



DENVER
THE MILE HIGH CITY

2018 Budget Initial Overview

City Council

Finance & Governance Committee

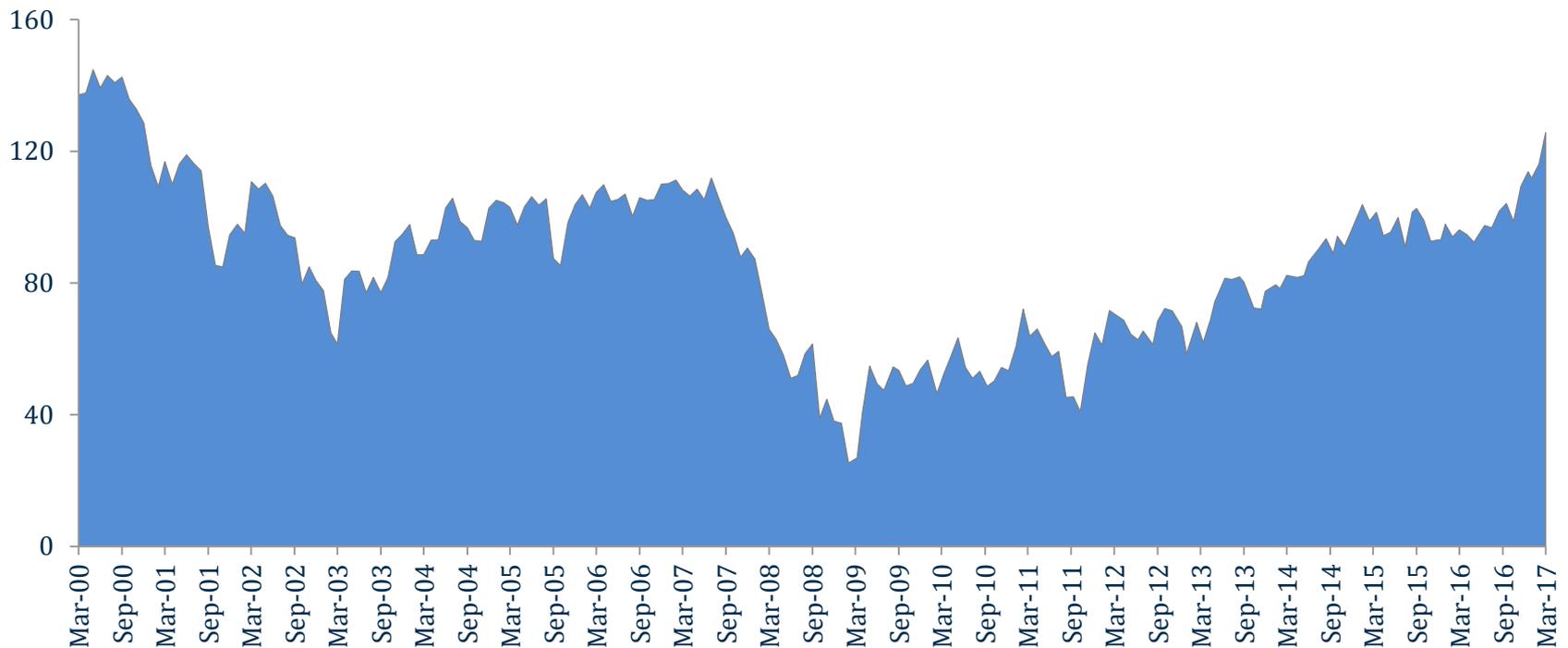
April 18, 2017

Overview

- Denver's economy was strong in 2016.
 - Steady employment growth and low unemployment
 - Consumer-driven economy
 - Strong growth in home prices
 - Growth in retail sales
- Economic growth will continue in 2017 and 2018 but at a more modest pace.
- Denver's economy will outperform the nation's and peer cities'.
- Uncertainty of federal funding implications

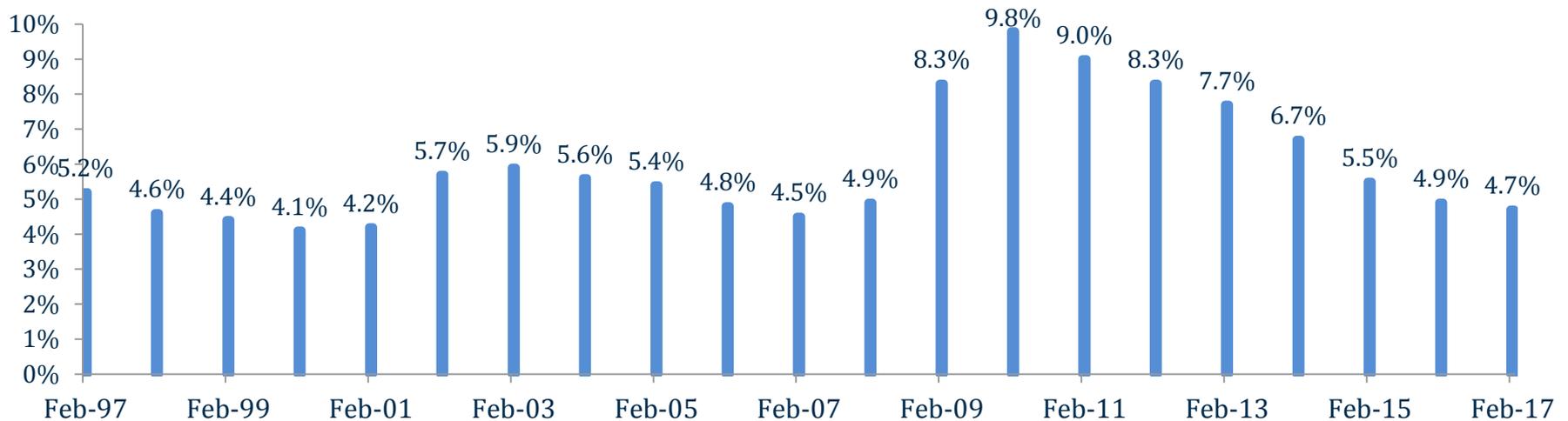
Consumer Confidence

Consumer confidence increased “sharply” in March, reaching its highest level since December 2000.



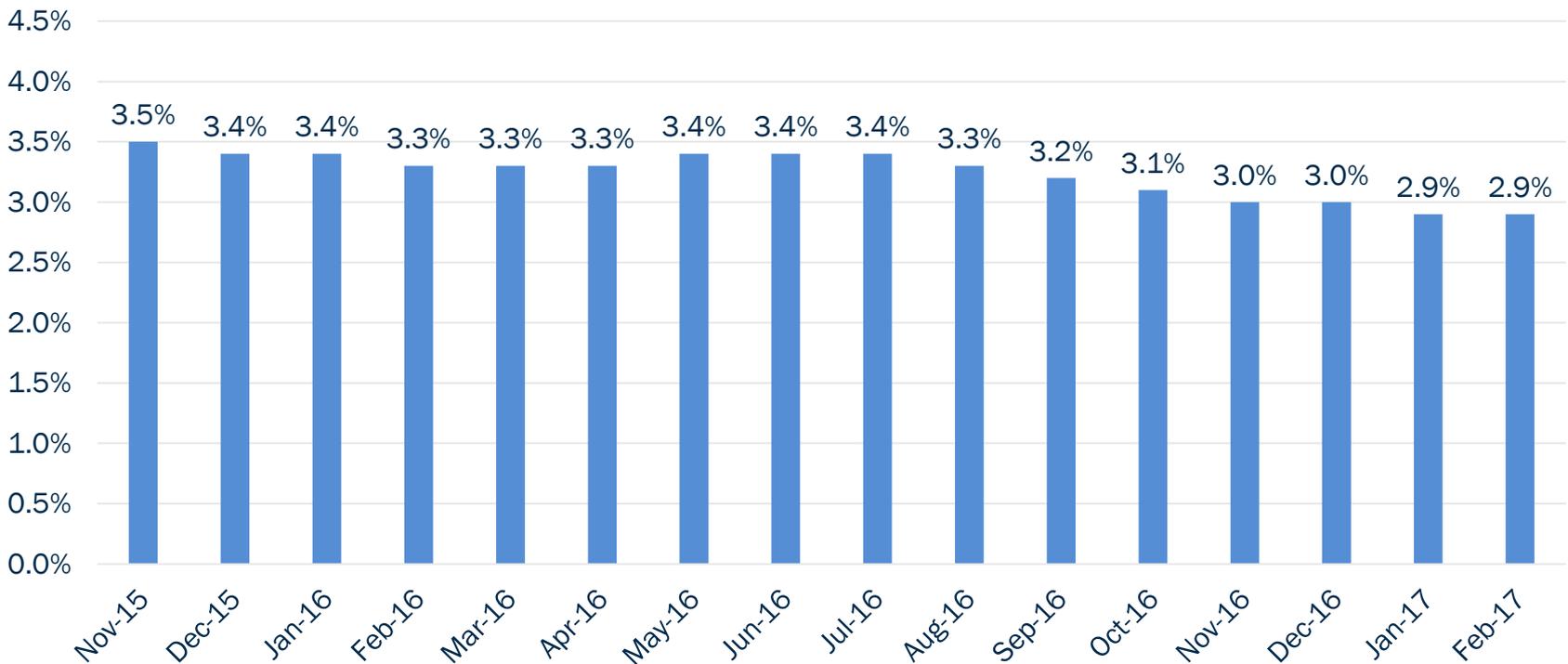
National Unemployment

The unemployment rate totaled 4.7% in February, down from 4.9% in February of last year. In 2010, February unemployment was 9.8%.



Colorado Unemployment

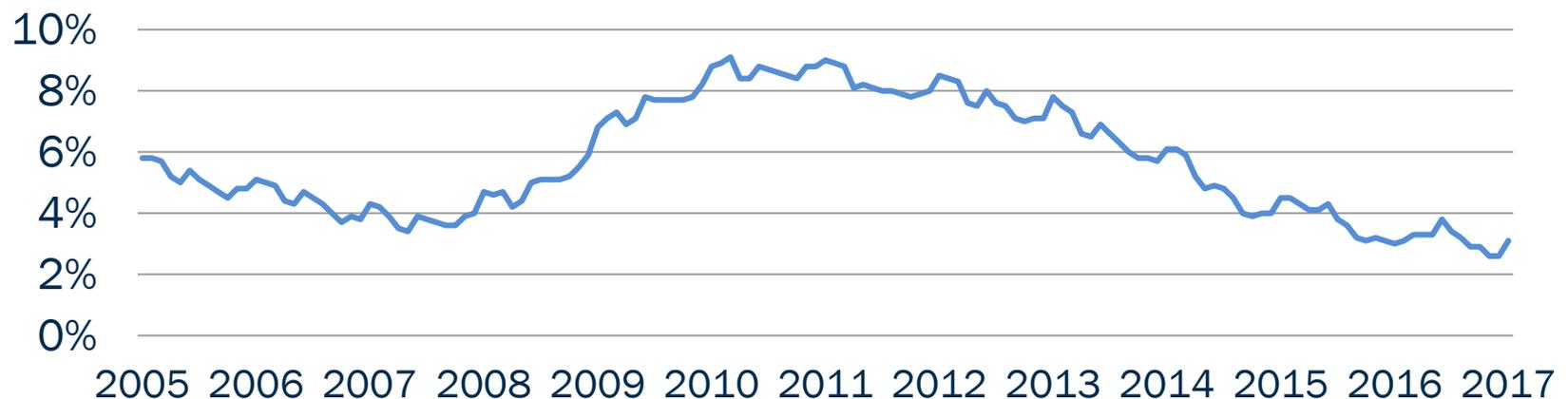
Colorado's unemployment rate was 2.9% in February, down from 3.3% in February of last year.



Denver Metro Area Unemployment

Denver's unemployment rate totaled 3.1% in January. This compares to 3.0% last year.

Denver Area Unemployment Rate

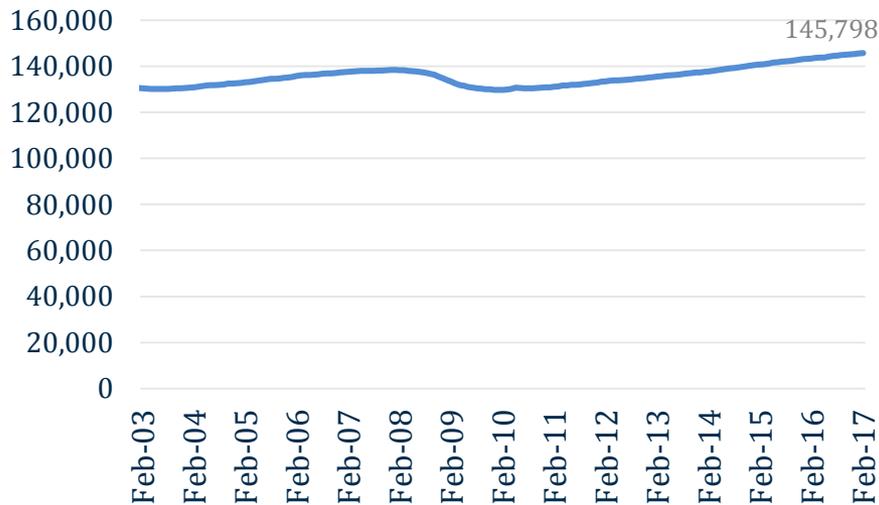


National and Local Employment

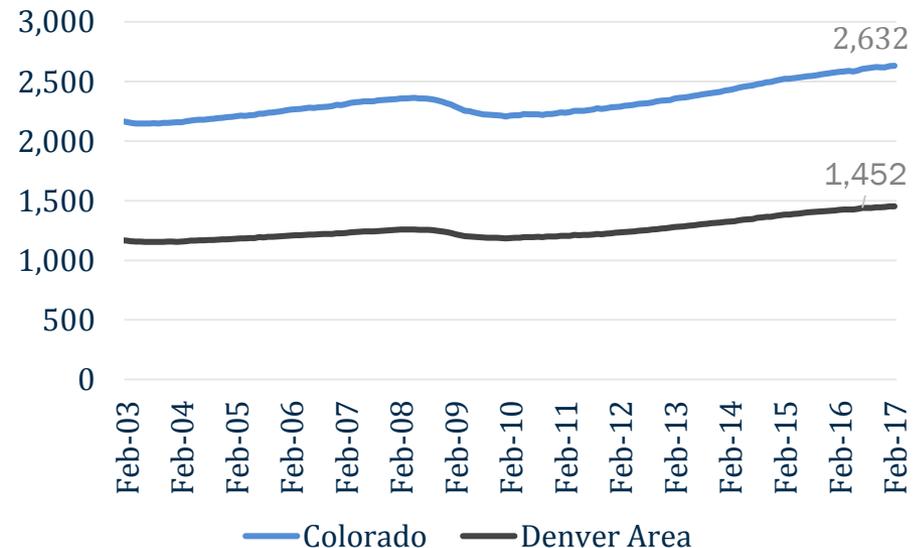
National employment was 145,798,000 in February. Compared to last year, 2,350,000 more employees are working, reflecting a y/y growth rate of 1.6%.

Colorado's employment was 2,632,000 in February, representing 1.8% of national employment. Over half of Colorado's employees are in the Denver-Aurora-Lakewood area.

United States, All Employees (000s)



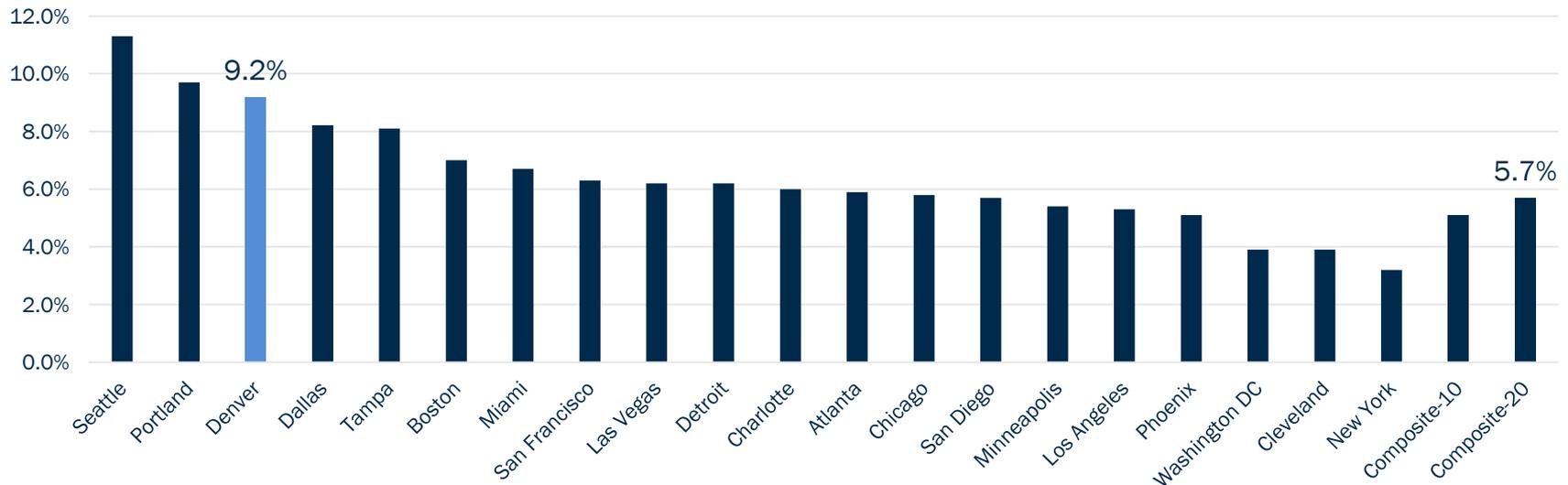
Colorado, Denver Area, All Employees (000s)



Home Prices

Denver had the third highest home price appreciation in January behind Seattle and Portland. This is the 12th consecutive month that Denver has ranked third.

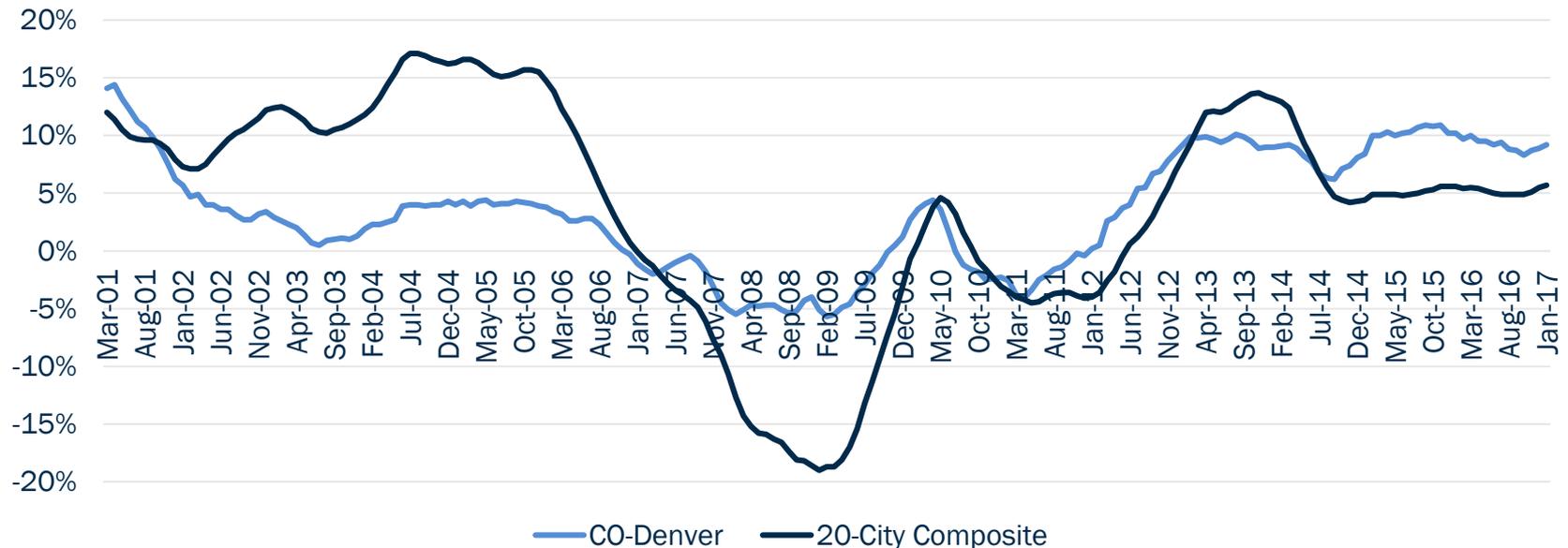
Year-Over-Year % Change in January Home Prices



Home Prices

In 2016, Denver-area home prices increased by an average of 9.2% year-over-year. Nationally, home prices grew by 5.2%.

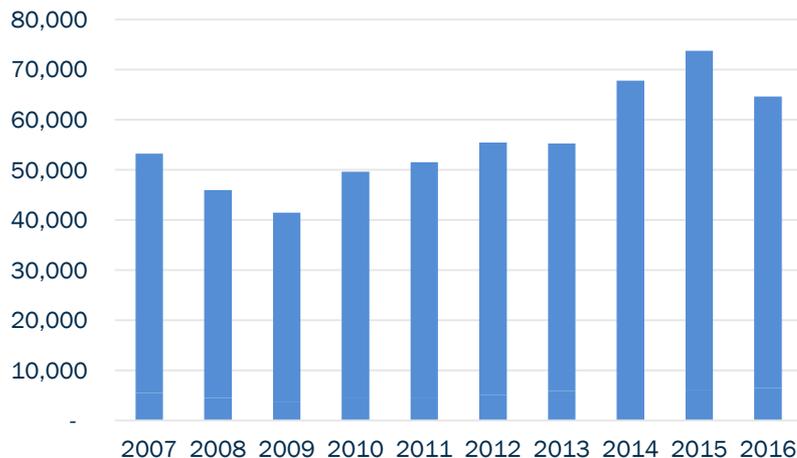
Year-Over-Year % Change in Home Prices



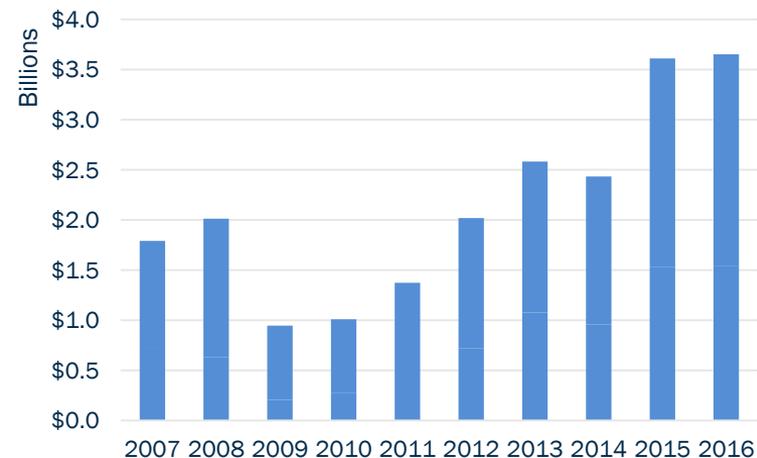
Building Permits and Valuations

Building activity continued to show strength in 2016, with dollar valuations coming in over \$3.5 billion for the second consecutive year. In 2009, dollar valuations bottomed out at just under \$1 billion.

Total Building Permits, 2007-2016



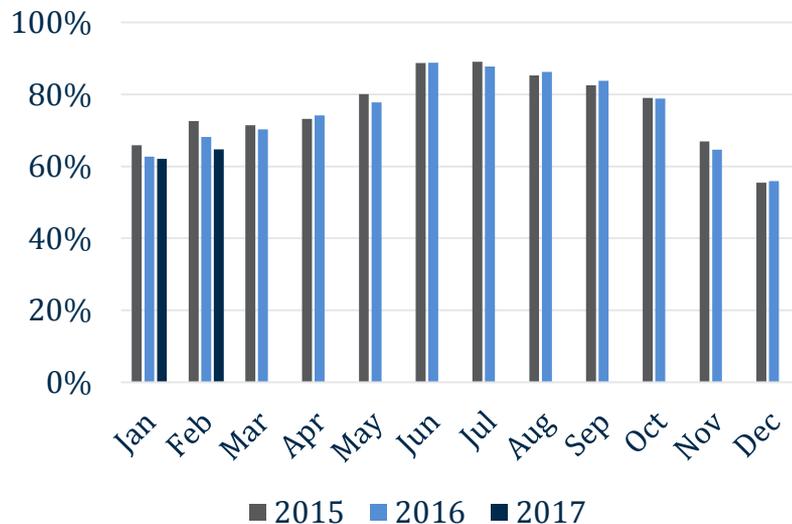
Total Dollar Valuations, 2007-2016



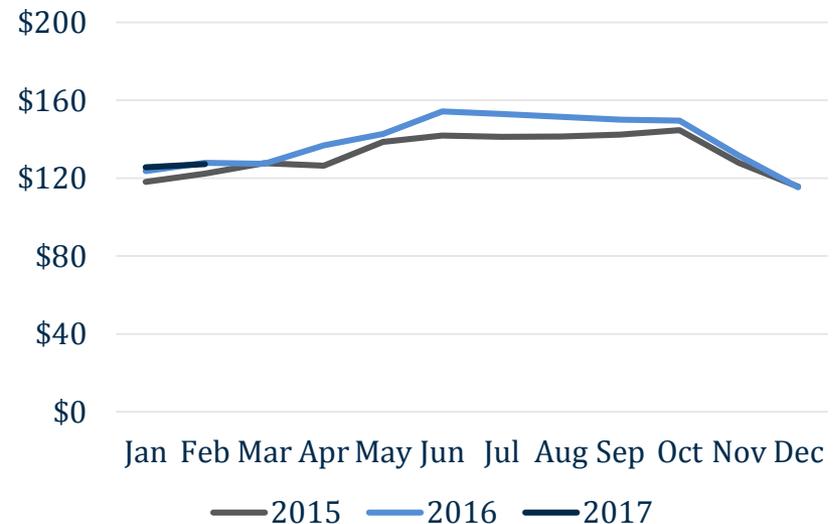
Denver Lodging Activity

Average room rates through February are up 0.4% y/y while occupancy rates are down 2.1 percentage points. An increase in Denver's hotel room inventory is likely contributing to a decrease in occupancy rates.

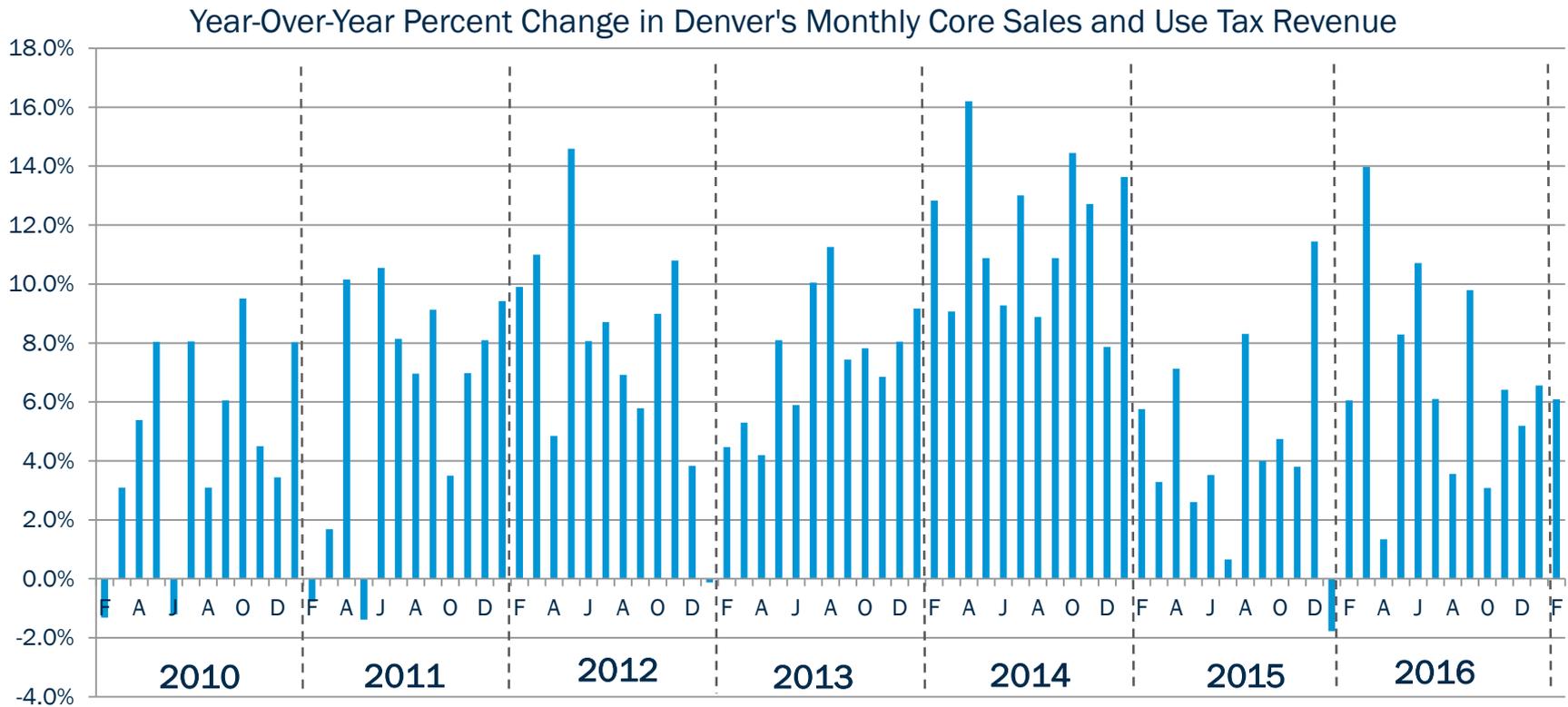
Occupancy Rates



Average Room Rates



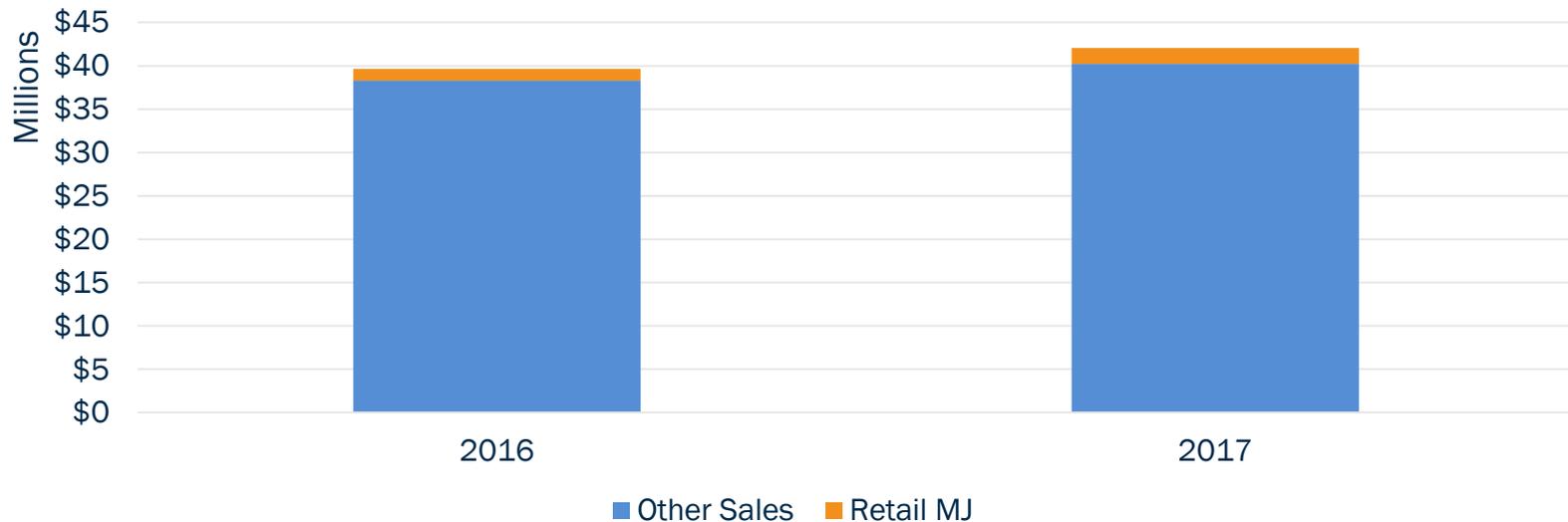
Sales Tax Activity



Sales Tax Activity

In the first month of 2017, core collections are up 6.1%. Backing out collections from retail marijuana, the core grew by 5.1%.

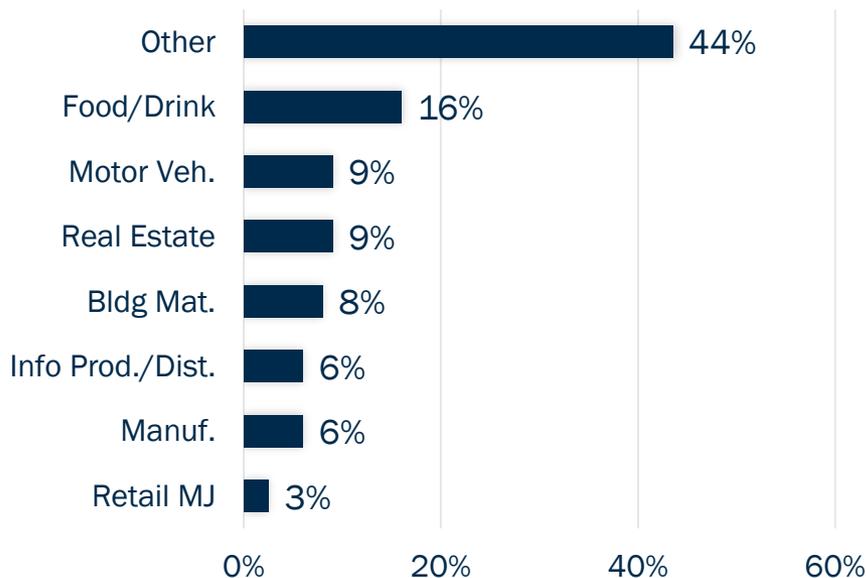
Core Sales and Use Tax, February 2017 Collections



2016 Sales Tax Performance

- Core sales tax revenue grew by 6.5% in 2016.
- Seven categories represent more than half of the City's sales tax revenue.

Share of 2016 Sales Tax Revenue



2016 Year-Over-Year % Change

Food/Drinking Establishment	7%
Motor Vehicle/Auto Parts	0%
Real Estate/Rental/Leasing	12%
Building Materials	4%
Manufacturing	-4%
Information Producers	5%
Retail MJ	31%

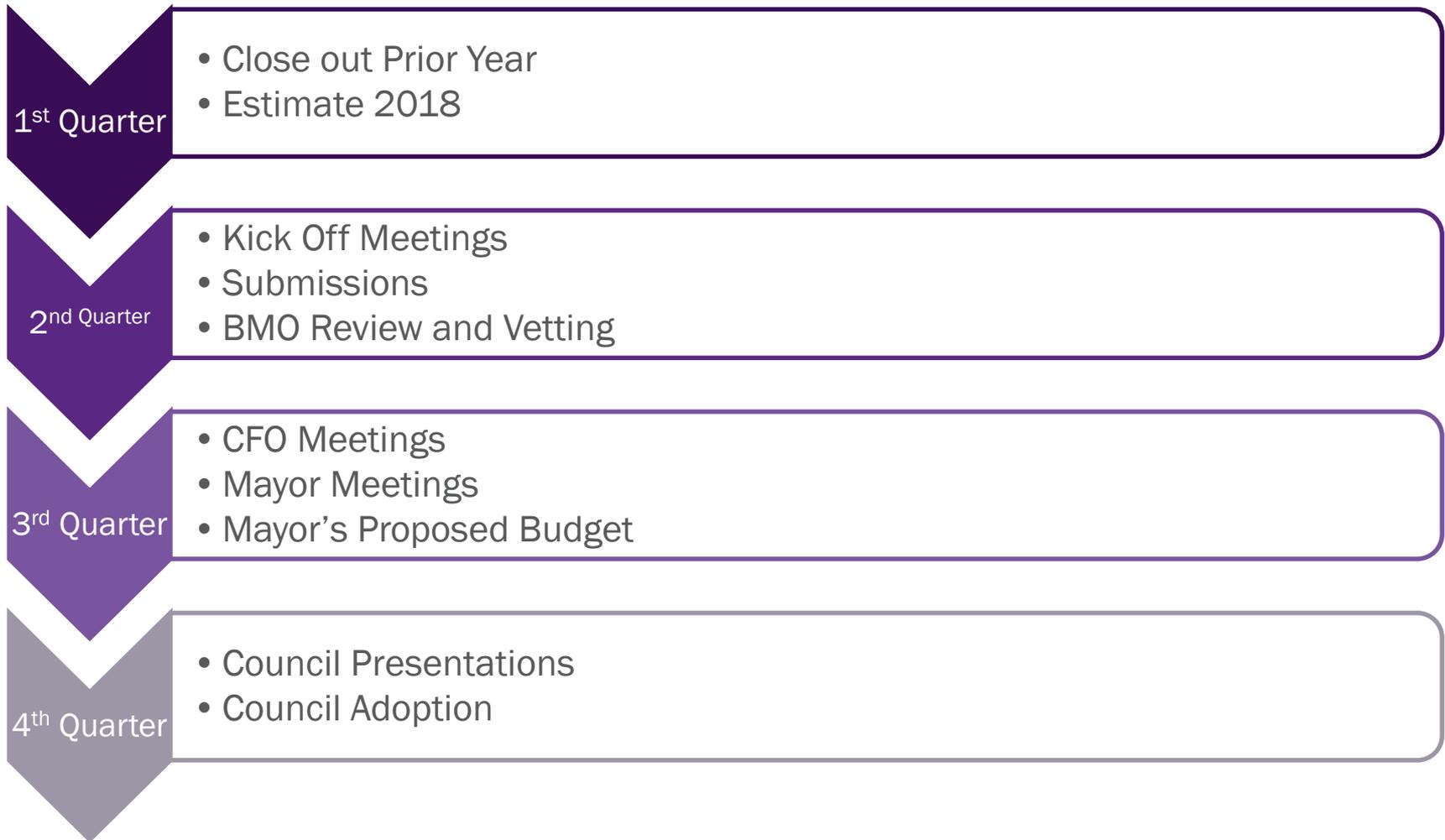
2016 Revenue

- Preliminary figures show General Fund revenue grew by \$34 million in 2016. This is 2.8% growth over 2015 actuals and compares to a budgeted growth rate of 2.3%.

2016 Expenditures

- Unspent appropriation, including unspent GF Contingency, was approximately 2.3% over our projection.

2017 revenue estimates will be trued up to 2016 actuals but a material change in the forecast will not occur until the summer.



- Total 2018 GF revenue is initially forecast to increase 3.2% over the 2017 revised budget.
- Tax revenue (67% of GF revenue) is forecast to increase by 4.2% in 2018.
 - Total Sales and Use Tax – 4% growth.
 - Property Tax – 7% growth (reassessment year*)
 - Lodger’s Tax –3% based on Visit Denver’s projections.
 - Occupational Privilege Tax – remains stable at 2% growth
- Agency generated revenue is forecast to increase 2% (26% of GF revenue)
 - Will be revised to reflect agency proposed revenue changes.

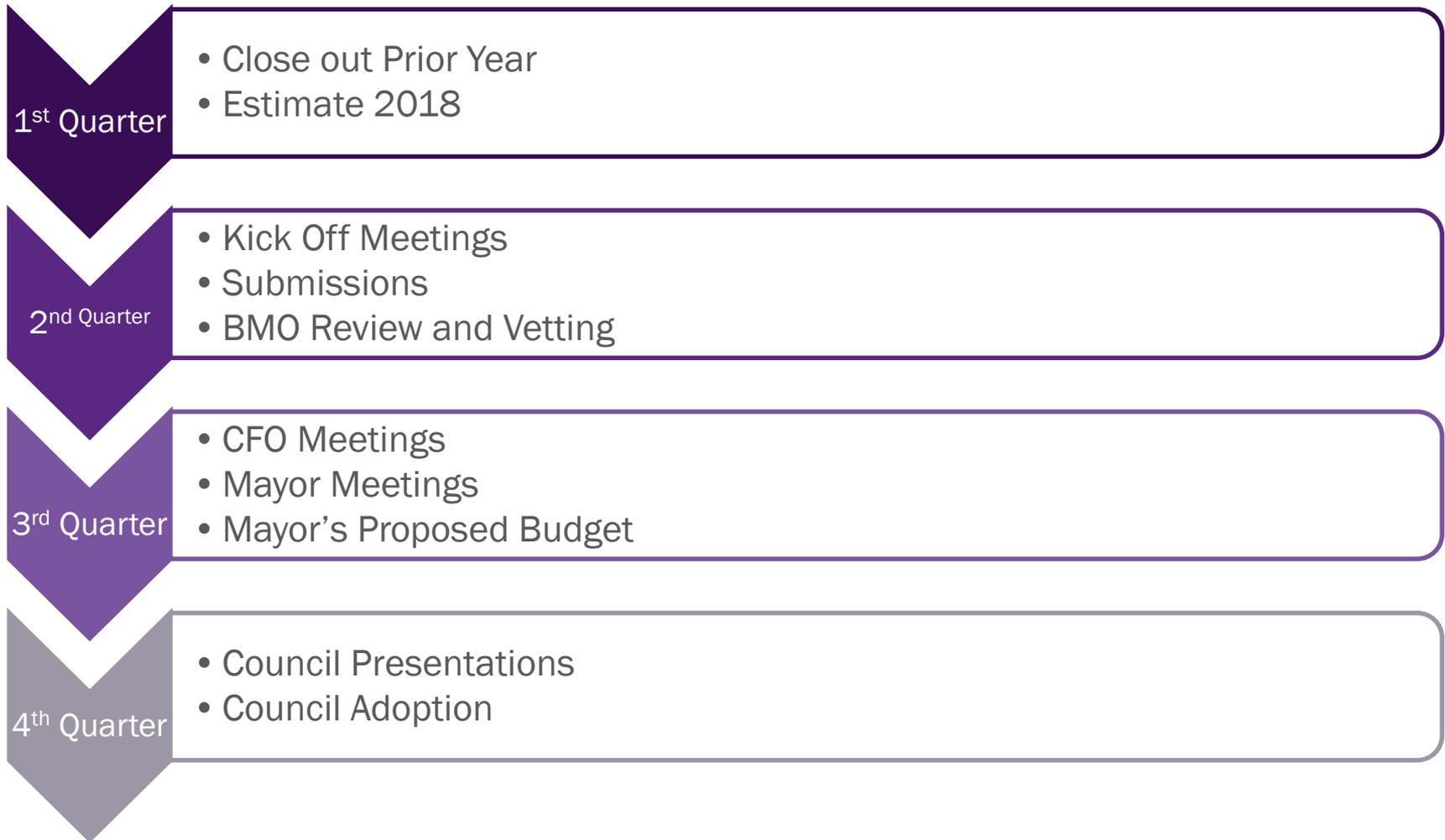
*Preliminary projection; reassessment not yet complete

- Personnel (70% of GF expenditures) expenditures are forecast to increase by 2.96% in 2017
- Supplies and Materials & Internal Service charges are forecast to be flat.
- \$35.8m 2017 one-time items are removed from 2018 base.

Expectations for 2018 Budget

- The focus will be on Mobility, Affordability and Neighborhood Engagement
- Youth, Jobs and Safety Net and Safety will continue to be a priority
- Where we can find savings to reallocate existing investments we will
- We will continue to cautiously monitor federal funding changes

- Current timeline:
 - GO Bond committees continue to meet
 - A recommendation will be provided to the Mayor in May
- As it relates to the 2018 Budget Process
 - Contingent upon the proposed projects to voters
 - Agencies will submit any operating needs
 - Operational appropriation will come before Council after the vote



- Stephanie Karayannis Adams
 - Stephanie.Adams@denvergov.org