



# 2020 Budget Overview

City Council Presentation  
September 16, 2019

# Economic Overview

- While still expanding, the deceleration in the economy is real.
  - Job growth is slowing, as is overall economic growth
  - Wages are rising steadily, but not spectacularly
- Multiple economic indicators that have historically sounded the alarm for a recession are showing signs of weakness:
  - Federal Interest Rate cut, partly out of concern over tariff-driven uncertainty
  - Yield-Curve Inversion and overall Market Volatility
  - Contraction in the Manufacturing Sector
    - Global slowed growth and trade wars are depressing demand for manufactured goods worldwide as well as depressing commodity prices
  - Declining Business Confidence
- Yet the economy still contains elements of strength:
  - Decade-long expansion, the longest in American history
  - Strong Home price appreciation
  - Historically low unemployment rate, with a rising share of working adults entering the job market

# Mixed Economic News

“The unemployment rate has now been 4% or lower for more than a year...consumer spending kept rising despite a steep pullback in business spending ...There is plenty of reason to think American consumers will be resilient even amid business pessimism.”

–9/4/2019, The New York Times<sup>1</sup>

“Other reports on consumer sentiment have been mixed, with the University of Michigan’s measure falling to the lowest level since 2016 while a similar indicator from the Conference Board hovered near highest in almost two decades.”

–9/11/2019, Bloomberg News<sup>3</sup>

“Private sector adds 195,000 jobs, beating economists’ estimates...according to the ADP National Employment Report. Economists polled by the Wall Street Journal were expecting 140,000 jobs.”

–9/5/2109, The Wall Street Journal<sup>5</sup>

“Mr. Trump is facing an economic slowdown in the United States as the effect of his trade war with China and slowing global growth begin to rattle consumer confidence and threaten business investment...”

–9/11/2019, The New York Times<sup>2</sup>

“U.S. Recession Indicators Haven’t Made Up Their Minds.”

–9/12/2109, Bloomberg News<sup>4</sup>

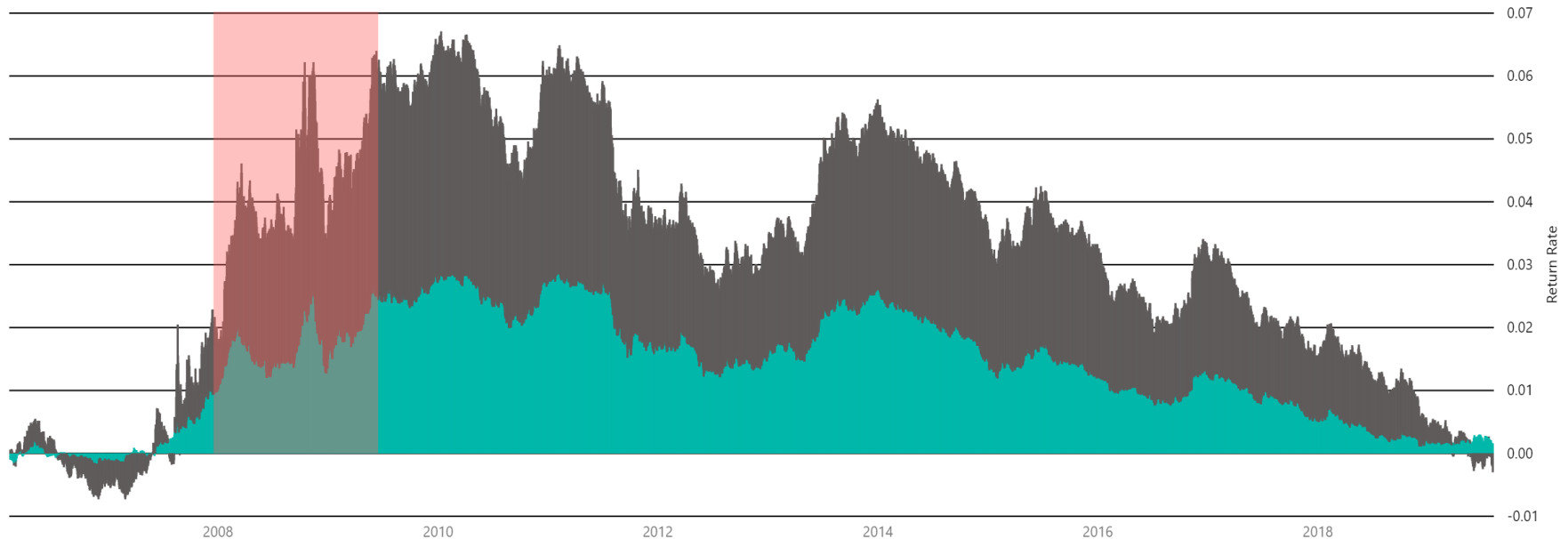
“The Trump administration’s goal of achieving economic growth of 3% or better is looking increasingly remote this year. Forecasters expect economic growth will slow to 1.7% in 2020 and will be 1.9% in 2021.

–9/12/2019, The Wall Street Journal<sup>6</sup>

# Treasury Yield Curve Rates (U.S. Department of the Treasury)

10Yr2YrSpread, 10Yr3MoSpread by Date

10Yr2YrSpread 10Yr3MoSpread USREC

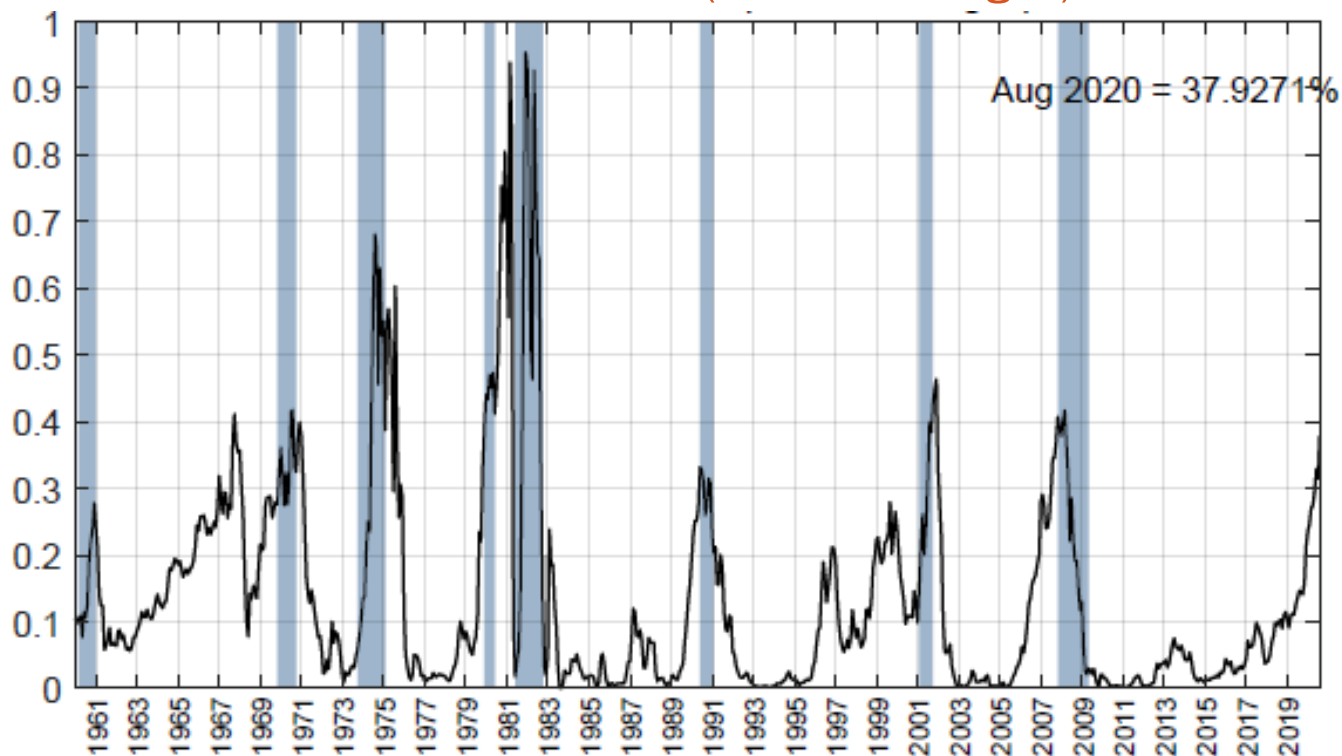


Red Shading indicates when the United States was in a recession.

- Interest rates on 10-year Treasury bonds falling below those on 3-month bonds.

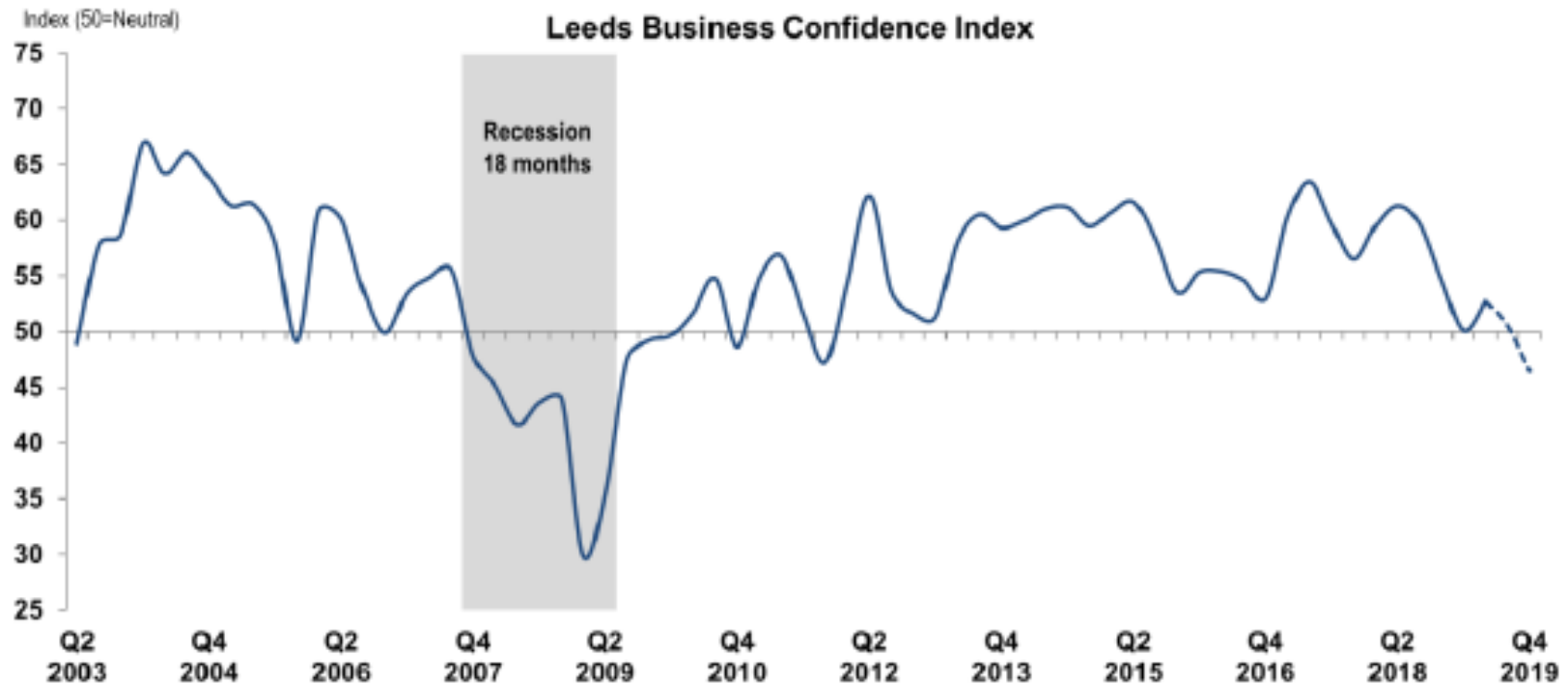
# Probability of US Recession Predicted by Treasury Spread

Twelve Months Ahead (month averages)



- The Federal Reserve Bank of New York puts the chance of a recession starting in the next year at about 1 in 3, not far from where it was on the eve of the Great Recession.

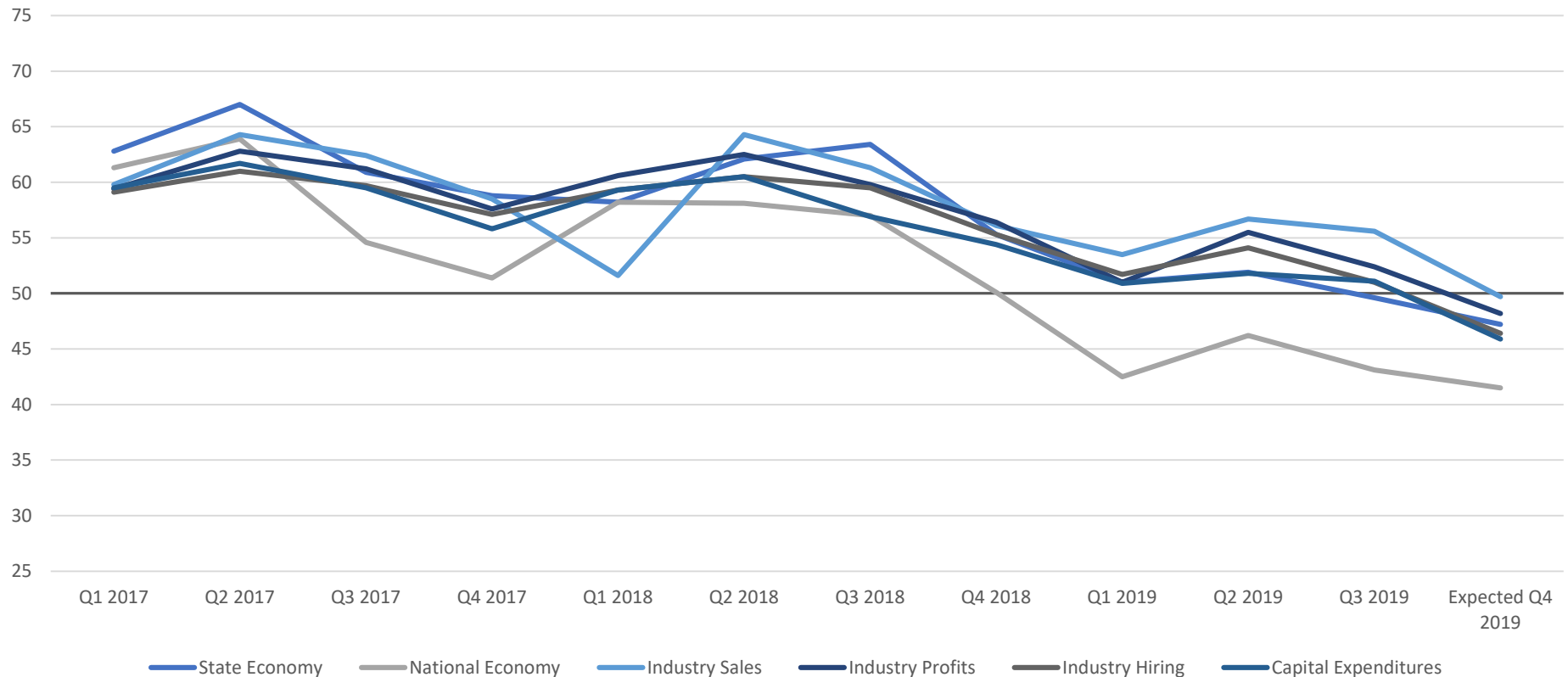
# Colorado Business Confidence



- Indexed at 50 (neutral), business confidence fell ahead of Q3 to 50.5 (a 9.1 decrease from a year ago), and falls further to 46.5 for Q4.

# Colorado Business Confidence

Leeds Business Confidence Index Components



- Q4 projections show all components negative.

# National Consumer Confidence

- The Conference Board *Consumer Confidence Index*<sup>®</sup> declined marginally in August, following July's rebound. The Index now stands at 135.1, down from 135.8 in July.

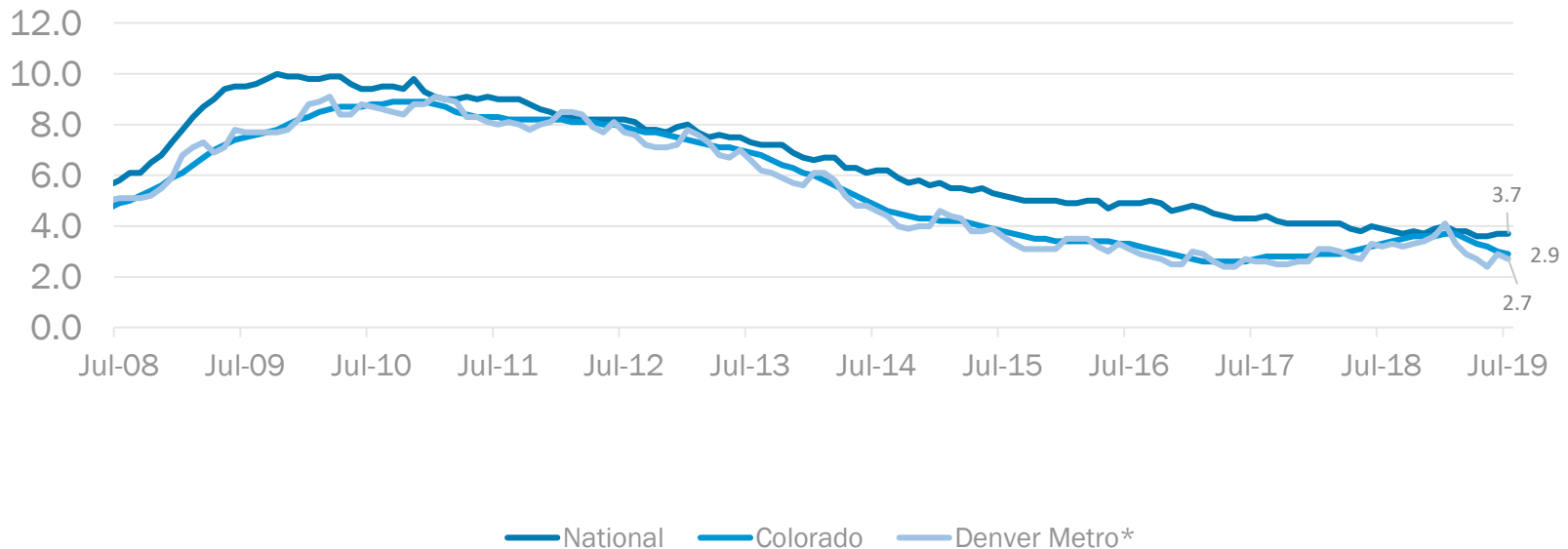




# Unemployment

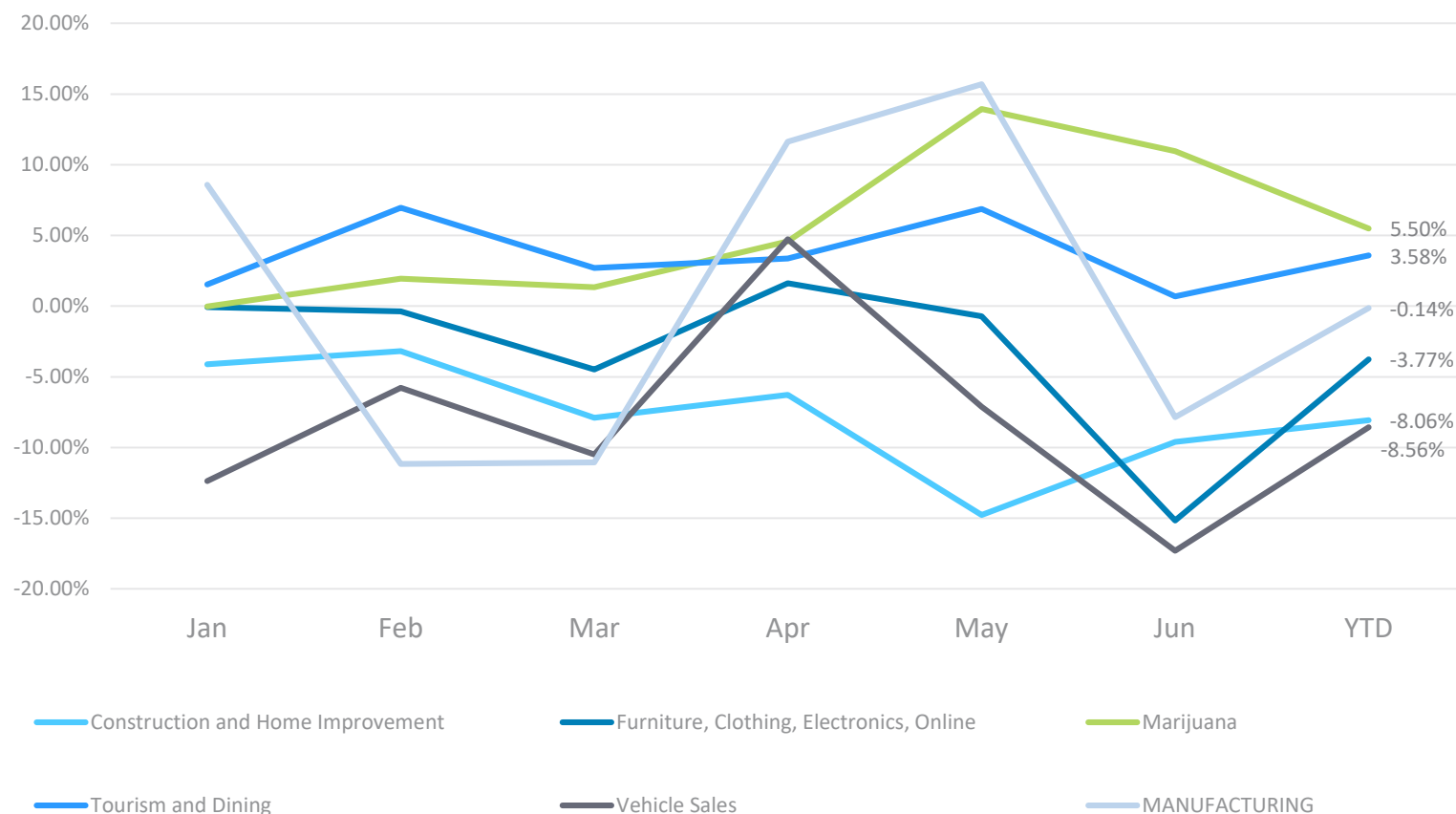
- The national unemployment rate stood at 3.7% in July, down from 3.9% last year. This is the lowest July national unemployment reading in 50 years. Colorado's unemployment rate totaled 2.9% in July, down from 3.3% last year.

Unemployment Rate



# Denver Net Taxable Sales, Jan-June 2018-2019

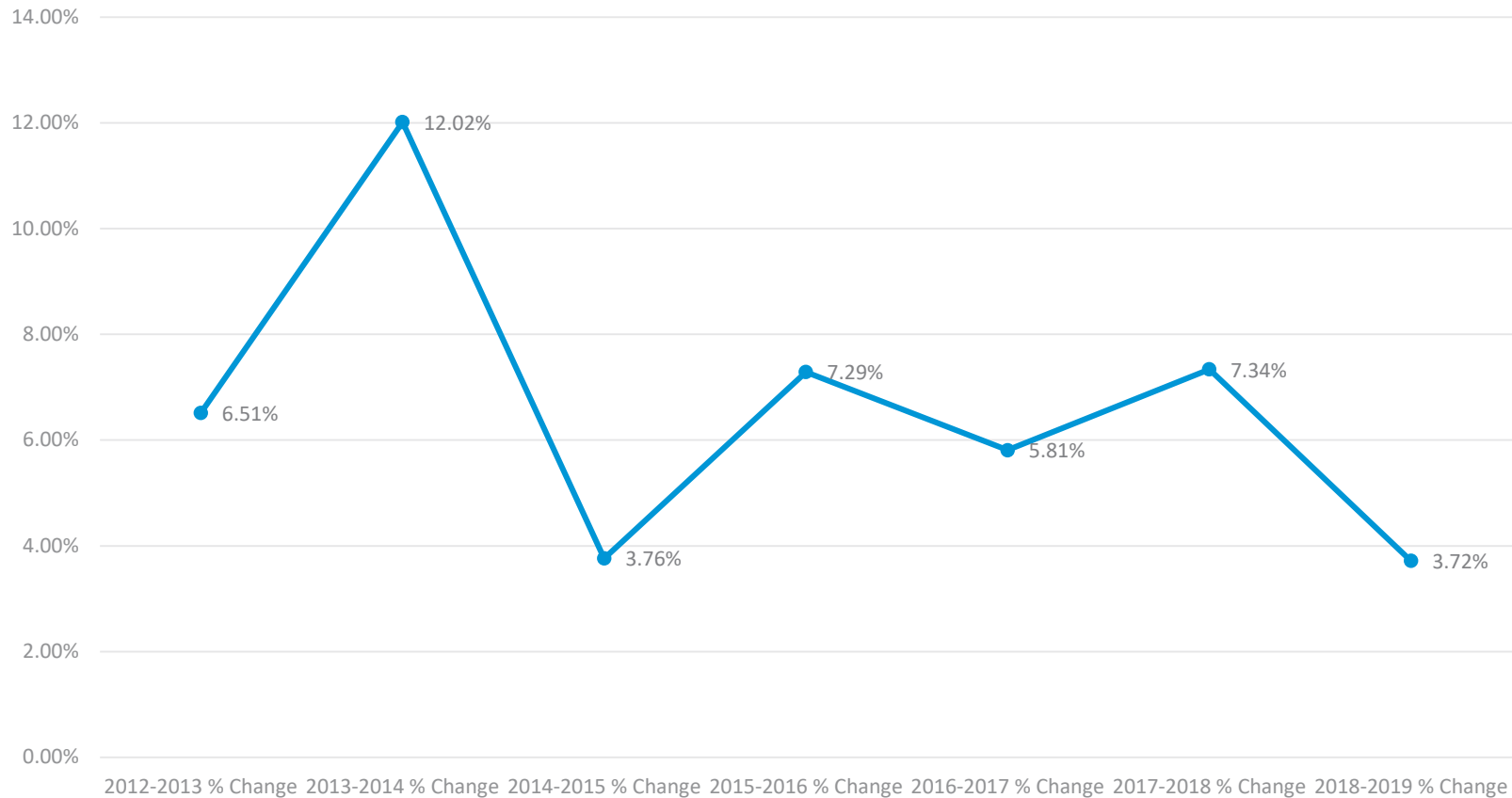
Net Taxable Sales Selected Industry Clusters Year-Over-Year Growth



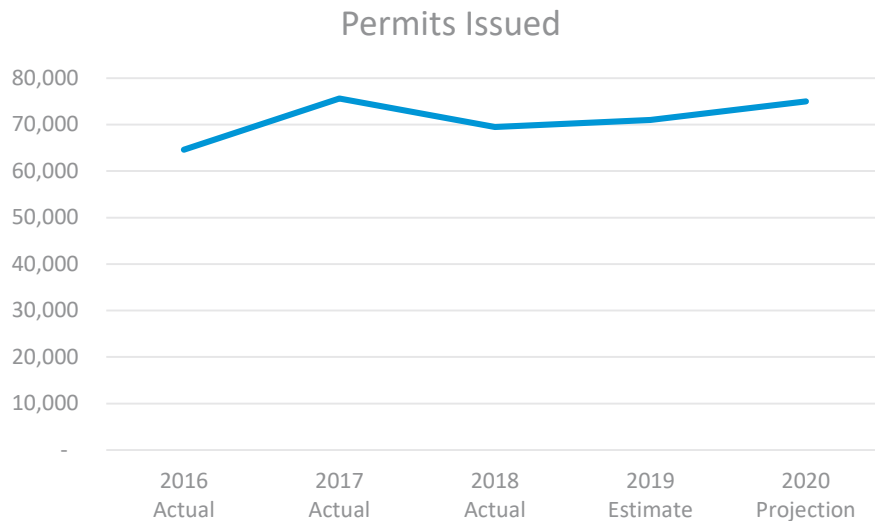
- Volatility in Net Taxable Sales YOY Growth through the first half of 2019.

# Core General Fund Sales and Use Tax

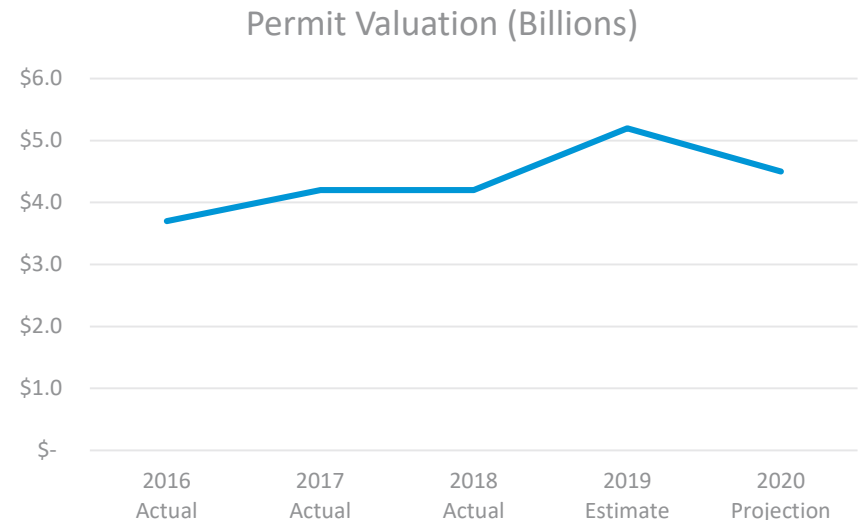
Year Over Year July-YTD % Change



# Building Permits and Valuation



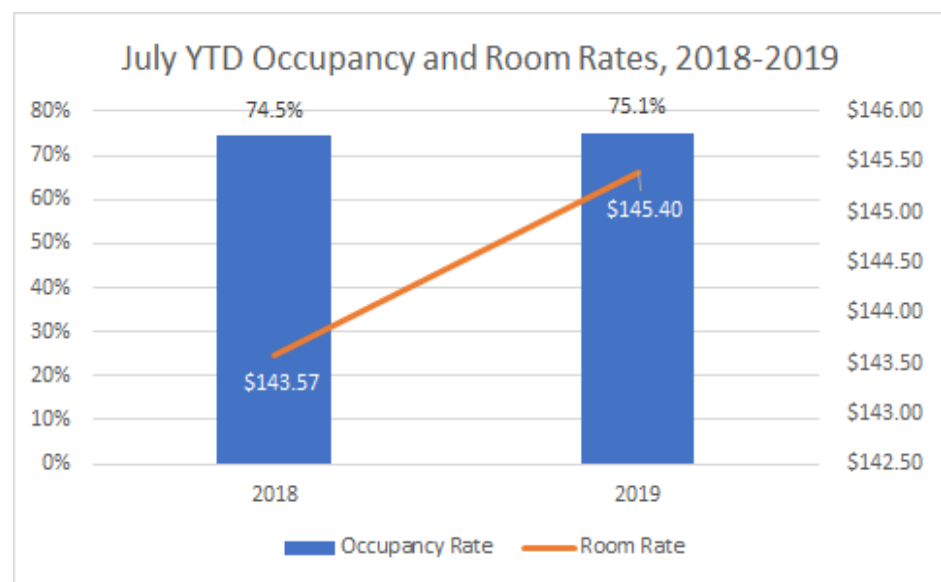
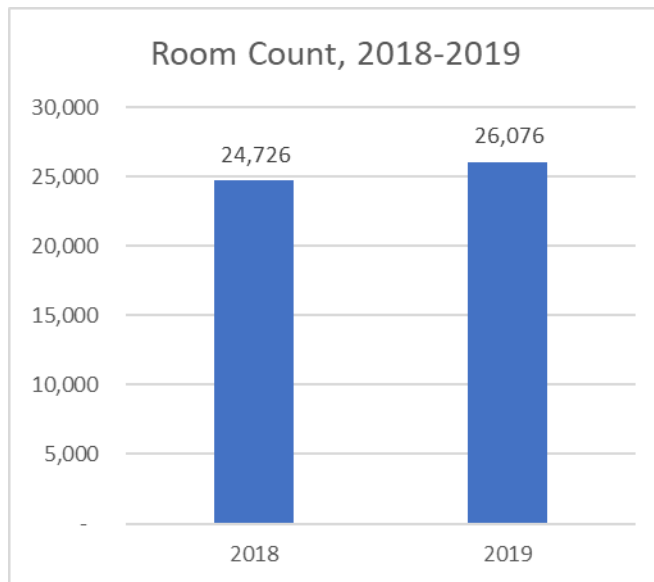
- Moderate growth expected in number of permits for the 2020 year.




Valuations for 2019 are an anomalous year, 2020 projection is more in line with expected growth.

# Lodgers

- Denver's hotel room inventory is increasing by 1,350 rooms in 2019 due to the addition of 9 hotels. Amid this growth, occupancy rates and room rates have remained strong. Through July, Denver-area occupancy rates averaged 75.1%, compared to 74.5% last year. And room rates have average \$145.40, compared to \$143.57 last year.





# 2020 General Fund Revenue Overview

# Revenue Overview

- Funding capacity is only projected to grow by 2.0% in 2020. This rate of growth is weaker than in years past due to a projected decrease in excess fund balance.
- 2020 growth is off of a downwardly-revised 2019 revenue projection.
- Base agency-generated revenue, which accounts for roughly one-quarter of General Fund revenue, is only growing by 1.6% in 2020.

# Sales and Use Tax

## 2019

- 3.7% YTD, 4% forecast, revised down from 5.5%
- August-December were weaker performing months of 2018 which we project to outperform.

## 2020

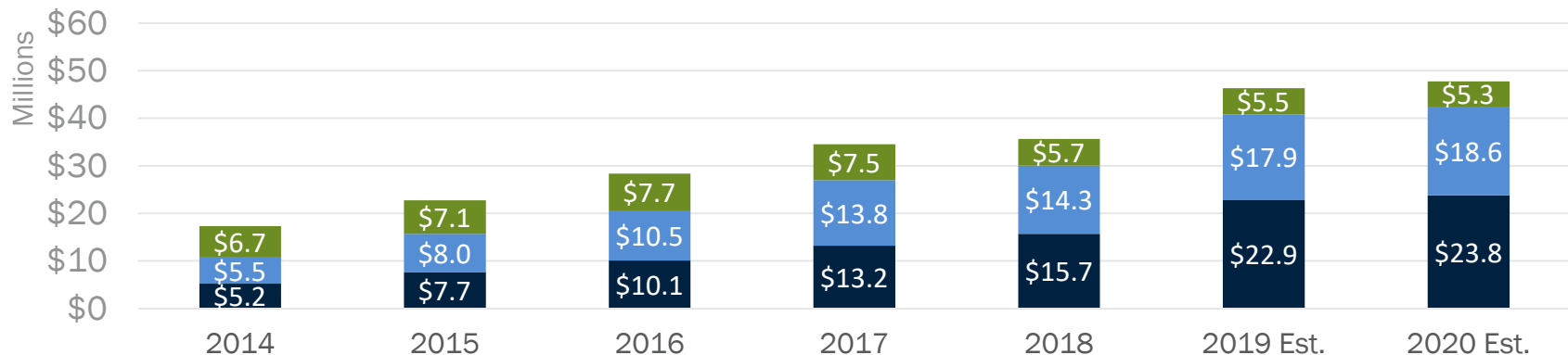
- 4% Core Sales and Use tax growth
- Consistent with Office of State Planning and Budget and Colorado Legislative Council (4.2%-3.8%)
- An additional \$15.7m from Stapleton Retained tax. This was forecast as part of the TIF.



# 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 2019, total marijuana sales tax is projected to grow by 30%, due in part to standard and special retail marijuana rate increases. In 2020, growth is projected to moderate, totaling 3.2%.
- MJ sales tax represents 4.8% of GF revenue and 2.4% of all revenue.

**Marijuana Sales Tax, 2014-2020 Est.**



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

<sup>1</sup> Increased from 3.65% to 4.31% effective January 1, 2019.

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

# Other Revenue

## Property Tax

- Total estimated collections of \$540m
- GF grows up to the 2A cap of 6% plus local growth or \$21.5m.
- We are estimating a credit of 2 mills to stay under the 2A cap.

## Occupational Privilege Tax

- \$9.75 per employee per month.
- \$56m in 2020 up 2% over 2019.

## Agency Revenues

- \$15m of agency proposals – Expenditure reimbursement and new proposals.
- \$4m in credit card fee revenue from online transactions.

# Other Sources

- DHS mills and transfer - \$10.4m
  - Primarily funds the creation of HOST
- Environmental Services Enterprise Fund Revenue
  - Funds the creation of the Office of Climate and Sustainability
  - ESEF is direct funding the lease of composting vehicles purchased in 2019 and 2020.
- CIP offset of transfers
  - \$15m of CIP funds are covering investments were formerly GF transfers and were primarily funding mobility projects.
- DEN/offsetting revenue proposal
  - DEDO MWBE staffing and Fire company 35 proposals

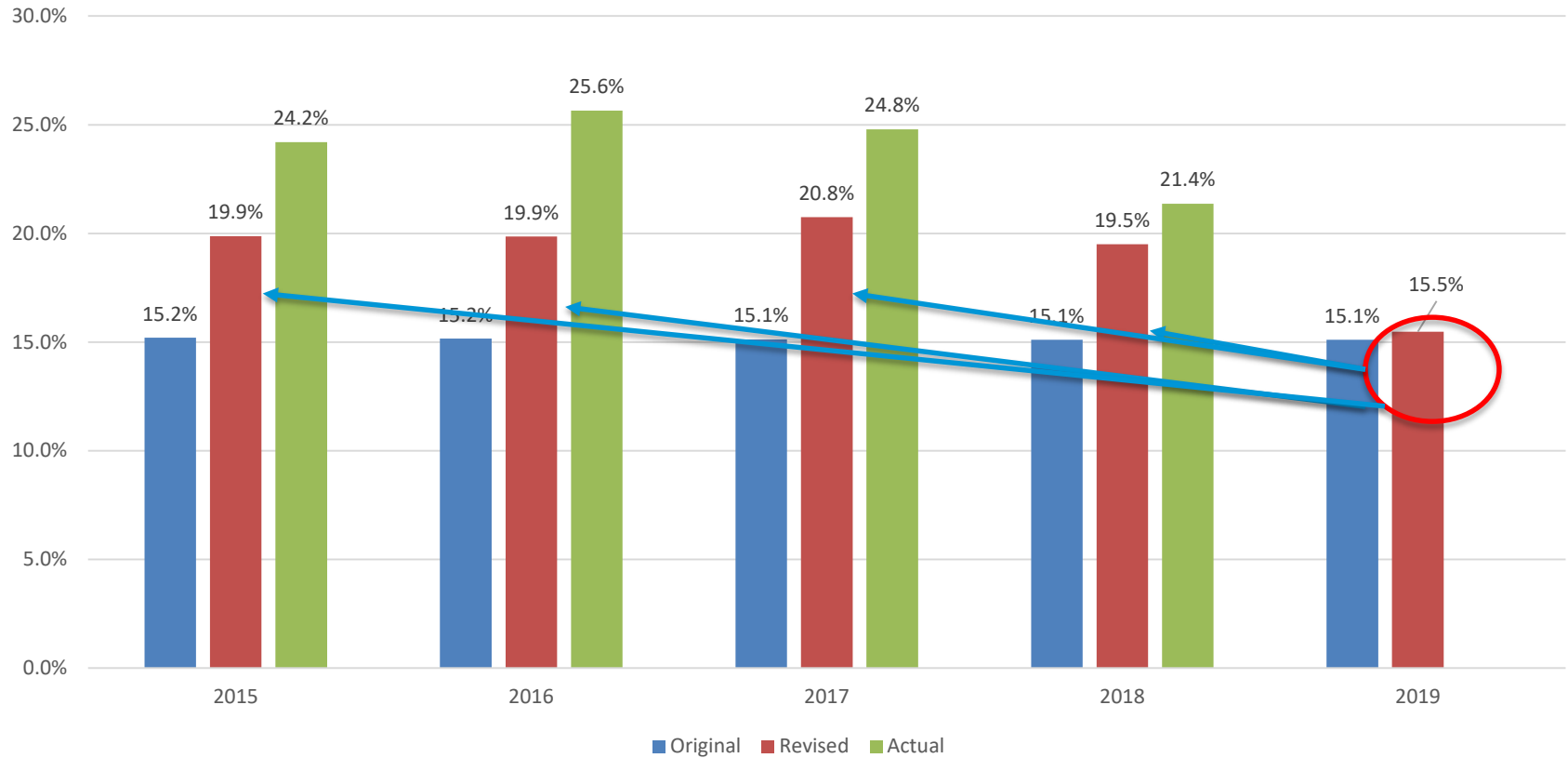
# Reserves

Multiple reserves are available to address unforeseen revenue shortfalls or unanticipated expenditures.

- A contingency reserve of two percent of expected General Fund expenditures (\$29.6 M)
- Unassigned fund balance targeted at 15 percent of annual General Fund expenditures
  - Reserves are budgeted at 15.0% for 2020 or \$223.6 million.
- The state-required TABOR emergency reserve, which is three percent of all covered funds
  - \$52.0 M for 2020

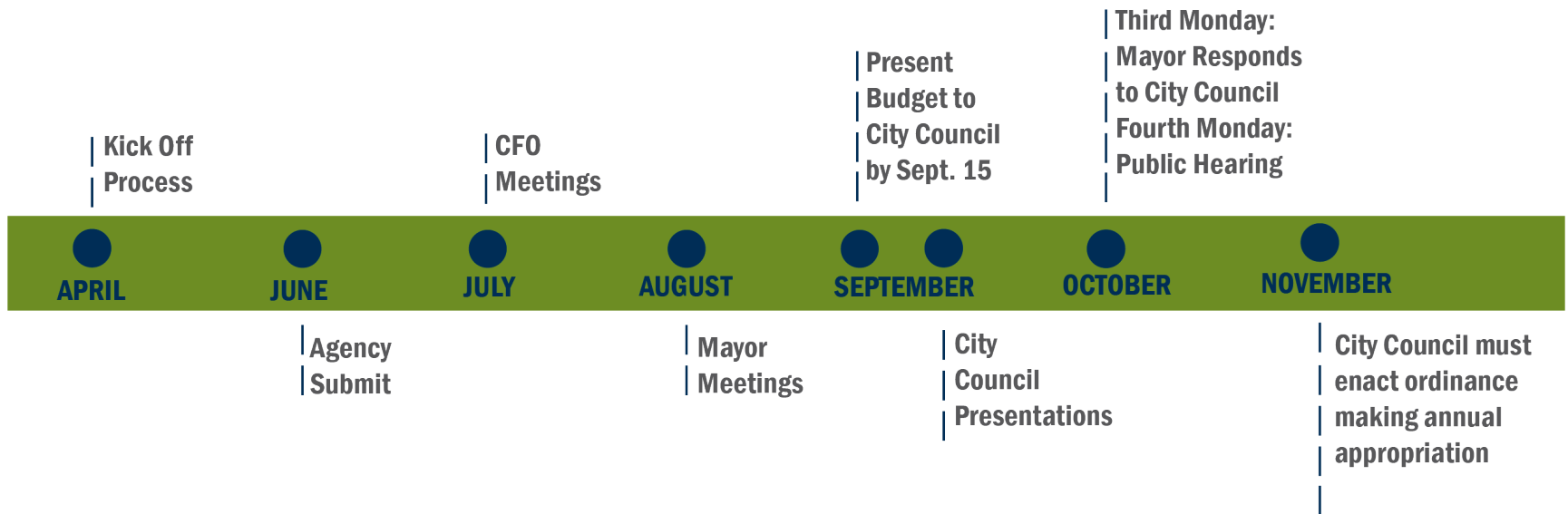
# Fund Balance

2015 - 2019 Fund Balance %



# Budget Process and Expenditures

# 2020 Budget Timeline



# Race and Social Justice

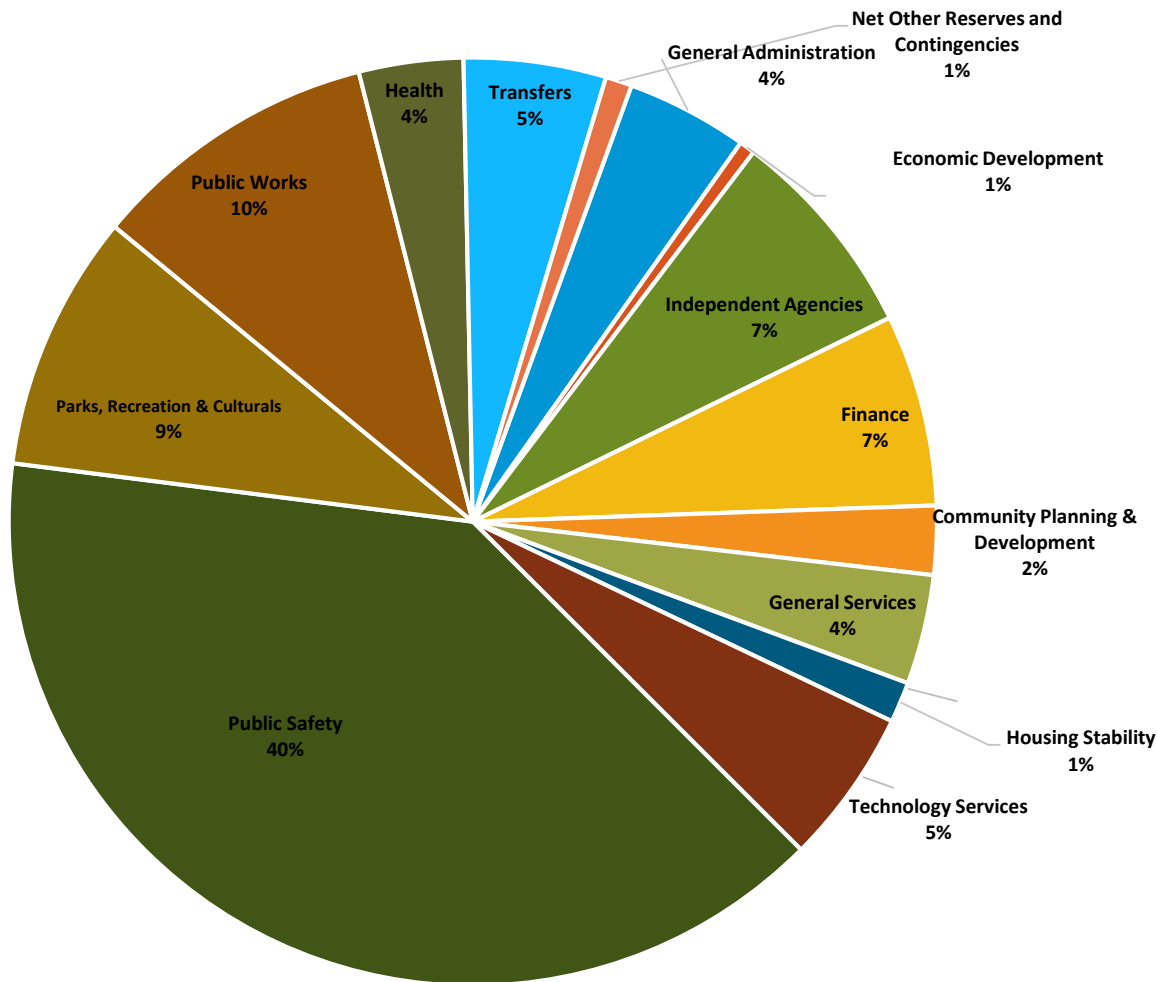
As a result of your budget submission, which communities benefit from your request and how?

As a result of your budget submission, which communities are impacted (burdened) by your request and how?

How does your budget request reduce gaps in racial and ethnic outcomes?



# 2020 General Fund Expenditures



(\$ in Millions)	
Department	Amount
General Administration	\$63.16
Economic Development	\$8.12
Independent Agencies	\$110.43
Finance	\$99.52
Community Planning & Development	\$35.72
General Services	\$56.84
Housing Stability	\$21.07
Technology Services	\$80.73
Public Safety	\$588.35
Parks, Recreation & Cultural	\$133.33
Public Works	\$150.09
Health	\$54.11
Transfers	\$73.78
Net Other Reserves and Contingencies	\$13.70
	<b>\$1,488.95</b>

# Base increases

## Personnel overview:

- 3% merit increase
- \$2.7M Minimum wage
- \$4.6M Pay Survey
- Denver Employee Retirement Plan increase 1.75%
- Mandatory including
- Increases in services and utilities
- Annualization of 2019 investments
- Uniform Collective Bargaining Agreement increases

## Non-Personnel increases including:

- Maintenance and Licensing
- Facilities Services
- Security Services

# DERP

- Starting January 1, 2020, the City will contribute 14.75% and employees will contribute 10.25%.
- This is a total increase of 3.5%, split evenly between the City and the employees.
- The increased contribution rates are the result of DERP's actuary recommending, and the Retirement Board adopting, prevailing, more conservative methods to assess the pension plan's "funded status."

# DENVER'S BUDGET 2020

## MAYOR HANCOCK'S \$1.49B GENERAL FUND

\$97M to address affordability challenges and increase support to those experiencing homelessness



\$118M to increase mobility and transportation options, plus an additional \$48M Elevate Denver bond issuance



\$40M to combat climate change and support sustainability efforts



\$864.2M to invest in complete and safe neighborhoods, plus an additional \$28M Elevate Denver bond issuance



\$3M to deliver a more equitable city through inclusion, race, and social justice work



# Affordability & Support for People Experiencing Homelessness

- \$30M for the Affordable Housing Fund
- \$1M Staff to support engagement, Investment and compliance
- \$2.5M for Crossroads homeless shelter
- \$1M to expand day shelter
- \$872,500 shelter investments – specifically for women
- \$1M for Denver Day Works
- \$1.9M for Solutions Center to open mid 2020
- \$390,000 to support 24 hour on demand treatment

# Delivering a More Equitable City

\$3 million is dedicated to citywide equity, inclusion, and race and social justice work by:

- Increasing funding to support community resiliency through our Neighborhood Equity and Stabilization Team (NEST)
- Expanding our Race and Social Justice Initiative
- Funding the full implementation of the criminal justice reforms passed by the state legislature in House Bill 19-1263 and Senate Bill 19-191
- Providing additional resources for ADA compliance
- Support the legal defense of immigrants and refugees
- Fund additional recreation center hours and continue youth camps in underserved communities

# Mobility and Transportation Options

- **Vision Zero positions (Engineer & Planner)** (\$245,600)
- **Two Transit positions (Director & Sr. Planner)** dedicated to delivering the projects in Denver Moves. (\$228,400)
- **One Multimodal Planner** will lead the Department's update to its 2008 Strategic Transportation Plan to realize the mode shift in the Mobility Action Plan. (\$117,000)
- **Flexride** funding support for micro-transit services (\$362,000)
- Support DPW's **Safe Routes to School** Action Plan that will implement the 5-year 2019 Safe Routes to School Action Plan. (\$100,000)

# Mobility and Transportation Options (CIP)

- \$5M for design and construction of bicycle projects to accelerate the implementation of Denver Moves Bicycles and achieve the City goal of 125 miles of new bikeways in five years.
- Increased funding to advance Denver Moves Transit (\$2.1M), including transit enhancements along 18<sup>th</sup> and 19<sup>th</sup> Streets downtown (\$1.9M) and a Passenger Amenity program (\$200K) to improve bus stops.
- \$1.1 million to support implementation of the Vision Zero Action Plan with the goal of zero transportation related deaths or injuries.
- \$3.8M for implementation of Denver Moves Pedestrians including the design and construction of crossing improvements and sidewalks.
- \$750K for Safe Routes to Schools to provide bicycle, pedestrian, and safety improvements on busy traffic corridors around elementary schools.
- \$2M for Strategic Transportation Plan update to provide a comprehensive strategic delivery approach towards implementing the Mobility Action Plan.



# Complete and Safe Neighborhoods

## Police

- Add 40 Officers October 2020 (\$1,251,000)
- 20 Cars and Equipment for 40 Officer (\$1,315,600)
- Academies: 100 Basic Recruits = \$4,728,015 and 34 Lateral Recruits (\$1,622,000)
- Shot Spotter – Downtown corridor expansion (\$95,000)

## Fire

- Continue the Medical Unit in the downtown corridor (\$397,800)
- Add 15 Firefighters June 1, 2020 to meet operational demands within the Airport Division at Station 35 (\$1,116,465) - backed by revenue from DEN
- Academies: 48 Basic Recruits (\$2,132,000) and 15 Lateral Recruits (\$460,000)

## Sheriff

- 6 Deputies and 2 civilians to meet State-mandated release times from the jails (\$651,000)
- 3.42 Deputies to enhance inmate supervision in Building 22 of the County Jail (\$283,300)
- 2.67 Court deputies to staff new courtrooms starting March and July of 2020 (\$220,900)

# Combatting Climate Change and Protecting the Environment

\$8M to expand efforts through:

- \$100,000 to train residents for green industry jobs
- \$2M to expand composting, recycling and waste diversion
- \$458,000 to improve energy efficiency in city owned buildings
- \$2.9M to purchase electric vehicles and infrastructure
- \$850,000 to support staffing of the new Office of Climate Action, Sustainability and Resiliency
- \$1.3M for incentives, Energize Denver and green building compliance

# Other Investments

## Campaign Finance (\$2M)

- Vote in November to establish a city fund to match campaign donations at a ratio of 9 to 1 up to \$50, for candidates that agree to terms of the policy

## Census (\$400,000)

- Second year to invest in outreach and engagement through street outreach teams and includes translation and interpretation. Also leverages a grant

## Multi-agency

### PBI – NWC Triangle (\$8.5M)

- \$5M for stipends in Capital Improvement
- \$3.5M for operating funds in CAO, PBI Office and NWCO

### T-21 Tobacco Enforcement (\$250,000)

- Add a position to DDPHE's tobacco enforcement team
- Add a licensing technician to the Excise and License team
- Revenue from licensing will offset the cost of these positions

# Independents

## Auditor's Office

- Minimum wage positions (\$178,000)

## Clerk and Recorder

- General Election equipment and staffing (\$1.6M)
- Outreach staff (\$125,000)
- Additional Appointee per November vote (\$151,000)

## County Courts

- Probation and Judicial Staff to support HB1263 (\$850,000)
- Courtrooms (\$1.9M)

## District Attorney

- Attorneys and staff for additional district courtrooms (\$430,000)

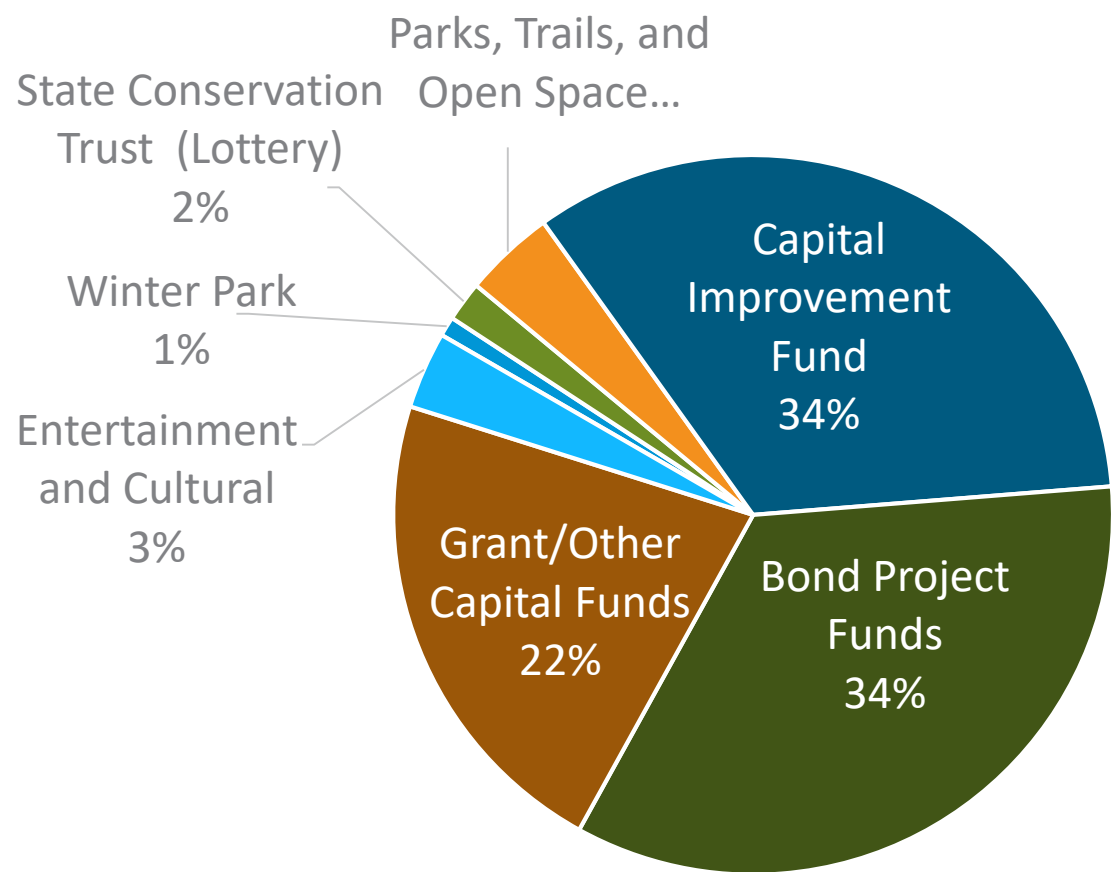
## Office of the Municipal Public Defender

- Additional courtroom support and software (\$197,000)



# Capital Improvements Program

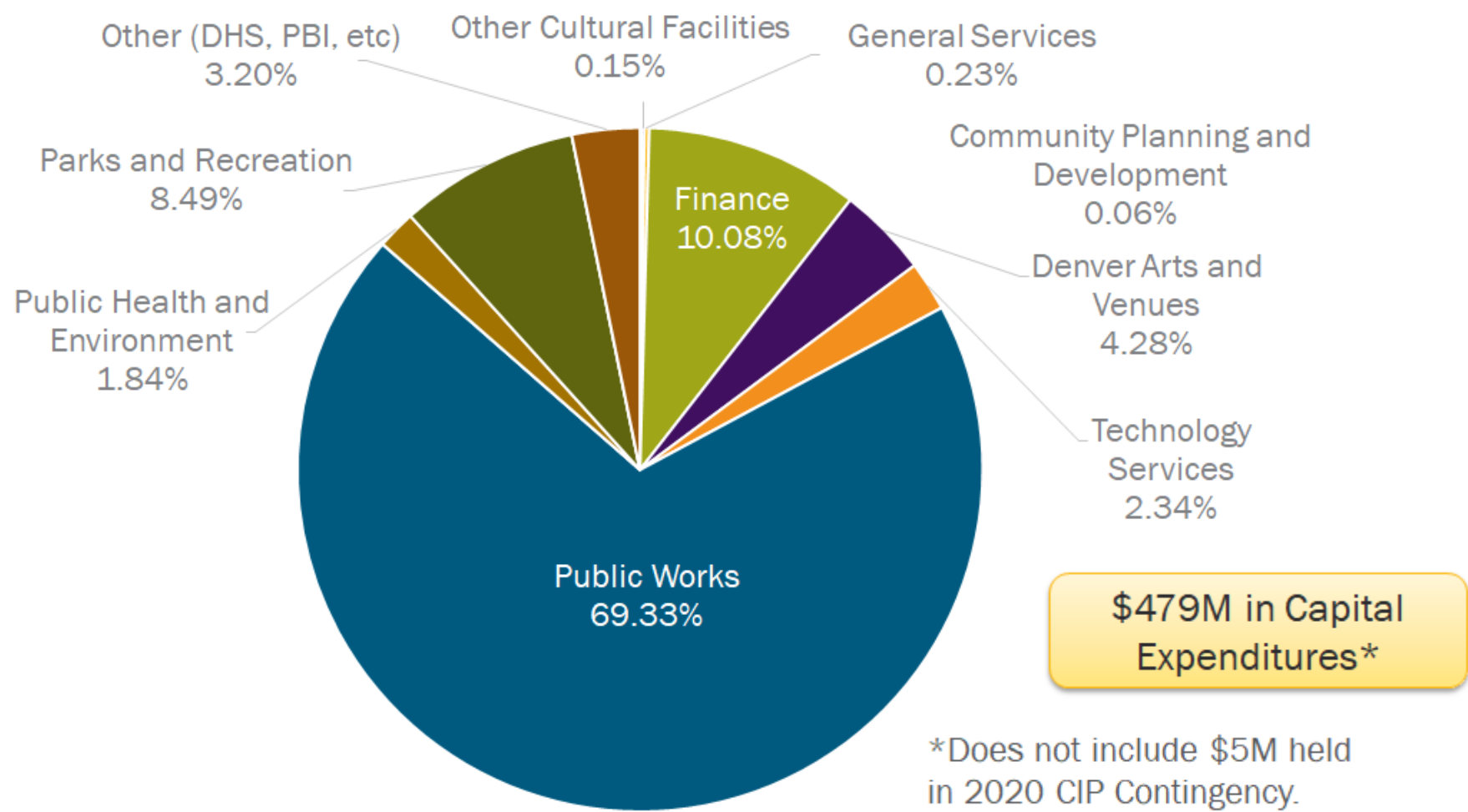
# 2020 Capital Program Funding by Source



\$484M in Capital Funding\*

\*Includes fund balance and general fund transfers.

# 2020 Capital Program Funding by Department



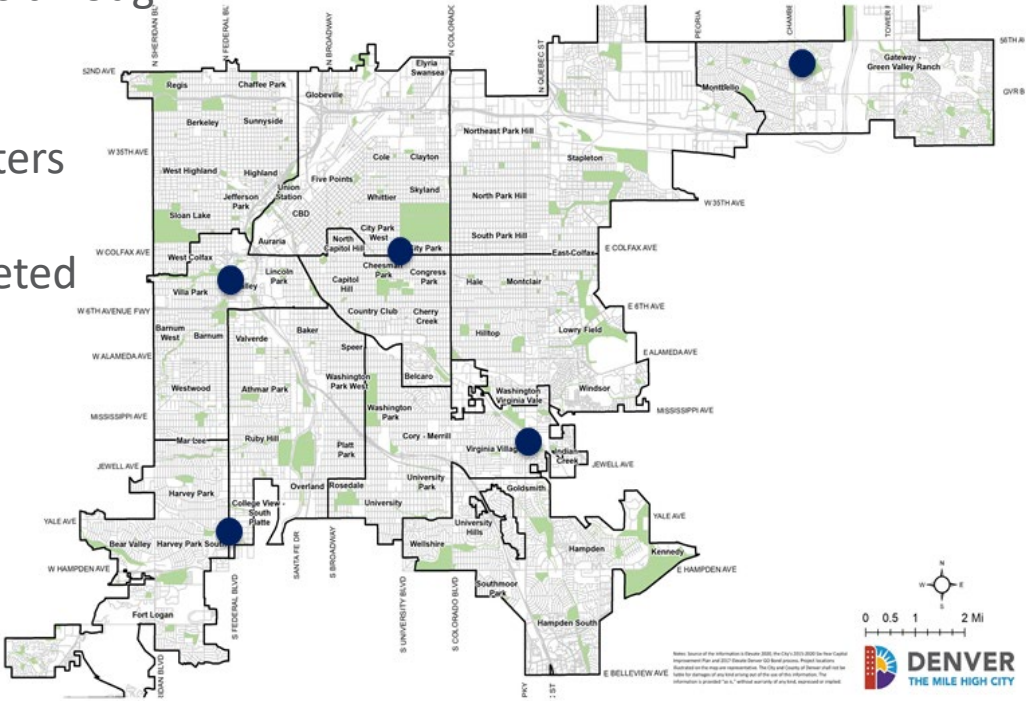
# Annual Capital Planning Process

- City departments engaged in a comprehensive capital planning process this year which engaged the community to:
  - Update the City's Six-Year CIP Plan
  - Develop the five-year Parks, Open Space, and Trails Sales Tax Plan
  - 2020 Annual Capital Improvement Program budget process

Received almost 1,000 public comments through:

- Five public town hall meetings
- Online comment portal
- Comment cards in all recreation centers and libraries
- City Council briefings and other targeted outreach.

Outreach Method	# of comments
Online	732
Comment Card	193
<b>Total</b>	<b>925</b>





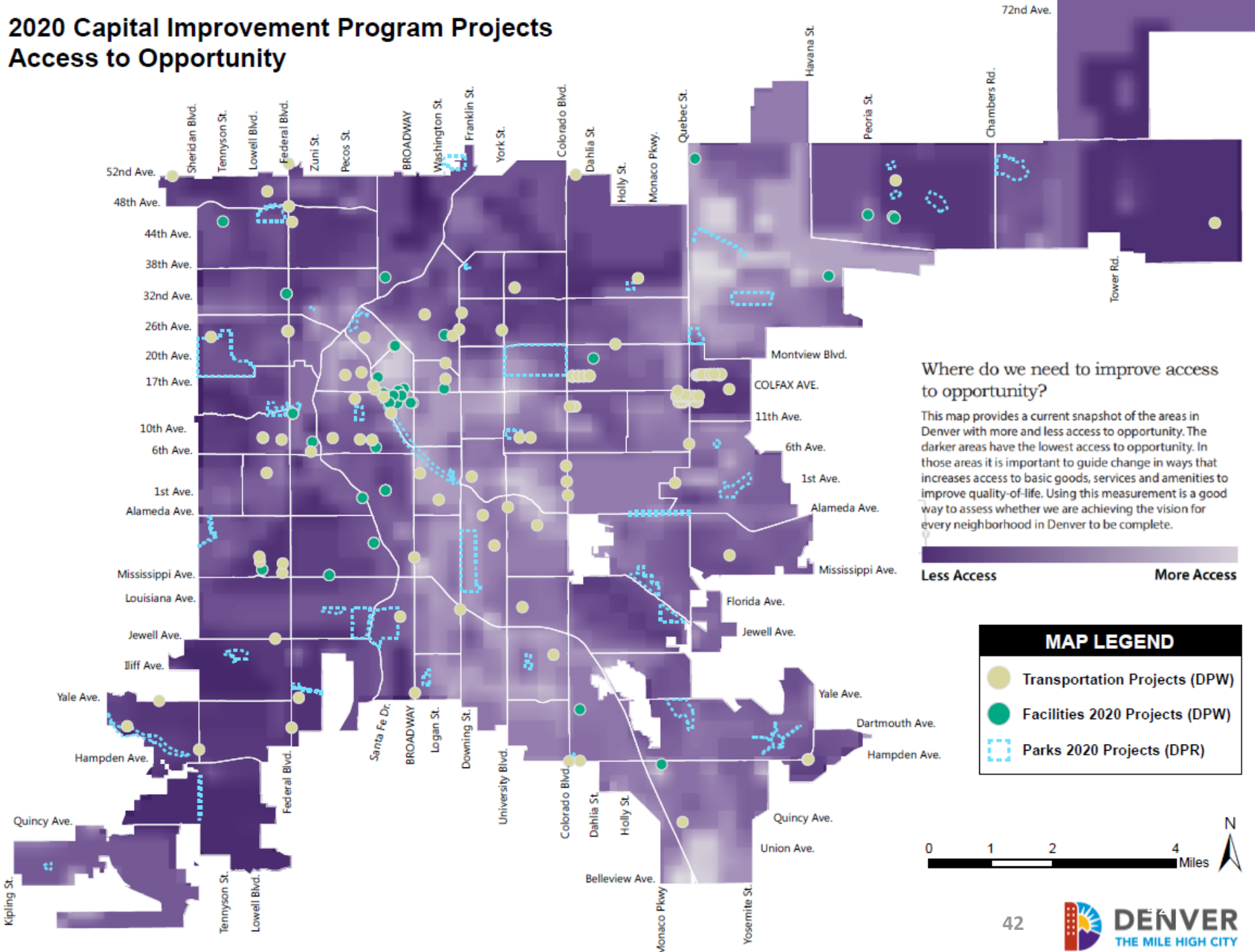
# Annual CIP Planning Process

Several key strategies guided the 2020 capital planning process:

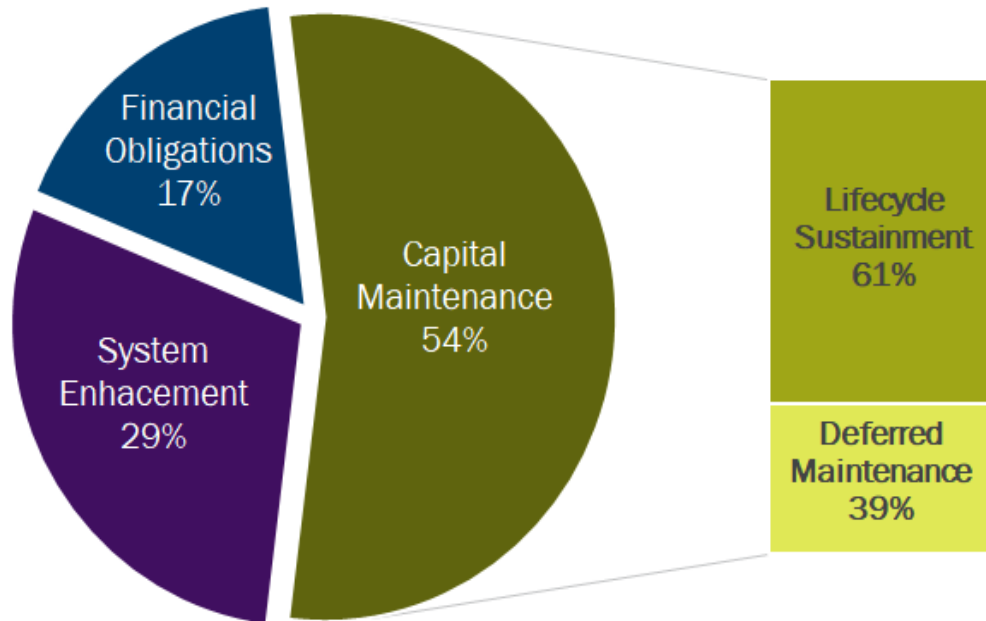
- Supports citywide priorities and contributes to the Denveright/Comprehensive Plan 2040 vision elements, with a specific emphasis on equity and the City's Race and Social Justice Initiative
- Focus on continuing previous investments that require limited additional operating resources
- Invest in maintenance and critical system improvements for safety/security
- Leverage additional funding from local, regional, or state partners



# 2020 Capital Improvement Program Projects Access to Opportunity



# 2020 Capital Improvement Program Expenditures



- 54% of 2019 CIP budget is dedicated to capital maintenance and major rehabilitation projects (\$99M).
- Remaining funding allocated to annual financial obligations (\$31M) and system enhancement projects (\$54M).
  - \$8 million in local match funding that leverages over \$63 million in grants.
  - \$31M total investment in transportation and mobility capital infrastructure.

# 2020 Capital Improvement Program Project Highlights



## Transportation and Mobility

- Vision Zero Action Plan (\$1.1M)
- Strategic Transportation Plan (\$2M)
- Denver Moves Transit Implementation (\$2.1M)
- Washington Street Connections (Design) (\$400K)



## Parks and Recreation

- Heron Pond Regional Park/Water Quality (\$3M)
- Parkfield Soccer Field Synthetic Turf Replacement (\$1.25M)
- Montclair Recreation Center Improvements (\$1.83M)
- \$19.8M capital investment in Parks, Open Space, and Trails Sales Tax



## Facilities

- Roslyn Safety Improvements (\$800K)
- City Building Security Enhancements (Design) (\$500K)
- Denver Performing Arts Complex Elevate Refurbishment (\$1.5M)
- Denver Health Correctional Care Medical Facility Improvements (\$2.371M)
- Citywide Courtroom Improvements (\$2.5M)
- Strategic Shelter Facilities (\$2.473M)
- Castro Building Revitalization (\$9M – DHS Transfer)

# 2019/2020 Capital Programming Activities

- **Participatory Budgeting**
  - \$1.5M has been allocated toward a phased participatory budgeting initiative in 2020
    - \$1M allocated in the 2018 capital budget plus \$500K in 2020 transportation CIP funding earmarked within existing programs.
  - Initiative will be focused on small-scale projects to provide community benefits within areas of the city that have greater barriers to achieving safe and complete neighborhoods
- **2019 Elevate Denver Bond Third Issuance**
  - Planned \$115M issuance to continue to make progress on completing projects approved by voters in 2017.

# Next Steps

# Hearing Schedule

Date	Time	Agency
9/16	1:00-2:30	Budget Overview
	2:30-4:00	DOF, Tech Services
9/17	9:00-12:00	DFD, DPD, DSD, Safety
	1:00-2:30	CPD, NWCO, NDCC
	2:30-4:00	DEN, GS
9/18	9:30-10:30	Parks & Rec
	10:30-12:00	HOST
	1:00-2:30	DDPHE, Denver Health
	2:30-4:00	DEDO, Human Services
9/19	1:00-2:30	Public Works
	2:30-4:00	Arts & Venues, Library
9/20	10:30-12:00	Climate Change

# Agency Presentations Overview

- An overview of agency and goals
- Performance Metrics
- Highlight of increased resources
- Budget Savings Decreases
- RSJI slide



# Charter Process: Next Steps

## On or before the third Monday in October

After considering City Council's recommendations, the October proposed budget will be submitted.

## On or before the fourth Monday in October

- City Council must publish a notice of the availability of the proposed budget for inspection.
- The Council must hold a public hearing on the proposed budget.

## On or before the first regular Council meeting in November

- City Council may revise, alter, increase, or decrease any items in the Mayor's proposed budget by majority vote.

## On or before noon of the Friday immediately following the first regular Council meeting in November

The Mayor must submit to Council a list of the amendments and the items revised, altered, increased, or decreased stating which of these he or she accepts and rejects.

## On or before the second regular Council meeting in November

- Council may override the Mayor's rejection of any of its proposed amendments by a two-thirds vote.
- Council may adopt the budget. The Mayor's proposed budget, with any amendments enacted by a two-thirds vote of the Council, becomes the official budget if the City Council fails to adopt the budget by the required date.

## On or before the fourth Monday in November

City Council must enact an ordinance making appropriations for the ensuing fiscal year.