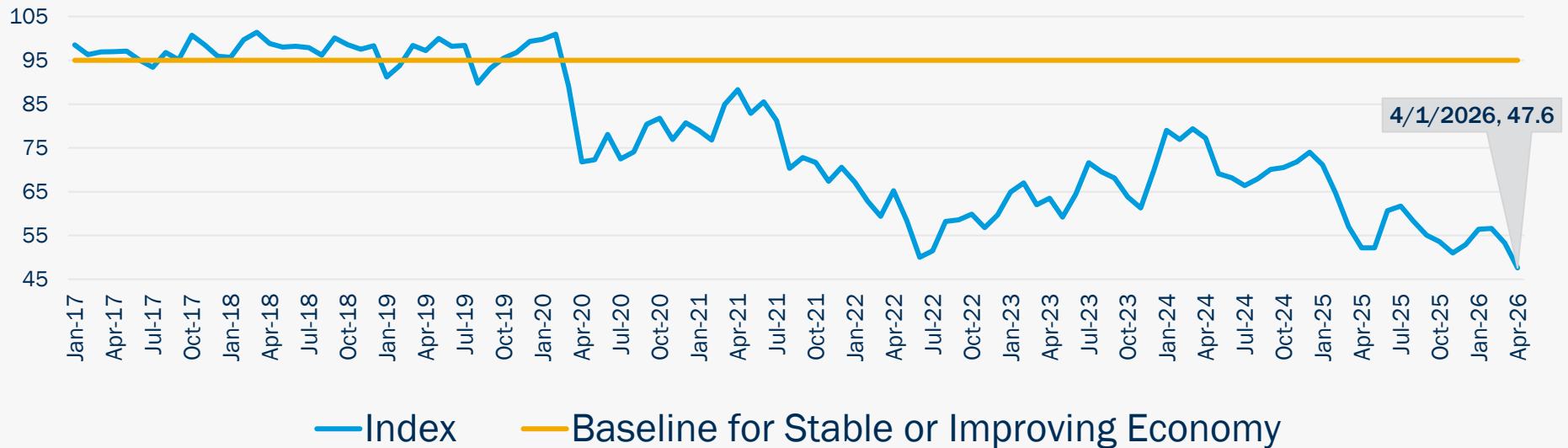
Business Sentiment

Leeds Business Confidence Index



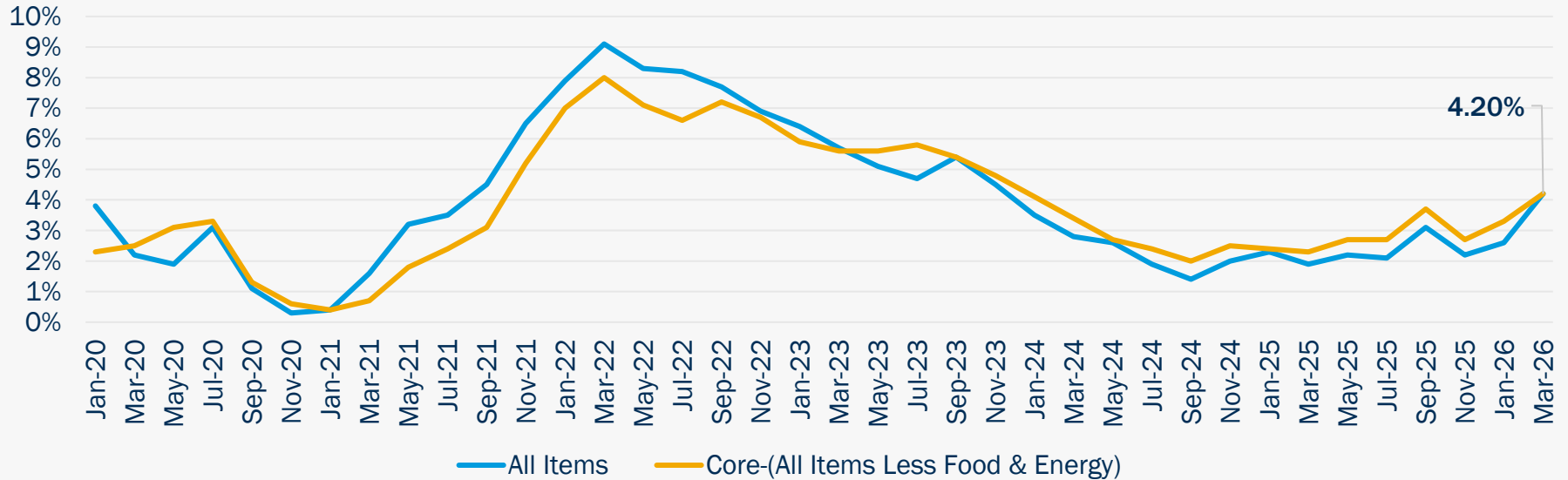
Consumer Sentiment

University of Michigan Consumer Sentiment Index



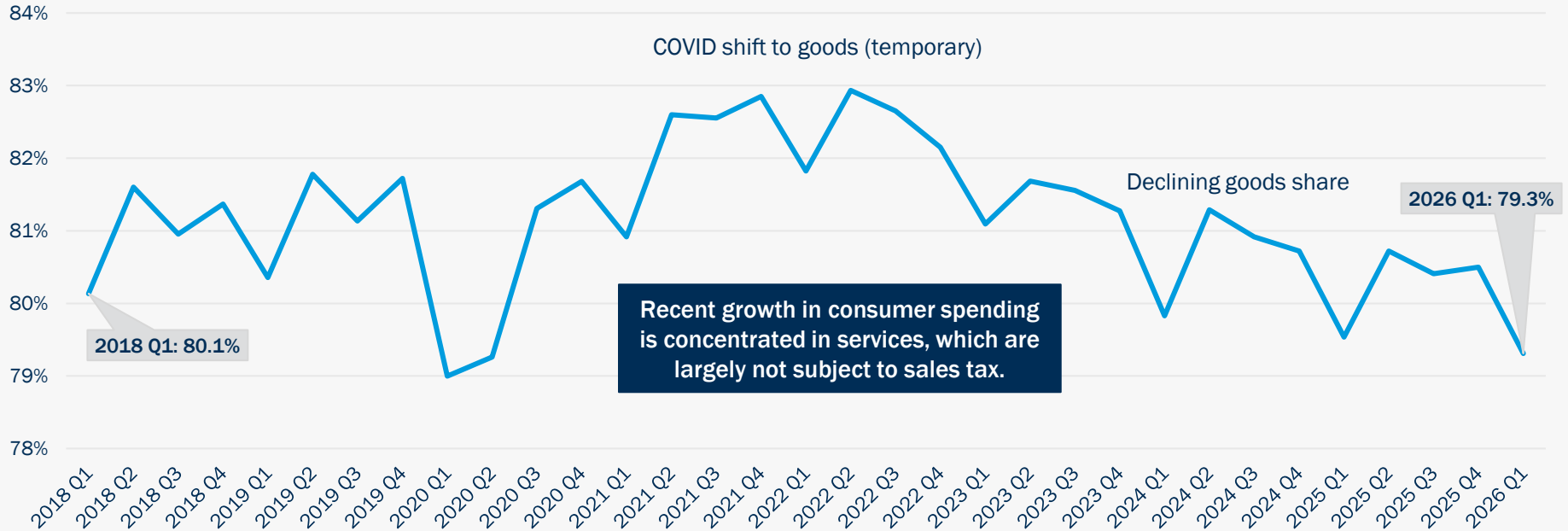
Inflation Spiked in 2021 and 2022

CPI-U Year Over Year Comparison, Denver-Lakewood-Aurora MSA,
Not Seasonally Adjusted



Consumer Spending in Denver Shifts Away from Goods

Goods % of Total Consumer Expenditures



How Denver Forecasts Sales Tax Revenue

Advanced time-series model that combines **revenue trends, local activity indicators, and broader economic conditions** to **forecast future collections**, including delayed and short-term impacts.

Internal Factors

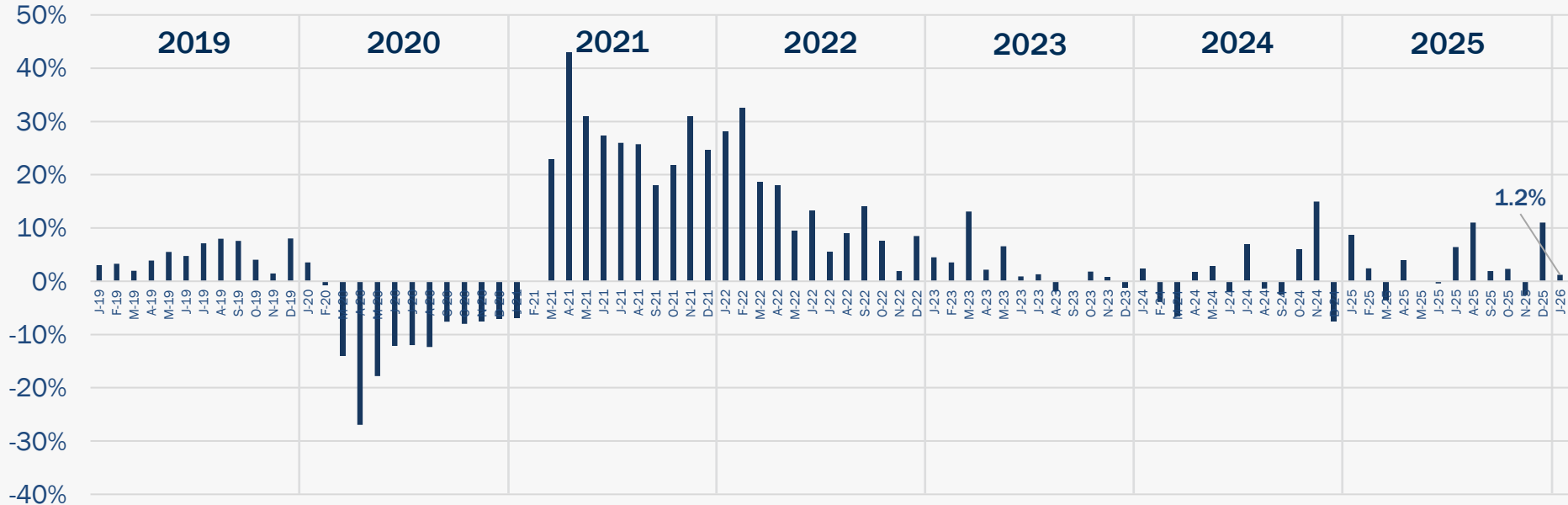
- Historical monthly collections
- Industry collections (retail, restaurants, construction, etc.)
- Weekly foot traffic
- Tourism/travel activity
- Number of establishments
- Household wealth

External Factors

- Inflation
- Interest rates
- Labor market conditions
- Consumer sentiment
- National / regional slowdown
- Special events
- Weather shock

Bottom Line: More responsive forecasting in changing economy.

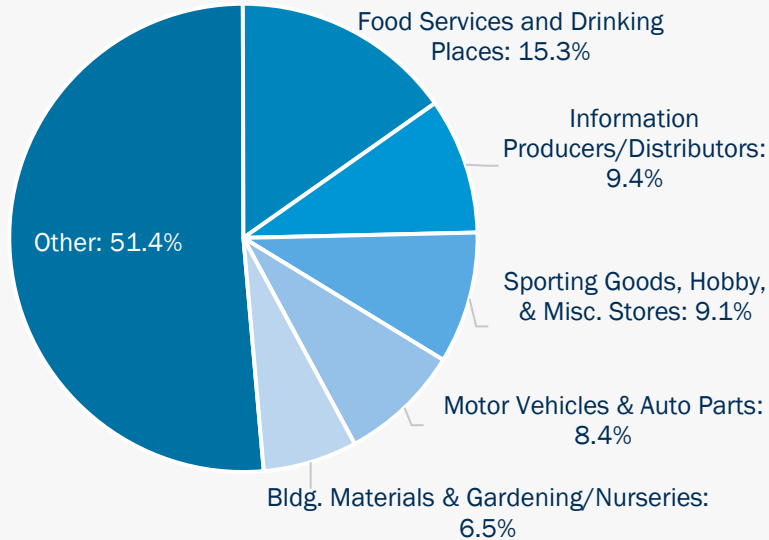
Year-Over-Year Monthly Core Sales Tax



* The Stapleton TIF district terminated in July 2025, and associated sales tax increment started flowing to the General Fund. This graph accounts for that new General Fund sales revenue after that date.

Key 2025 Sales Tax Trends

Share of 2025 Sales Tax Revenue



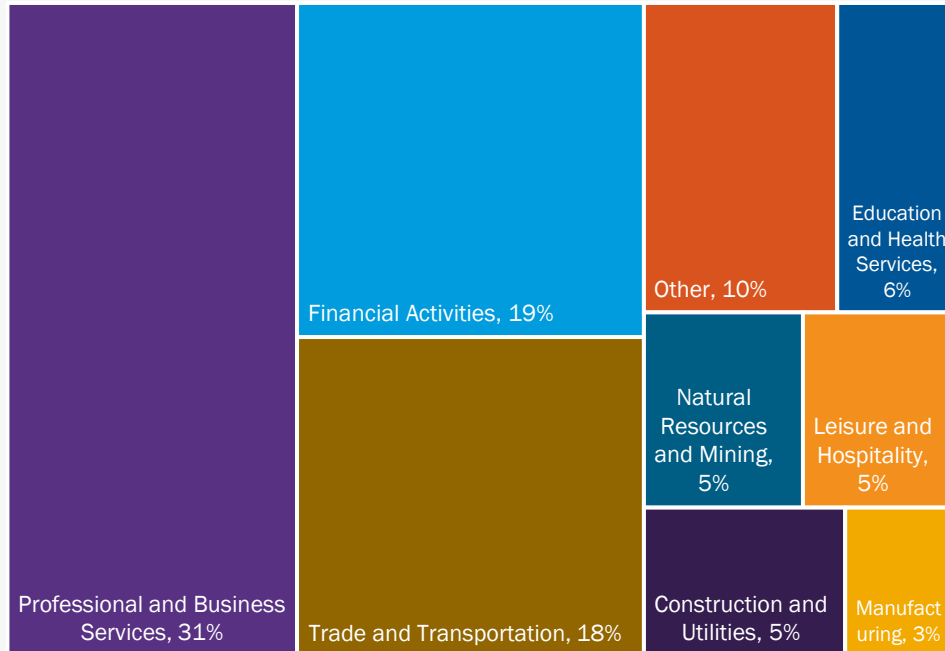
Sales Tax Industry Sector Growth

2025 Y/Y%
Change

Other	0.58%
Food Services and Drinking Places	1.40%
Information Producers/Distributors	24.76%
Sporting Goods, Hobby, & Misc. Stores	4.18%
Motor Vehicles & Auto Parts	-3.29%
Bldg. Materials & Gardening/Nurseries	-15.03%

Economic Composition

Denver



Minneapolis



Why is Sales Tax Revenue Flat?

Likely Drivers



Shift Away from Taxable Goods

- Spending has shifted from goods to services – many services not taxed



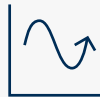
Household Budget Pressure

- Higher costs for essentials (housing, groceries, gas) mean less discretionary income
- Job uncertainty
- Rising credit card debt

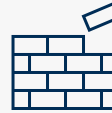


Low or No Growth

- Tourism; population not growing; aging population
- Inflation boost has faded



What This Means



Structural, Not Cyclical

- Long-term shifts in spending patterns likely to continue



Without Action, May Linger

- Worsening economic forecasts

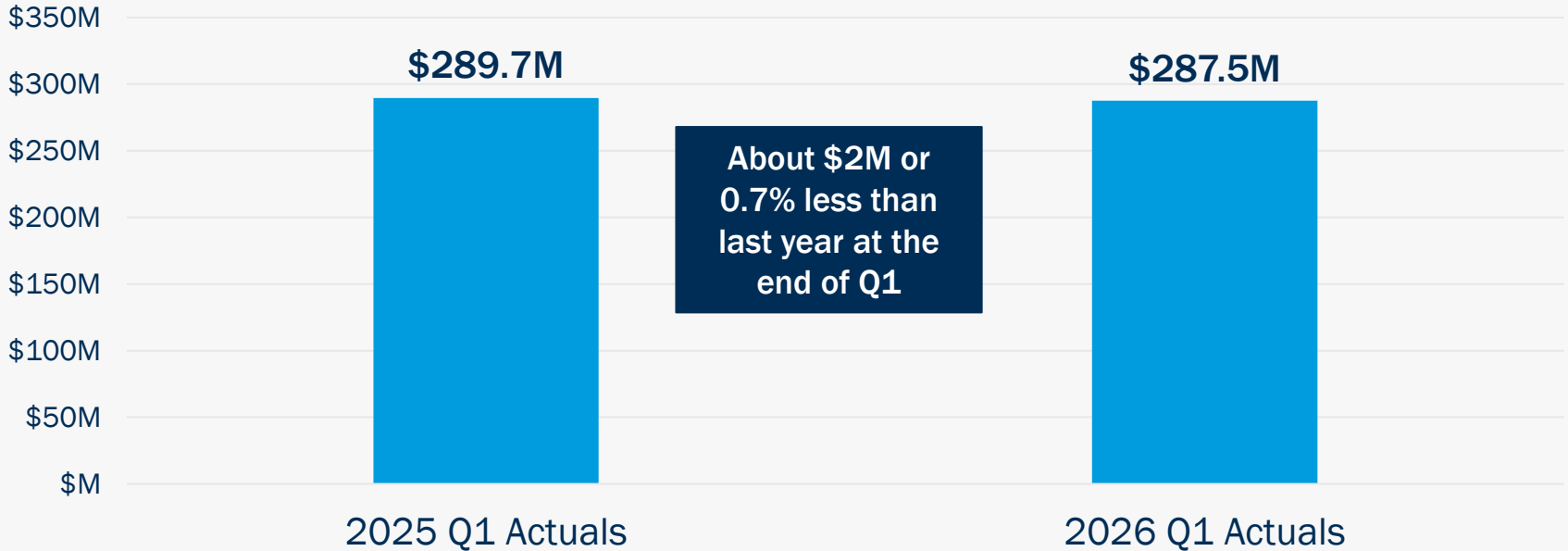
Other Cities: Making Cuts or Raising Taxes

- **State of Colorado:** [“...Major cuts to address roughly \\$1.5 billion shortfall”](#)
- **Cherry Creek Schools:** [“...Slash 159 jobs as district cuts \\$23 million from budget”](#)
- **New York City:** [“Clash over competing plans to close budget gap”](#)
- **Los Angeles County:** [“7% spending reduction following hiring freeze”](#) | [“LA and Bay Area voters will decide whether to hike already high sales taxes”](#)
- **Kansas City:** [“Every budget has become tighter than the last”](#)
- **Phoenix:** [“Tax Rates...Increase Starting July 1”](#)



2027 Budget Process

2026 Year-to-Date Revenue Received



Note: Only January and February sales tax revenues are reflected in actuals as of the end of Q1 of each year. March sales tax revenues are not reflected in actuals until Q2.

2027 Guidance

- Revenue in 2027 is expected to remain flat.
- The hard decisions we made last year mean we are starting in a better position this year. Tradeoffs will still be needed to address rising costs but are not expected to be at the same magnitude as last year.
- The Budget and Management Office will work with agencies individually given each's unique circumstances.
- We don't know yet what Q2–Q4 of 2026 will look like. We must continue to monitor economic trends and respond appropriately during this budget process.

2027 Budget Process Calendar

- April 27: City Council Proposed 2027 Budget Priorities
- April 28: Budget kickoff at City Council's Finance & Business Committee
- May 14: City Council 2027 Budget Workshop
- August 25: Budget 101 and Economic Indicators at Finance & Business Committee
- By September 15: Release of Mayor's Proposed 2027 Budget
- Late September: City Council budget hearings
- October 19: Deadline to submit revised draft budget to City Council
- October 26: Deadline for Council to hold public hearing on budget
- November 2: Deadline for Council to propose amendments to budget
- November 6: Deadline for Mayor to respond to Council amendments
- November 9: Deadline for Council to adopt the budget
- November 23: Deadline for Council to approve the 2025 Long Bill
- December 21: Annual mill levy certification



Xcel Franchise Fee

- ✓ Voters must approve the Xcel franchise, which expires Dec. 31, 2026
- ✓ The franchise fee generates over \$30M annually for the General Fund
- ✓ But the vote will not occur until Nov. 3, 2026, at the earliest

[City Charter § 7.1.3](#): “Revenue estimates that depend on ordinances that set tax rates, fees, charges and other similar sources of receipts shall be based on already enacted ordinances excluding the ordinance to establish the mill levy...”



Equity in the Budget Process

Budget Engagement with OSEI

In partnership with BMO, the Office of Social Equity and Innovation provides tools, guidance, and insight to help agencies embed equity into every aspect of the city's budgeting process.

- ✓ **Front-End Engagement**: Agencies and executive directors should engage directly with dedicated EDI administrators for their agency who offer data, resources, and strategic recommendations to shape agencies' budget changes through an equity lens.
- ✓ **Review of Proposals**: BMO partners with OSEI to ensure equity is considered throughout the evaluation of proposals.
- ✓ **Budget Finalization**: OSEI provides guidance on reducing potential harm and enhancing equitable outcomes as senior city leaders make final budget decisions.



2027 Capital Budget Process

Use of Capital Funds

Acquisition, repair, or rehabilitation of assets that last for 15 years or more; nonrecurring costs in excess of \$10,000.

Allowable

- Construction
- Design
- Capital planning studies
- Asset condition evaluations
- Community outreach associated with capital projects
- Professional services associated with capital projects

Unallowable

- Travel and training
- Food
- Clothing
- Tools
- Marketing materials
- Dues and Subscriptions
- Vehicles
- Equipment
- Staff time

Special Considerations for Financed Capital Programs

- Temporary and/or traveling art installations
- Bonuses in construction contracts
- Studies
- Options on real property
- Building supplies to open a new facility

Capital Portfolios



**Parks &
Recreation**



**Transportation
& Mobility**



Buildings

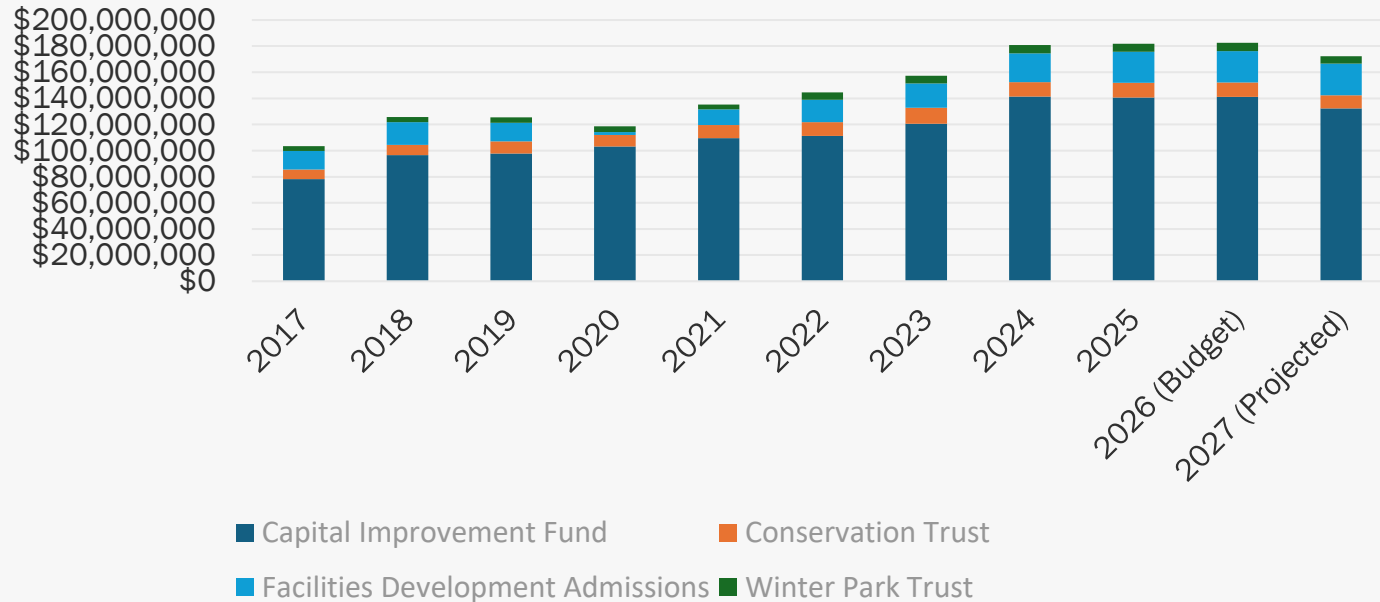


**Water,
Health &
Environment**



**Arts, Culture
&
Entertainment**

Core Capital Revenue Trends



Updating the Six-Year Capital Improvement Plan (CIP)

- Updated every two years on a rolling basis
- An update is not a new plan
- Plan will continue to have a six-year look (e.g., through 2032)
- Integrated into 2027 budget process
- Allows for continuous communication and project updates throughout the life of the plan and subsequent updates



denvergov.org/sixyearCIP

Timeline

Spring

- Budget Kickoff at Council
- Council CIP Briefings



Summer

Six-Year CIP development process

Fall

- Annual budget release and budget hearings with City Council
- Second round of CIP Council Briefings w/ project updates

Winter

Final Six-Year Plan published along with 2027 appropriations

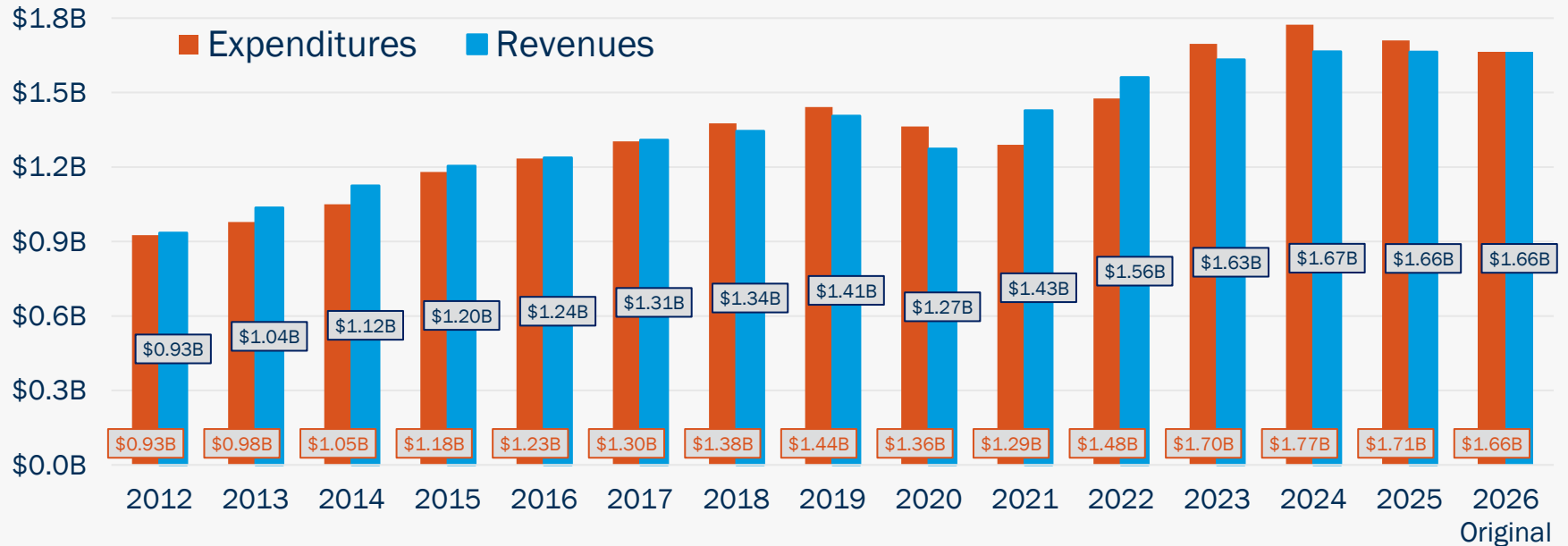


Questions / Discussion



Appendix

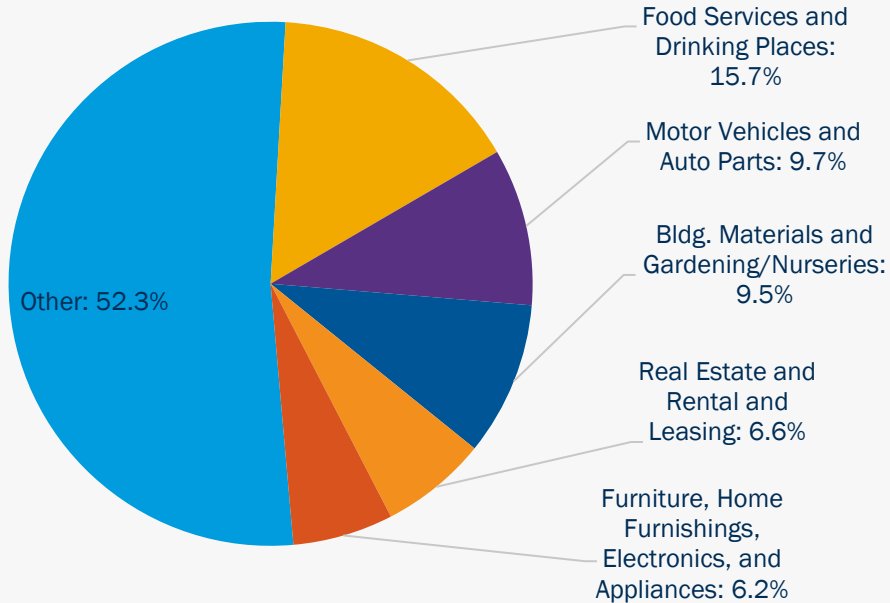
General Fund Expenditures and Revenues



2017 Sales Tax Trends

(total YOY growth 6.4%)

Share of 2017 Sales Tax Revenue



Sales Tax Industry Sector

2017 Y/Y% Change

Other	6.8%
Food Services and Drinking Places	6.0%
Motor Vehicles and Auto Parts	5.9%
Bldg. Materials & Gardening/Nurseries	9.3%
Real Estate and Rental and Leasing	10.0%
Furniture, Home Furnishings, Electronics and Appliances	3.7%

Historical Spend-Down of GF Contingency

