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# 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

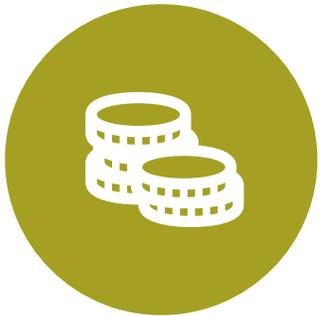
# Navigating Denver's Budget



Budget calendar



Overview of budget book section



Line item budget



Changes to agency presentations

# 2021 Budget Timeline – Key Dates



# Overview of Budget Book

## Volume I – High level, overall financial structure, calendar

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

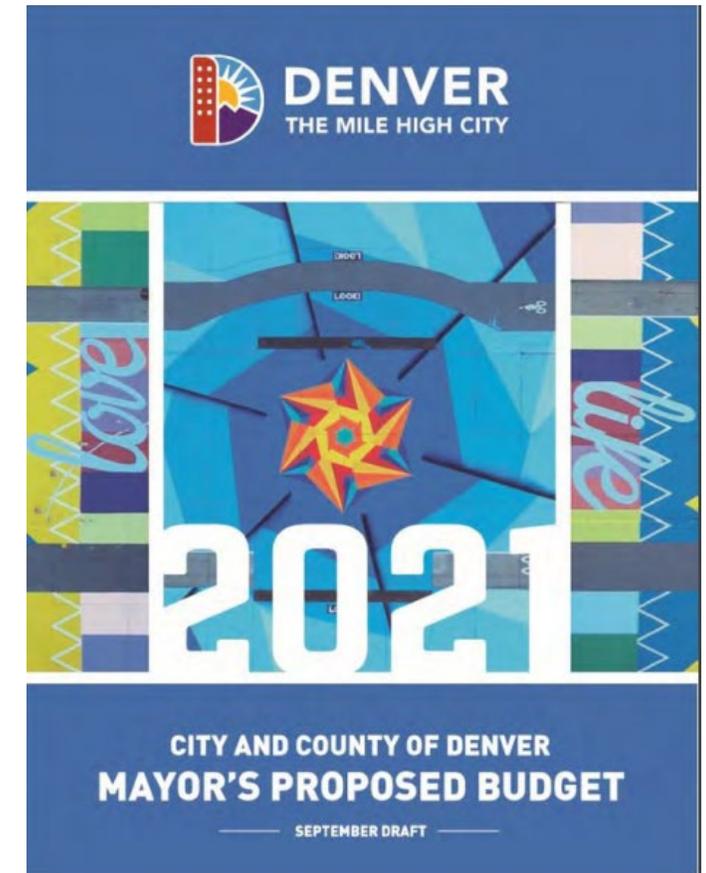
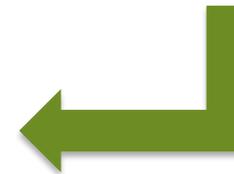
## Volume II – Agency level detail

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

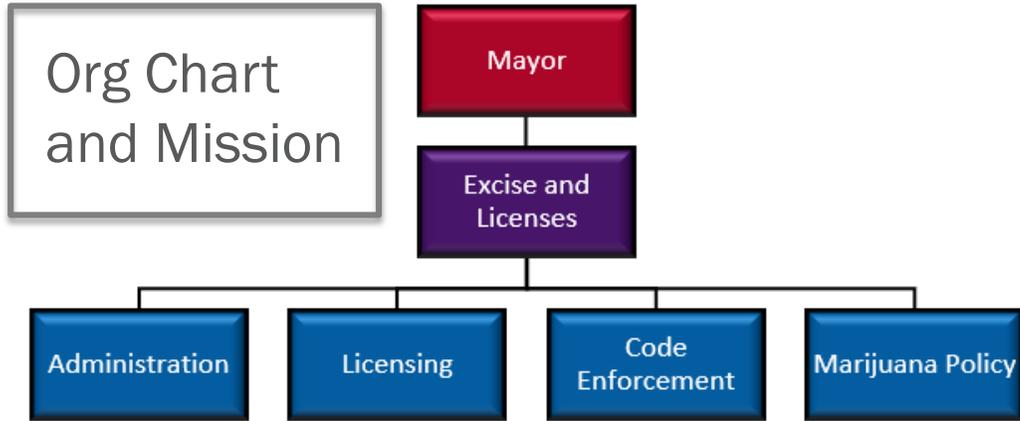
Volume III – Capital Improvements Program

Volume IV (online only) – Line Item Budget

NEW this year



# Agency Detail Page Sample



Org Chart and Mission

## Mission

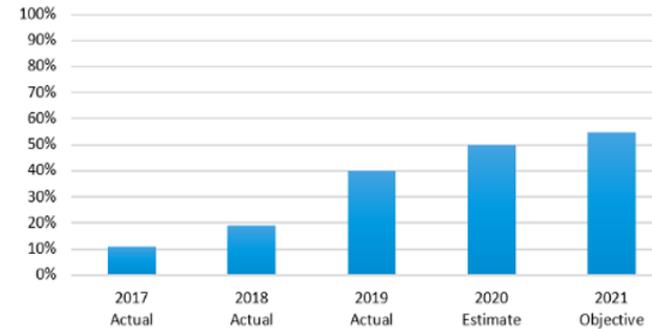
To protect the public’s health, safety, and welfare by serving our community through business regulation.

### New this year:

COVID-19 Impacts Section describing service delivery and pandemic response

## Performance and Program Highlights

Percent of Licenses Fulfilled Online



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

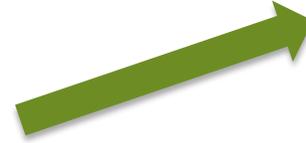
# Agency Detail Page Sample: Changes

## 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> |
|---|-------------|----------------|
| <b>Administration</b>   |             |                |
| • 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     |
| <b>General Fund Expenditures by Agency</b> |                   |                   |                   |                    |                |
| 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%)         |
| <b>Total</b>                               | <b>51,203,388</b> | <b>56,841,937</b> | <b>50,015,106</b> | <b>(6,826,831)</b> | <b>(12.0%)</b> |
| <b>General Fund Expenditures by Type</b>   |                   |                   |                   |                    |                |
| 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%)       |
| <b>Total</b>                               | <b>51,203,388</b> | <b>56,841,937</b> | <b>50,015,106</b> | <b>(6,826,831)</b> | <b>(12.0%)</b> |
| <b>Total General Fund</b>                  | <b>51,203,388</b> | <b>56,841,937</b> | <b>50,015,106</b> | <b>(6,826,831)</b> | <b>(12.0%)</b> |
| <b>General Fund Revenue</b>                |                   |                   |                   |                    |                |
| 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          | 24.3%          |
| <b>Total</b>                               | <b>7,718,459</b>  | <b>7,287,498</b>  | <b>8,417,750</b>  | <b>1,130,252</b>   | <b>14.3%</b>   |
| <b>Special Revenue Funds Expenditures</b>  |                   |                   |                   |                    |                |
| General Government                         | 31,220,921        | 10,490,229        | 16,173,109        | 5,682,128          | 17.2%          |
| <b>Total Special Revenue Funds</b>         | <b>31,220,921</b> | <b>10,490,229</b> | <b>16,173,109</b> | <b>5,682,128</b>   | <b>17.2%</b>   |
| <b>Personnel Complement</b>                |                   |                   |                   |                    |                |
| General Fund Operations - Civilian         | 145.25            | 143.25            | 125.25            | (18.00)            | (12.6%)        |
| General Government - Civilian              | 0.00              | 0.00              | 4.00              | 4.00               | 100.0%         |
| <b>Total</b>                               | <b>145.25</b>     | <b>143.25</b>     | <b>129.25</b>     | <b>(14.00)</b>     | <b>(9.8%)</b>  |
| <b>Total Personnel Complement</b>          | <b>145.25</b>     | <b>143.25</b>     | <b>129.25</b>     | <b>(14.00)</b>     | <b>(9.8%)</b>  |
| <b>Capital Improvements*</b>               |                   |                   |                   |                    |                |
| Capital Improvements                       | 0                 | 500,000           | 800,000           | 300,000            | 60.0%          |
| Bond Project Funds                         | 0                 | 119,228           | 747,253           | 628,025            | 527.0%         |
| Grant/Other Capital Funds                  | 0                 | 1,200,000         | 1,200,000         | 0                  | 0.0%           |
| <b>Total</b>                               | <b>0</b>          | <b>619,228</b>    | <b>2,747,253</b>  | <b>2,128,025</b>   | <b>343.7%</b>  |

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

Note that there are general fund and non-general fund

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

## Budget Detail Table

| Excise and Licenses 4001000                         |                  |                   |                  |                  |                |
|---|------------------|-------------------|------------------|------------------|----------------|
|   | 2019 Actuals     | 2020 Appropriated | 2021 Recommended | \$ Change        | % Change       |
| <b>Budget Detail</b>                                |                  |                   |                  |                  |                |
| <b>Department of Excise &amp; License (4001000)</b> |                  |                   |                  |                  |                |
| <b>Expenditures by Type</b>                         |                  |                   |                  |                  |                |
| 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%)       |
| <b>Expenditures by Type Total</b>                   | <b>4,694,746</b> | <b>4,748,541</b>  | <b>3,963,839</b> | <b>(784,702)</b> | <b>(16.5%)</b> |
| <b>Expenditures by Activity</b>                     |                  |                   |                  |                  |                |
| 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%)        |
| <b>Expenditures by Activity Total</b>               | <b>4,694,746</b> | <b>4,748,541</b>  | <b>3,963,839</b> | <b>(784,702)</b> | <b>(16.5%)</b> |
| <b>Total Program Expenditures</b>                   |                  |                   |                  |                  |                |
| <b>Personnel Complement (Budgeted)</b>              | <b>4,694,746</b> | <b>4,748,541</b>  | <b>3,963,839</b> | <b>(784,702)</b> | <b>(16.5%)</b> |
| <b>Personnel Complement (Budgeted)</b>              |                  |                   |                  |                  |                |
| 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%         |
| <b>Personnel Complement (Budgeted) Total</b>        | <b>37.74</b>     | <b>39.74</b>      | <b>35.74</b>     | <b>(4.00)</b>    | <b>(10.1%)</b> |
| <b>Total Personnel Complement</b>                   | <b>37.74</b>     | <b>39.74</b>      | <b>35.74</b>     | <b>(4.00)</b>    | <b>(10.1%)</b> |
| <b>Revenue</b>                                      |                  |                   |                  |                  |                |
| 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%           |
| <b>Revenue Total</b>                                | <b>8,878,065</b> | <b>8,149,696</b>  | <b>8,965,086</b> | <b>815,390</b>   | <b>10.0%</b>   |
| <b>Revenue Savings</b>                              |                  |                   |                  |                  |                |
| Furlough Savings                                    | 0                | 0                 | (79,452)         | (79,452)         | (100.0%)       |
| Vacancy Savings                                     | 0                | 0                 | (108,365)        | (108,365)        | (100.0%)       |

# 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:

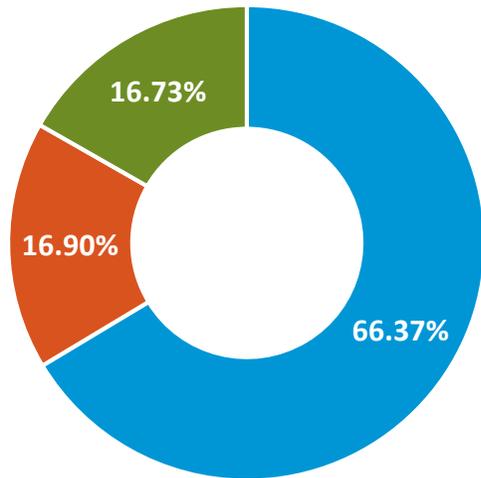
- Lack of controlled health situation;
  - Potential for second wave of infections in late fall (although we have not yet seen a decline in cases)
- Weakening labor market;
  - unemployment expected to hover between 8% - 10% by year end
  - impending business closures due to COVID-19 impacts
- A softening 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

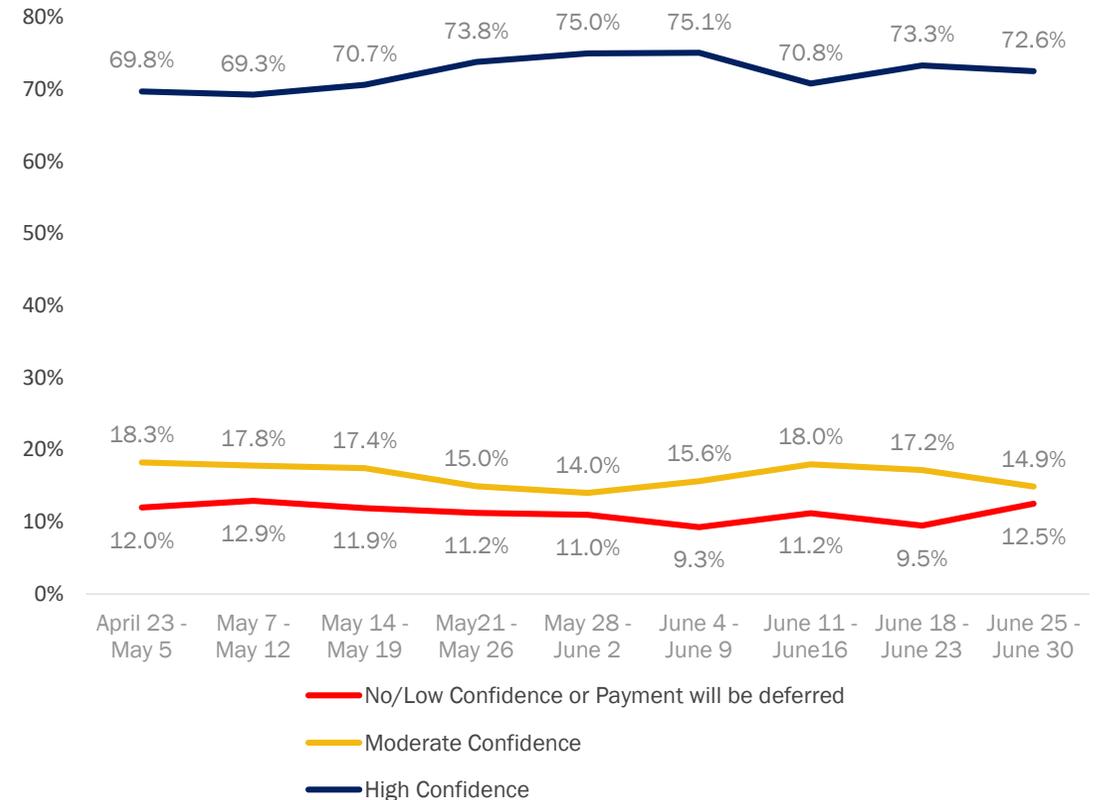
U.S. Census Bureau Household Pulse Survey (Colorado Results): Measuring Social and Economic Impacts during the COVID-19 Pandemic

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)

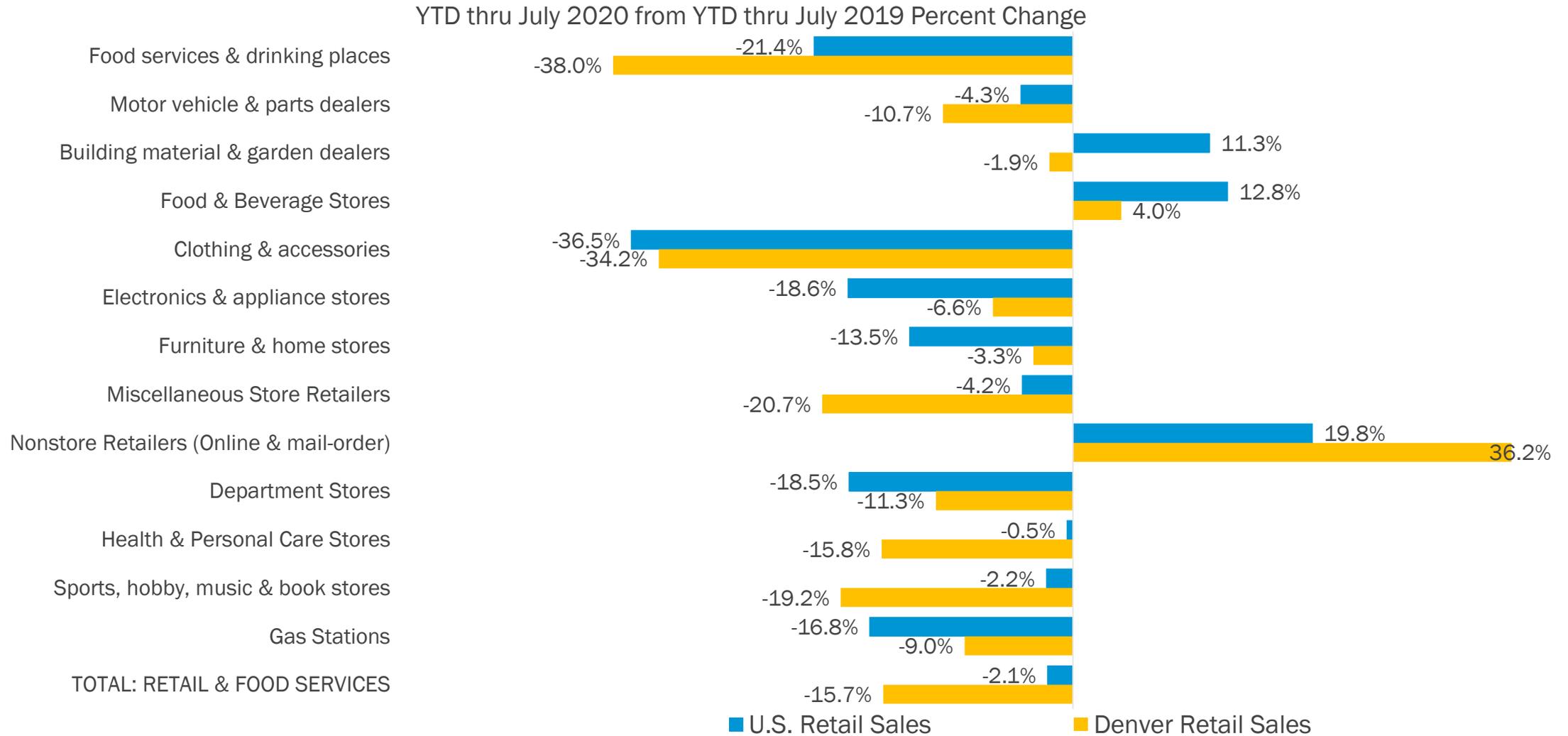
*Department of Finance is utilizing every tool at our disposal to ensure we are tracking economic data at as granular a level as we can.*

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%)**

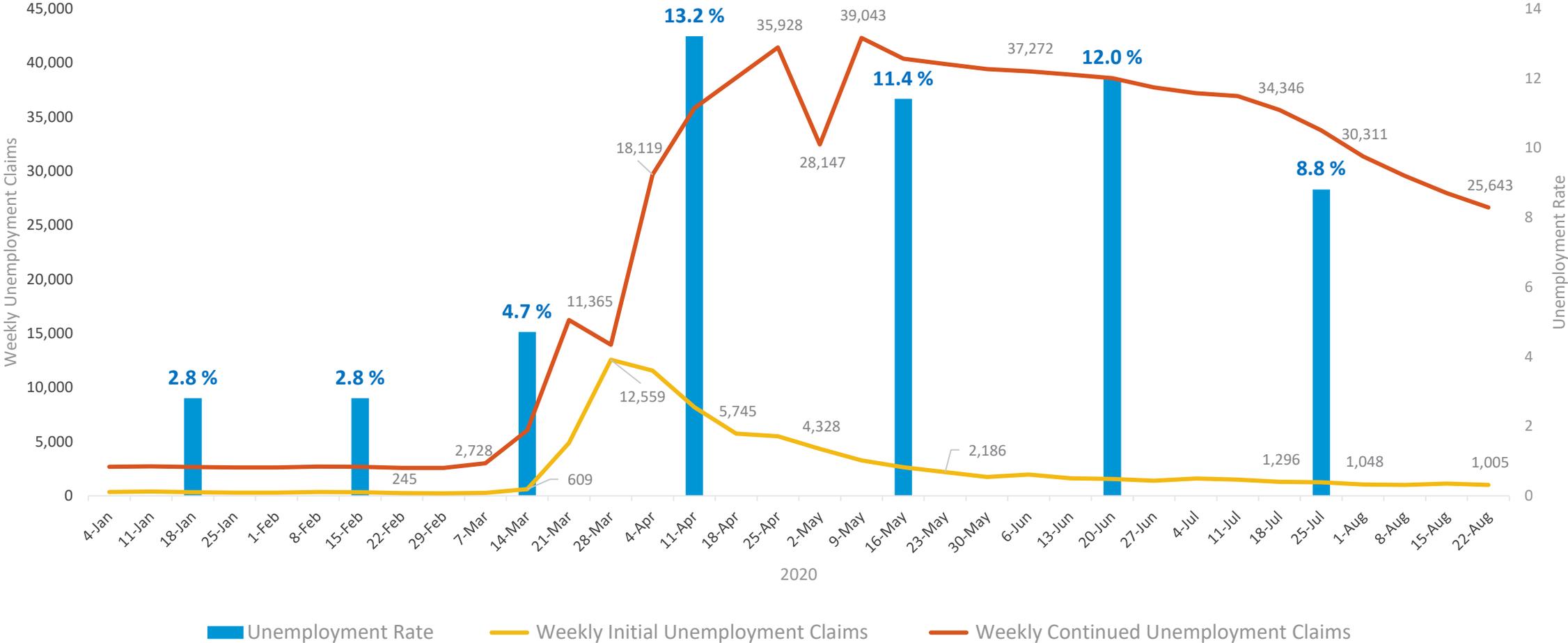
(Above data will be shown in further detail throughout remaining presentation)

# Retail and Food Services YTD Monthly Sales

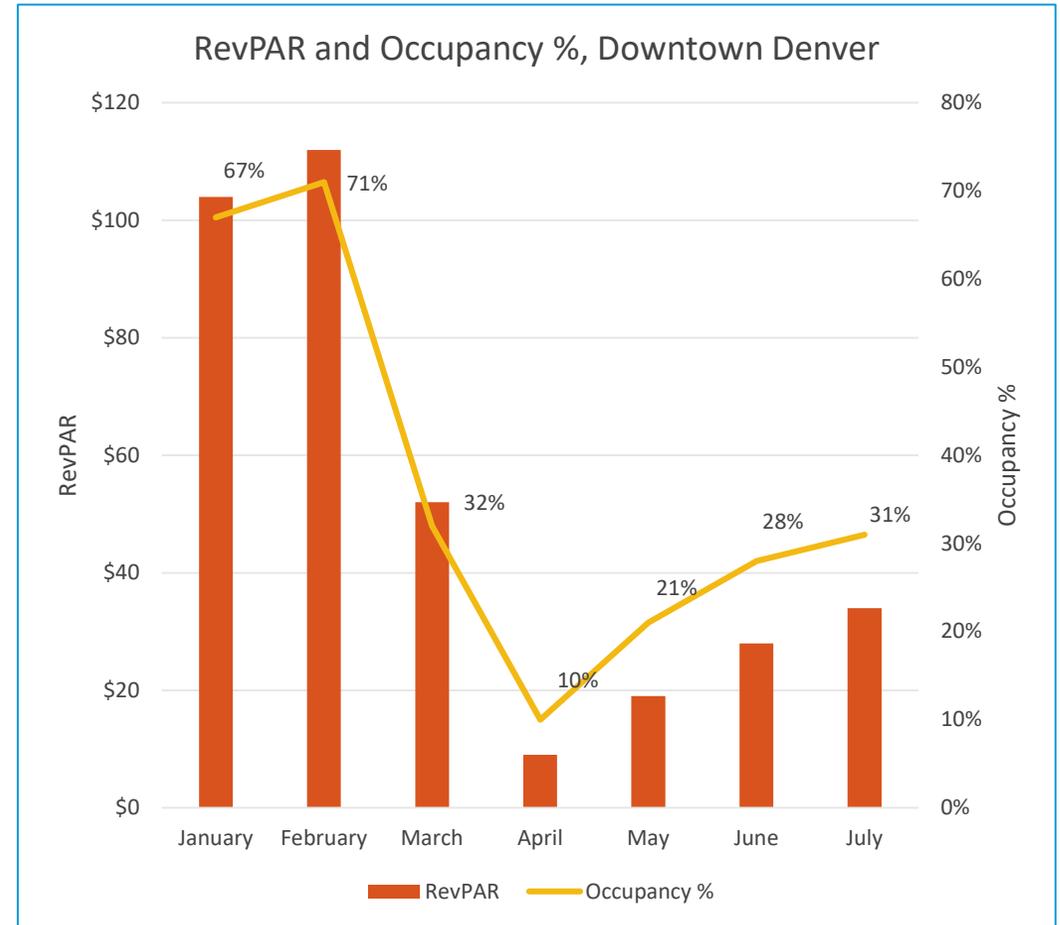
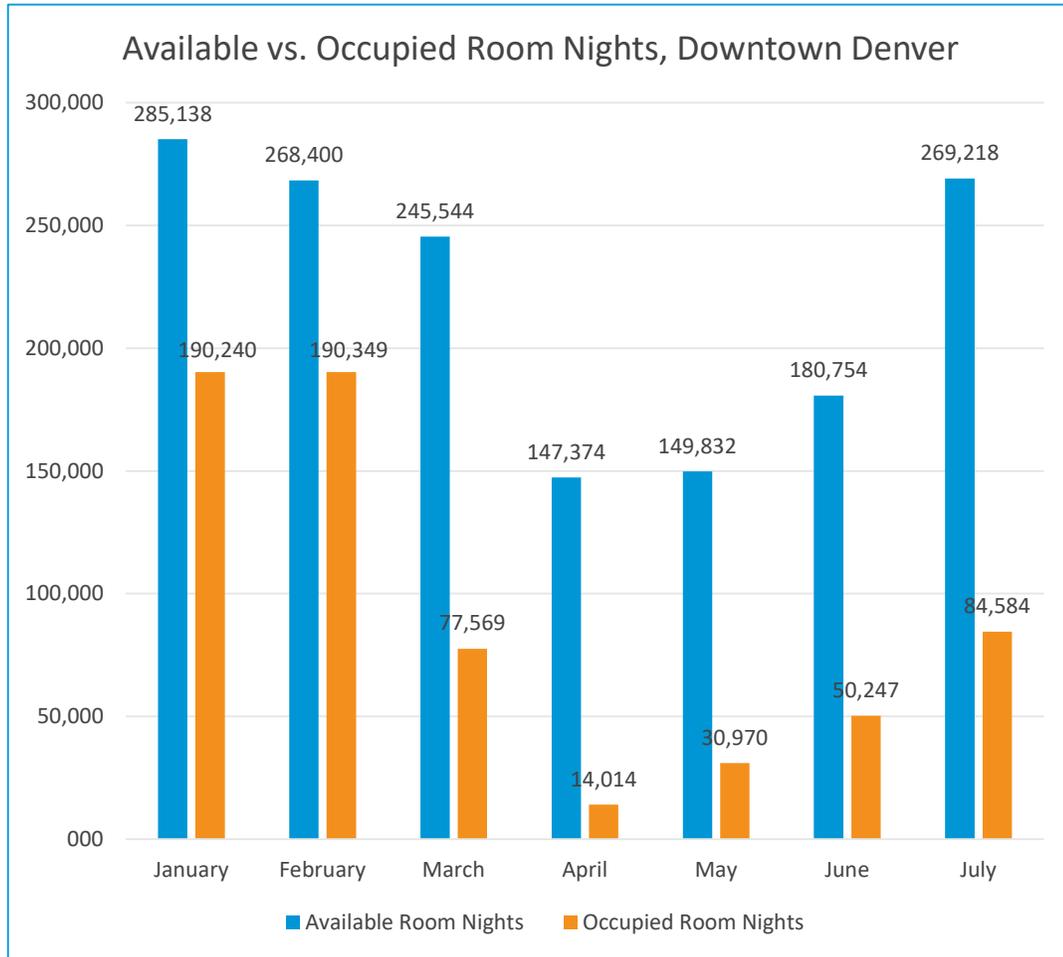


# Denver Unemployment

Weekly Unemployment Claims and Unemployment Rate, Denver

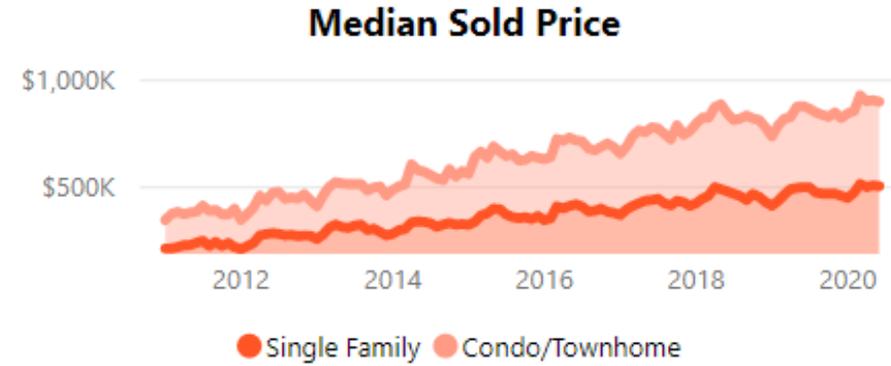


# Lodging Activity



\*RevPAR (revenue per available room)

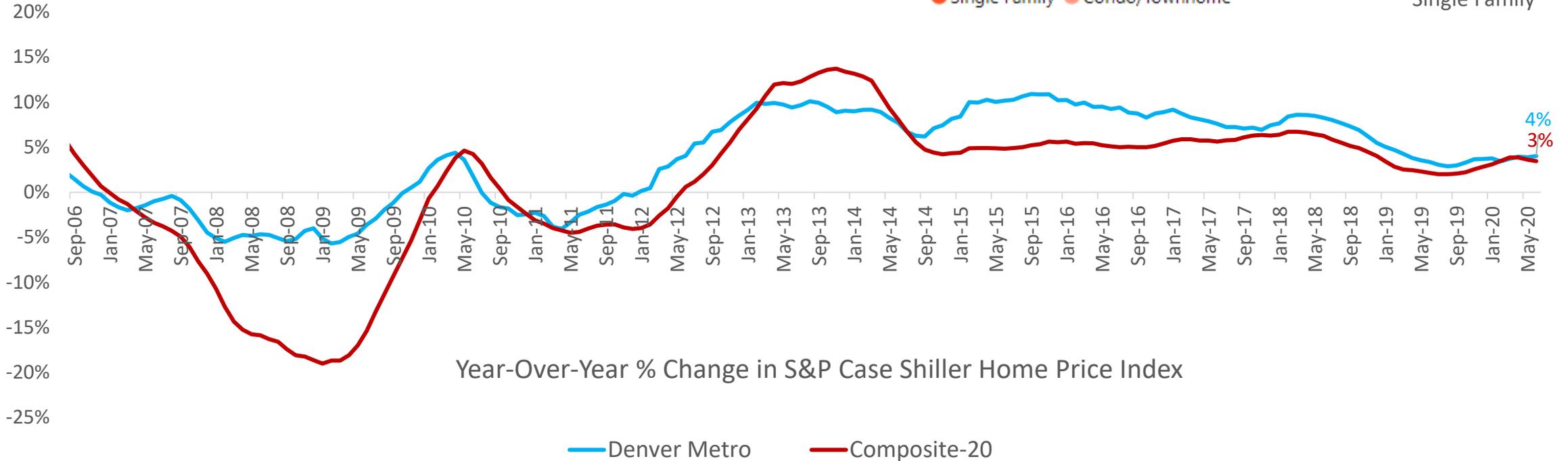
# Housing Prices



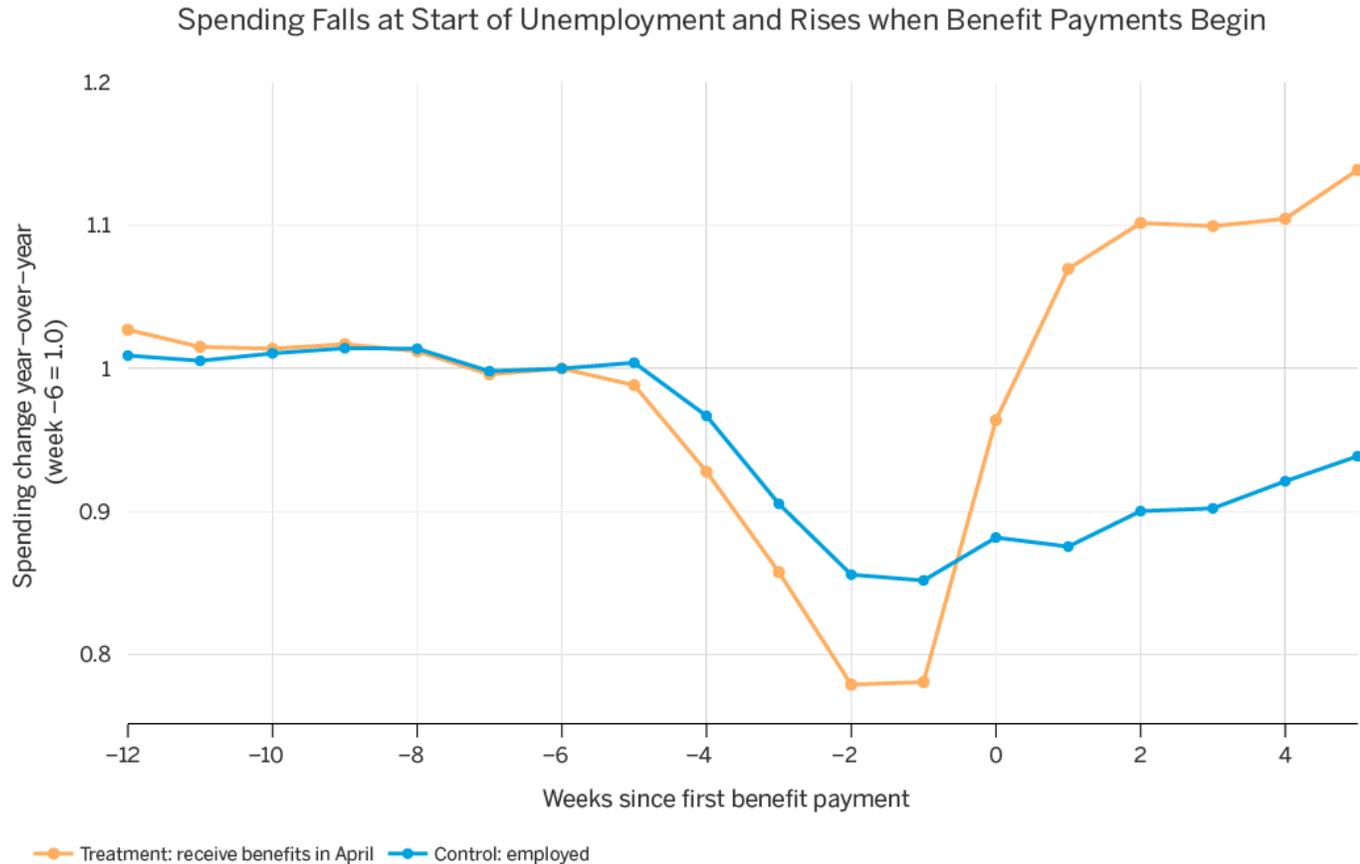
Median Sold Price  
(Denver County,  
August 2020)

\$384,250  
Condo/TH

\$525,000  
Single Family



# Unemployment Insurance



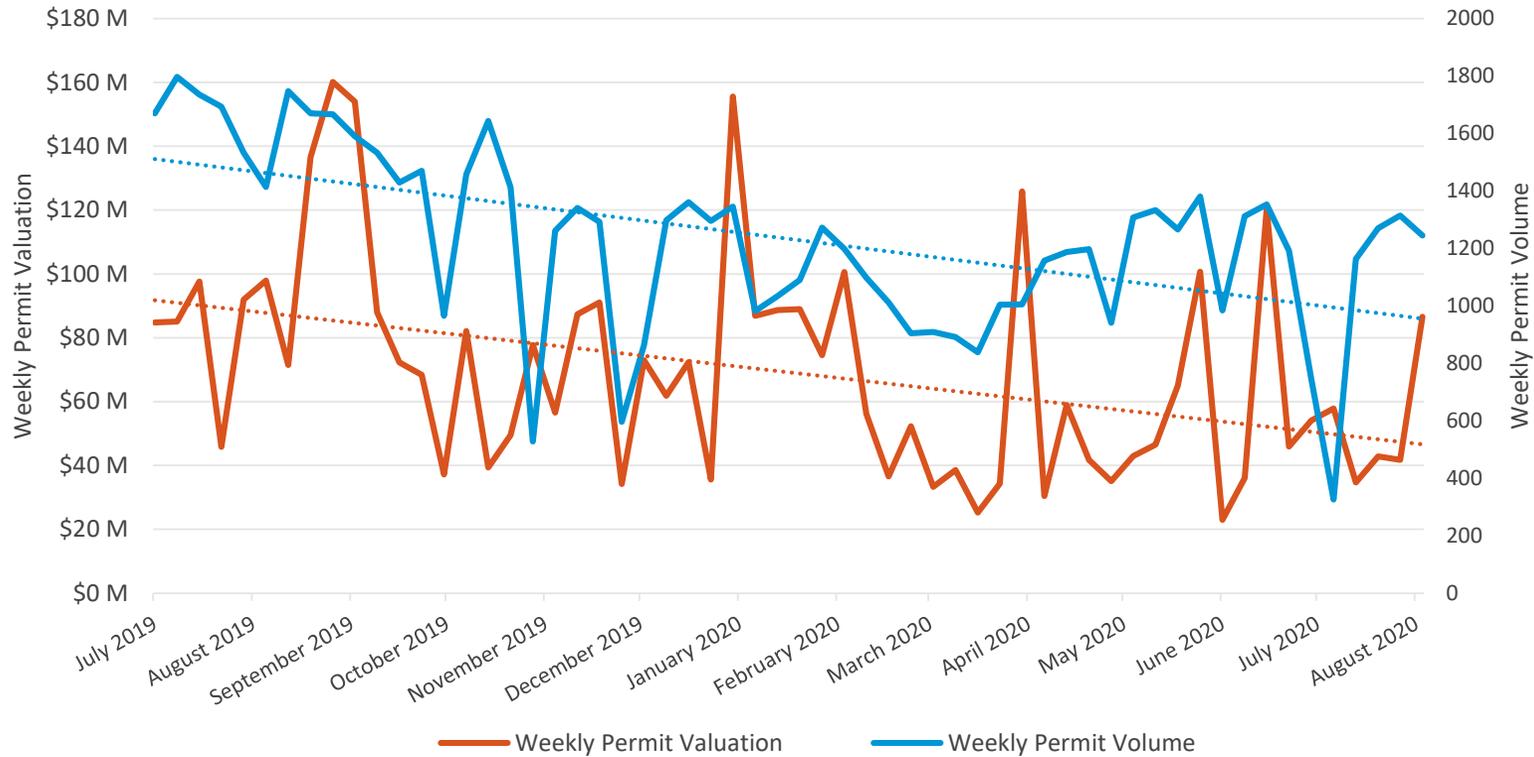
Note: This figure shows the change in spending year-over-year around the start of unemployment benefits. The x-axis shows the number of weeks since the first benefit payment. The treatment group, shown in orange, receives benefits beginning in April. The control group, shown in blue, is employed workers. 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

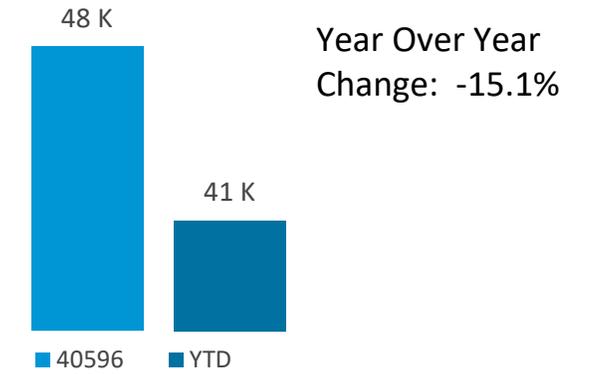
- The first set of federal legislation is credited with keeping as many as [16 million Americans out of poverty](#). If the relief measures like the CARES Act are not replaced, experts warn of an unprecedented financial crisis. –CNBC
- It is assumed stimulus funds have masked the economic impacts of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

# Economic Updates

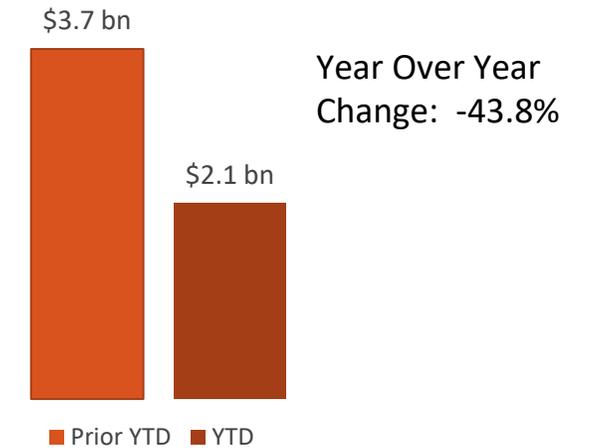
## Weekly Permit Volume and Valuation



## Year to Date Permits Issued

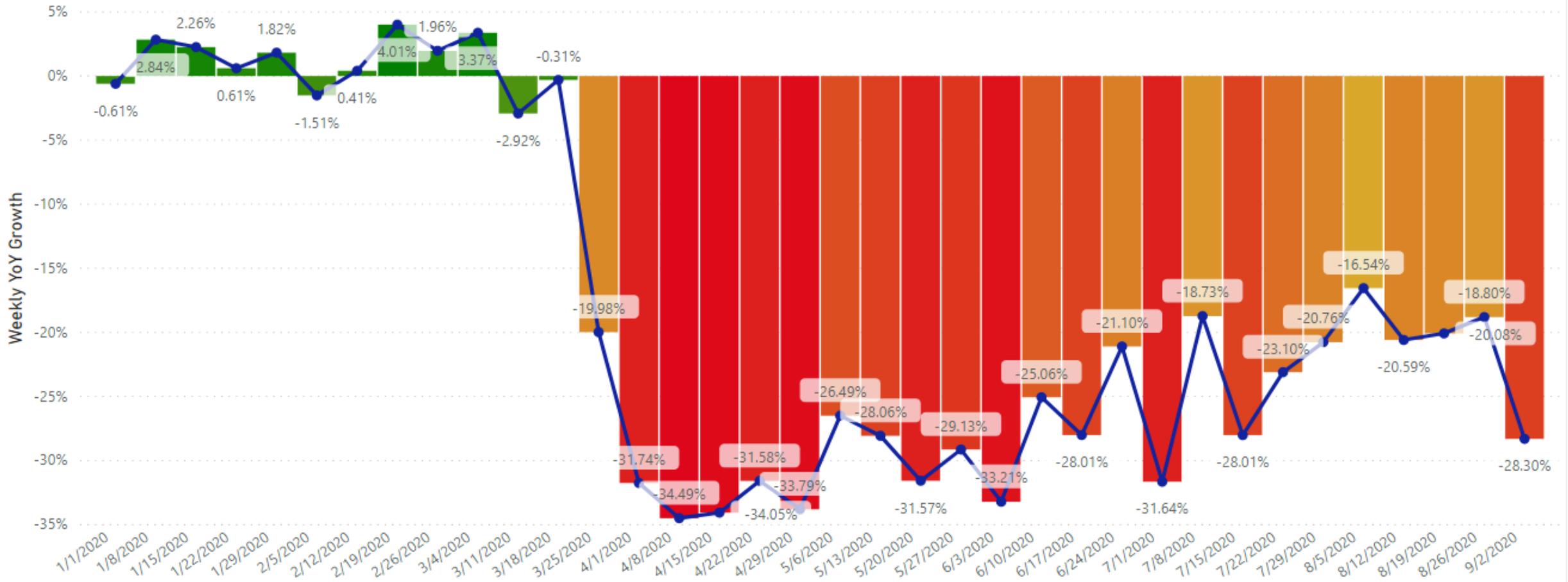


## Year to Date Permit Valuation



# Aggregate Consumer Bankcard Activity, Denver

Weekly YoY Growth by Date



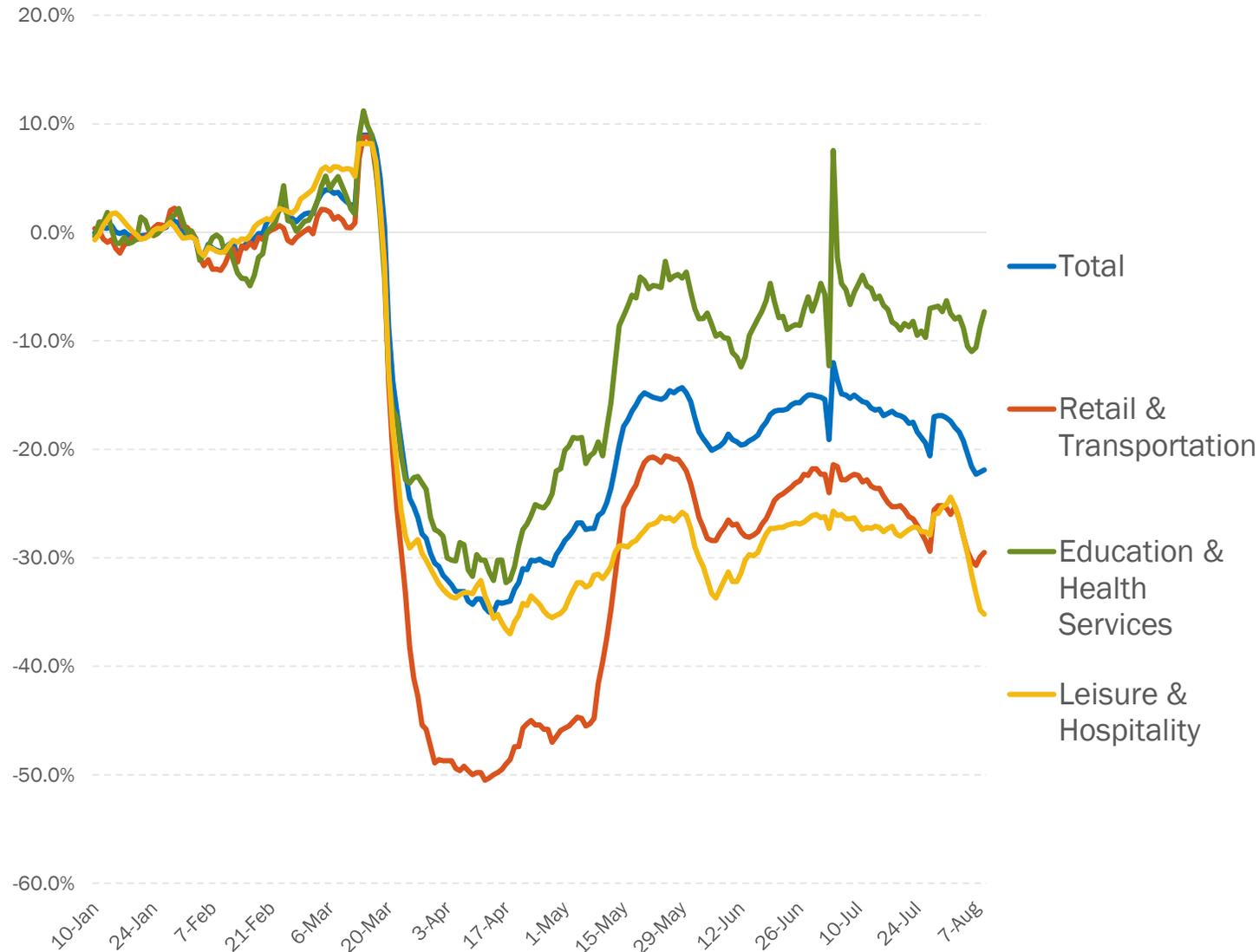
# Change in Denver Small Businesses Open (relative to January 2020)

**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)

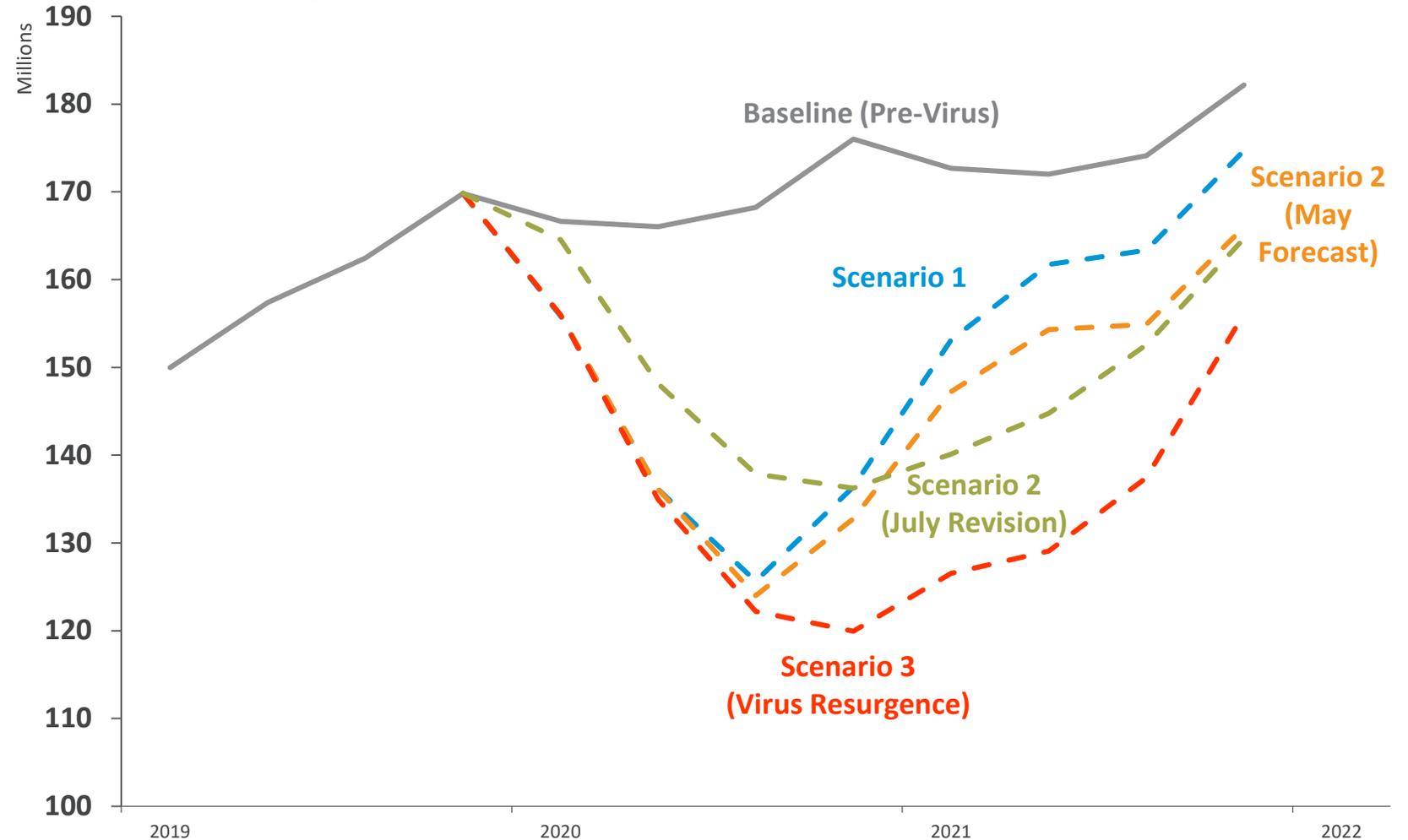
**Education & Health Services:**  
**-7.3%** (-2.9% from prior week)



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.

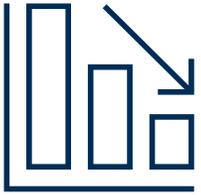


- Visit Denver expects lodgers’ tax collections to remain below 2019 levels in 2022



- 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



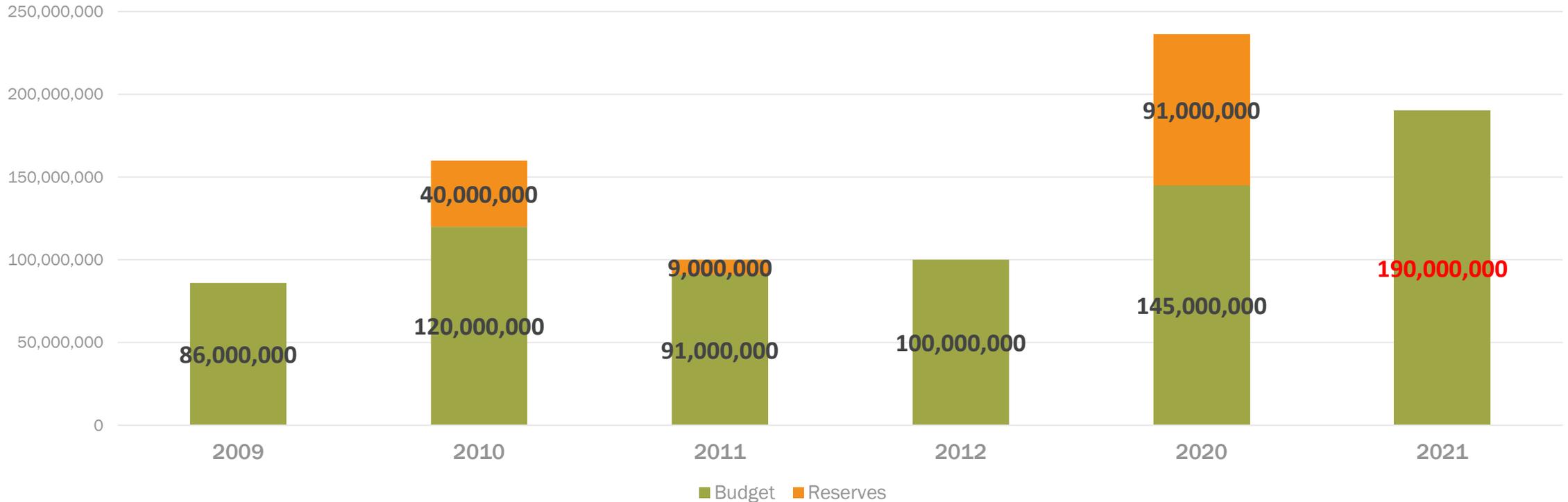
- Denver's revenue is projected to decline by \$220.7 million in 2020, the worst drop in city revenue since 1933 and nearly equal to the entire 2020 operating budgets of Parks and Recreation, Community Planning and Development, Denver Public Library, Trash Collection, Department of Public Health and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



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# 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

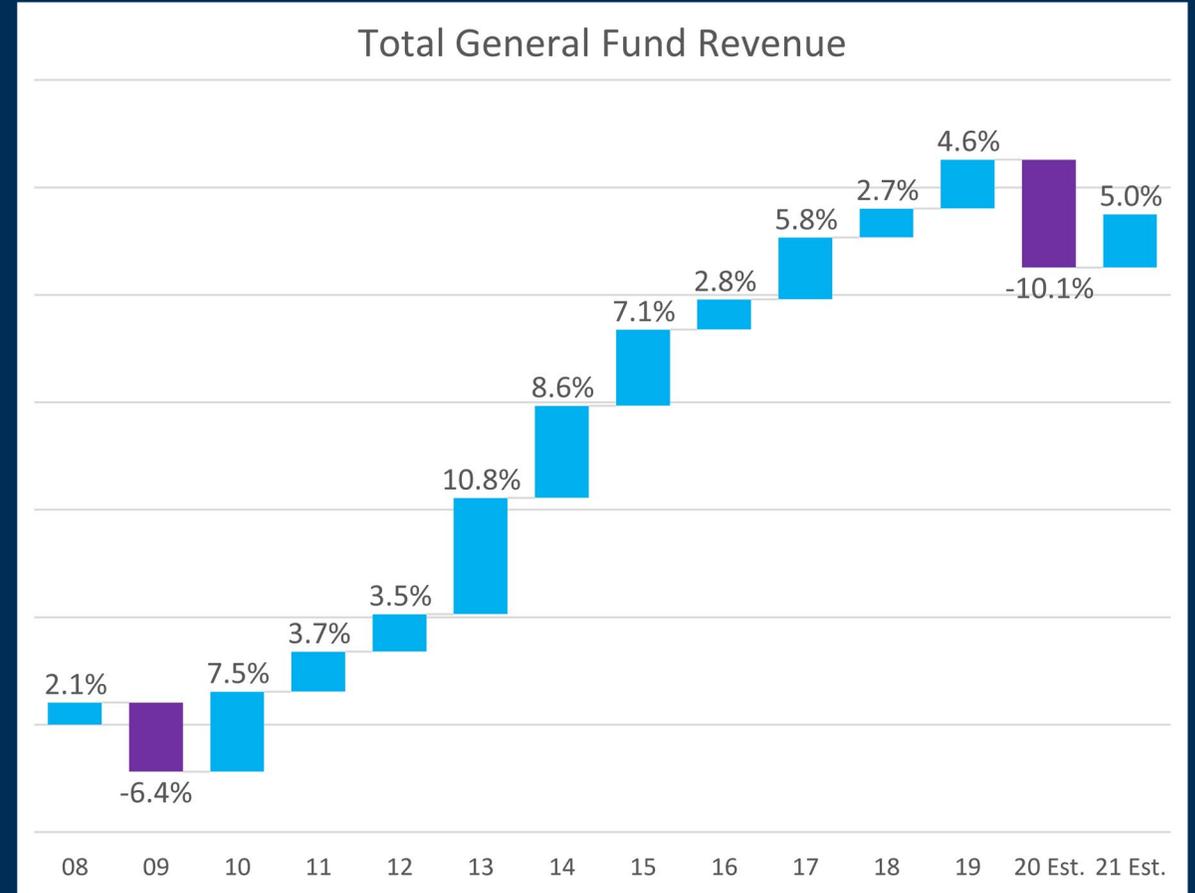
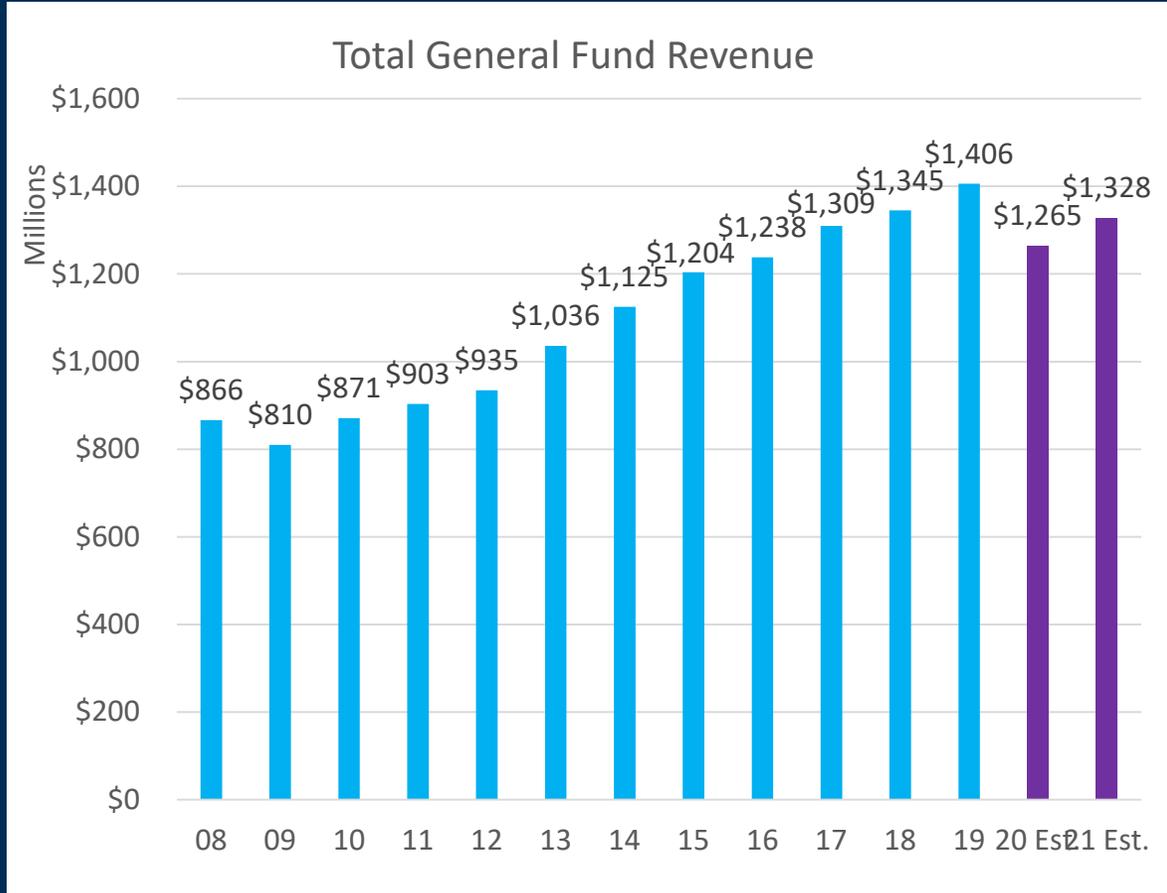
- Reflects y/y loss of -\$220m or -10.1% under 2019, -14.6% compared to original 2020 budget
- Contributors to revenue loss
  - Sales tax: \$83.8m or 11.6%
  - Lodgers' tax: \$23.2m or 66.4%
  - OPT: \$5.9m or 10.9%
  - Parking revenue: \$19.1m or 45%
  - Construction-related: \$7.1m or 29%
  - Traffic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

## 2021 Original Forecast

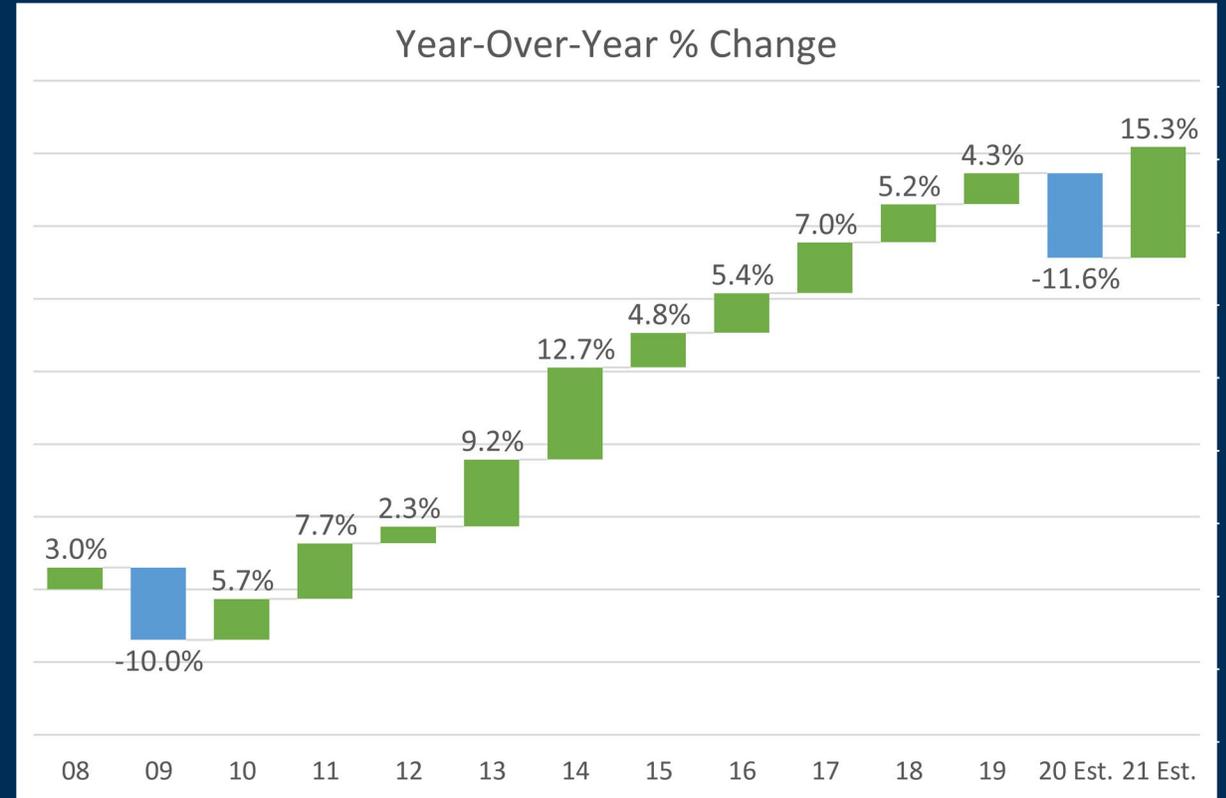
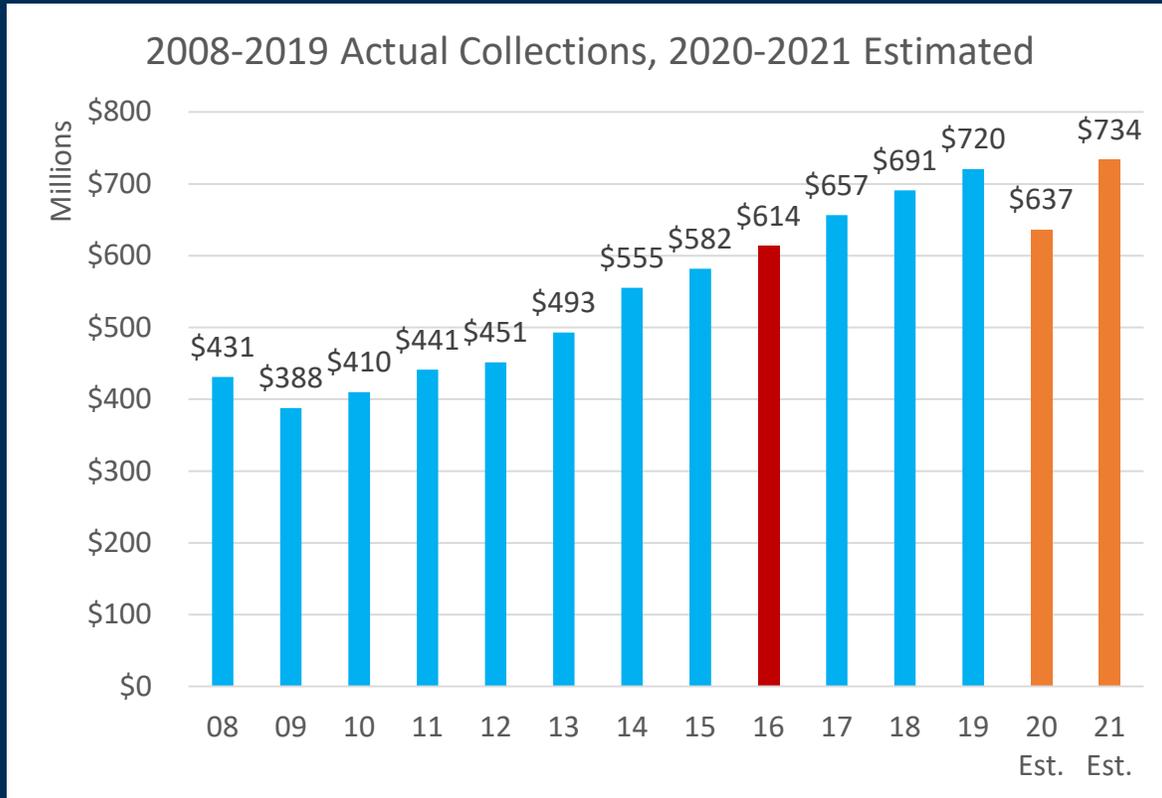
2021 Total Revenue Forecast: \$1.328B

- 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 and over the counter fees: \$3m
  - Court's research fee: \$3.1m
- Contributors to revenue loss
  - Internal service charges: -\$53.2m\*\*
  - Excise tax transfer: -22.7m

# General Fund Forecast



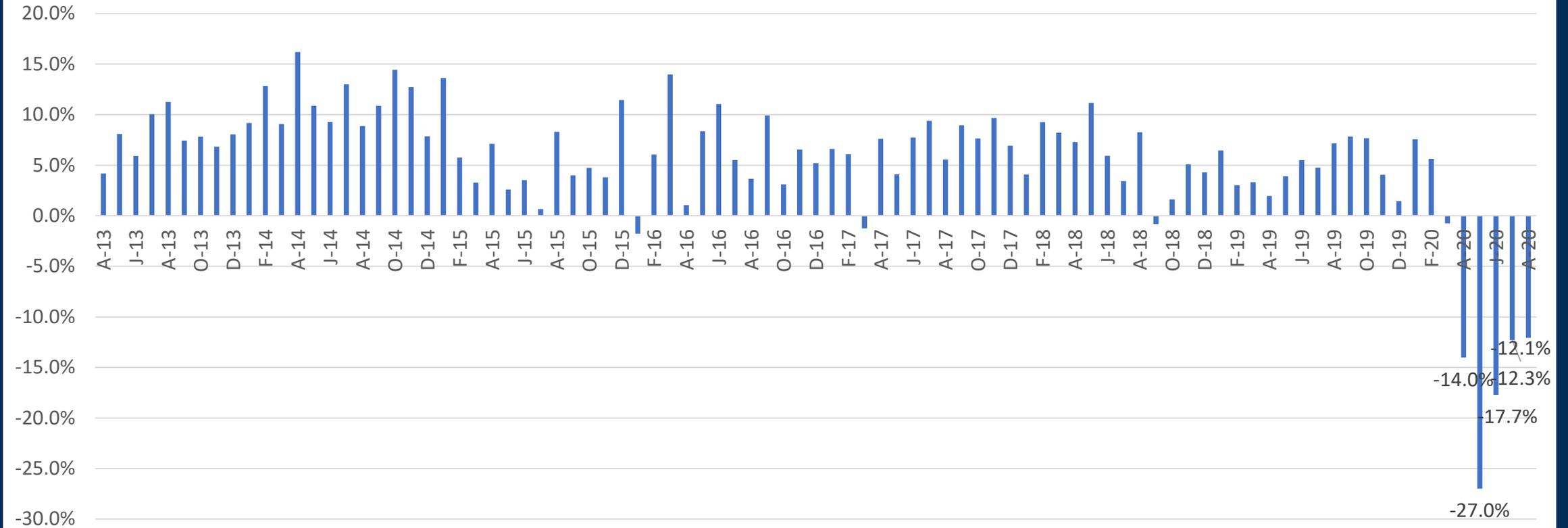
# Sales and Use Tax Forecast



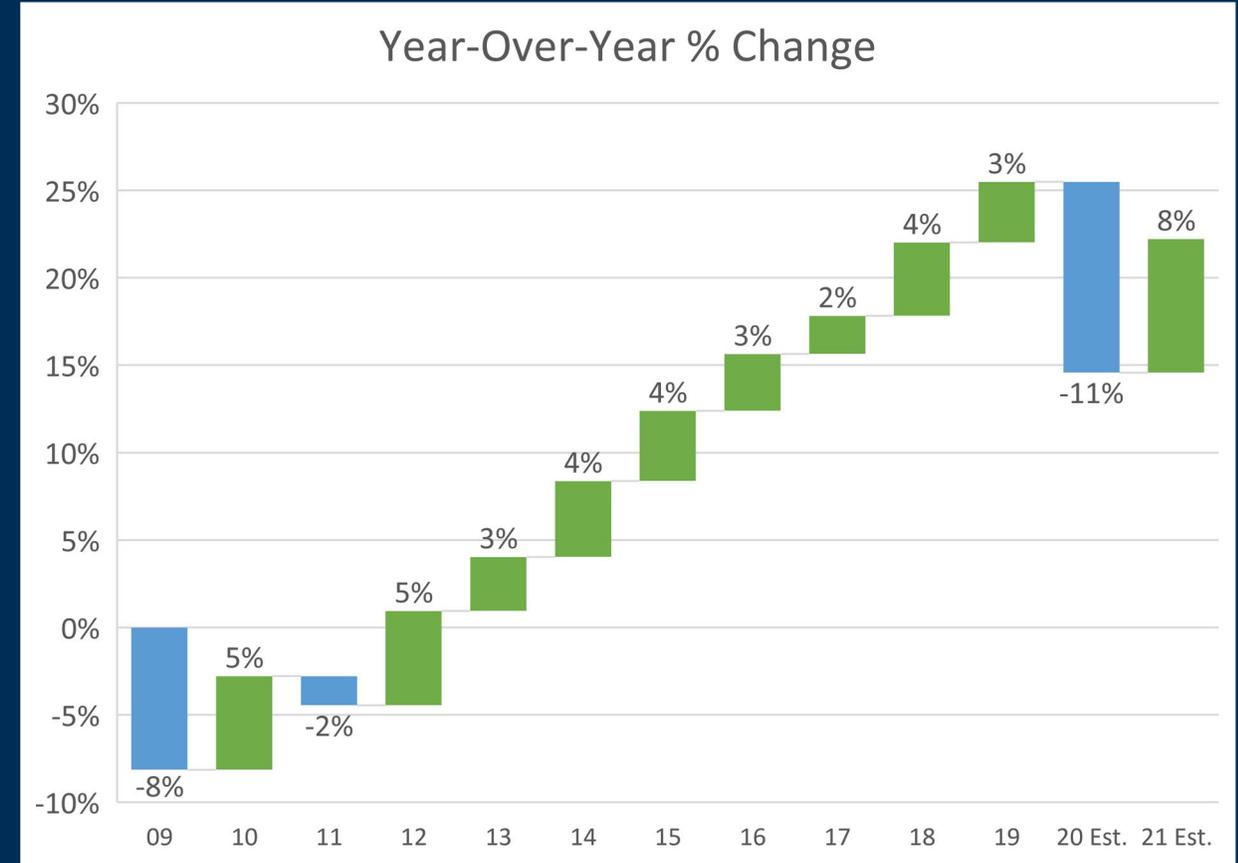
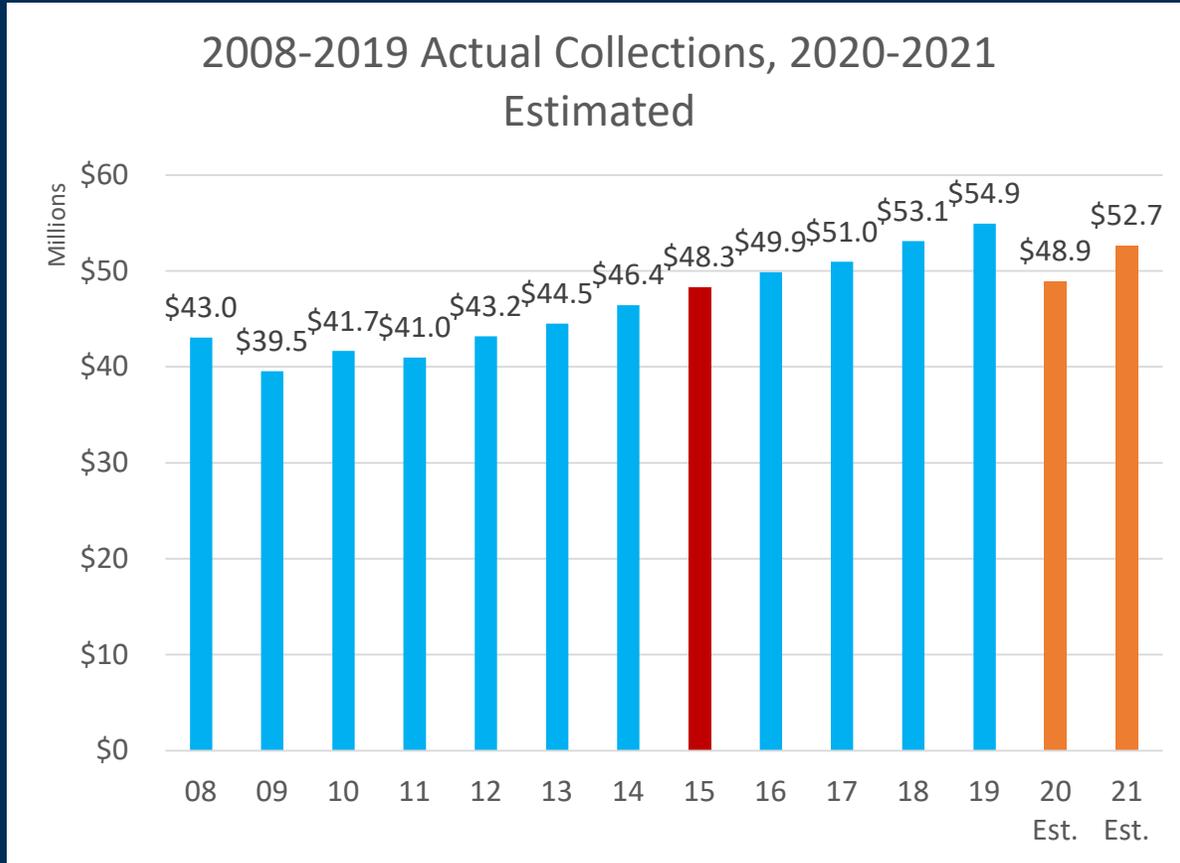
Note: 2021 factors in new sales tax revenue from out-of-state retailers and expiring TIF districts.

# 2020 Economy

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

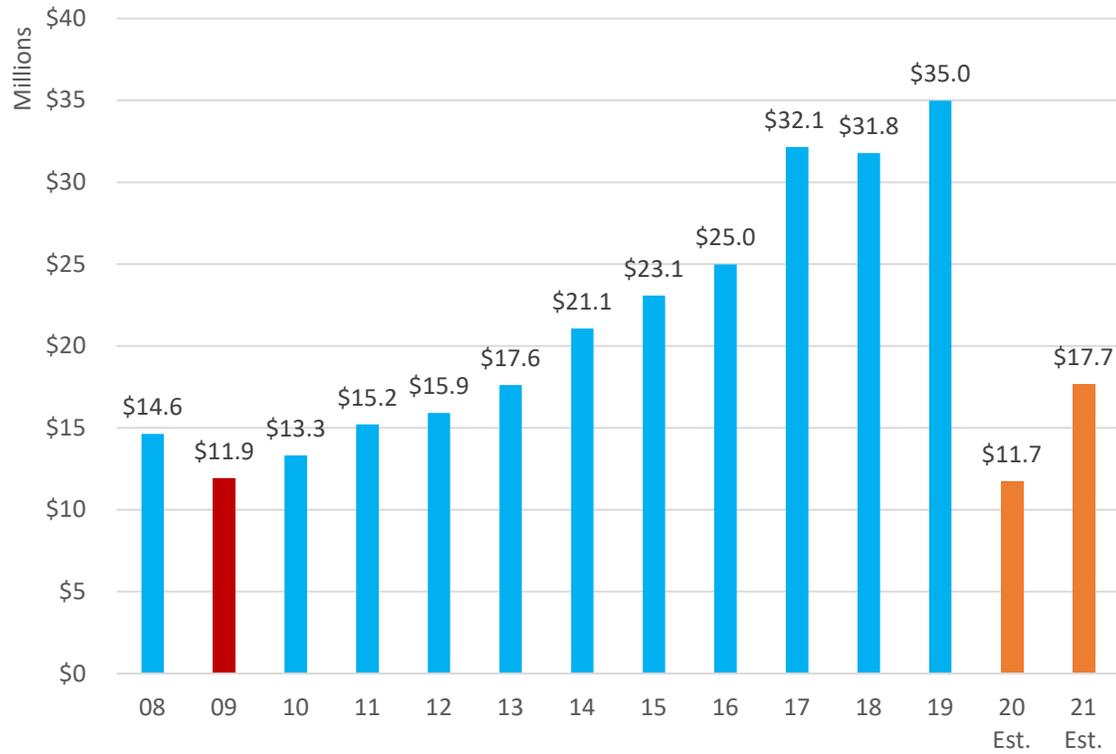


# Occupational Privilege Tax

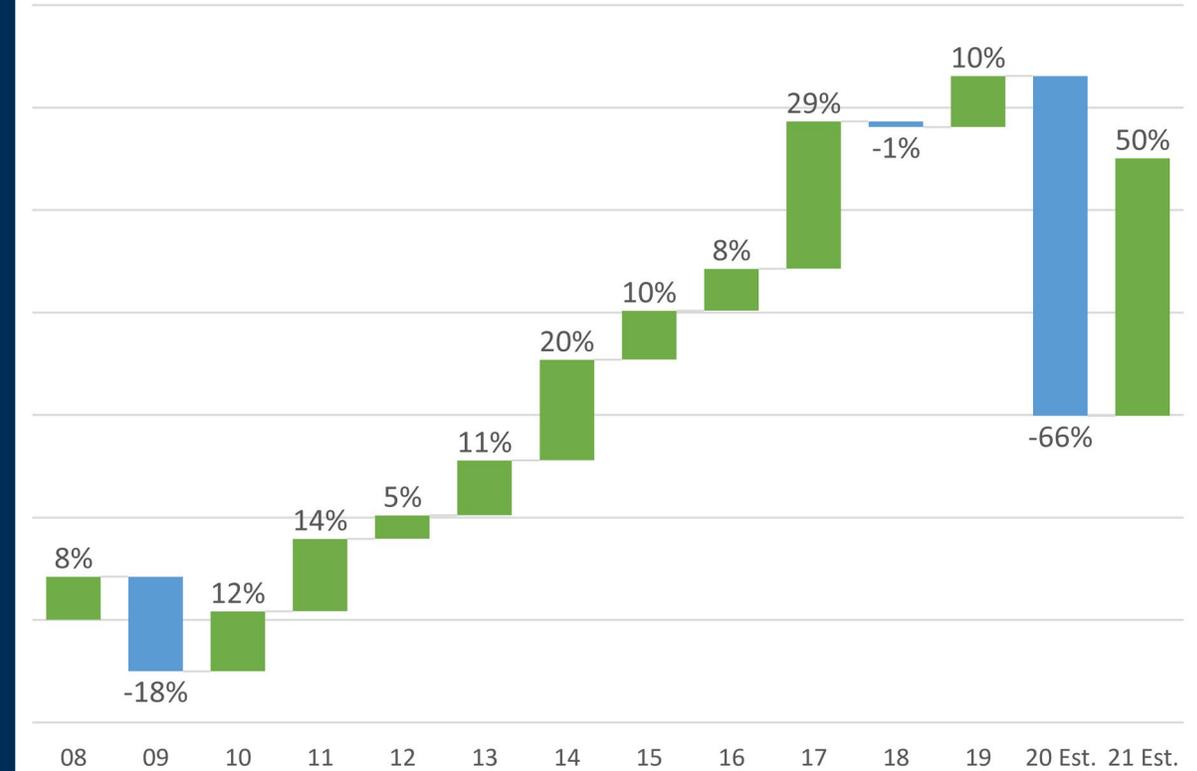


# Lodgers' Tax

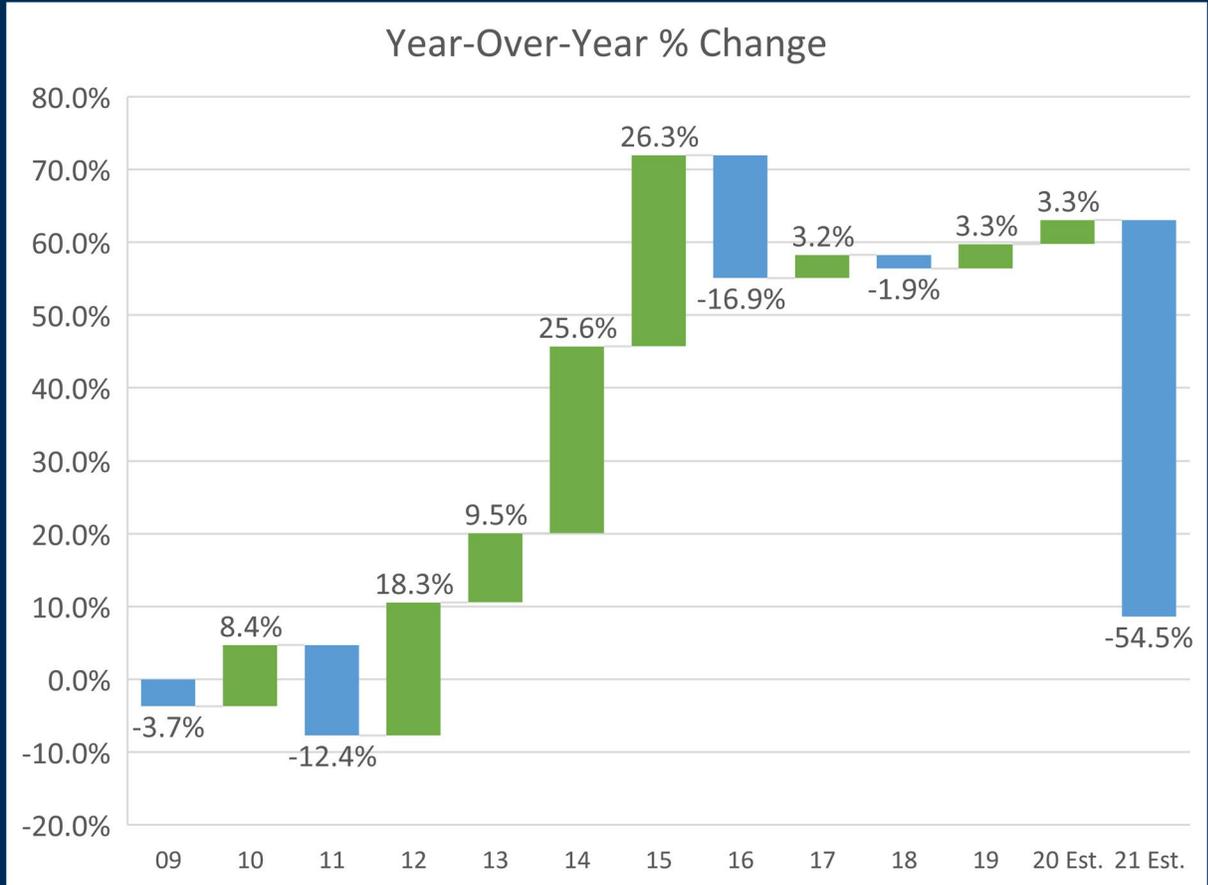
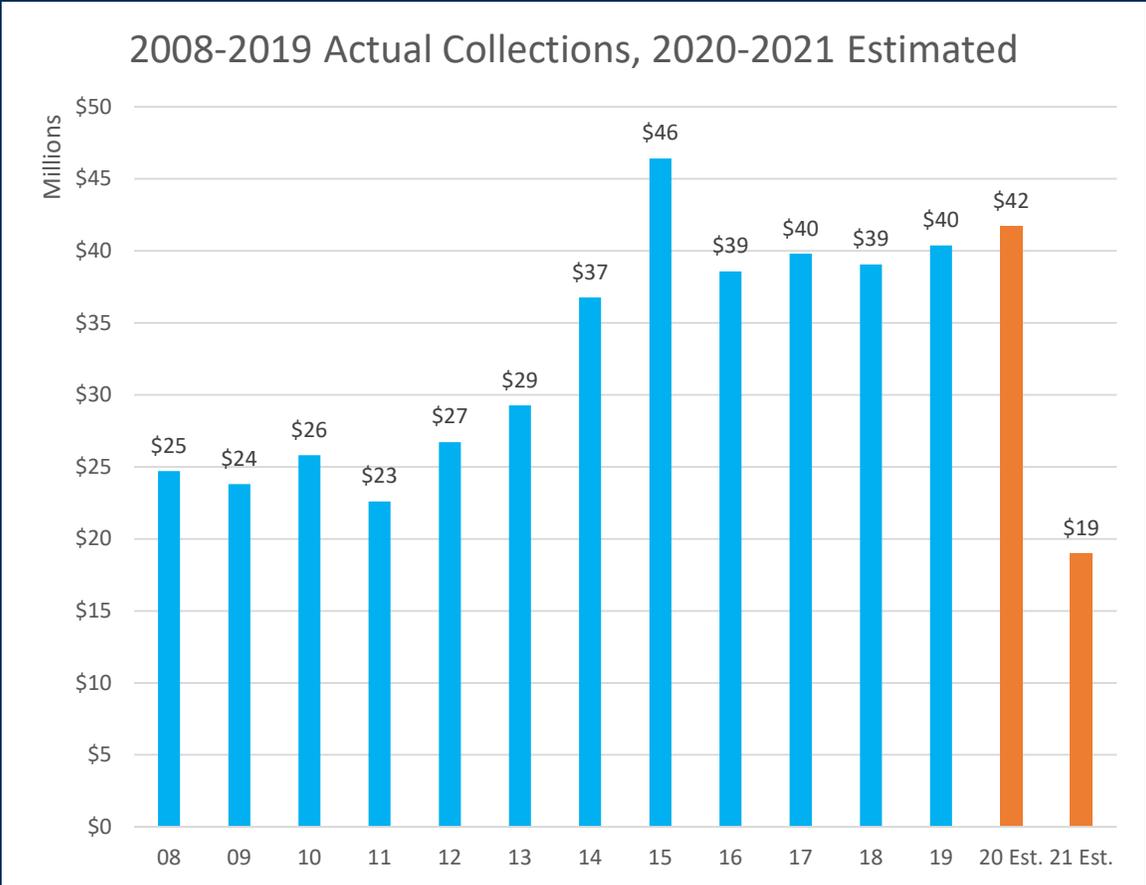
2008-2019 Actual Collections, 2020-2021 Estimated



Year-Over-Year % Change



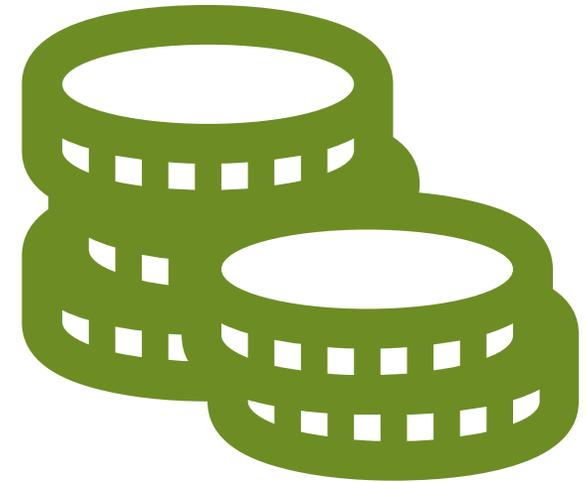
# 2C Excise Tax Transfer to the General Fund



# 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 and over the counter service fees - \$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

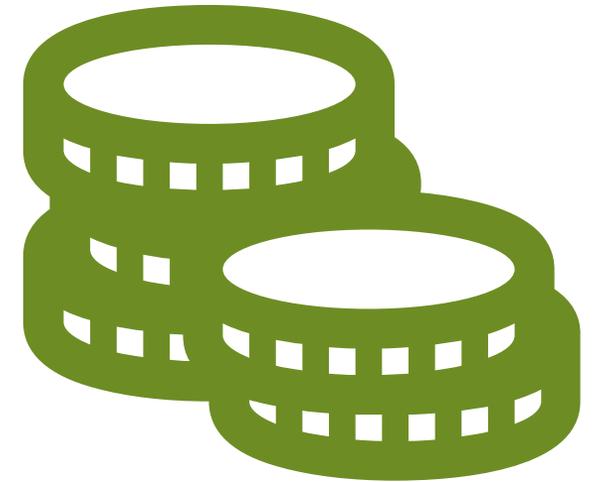
- Partial recovery from severe COVID-19 impacts realized in 2020, including recreation closures

Online and over the counter service fees: \$3m

- City no longer absorbing costs of certain online and over the counter transactions

Court's research fee: \$3.1m

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

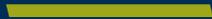


# Credited Mills

|                     | 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               |
| <b>TOTAL</b>        | <b>12.835</b>    | <b>265,870,556</b>  | <b>0.732</b>       | <b>15,164,353</b>     |

# General Fund Overview (Schedule 100)

|   | 2017<br>Final | 2018<br>Final | 2019<br>Final | 2020<br>Original | 2020<br>Revised | 2021<br>Recommended |
|---|---------------|---------------|---------------|------------------|-----------------|---------------------|
| <b>Financial Resources</b>                      |               |               |               |                  |                 |                     |
| 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         |
| <b>Uses of Resources</b>                        |               |               |               |                  |                 |                     |
| 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         |
| <b>Net Increase/(Decrease) in Fund Balance</b>  | \$6,360       | (\$31,748)    | (\$35,815)    | (\$3,699)        | (\$94,706)      | (\$3,150)           |
| <b>Beginning Budget Unassigned Fund Balance</b> | \$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                   |
| <b>Ending Budget Unassigned Fund Balance</b>    | \$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 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.

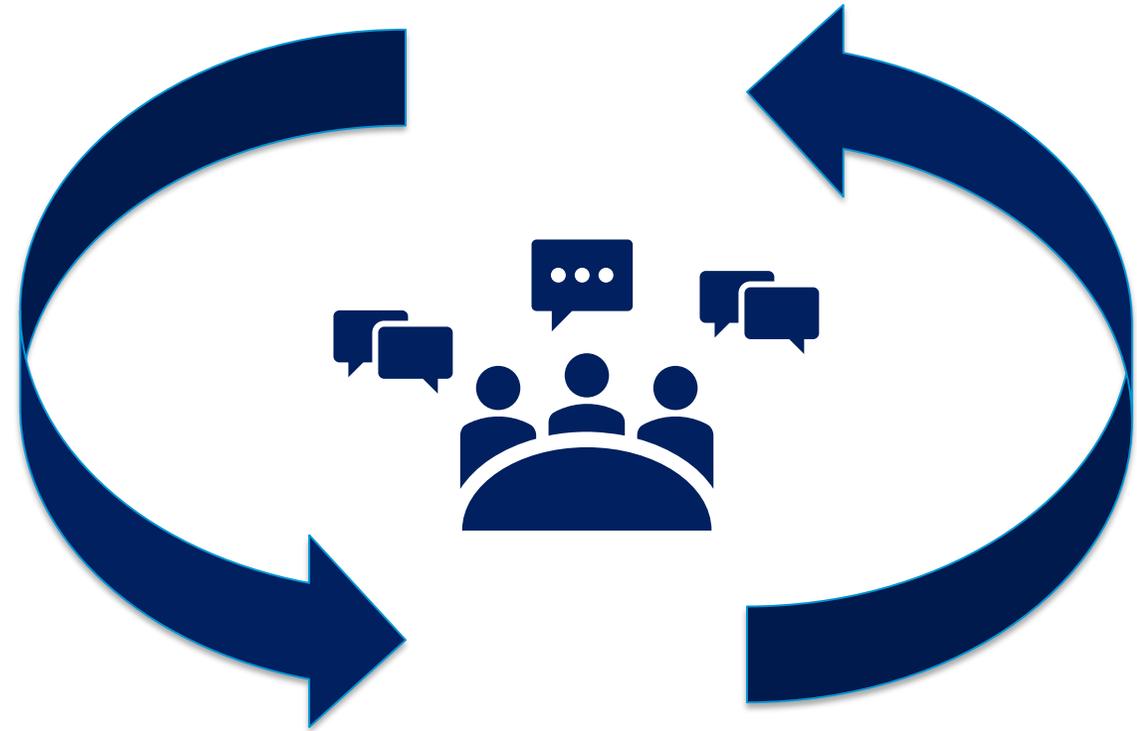
# Budget Equity Training and Development

City Agencies/departments

- 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.

# 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 48<sup>th</sup> Ave Shelter
- \$1.5 million - homeless outreach resources
- \$3.4 million - full year operation of new Solutions Center
- \$2.9 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



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# 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)

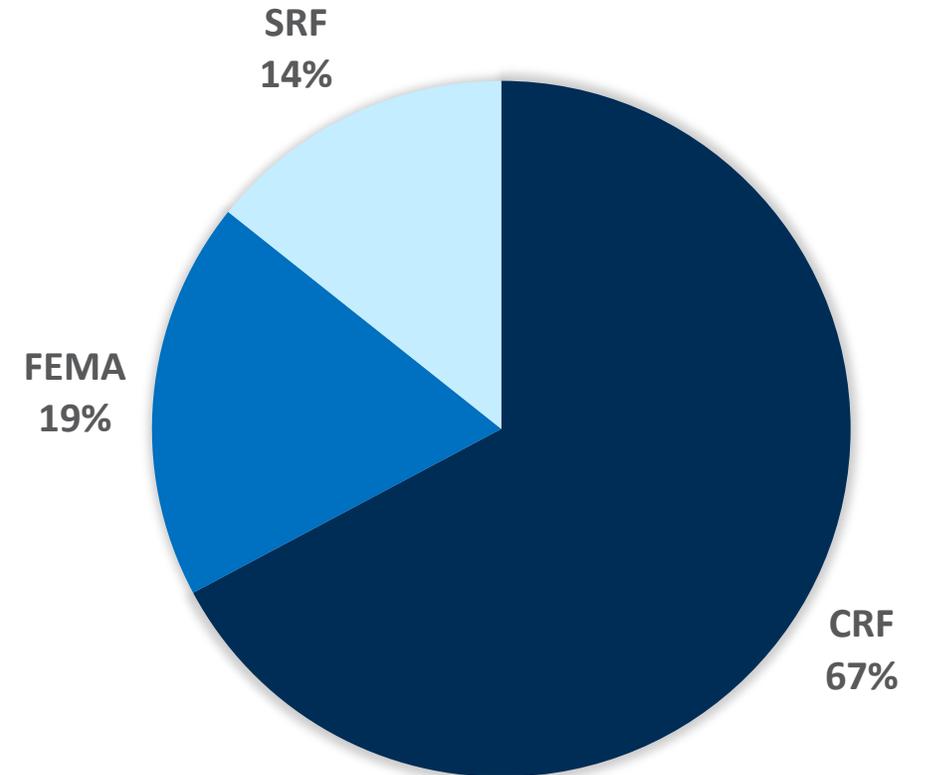
## FEMA - \$35M+

- \$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



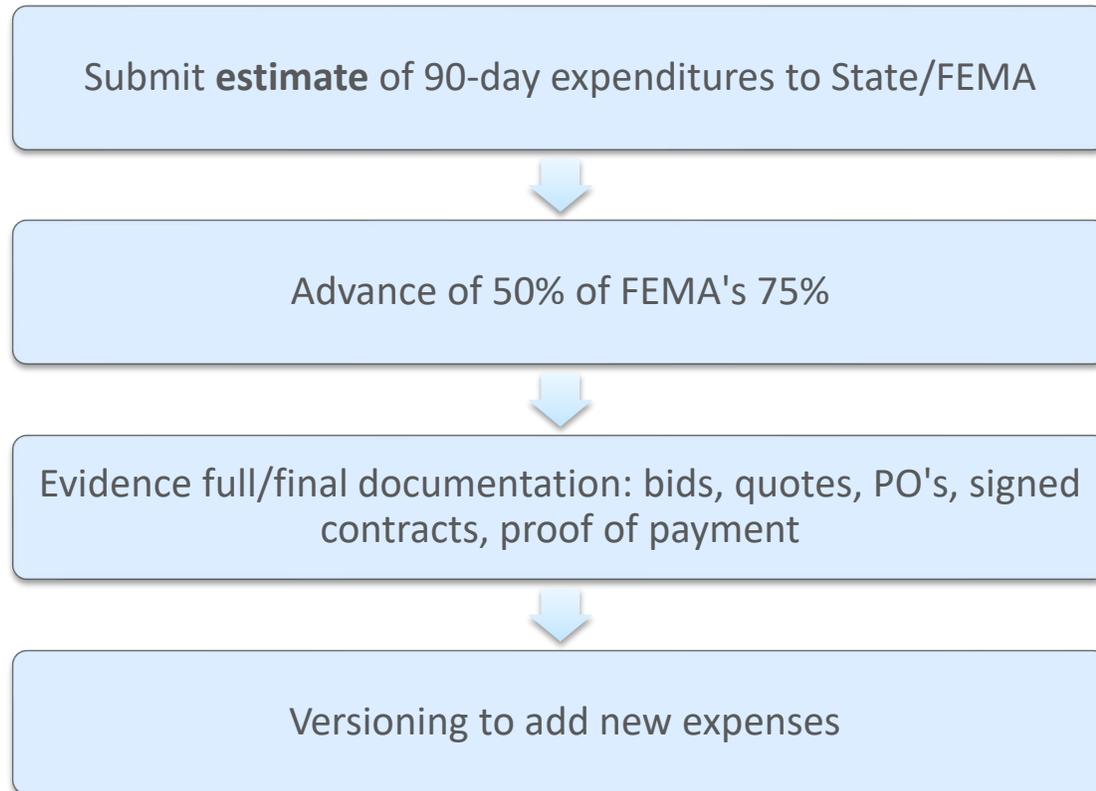
# FEMA – Initial Submission

- 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                  |
| <b><i>CITY TOTAL</i></b> | <b><i>\$17.7M</i></b> | <b><i>\$35.4M</i></b> |
| 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)

- Rent, utility and mortgage assistance programs
- Food support for vulnerable populations
- Grant programs for small businesses and non-profits
- Testing & PPE

## Phase #2

Release Date: Mid-August  
(\$26.05M)

- 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

## City Operations (\$25M)

- Accommodates some categories of payroll expenses (public health and safety employees, unemployment, paid sick leave)
- Laptops, teleworking expenses
- Some categories of technical consultative services

## Reserve + FEMA Cost Share (\$55.84M)

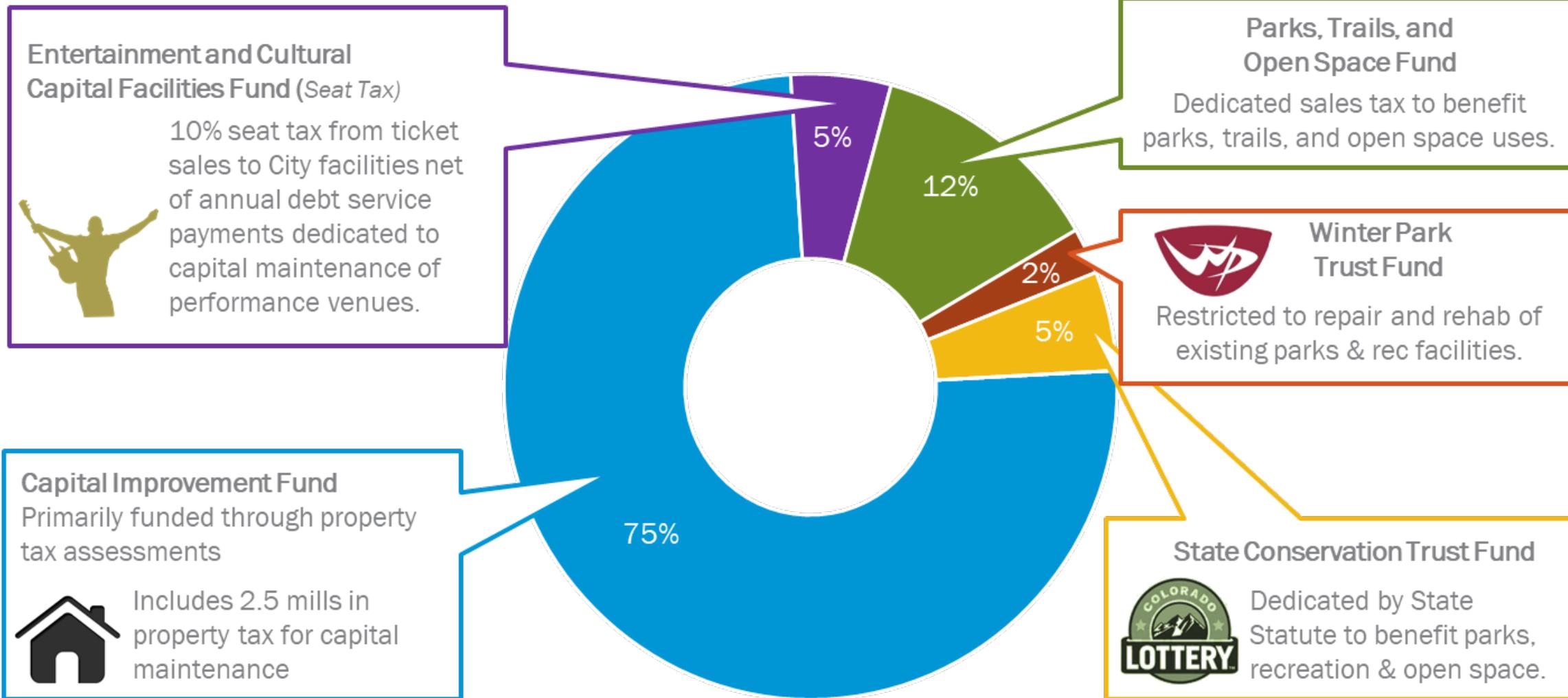
- Preserve funds for potential resurgence
- Flexibility for future needs and programs
- FEMA cost share (25% local match)

# Federal Funding – Next Steps

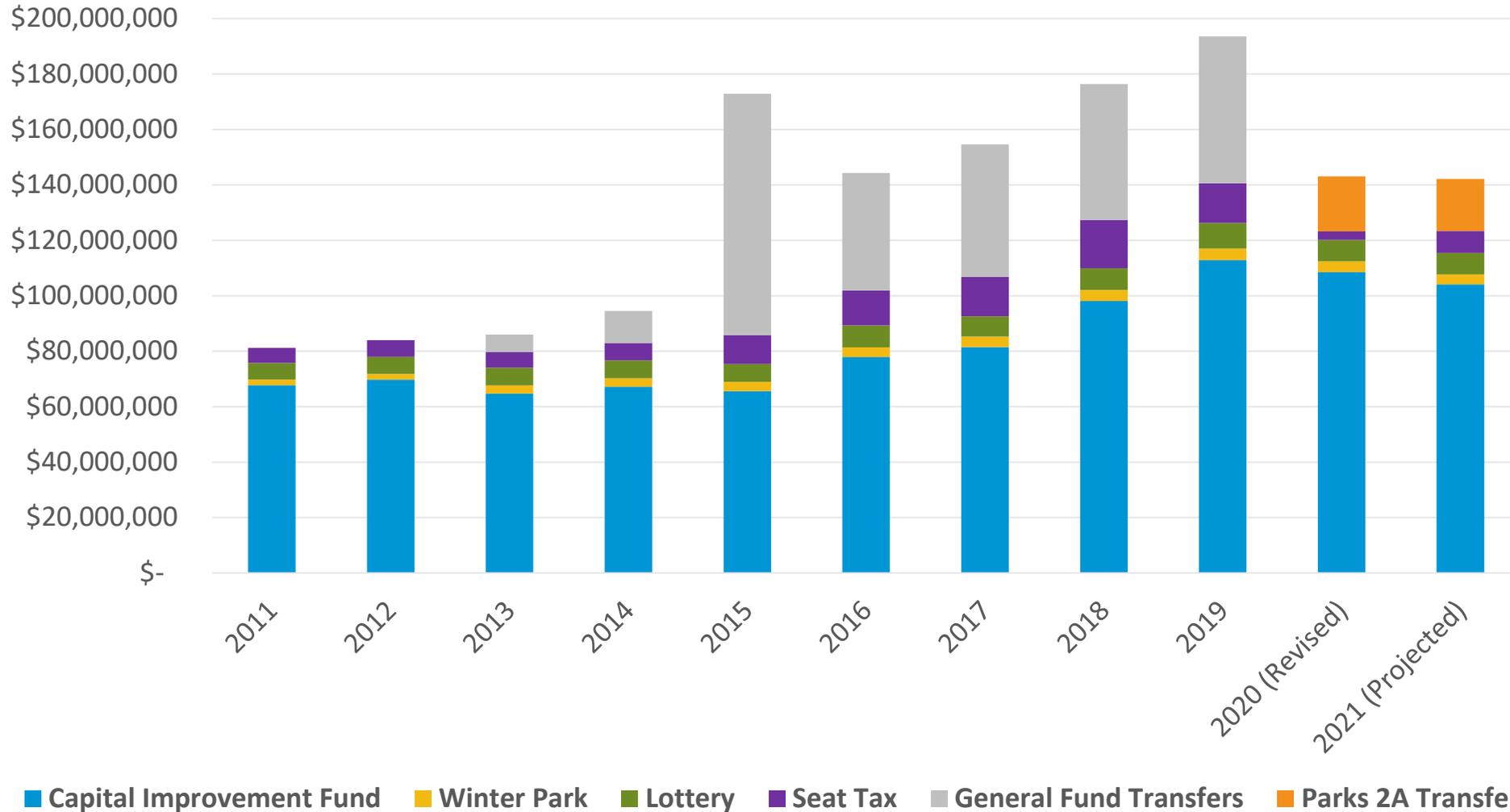
- Analyzing eligible citywide costs (unemployment, payroll, paid sick leave) to move to CRF in Q3 and Q4
- Awaiting feedback from FEMA on new Testing expedited PW and Shelter version request; FEMA determination will inform remaining CRF capacity
- If FEMA does **not** fund shelter and testing costs *OR* 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

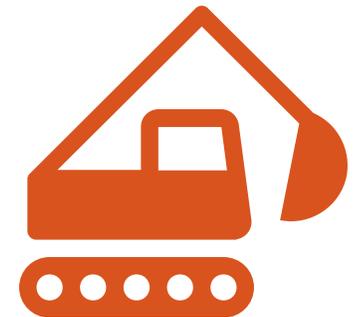
## 1) Department review of capital project budgets and schedules

- Close completed project budget balances
- Defer capital maintenance projects

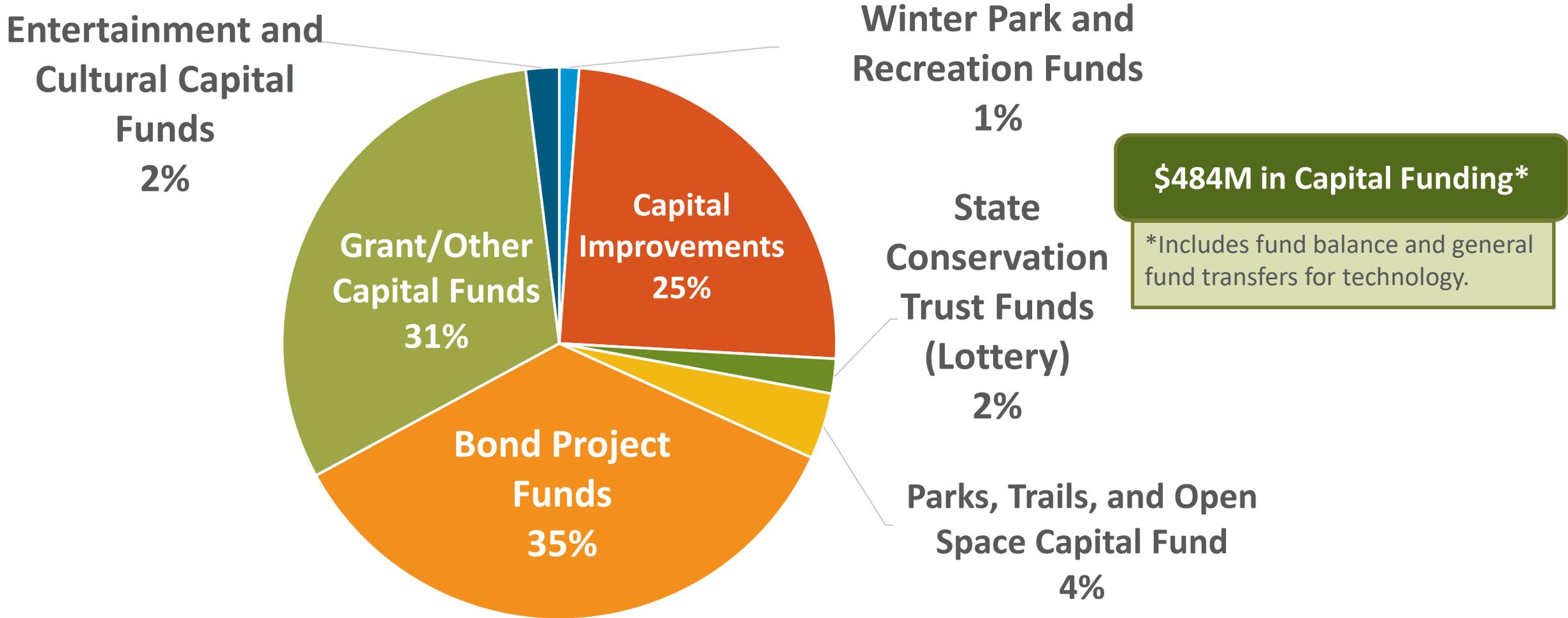
## 2) Move program management expenses to Elevate Denver Bond (\$3.75M)

## 3) Fund Balance Reserve

- Anticipate using all 2020 CIP program contingency
- 2019 revenue overperformance



# 2021 Capital Program Funding by Source

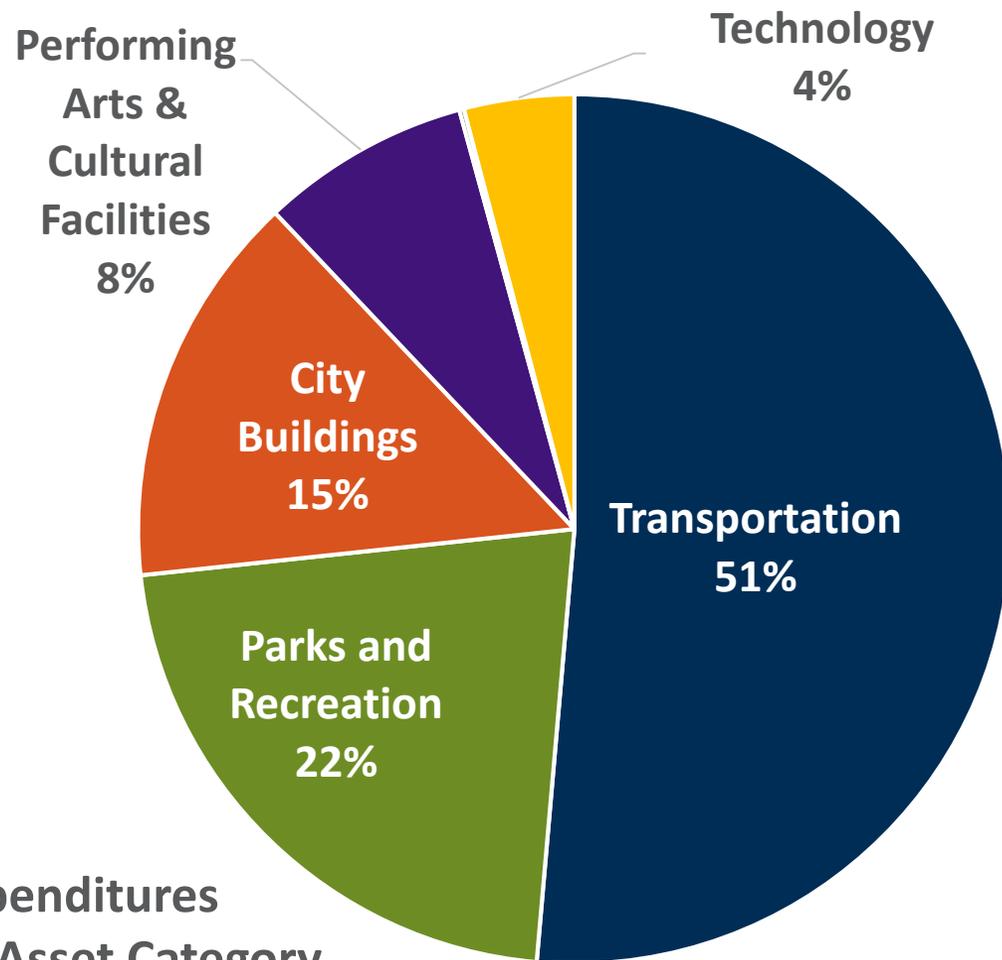


# Annual Capital Planning Process Strategies

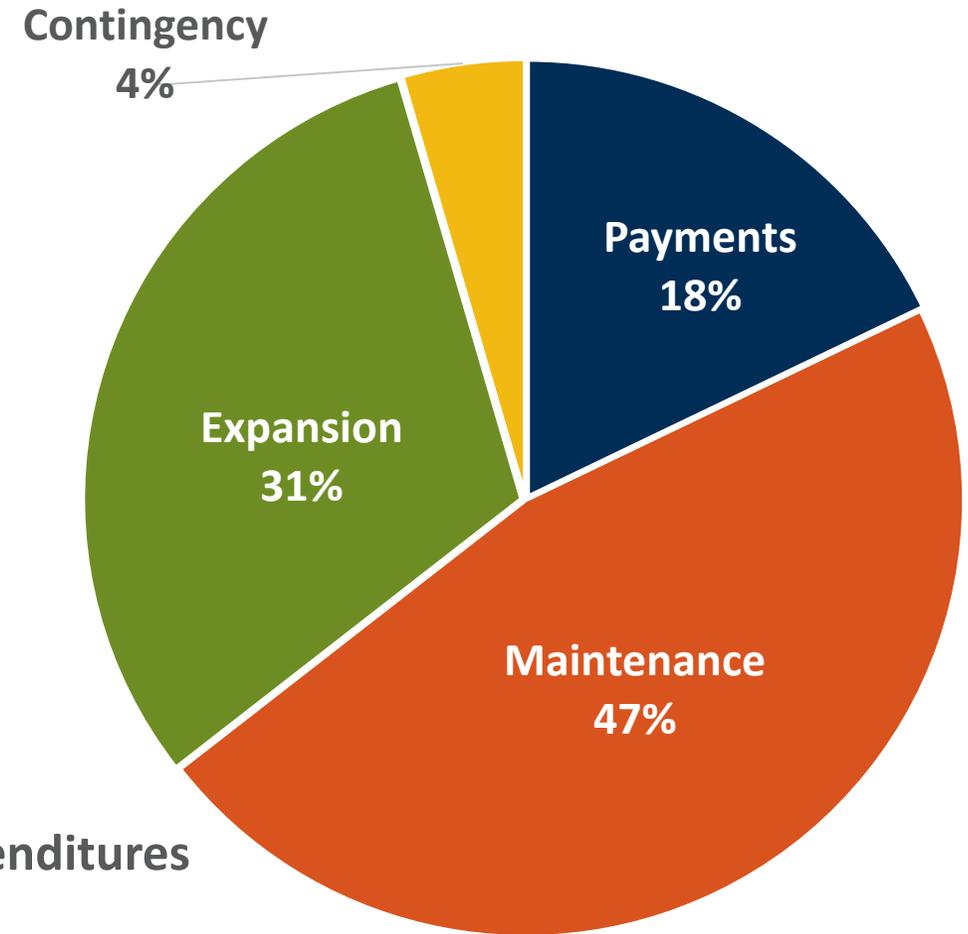
Several key strategies guided the 2021 capital planning process:

- 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

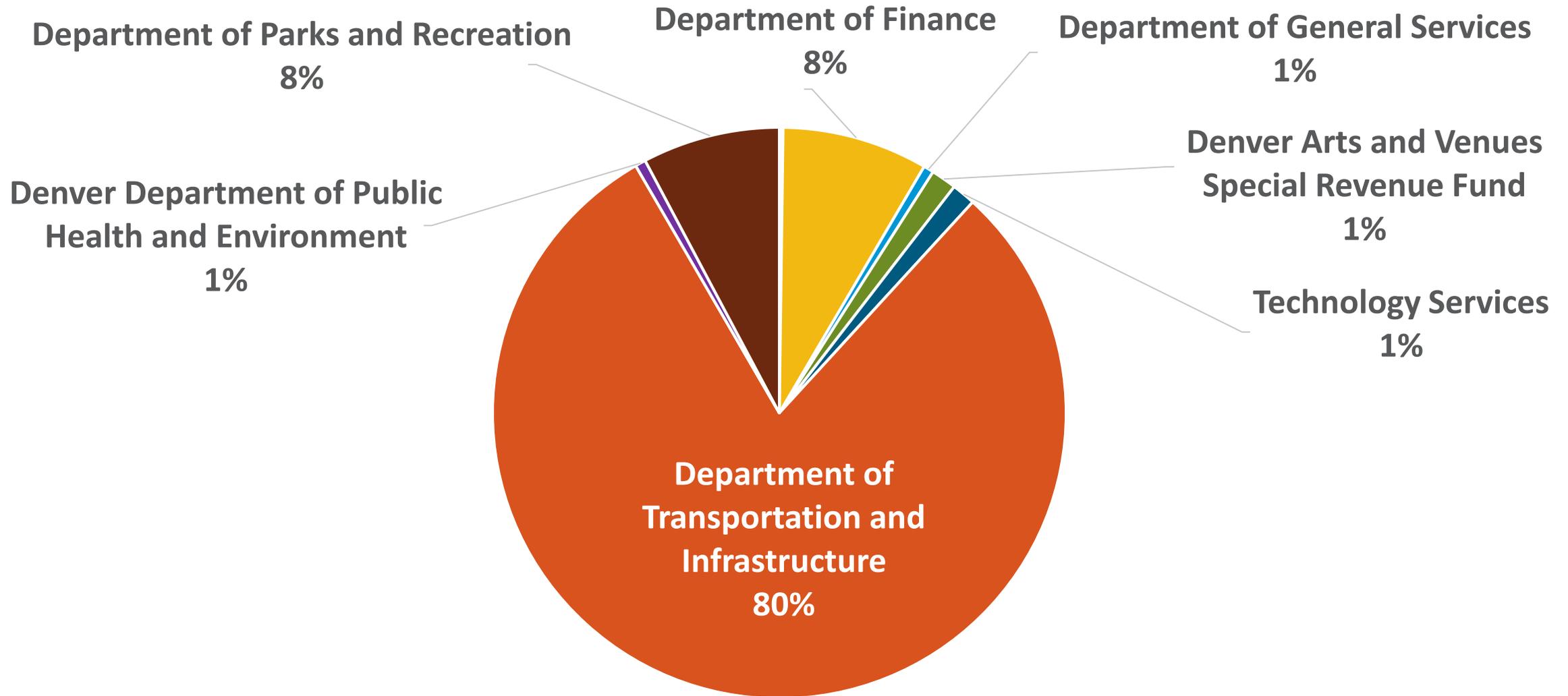


Expenditures by Asset Category



CIP Expenditures by Type

# 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 4<sup>th</sup> Issuance (**\$165M total**).
  - Sidewalks (\$3M)
  - Denver Moves Bikes (\$5M)
  - Washington Street Connections (\$2.5M)
  - Gateway Roads and Medians (\$4.1M)



## Parks and Recreation

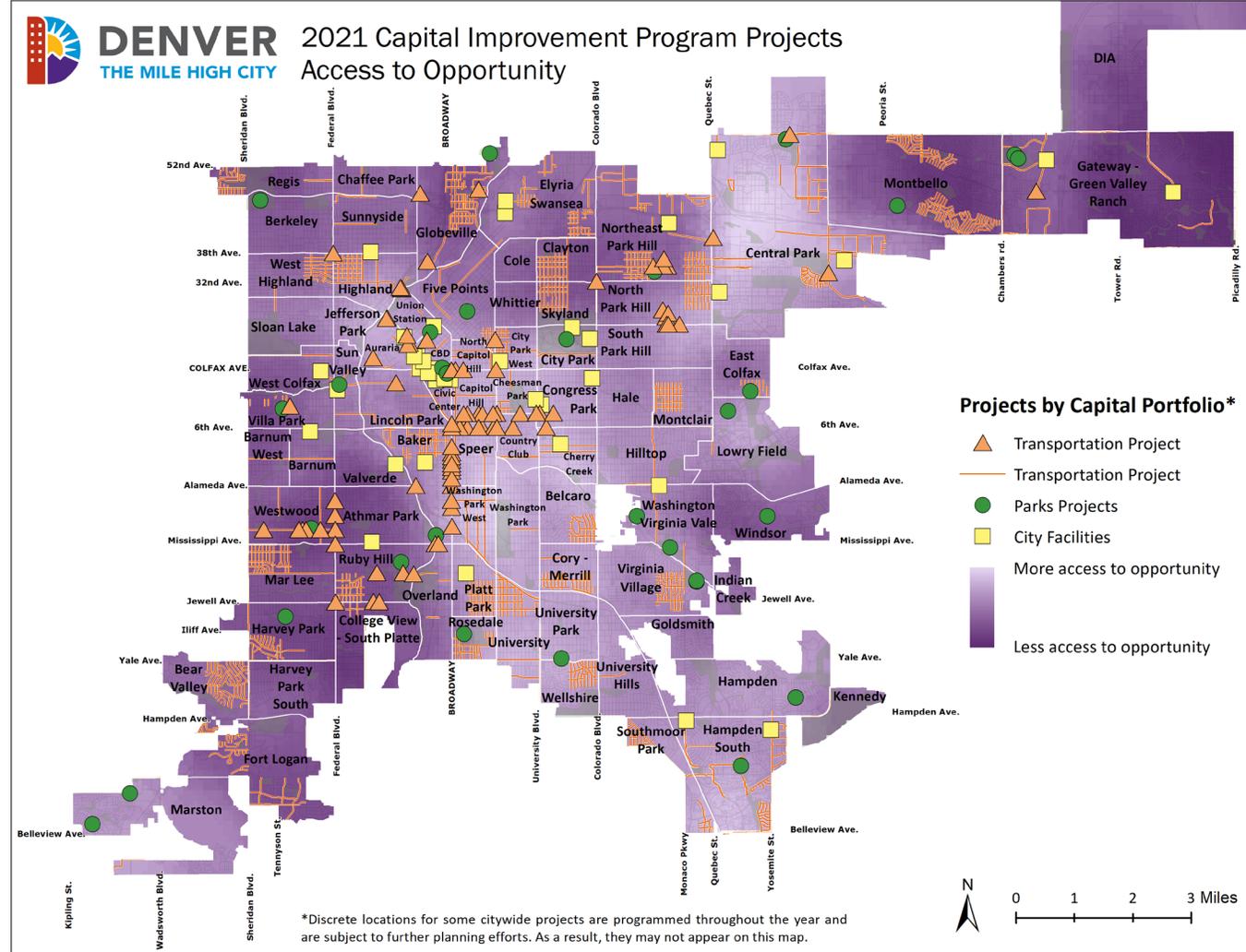
- Heron Pond Regional Park/Water Quality (\$6.2M)
- South Platte River Reconstruction (\$2M)
- City Park Master Plan Implementation (\$3M)
- Rosedale Maintenance Facility Renovation (\$2M)
- Montbello ELK Learning Center (\$2.245M)



## Facilities

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

# 2021 Capital Improvements – 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        |
| <b>Total</b>     | <b>\$ 1,664,700</b> | <b>\$ 6,515,700</b> |

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        |
| <b>Total</b>     | <b>\$ 392,100</b> | <b>\$ 454,800</b> |

# Capital - General Fund Savings Measures

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

# 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**



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# Thank You