All Funds

The total 2018 operating budget for all appropriated funds is $2.01 billion, an increase of 3.4% percent from 2017. The budget maintains adequate reserves in all funds according to the City’s financial policies and includes approximately $87.3 million in required debt service payments on outstanding general obligation debt. The City’s main operating fund, the General Fund, will increase to $1.39 billion, up 5.4 percent in expenditure growth from the 2017 revised budget. The Enterprise Funds operating budgets (Airport, Wastewater, Golf and Environmental Services) will increase to $648 million, up 1.97 percent from 2017. The capital projects budget for annual Capital Improvement Plan (CIP) funds is $280.8 million in 2017.

General Fund

Revenue: The 2017 revised and 2018 beginning revenue forecasts have been prepared based upon but somewhat moderating period in Denver’s economy. Forecasts of the City’s economically-driven revenue streams assume the economy will continue to expand in the remainder of 2017 and into 2018, though at a more moderate pace.

- Both 2017 revised and 2018 projected revenue are moderated to reflect the charitable organization tax exemption change to the tax code that took effect July 1, 2017. Local nonprofits that provide documentation of their 501(3) c status are no longer subject to Denver’s sales, use, lodger’s and employer occupational privilege tax. The change will closely align the definition of charitable corporation with how the federal and Colorado state governments treat 501(c)3 organizations. This is a three-year phased exemption.
- General Fund revised revenues are projected to increase by 3.9 percent in 2017 from 2016 actuals. Revenues are expected to grow in 2017 by 3.9 percent.
- Core sales and use tax revenues (minus audits) are projected to grow by 5.1 percent in 2017 and 3.7 percent in 2018.
- The revised property tax for 2017 is 0.9 percent over 2016 actual property tax collections. Property taxes collectable in 2018 are based on values established during the 2017 re-appraisal and reflect any physical changes to property, including new construction, completed prior to January 1, 2017. As a result of the re-appraisal and expiration of five Tax Increment Financing districts, the 2018 projection reflects an increase of 11.3 percent. The projected growth of property tax is constrained by the cap that was established in 2012 after voters approved measure 2A.
- For a more detailed explanation of the 2017 revised revenue and 2018 projected revenue, please refer to the discussion of General Fund revenues section.
- Note that General Government revenue is reflected in the agency detail section.
- In 2017, the City transitioned financial systems and the 2018 revenue accounts may differ from those used in previous years.

Expenditures: General Fund expenditures are projected to grow by 5.4 percent in 2018 over revised 2017 appropriations. Personnel is over 65 percent of General Fund expenditures and increases to personnel impact the overall growth of the General Fund.

Some of this growth is attributable to
- Approximately $3 million for the City’s annual pay survey to address market adjustments for specific employee classifications found to be under market.
- A budgeted merit increase of 3.27 percent (to align with a market analysis) for Career Service Employees.
- An increase in health insurance of 9.2%
- An increase in the City’s contribution to the Denver Employee Retirement Program (DERP) of 1 percent
- In 2018, the City as the employer will contribute 12.5 percent toward retirement and employees share will continue to be 8 percent. This additional contribution is required as a result of a lowered actuarial rate of return to 7.5 percent from 7.75 percent as voted by the DERP Board.
- Increases to uniformed personnel are budgeted in accordance with collective bargaining agreements. At the time of the publication of the 2018 budget, only Police and Fire had approved collective bargaining agreements.
- Increase to the subsidy for employee EcoPasses. This increase in subsidy will provide EcoPasses to city employees for $10 per month to encourage use of public transportation.
• Additional and specific significant increases are identified in the appropriate expending department or agency in the Agency Detail section of this budget book.

**Full Time Equivalent (FTE) Increases:** The City recognizes the importance of being prudent even in strong economic times. Adding additional positions in the City to meet the high demand of service is important, however, permanent FTE growth is base building and limits the flexibility of the City to respond when the economy softens. As a result, the City has created limited or temporary positions to address new programs, time-limited projects or unusually high workloads. For 2018, most temporary positions will be limited through 2019 instead of the typical 12-month term. These positions will be evaluated as part of the 2019 and 2020 budget process to determine if the need for these positions continues beyond 2019.

In the 2018 Budget, 18 positions which were previously limited term are being converted to unlimited. The workload and nature of the work for these positions reflect an ongoing need. There are additional positions in the 2018 budget which will remain limited.

**Ballot measure 2A** from 2012 continues to have a positive impact on the General Fund budget. Accelerated police and fire hiring will be maintained in 2018, as will increases to parks maintenance staff, street repaving, and investments in recreation, and after-school programs for Denver’s children.

### 2018 Focus Areas

**Mobility** continues to be a focus for the City and over $31.5 million has been added in both operating and capital investments for 2018. This includes paving and addressing ongoing infrastructure needs. Much of this investment is in the Public Works section of the 2018 Budget document, but other agencies such as Police and Environmental Health have also received increased investment to contribute to the overall mobility goals of the City.

The focus on **affordability** is reflected in the 2018 Budget document through several agencies. The Affordable Housing Fund section can be found in the Office of Economic Development section and addresses the sources of funding for this $150 million commitment to addressing affordable housing in Denver. Additionally, an increase in the Financial Empowerment Center program can be found in Human Rights and Community Partnerships and the creation of an Affordability Assistance fund is in the Department of Human Services. Please refer to these agencies sections for additional details.

**Neighborhood** investments are tied to both the affordability and mobility of our City. The 2018 Budget increases access to our recreation centers and libraries by adding hours. The new program, MY Denver Prime, will expand discounts to residents age 60 and older. Read about additional details on these neighborhood investments in the Parks and Recreation and Library section of the 2018 Budget.

Finally, the City continues to make investments in jobs, children, safety net and public safety as well as sustainability and customer service. These investments will be found in the strategic framework section of the budget book with details to be found in the individual contributing agencies’ sections.

### Reserves

Reserves are maintained in a manner consistent with the guidelines approved by the Blue Ribbon Task Force on Financial Management and with the City’s established reserve policies. Undesignated reserves are expected to be 15.2 percent of projected expenditures, or $212.7 million, by the end of 2018. This is a significant achievement and highlights the City’s strategy of building back to 15 percent of expenditures, from a low of 10.7 percent during the recession. The annual General Fund contingency is being budgeted at $34.4 million and the Capital Improvement Fund has $4.9 million budgeted for unappropriated expenditures which meet the criteria for supplemental appropriation in accordance with the financial policies.
Federal and State Special Revenue Funds

The City’s 2018 budget was developed with a cautious eye to federal funding. The community relies upon various federal and state funded programs such as Temporary Assistance to Needy Families, Community Services Block Grant, Community Development and Block Grant, Head Start and Workforce Innovation and Opportunities Act. The services provided through these grants are essential to meeting the needs of the Denver community. At this time, there have not been significant changes to the federal or state grants and 2018 projections are relatively flat with previous years. Note that in the grants section of the 2018 Budget, 2018 projections are based upon various fiscal years and include those grants for which a notification was received by the City. It is likely that additional grants notifications will be received after the publication of the 2018 Budget.

The Human Services budget for special revenue funds will total $205.1 million for 2018. This represents a budget increase of 13.8% over 2017. The increase includes $2.9 million in additional funding support for people with intellectual and developmental disabilities, supported through a dedicated mill levy. The budget also includes a number of investments in affordability programs, including property tax refunds for the elderly and disabled, and wastewater fee refunds for low income families and individuals. Human Services also authorizes through state payments systems an additional $226.7 million in benefits to eligible low income individuals, such as recipients of the Supplemental Nutrition Assistance Program (SNAP), and to community providers, such as child care centers. These direct payments are not appropriated in the City’s budget, other than when Denver is required to share in the cost.

In the first half of 2016, the Office of Economic Development (OED) provided case management services to Denver’s Temporary Assistance to Needy Families (TANF) eligible households. In the second half of 2016 and through June 2017, OED contracted the case management services to a community provider. Beginning in July 2017, the Department of Human Services hired 19 FTE to bring in-house the case management for TANF families. The 2018 budget reflects the additional staffing resulting from this change.

Capital Projects

In 2018, $167 million is budgeted for capital projects from annual capital revenues and includes the capital maintenance mill levy funding approved by voters in 2007. The capital project budget includes a $33.7 million General Fund transfer to the Capital Improvement Fund due to continued strong revenue growth. Of the $33.7 million transfer, $7.5 million has been programmed to address citywide transportation and mobility capital infrastructure needs including $5 million to address transportation asset deferred maintenance. Projects include street paving, bridge replacement and/or rehabilitation, traffic signal replacement, curb and gutter, and Smart Cities infrastructure. The $7.5 million transfer for mobility capital projects from the General Fund complements $10.5 million programmed in the capital program for a total new investment of $18 million in mobility capital infrastructure. In addition to mobility infrastructure investments, $13.7 million is programmed for continuous investment in the Denver Health Westside Clinic, and citywide space reallocations and moves and residential street paving. The remaining $12.5 million is programmed for parks deferred maintenance needs, non-drainage amenities to support the Platte to Park Hill project, River North Park construction and funding to support deferred maintenance prioritized via a community engagement and education process.

The capital project budget funds critical maintenance and rehabilitation projects, matching funds to leverage state or federal dollars, legal obligations and other high-priority items such as capital investments aimed at water or energy conservation savings. Other high-priority capital investments in 2018 include funding for rehabilitation projects in Washington Park, Ruby Hill Park improvements, continued implementation of major roadway, transit and bike/ped improvements that are part of the 2017-2021 Denver Regional Council of Governments (DRCOG) Transportation Improvement Program (TIP), construction of safe crossings and connections, and studies/design to inform implementation of major capital project needs including the renovation of Police District Station 4, Alameda Underpass, Santa Fe Corridor improvements, and Peoria multimodal improvements. In addition to these annual capital funds, approximately $67.9 million in one-time bond funded projects will continue to be implemented in 2018 as part of the Better Denver Bond program (approved by voters in 2007), the National Western Center program (approved by voters in 2016), and the Colorado Convention Center program (approved by voters in 2016). Please refer to the Capital Improvements section for additional detail.