



2024 Budget Kick Off

Budget and Management Office
May 2023

Agenda

- Economic overview
- General Fund performance
- 2024 operating budget
- 2024 capital budget
- Next steps and time for questions



Economic Overview

Department of Finance

Lisa Martinez-Templeton, Chief Economist and Data Scientist

Economic Recovery Underway, but Fragile

Optimistic Signals of Recovery

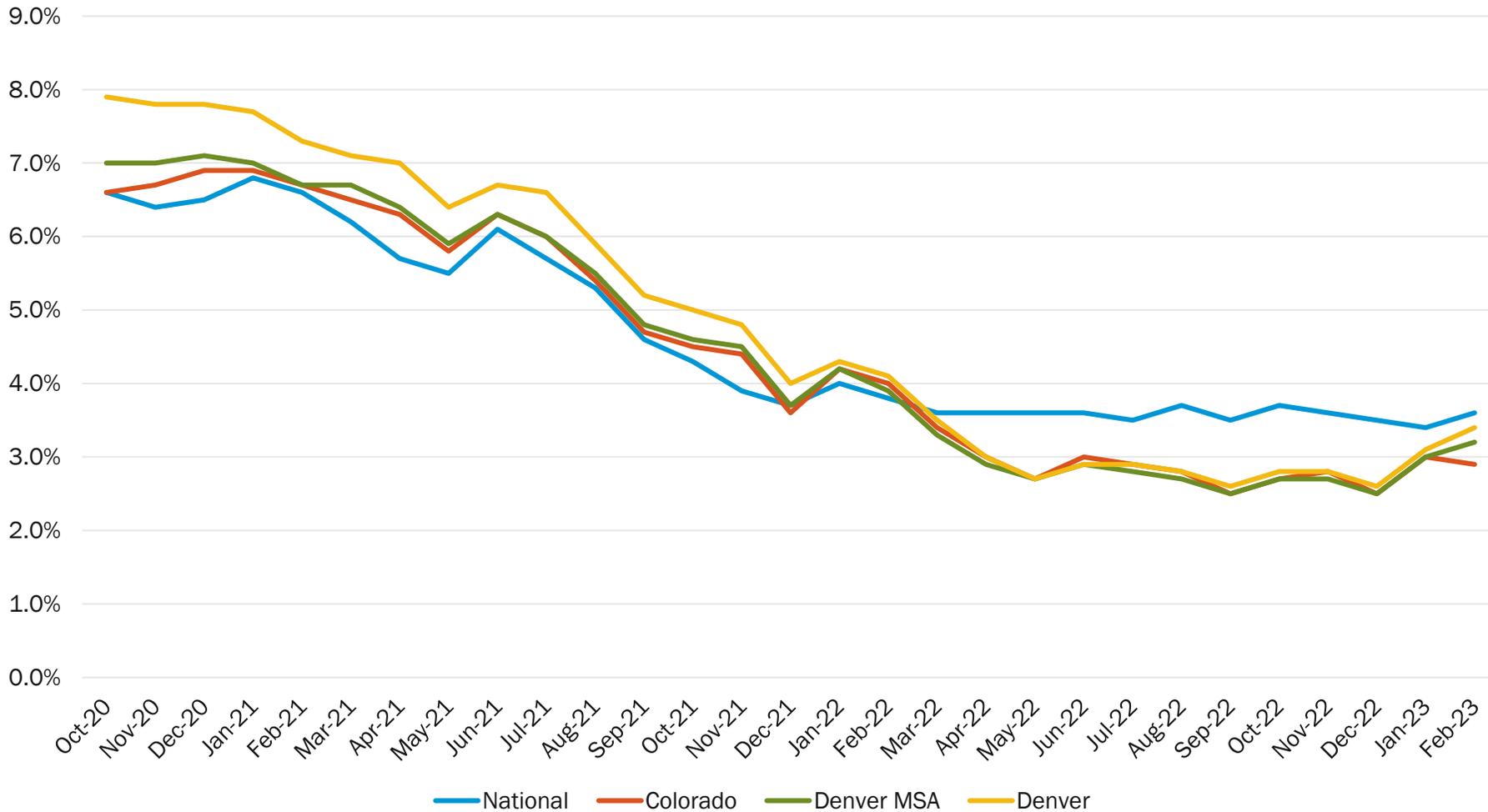
- Unemployment rate is remaining stable at city/regional, state, and national levels
- Drags from supply constraints will gradually lesson.
- Inflation will continue to slow.
- Jobs will remain plentiful.
- Fundamental supports to consumers remain in place, allowing trend growth to hold steady, if not accelerate modestly.

Concerns

- Wage gains are slowing.
- Affordable housing stock
- Excess savings drawdown will decline.
- Wealth is low.
- Higher interest rates showing signs of weighing on economy.
- Ending of pandemic-era food stamp program.
- Another jump in energy prices

Unemployment Rate by Region

(not seasonally adjusted)



Unemployment Rates

February 2023

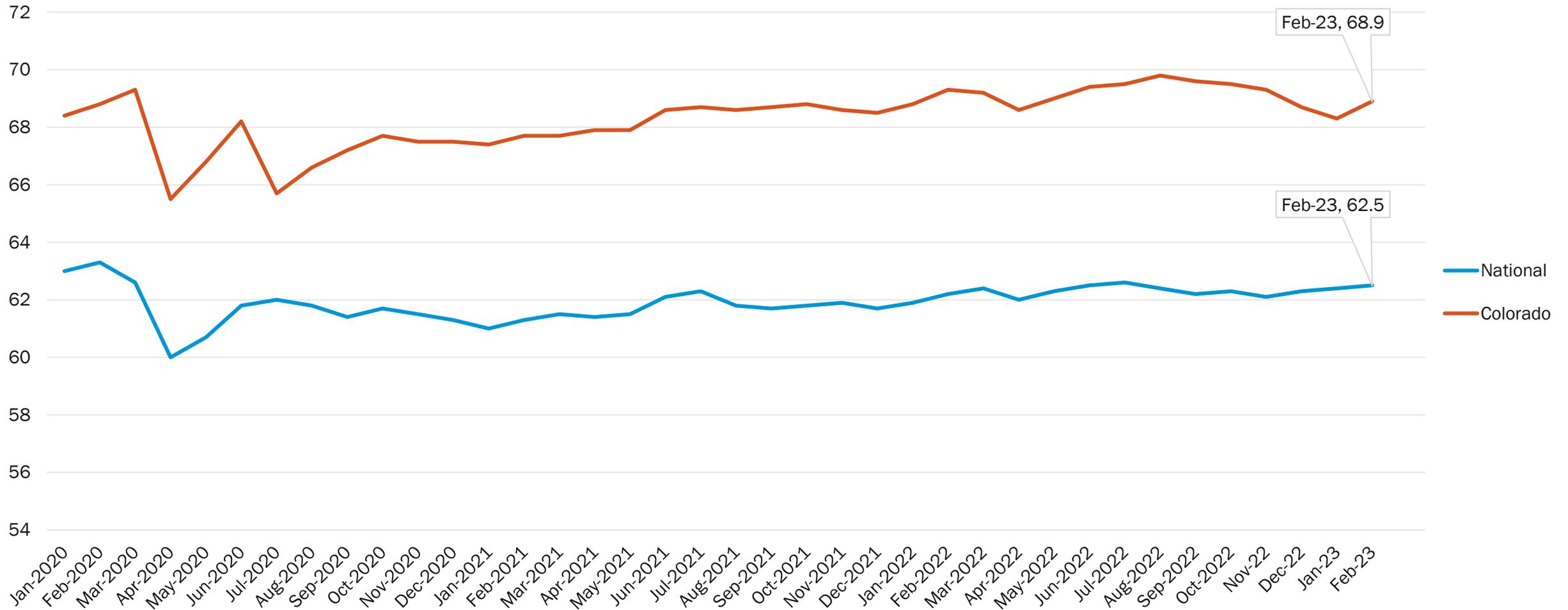
National: 3.6%

Colorado: 2.9% (P)

Denver MSA: 3.2%

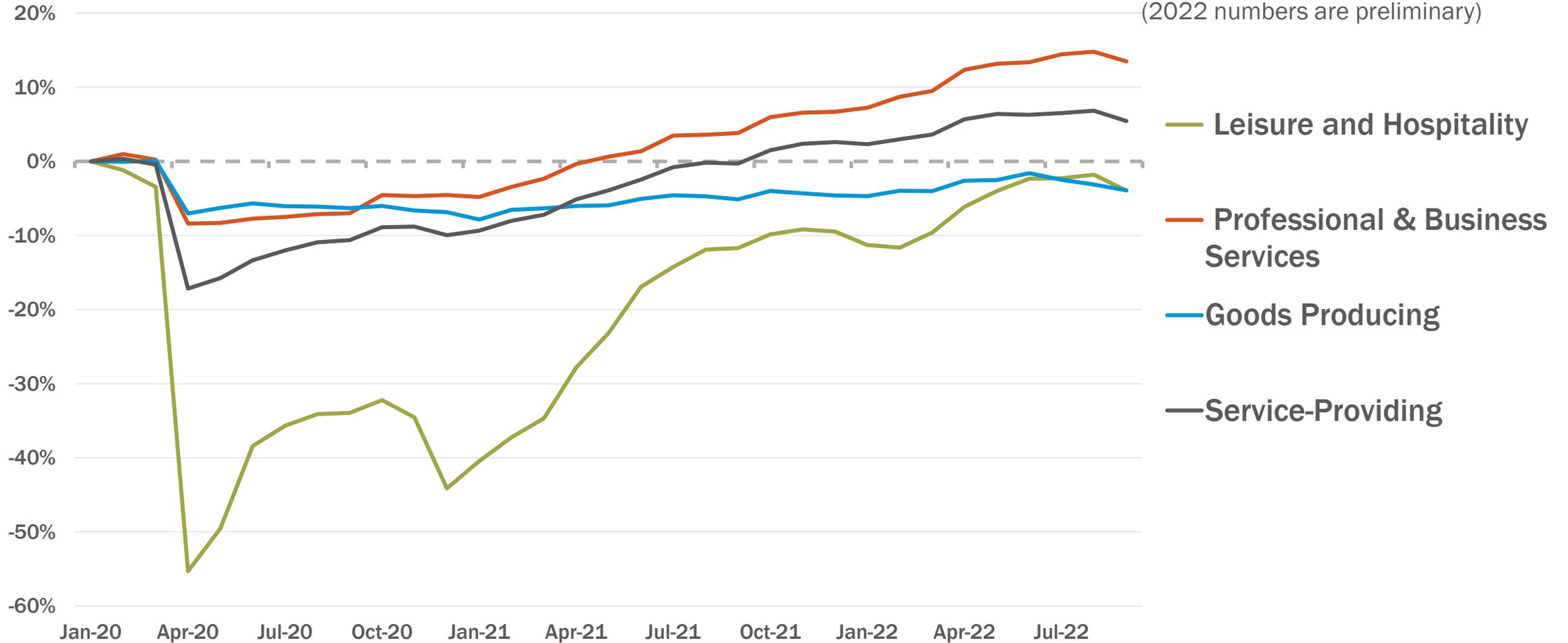
Denver: 3.4%

Labor Force Participation Rate



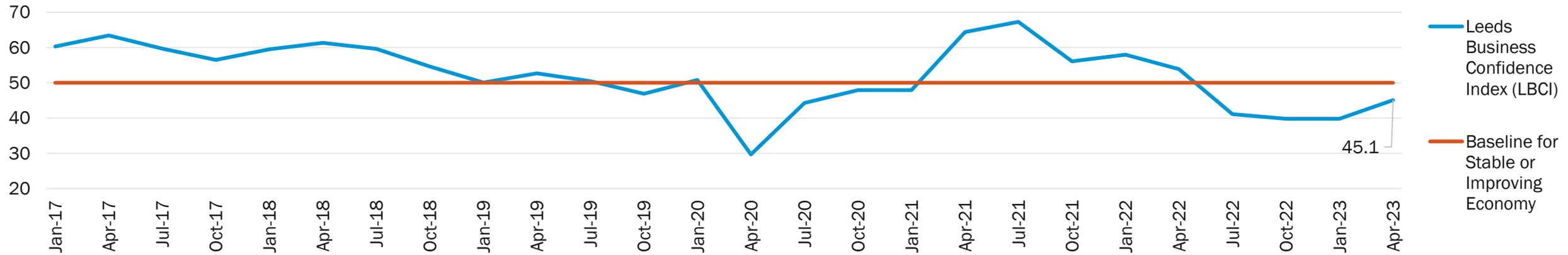
Percent Change in Employment by Industry

(compared to January 2020, not seasonally adjusted)
(2022 numbers are preliminary)

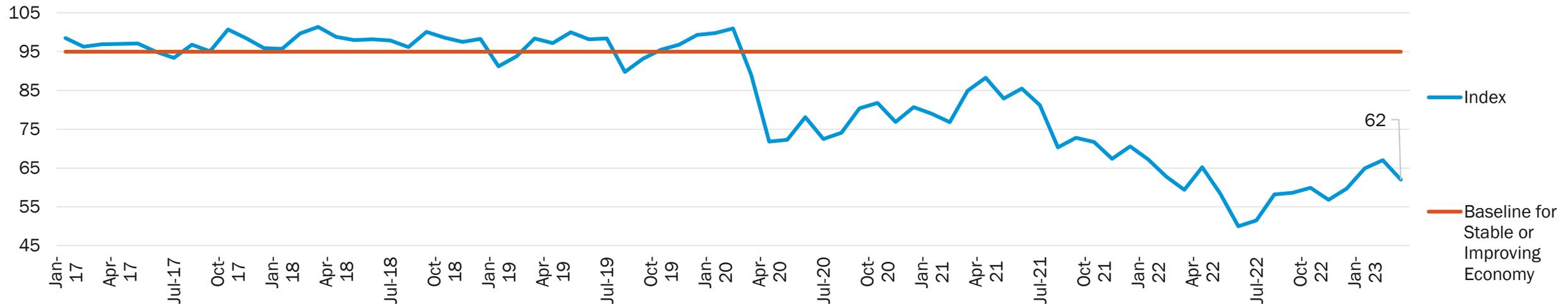


Business and Consumer Sentiment

Leeds Business Confidence Index

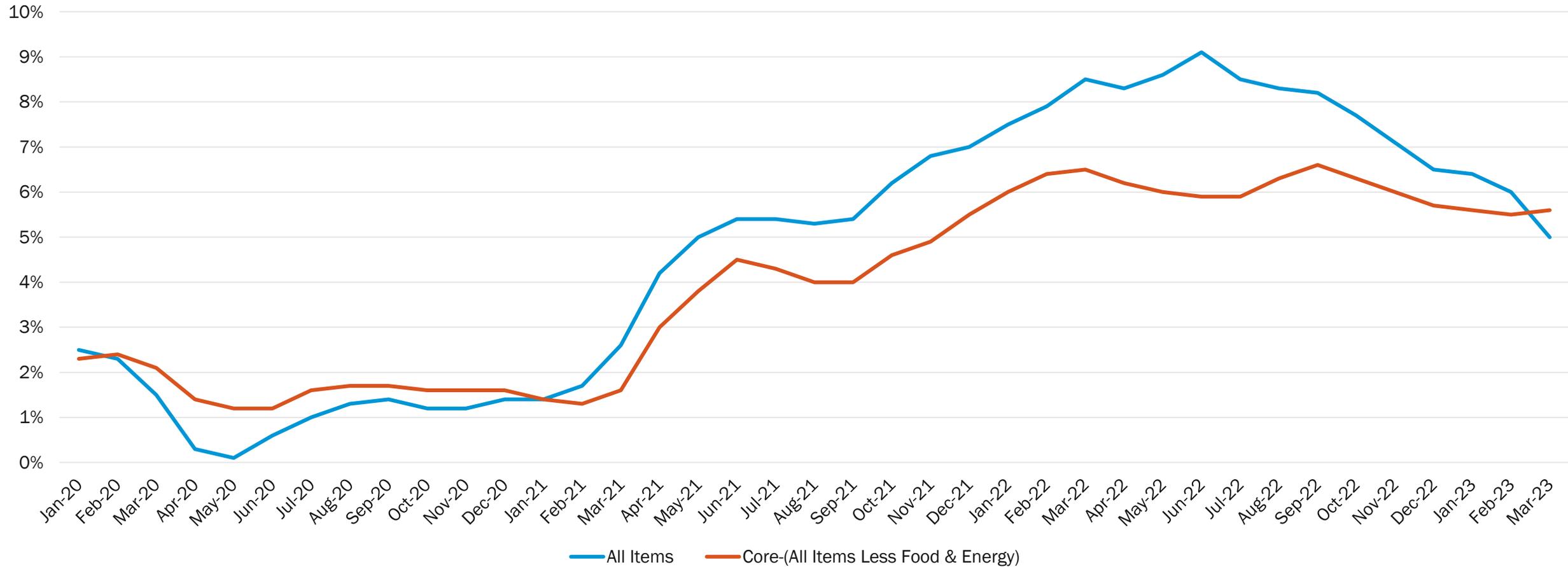


University of Michigan Consumer Sentiment Index



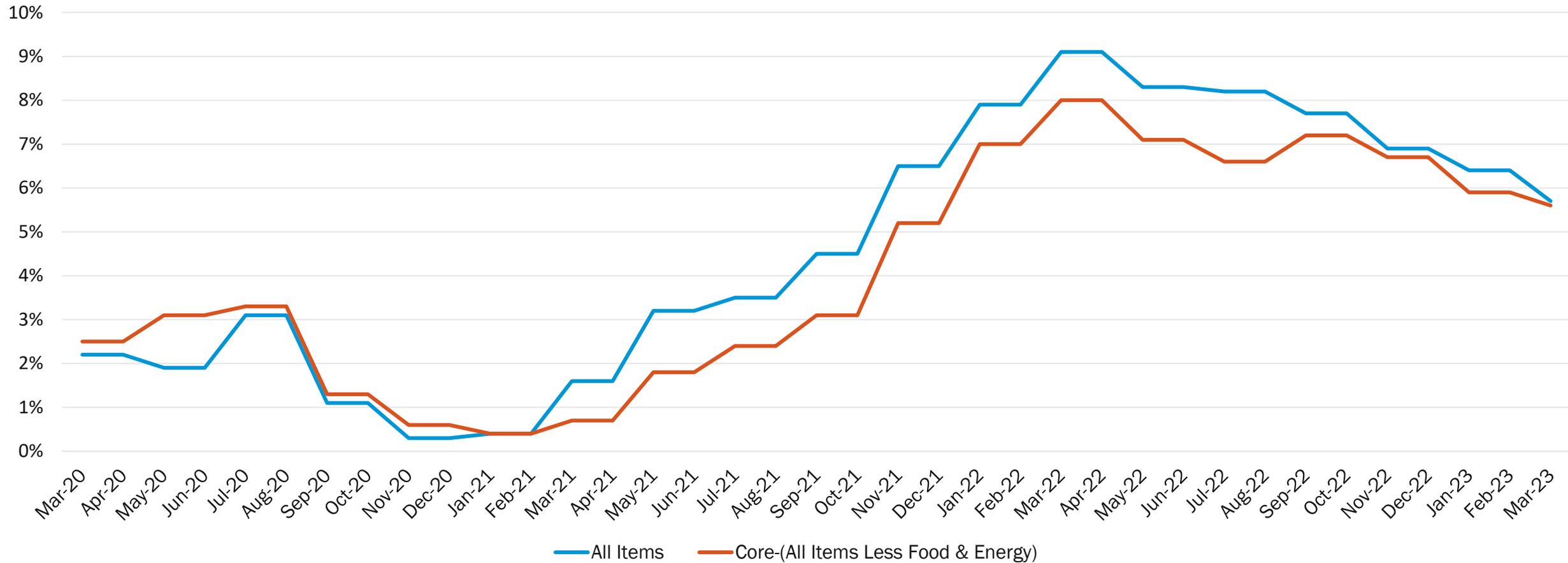
Inflation – all U.S. cities

CPI-U Year Over Year % Change, Seasonally Adjusted



Inflation – Denver MSA

CPI-U Year Over Year % Change, Not Seasonally Adjusted



Housing Prices

Assessor's Office Valuation Statistics

August 2022

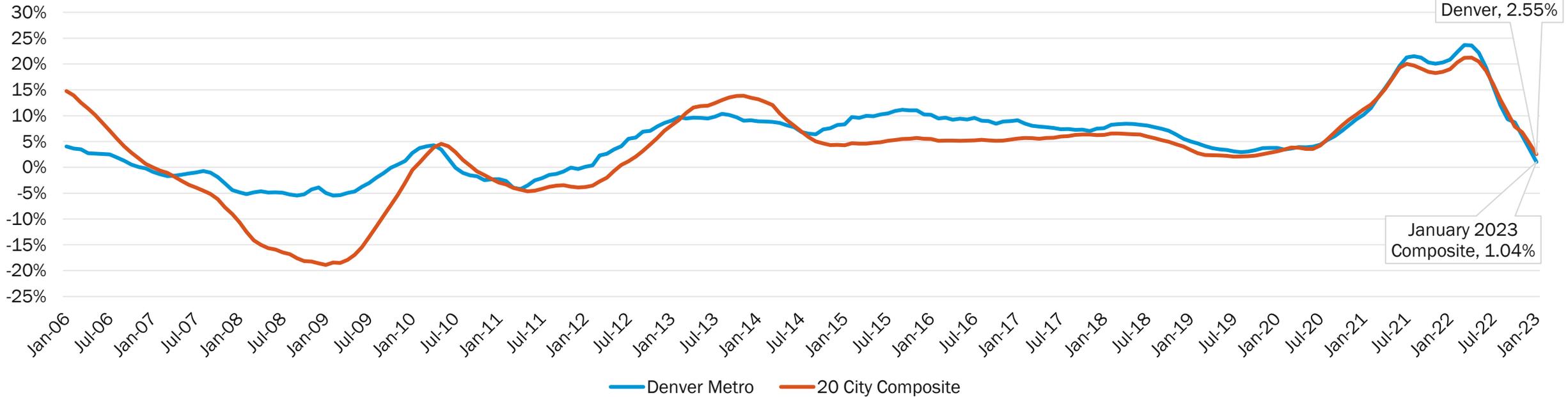
Single Family Average : \$574,056

Single Family Median : \$471,200

Multi-Family Average : \$381,580

Multi-Family Median : \$292,500

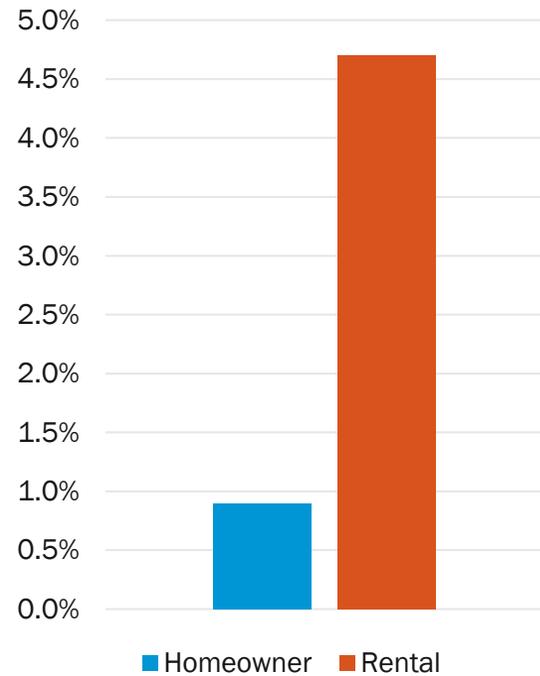
Year-Over-Year Percent Change in S&P/Case-Shiller Home Price Indices



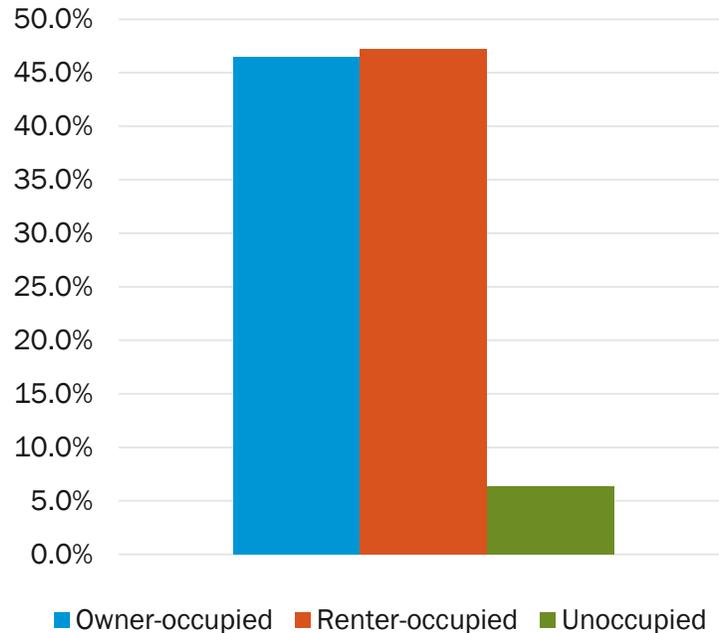
Housing By Unit Type

Census: American Community Survey (ACS) 2021 5-yr estimates, Denver County

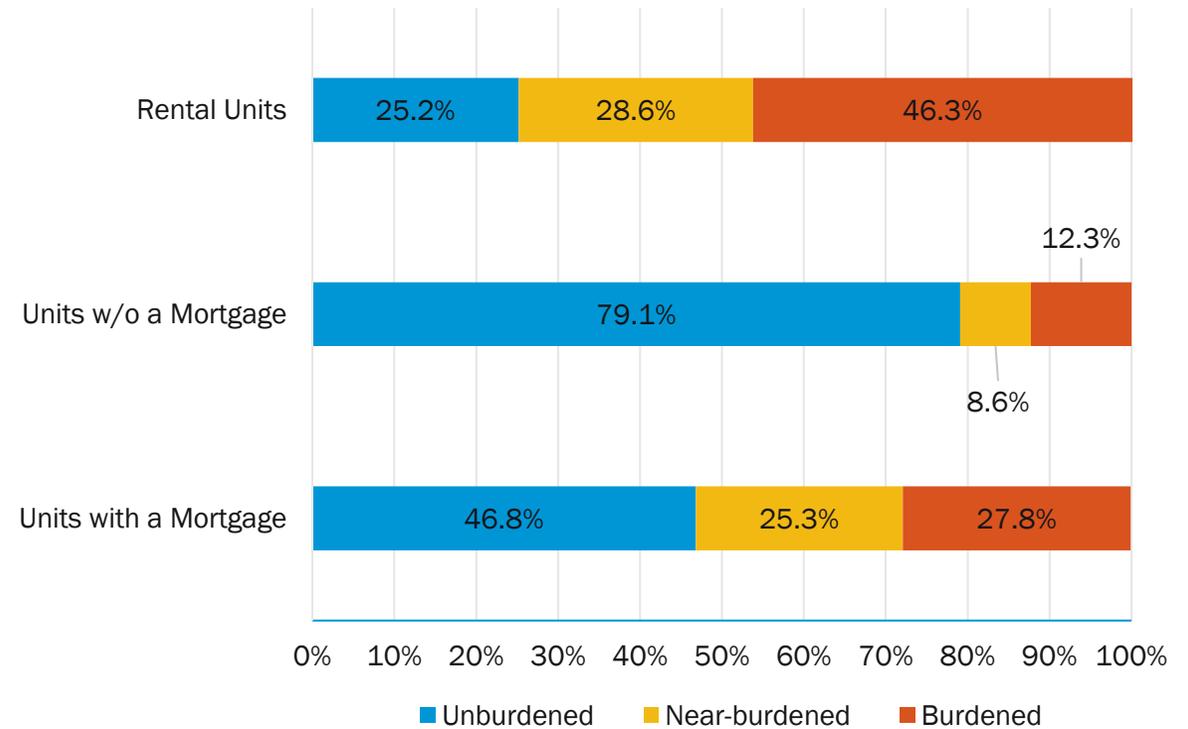
Vacancy Rate By Occupancy Type



Proportion of Housing Stock

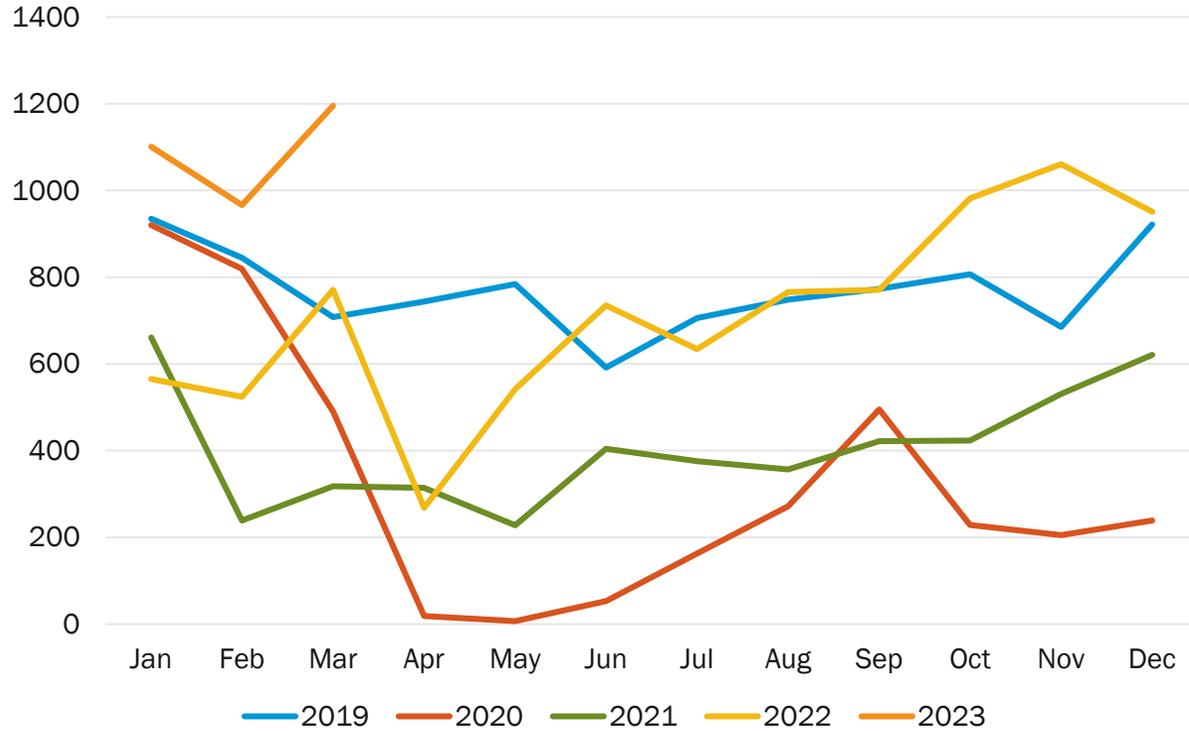


Owner Costs/Gross Rent as a Percentage of Income

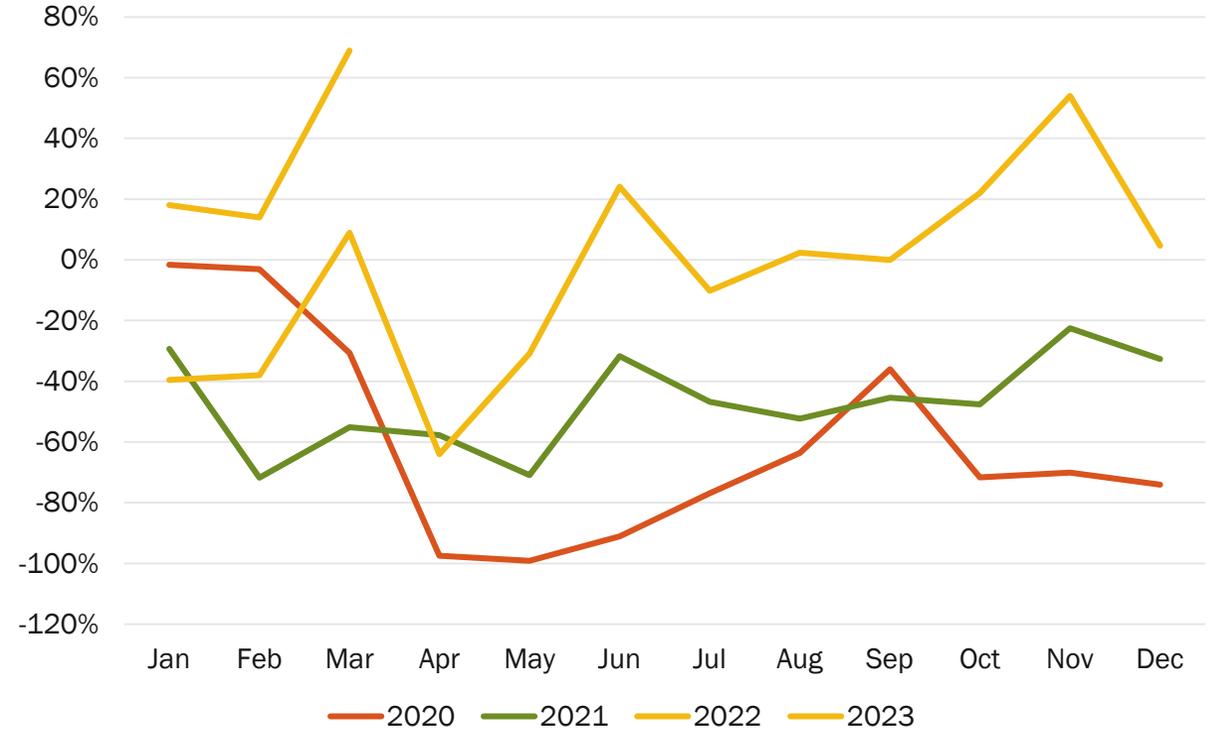


Foreclosures

Monthly FED Filings

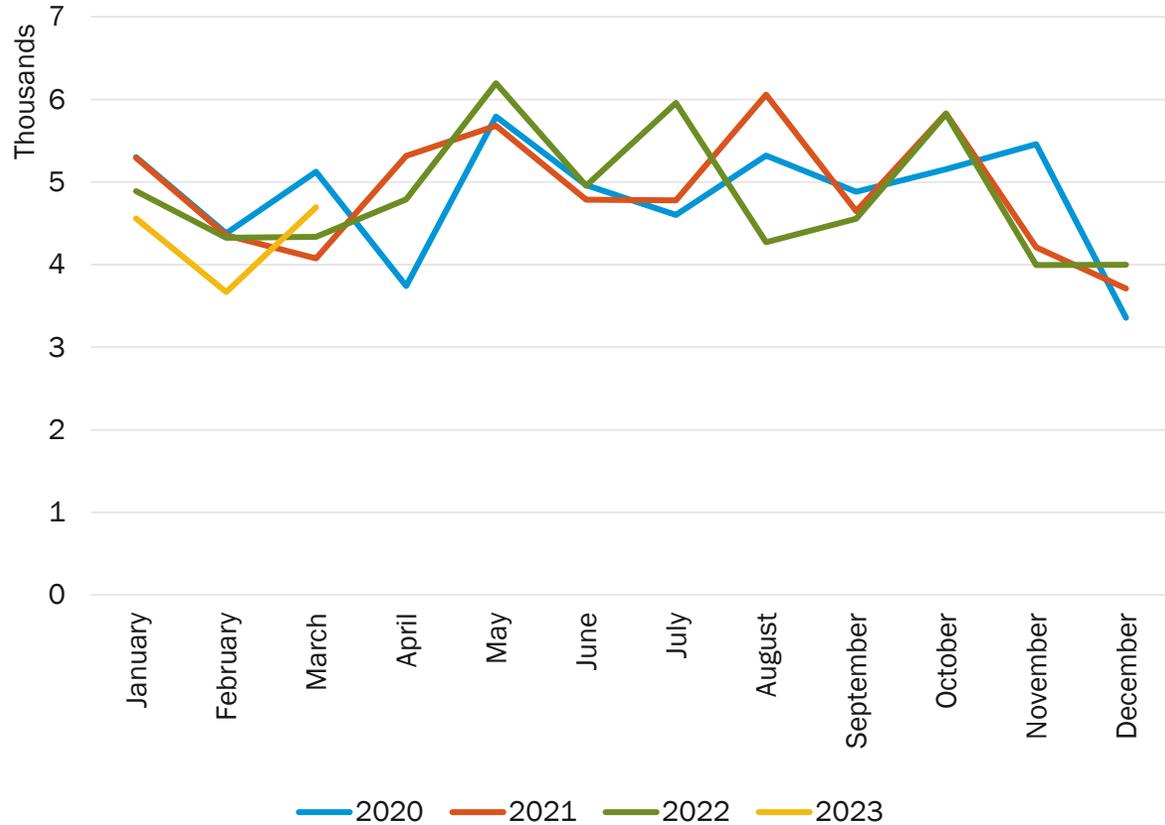


% Change in FED Filings from 2019

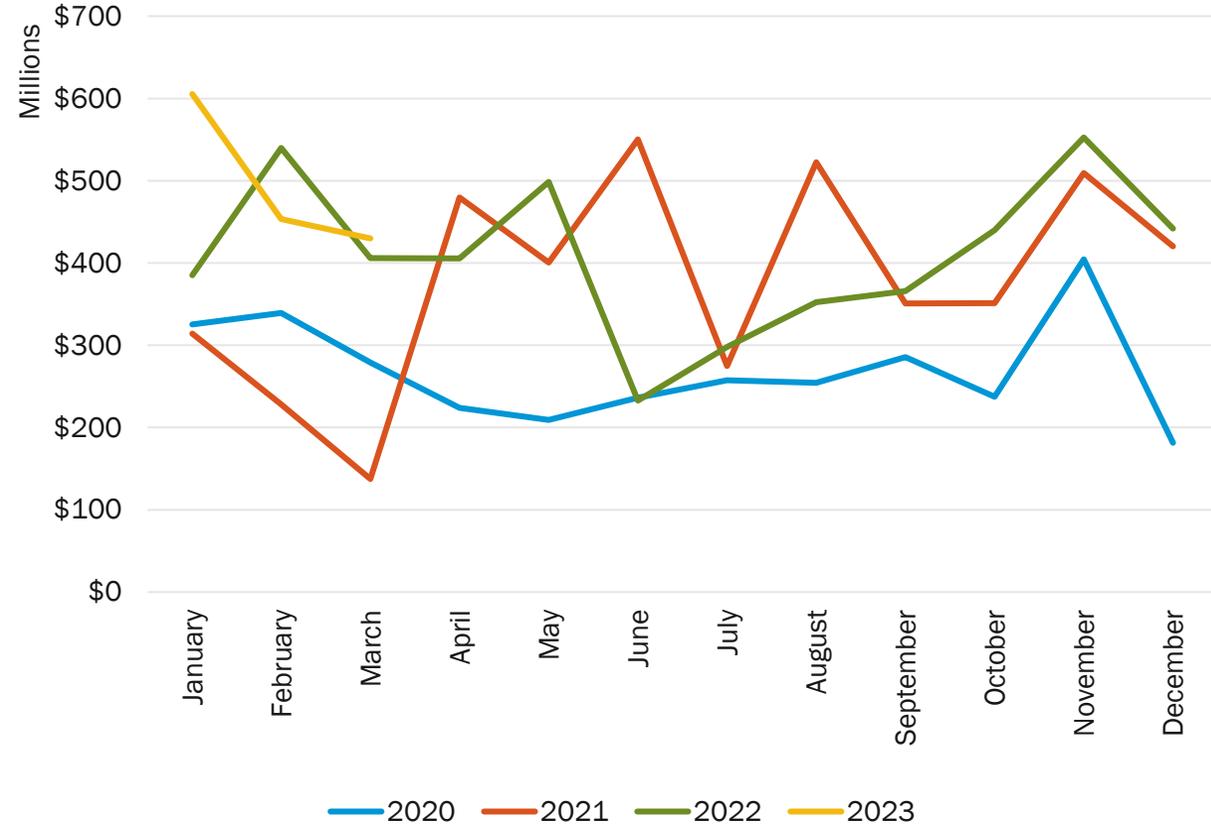


Construction Permits, Denver County

Monthly Permit Volume

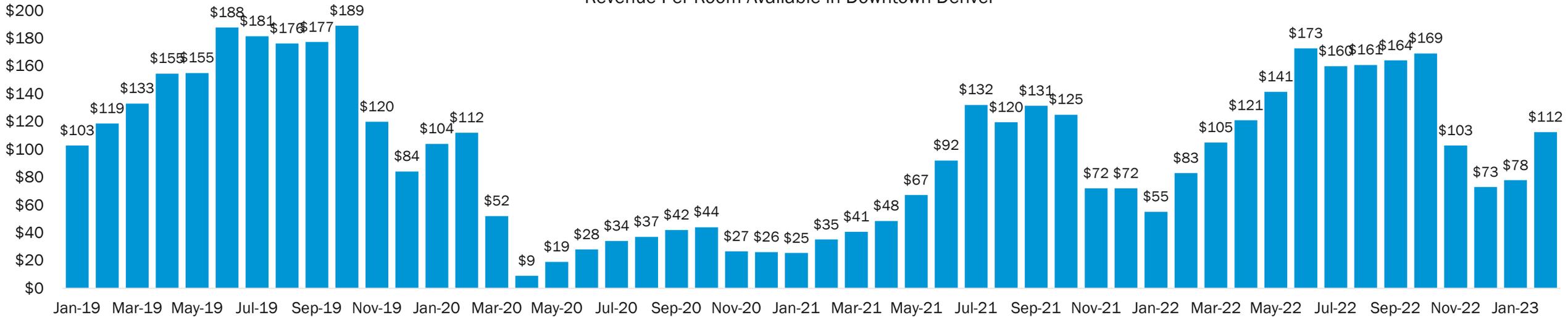


Monthly Permit Valuation

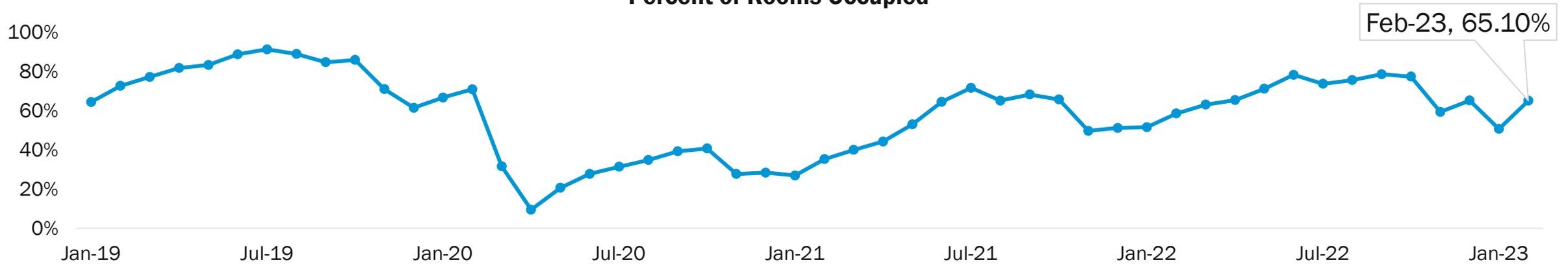


Lodging Activity

Revenue Per Room Available in Downtown Denver

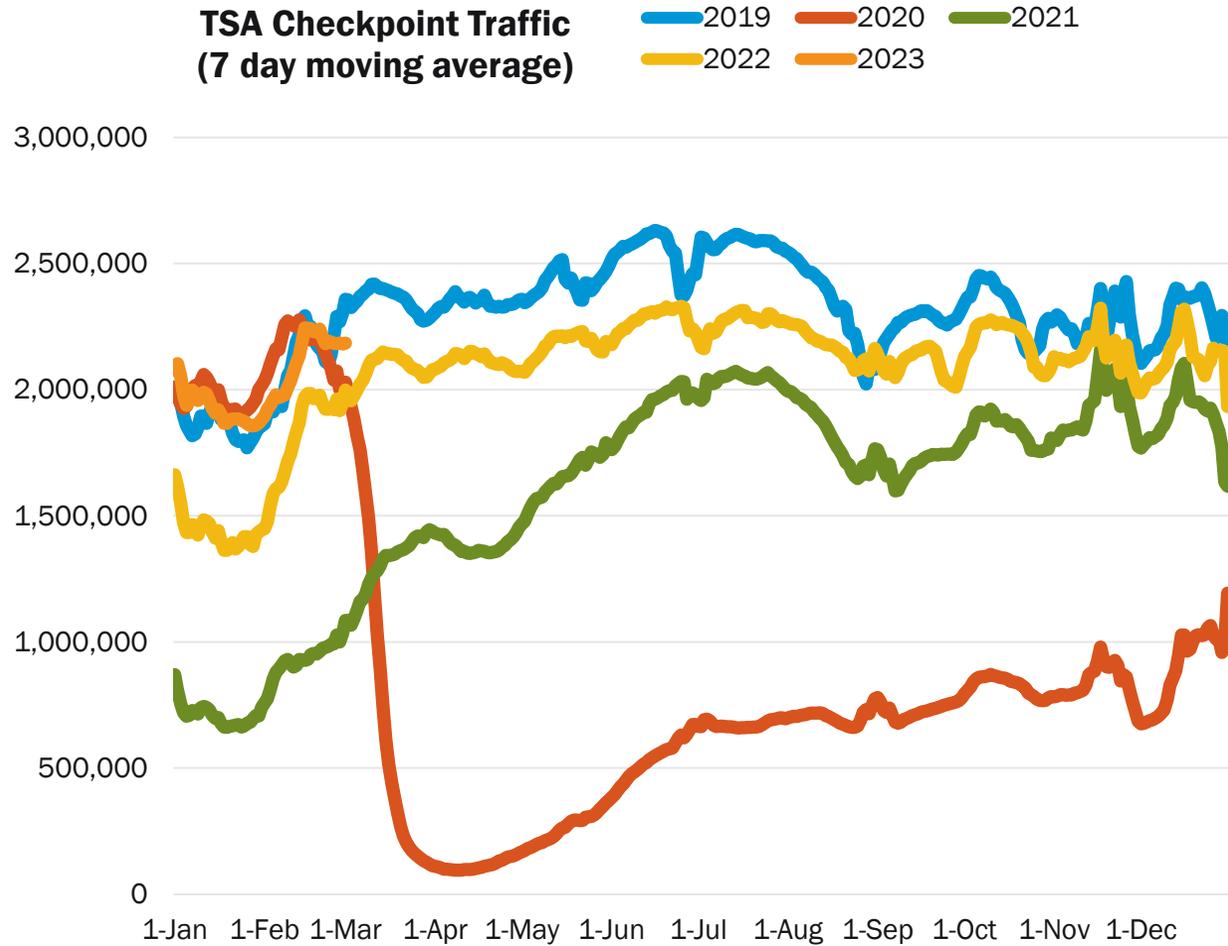


Percent of Rooms Occupied

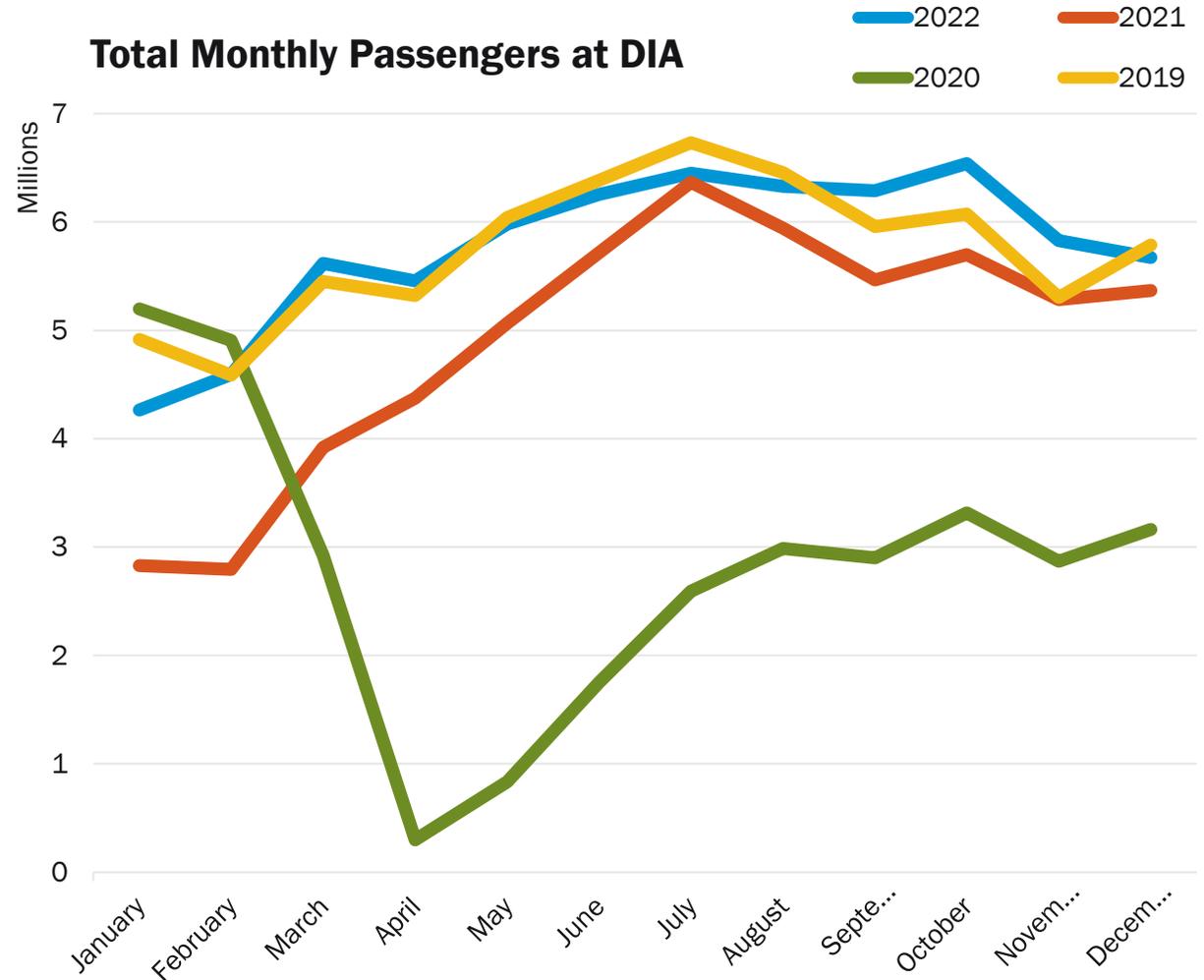


Air Travel

**TSA Checkpoint Traffic
(7 day moving average)**

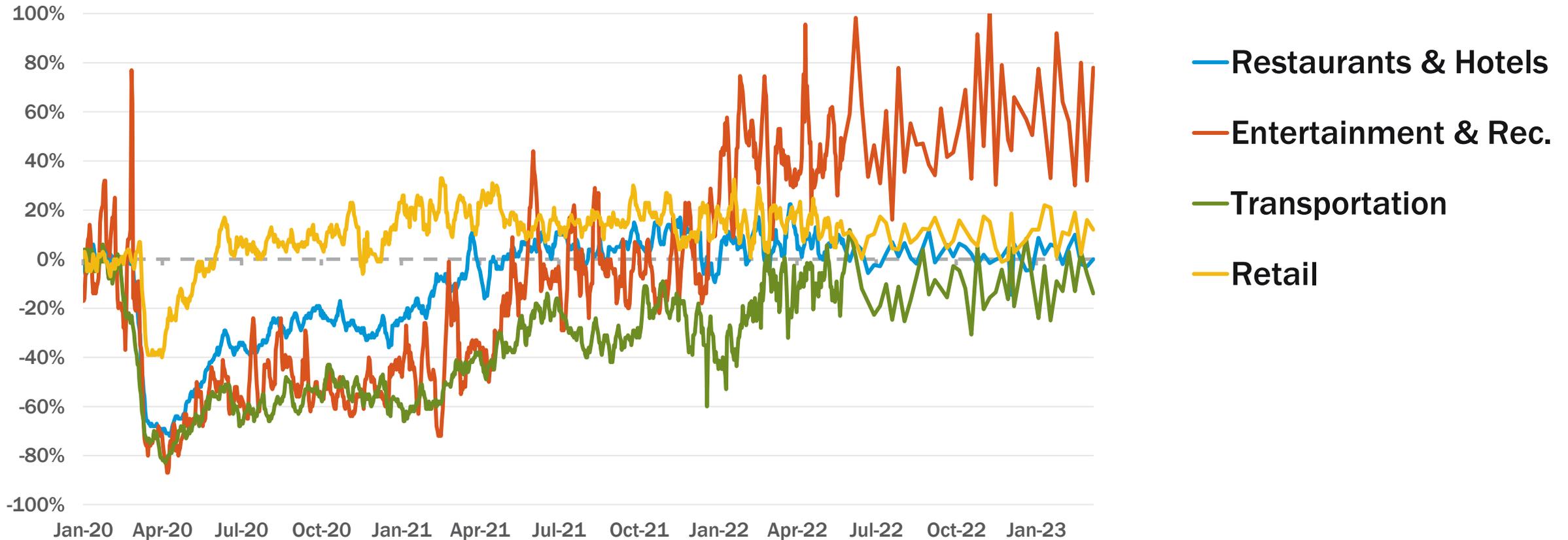


Total Monthly Passengers at DIA



Bankcard Spending

Percent Change in Consumer Spending for Denver
(compared to January 2020 and seasonally adjusted)

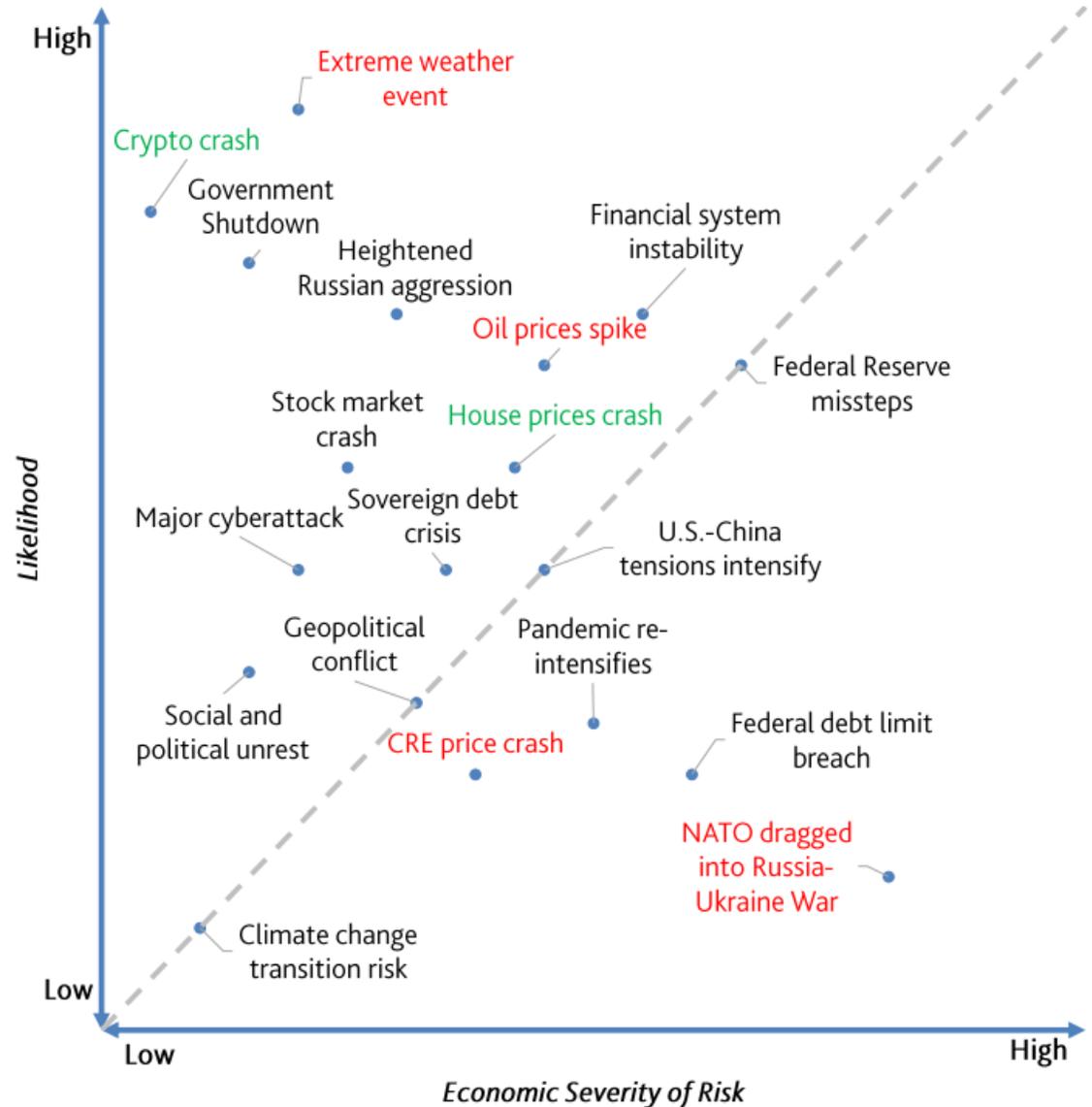


Looking Ahead in 2023 (Risk Matrix)

Note:

Changes in **RED** are either an increase in the odds of the event occurring or a new downside risk.

Changes in **GREEN** reflect a decline in the probability of the event occurring.



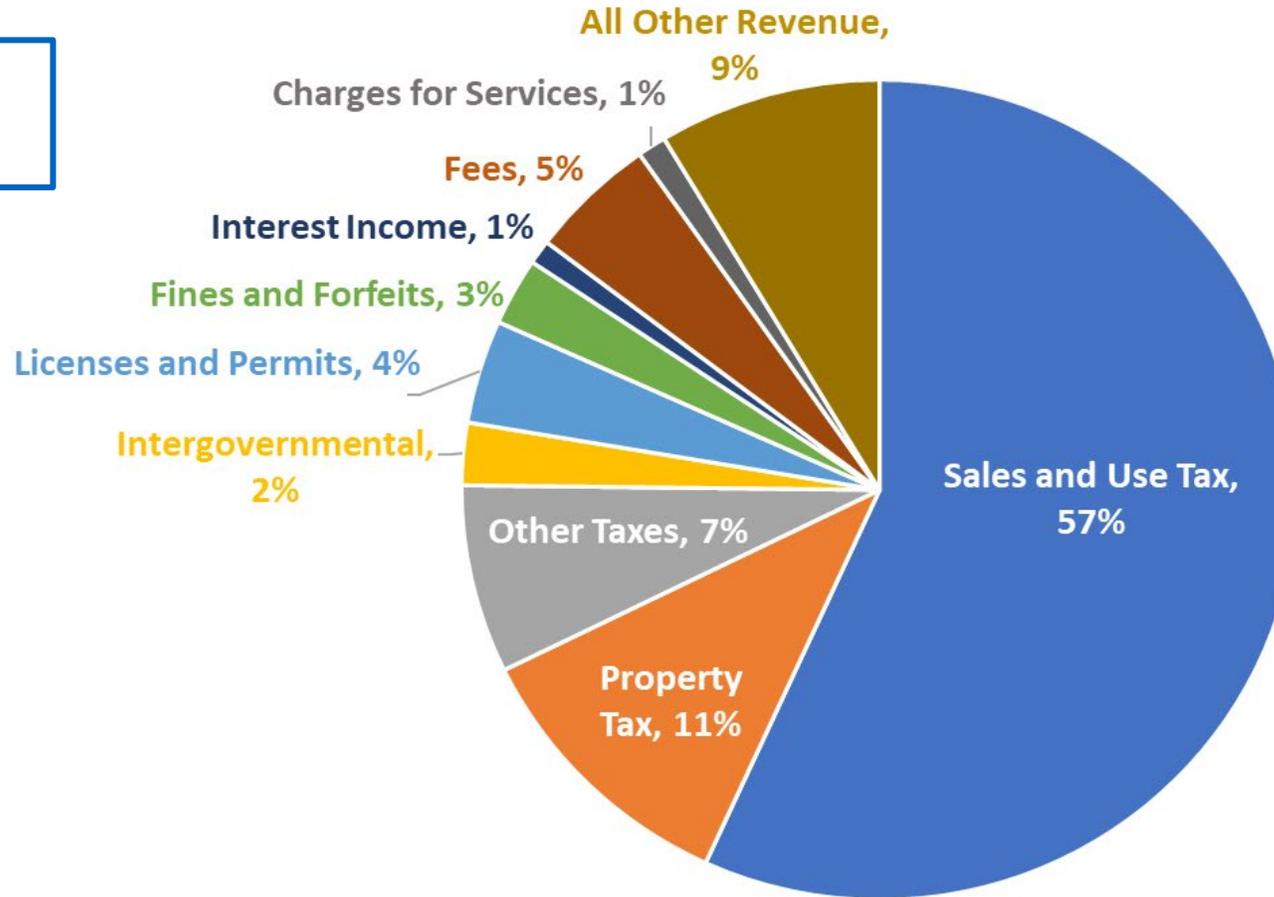


General Fund Performance

Stephanie Karayannis Adams
Budget and Management Director

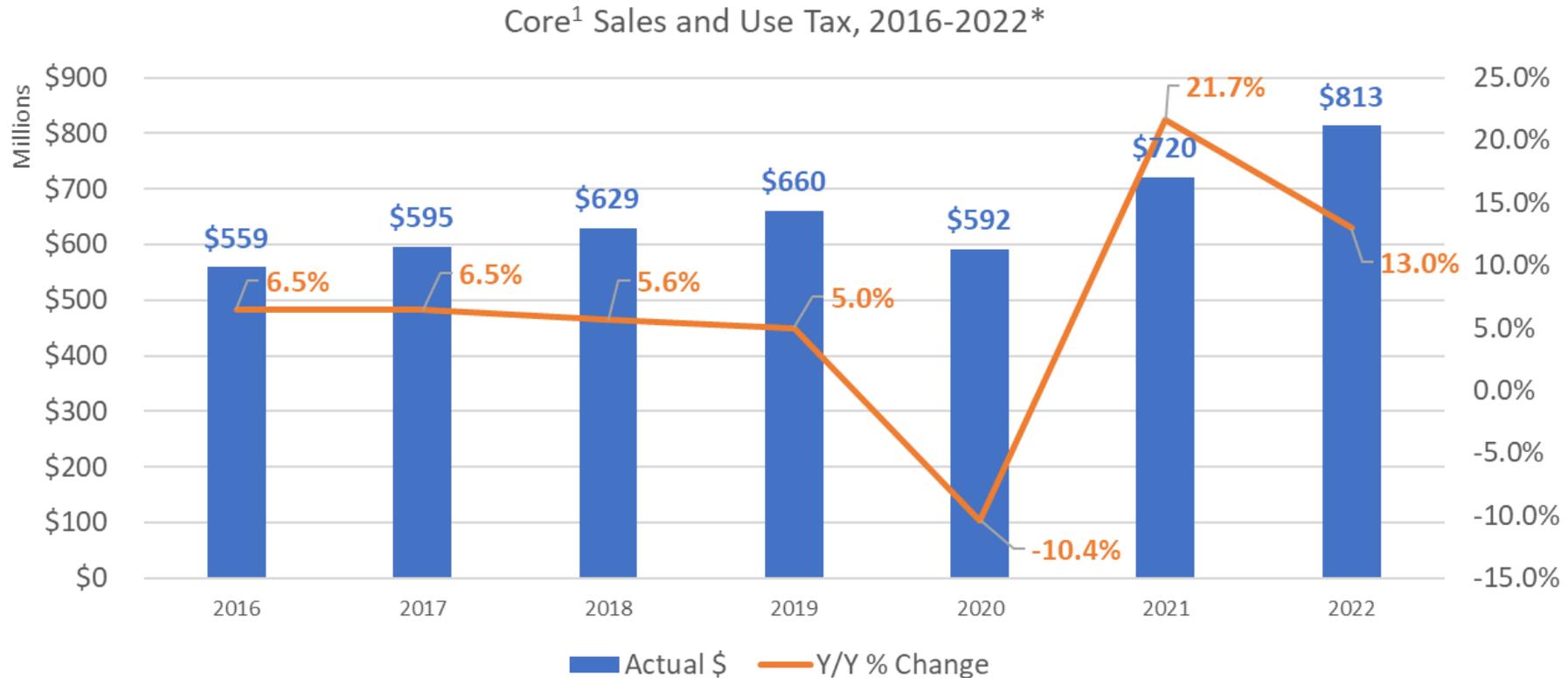
2022 General Fund Revenue (Unaudited)

Total: \$1.561
Billion



Sales and Use Tax Revenue

- Sales and Use Tax represents just over half (57%) of General Fund revenues.
- 2022 Core Sales and Use Tax collections reflect y/y growth of 13.0%.



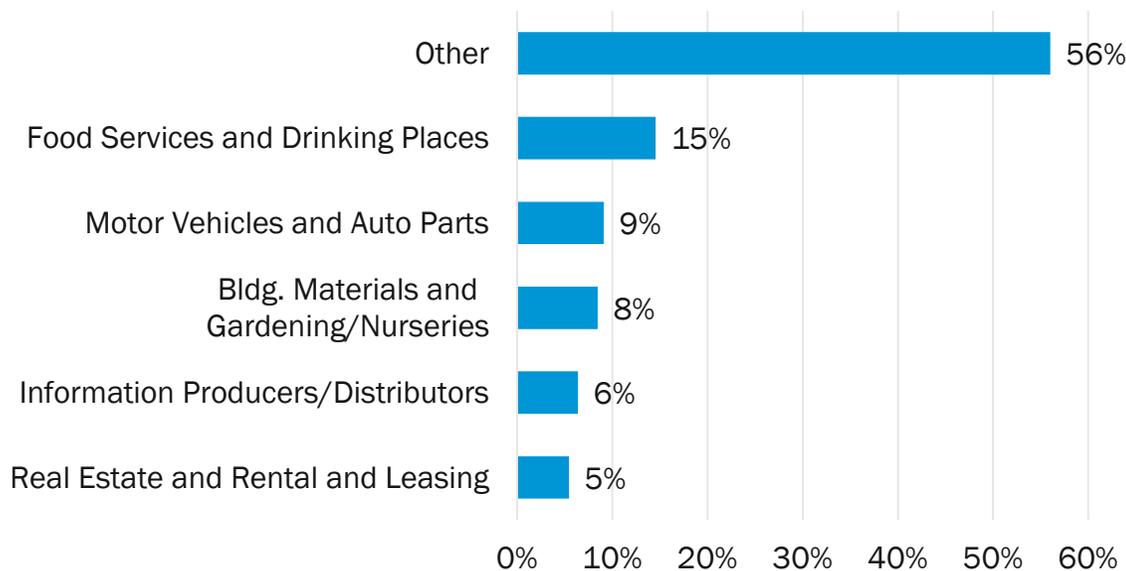
¹ Core sales and use tax excludes audits.

* 2022 reflects preliminary core sales and use tax results only.

2022* Core Sales Tax Performance

The largest five industry sectors contribute nearly 44% of Denver’s sales tax revenue to the General Fund. In 2022*, sales tax revenue from these categories increased by a combined 16%.

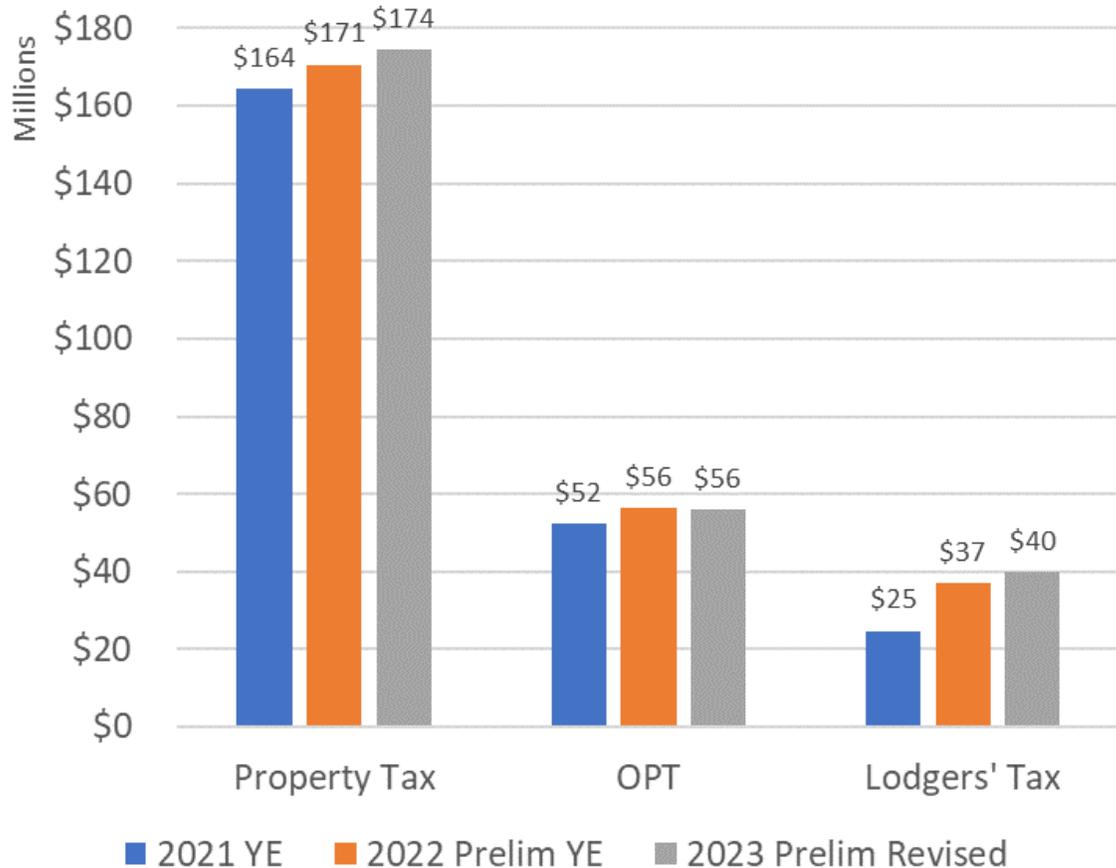
Share of 2022* Sales Tax Revenue



* 2022 figures are preliminary, unaudited

Sales Tax Industry Sector	2022* Y/Y% Change
Other	12.7%
Food Services and Drinking Places	25.0%
Motor Vehicles & Auto Parts	10.6%
Bldg. Materials/Improvement/Nurseries	13.9%
Information Producers/Distributors	11.2%
Real Estate and Rental and Leasing	13.1%

Other Tax Revenue (unaudited)



- In 2022, Property Tax made up 11% of our total General Fund revenue.
- OPT and Lodgers' Tax are 6% of total General Fund revenue.
- All these revenue streams are above pre-pandemic levels for 2022.

2022 Other Significant Revenue

- Parking Revenue (Fines/Meters/Lots): **\$10M**
 - Significant challenges with collection of meter revenue and remote work patterns
- Motor Vehicle Ownership Tax: **\$3.3M**
 - Interest rates, supply chain disruptions, uptick in delinquent registrations
- Billings for Services: **\$1.7M**
 - Reassess 2023/2024 estimates to better align with actual performance
- Recorder Fees: **\$1.3M**
 - Increasing interest rates slow refinancing activity

2022 Expenditure Actuals (Unaudited)

Appropriation was underspent = 2.7%

- Vacancies/turnover
- Supplies and Services associated with the vacancies
- Supply chain delays

General Fund Reserves and Contingency

The City has multiple reserves in the GF to address unforeseen revenue shortfalls or unanticipated expenditures:

- **Contingency Reserve**
 - Required by Charter
 - No less than 2% of estimated GF expenditures
- **Undesignated fund balance/Rainy Day Fund**
 - Targeted at 15% of annual GF expenditures
 - Minimum of 10% of annual GF expenditures
- **Tabor Reserve**
 - 3% of fiscal year spending (state mandated, maintained in separate special revenue fund)
 - Can only be used in the event of a natural disaster and must be replenished within a year
 - Is primarily met through real estate values

2023 Approved Budget

Expenditures: Budgeted expenditures are projected to grow approximately 11% over 2022 revised, driven by:

- Positions funded through ARPA in 2022 moving to the General Fund
- Merit increases
- Collective bargaining increases
- City contribution increase to Denver Employee Retirement Plan
- ***Unbudgeted Expenditures: Migrant Services***

Revenue: Projected increase of 3.3%

- Sales and Use Tax projected to increase 4.6%
- Offset by some decreases in non sales tax revenue streams
- No official revisions until fall



2024 Operating Budget

2024 Initial General Fund Forecast

2024 original revenue budget is preliminarily projected to grow by 3.8% over 2023 revised budget. This growth is driven by:

- Core sales and use tax growth of 4.4%
- Property tax growth due to 2023 reassessment
- Lodgers' tax growth in conformance with Visit Denver's expectations
- Investment income yields positively impacted by the Fed's rate increases

2024 expenditures are expected to increase to accommodate:

- Final restoration expenditures in ARPA
- Full year of partial year increases, especially uniform classes
- Inflationary increases

Budget Priorities & Strategy

- **Establish the cost of continuing services**
 - **Agencies that report to the Mayor should only submit budget requests to address continuing services – no expansions**
 - Agencies will continue to identify equity impacts of budget (OSEI will provide guidance)
- The new Administration will share budget priorities over the summer, and we will adjust accordingly.
- Independent and elected officials budget priorities are not impacted by the transition.
- City Council Priorities to be established in May.

American Rescue Plan Act in Denver

\$308 million: Total State and Local Fiscal Relief Funds allocated to Denver

- Included two disbursements of \$154 million (July 2021 and July 2022)
- There are ***no additional ARPA disbursements coming to Denver***
- The \$308M must be spent by December 31, 2026 (encumbered by 2024)

- Recovery investments have been allocated in 2021 (\$73M) and 2022 (\$143M), a process that involved community input, the Stimulus Investment Action Committee (SIAC), and City Council
- **In June this year, DOF will work with agencies to understand progress against program timelines to ensure agencies have plans to spend their ARPA Recovery allocations by the 2026 deadline**

OSEI and BMO Budget Equity Framework

In partnership with the Budget and Management Office, the Mayor's Office of Social Equity and Innovation (OSEI) is offering guidance and perspectives on how to better center equity in all city budgets.

Equity Defined

- **Denver defines equity as when race and other social identities can no longer be used to predict life outcomes or the quality and depth of services received in the city.**

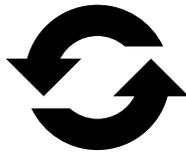
When equity is the primary focus, with diversity and inclusion as supportive facets, all segments of communities are improved.

Budget Timeline – Agency Deadlines

Base Budget,
Revenue
Projections (CY
& FY), & iFund
Continuation of
Projects Due
May 12



iFund New Projects
& Expenditure &
Revenue Change
Requests Due
May 19



Agency
Narratives &
Performance
Metrics Due
June 2



Capital
Project (CIP)
Requests Due
June 9



Grants, SRFs,
& Safety Net
Investments
Due
June 16



DOF
Presentations
July



Mayor
Presentations
August



Proposed 2024
Budget Due
Sept. 15





2024 Capital Budget

2020-2025 CIP Six-Year Plan Need

Three Year Plan

Six Year Plan

Twelve Year Plan

Portfolio	3YR PLAN
Buildings	\$62,708,500
Parks and Rec	\$99,500,000
Transportation	\$167,700,000
Waterways	\$35,000,000
Sustainability/Env	\$6,100,000
Public Art	
Total	\$371,008,500
<i>Amount Funded</i>	<i>\$204,376,800</i>

Portfolio	6YR PLAN
Buildings	\$452,498,800
Parks and Rec	\$279,500,000
Transportation	\$495,000,000
Waterways	\$210,500,000
Sustainability/Env	\$19,000,000
Public Art	\$800,000
Total	\$1,457,298,800
<i>Amount Funded</i>	<i>\$105,343,000</i>

Portfolio	12YR PLAN
Buildings	\$431,803,325
Parks and Rec	\$378,000,000
Transportation	\$938,700,000
Waterways	\$333,500,000
Sustainability/Env	\$62,000,000
Public Art	
Total	\$2,143,003,325
<i>Amount Funded</i>	<i>\$35,300,000</i>

\$3.97 Billion

CITY AND COUNTY OF DENVER

ELEVATE BEYOND 2020



2020-2025
SIX-YEAR CAPITAL IMPROVEMENT PLAN

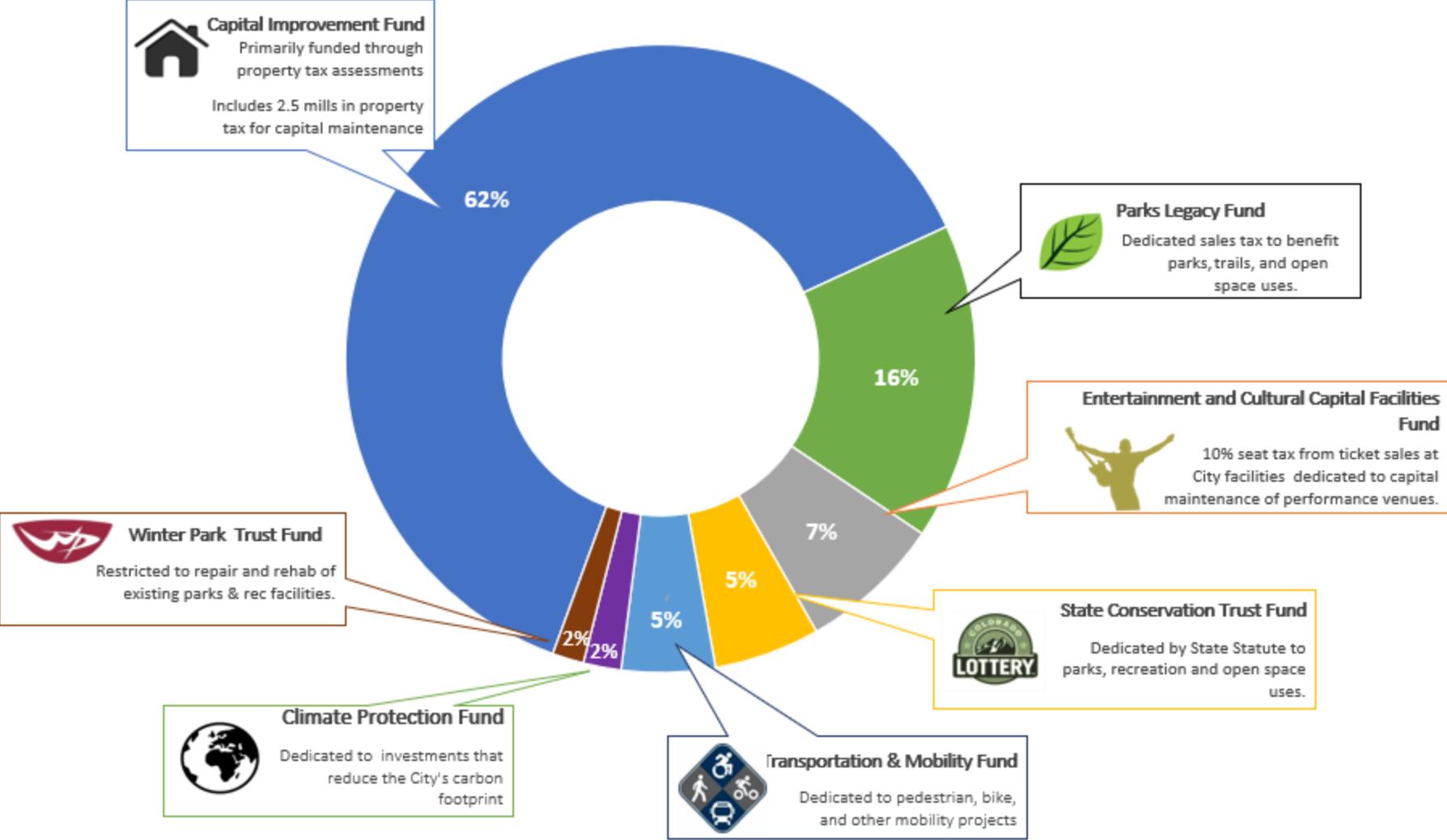
DENVER
Capital Planning and Programming Division
Department of Finance



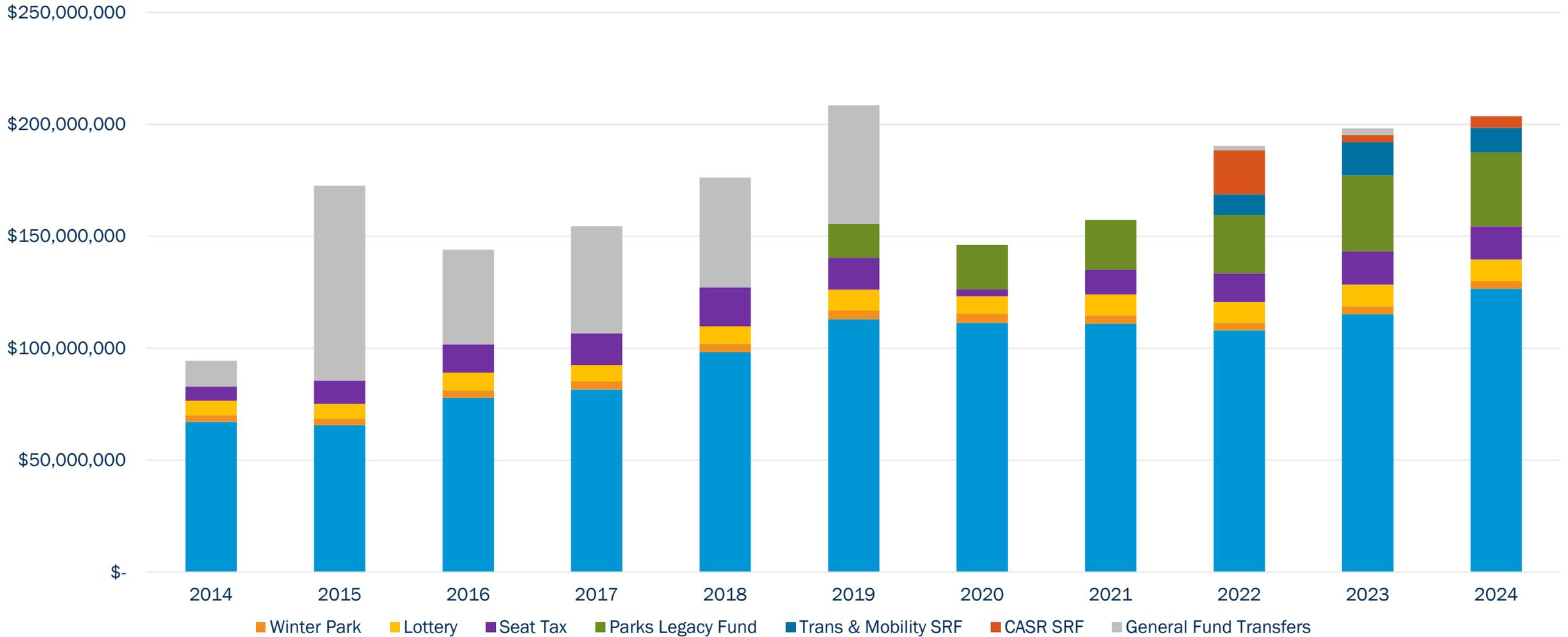
Notes: Source of the information is Denver 2020, the City's 2015-2020 Six Year Capital Improvement Plan and 2015 General Denver 2020 bond process. Project locations illustrated on the map are representative. The City and County of Denver shall not be liable for damages of any kind arising out of the use of this information. This information is provided "as is," without warranty of any kind, expressed or implied.



Annual CIP Revenues

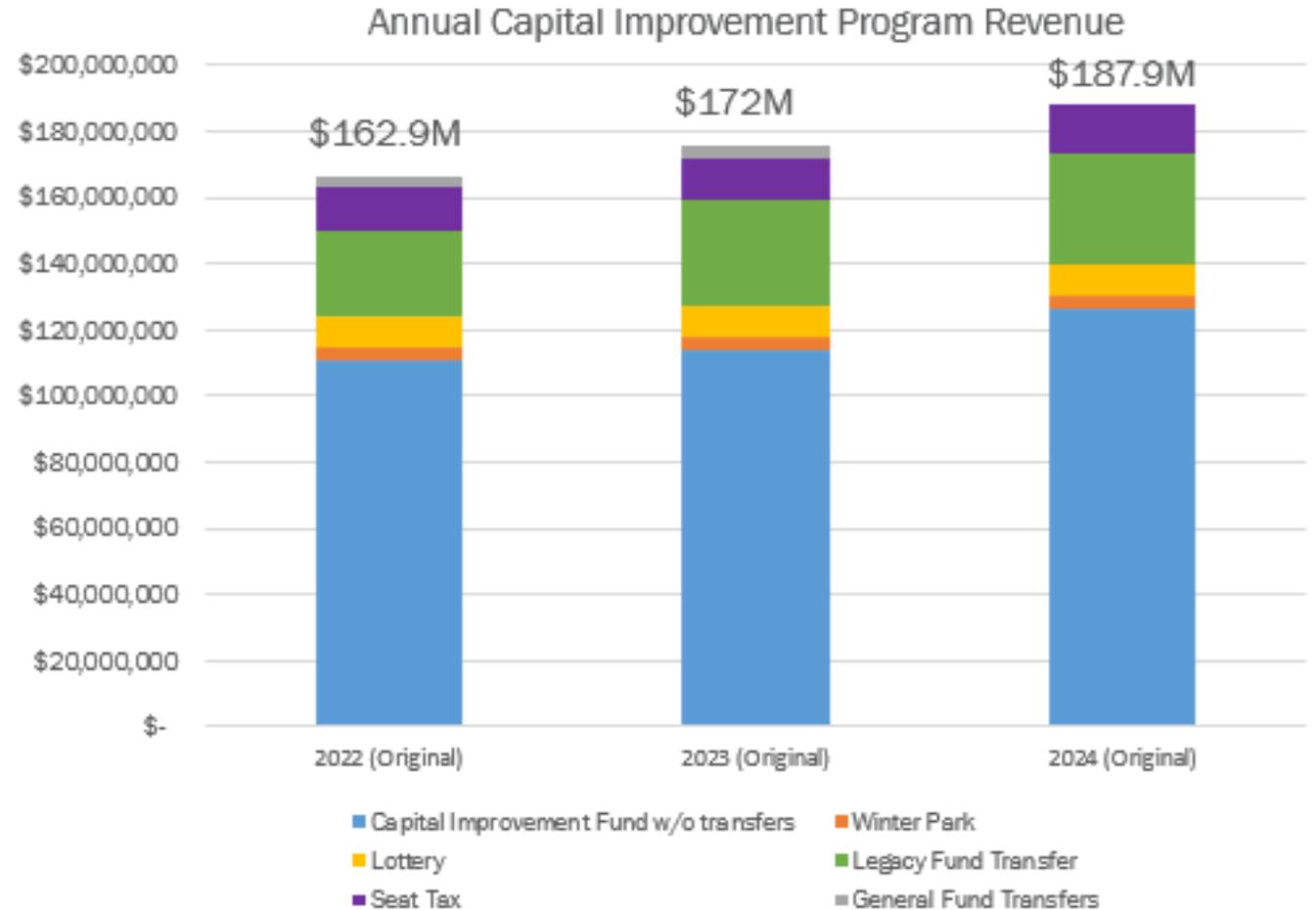


Annual Capital Improvement Program Revenue



2024 CIP Preliminary Revenue Forecast

- **2024 CIP projected to be \$187.9M**
 - 9.2% increase over 2023 original forecast for base revenues.
 - Increases in Property Tax and Capital Maintenance Mills
 - Continued growth in Seat Tax and Winter Park
 - Steady growth overall, as funding sources continue to be stable
- **Will continued to be refined over the 2024 budget season**



*Includes Legacy fund, Does not include fund balance, technology transfer, Subject to change,

2024 Total Capital Revenue \$165.9M

- Includes all sources, except Legacy & CASR Funds
- Does not include fund balance

Contingency
\$6.2M

- ~4% of projected capital revenues

Financial Obligations
\$50M

- Debt payments, mandated funding commitments, existing multi-year commitments awarded grant local match, ongoing partnerships

Annual Maintenance
\$84.5M

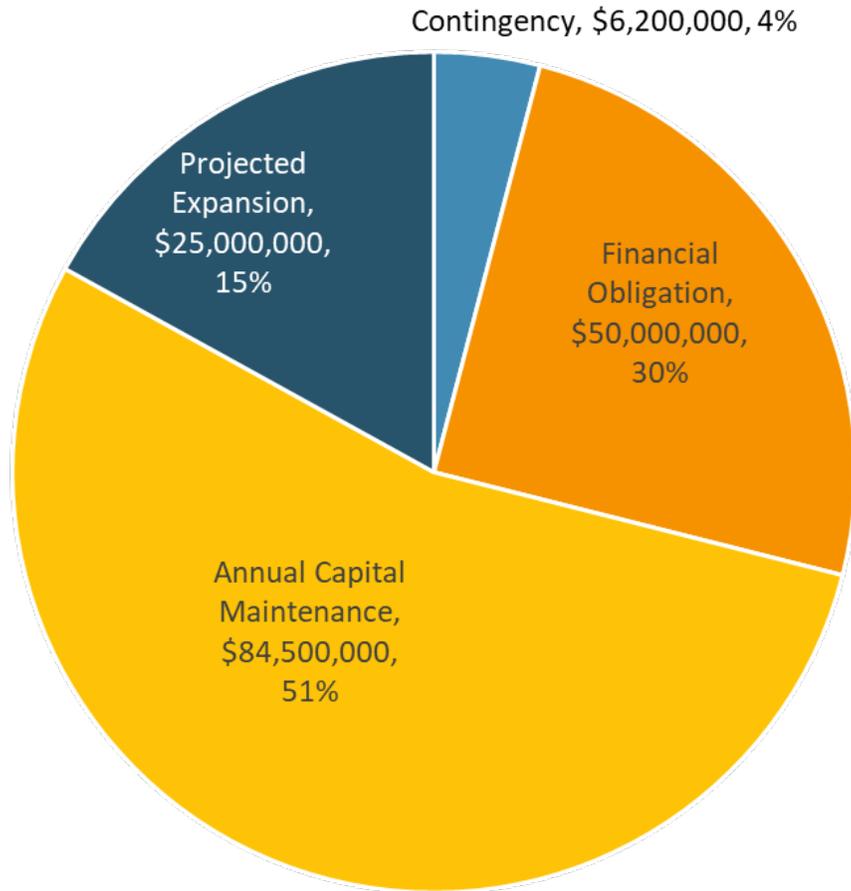
- 5.6% greater than original 2023 allocation

Projected Expansion
\$25M

- Focused on existing project commitments to mitigate impacts of inflationary pressures.

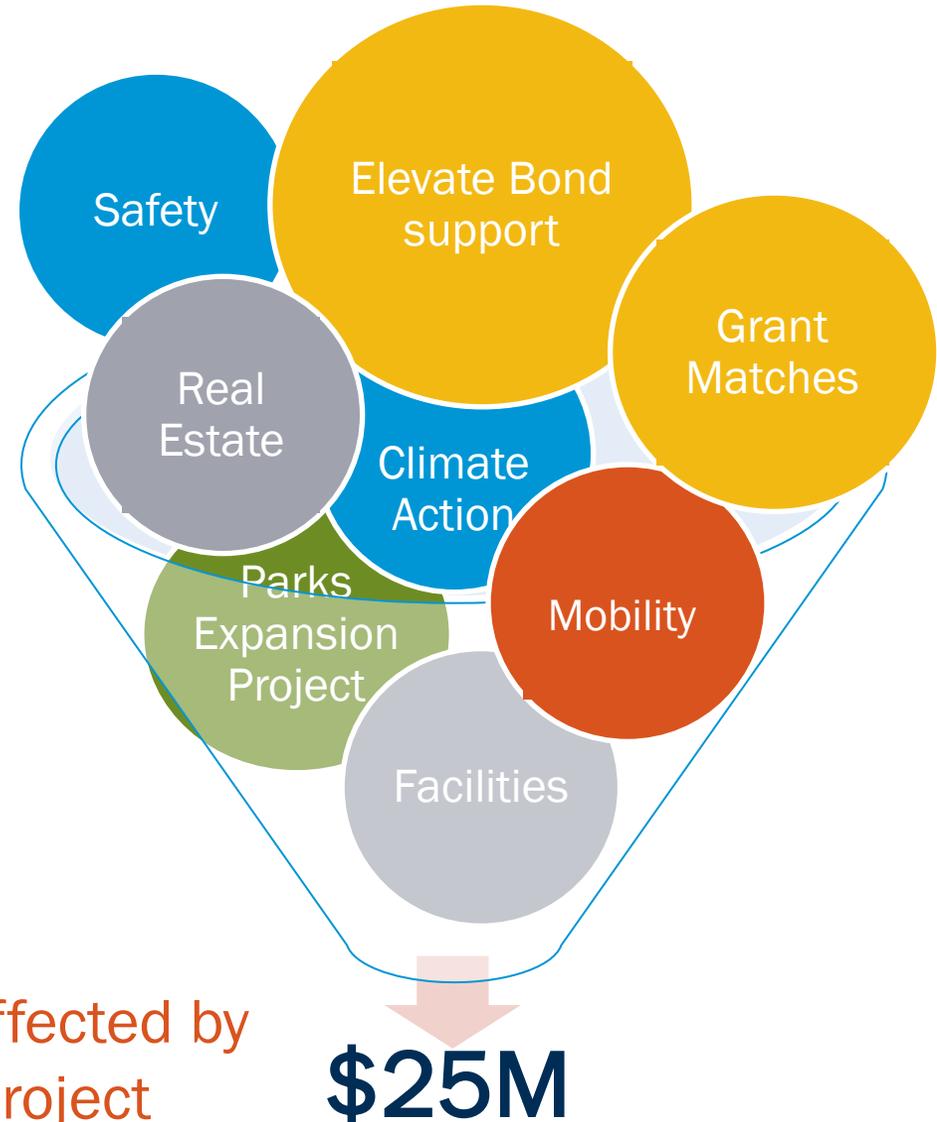
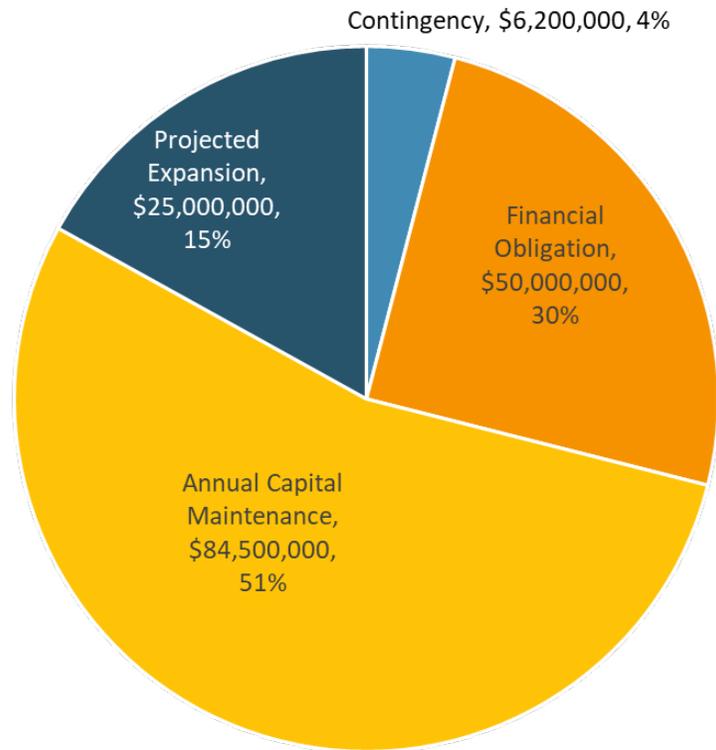
*Subject to change, as revenue projections are refined

2024 Annual Capital Maintenance



- Total annual capital maintenance budget target is **5.6% more** than original 2023 Target.

2024 Projected Expansion



Will be focused on supporting existing projects affected by inflation/escalation and outstanding multi-year project commitments, which exceed projected available revenues.



Thank you!