2020 Mid-Year Reductions

Budget & Management Office
June 2020
Overview

- Economic Update
- 2020 Revenue Update
- Reductions Strategies
- Agency Reduction Amounts and Impacts
- Appendix
Disclosures

• Economic and financial conditions are continuously changing
• The revenue forecast will be officially revised in September
### Economic Update: Retail and Food Services Monthly Sales

<table>
<thead>
<tr>
<th>Category</th>
<th>April 2020 from April 2019 Percent Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>TOTAL: RETAIL &amp; FOOD SERVICES</td>
<td></td>
</tr>
<tr>
<td>U.S. Retail Sales</td>
<td>-48.7%</td>
</tr>
<tr>
<td>Denver Retail Sales</td>
<td>-48.7%</td>
</tr>
<tr>
<td>Food services &amp; drinking places</td>
<td></td>
</tr>
<tr>
<td>U.S. Retail Sales</td>
<td>-48.7%</td>
</tr>
<tr>
<td>Denver Retail Sales</td>
<td>-48.7%</td>
</tr>
<tr>
<td>Nonstore Retailers (Online &amp; mail-order)</td>
<td></td>
</tr>
<tr>
<td>U.S. Retail Sales</td>
<td>-47.0%</td>
</tr>
<tr>
<td>Denver Retail Sales</td>
<td>-47.0%</td>
</tr>
<tr>
<td>Department Stores</td>
<td></td>
</tr>
<tr>
<td>U.S. Retail Sales</td>
<td>-53.9%</td>
</tr>
<tr>
<td>Denver Retail Sales</td>
<td>-53.9%</td>
</tr>
<tr>
<td>Sports, hobby, music &amp; book stores</td>
<td></td>
</tr>
<tr>
<td>U.S. Retail Sales</td>
<td>-48.9%</td>
</tr>
<tr>
<td>Denver Retail Sales</td>
<td>-48.9%</td>
</tr>
<tr>
<td>Clothing &amp; accessories</td>
<td></td>
</tr>
<tr>
<td>U.S. Retail Sales</td>
<td>-44.0%</td>
</tr>
<tr>
<td>Denver Retail Sales</td>
<td>-44.0%</td>
</tr>
<tr>
<td>Gas Stations</td>
<td></td>
</tr>
<tr>
<td>U.S. Retail Sales</td>
<td>-89.3%</td>
</tr>
<tr>
<td>Denver Retail Sales</td>
<td>-89.3%</td>
</tr>
<tr>
<td>Health &amp; Personal Care Stores</td>
<td></td>
</tr>
<tr>
<td>U.S. Retail Sales</td>
<td>-63.5%</td>
</tr>
<tr>
<td>Denver Retail Sales</td>
<td>-63.5%</td>
</tr>
<tr>
<td>Food &amp; Beverage Stores</td>
<td></td>
</tr>
<tr>
<td>U.S. Retail Sales</td>
<td>-20.0%</td>
</tr>
<tr>
<td>Denver Retail Sales</td>
<td>-20.0%</td>
</tr>
<tr>
<td>Building material &amp; garden dealers</td>
<td></td>
</tr>
<tr>
<td>U.S. Retail Sales</td>
<td>-28.9%</td>
</tr>
<tr>
<td>Denver Retail Sales</td>
<td>-28.9%</td>
</tr>
<tr>
<td>Electronics &amp; appliance stores</td>
<td></td>
</tr>
<tr>
<td>U.S. Retail Sales</td>
<td>-10.4%</td>
</tr>
<tr>
<td>Denver Retail Sales</td>
<td>-10.4%</td>
</tr>
<tr>
<td>Furniture &amp; home stores</td>
<td></td>
</tr>
<tr>
<td>U.S. Retail Sales</td>
<td>-4.3%</td>
</tr>
<tr>
<td>Denver Retail Sales</td>
<td>-4.3%</td>
</tr>
<tr>
<td>Motor vehicle &amp; parts dealers</td>
<td></td>
</tr>
<tr>
<td>U.S. Retail Sales</td>
<td>0.4%</td>
</tr>
<tr>
<td>Denver Retail Sales</td>
<td>0.4%</td>
</tr>
<tr>
<td>TOTAL: RETAIL &amp; FOOD SERVICES</td>
<td></td>
</tr>
<tr>
<td>U.S. Retail Sales</td>
<td>12.0%</td>
</tr>
<tr>
<td>Denver Retail Sales</td>
<td>12.0%</td>
</tr>
</tbody>
</table>
Economic Update: Monthly Core Sales and Use Tax Revenue

Year-Over-Year Percent Change

-30.0%
-25.0%
-20.0%
-15.0%
-10.0%
-5.0%
0.0%
5.0%
10.0%
15.0%
20.0%
Economic Update: Denver New Unemployment Claims
General Fund Revenue

2008: Increase 2.1%, Decrease -6.4%
2009: Increase 7.5%
2010: Increase 3.7%
2011: Increase 3.5%
2012: Increase 8.6%
2013: Increase 10.8%
2014: Increase 7.1%
2015: Increase 2.8%
2016: Increase 5.8%
2017: Increase 2.7%
2018: Increase 4.5%
2019: Increase 4.5%
2020: Decrease -10.5%

Increase | Decrease | Total
Sales Tax Revenue to the General Fund
Lodgers’ Tax Revenue to the General Fund

- Increase
- Decrease
- Total

- 8.5%
- 11.7%
- 14.2%
- 4.6%
- 10.7%
- 19.7%
- 9.5%
- 8.2%
- 28.7%
- -1.1%
- 10.0%
- -62.3%

2008 to 2020
2020 Budget: Strategies to Address Projected Gap

2020 Plan of Finance
*Approximate

- Furloughs, 16
- Agency savings, 70.2
- Federal Funds Reimbursement, 8
- TBD, 15
- Emergency Fund Savings, 15
- Citywide, 25
- Reserves, 96
Mid-Year Reduction Process

• Mid-year reductions have been needed in 2002, 2009 and 2020 do respond to an unforeseen loss of revenue.
• Agencies are asked by the Mayor to identify savings in agency appropriations to bring city spending into alignment with estimated revenue forecasts.
• Time is critical to this effort. The faster that savings can be identified early in the year the fewer proposals need to be implemented.
• This process has been evaluated as a best practice financial management practice by rating agencies.
• In the event that economic conditions improve agency spending can be restored.
Agency Reduction Overview

**March**  Pandemic emergency declared, Stay at Home Order (SAHO) initiated
Travel, discretionary spending, parking enforcement suspended

**April**  3% Agency budget reduction proposals requested
Unemployment increased to record levels
Additional 4.5% agency reduction proposals requested

**Overall Request**

- 7.5% requested = $100M
- Submitted = $97M
- Implemented = $70M (or 5.4%)*

*Additional proposals may be implemented through the summer.*
2020 Budget: Reduction Strategies and Priorities

• Immediately Accessible Savings
  • Vacancy Savings
• Realized Savings due to COVID
• Discretionary/Indirect impacts such as office supplies, travel, training
• Minimize Impacts to City Services*
• Avoid employee layoffs

Savings will be evaluated for reuse in 2021

Budget impact from recent unforeseen expenses is under review

*Agencies were asked to assess immediate known impacts to city services. Impacts may vary based on current events and conditions
2020 Budget: Realized Savings due to SAHO

- City building closures (energy, security)
- Rec Center closures (supplies, on call)
- Event cancellations
- Fuel savings
- Court room closures
- Cancellation of May Police recruit class
- Reduced Fire recruit classes
- Fire reduced overtime due to redeployments
- Leverage Special Revenue Fund for positions (Fire, 911)
2020 Budget: Position Review Committee

- Evaluates all vacancies and requests to fill vacant positions
- Led by BMO, OHR, MO

Vacancy Savings Considerations:
- Savings are immediate
- Savings can be realized naturally for difficult-to-hire positions
- Holding positions vacant will result in service impacts or reductions
- Existing staff take on greater burden
- 2021 continuation still under consideration
## 2020 Budget: Upcoming Legislative Actions

<table>
<thead>
<tr>
<th>Agency</th>
<th>Fund</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Office of Human Resources</td>
<td>11801 – Education Refund Program</td>
<td>$260,767</td>
</tr>
<tr>
<td>Clerk and Recorder</td>
<td>11874 – Elections Equipment &amp; Technology Fund</td>
<td>$165,000</td>
</tr>
<tr>
<td>Public Health &amp; Environment</td>
<td>14806 – Public Health and Wellness Fund</td>
<td>$518,959</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td></td>
<td><strong>$944,726</strong></td>
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</tbody>
</table>
Agency Specific Reductions
Transportation and Infrastructure

- $1M from PAYT delayed hiring, carts
- Reduced citation issuance expenses
- Delay de-icing purchases
- Vacancy savings (street maintenance, transportation, ROW)
- Fuel savings
- Reduced overtime
Parks and Recreation

- Rec Center Closures:
  - Personnel, services & supplies savings
  - Also reduces revenue
- Vacancy savings (accounting techs, maintenance techs, park horticulturalists, planners, on-calls such as rec center instructors and park seasonal workers)

Other impacts outside reductions:
- Partial Rec Center FTE furlough in June, July
  - Sustained furlough maintains positions while employees continue to receive benefits
- Monitoring ability to open pools; meanwhile, accumulating savings
Parks & Recreation: $2M additional service reductions

**Annual flower beds**
- Planting reduced by 50%
- Reductions targeted in areas with highest number of beds and larger sizes
- Equity and inclusivity guides reductions

**Trash removal**
- Litter pick up and trash removal in most parks reduced by 50%
- Frequencies vary by park type and use
- Most park areas had daily litter pick up and trash removal

**Mowing**
- Parks, athletic fields mowed weekly and string trimmed as staff are able, 2-3 times/month

**Irrigation Systems**
- Systems activated based on water source cost (least to most):
  1) Raw water irrigation systems
  2) Reuse irrigation systems
  3) Potable water systems
- Systems programmed on reduced watering schedules
Public Health and Environment

• Exempted from first 3%
• $500K savings from using existing Fleet vehicle for 2\textsuperscript{nd} ‘Winnie’ (instead of buying new vehicle)
• These dollars are from a forthcoming transfer from the Public Health and Wellness SRF; no General Fund budget is being sequestered
Community Planning and Development

- Reductions to office supplies, travel, and training
- Vacancy savings from delayed starts (administration, development services: inspections, accounting and planning)

Impacts:
- Possible increase in inspection turnaround times
Housing Stability (HOST)

- Vacancy savings (7 positions including fiscal support, administrators)
- Note: Affordable Housing and other special revenue funds not included in appropriation
Denver Economic Development and Opportunity (DEDO)

- Vacancy savings
- Reduced travel, training, and sponsorships for non-profits
- Savings from cancelled travel due to COVID-19
- Reduced professional services and marketing
- Note: Special revenue funds not included in appropriation
Police

- Vacancy Savings, civilian and uniform
- Defer uniform replacement to 2021
- Reduce civilian overtime
- Reduced printing
- Reduced lateral class
- Reduce other services and supplies, contracts
- 50% reduction in 2020-budgeted recruits by holding 1 recruit class in November combined with a 50% filled March Lateral class
Fire

- Uniform vacancies (retirees)
- Move positions to Wildland SRF
- Overtime savings from redeployments
- Delayed recruit class start from July to Dec
- Holding one Fire Protection Engineer vacant; responsibilities addressed by existing FPEs
Sheriff

- Vacancy savings (aligning budget with historical spending)
- Work release program suspension - realized
- Align food budget with reduced inmate population
Capital Improvement Program
Capital Improvement Program (CIP) Revenue

**Entertainment and Cultural Capital Facilities Fund (Seat Tax)**
- 10% seat tax from ticket sales to City facilities net of annual debt service payments dedicated to capital maintenance of performance venues

**Capital Improvement Fund**
- Primarily funded through property tax assessments ($33M in 2020)
- Includes 2.5 mills property tax for capital maintenance ($53M in 2020)

**Winter Park Trust Fund**
- Restricted to repair and rehab of existing parks & rec facilities

**Parks, Trails, and Open Space Fund**
- Dedicated sales tax to benefit parks, trails, and open space uses

**State Conservation Trust Fund**
- Dedicated by State Statute to benefit parks, recreation and open space uses
2020 CIP: Expenditures

- 54% dedicated to capital maintenance, major rehabilitation projects ($99M)

- Remaining funds allocated to annual financial obligations and system enhancement projects
  - $8 million local match leverages more than $63M in grants
  - $31M total investment in transportation and mobility capital infrastructure
2020 CIP: COVID-19 Revenue Impacts

Initial projected shortfall (as of April 2020): $33M projected revenue loss

- Sudden halt to economic activity, mass gatherings
- Greatest initial impact to Seat Tax, Lottery Funds
- $15M reduction to general fund transfer to CIP Fund
- Continue monitoring construction industry activity and pandemic-related impacts
2020 CIP: Three 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
Questions?
Technology Services

- Eliminated training budget
- Vacancy savings
- Eliminated interns
- Reduce number of consultants to align with prioritized programs
- Reduce professional services and equipment budgets

$77.42, 95.9%
$3.31, 4.1%
Finance

- Postpone mini-bond sale
- Reduce bank fees
- Align lease budgets with estimated spending
- Vacancy savings (impact to DMV, Treasury, Controller's Office, Capital Projects)

$60.56, 93.2%
$4.45, 6.8% in millions

Remaining 2020 Appropriation
Reductions
General Services

- SAHO Energy efficiency modifications
- Delayed preventative and deferred maintenance
- Reduced response to customer service requests
- Vacancy savings (executive director, purchasing)
Climate Action, Sustainability & Resilience

- Vacancy savings from delayed hiring (two positions, interns)
City Attorney

- Temporary reduction in professional services costs due to Covid-19 (court closures, etc.)
- Elimination of attorney's fellowship program
- Reduced outside legal counsel services
- Reduction of existing maintenance/service agreements
- Reduced official function expenses, mail expenses, copy charges
Excise and Licenses

- Reduced spending on agency contracts
- Reduced hearings savings:
  - on-call hearing officers, detectives (fewer hours for security guard review)
  - agency will still achieve all turn-around deadlines on licenses
- Travel reduction
- Vacancy savings (licensing tech position, short-term rentals)

Impacts:
- Vacancy may increase wait times
- STR vacancy not expected to decrease oversight
Special Events

- Equipment reduction
- Reduction in travel
- Reduction in memberships and subscriptions

$ in millions

- $0.74, 96.8%
- $0.02, 3.2%

Remaining 2020 Appropriation vs. Reductions
Children’s Affairs

- Reduction in travel, training, special events and marketing
- Use grant funds for $79K of out of school contracts
- Savings from cancelled events

$3.09, 94.5%
$0.18, 5.5%
Human Rights and Community Partnerships

- Reduced spending on office supplies, food, official function expenses, training and travel
- Savings from reduced professional services contracts
Office of Emergency Management (OEM)

- Exempt from first 3% reduction
- Delayed hiring of EM Program Specialist

**Impacts:**
- Vacancy will result in decreased ability to mitigate, respond, and recover from emergencies, including COVID-19

![Pie chart showing remaining 2020 appropriation and reductions](chart.png)
Independent Monitor

- Vacancy savings from three positions, low impact since investigations workload decreased due to COVID
- Note: May need to backfill some vacancies due to workload increase
National Western Center Office

- Reduction in project management and technical content work in support of the Triangle procurement
- Actualized vacancy savings
Performance-Based Infrastructure

- Reduction in consultant hours for technical services
- Reduction in office supplies spending
- Vacancy savings
Safety

- Vacancy savings
- Transfer 911 call takers to the 911 SRF; no service impact
- Align electronic monitoring contract with actuals
Independent Agencies
Auditor’s Office

- Reduced use of 3rd party vendors and dispute hearings capacity; both potentially carry a public service impact.
- Will forego software enhancements
- Reduced training
- Vacancy savings accumulated YTD

$ in millions

- Remaining 2020 Appropriation: $9.73, 92.09%
- Reductions: $0.84, 7.91%
Denver Public Library

- Reduced programming and services through:
  - Vacancy savings: 41 positions or 33 FTE
  - Reduced on-call staffing
  - Reduced training, travel, office and other operating expenses
  - Reduced programming expenses due to closures
Human Resources

• Suspend tuition aid benefit (SRF transfer);
• Vacancy Savings;
• Reduced General Fund transfer for employee training
• Reduced travel and training for OHR employees
• Reduced training programs for City employees
• Reduced advertising for job postings
• When including SRF transfer to the GF, the reduction percentage is 7.5%

*Reductions in pie chart exclude SRF transfer to the GF of $260,767

Remaining 2020 Appropriation

Reductions

$16.90 , 93.9%

$1.09 , 6.1%
Municipal Public Defender

• Reduce travel budget
• Reduced services and supplies and contracts
Civil Service Commission

- Reduce on-call budget and contract dollars due to delay in Police and Fire academies in 2020
- Reduced professional services budget
Board of Adjustments and Zoning

- Vacancy savings
- Reduced travel, training and printing services
- Reduced on-call budget for alternates when Board members are absent

$360.86, 96.0%

$15.00, 4.0%

Remaining 2020 Appropriation

Reductions
Hearings Office

- Hold Paralegal vacant through July 1
- Holding Operations Coordinator vacant

Remaining 2020 Appropriation: $601,711,000
Reductions: $48,790,000

7.5% of the total appropriation is being reduced.
County Court

- Vacancy savings from IT positions, a DUR Navigator, and a JA III;
- Forgo equipment replacement
DA’s Office

- Vacancy savings from Admin Staff;
- Reduce travel budget for out-of-state witnesses
- Reduced services and supplies

$28.25, $ in millions
96.6%

$1.01, $ in millions
3.4%

Remaining 2020 Appropriation

Reductions
Mayor’s Office & Civic Events

- Savings in services and supplies due to fewer events
- When including the vacant mayoral appointee position, the reduction percentage is 7.33%

*Reductions in pie chart exclude vacant mayoral position

- Remaining 2020 Appropriation: $2.89, 97.0%
- Reductions: $0.09, 3.0%
Clerk & Recorder

- Forgo warehouse lease spending by storing election equipment in-house; space is still limited.
- Reduced travel & training (required courses can be taken on-line)
- Received $900k in unbudgeted equipment reimbursement revenue that will go to the GF.
- Vacancy savings from positions not essential to activities in 2020 due to COVID. These reductions are minimal and allow for us to support the 2020 election.
- When including the SRF transfer to the GF, the reduction percentage is 4.8%

*Reductions in pie chart exclude SRF transfer to the GF of $165k

- Remaining 2020 Appropriation 96.5%
- Reductions 3.5%

$12.62, $ in millions

$0.46
City Council

- **General Fund Portion:** reduced services and supplies budgets in districts, central office, and vacancy savings

- **SRF Portion:** Transfer from the City Council SRF to General Fund Contingency from 5 councilmembers’ SRF cost center and the central cost center

- When including the SRF transfer to the GF, the reduction percentage is 3.95%

*Reductions in pie chart exclude SRF transfer to the GF of $143,146

- Remaining 2020 Appropriation
- Reductions

$6.35, $ in millions

$0.12, 1.8%

$143,146