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# 2020 Budget Overview for City Council

Budget & Management Office  
April 2019



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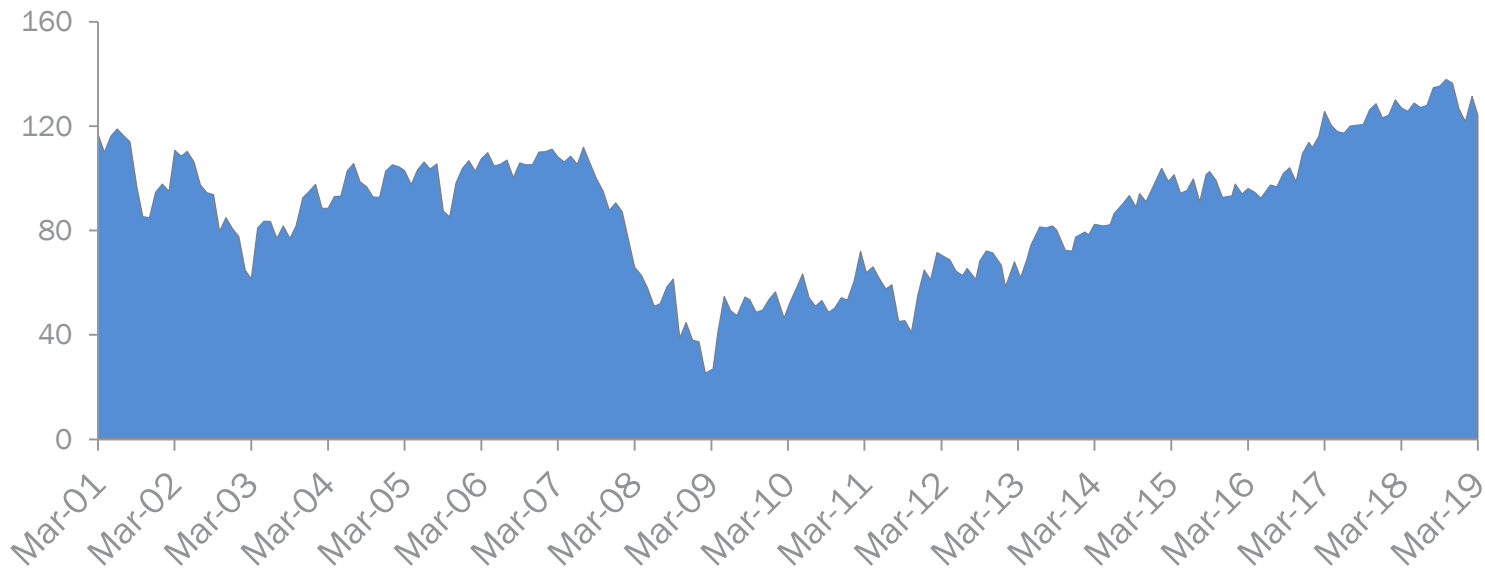
# Economic Overview

# Economic Overview

- Nationally, the economy continues to expand
  - Strong labor market: job growth, wage growth, improvements in the unemployment rate, and decreasing initial unemployment claims
  - Growth in home prices
  - Growth in retail sales
- However, the rate of growth appears to be moderating in some areas
  - Home prices grew 3.6% y/y in January 2019, compared to 6.4% in January 2018 and 5.4% in January 2017
  - Retail sales grew 3.1% y/y in January 2019, compared to 5.9% in January 2018 and 5.1% in January 2017
  - Consumer confidence has softened
  - The Federal Reserve is refraining from rate increases in response to weaker economic conditions

# Consumer Confidence

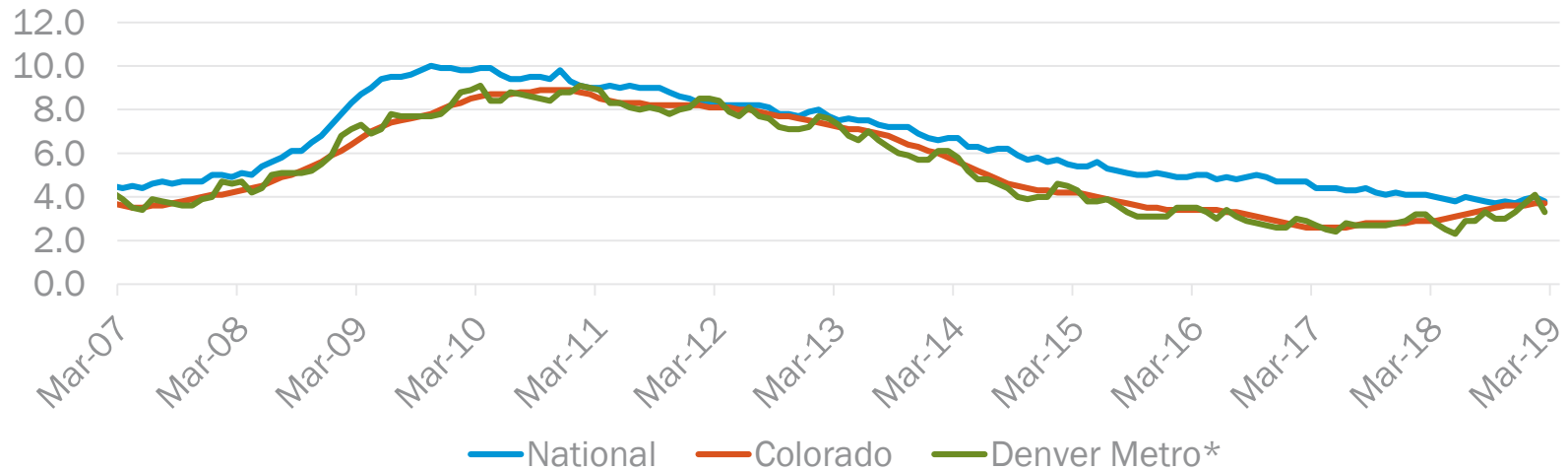
While consumers remain confident that the economy will continue to expand, the overall trend in confidence has been softening, pointing to a moderation in economic growth.



# Unemployment

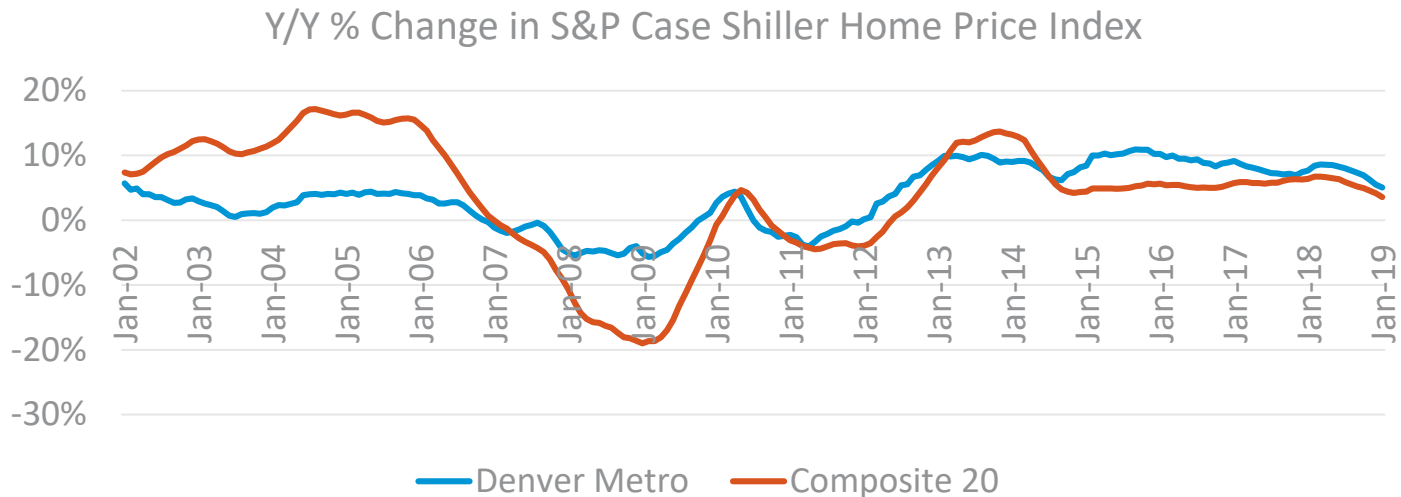
The national unemployment rate totaled 3.8% in March, down from 4.0% a year ago. In Colorado, the unemployment rate has steadily risen, totaling 3.7% in February, up from 2.9% in February of last year.

Unemployment Rate



# Home Prices and Appreciation

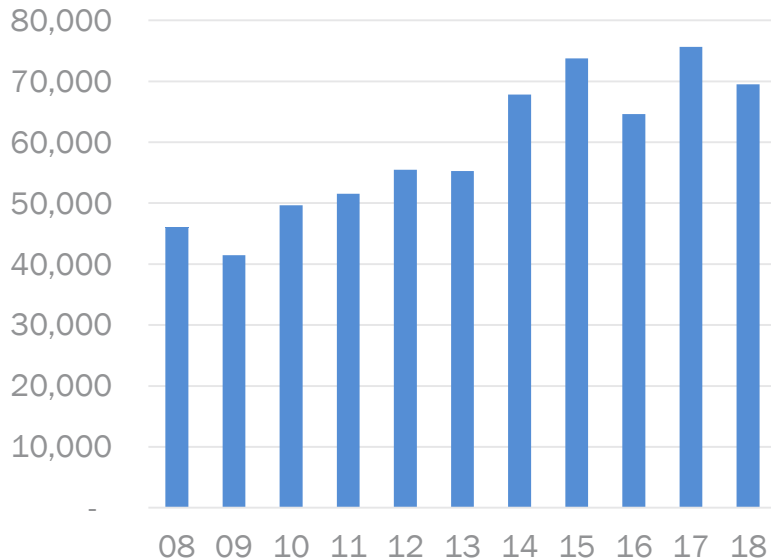
In January, Denver metro home prices increased 5.0% year-over-year. Across the 20 metro regions nationwide that are tracked by the Case-Shiller index, year-over-year growth in January averaged 3.6%. Of these 20 metro regions, Denver had the 8<sup>th</sup> highest rate of growth.



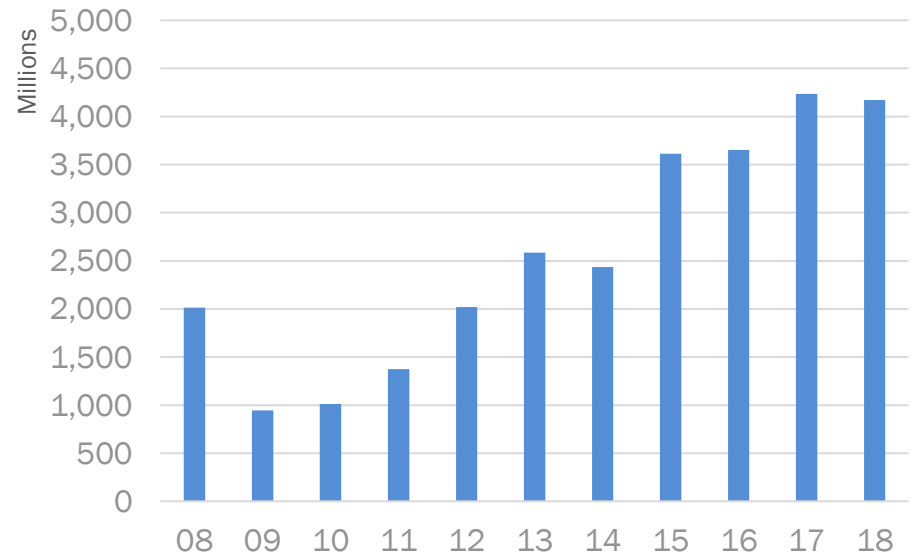
# Building Permits and Valuation

Denver issued 6,145 fewer building permits in 2018, an 8.1% year-over-year decrease. Dollar valuations associated with these permits decreased by 1.5%.

Total Building Permits, 2008-2018

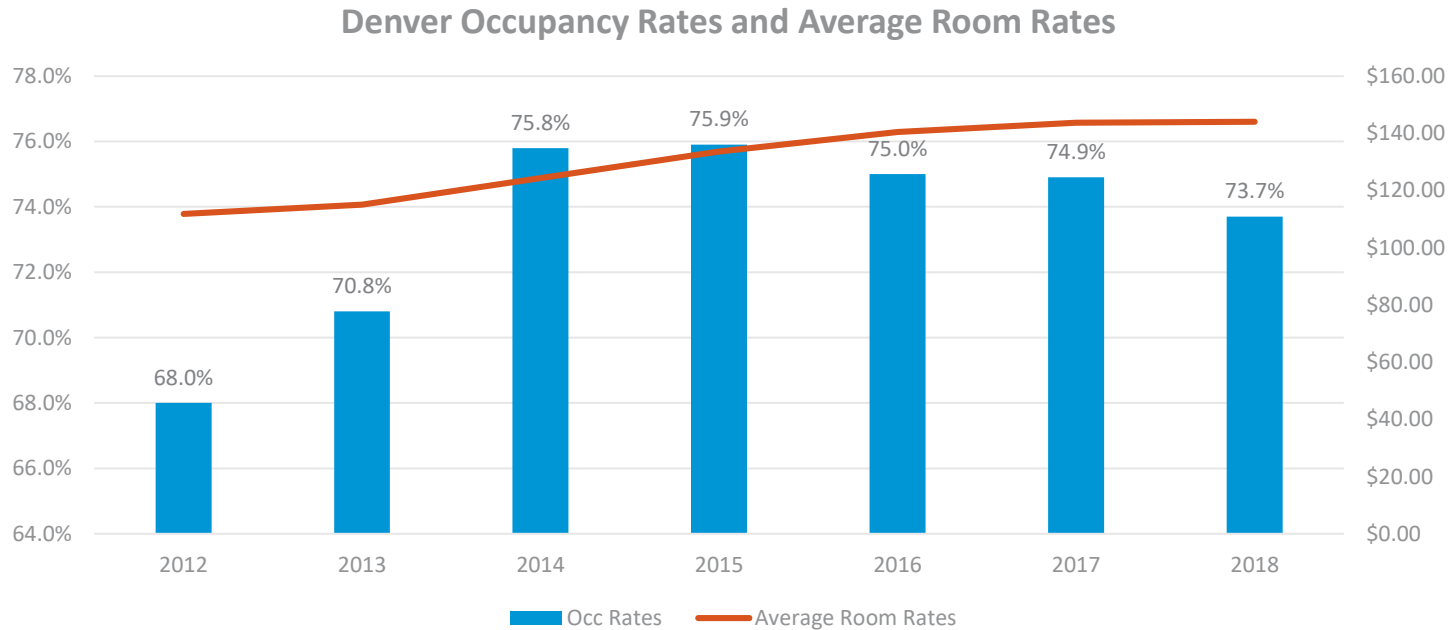


Total Valuations, 2008-2018



# Lodging Activity

Despite significant growth in Denver's room inventory in 2017-2018, Denver's occupancy rates only decreased slightly to 73.7% in 2018 versus 74.9% in 2017 and average daily rates rose slightly to \$144.03 in 2018 from \$143.68 in 2017.





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# General Fund Performance

# General Fund Revenue & Expenditures

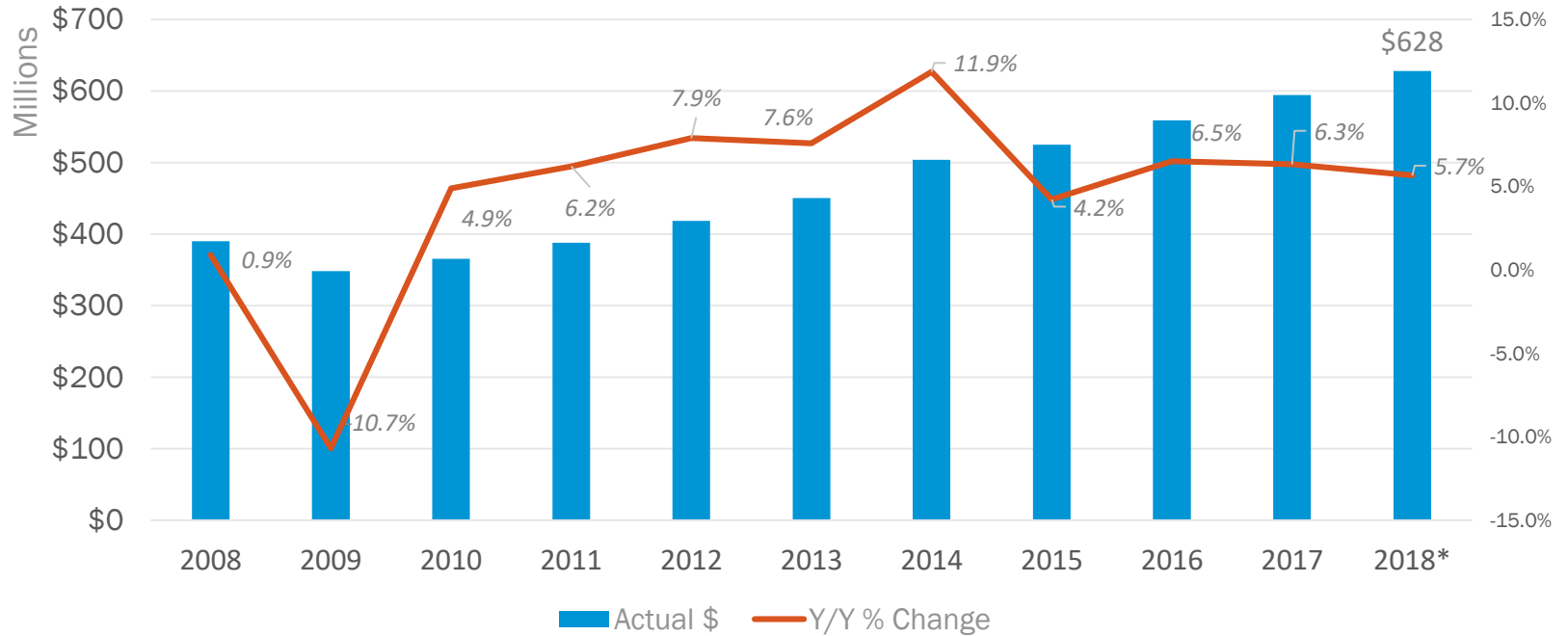
## 2018 Actuals

- Overall Revenue growth was 2.6%
  - Core Sales and Use grew 5.7%
- Expenditures were 2.9% underspent overall
  - Unspent Contingency = \$9 million
  - Planned for about 1% unspent

# Sales & Use Tax Revenue

Sales & Use Tax represents approximately 50% of General Fund revenues.

Core<sup>1</sup> Sales and Use Tax, 2008-2018\*



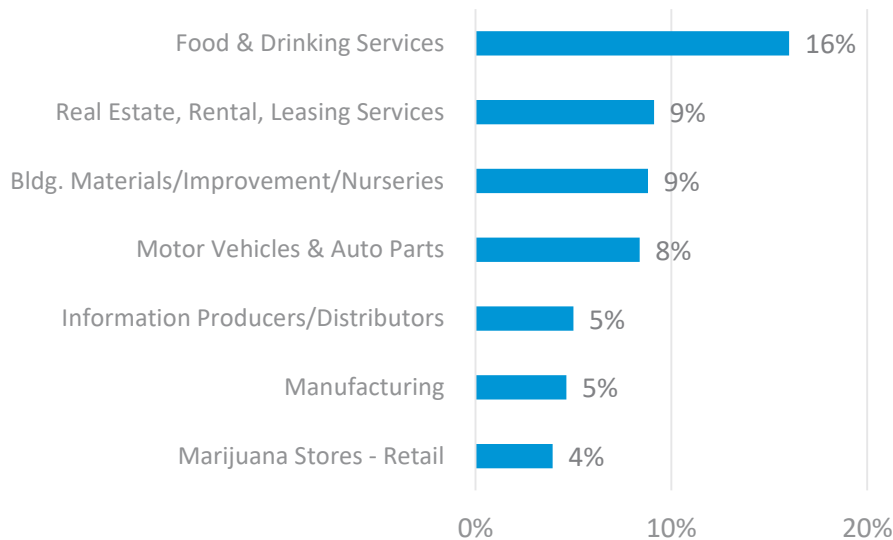
\* 2018 figures are preliminary, unaudited

1 Core Sales & Use Tax excludes audits.

# 2018\* Sales Tax Performance

Seven categories represent over half (56%) of Denver’s sales tax revenue. In 2018\*, sales tax revenue from these categories increased by a combined 5.8%.

Share of 2018\* Sales Tax Revenue



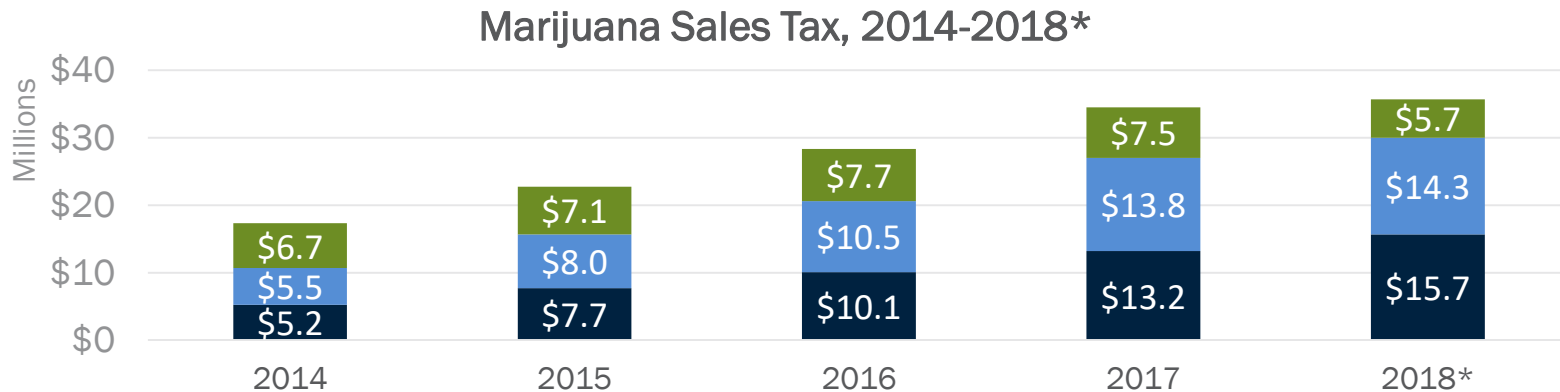
Sales Tax Category	2018* Y/Y % Change
Food & Drinking Services	7%
Real Estate, Rental, Leasing Services	4%
Bldg. Materials/Improvement/Nurseries	6%
Motor Vehicles & Auto Parts	-1%
Information Producers/Distributors	-1%
Manufacturing	17%
Marijuana Stores - Retail	11%

\* 2018 figures are preliminary, unaudited

# Marijuana Sales Tax

4.31%<sup>1</sup> standard tax on medical and retail marijuana  
 +5.5%<sup>2</sup> special tax on retail marijuana (can be increased up to 15%)

- In 2018\*, total marijuana sales tax grew 3.3% year-over-year to \$35.7 million.



■ Special Retail 3.5%/5.5% ■ Standard Retail 3.65%/4.31% ■ Standard Medical 3.65%/4.31%

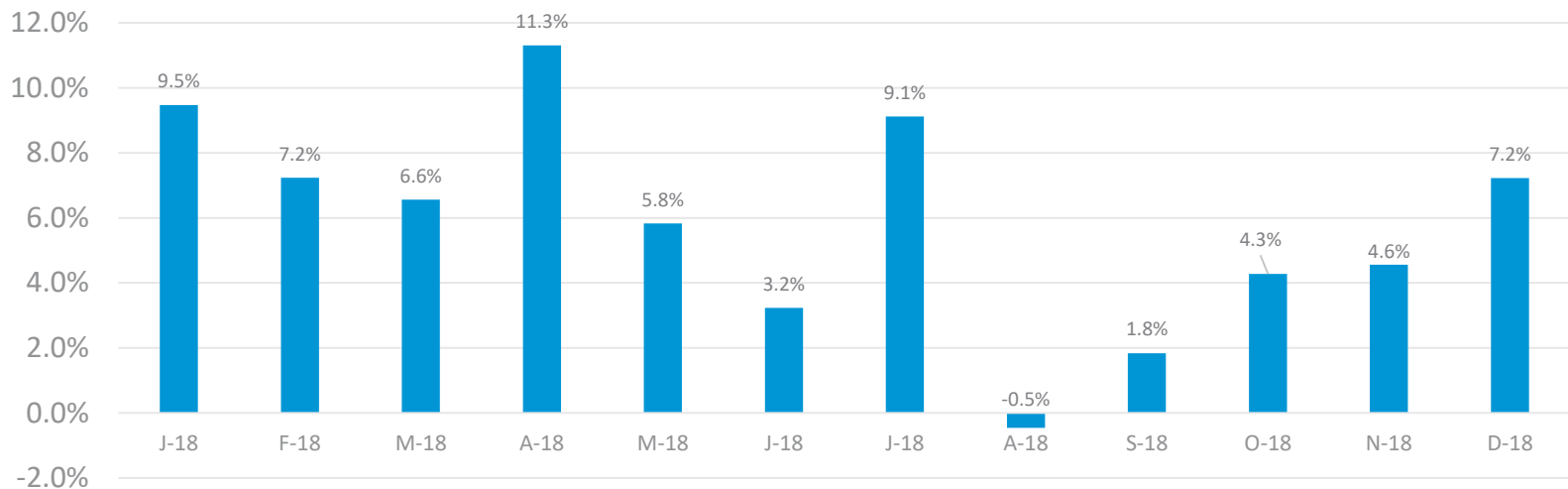
\* 2018 figures are preliminary, unaudited

1 Increased from 3.65% to 4.31% effective January 1, 2019. See FN 1 on slide 10 for details.

2 Increased from 3.5% to 5.5% effective October 1, 2018. The additional 2% is dedicated to the Affordable Housing Fund.

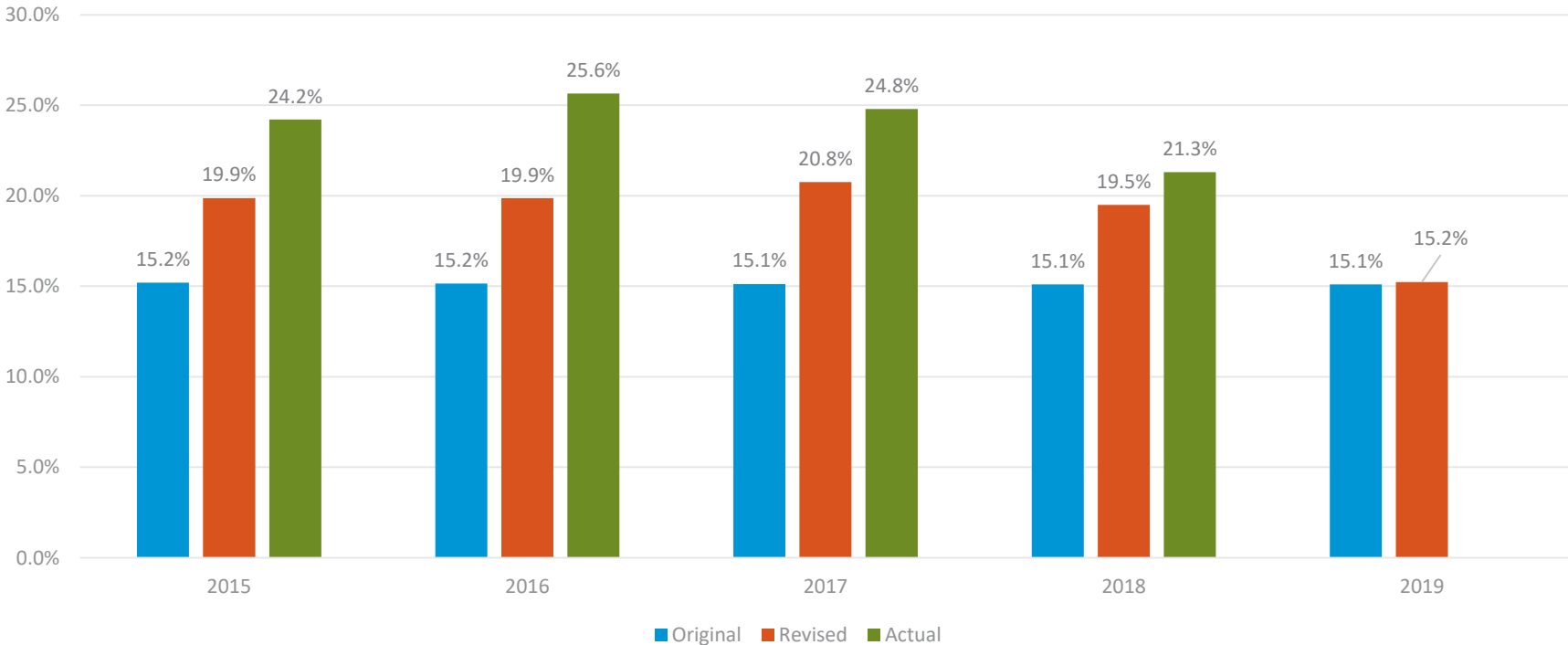
# 2018 Sales Tax Performance

2018 Year-over-Year Percent Change in Denver's Monthly Core Sales and Use Tax Revenue



# General Fund Balance 2015-2019

2015 - 2019 Fund Balance %



# 2019 Projections

## 2019 Projections

- Overall Revenue growth projection is 4.1%
  - Core Sales and Use Growth is 5.5%
  - Sales and Use is 52% of GF revenue
- Expenditures are on track
  - No supplementals to date

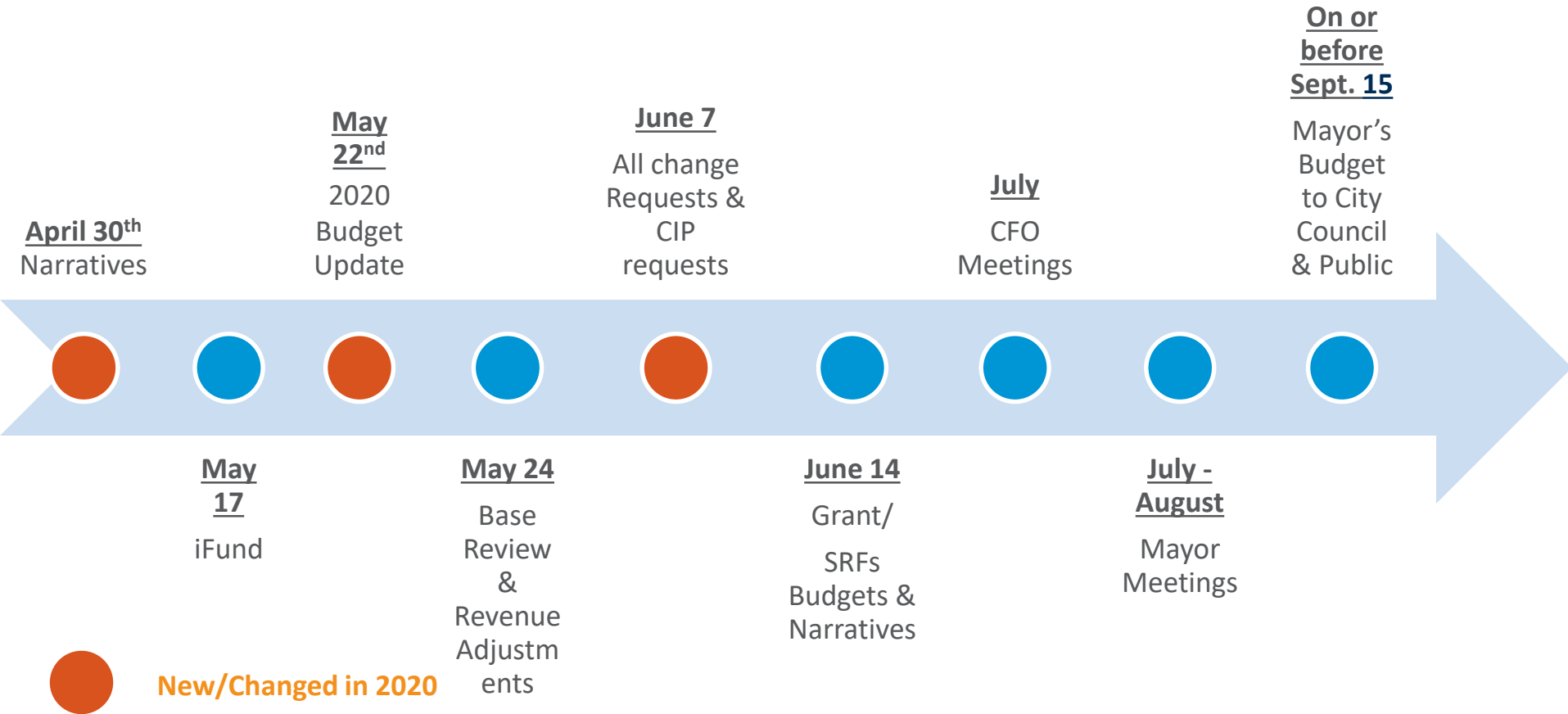




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# Budget Calendar

# 2020 Budget Timeline – Key Dates



# City Council Priorities

- Economic Opportunity
- Environment and Sustainability
- Housing and Homelessness
- Mobility
- Neighborhood Quality of Life

*Thank you!*