



---

# 2026 Revenue Outlook and Forecasting

Finance and Business Committee  
October 14, 2025

# Agenda

- Overview of Sales Tax Modeling
- 2025 and 2026 One-Time Revenue
- Five-Year Forecast
- Reserve Policy

# Sales Tax Modeling

Lisa Martinez-Templeton  
Chief Economist

# Sales Tax (Consumption) Modeling



## Preprocessing Data

- Detrend data (HIS)
- Seasonally adjust data (SA)
- Adjust data for tax increases



## Artificial Neural Network (ANN)

- Nonlinear data-driven and flexible
- Improved performance over traditional multivariate models
- Reasonably low prediction error

# Model Inputs – Endogenous Factors (Internal)

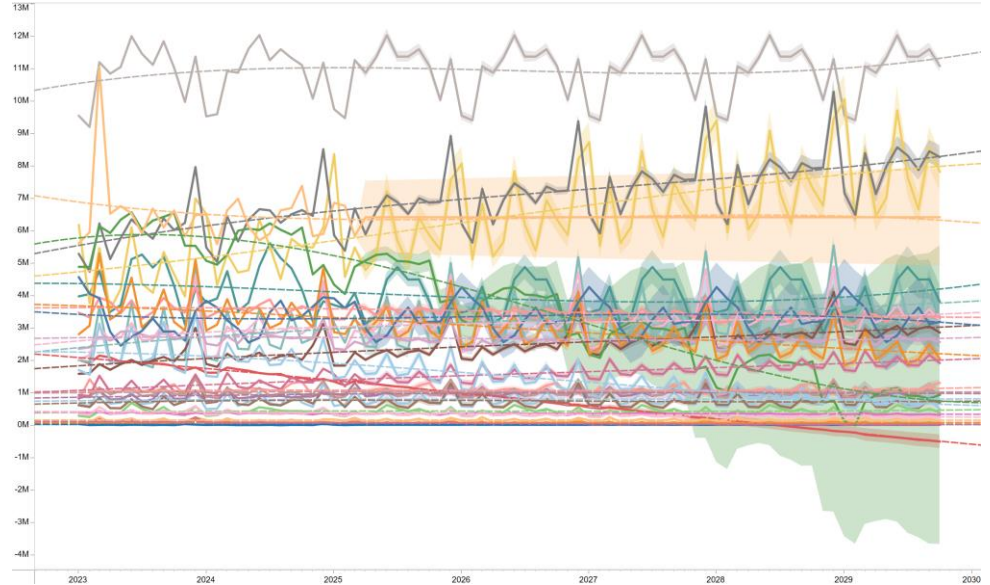
- Historical Revenue Data - Monthly granular sales tax collections (revenue period)
- Weekly Foot Traffic Data for Retail/Business Districts
- Population
- Number of Establishments
- Household Wealth

# Model Inputs – Exogenous Factors (External)

- Inflation
- Interest Rates
- Labor Market Data
- Travel/Tourism Indicators
- Consumer Price Index (CPI) & Consumer Sentiment Index (ICS)
- Special Events (concerts, festivals, etc.)
- External Events (pandemic, weather, etc.)

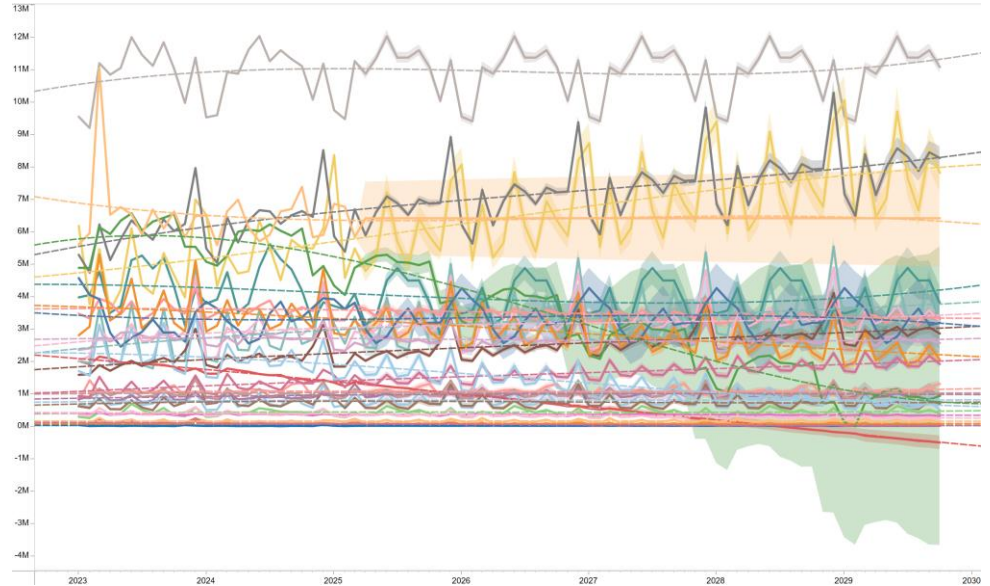
# Model Outputs to Inform S&U Projections

1. Output is monthly revenue forecast by NAICS for total tax collections across all tax rates => create blended core S&U General Fund amounts
2. Assess uncertainty and risks around the baseline (conditional on assumptions) and quantify alternative scenarios



# Model Outputs to Inform S&U Projections (continued)

3. Take model-based projections and complement with adjustments to assumptions, macroeconomic propagation, or other specific factors
4. Provide final 5-year forecast with confidence interval bounds as well as optimistic and pessimistic scenarios to BMO





# 2025 and 2026 One-Time General Fund Revenue

Justin Sykes  
Budget Director

# 2025 One-Time General Fund Revenue

| Amount  | Source                                             |
|---------|----------------------------------------------------|
| \$22.0M | Border Crisis Response Fund transfer               |
| \$6.0M  | Stapleton Reserve SRF transfer                     |
| \$3.9M  | Dental Self-Insurance ISF transfer                 |
| \$2.8M  | Coronavirus Response SRF transfer                  |
| \$1.0M  | Risk SRF transfer                                  |
| \$0.5M  | Americans with Disabilities Act (ADA) SRF transfer |

**\$36.2M Total**

# 2026 One-Time General Fund Revenue

| Amount | Source                               |
|--------|--------------------------------------|
| \$5.0M | Border Crisis Response Fund transfer |
| \$0.2M | ADA SRF transfer                     |

**\$5.2M Total**

# Five-Year Forecast

Justin Sykes  
Budget Director

# Purpose of Five-Year Forecasting

- Establishes a baseline projection if current trends continue
- Reveals long-term revenue and expenditure patterns
- Provides an early warning of structural gaps
- Offers context for policy decisions and future-year budget planning

# Timing of Forecast Updates

- The five-year forecast is finalized after the next year's budget is finalized, and is included in the final version of the budget book
  - When updated, it will be based on the approved 2026 budget and go through 2030
- The forecast does not set policy or lock-in future-year funding decisions. It is an unofficial extension of the 2026 budget
- It factors in current economic outlook for revenue and historical averages for expenditures.

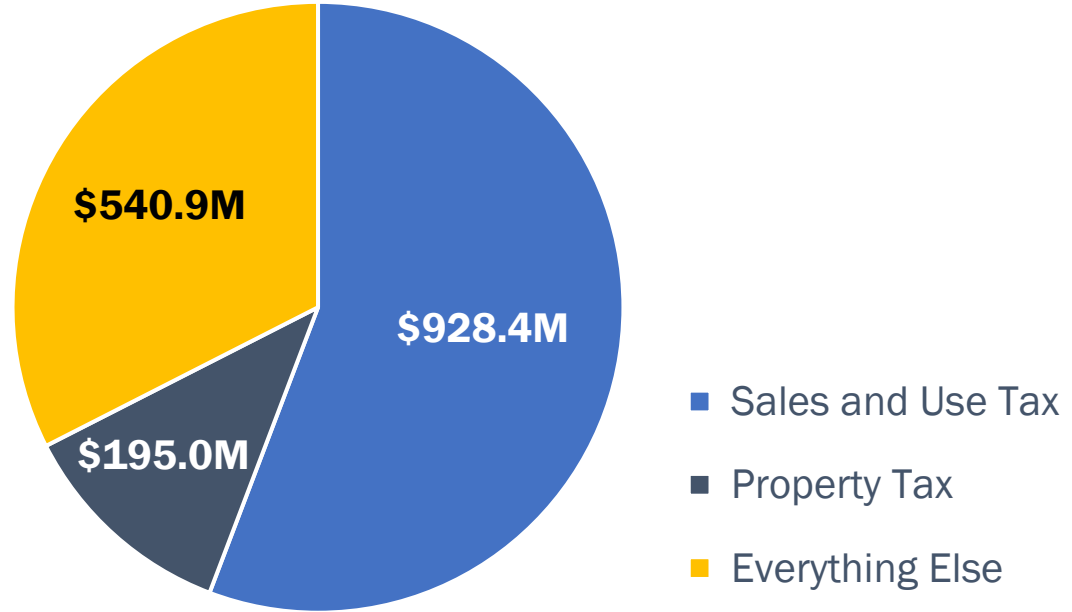
# Revenue Forecast Methodology

- Focuses on the top 35 revenue streams, which is ~93% to 95% of General Fund revenue
- Methodology varies based on the revenue stream. For example:
  - Core sales tax modeling plus layering in of terminated Stapleton TIF increment
  - HB24B-1001 impacts on assessed valuation
  - SB21-260 impacts on Highway Users' Tax Fund (HUTF) revenue per CDOT's modeling
  - Visit Denver's outlook for lodgers' tax
  - Historical Compound Annual Growth Rates used as a predictor of future performance where applicable
- Incorporates agencies' outlook for their respective revenue streams
- One-time revenue impacts (+/-) factored in

# Sales and Use Tax, Property Tax Account for Over 2/3 of 2026 General Fund Revenue

Projected 2026 Revenue

**\$1.664B**





# Expenditure Forecast Methodology

**\*Projections do not take into consideration future year expansions or reductions**

## **Future Year Base Budget**

- Removes one-time expansions; adds back one-time reductions
- Assumes limited positions expire on end dates
  - Base budget projections do not take into consideration future FTE growth
- Uses Compound Annual Growth Rate of actual personnel expenses for the past four years
  - Uniform and CSA personnel projections are estimated separately

# Expenditure Forecast Methodology (continued)

## Services and Supplies and Capital Replacement

- Services and supplies are projected by applying the projected inflation rate from the Office of State Planning and Budgeting for the future year and five-year averages from the Department of Local Affairs

## Internal Services

- Most budget within internal services consists of General Fund contingency and transfers
  - General Fund contingency is estimated at 2% of projected expenditures
  - General Fund transfers are assumed to remain flat

# Reserve Policy

Justin Sykes  
Budget Director

# Use of Fund Balance Reserves

- **Use of reserves above 15%:**
  - One-time or capital expenditures, debt reduction; program in next budget year
- **Use of reserves between 10% - 15%:**
  - One-time expenditures or to stabilize the city during normal economic cycles when revenue growth is below historical average
- **Use of reserves below 10%:**
  - Restricted to responding to severe economic or other crisis

# Other Reserve Considerations

- **Short-Term Solution:**
  - Reserves should only be used to provide a short-term solution to maintaining services until projected revenue growth or necessary expenditure reductions are achieved to balance the budget.
- **Focus on What's In Our Control:**
  - The city should first seek to offset revenue declines with expenditure reductions. Reserves should only be used when further reductions in expenditures would significantly affect essential city services.
- **Replenishment Plan:**
  - Any use of fund balance reserves below the 15% target should be accompanied by a replenishment plan. This is particularly critical when reserves are below 10%.

# Fiscal Reserve Policy

Fiscal Reserve Policy is available online:

[https://denvergov.org/files/assets/public/v/2/finance/documents/fiscal-accountability/chapter-1-accounting-principles-and-budget-administration/rule\\_1\\_3\\_reserve\\_policy.pdf](https://denvergov.org/files/assets/public/v/2/finance/documents/fiscal-accountability/chapter-1-accounting-principles-and-budget-administration/rule_1_3_reserve_policy.pdf)

# Reserves in Charter

## § 7.1.4 - Balanced budget; emergencies; contingency reserve

In the general fund the budget estimates for the ensuing year shall include an amount as a year-end closing balance which amount shall not be expended except for emergencies approved by a two-thirds vote of Council, within the fiscal year to which the proposed budget applies but may be considered as income available for expenditures in preparation of the proposed budget for the following year.

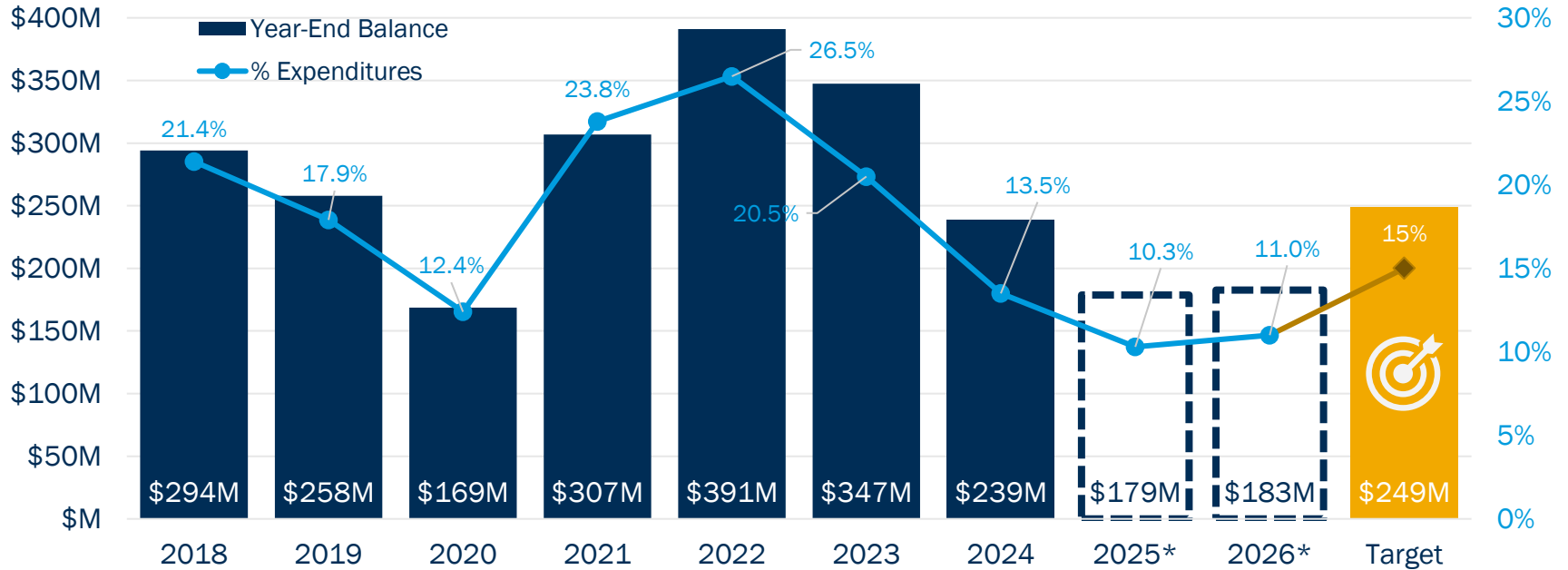
# Questions

*Thank you!*



# Appendix

# Historical Reserves



# Building Reserves Back to 15%



**\$66M**

increase needed  
with flat General  
Fund spend

Projected 2026 Year-  
end Fund Balance

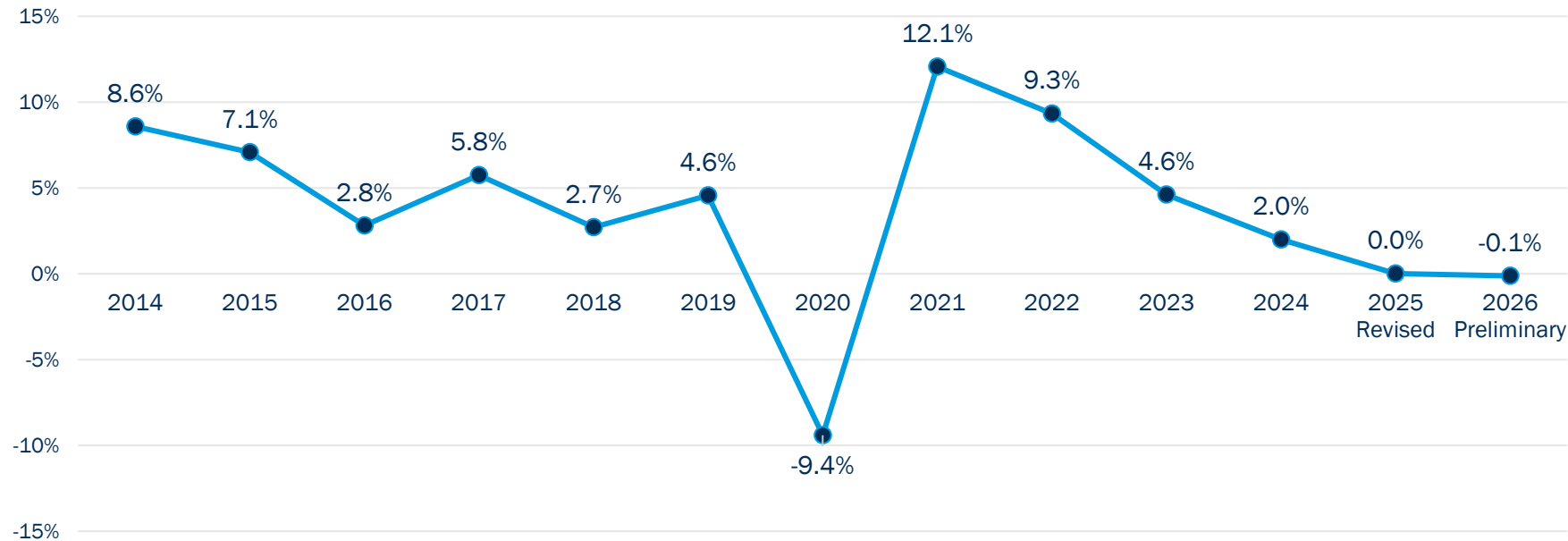
**\$183M**

15% Fund Balance  
with Flat Spend

**\$249M**

- Pursue **\$24M** in Shelter & Services Program reimbursement from FEMA
- Preserve contingency budget
- Advance new capital investments to drive economic and sales tax growth
- Continue work on efficiencies and scaling back contracts, including limiting overhead
- Review citywide fleet and technology portfolios
- Establish new procedures to keep agencies from overspending

# General Fund Revenue Growth Rate



# Revenue Analysis Framework – Details in Appendix

## 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

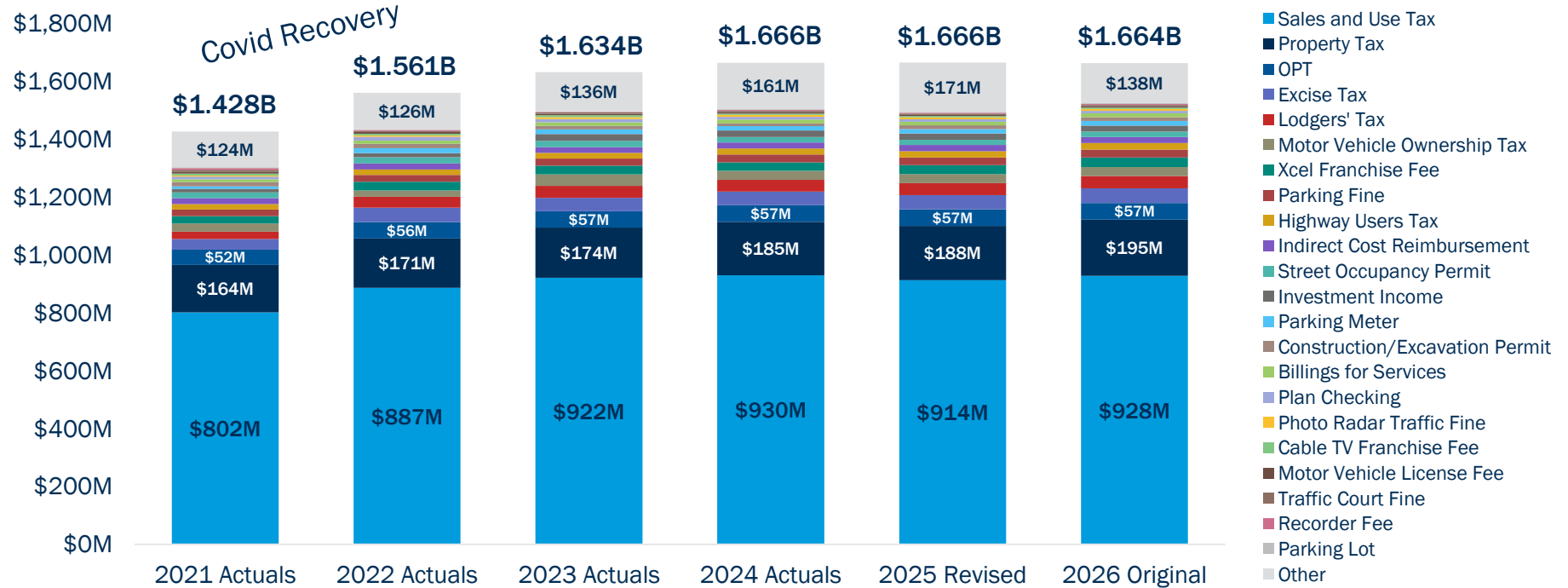
## Next 13

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

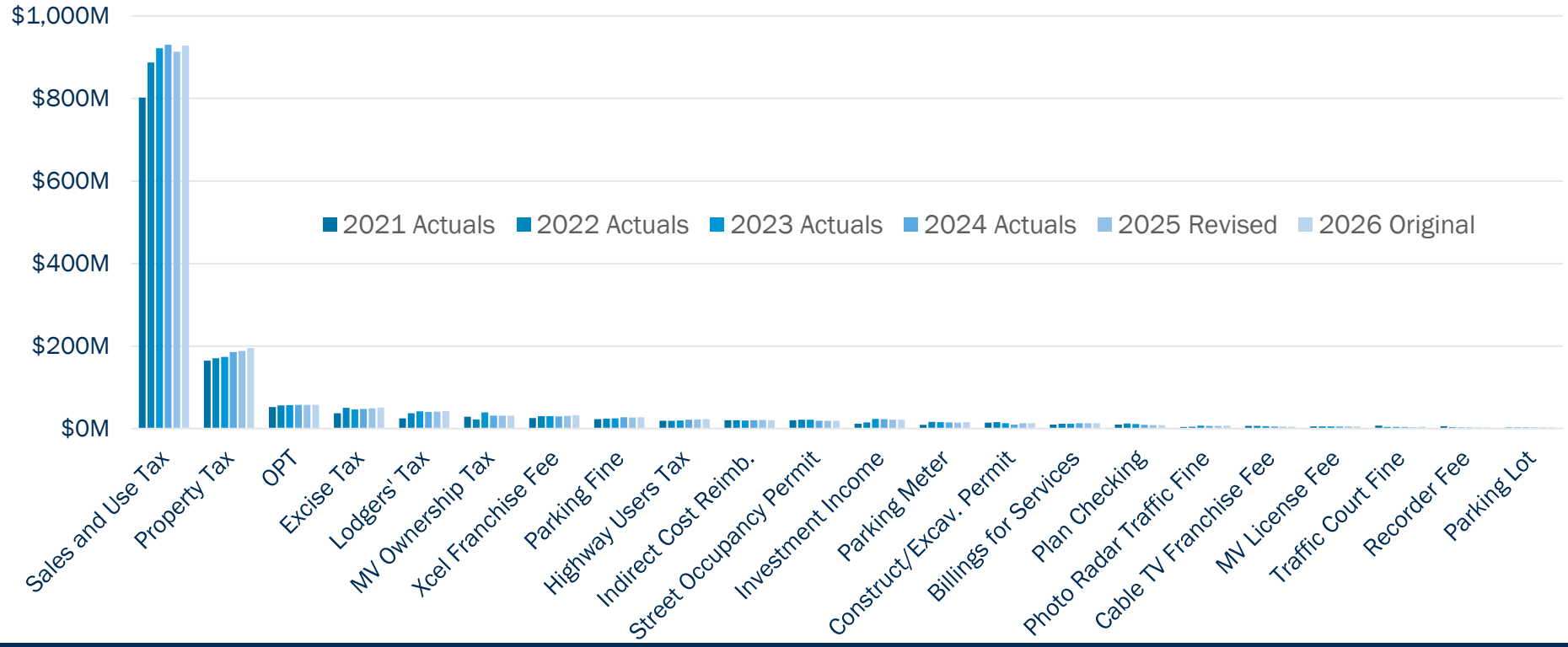
## Other 300+ – EXAMPLES

- 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

# Top 22 Sources of General Fund Revenue

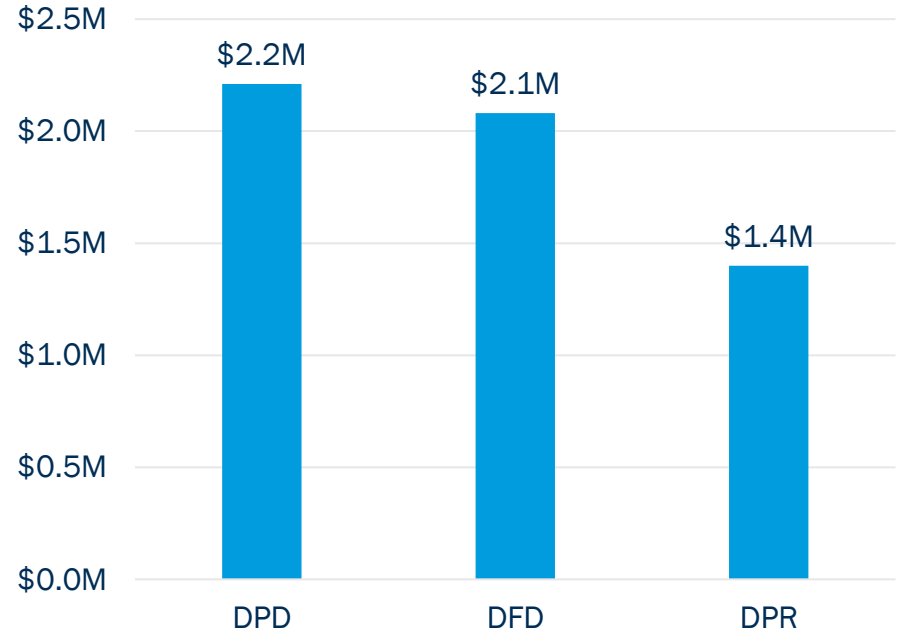


# Top 22 Sources of General Fund Revenue



# 2026 Revenue Additions

- **\$1.4M – Parks and Rec:** Decrease annual membership sale discount, increase in-house adult sports leagues, and offer new greenhouse rentals
- **\$2.1M – Fire:** New inspection services for conveyances and other changes
- **\$2.2M – Police:** Promote traffic safety on roads by increasing speeding and photo radar enforcement

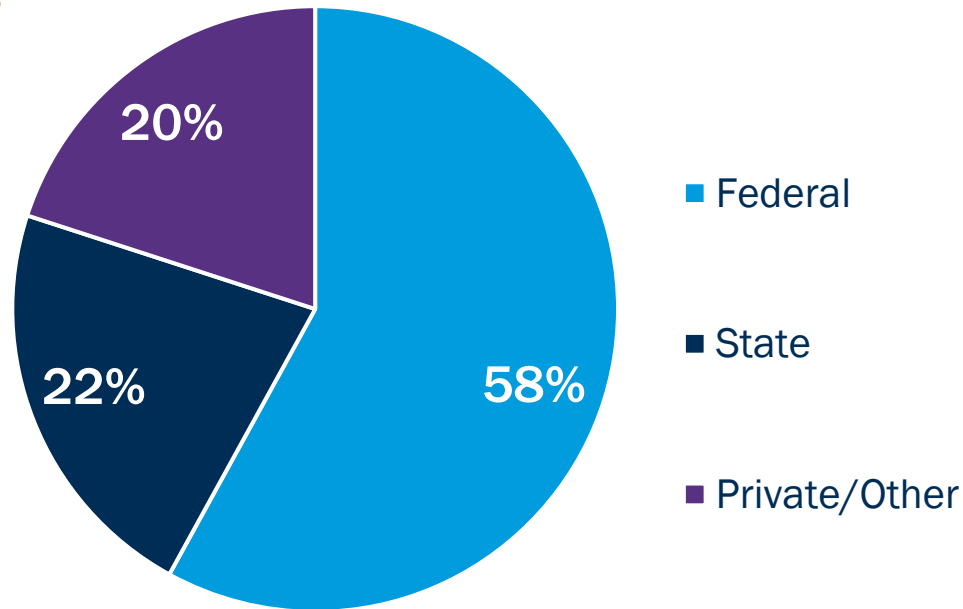




# 2026 Grant Awards

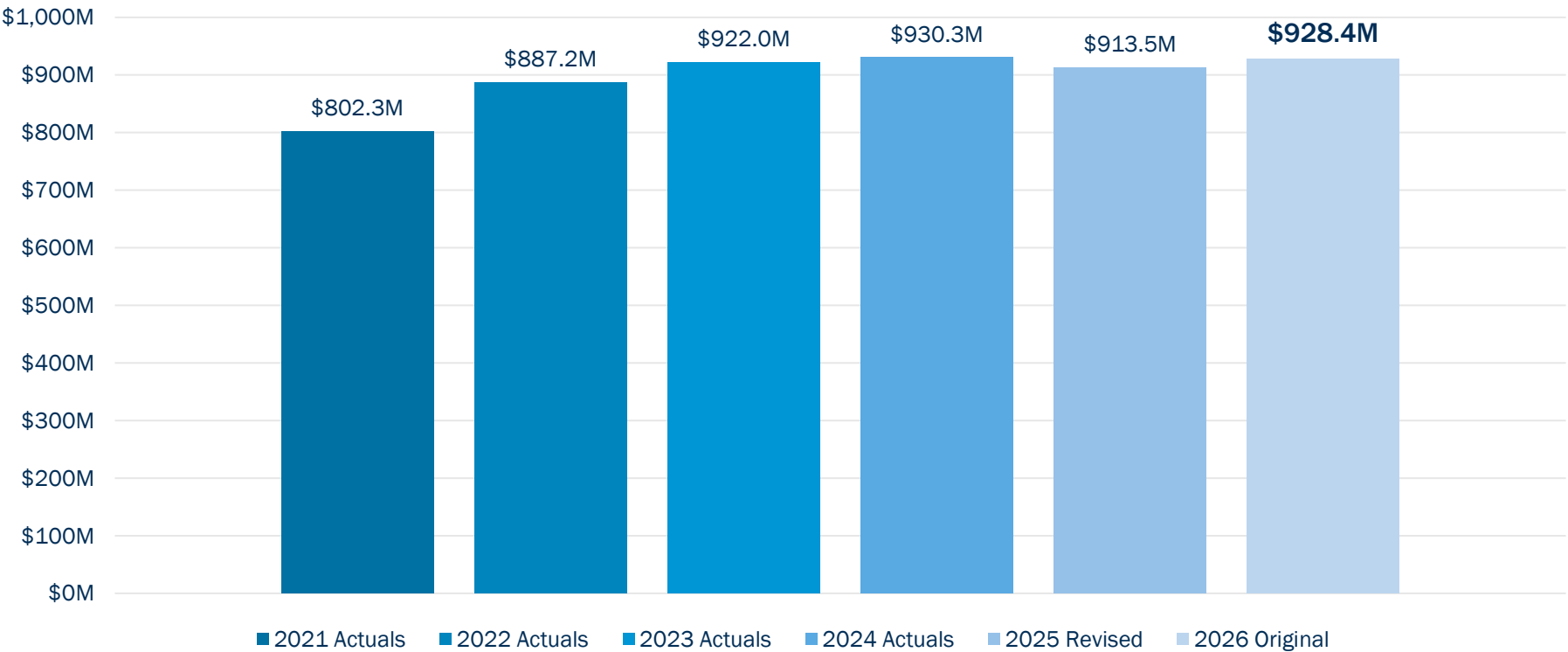
Estimated 2026 Grant Expenditures

## \$230M

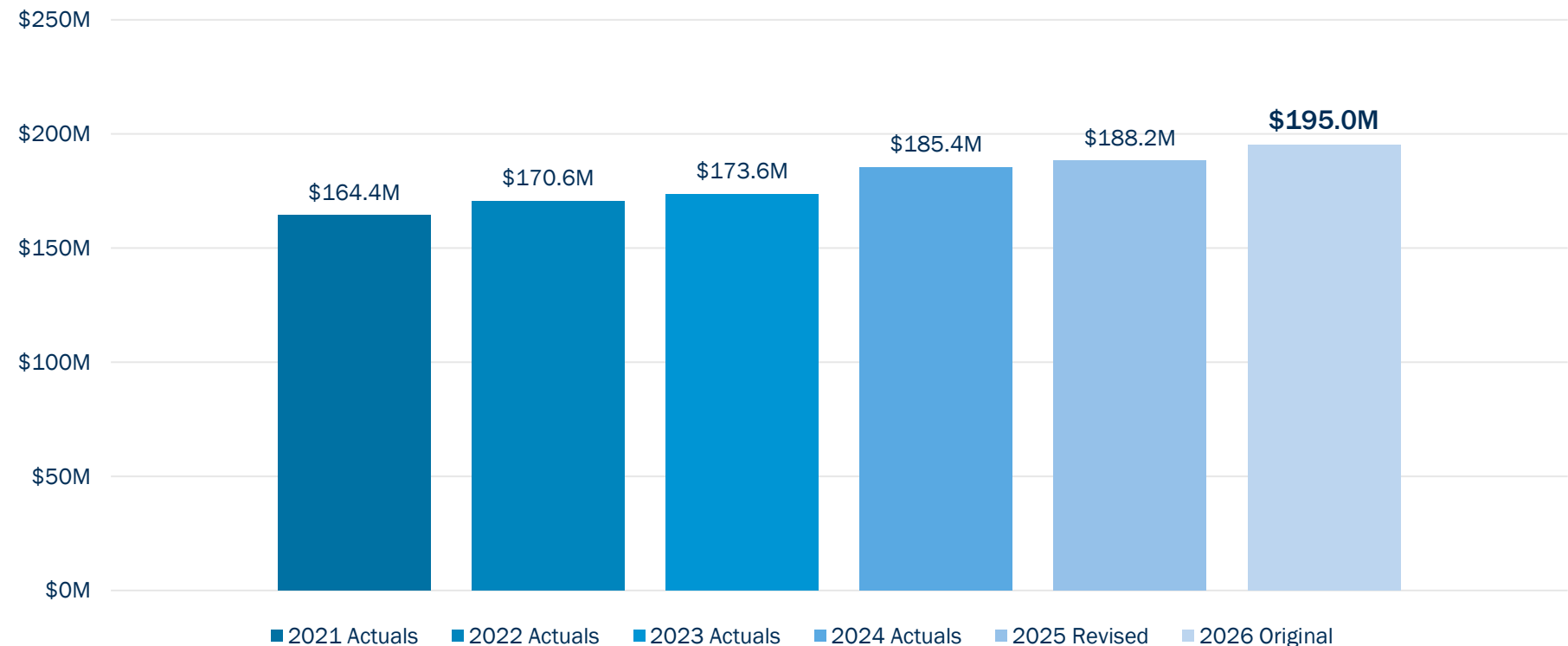


Denver's grant strategy will focus on maximizing stability, ensuring compliance, and protecting funding for critical services for residents – even in the face of federal uncertainty.

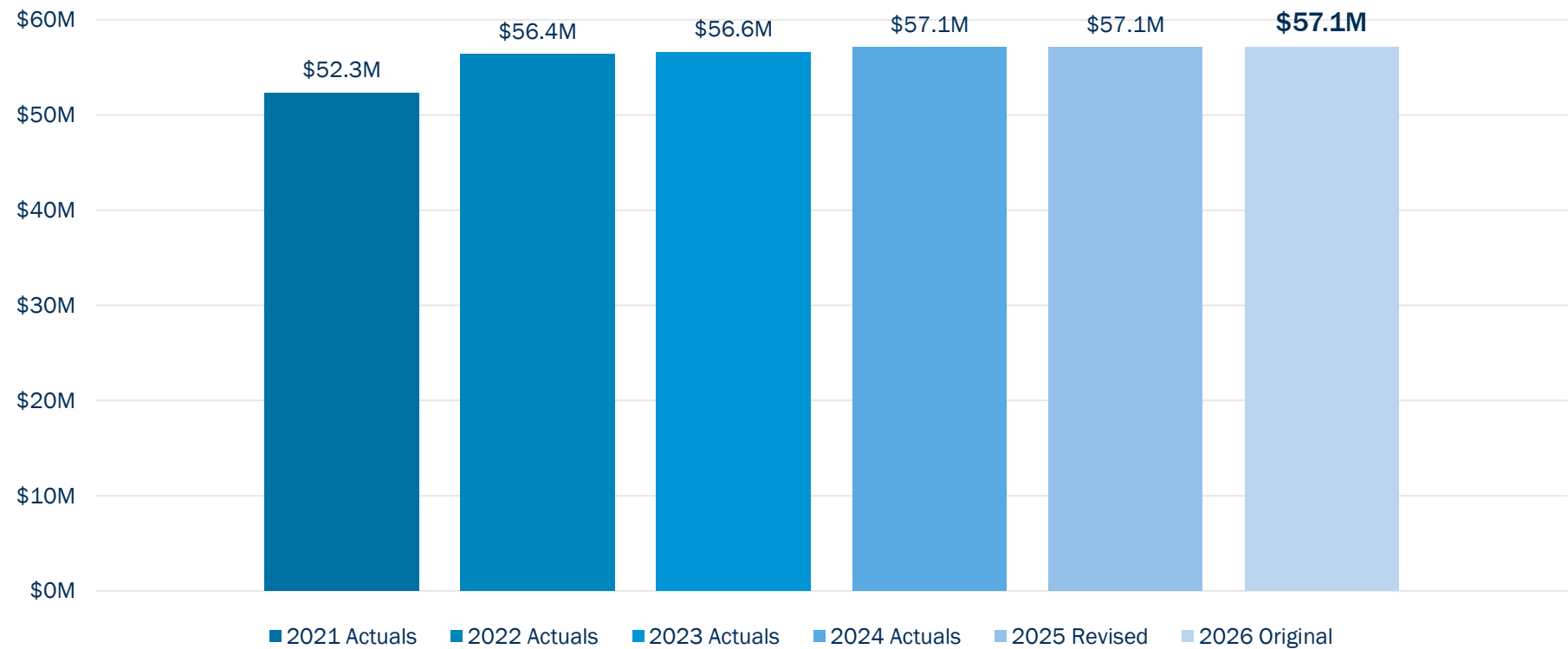
# General Fund Revenue by Source: Sales and Use Tax



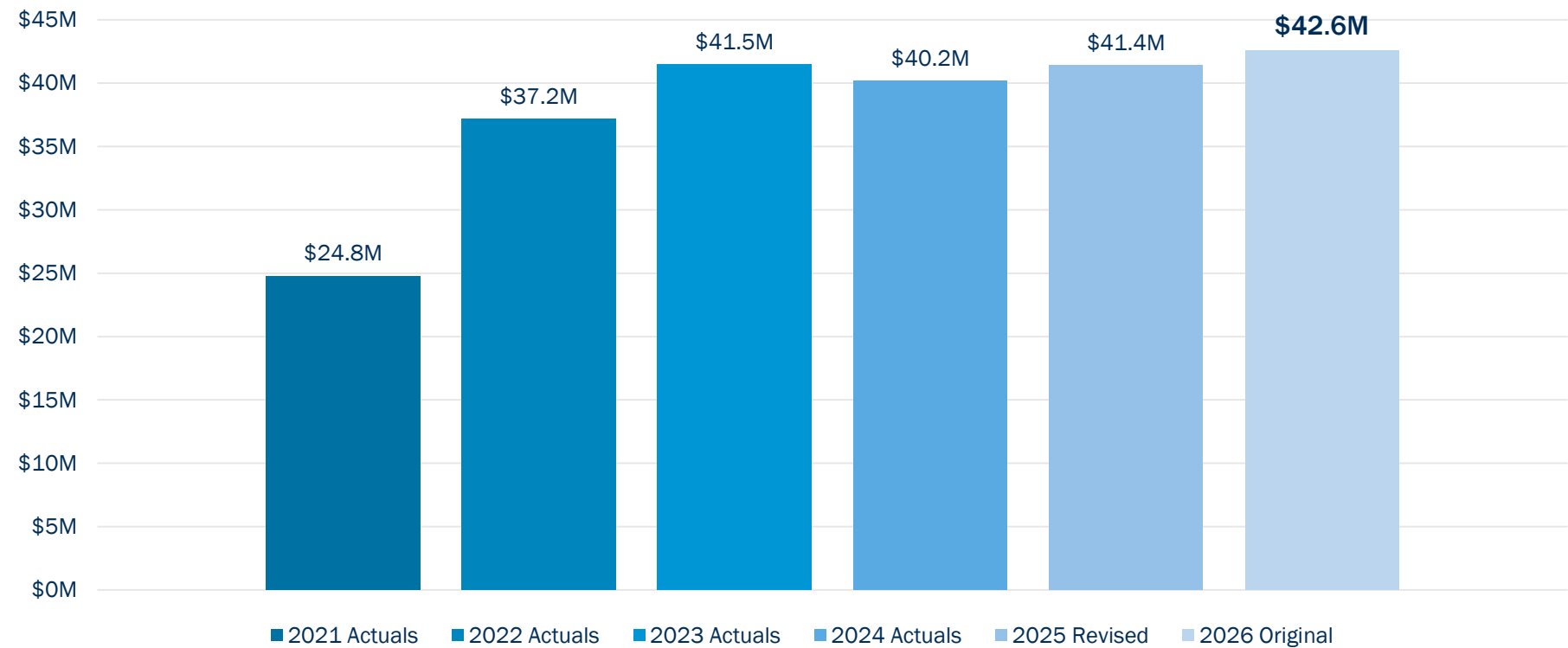
# General Fund Revenue by Source: *Property Tax*



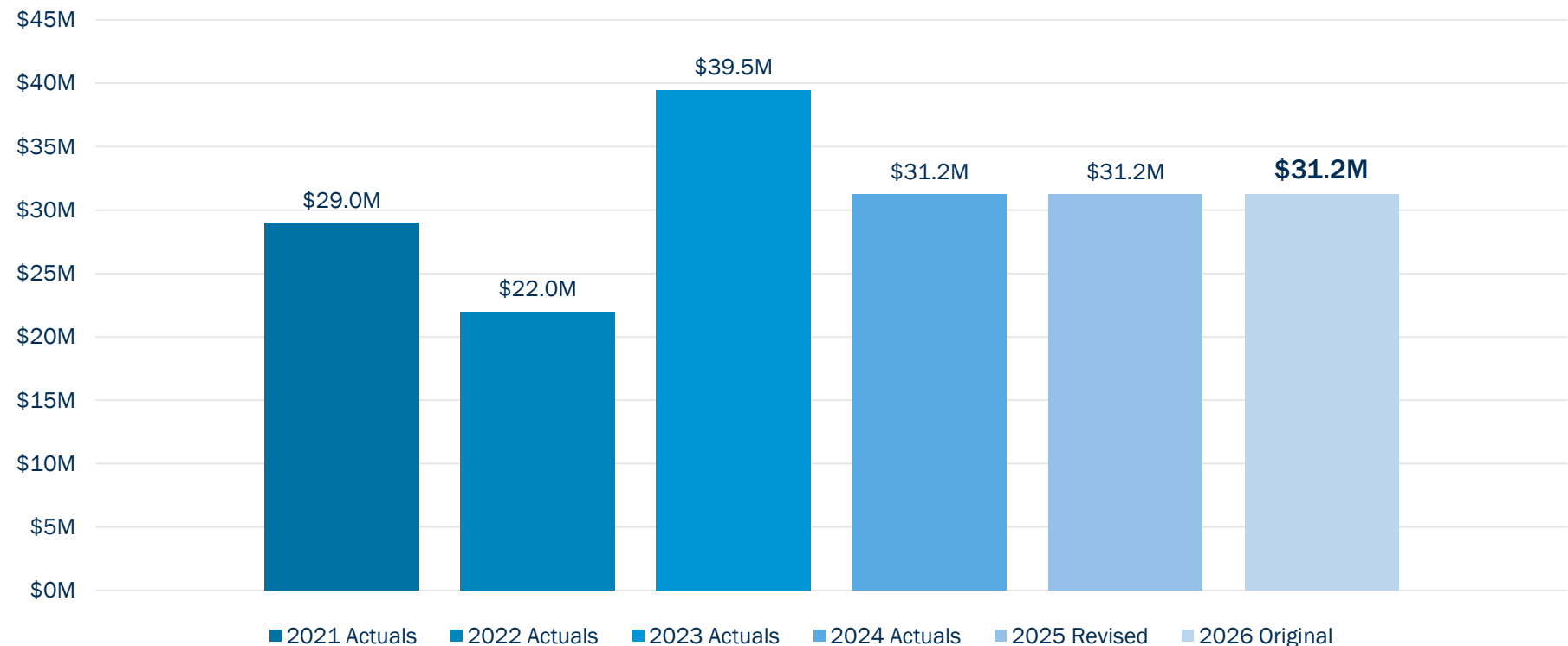
# General Fund Revenue by Source: *OPT*



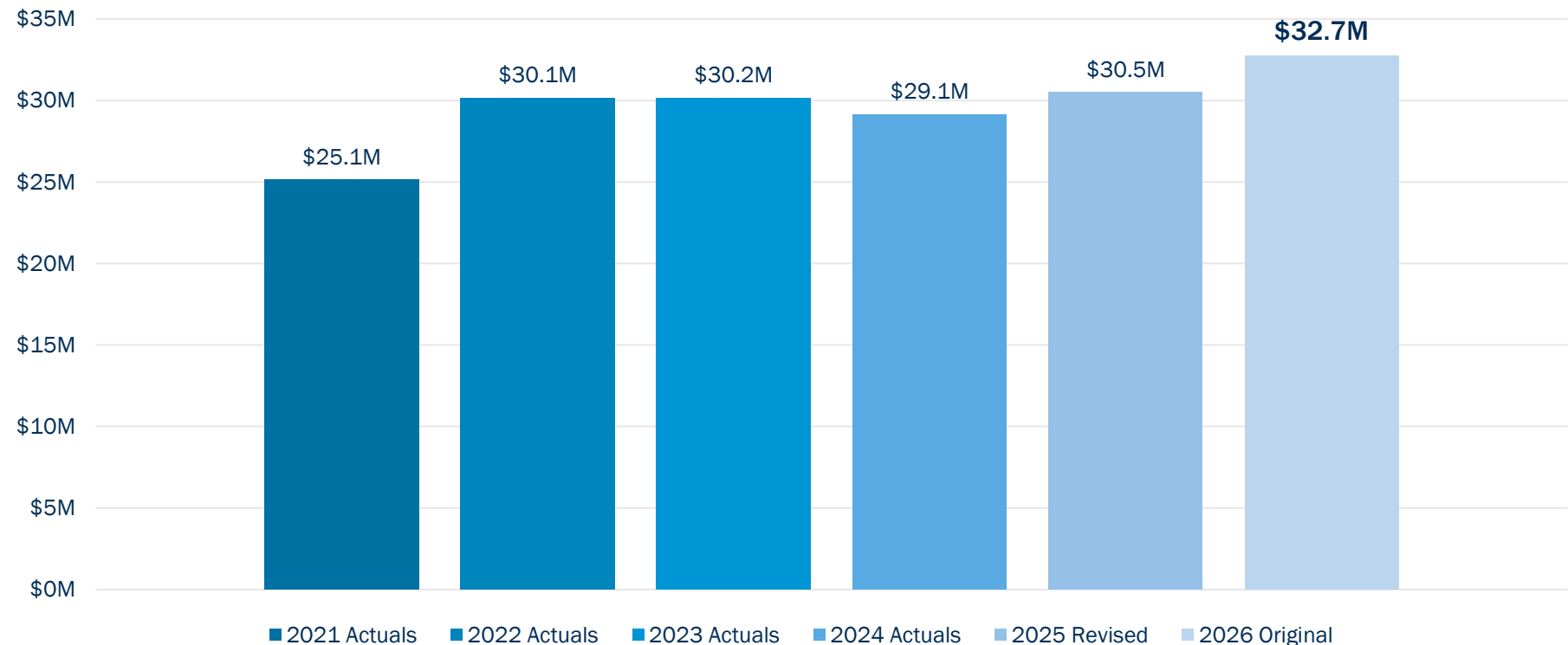
# General Fund Revenue by Source: *Lodgers' Tax*



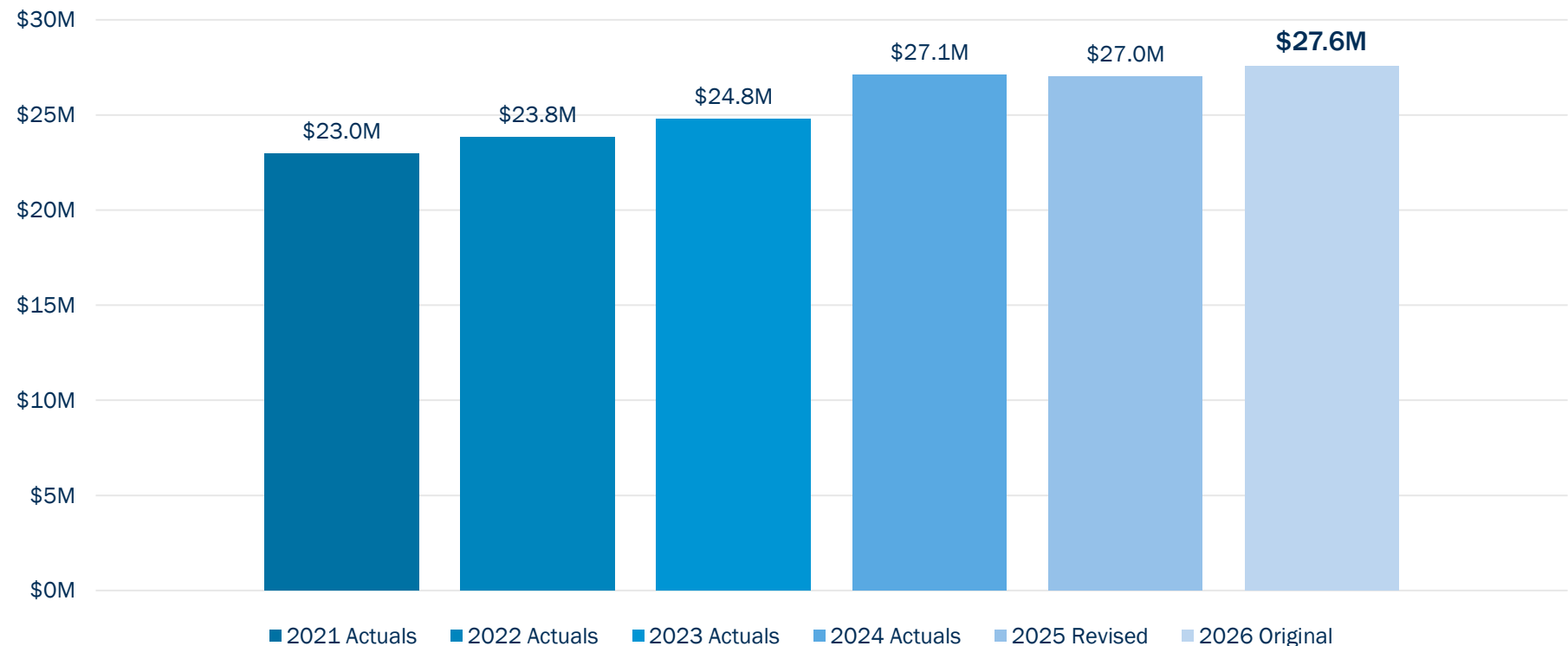
# General Fund Revenue by Source: *MV Ownership Tax*



# General Fund Revenue by Source: *Xcel Franchise Fee*

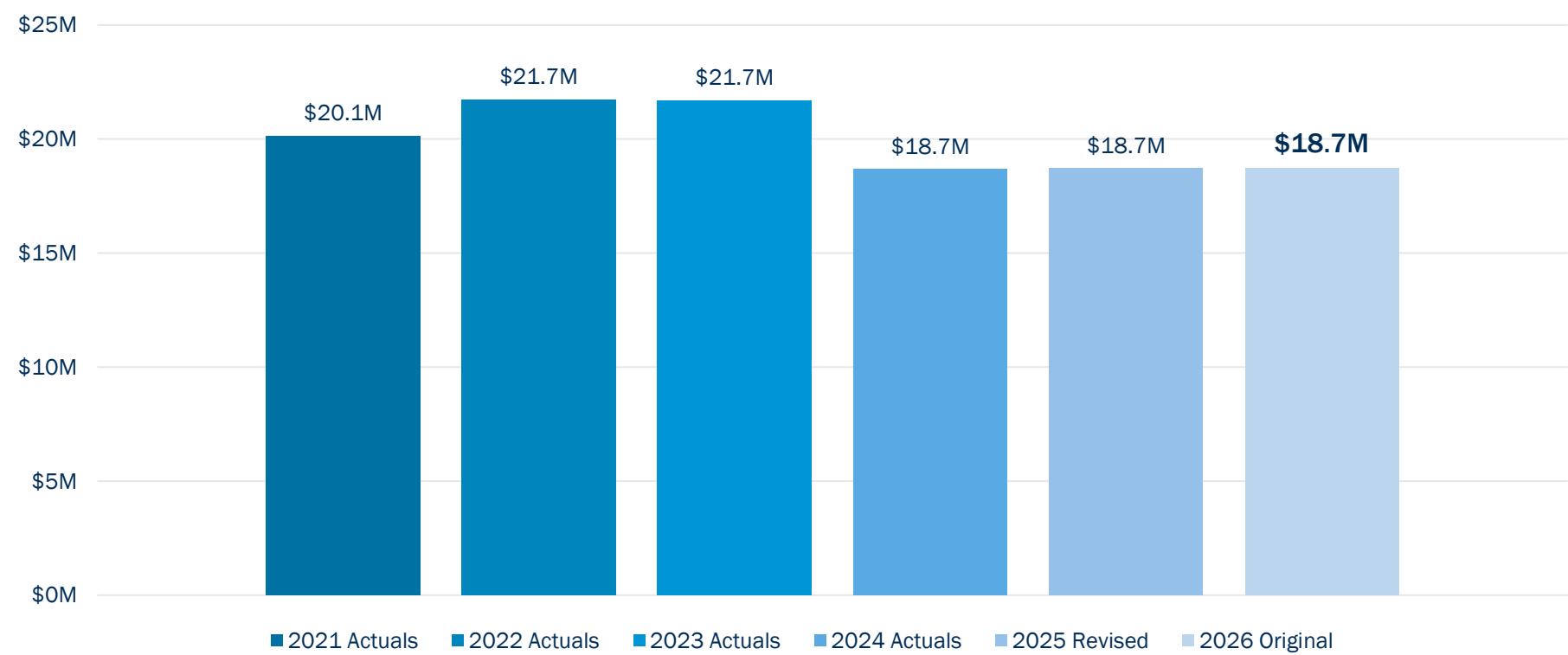


# General Fund Revenue by Source: *Parking Fines*

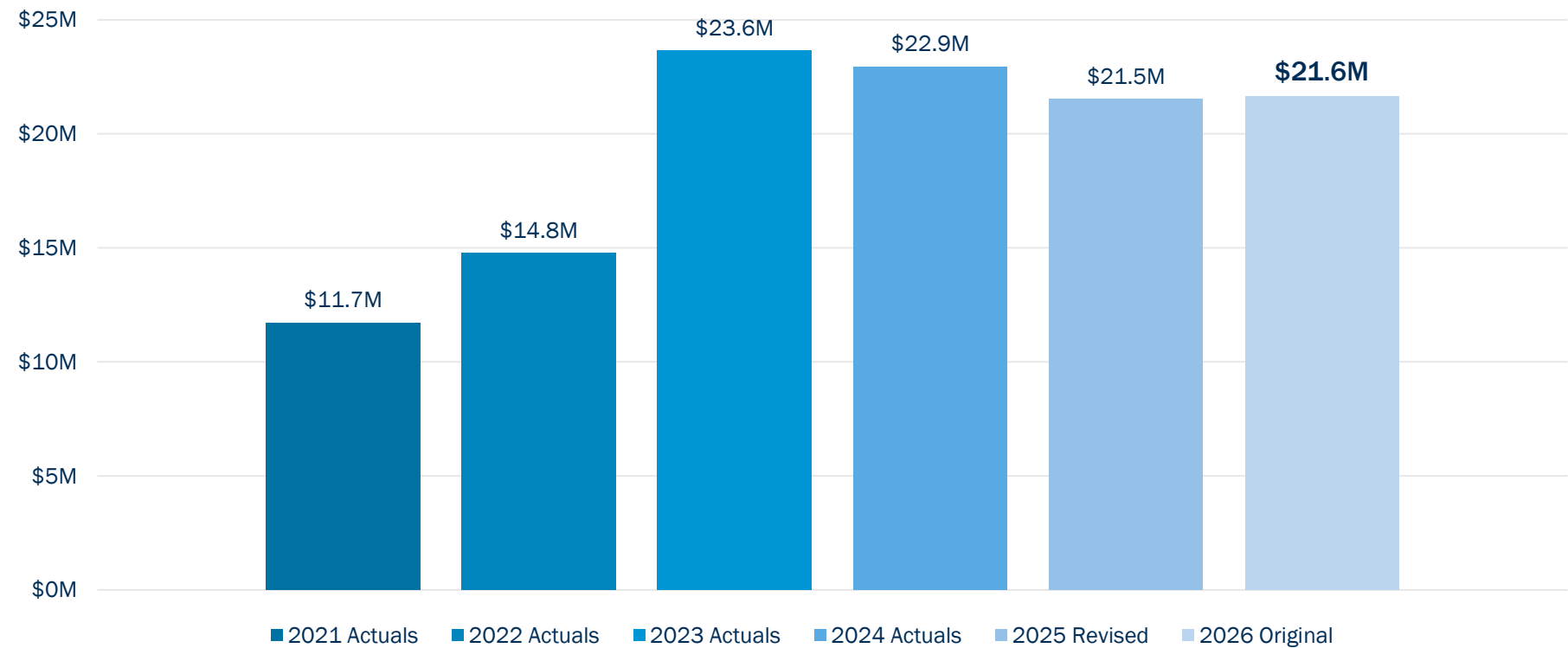




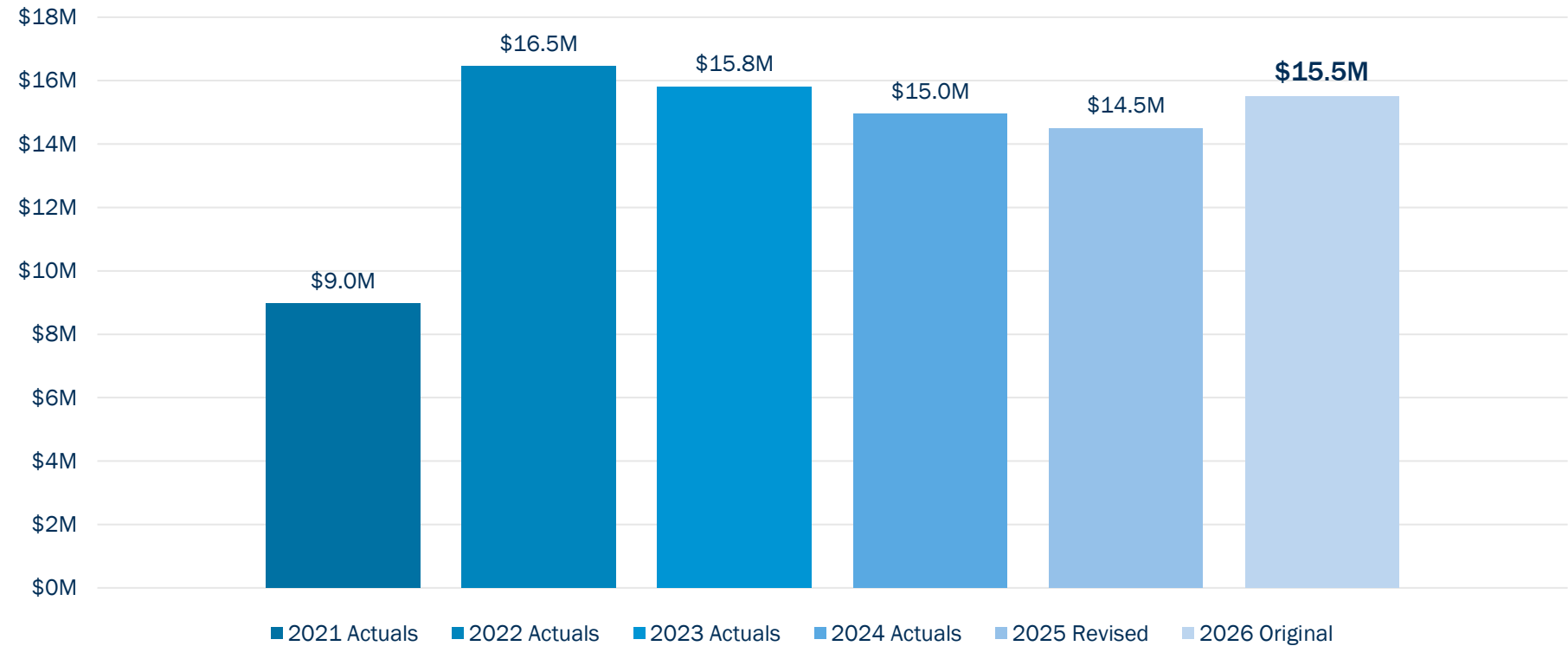
# General Fund Revenue by Source: *Street Occupancy Permits*



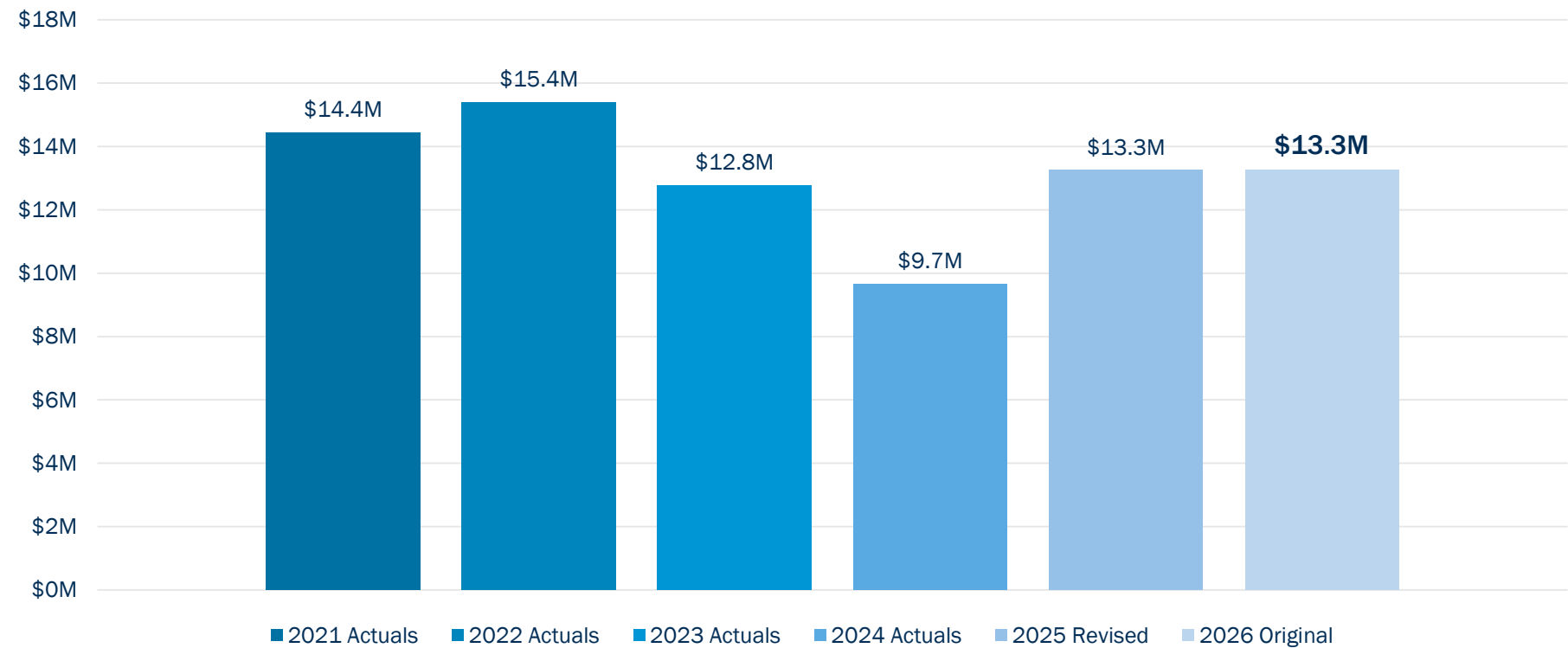
# General Fund Revenue by Source: *Investment Income*



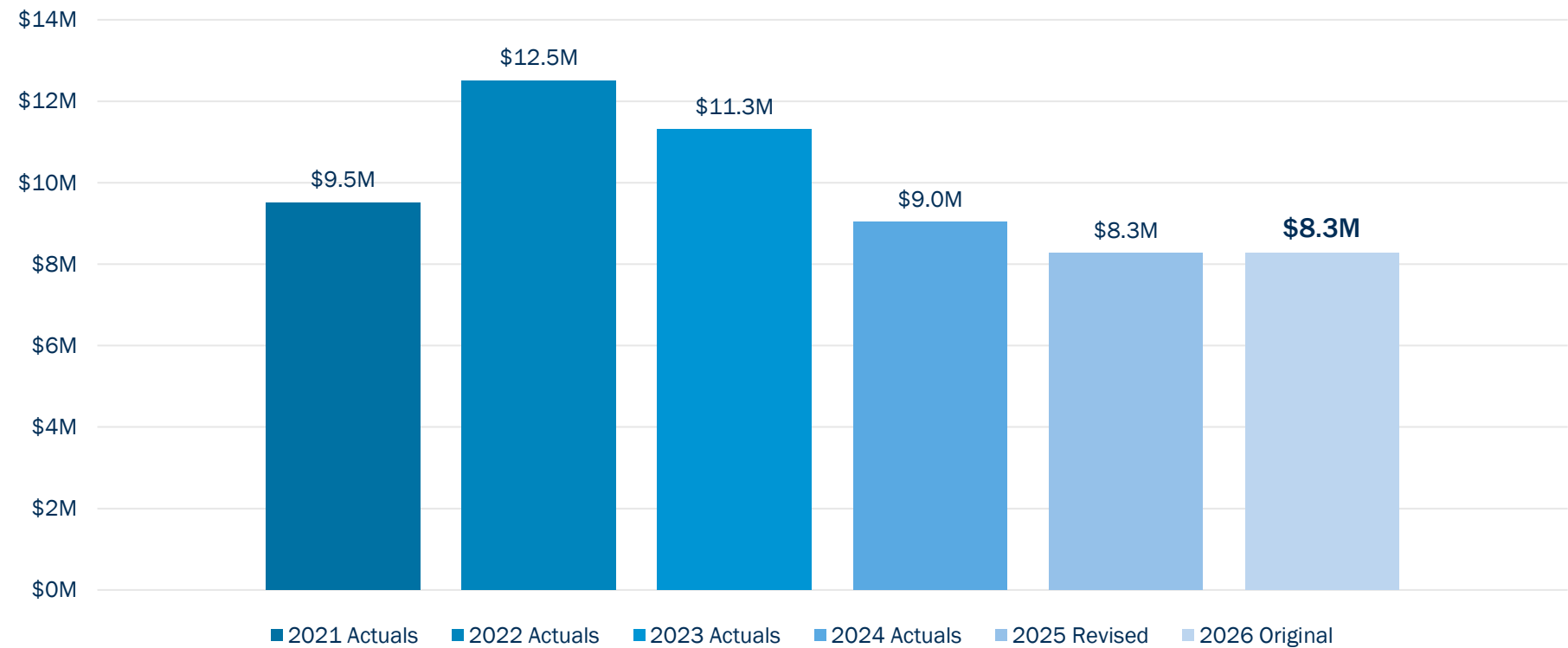
# General Fund Revenue by Source: *Parking Meters*



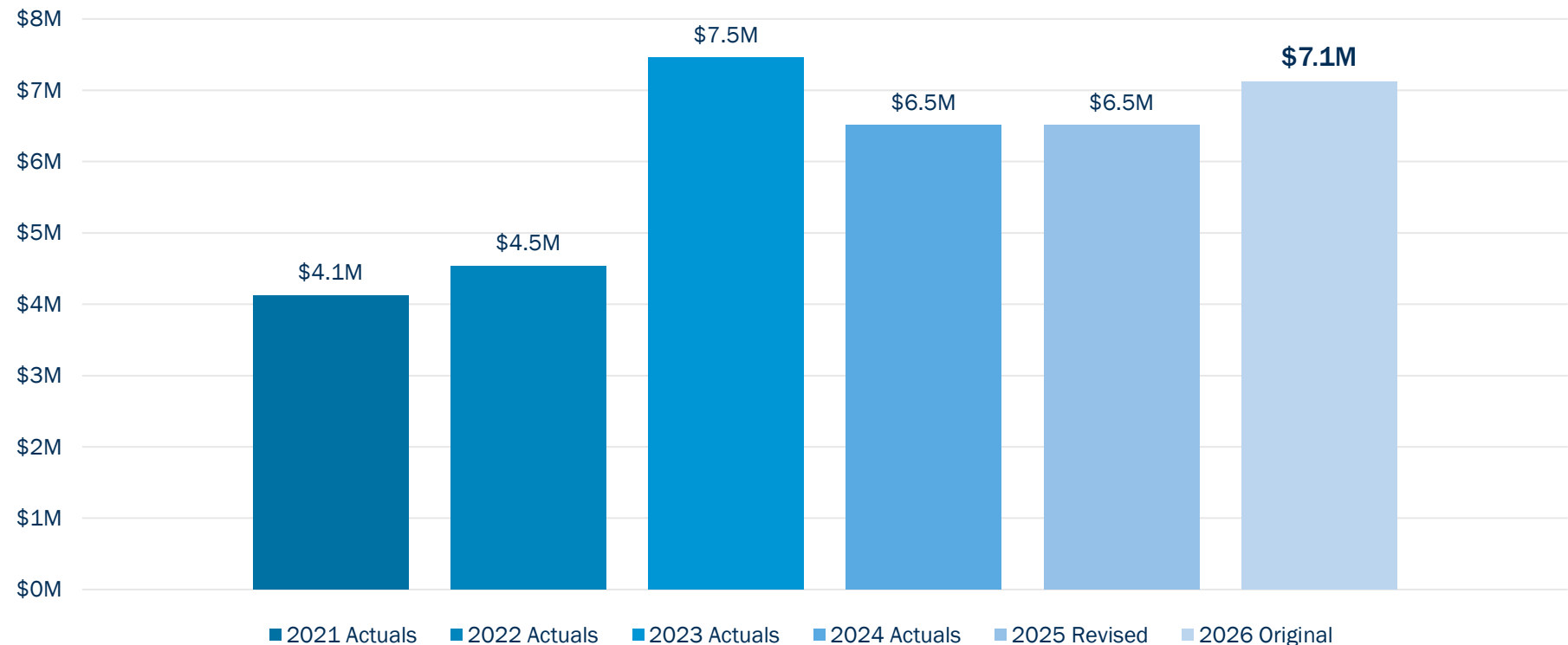
# General Fund Revenue by Source: *Construction Permits*



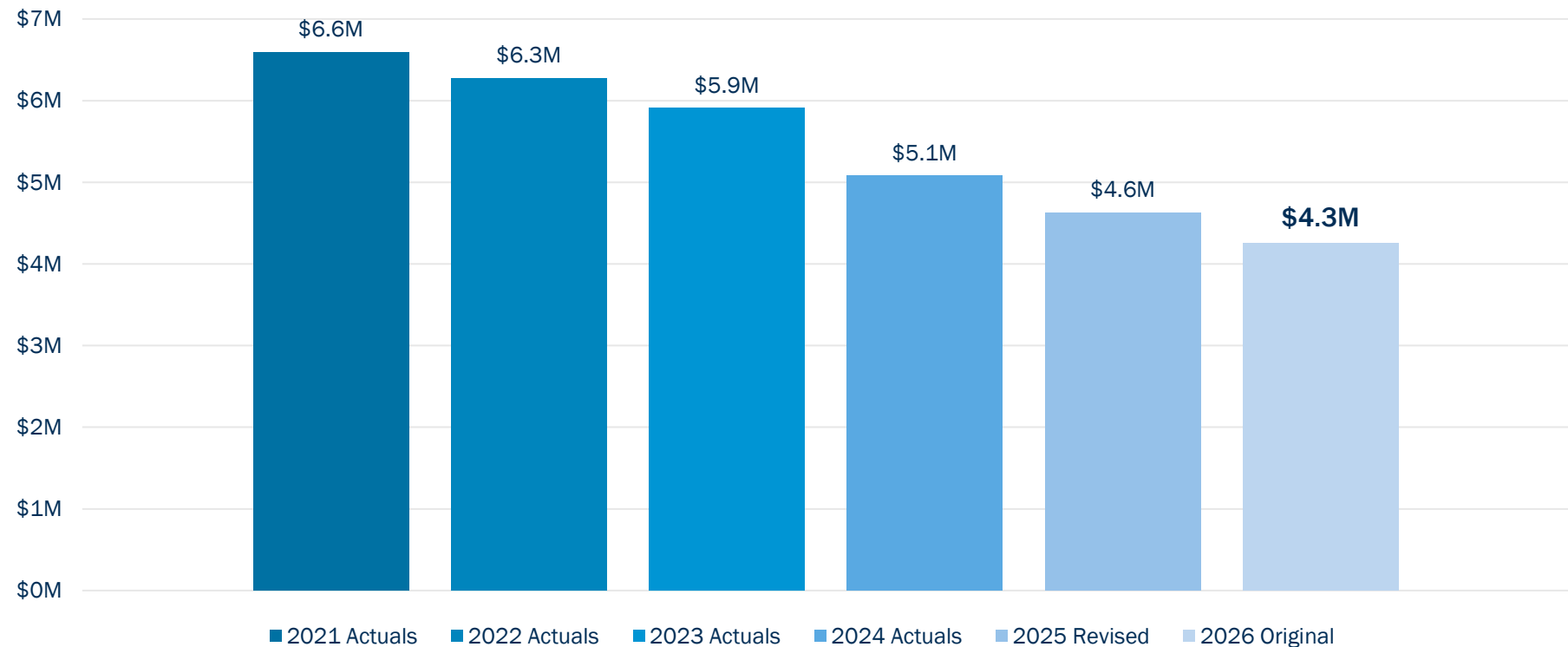
# General Fund Revenue by Source: *Plan Checking Fees*



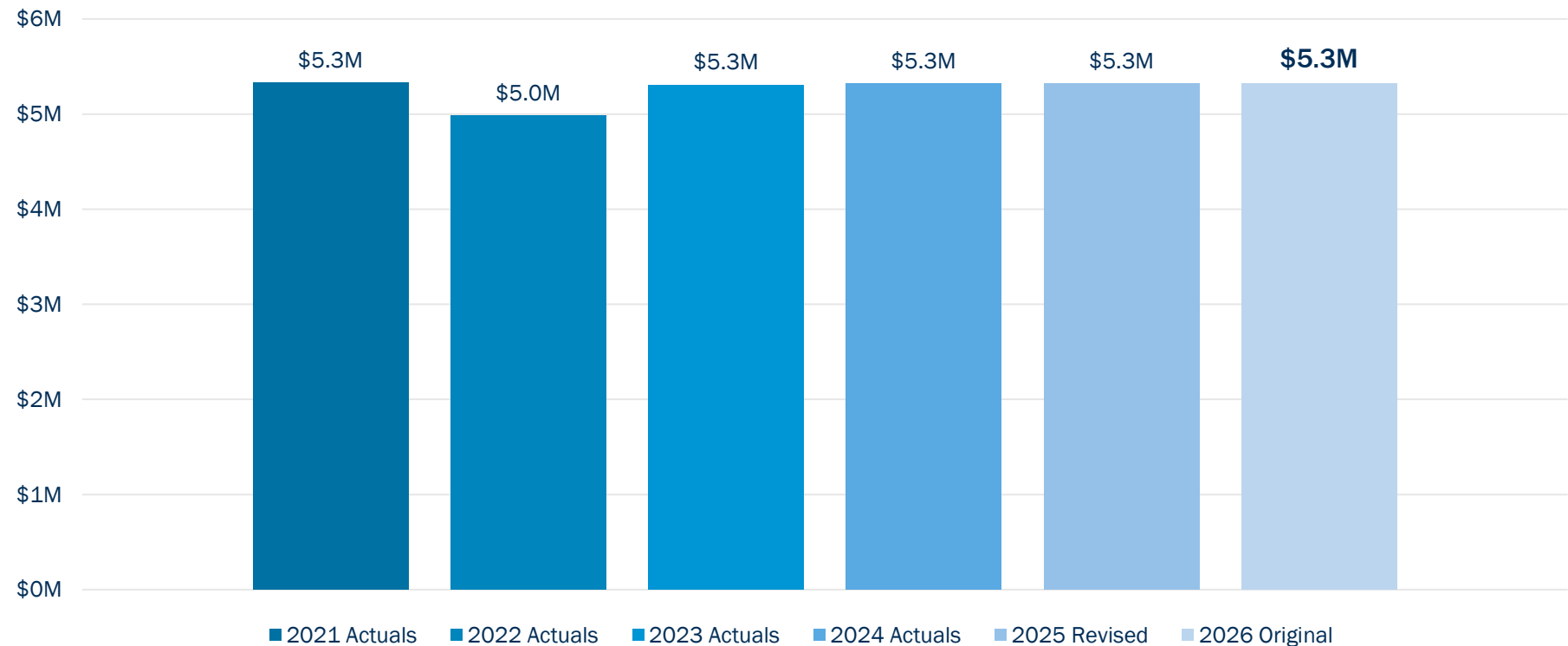
# General Fund Revenue by Source: *Photo Radar Fines*



# General Fund Revenue by Source: *Cable TV Franchise*

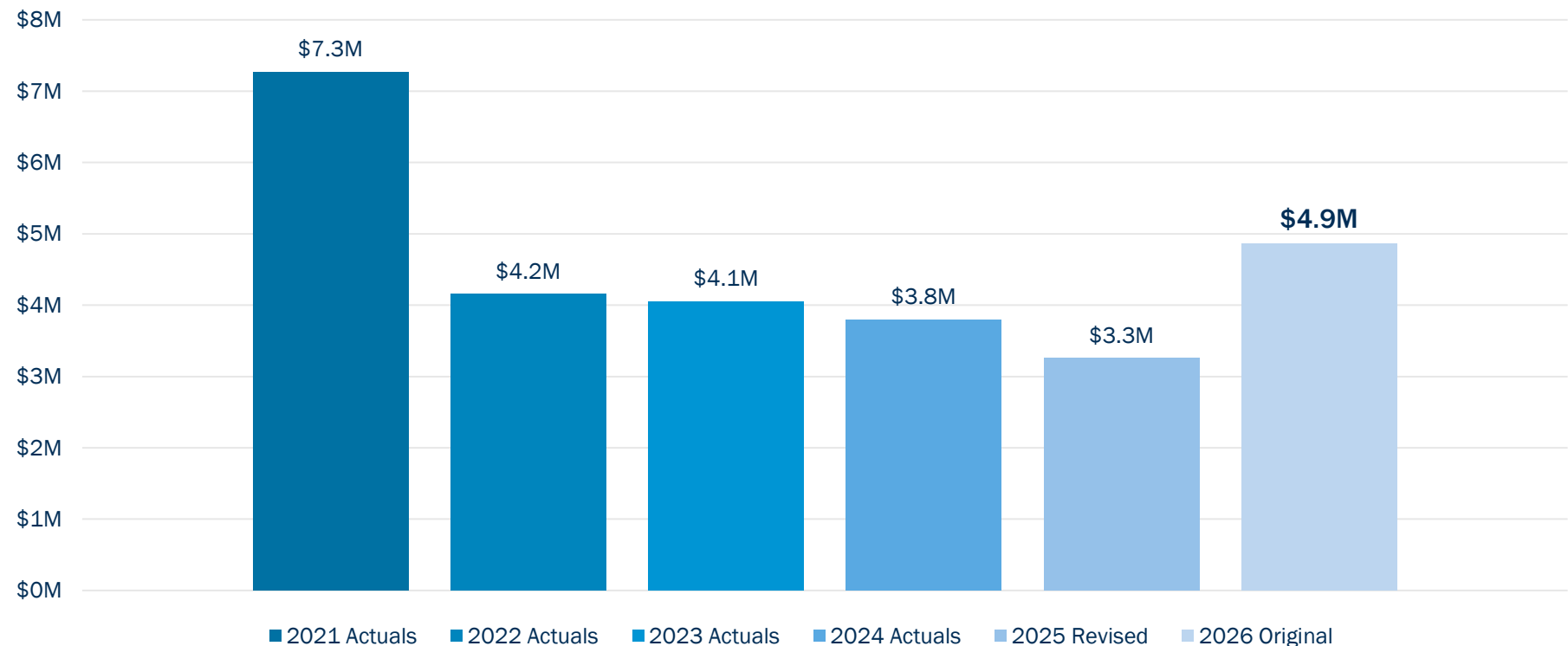


# General Fund Revenue by Source: *MV License Fees*

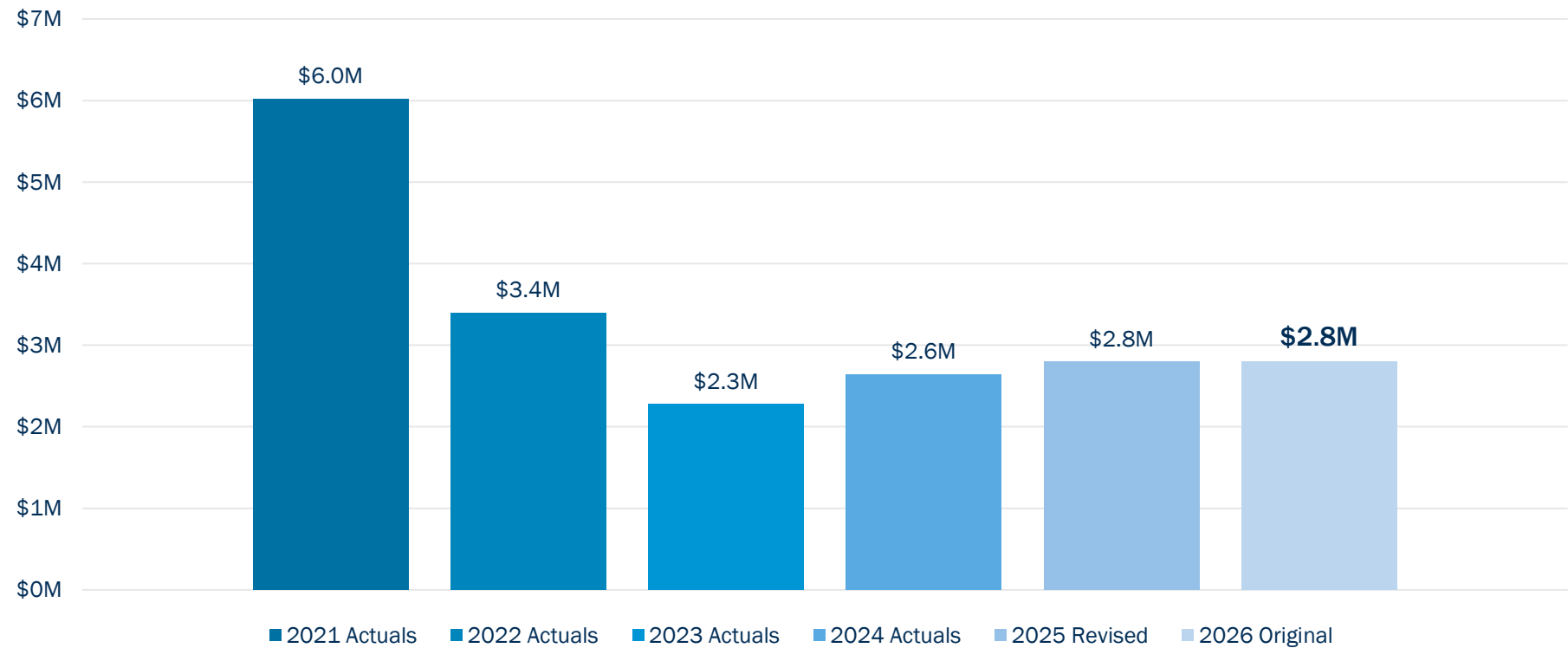




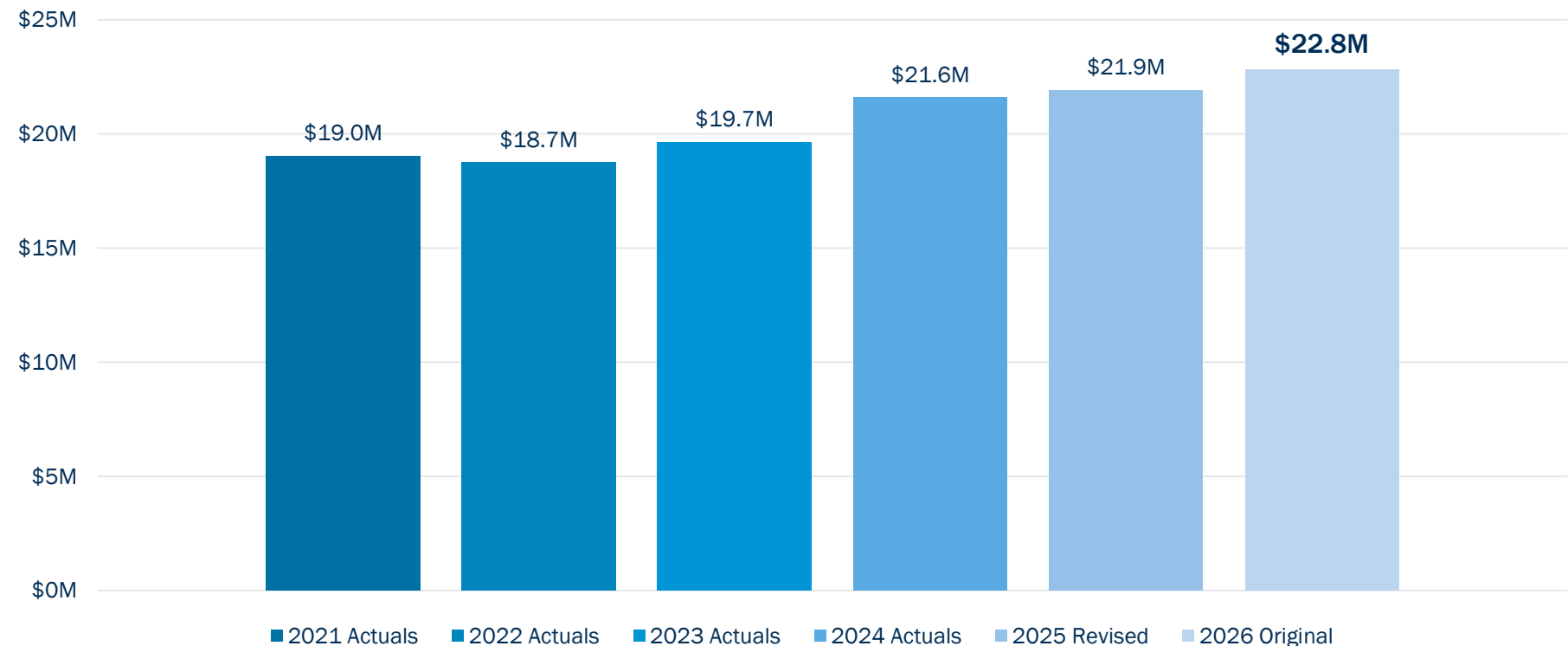
# General Fund Revenue by Source: *Traffic Fines*



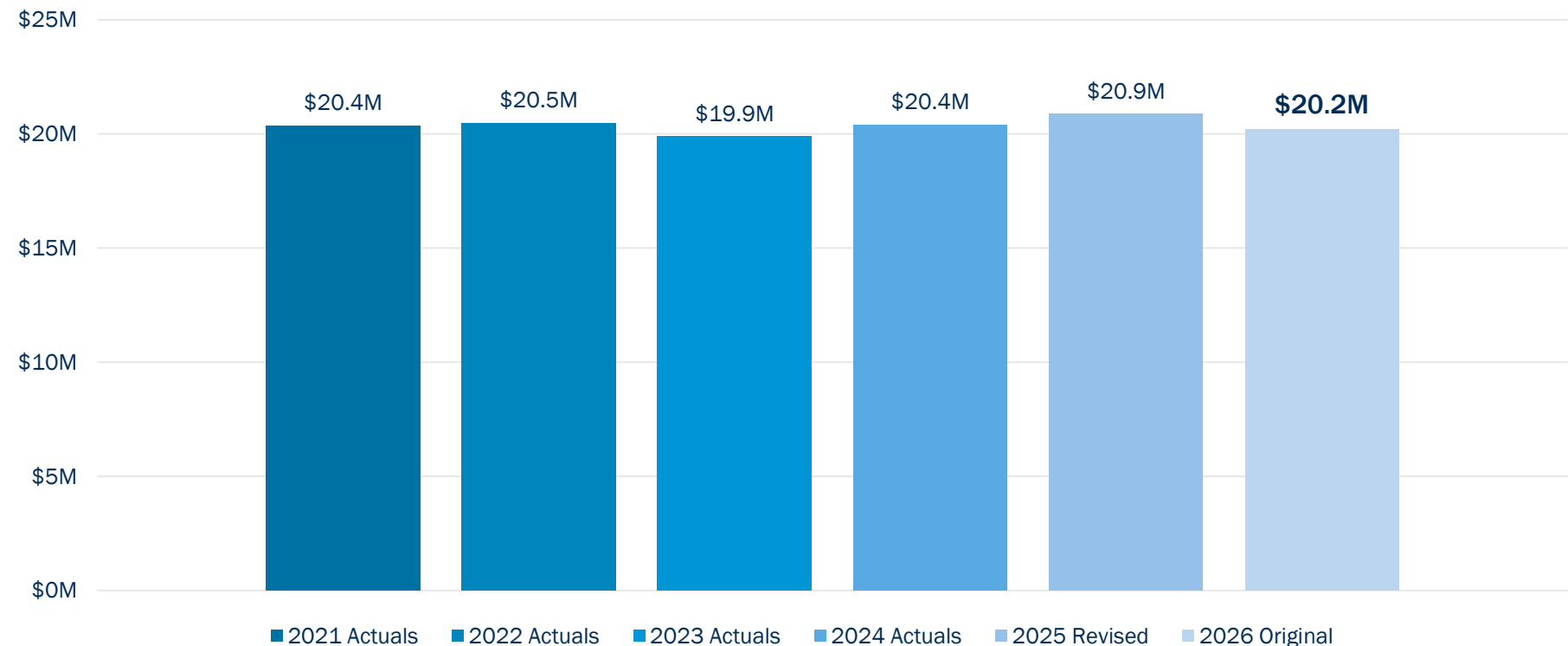
# General Fund Revenue by Source: *Recorder Fees*



# General Fund Revenue by Source: *Highway Users Tax*



# General Fund Revenue by Source: *Indirect Cost Reimb.*



# General Fund Revenue by Source: *Parking Lots*

