



2021 Mayor's Proposed Budget

September 17, 2020

Agenda

- Guide to Denver's Budget
- Economic Forecast
- Revenue Overview
- 2021 Priorities
- Spending Overview
- Emergency Response and Federal Funding
- Capital Improvement Program

How to Navigate Denver's Budget

Navigating Denver's Budget



Budget calendar



Overview of budget book section



Line item budget



Changes to agency presentations

2021 Budget Timeline – Key Dates

January – March *New Budget Year Begins*



- Begin creation of comprehensive annual financial report (CAFR)
- Annual capital work plans and revenue forecasts finalized

April – June *Budget Preparation*



- Publish CAFR
- Prepare budget calendar and procedures
- Departments and agencies prepare coming year operating and capital budget proposals

July – September *Proposal Review*



- Chief Financial Officer reviews budget and capital improvement proposals
- Mayor reviews and approves proposed budget
- Mayor submits proposed budget by September 15

October – December *Public Review & Final Approval*



- City Council hosts public hearings and hearings on agency proposals
- City Council proposes amendments to budget
- Mayor submits final budget
- Budget is adopted

May 22
Base Budget

June 5
Reductions, Mandatory Expansions, etc.

June 19
Budget Book Narratives, etc.

July
Finance Meetings

July - August
Mayor Meetings

Sept-Oct
City Council Review

Nov
City Council Vote

Overview of Budget Book

Volume I – High level, overall financial structure, calendar

- High level Grants and Special Revenue Fund descriptions, General Fund Revenue

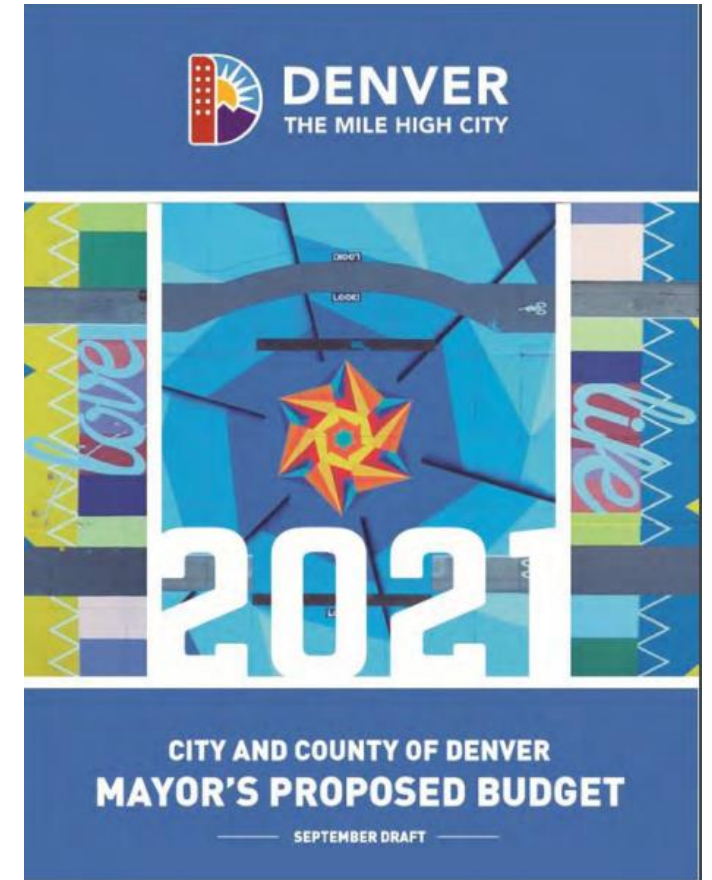
Volume II – Agency level detail

- Department Summary, services, strategies, performance and program highlights

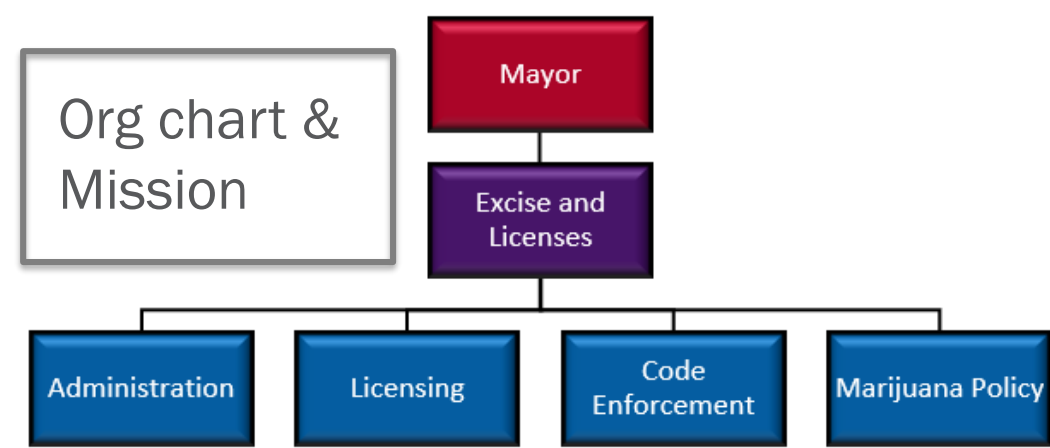
Volume III – Capital Improvements Program

Volume IV (online only) – Line Item Budget

NEW this year



Agency Detail Page Sample



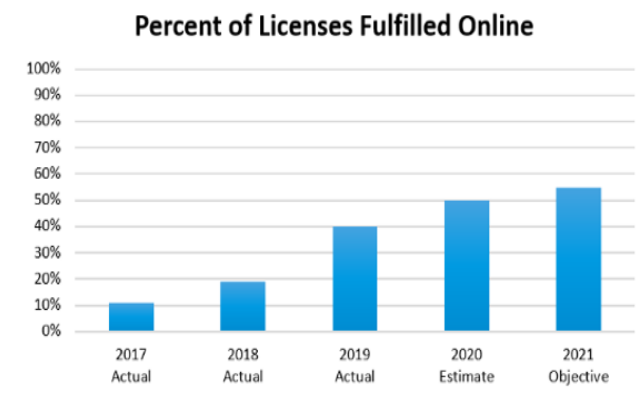
Org chart & Mission

Mission

To protect the public's health, safety and welfare by serving our community through business regulation.

New this year:
COVID-19 Impacts Section describing service delivery and pandemic response

Performance and Program Highlights



The percent of licenses fulfilled online is the percentage of licenses wherein an applicant applies, pays for, and receives their license online from a remote location.

	2017 Actual	2018 Actual	2019 Actual	2020 Estimate	2021 Objective
Excellent" Customer Satisfaction Score	93%	92%	93%	94%	94%
Significant policy adjustments	4	3	5	3	3
Active inspections	8,024	3,700	4,323	4,500	4,750
License Records Created	22,069	22,121	23,138	21,000	22,000
Public hearings	375	360	375	300	350

Department summary, services & strategies, and performance and program highlights

Agency Detail Page Sample: Changes

COVID-19 mid year reductions

- Sequestered funds called out
- They are NOT automatically taken out of the 2021 budget

Changes impacted by 2020 decisions, mid year position changes for instance

Savings as a result of holding a position vacant or a position expiring: reduction in dollars and FTE

Programmatic Changes

2020 Budget Impact of COVID-19 and Mid-year Reductions

Due to the impact of COVID-19 on the economy in 2020, Excise and Licenses implemented \$371,300 in mid-year reductions, including the following savings:

- \$311,600 in personnel services, primarily achieved by not filling one vacant Program Administrator and one vacant Licensing Technician I as well as requiring staff to take eight unpaid furlough days. Due to EXL's streamlining of office operations, increased use of online transactions, and some reduced volume, there have not been major impacts to services in 2020.
- \$59,700 in services and supplies achieved by reducing discretionary spending on travel, office functions, and contract spending.

Please note that because these were mid-year savings, these savings were sequestered in the 2020 budget and are reflected in the 'restricted budget' line. EXL resubmitted some of these budget reductions again for 2021 in addition to other reductions described in the Significant Budget Changes section below.

Additionally, EXL reduced its 2020 revenue projection by \$1,893,143 due to the observed year-to-date impact of COVID-19 on licensing and application activity. This represents a 19 percent decrease from EXL's original 2020 projection in these revenue streams.

<u>2021 Impact Description</u>	<u>FTEs</u>	<u>Dollars</u>
Administration		
- An increase in personnel services due to a 2020 mid-year position upgrade from an Administrative Support Assistant III to an Administrator II.	0.00	60,600
- An increase in personnel services due to a late 2019 position upgrade from a Business License Inspector to an Investigator Supervisor.	0.00	30,200
- An increase in personnel services due to a late 2019 position upgrade of two Administrative Support Supervisor I <u>positions</u> to Operational Supervisor I.	0.00	8,700
- A decrease in personnel services to freeze a vacant Program Administrator. This position will not be filled in 2021, and the workload will be redistributed to existing staff.	(1.00)	(131,100)
- A decrease in personnel services due to one vacant Program Administrator expiring at the end of 2020.	(1.00)	(99,500)
- A decrease in personnel services due to one vacant Licensing Technician I <u>expiring</u> at the end of 2020.	(1.00)	(69,200)
- A decrease in personnel services due to one Licensing Technician II expiring at the end of 2020. The employee occupying this position in 2020 has been moved to an unlimited position.	(1.00)	(67,300)
- A decrease in services and supplies due to a temporary reduction in funding for the High Costs marijuana youth education campaign. The program will continue in 2021 but at a reduced capacity which will allow EXL to re-evaluate the program and identify how best to allocate funding.	0.00	(400,000)
- A decrease in services and supplies due to a temporary reduction in professional services budget for a licensing analytics contract.	0.00	(70,000)
- A decrease in services and supplies due to the reallocation of budget to capital equipment to align with prior year spending.	0.00	(5,000)

Tables in the Agency Detail

Department Table

Department Budget

	2019 Actuals	2020 Appropriated	2021 Recommended	\$ Variance	% Variance
General Fund Expenditures by Agency					
General Services Administration	27,320,774	33,329,927	30,632,452	(2,697,475)	(8.1%)
Purchasing	3,020,313	3,031,272	2,406,409	(624,863)	(20.6%)
Office of the Executive Director	0	2,828,600	876,478	(1,952,122)	(69.0%)
Facilities Management	20,862,301	17,652,138	16,099,768	(1,552,370)	(8.8%)
Total	51,203,388	56,841,937	50,015,106	(6,826,831)	(12.0%)
General Fund Expenditures by Type					
Personnel Services	11,566,845	12,833,034	11,762,135	(1,070,899)	(8.3%)
Services and Supplies	38,430,687	38,224,565	36,921,192	(1,303,373)	(3.4%)
Capital Equipment	117,330	53,118	3,800	(49,318)	(92.8%)
Internal Services and Misc.	1,088,526	1,186,098	1,327,979	141,881	12.0%
Restricted Budget	0	4,545,122	0	(4,545,122)	(100.0%)
Total	51,203,388	56,841,937	50,015,106	(6,826,831)	(12.0%)
Total General Fund	51,203,388	56,841,937	50,015,106	(6,826,831)	(12.0%)
General Fund Revenue					
Charges for Services	1,902,937	2,037,498	1,700,000	(337,498)	(16.6%)
Miscellaneous Other	5,815,522	5,250,000	6,717,750	1,467,750	28.0%
Total	7,718,459	7,287,498	8,417,750	1,130,252	15.5%
Special Revenue Funds Expenditures					
General Government	31,220,921	10,490,229	16,173,109	5,682,880	53.3%
Total Special Revenue Funds	31,220,921	10,490,229	16,173,109	5,682,880	53.3%
Personnel Complement					
General Fund Operations - Civilian	145.25	143.25	125.25	(18.00)	(12.5%)
General Government - Civilian	0.00	0.00	4.00	4.00	0.0%
Total	145.25	143.25	129.25	(14.00)	(9.7%)
Total Personnel Complement	145.25	143.25	129.25	(14.00)	(9.7%)
Capital Improvements*					
Capital Improvements		500,000	800,000	300,000	60.0%
Bond Project Funds		119,228	747,253	628,025	526.7%
Grant/Other Capital Funds		0	1,200,000	1,200,000	0.0%
Total		619,228	2,747,253	2,128,025	343.7%

*Actuals are not included for capital projects by department as capital project budgets are non-lapsing. Actuals for capital funds can be found in the "Financial Summary for all CIP-Funds".

Note that there are general fund and non general fund

Budget Detail

	2019 Actuals	2020 Appropriated	2021 Recommended	\$ Change	% Change
General Services Administration (3010000)					
Expenditures by Type					
Personnel Services	1,191,515	1,686,401	1,738,425	52,024	3.1%
Services and Supplies	24,983,664	28,111,816	27,590,839	(520,977)	(1.9%)
Capital Equipment	70,735	0	0	0	0.0%
Internal Services and Misc.	1,074,860	1,159,471	1,303,188	143,717	12.4%
Restricted Budget	0	2,372,239	0	(2,372,239)	(100.0%)
Expenditures by Type Total	27,320,774	33,329,927	30,632,452	(2,697,475)	(8.1%)

Depending upon the size of the agency, it could be after the changes section

Other Program Funding Sources					
General Government SRF					
Convention Marketing/Tourism	31,220,921	10,490,229	15,766,815	5,276,586	50.3%
Capital Projects Funds					
Facility CIP Projects	0	500,000	800,000	300,000	60.0%
Other Program Funding Sources Total	31,220,921	10,490,229	15,766,815	5,276,586	50.3%

Budget Detail Table

Excise and Licenses 4001000

Budget Detail

	2019 Actuals	2020 Appropriated	2021 Recommended	\$ Change	% Change
Department of Excise & License (4001000)					
Expenditures by Type					
Personnel Services	3,377,908	3,353,282	3,352,228	(1,054)	0.0%
Services and Supplies	1,301,673	1,007,585	592,135	(415,450)	(41.2%)
Capital Equipment	11,925	11,870	15,000	3,130	26.4%
Internal Services and Misc.	3,240	4,476	4,476	0	0.0%
Restricted Budget	0	371,328	0	(371,328)	(100.0%)
Expenditures by Type Total	4,694,746	4,748,541	3,963,839	(784,702)	(16.5%)
Expenditures by Activity					
Administration	1,894,239	2,182,057	1,508,651	(673,406)	(30.9%)
Licensing	1,048,960	1,226,607	1,228,434	1,827	0.1%
Code Enforcement	539,166	533,057	611,287	78,230	14.7%
Marijuana Policy	1,212,381	806,820	615,467	(191,353)	(23.7%)
Expenditures by Activity Total	4,694,746	4,748,541	3,963,839	(784,702)	(16.5%)
Total Program Expenditures	4,694,746	4,748,541	3,963,839	(784,702)	(16.5%)
Personnel Complement (Budgeted)					
Administration	10.50	17.00	9.50	(7.50)	(44.1%)
Code Enforcement	6.00	6.00	7.00	1.00	16.7%
Licensing	17.74	15.74	15.74	0.00	0.0%
Marijuana Policy	3.50	1.00	3.50	2.50	250.0%
Personnel Complement (Budgeted) Total	37.74	39.74	35.74	(4.00)	(10.1%)
Total Personnel Complement	37.74	39.74	35.74	(4.00)	(10.1%)
Revenue					
Licenses and Permits	6,810,545	6,441,870	7,086,558	644,688	10.0%
Fines and Forfeits	151,339	145,809	160,390	14,581	10.0%
Charges for Services	1,943,162	1,562,017	1,718,138	156,121	10.0%
Miscellaneous Other	(26,982)	0	0	0	0.0%
Revenue Total	8,878,065	8,149,696	8,965,086	815,390	10.0%
Furlough Savings			(79,452)		
Vacancy Savings			(108,365)		

Changes to Agency Presentations

- Equity context for budget changes
- Organized by service/program
- Emphasis on impacts and outcomes for 2021

2020 & 2021 Economic Overview

Immediate Economic Impact from COVID-19

- US Economy officially moved into a recession in February 2020 (June 2020, NBER)
- Denver Economic Impact:
 - Sudden and broad halt to economic activity
 - Greatest initial impact to service industries and retail
 - Restaurants and bars temporarily closed (except for take-out and delivery)
 - Severe hit to tourism-related activity
 - Sharp decline in retail sales
 - Unprecedented initial unemployment claims

2020 Economy

Any signs of economic recovery are overshadowed by increases in COVID-19 cases and various cities pulling back on reopening

At this stage, we're seeing all the wrong elements for rapid recovery:

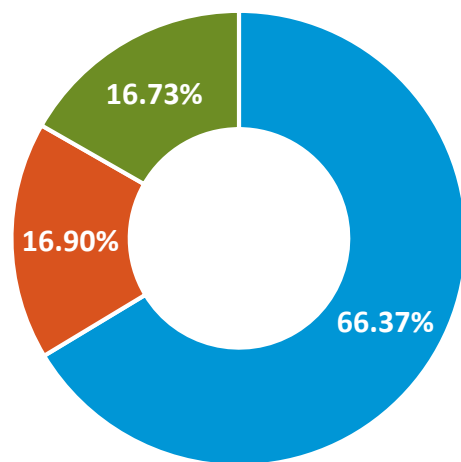
- Lack of controlled health situation;
 - Potential for second wave of infections in late fall (although we have not yet seen a decline in cases)
- Weakening labor market;
 - unemployment expected to hover between 8% - 10% by year end
 - impending business closures due to COVID-19 impacts
- A softening path for consumer demand
 - overall levels of economic activity likely to remain lower than pre-crisis levels

As additional data comes in, assumptions and projections will be updated

Economic Updates

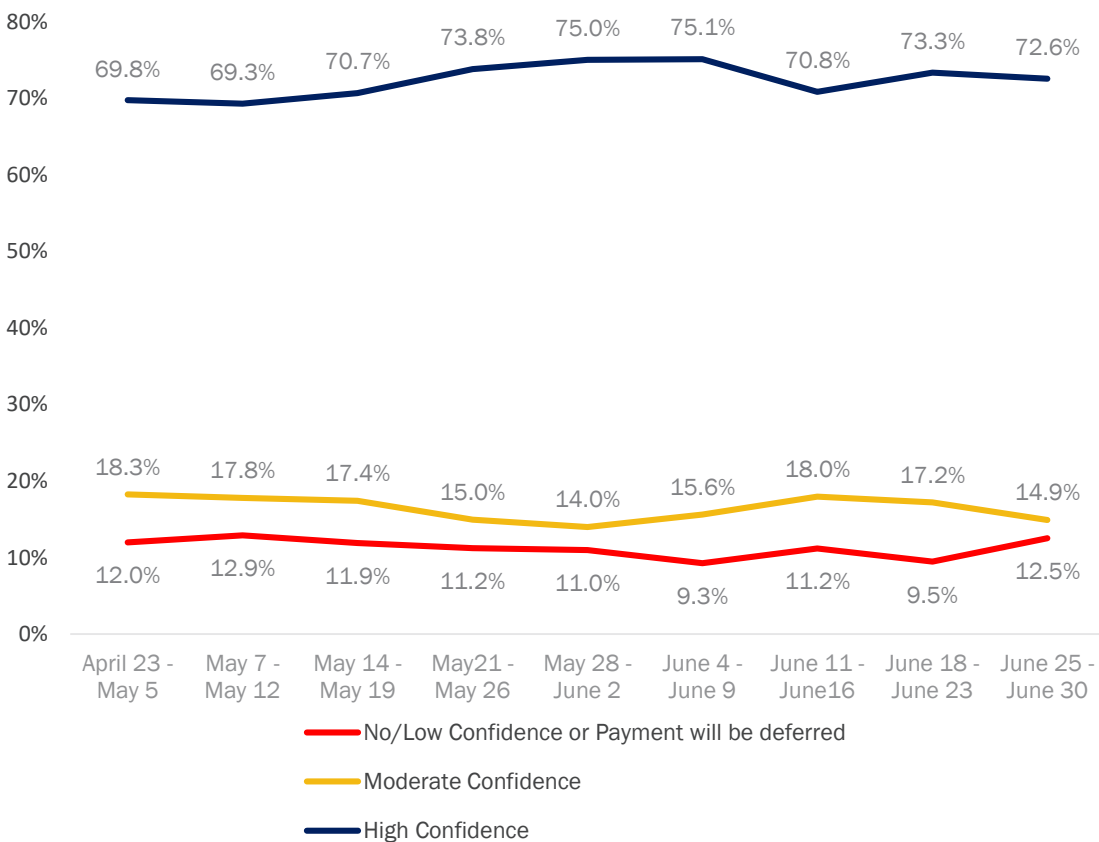
U.S. Census Bureau Household Pulse Survey (Colorado Results): Measuring Social and Economic Impacts during the COVID-19 Pandemic

How will or did your household use your stimulus Economic Impact Payment from the Federal Government?



- Mostly to pay for expenses (food, clothing, shelter, etc.)
- Mostly to pay off debt (car loans, student loans, credit cards)
- Mostly to add to savings

How confident are you that your household will be able to pay your next rent or mortgage payment on time?



Importance of Denver-Specific Economic Data (local)

Department of Finance is utilizing every tool at our disposal to ensure we are tracking economic data at as granular a level as we can.

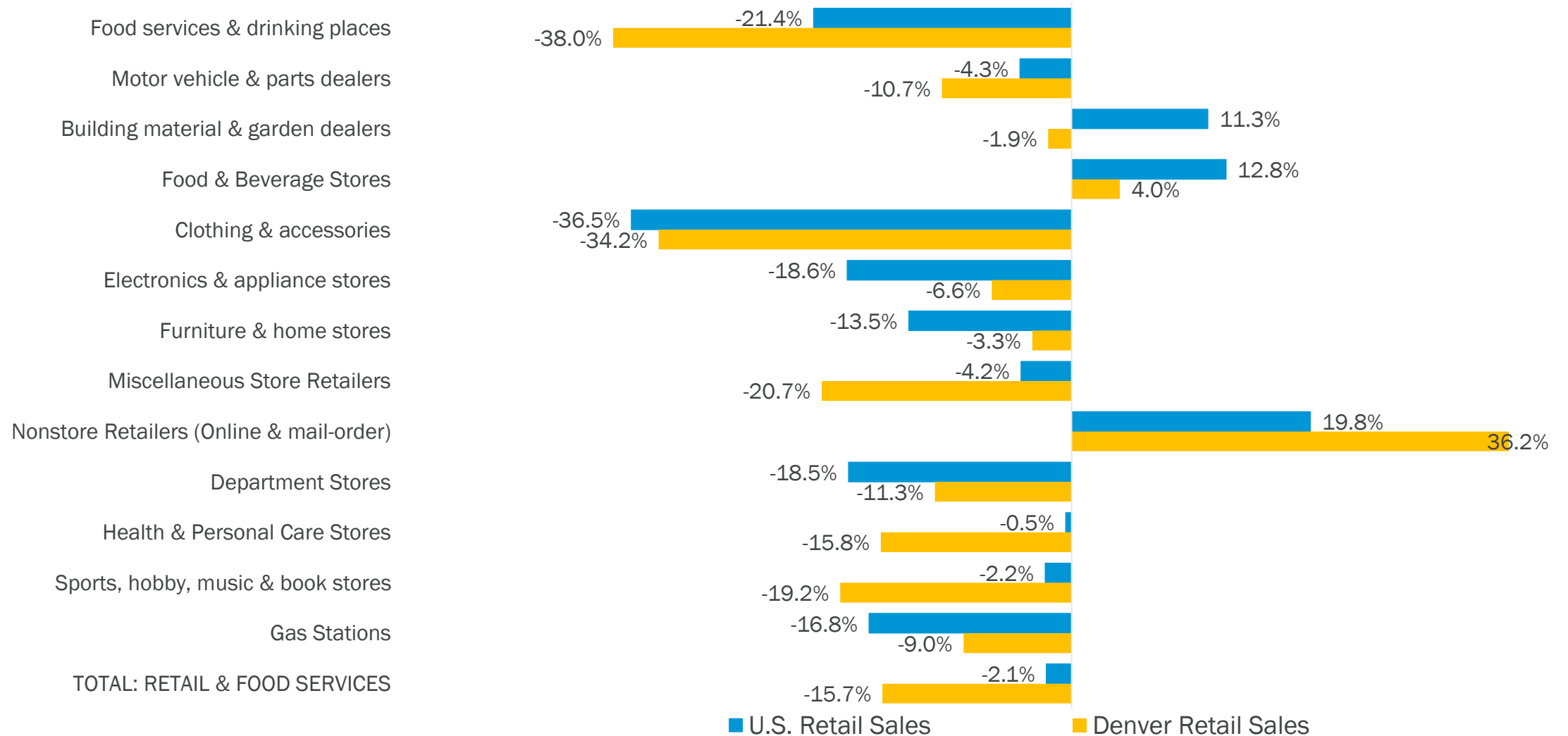
Especially important during this time of economic uncertainty as we don't necessarily always align with the more macroeconomic national or state figures typically used by media reports:

- Retail and Food Services YOY Change in YTD Monthly Sales through July:
 - Denver – (-15.7%)
 - Nation – (-2.1%)
- Weekly YOY Change in Consumer Bankcard Spending (week ending 9/2/20):
 - Denver – (-28.3%)
 - Nation – (-8.3%)
- Small Businesses Open Relative to January:
 - Denver – (-21.9%)
 - Nation – (-19.1%)

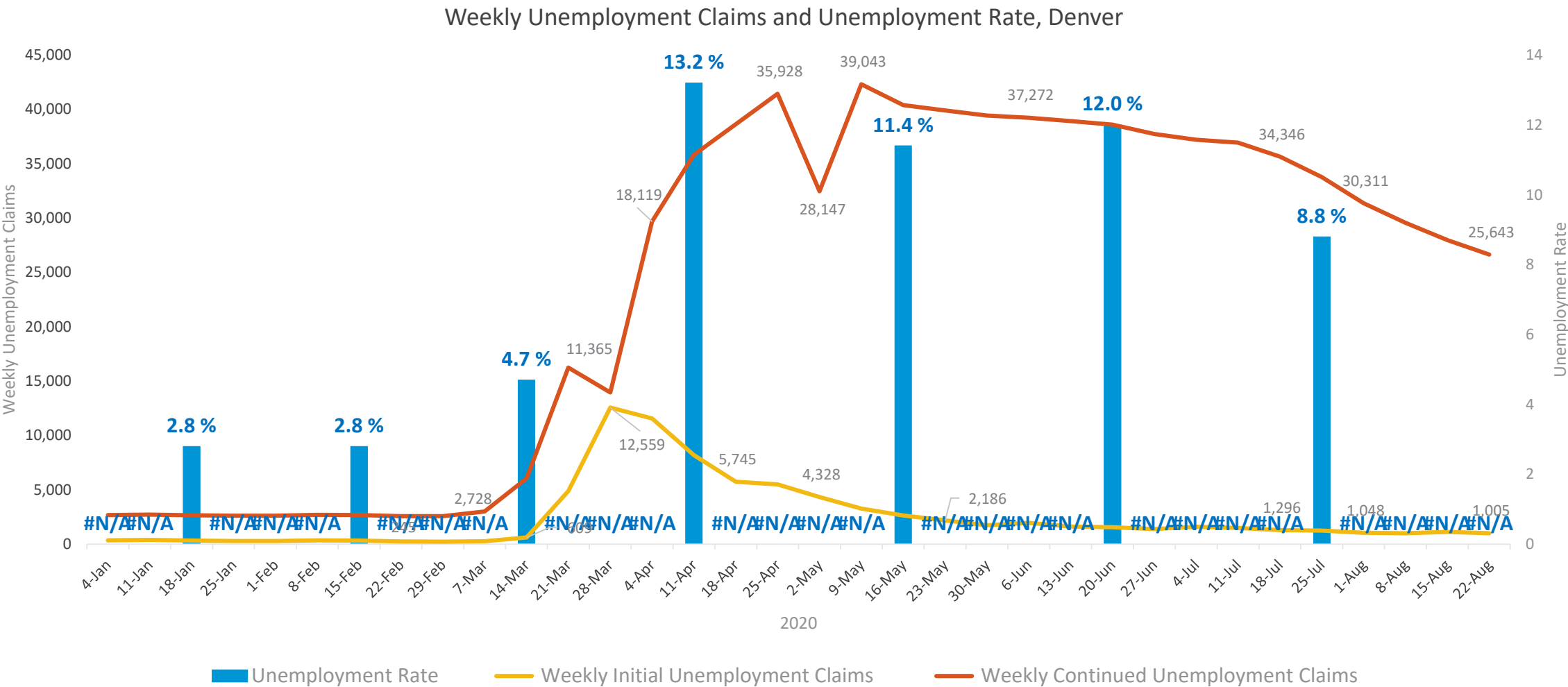
(Above data will be shown in further detail throughout remaining presentation)

Retail and Food Services YTD Monthly Sales

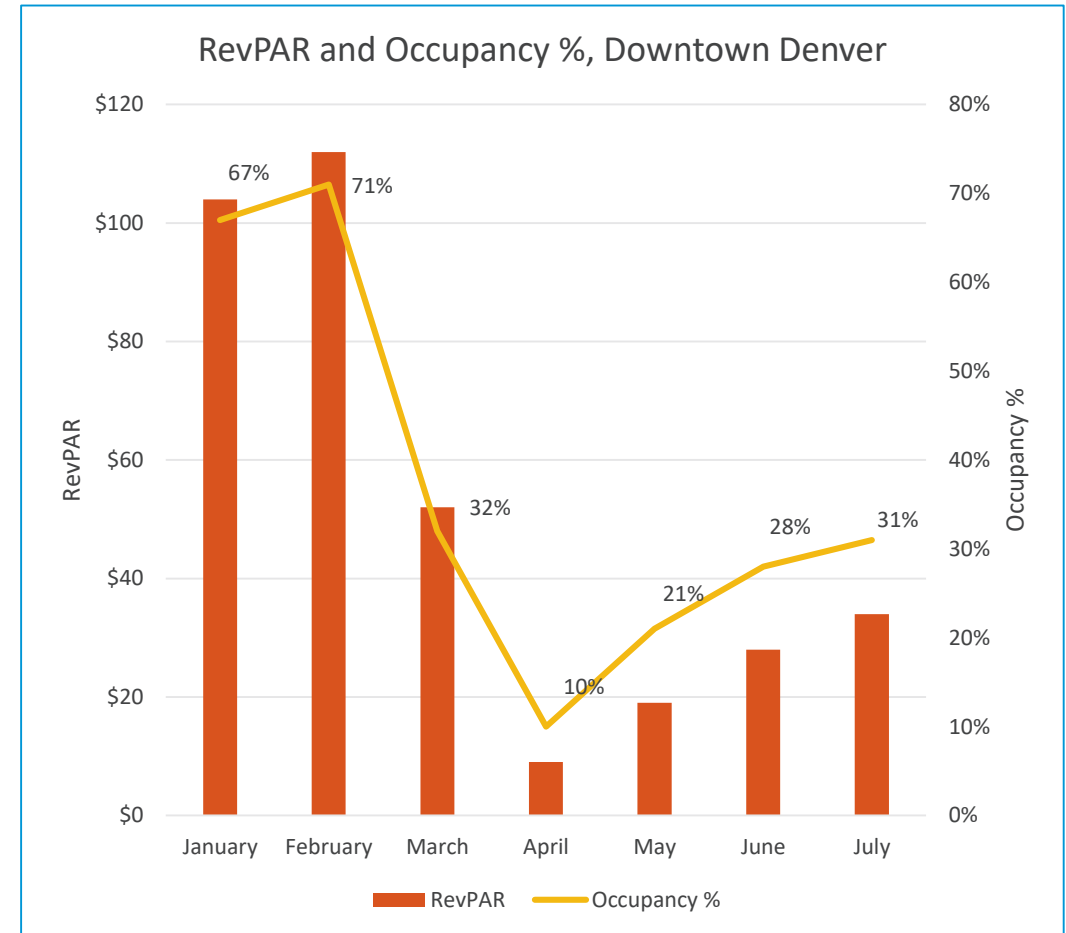
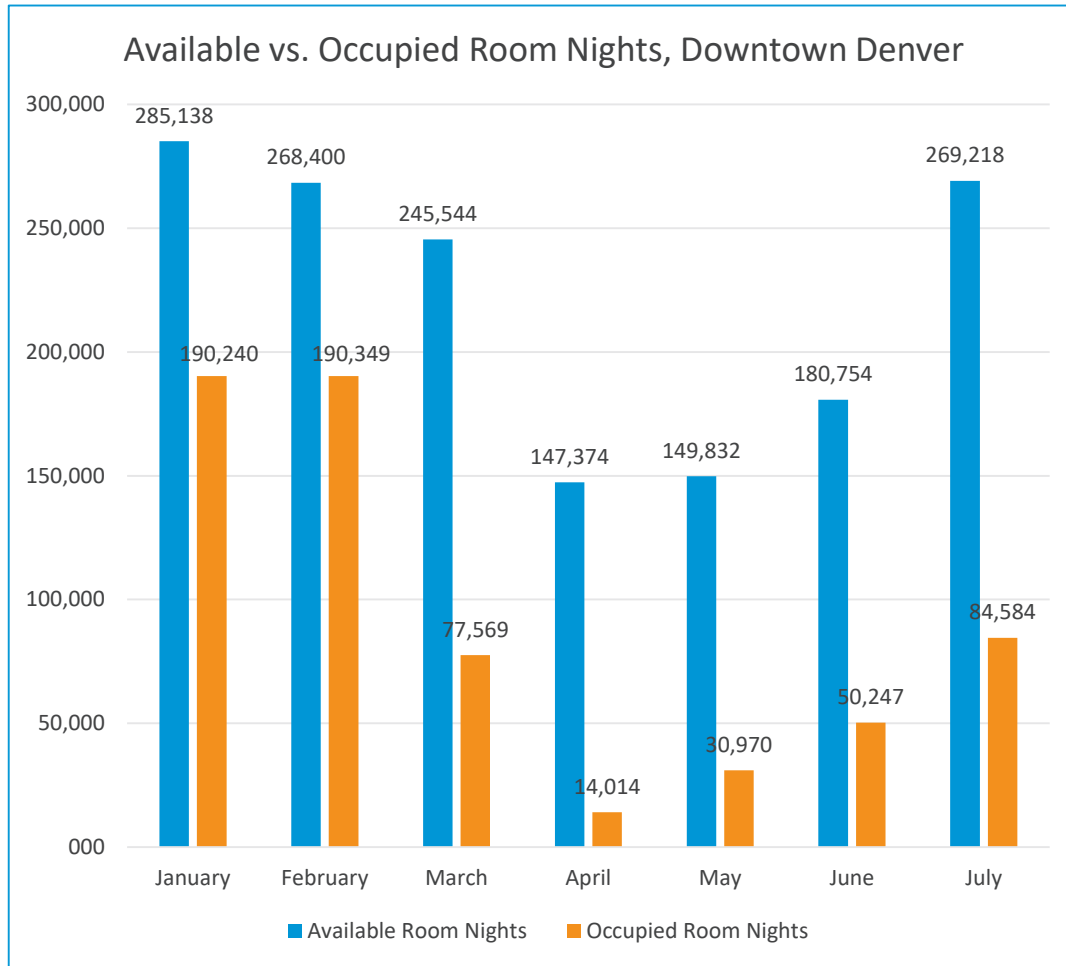
YTD thru July 2020 from YTD thru July 2019 Percent Change



Denver Unemployment

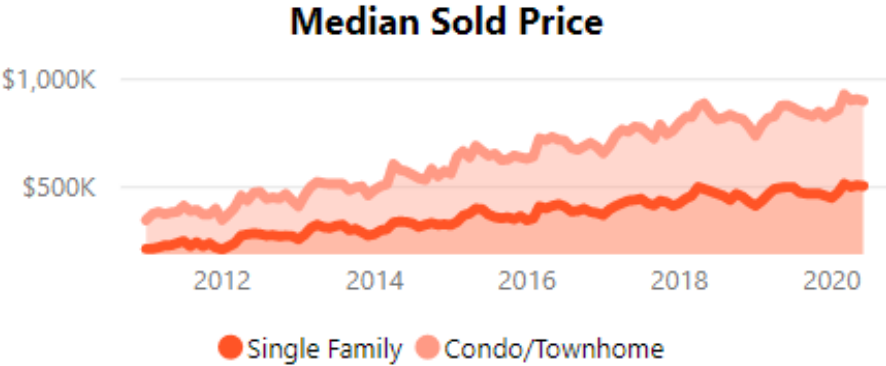


Lodging Activity



*RevPAR (revenue per available room)

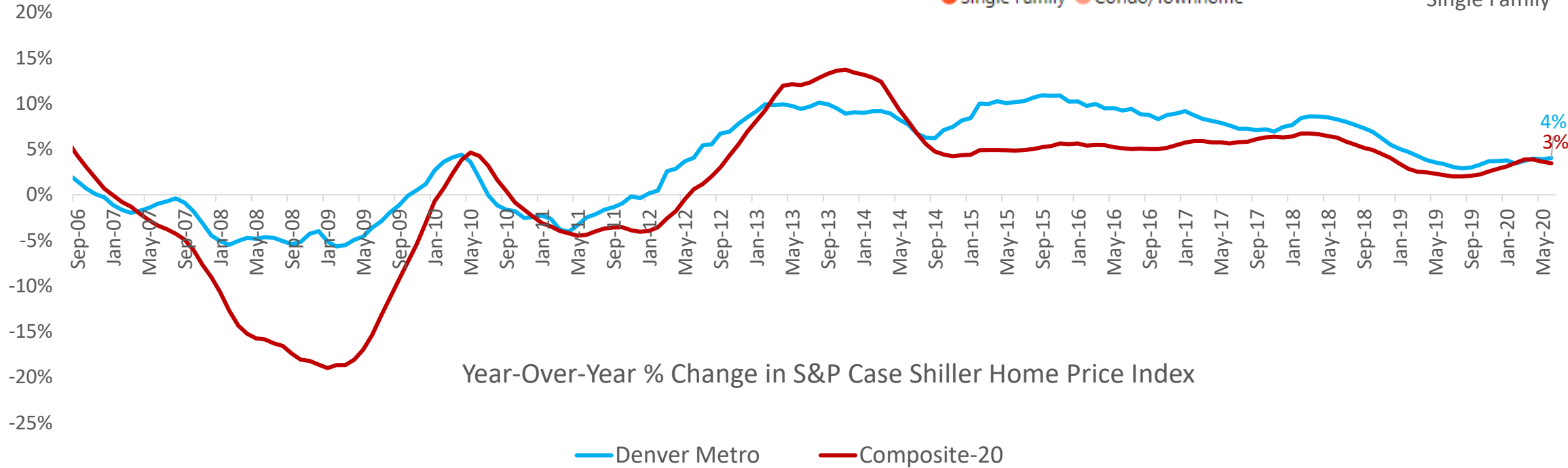
Housing Prices



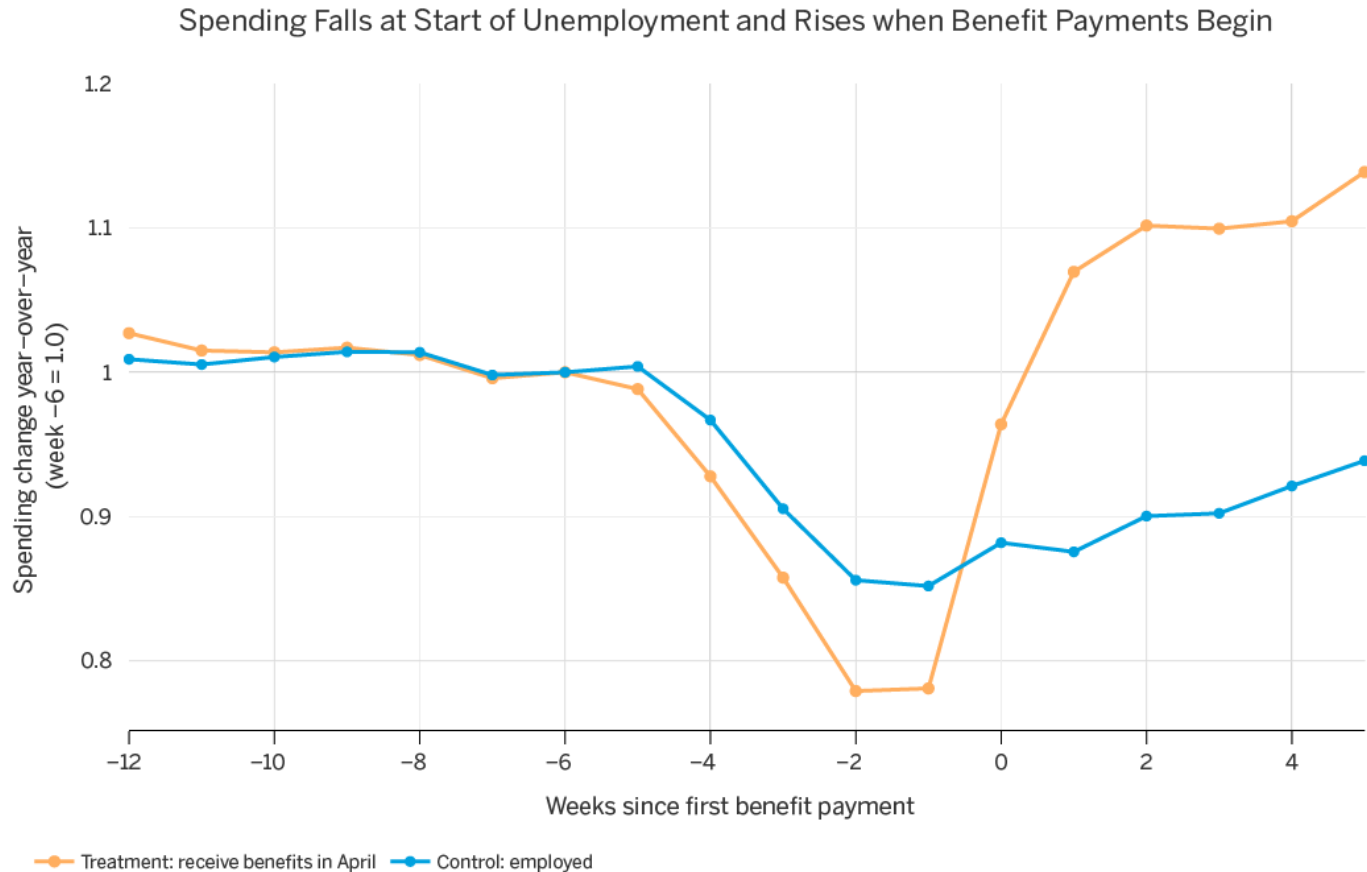
Median Sold Price
(Denver County,
August 2020)

\$384,250
Condo/TH

\$525,000
Single Family



Unemployment Insurance



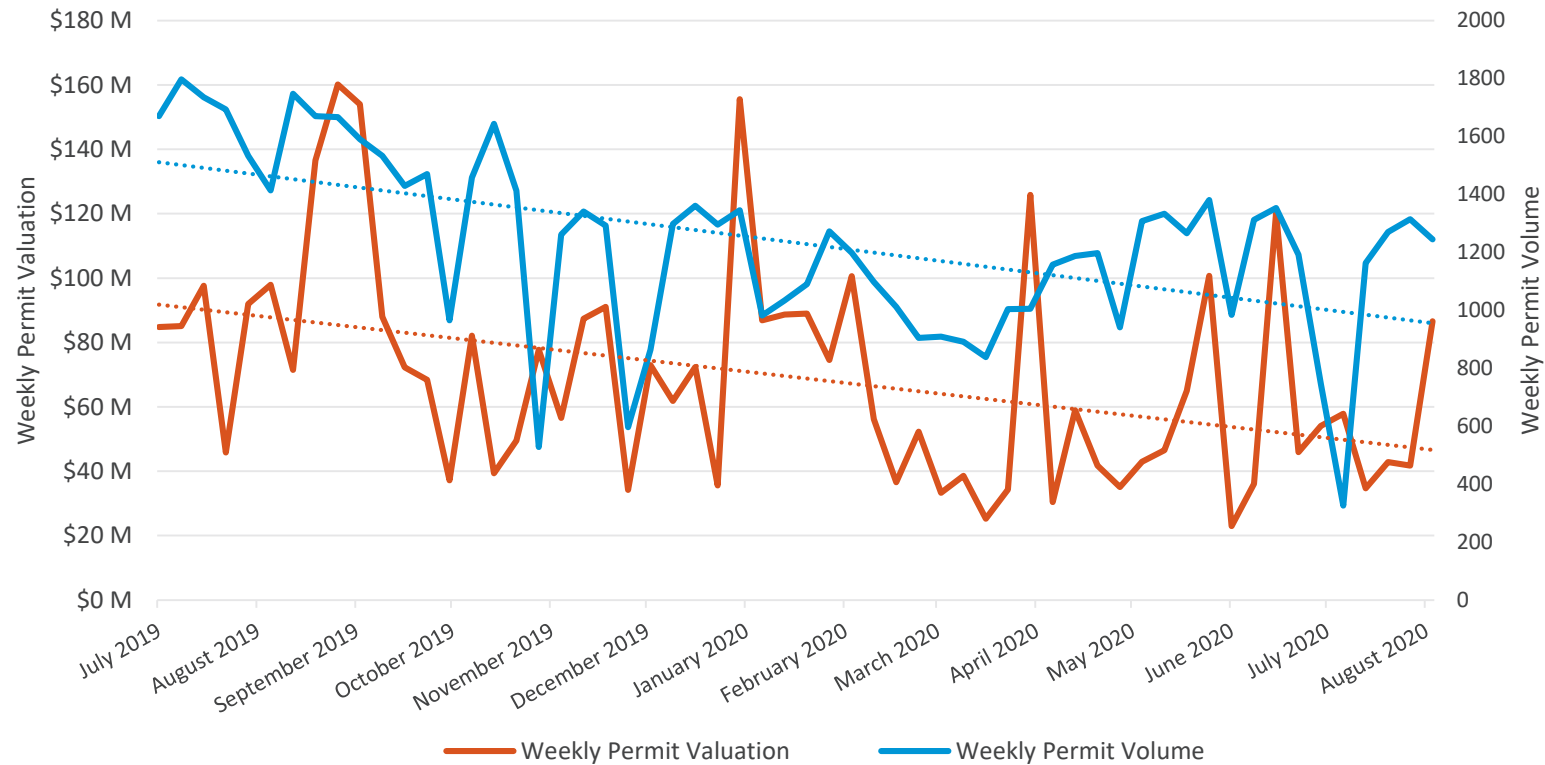
Note: This figure shows the change in spending year-over-year around the start of unemployment benefits. The x-axis shows the number of weeks since the first benefit payment. The treatment group, shown in orange, receives benefits beginning in April. The control group, shown in blue, is employed workers. See "Data and analytical approach" section for details on how the control group is constructed. The y-axis is normalized to one at six weeks prior to the first benefit payment.

Source: JPMorgan Chase Institute

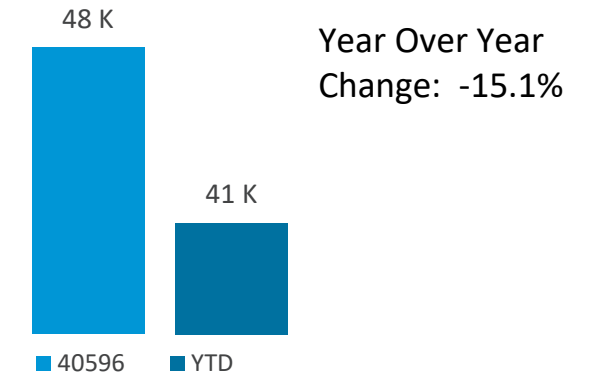
- The first set of federal legislation is credited with keeping as many as [16 million Americans out of poverty](#). If the relief measures like the CARES Act are not replaced, experts warn of an unprecedented financial crisis. –CNBC
- It is assumed stimulus funds have masked the economic impacts of the virus.

Economic Updates

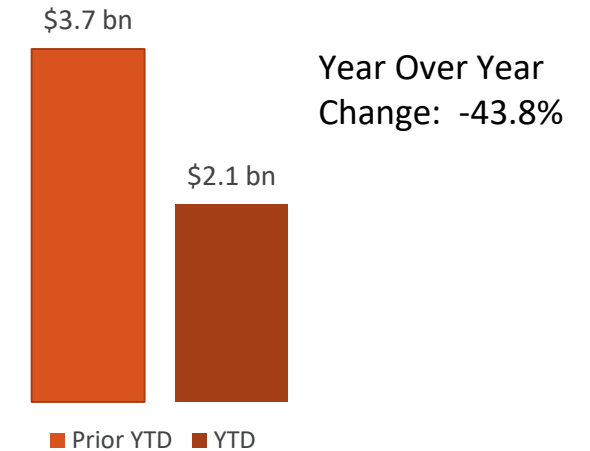
Weekly Permit Volume and Valuation



Year to Date Permits Issued

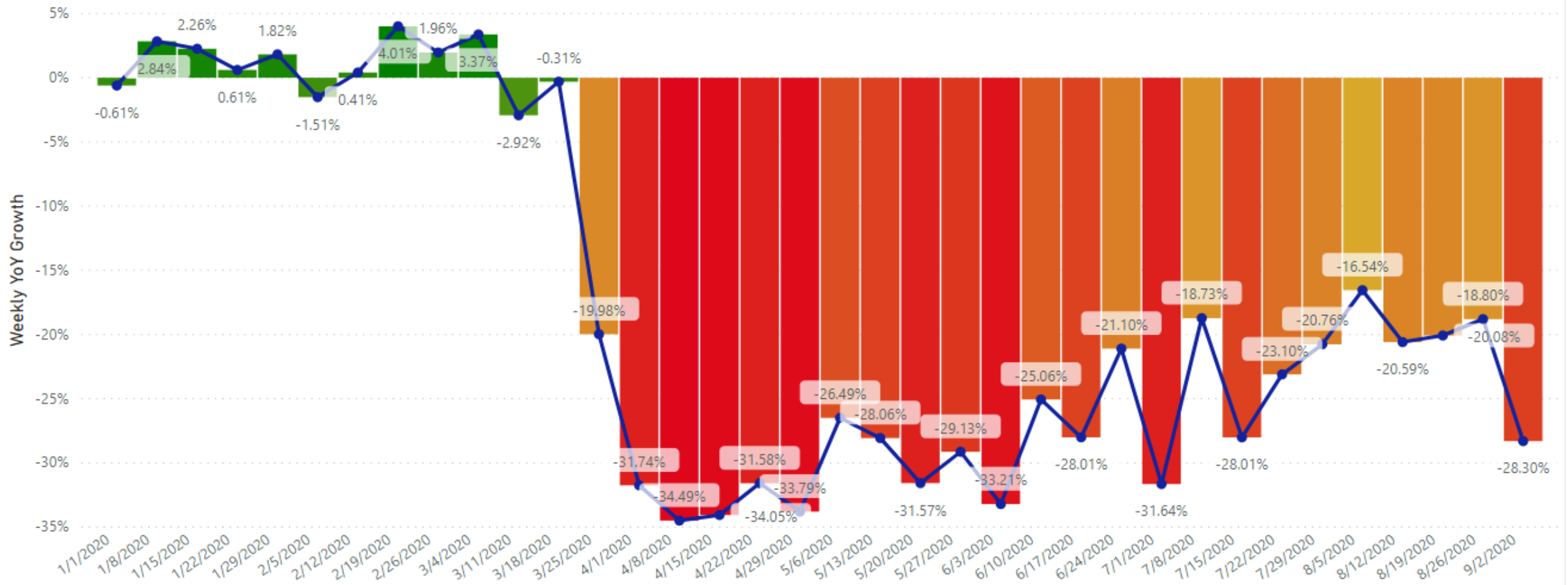


Year to Date Permit Valuation



Aggregate Consumer Bankcard Activity, Denver

Weekly YoY Growth by Date



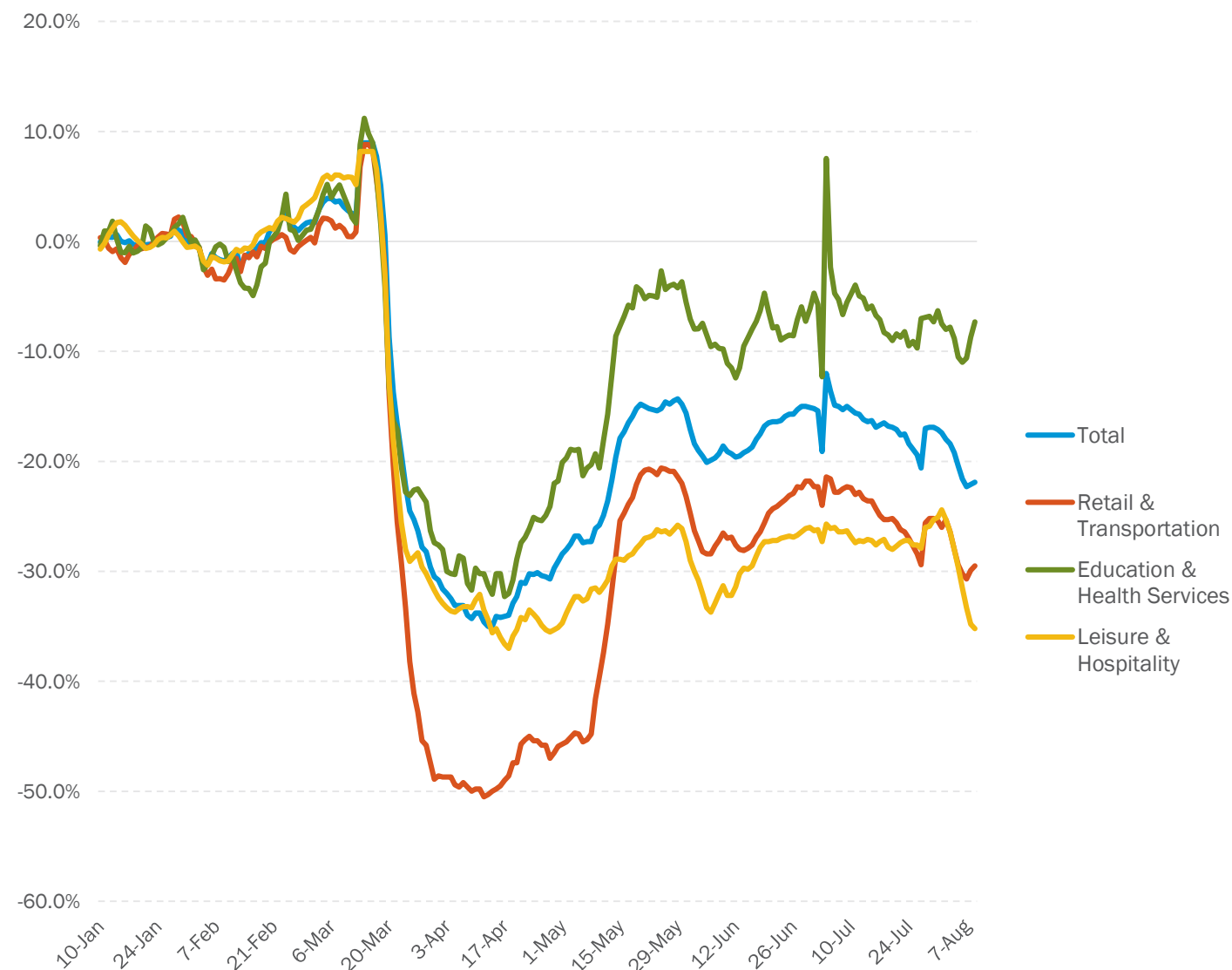
Change in Denver Small Businesses Open (relative to January 2020)

Total Denver Small Businesses:
-21.9% (-3.9% from prior week)

Leisure & Hospitality:
-35.2% (-4.9% from prior week)

Retail & Transportation:
-29.5% (-3.0% from prior week)

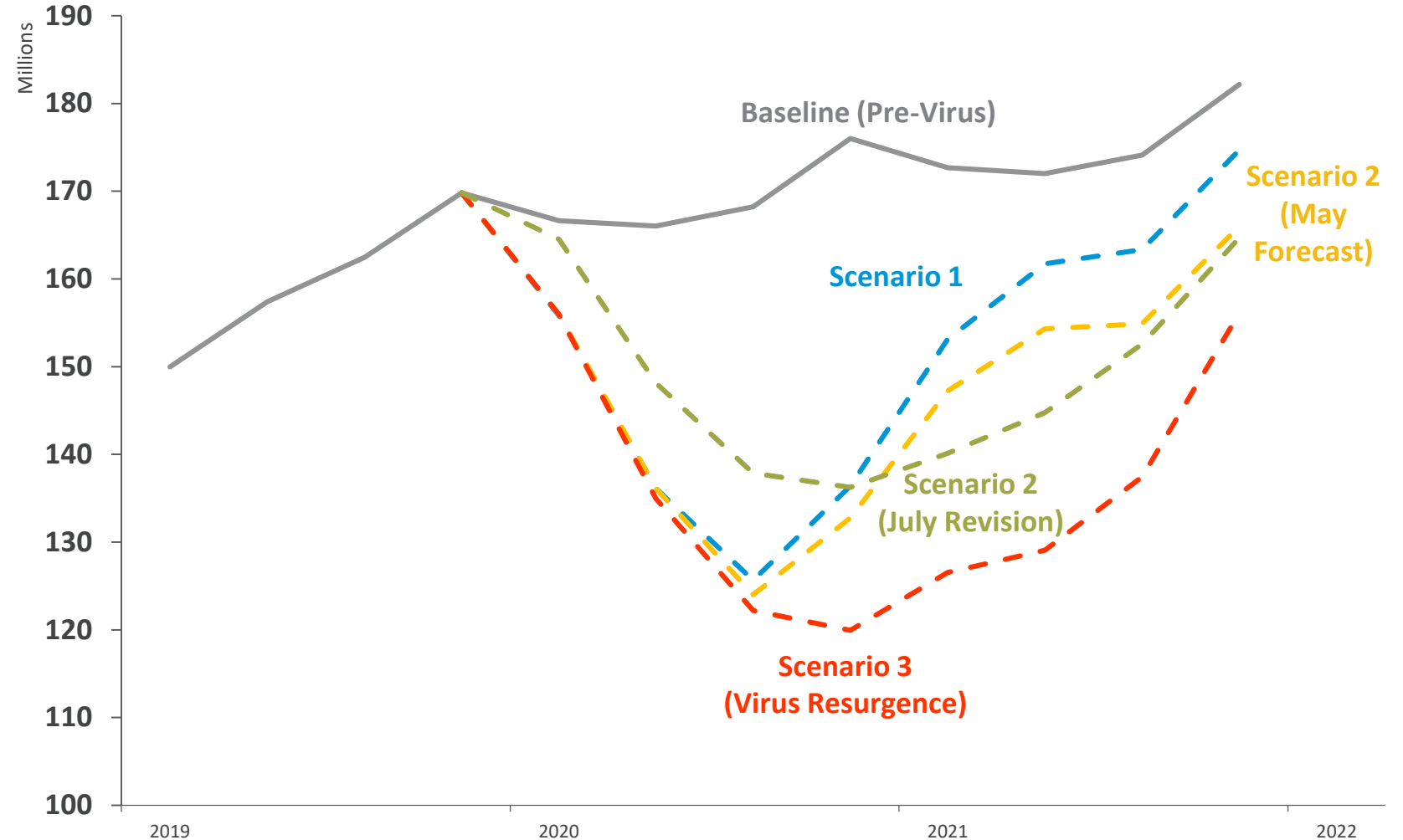
Education & Health Services:
-7.3% (-2.9% from prior week)



Economic
Condition:
Is the
Economy
Improving?

Projected Core Sales and Use Tax Collections

Moving Quarterly Average



Economic Forecast Assumptions

Upside Risks

- Vaccine becomes widely available in early 2021
- New therapeutic treatments mitigate health outcomes
- Economic growth momentum from May through August is sustained
- Additional Federal Stimulus passed

Baseline Forecast

- Gradual, staggered return to work (in-person school able to be maintained)
- COVID-19 and Flu impact consumer behavior, but not shutting down economy
- Leveling off of consumer spending, but still showing slowed growth
- Phased in recovery by industry, gradual return for face-to-face sectors

Downside Risks

- Virus resurges and requires shutdowns
- Vaccine development is delayed
- Job growth stalls and unemployment remains high
- Drop off in consumer spending
- Inequitable economic growth
- Geopolitical risks

Economic Recovery

Optimistic Signals of Recovery:

- Better than expected single-digit August national unemployment rate
- Many businesses are moving forward with reopening
- Home sales are strong
- Home construction back to pre-pandemic levels
- Consumer Spending levels over summer better than expected

Concerning :

- Slowed rate of job growth with jobless claims remaining stubbornly high
- Lack of additional federal fiscal stimulus that largely propped up prior consumer spending
- Continued restrictions on restaurants, entertainment and personal services
- Signs of inequitable economic recovery
- Considerable uncertainty remains in regards to public health as well as sustainability of economic recovery to date

Beyond 2021



- Ongoing public health crisis weighs heavily on economic activity, employment, and inflation in near-term, poses considerable risks to economic outlook over the medium-term.



- May be experiencing a “New Normal Recession” marked by behavioral changes, including changes in consumption and work patterns.



- While labor market is expected to improve from current state, likelihood remains for elevated unemployment levels well into 2022.



- Visit Denver expects lodgers’ tax collections to remain below 2019 levels in 2022



- Property taxes payable in 2022 likely to be calculated off lower commercial valuations (e.g., business closures, retail/office vacancies) and lower residential assessed values, absent legislative or constitutional changes.

Key Takeaways



- Denver's revenue is projected to decline by \$220.7 million in 2020, the worst drop in city revenue since 1933 and nearly equal to the entire 2020 operating budgets of Parks and Recreation, Community Planning and Development, Denver Public Library, Trash Collection, Department of Public Health and Environment, Human Rights and Community Partnerships, and the Office of Climate Action, Sustainability and Resiliency.



- This 2021 budget marks a year of significant and difficult cuts necessary to close a budget deficit of approximately \$190 million between our projected revenues and expenditures.

Budget Gap Comparison

Great Recession v. COVID-19 Pandemic



In 2020 and 2021, the city will reduce spending by \$428M

96% of the amount the city reduced over the four years of the Great Recession.

\$446M - 2009-2012

\$428M - 2020-2021

General Fund Revenue Forecast

2020 Revised Forecast

2021 Original Forecast

2021 Revenue Projections: \$1.354B revised down to \$1.328B

2020 Revised Forecast

2020 Total Revenue Forecast: \$1.265B

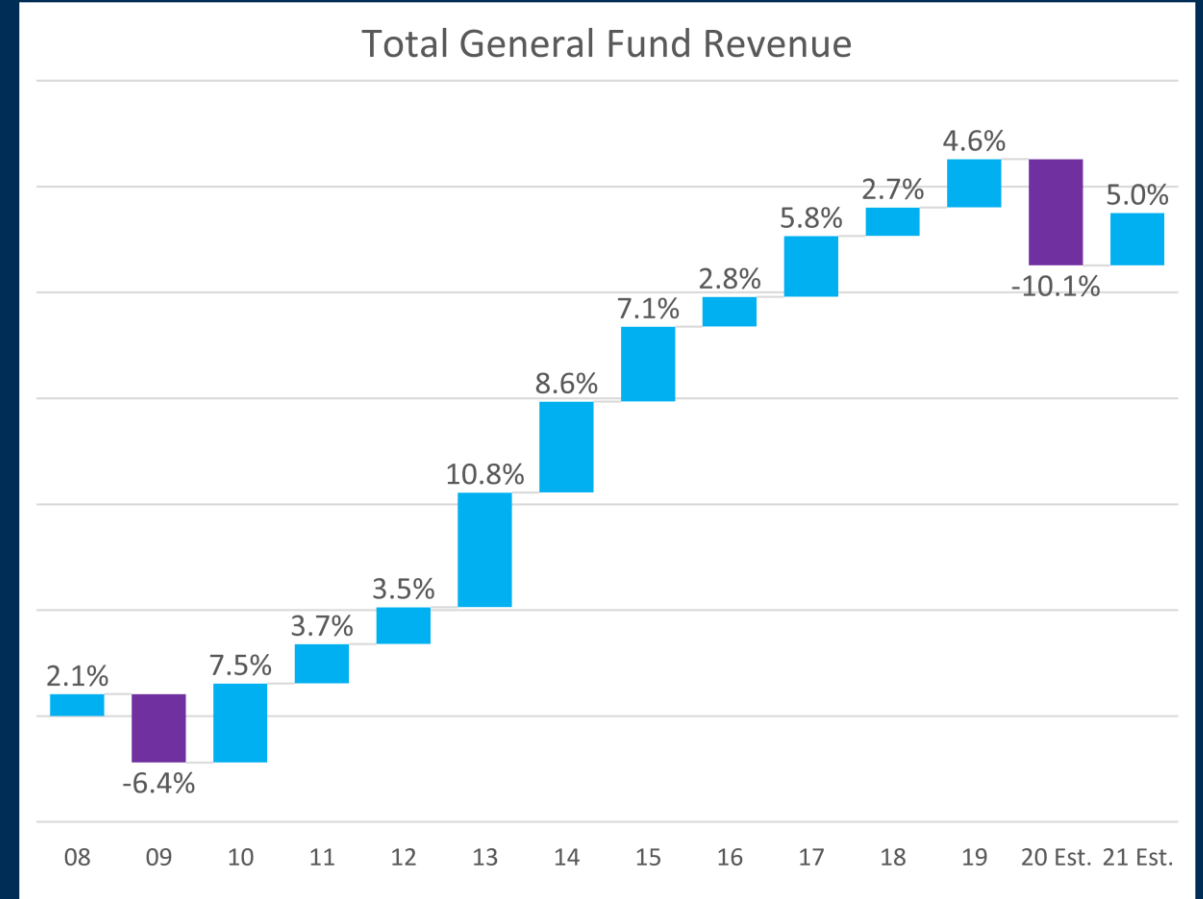
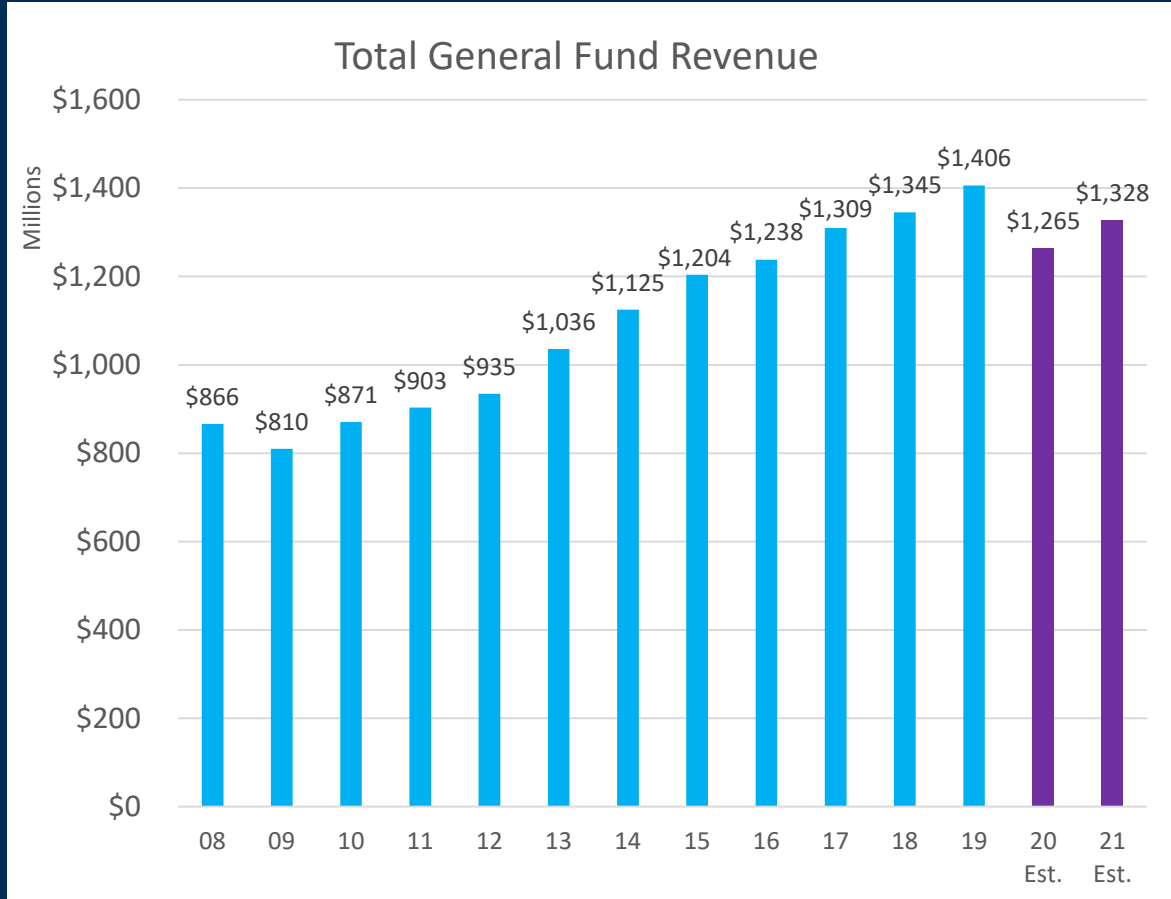
- Reflects y/y loss of -\$220m or -10.1% under 2019, -14.6% compared to original 2020 budget
- Contributors to revenue loss
 - Sales tax: \$83.8m or 11.6%
 - Lodgers' tax: \$23.2m or 66.4%
 - OPT: \$5.9m or 10.9%
 - Parking revenue: \$19.1m or 45%
 - Construction-related: \$7.1m or 29%
 - Traffic Court Fines: \$1.3m or 14.8%

2021 Original Forecast

2021 Total Revenue Forecast: \$1.328B

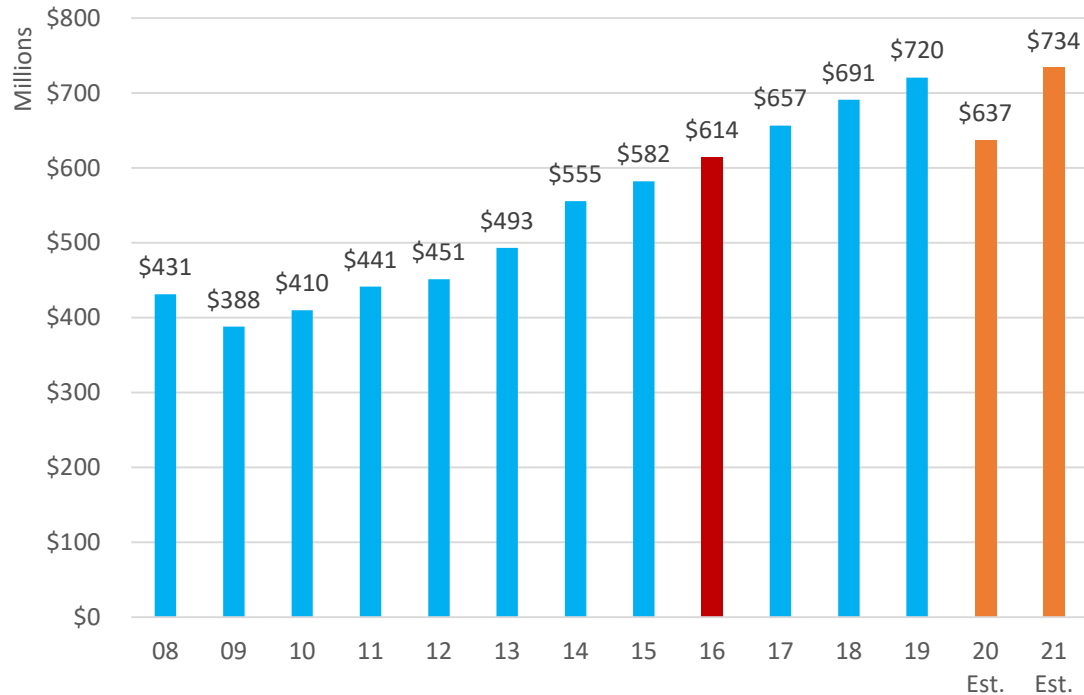
- Reflects y/y growth of \$62.8m or 5.0%
- Contributors to growth
 - Sales tax: \$97.2m or 15.3%
 - Property tax: \$11.6m or 7.6%
 - Lodgers' tax: \$5.9m or 50.3%
 - OPT: \$3.7m or 7.6%
 - Parking: \$10.5m or 44%
 - Traffic Court Fines: \$4.4m or 57.2%
 - Construction-related: \$1.6m or 9.4%
 - Online convenience fee: \$3.3m
 - Court's research fee: \$3.1m
- Contributors to revenue loss
 - Internal service charges: -\$53.2m**
 - Excise tax transfer: -22.7m

General Fund Forecast

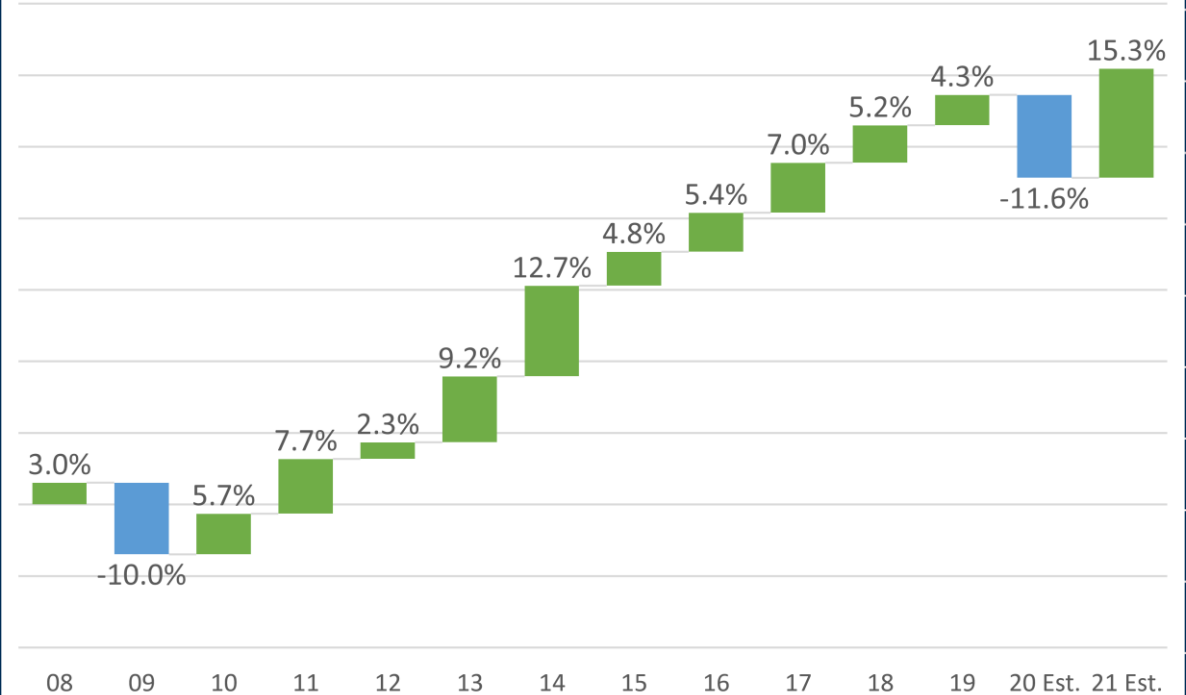


Sales and Use Tax Forecast

2008-2019 Actual Collections, 2020-2021 Estimated



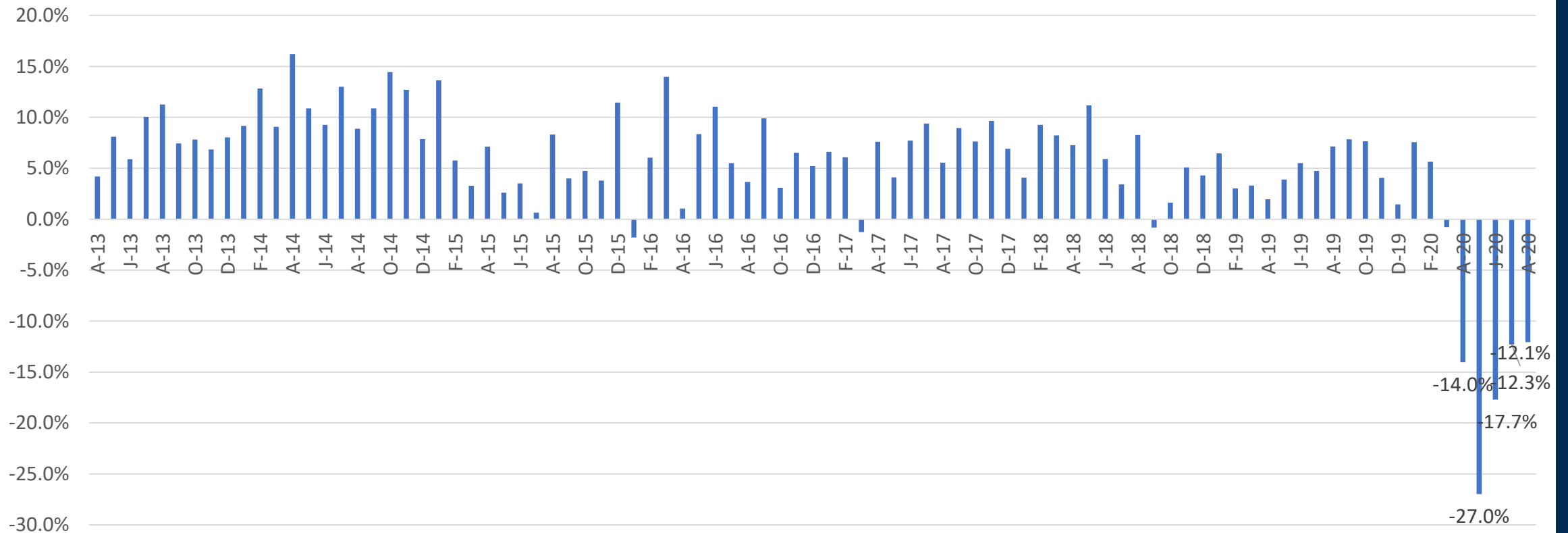
Year-Over-Year % Change



Note: 2021 factors in new sales tax revenue from out-of-state retailers and expiring TIF districts.

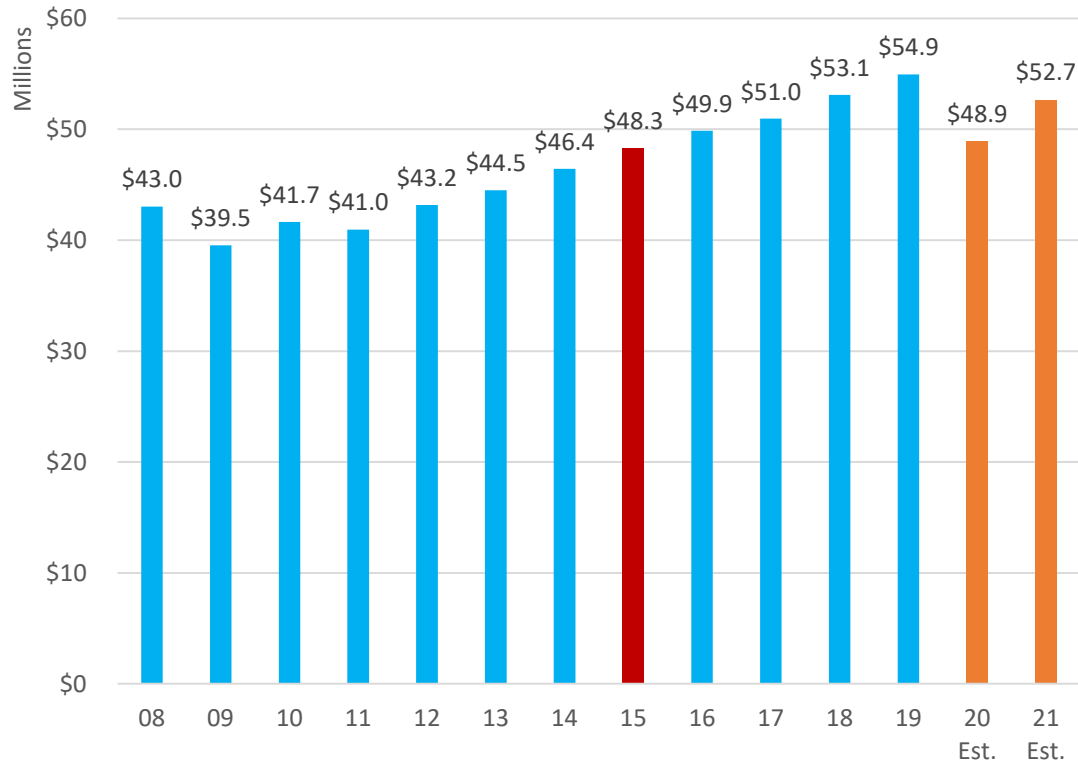
2020 Economy

Year-Over-Year % Change in Denver's Core Sales and Use Tax Revenue

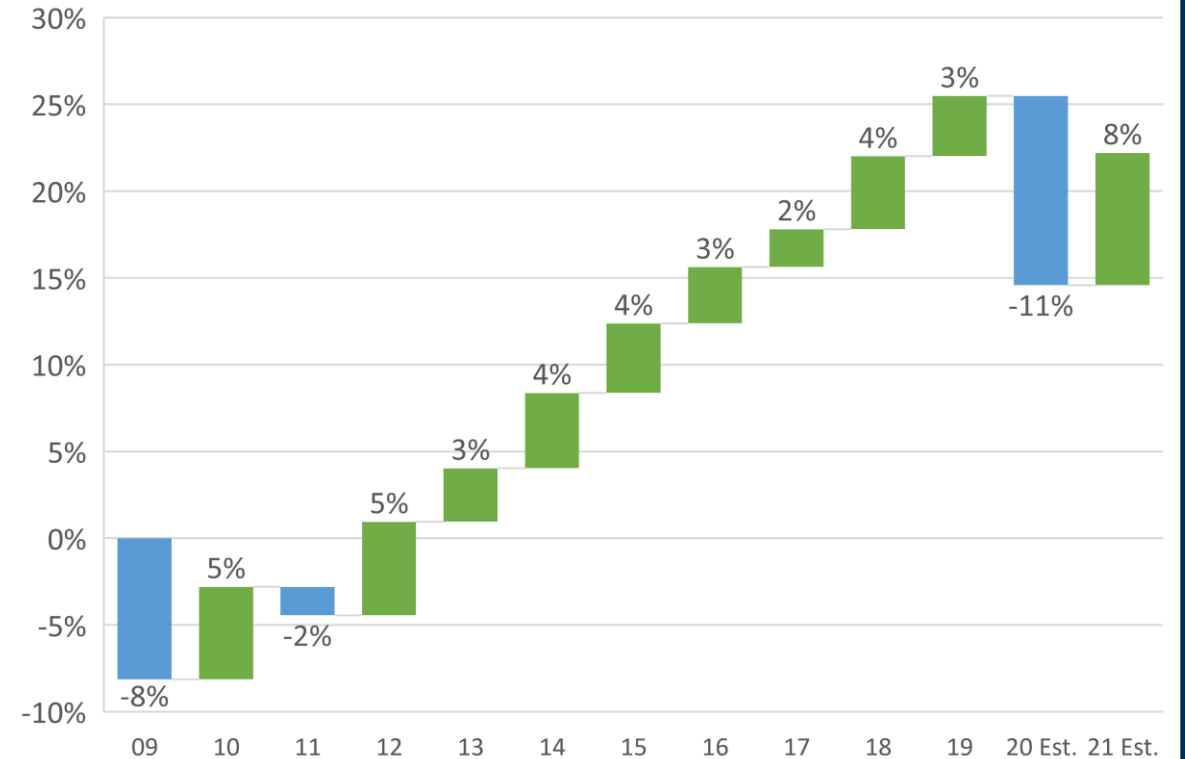


Occupational Privilege Tax

2008-2019 Actual Collections, 2020-2021 Estimated

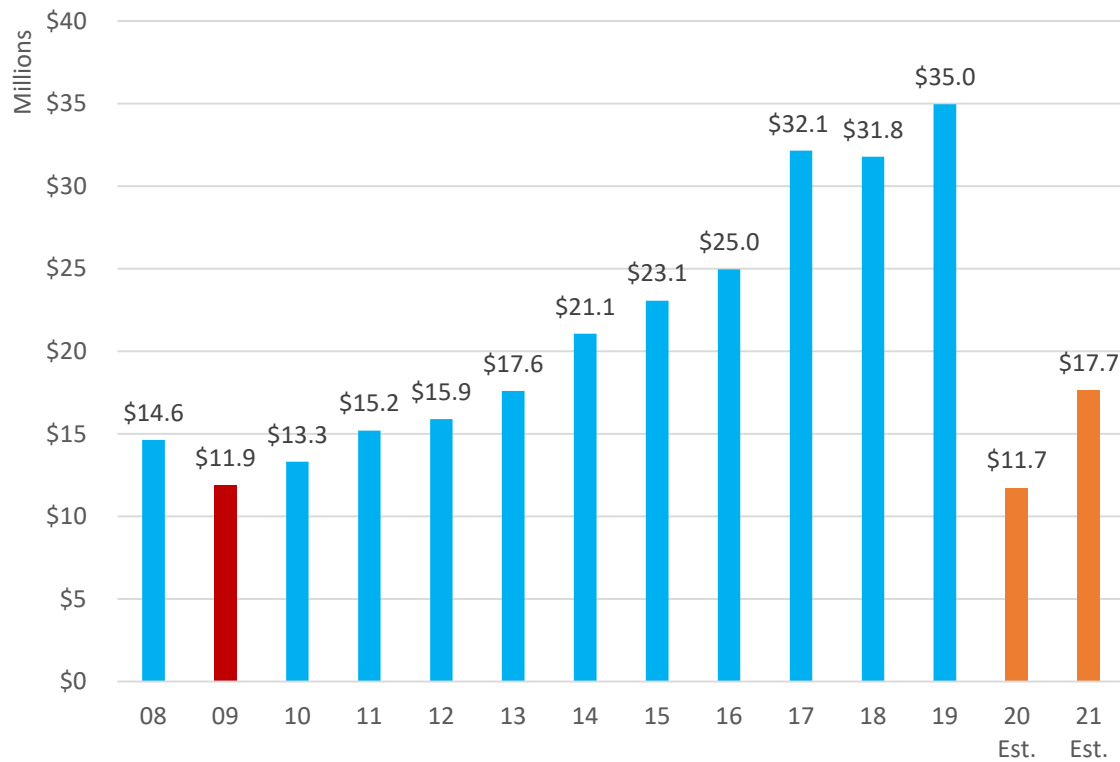


Year-Over-Year % Change

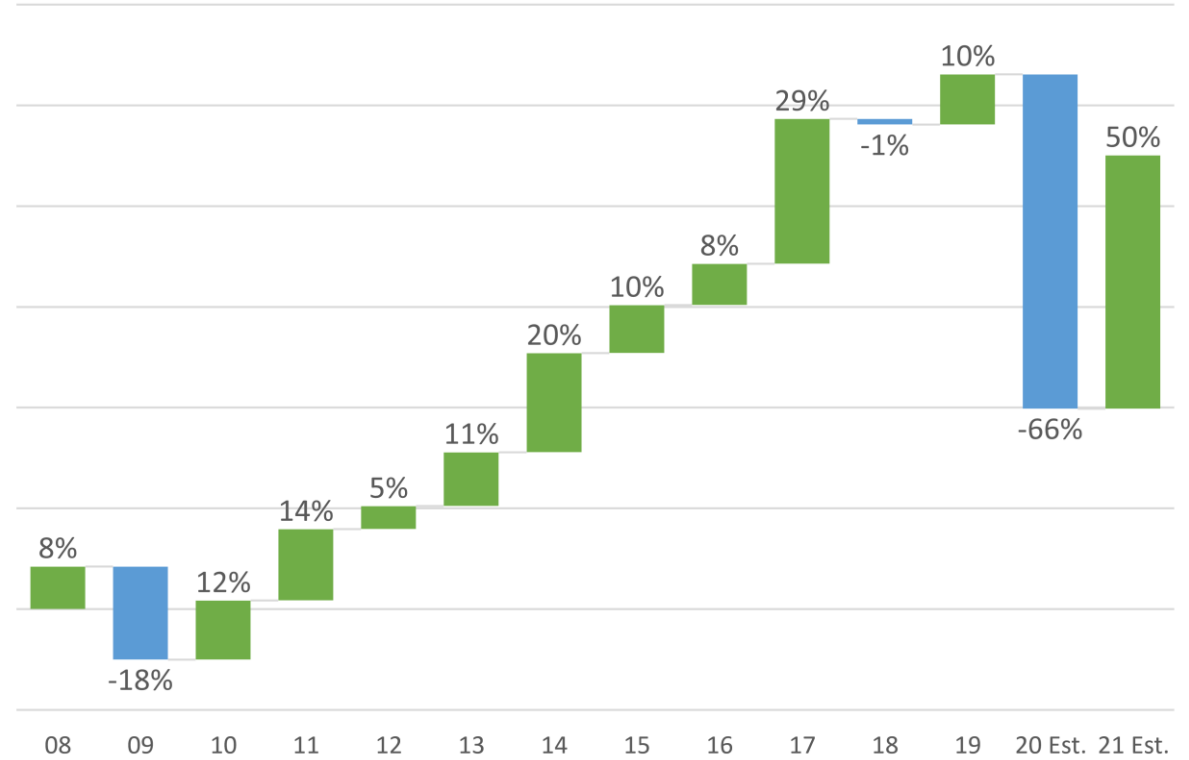


Lodgers' Tax

2008-2019 Actual Collections, 2020-2021 Estimated

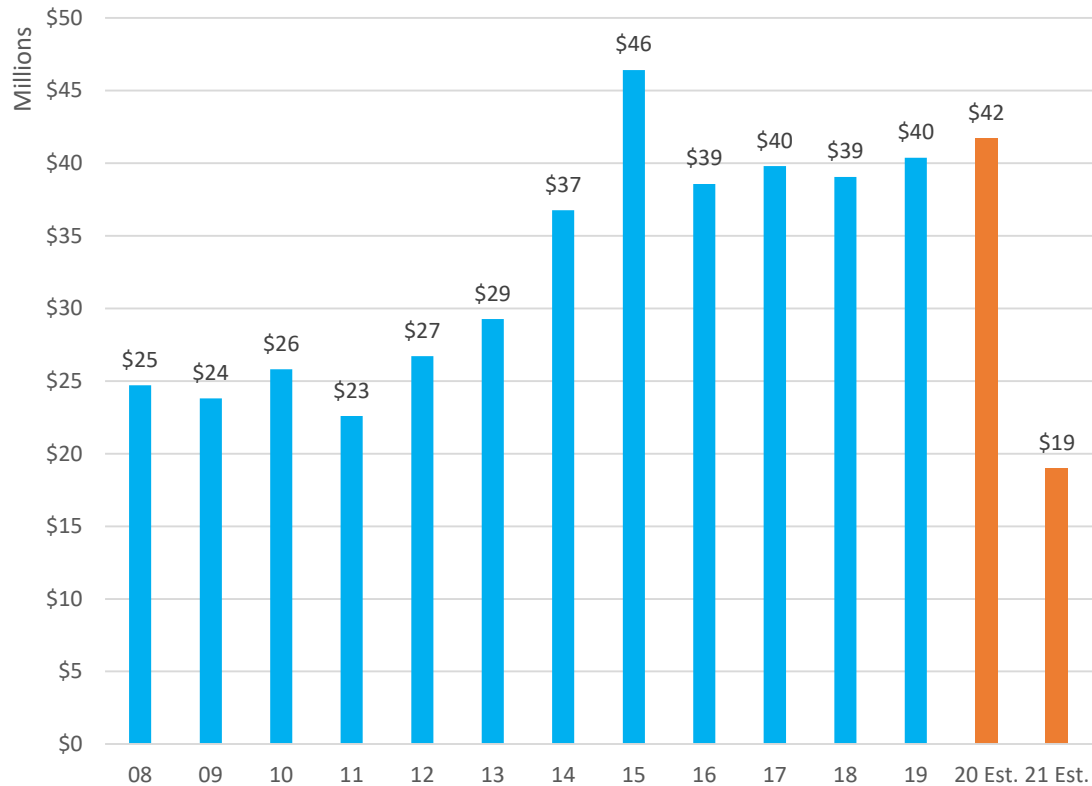


Year-Over-Year % Change

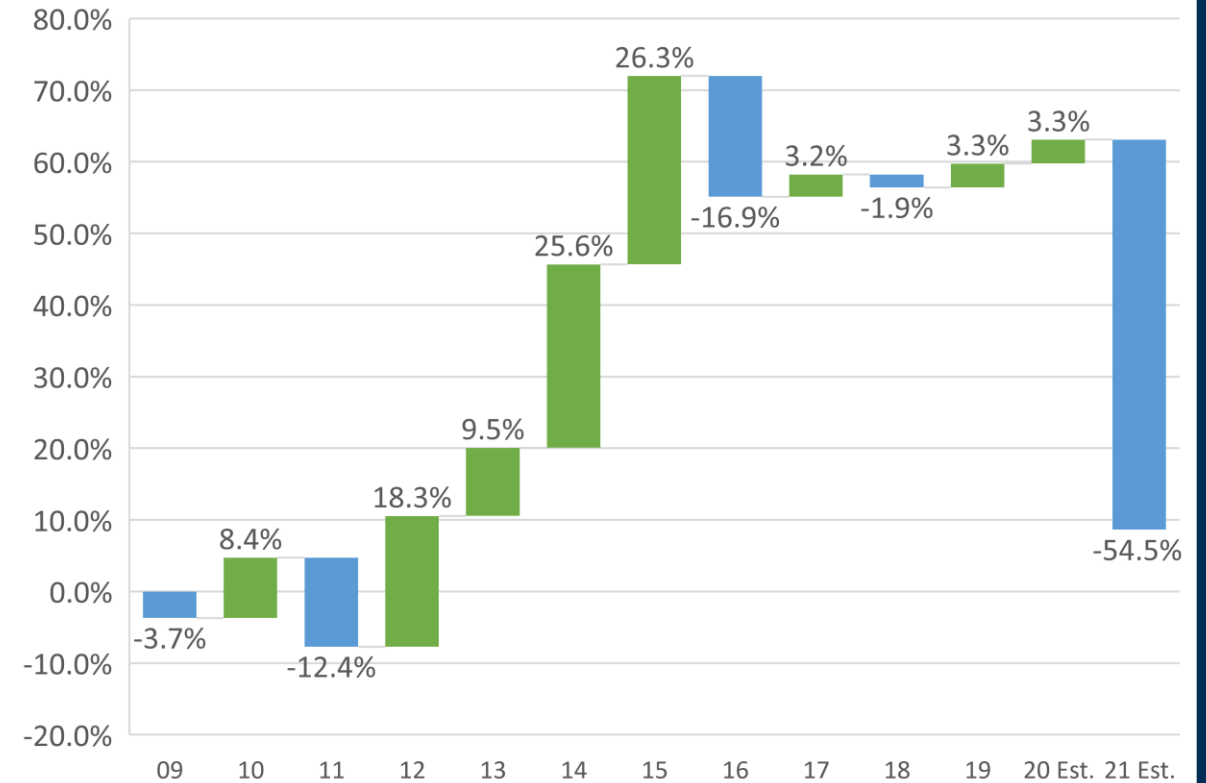


2C Excise Tax Transfer to the General Fund

2008-2019 Actual Collections, 2020-2021 Estimated



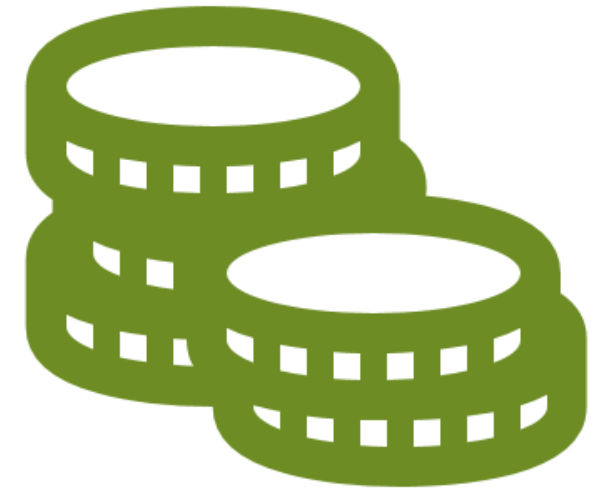
Year-Over-Year % Change



General Fund Revenue Increases

Expected Increased Sales Tax Collections as a result of:

- Two Downtown Tax Increment Financing Districts are expiring in 2021, returning revenues to the City
- New sales tax revenue associated with out-of-state retailers - \$14m
- Online convenience fee - \$3m
- An estimated 0.448 credited mills will be restored in the General Fund, enabling property tax growth up to the 2A allowable growth cap to avoid further service cuts – \$9m



Agency-Generated Revenue Increases

Parking Revenue (Fines/Meters/Lots): \$10.5m

- Growth is off of a severely depressed 2020 base
- Recovery restrained by a shift in commuter patterns and mass gathering restrictions continuing into 2021

Parks and Rec Fees: \$5.9m

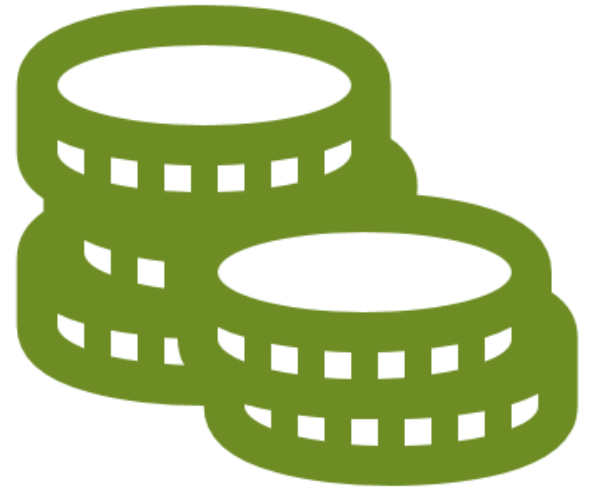
- Partial recovery from severe COVID-19 impacts realized in 2020, including recreation closures

Online convenience fee: \$3.3m

- City no longer absorbing costs of certain online transactions

Court's research fee: \$3.1m

- Bringing Denver's fees into alignment with the State's



Credited Mills

	2A Max Mill Levy	2A Max Property Tax	Restored Mill Levy	Restored Property Tax
General Fund	7.881	163,243,164	0.448	9,276,087
Capital Improvement	1.917	39,712,283	0.110	2,279,317
Human Services	2.622	54,308,627	0.150	3,114,840
Affordable Housing	0.415	8,606,481	0.024	494,109
TOTAL	12.835	265,870,556	0.732	15,164,353

General Fund Overview (Schedule 100)

	2017 Final	2018 Final	2019 Final	2020 Original	2020 Revised	2021 Recommended
Financial Resources						
Fund Revenues	\$1,268,978	\$1,305,295	\$1,363,980	\$1,432,241	\$1,210,748	\$1,299,896
Transfers	40,455	39,583	42,283	53,268	54,088	27,789
Total	\$1,309,433	\$1,344,878	\$1,406,262	\$1,485,509	\$1,264,836	\$1,327,685
Uses of Resources						
Annual Appropriations	\$1,303,073	\$1,376,626	\$1,442,078	\$1,475,508	\$1,489,376	\$1,323,240
General Contingency				29,200	16,061	26,095
Estimated Unspent Appropriations				(15,500)	0	(5,000)
Identified/Sequestered Savings					(127,895)	0
Additional Budget Reductions					(18,000)	(13,500)
Total	\$1,303,073	\$1,376,626	\$1,442,078	\$1,489,208	\$1,359,542	\$1,330,835
Net Increase/(Decrease) in Fund Balance	\$6,360	(\$31,748)	(\$35,815)	(\$3,699)	(\$94,706)	(\$3,150)
Beginning Budget Unassigned Fund Balance	\$316,570	\$323,006	\$294,121	\$257,957	\$257,957	\$163,251
Change in Fund Balance	6,360	(31,748)	(35,815)	(3,699)	(94,706)	(3,150)
Increase/Decrease in Restricted	76	2,863	(349)	0	0	0
Ending Budget Unassigned Fund Balance	\$323,006	\$294,121	\$257,957	\$254,258	\$163,251	\$160,101
Ending Percent Fund Balance				17.1%	12.0%	12.0%

General Fund Expenditure Forecast

Priority Strategy

The 2021 budget manages the uncertainty of continuing public health and economic conditions with our obligation to serve the community and keep us on a path toward rebuilding our local economy in a way that is sustainable and equitable.



2021 Budget Proposal

Fiscally responsible. Socially equitable.



DENVER
MAYOR'S OFFICE

2021 Budget Decision Philosophy

Foundational Questions:

- How will this spending cut impact traditionally under-resourced communities?
- How will it impact historically marginalized communities of color and First Nations people?
- What can we do to mitigate those negative impacts and what can we do to ensure everyone plays a part in our recovery?



Balance the
2021 budget



Maintain 12%
reserves



Mitigate equity
impacts



Minimize
impact to
employees



Permanently
align spending
and revenue



Avoid/limit
service impacts

Budget Equity Framework

Goal: Provide a decision making framework for city agencies/departments to balance budget priorities or adjustments to make necessary decisions and meet the demands of a growing city with limited fiscal resources.

The Opportunity: Each budgetary adjustment provides an opportunity to prioritize creating equitable results to avoid a disruption of services to historically marginalized communities of color, First Nations/Indigenous and under resourced communities.

The What: The Budget Equity Framework questions are used to operationalize a process into the city-wide budget as agencies/departments allocate economic resources to meet the diverse needs of the people we serve.

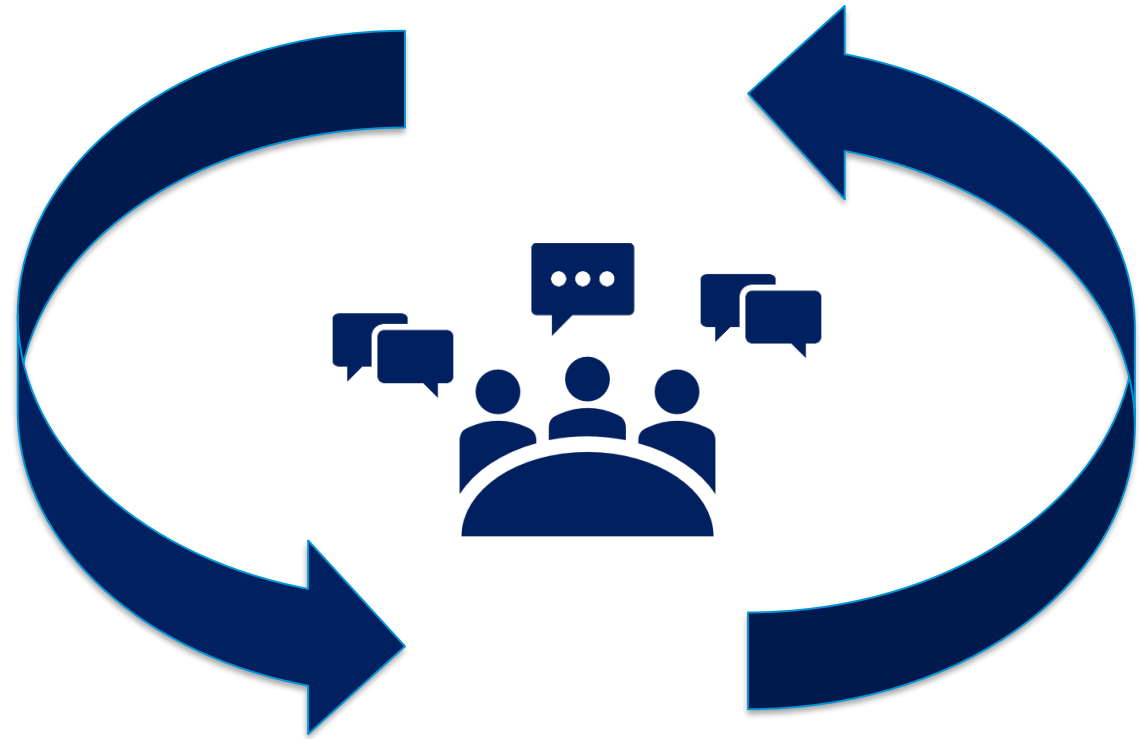
Budget Equity Training and Development

- Explored institutional and structural racism and the historic context for how government systems, laws and policies have caused racial inequities that are deep, pervasive and persistent.
- Foundational concepts such as unconscious bias, equity, diversity and inclusion.
- Assess the equity and social impacts of budget adjustments to ensure programs, projects and other investments to help reduce disparities.

City Agencies/departments

2021 Budget Equity Process

The Mayor's Office of Social Equity and Innovation was involved in all budget meetings to coach, review proposals, consider mitigations, and provide feedback.



2021 Budget - Priorities

Financial stability

Equity

Supports people experiencing homelessness and under-resourced individuals

Responds to COVID-19 pandemic

Keeps people safe and neighborhoods safe

Gets people back to work by rebuilding our local economy

2021 Budget – Key Reductions

\$154 million in savings including:

- \$39 million of savings having net over 400 fewer career service staff;
- \$14.5 million in General Fund support for the capital improvement program;
- \$13.8 million in reduced overtime spending for uniformed employees, and smaller recruit classes in safety agencies
- \$3.2m of savings due to forecasted lower jail population continuing into 2021;
- \$12 million generated by implementing furlough days;
- Reduction of \$9.6m in fleet replacement;
- \$6.5m project staff charging to capital projects;
- \$3.9m of utility and facility maintenance savings;
- \$7 million in technology equipment, project and licensing savings
- \$7.5m savings due to creating a special fund for reimbursed operations

Career Service Compensation Changes

Category	2021 Budget Changes	Description
DERP (1% from 2020, vacant position share)	\$7.9M	2021 amount represents the City continuing to take on 1% of the increase required and the increase contribution required for the retirement program vacancies.
Health Insurance	(\$750,000)	Changes were based on net premium savings estimated by our health insurance providers, no plan design changes.
Health Savings Account Match	\$0	No change to the City's Contribution to HSA
Furloughs	(\$12M)	Scaled furlough program, 6-9 days depending on income
Merit	\$0	Merit suspended in 2021; every 1% = \$4.1m
EcoPass	\$0	Keep subsidy so that employee pass is \$10/month
Education Refund	\$0	Continue 2020 suspension of the education reimbursement program

Uniform Compensation

Department	Salary	Health	Retiree Health	Total
DPD	TBD	TBD	TBD	TBD
DFD	\$4,268,700	\$333,000	TBD	\$4,601,700
DSD	TBD	TBD	TBD	TBD

DPD will be determined during the bargaining process

DFD raises of 3% and health insurance increases

DSD will be determined during the bargaining process – negotiations begin in October

2021 Furloughs

- Four scheduled furlough days:
 - Friday, May 28 (Friday before Memorial Day)
 - Friday, Sept. 3 (Friday before Labor Day)
 - Friday, Nov. 26 (Friday after Thanksgiving)
 - Thursday, Dec. 23 (Christmas Eve-Eve)
- In addition to scheduled furlough days, flexible furlough days will be calculated based on annual salary:
 - 2 flexible days = Employees earning \$51,999 and less annually (6 total days)
 - 3 flexible days = Employees earning between \$52,000 – \$86,999 annually (7 total days)
 - 4 flexible days = Employees earning more than \$87,000 annually (8 total days)
 - 5 flexible days = Mayoral appointees earning above \$100,000 (9 total days)

2021 SIP FTE and Salary Savings

FTE Numbers	
GF Employees Enrolled	181
GF Backfilled in 2021	65
Net	116
2021 GF Salary Savings	(\$12,658,200)
2021 GF Incentive Payment	\$2,628,000
2021 Unfunded Liability	\$3,700,000
Net	(\$6,330,000)

2021 Budget Increases



- \$5 million - operation of new 48th Ave Shelter
- \$1.5 million - homeless outreach resources



- \$3.4 million – full year operation of new Solutions Center
- \$2.5 million – Continuation of the Housing Social Impact Bond program
- \$3 million - property tax relief, TANF cash support, eviction assistance (DHS)



- \$1 million - STAR alternative response program grant match
- \$827,000 - new park land and COVID cleaning in rec centers
- \$500,000 - youth violence prevention programming
- \$300,000 - immigration legal defense fund
- \$3.5 million - Colorado Convention Center operations based on possible COVID closure for part of 2021



- \$2.3 million - technology mandatory increases in maintenance agreements
- \$1.4 million - Insurance premium increase
- \$7.9 million - DERP contribution increase

Emergency Resources & Federal Funding

Primary Funding Streams

Coronavirus Relief Fund (CRF) - \$127M

- \$127M allocation from Treasury (authorized by CARES Act for State and Local governments)

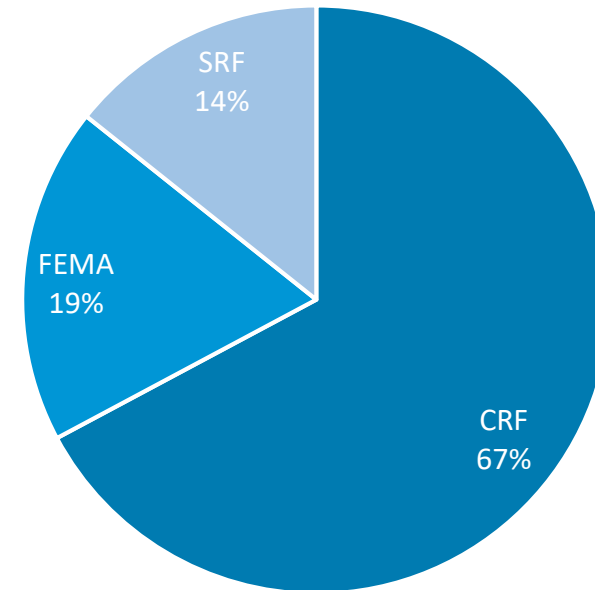
FEMA - \$35M+

- \$35M initial expedited claim
- Requesting additional funds for testing and ongoing shelter costs

COVID Emergency Response Special Revenue Fund (SRF) \$27M

- \$10M General Fund contingency
- \$17M TABOR Reserve transfer

Funding Sources: \$189M



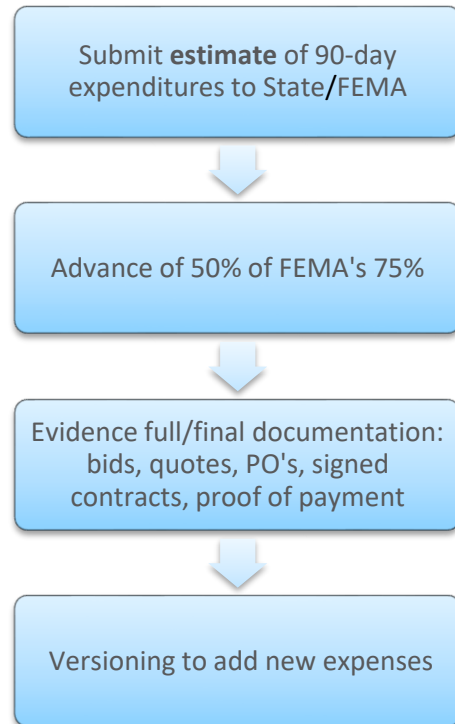
FEMA – Initial Submission

- In April, the City partnered with DHHA and DEN to submit an **Expedited Project Worksheet (PW)** request to the State
- Included costs incurred + 90 day projections
- City received \$17.7M cash advance (50%)
- FEMA reimburses at 75%, so 25% local match required

	Cash Advance	FEMA Obligation
PPE	\$6M	\$12M
Shelter	\$10M	\$20M
EOC Expenses	\$1.5M	\$3M
CITY TOTAL	\$17.7M	\$35.4M
DEN	\$2M	\$4M
DHHA	\$19M	\$38M

FEMA Process

Expedited PW Process



- City is currently submitting documentation of costs associated with \$17.7M advance (RFRs = Request for Reimbursement; 1 Shelter RFR and 1 PPE RFR submitted to date, 5 in development)
- City submitted **new** expedited PW for testing costs on 7/24
- City submitting 'version request' of shelter PW on 9/14 to include additional costs

Coronavirus Relief Fund Disbursements

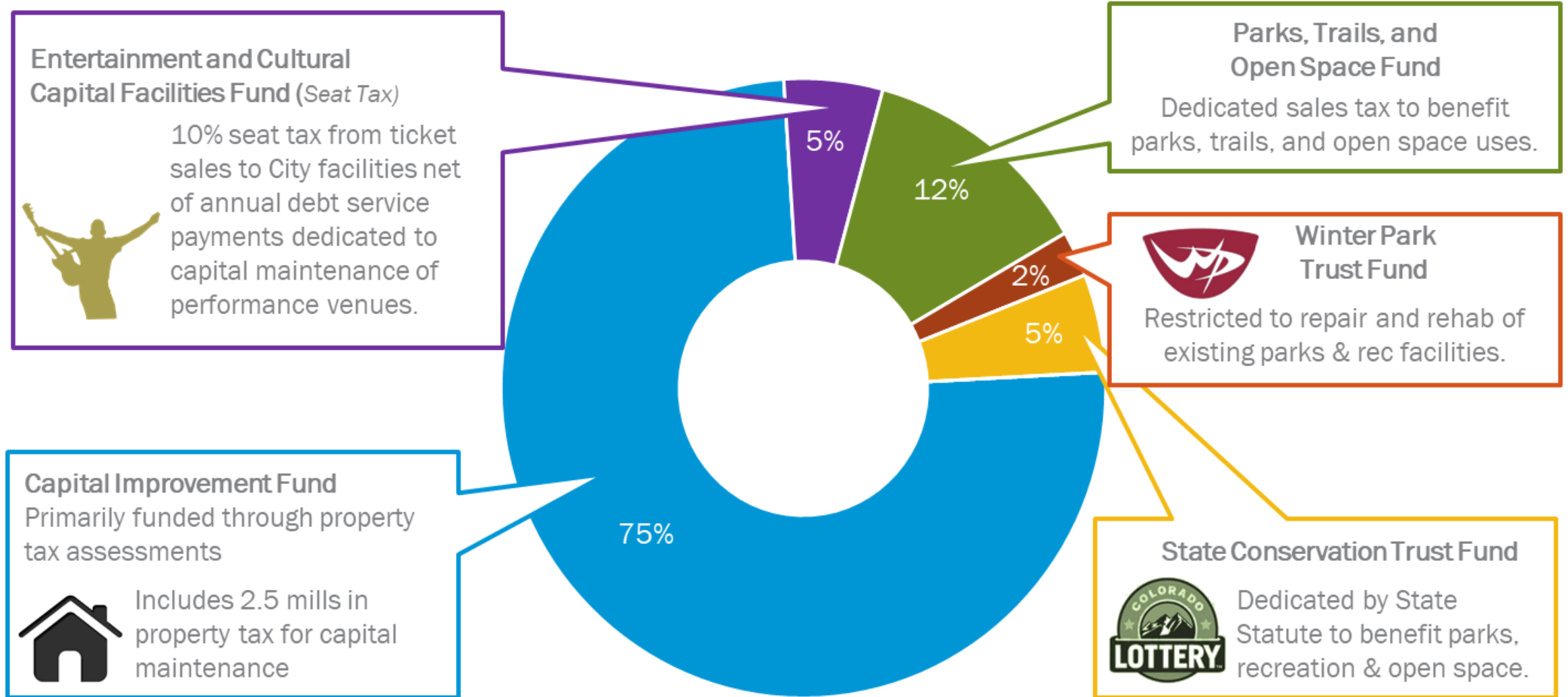
Phase #1 Release Date: May 19th (\$20M)	Phase #2 Release Date: Mid-August (\$26.05M)	City Operations (\$25M)	Reserve + FEMA Cost Share (\$55.84M)
<ul style="list-style-type: none">• Rent, utility and mortgage assistance programs• Food support for vulnerable populations• Grant programs for small businesses and non-profits• Testing & PPE	<ul style="list-style-type: none">• Additional small business and non-profit support• Support for artists and cultural orgs.• Additional shelter space• Additional food assistance• Social equity and innovation support• Left behind workers	<ul style="list-style-type: none">• Accommodates some categories of payroll expenses (public health and safety employees, unemployment, paid sick leave)• Laptops, teleworking expenses• Some categories of technical consultative services	<ul style="list-style-type: none">• Preserve funds for potential resurgence• Flexibility for future needs and programs• FEMA cost share (25% local match)

Federal Funding – Next Steps

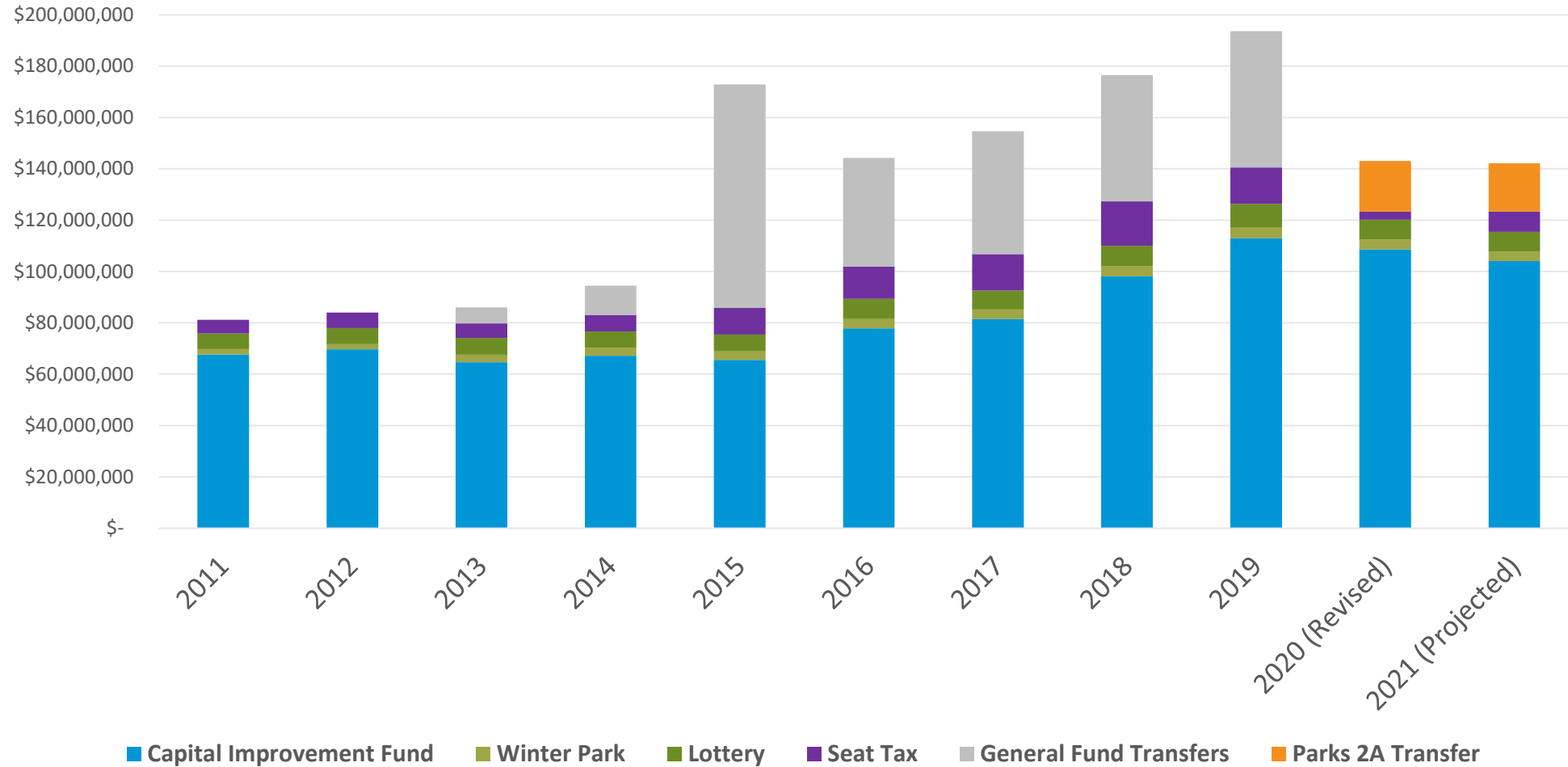
- Analyzing eligible citywide costs (unemployment, payroll, paid sick leave) to move to CRF in Q3 and Q4
- Awaiting feedback from FEMA on new Testing expedited PW and Shelter version request; FEMA determination will inform remaining CRF capacity
- If FEMA does **not** fund shelter and testing costs *OR* if FEMA does not make determination by 12/31 (when CRF currently expires), may need to use CRF reserve to address those critical needs

Capital Improvement Program

Dedicated Capital Program Revenue Sources



2011 - 2021 Capital Improvement Program Revenue



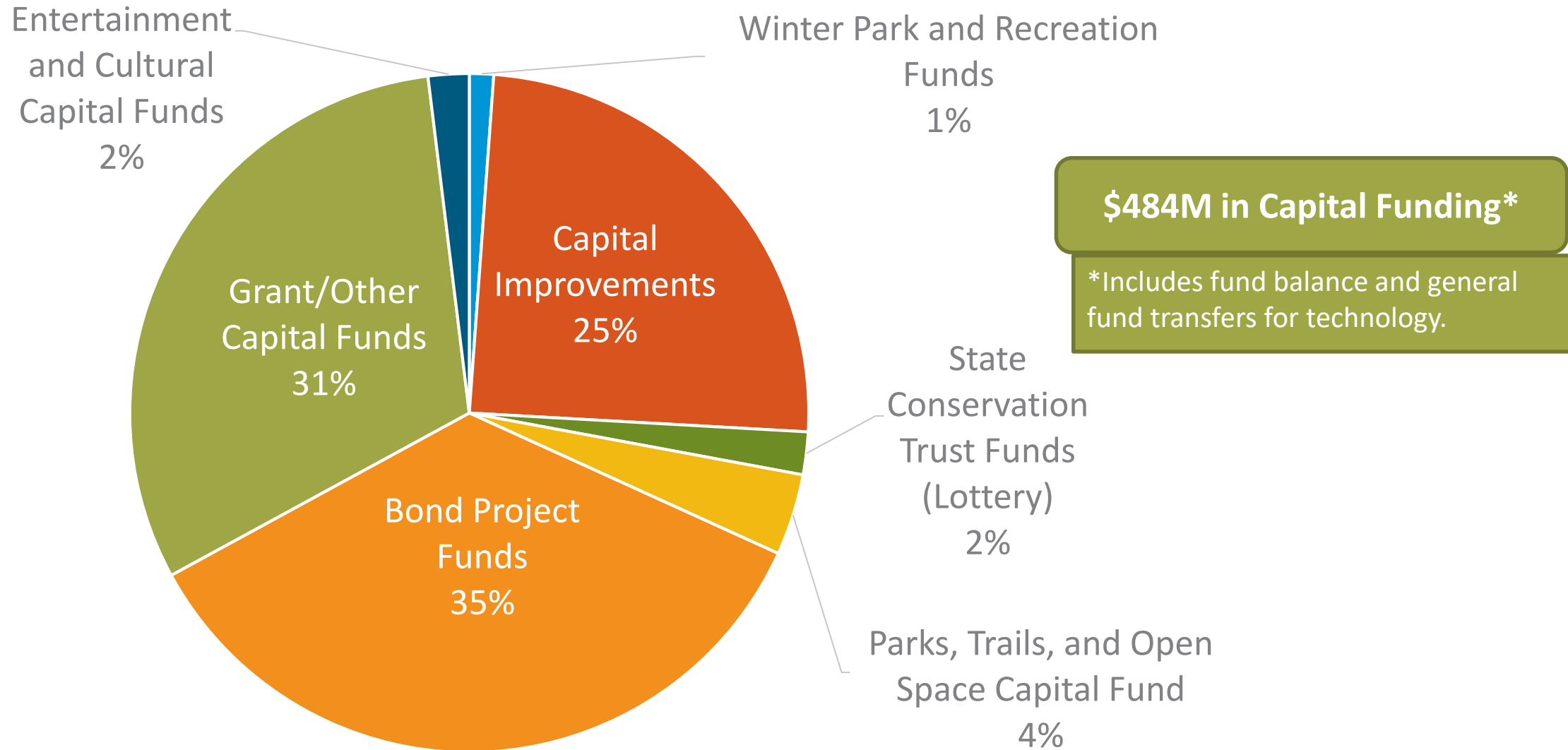
-13% decline
(-\$25.4M) in
2020 primarily
due to reductions
in Seat Tax and
planned General
Fund transfer

2020 CIP Budget: Financial Strategies

- 1) Department review of capital project budgets and schedules
 - Close completed project budget balances
 - Defer capital maintenance projects
- 2) Move program management expenses to Elevate Denver Bond (\$3.75M)
- 3) Fund Balance Reserve
 - Anticipate using all 2020 CIP program contingency
 - 2019 revenue overperformance



2021 Capital Program Funding by Source

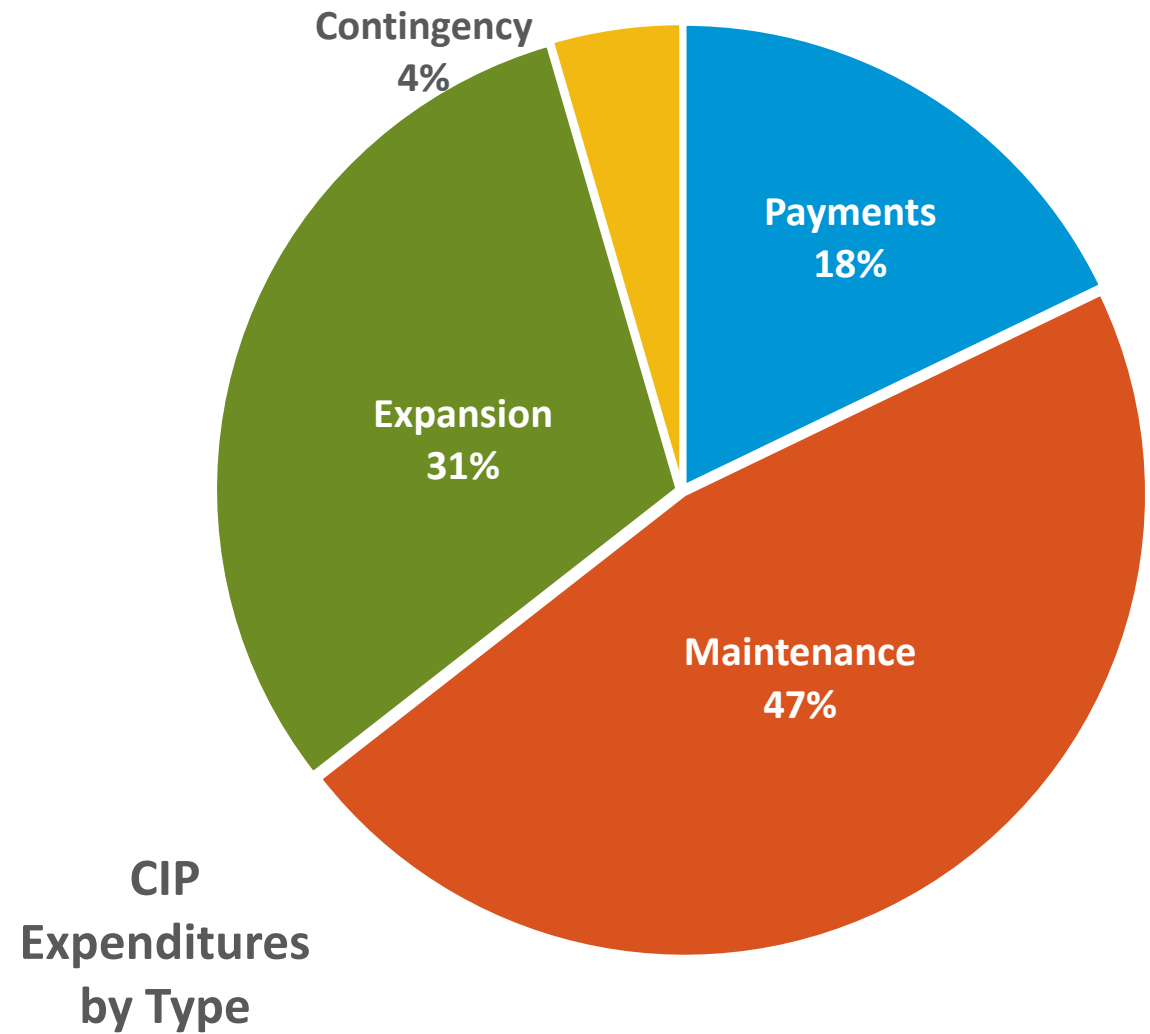
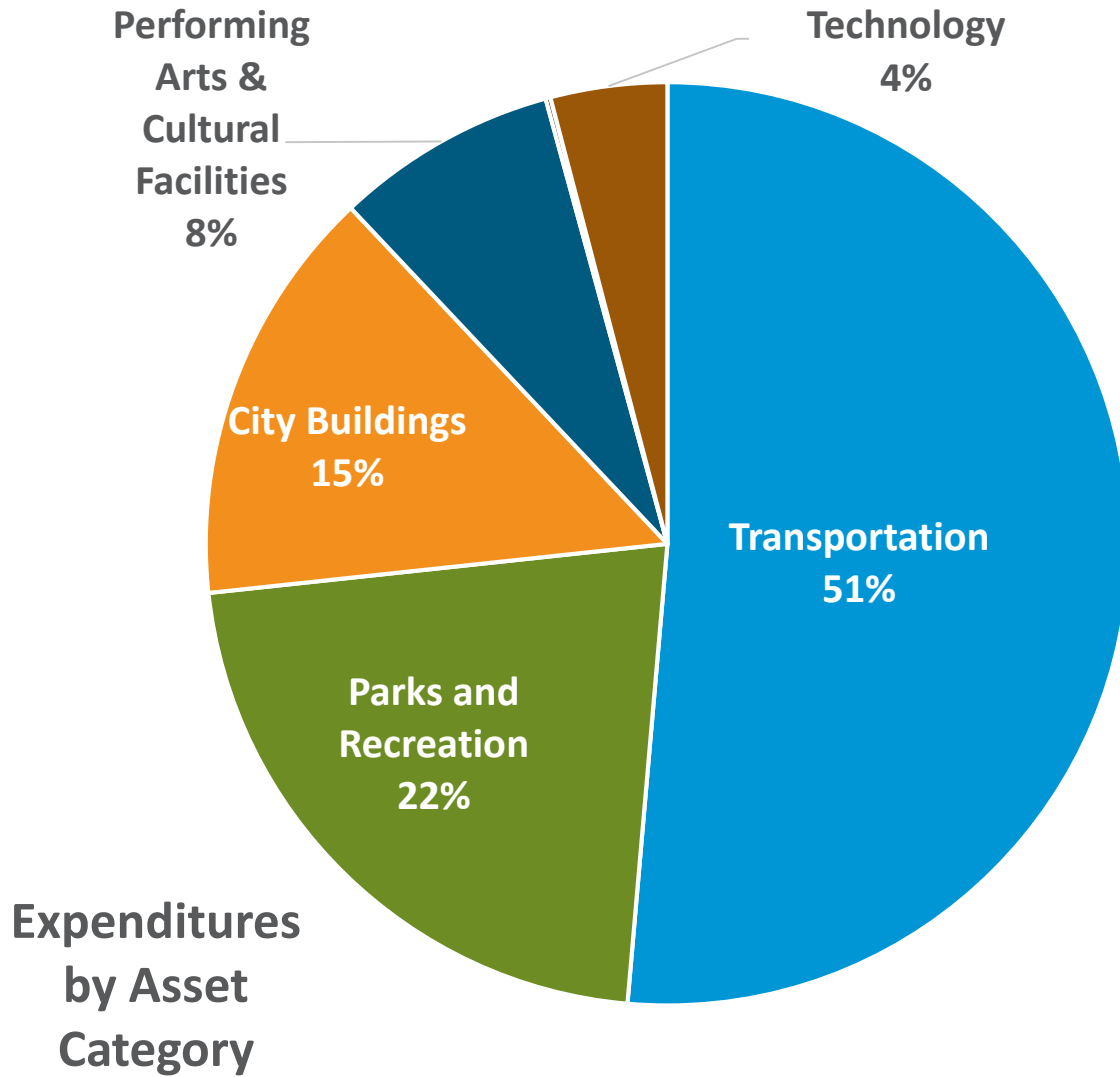


Annual Capital Planning Process Strategies

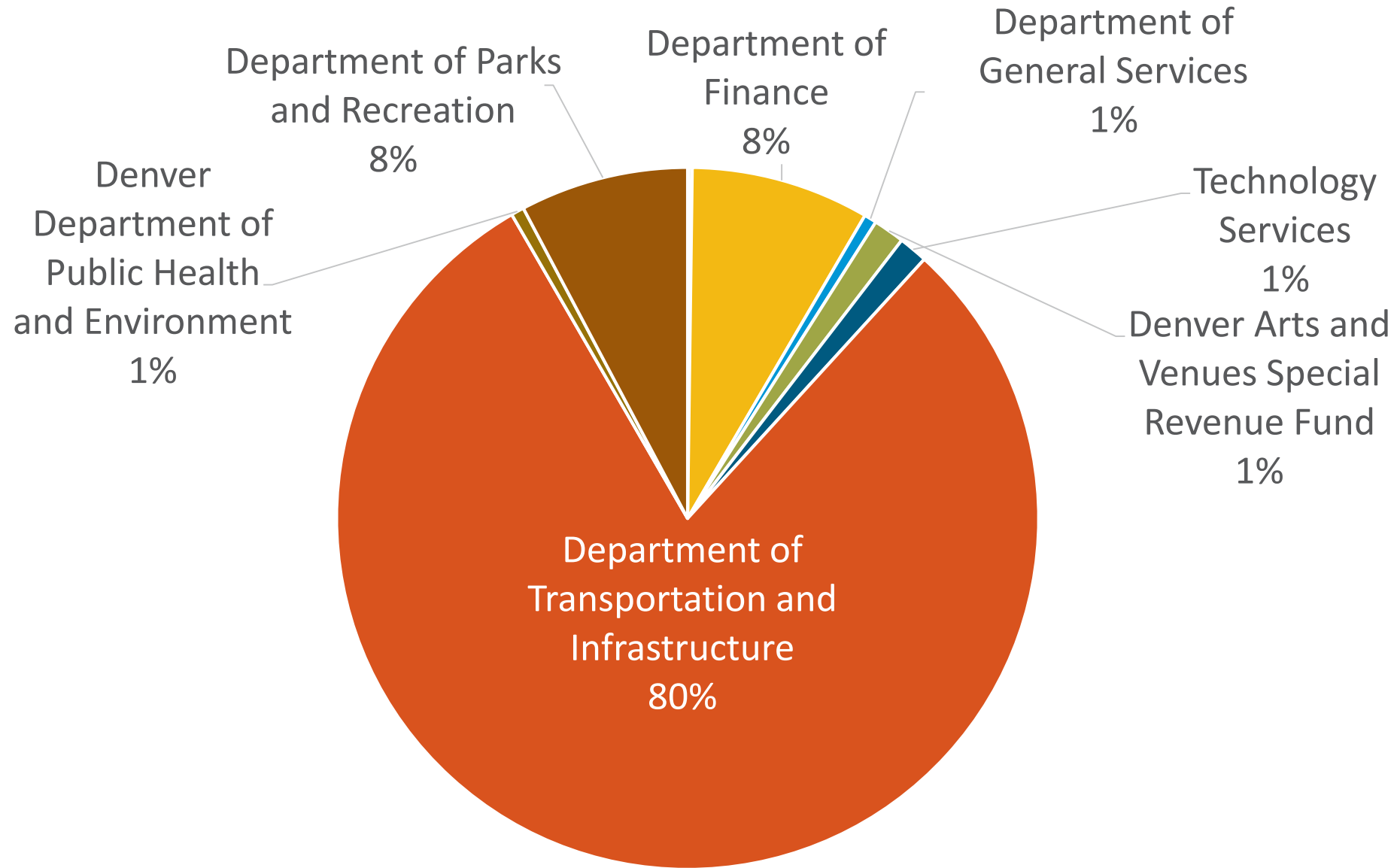
Several key strategies guided the 2021 capital planning process:

- Preserve financial stability through healthy reserves and citywide savings measures
- Support a sustainable economic recovery by providing jobs through delivery of capital projects
- Deliver a more equitable City by prioritizing investments in historically marginalized communities
- Continue to maintain existing assets for use by future generations
- Advance multi-year commitments to complete mobility networks and protect parks and open spaces

2021 Capital Improvement Program Expenditures



2020 Capital Program Funding by Department



2021 CIP Project Highlights



Transportation and Mobility

- Total 2021 CIP investment in transportation and mobility projects is \$70.2M with an additional \$95M planned in the 2020 Elevate Denver 4th Issuance **(\$165M total)**.
 - Sidewalks (\$3M)
 - Denver Moves Bikes (\$5M)
 - Washington Street Connections (\$2.5M)
 - Gateway Roads and Medians (\$4.1M)



Parks and Recreation

- Heron Pond Regional Park/Water Quality (\$6.2M)
- South Platte River Reconstruction (\$2M)
- City Park Master Plan Implementation (\$3M)
- Rosedale Maintenance Facility Renovation (\$2M)
- Montbello ELK Learning Center (\$2.245M)



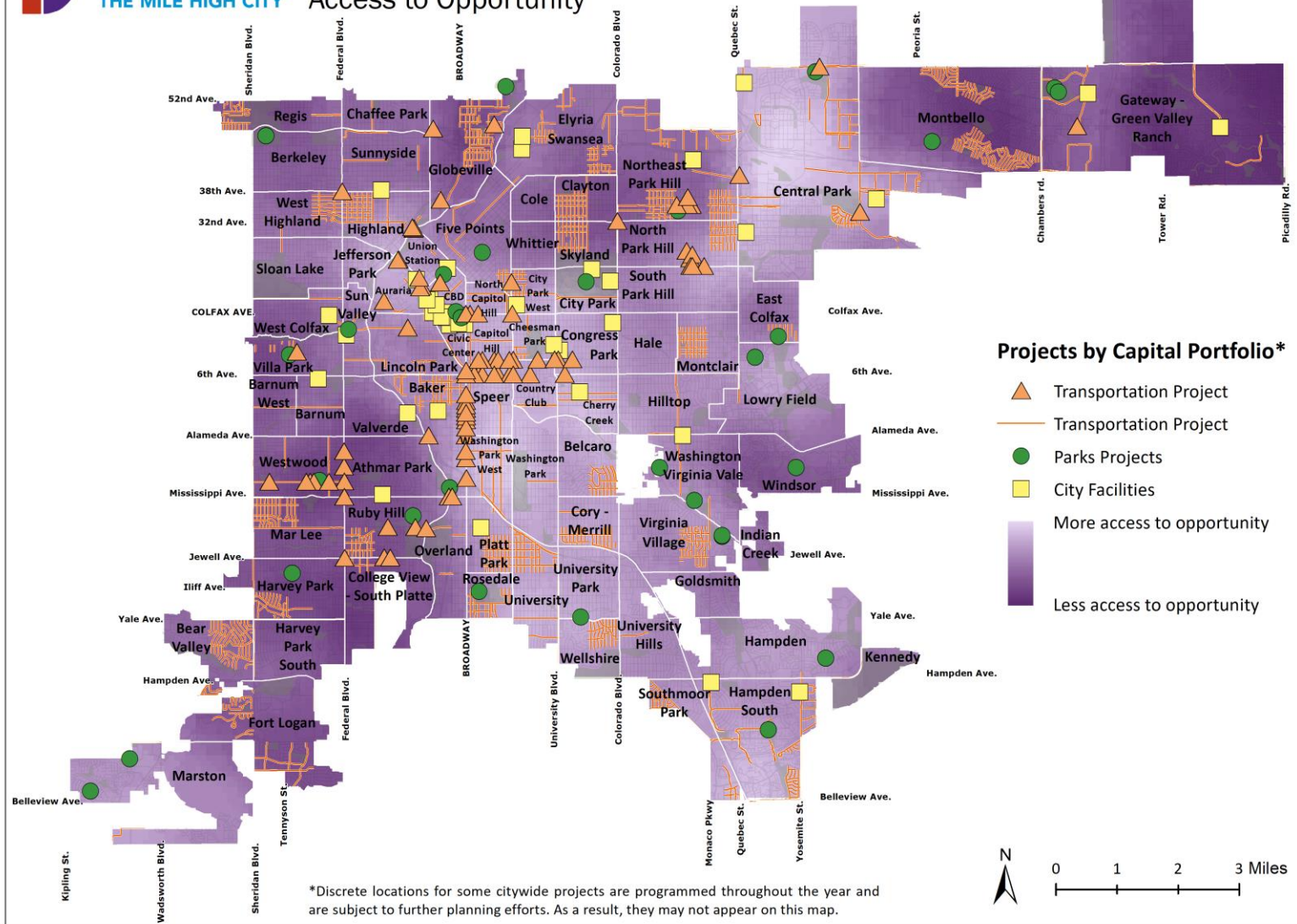
Facilities

- Building Security Improvements (\$800K)
- Courtroom Improvements (\$905K)
- 7th Avenue Maintenance Facility (\$4M)
- ADA Improvements (\$3M)



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THE MILE HIGH CITY

2021 Capital Improvement Program Projects Access to Opportunity



2020/2021 Staff Charging to Capital

- 133 city staff will track/charge salaries directly to CIP and the Elevate Denver Bond for discrete project and program management work efforts
- Utilizing available financial reserves in CIP and Bond
 - No impact to project budgets
- Results in a total estimated general fund savings of \$8.1M (\$1.6M in 2020, \$6.5M in 2021)
- Additional savings of \$846,900 in DAV and DEDO
 - DEDO positions supported by general fund transfer
- Able to retain staff supporting the delivery of capital projects

2020/2021 General Fund Estimated Savings by Department (\$8.2M)

Department	2020	2021
DEDO - DSBO	\$ 12,200	\$ 5,800
Finance	\$ 299,900	\$ 304,000
General Services	\$ 107,400	\$ 66,500
City Attorney	\$ 231,200	\$ 232,600
DOTI	\$ 932,500	\$ 4,852,100
Parks and Rec	\$ 81,500	\$ 1,054,700
Total	\$ 1,664,700	\$ 6,515,700

2020/2021 Other Estimated Savings by Department (\$846,900)

Department	2020	2021
Arts and Venues	\$ 205,300	\$ 259,000
DEDO - Workforce	\$ 186,800	\$ 195,800
Total	\$ 392,100	\$ 454,800

Capital - General Fund Savings Measures

Capital Improvement Program (2021 only)	Elevate Denver Bond (2020/2021)
<ul style="list-style-type: none">• \$2.45M for project/program management services (Parks, DOTI, and DOF)• \$2.75M for charging of salaries for city project management staff supporting delivery of CIP projects	<ul style="list-style-type: none">• \$7.5M program management services (\$3.75M for 2020/2021) previously supported by general fund transfer to CIP• \$6.3M (\$2.1M 2020, \$4.2M for 2021) charging of salaries for city project and bond management staff supporting delivery of the bond program

Sustainable Economic Recovery

- Denver's dedicated revenues for capital projects positions the City to strongly support a robust recovery for our economy.
- In 2021, we will accelerate delivery of capital projects
 - \$170 million Elevate Denver Bond issuance in 2020 to support projects in neighborhoods across the city.
 - Coupled with CIP, city will invest an additional \$478M in capital program delivery through 2023
 - Opportunities for job training and small business
- **Every \$1M spent on capital generates \$2M in economic output and provides 13 jobs**



Thank You