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

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

- **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 $371,500 in mid-year reductions, including the following savings:

• $151,200 in personnel services, primarily achieved by not filling one vacant Program Administrator and one vacant Licensing Technician as well as requiring staff to take eight unpaid furlough days. Due to F&L’s streamlining of office operations, increased use of online transactions, and some reduced volume, there have been no major impacts to services in 2020.
• $150,000 in services and supplies achieved by reducing discretionary spending on travel, office supplies, and contract spending.

Please note that because these were mid-year savings, these savings were implemented in the 2020 budget and are reflected in the 2021 budget. Some of these budget reductions are set for 2021 in addition to other reductions discussed in the financial budget changes section below.

Additionally, Excise and Licenses reduced overall revenue projection by 5% due to the observed year-to-date impacts of COVID-19 on licensing and application activity. This represents a year-over-year decrease from the original budget projection in these revenue streams.

2021 Impact Description

<table>
<thead>
<tr>
<th>Description</th>
<th>FTEs</th>
<th>Dollars</th>
</tr>
</thead>
<tbody>
<tr>
<td>Administration</td>
<td>0.00</td>
<td>50,000</td>
</tr>
<tr>
<td>An increase in personnel services due to a 2020 mid-year position upgrade</td>
<td></td>
<td></td>
</tr>
<tr>
<td>from an Administrative Support Specialist to an Administrator.</td>
<td></td>
<td></td>
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<tr>
<td>An increase in personnel services due to a 2020 mid-year position upgrade</td>
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<td>50,000</td>
</tr>
<tr>
<td>from a Program Administrator to an Investigator.</td>
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<td>7,500</td>
</tr>
<tr>
<td>of two Administrative Support Specialists to Operations Supervisor.</td>
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<td></td>
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<tr>
<td>A decrease in personnel services due to a vacant Program Administrator: this</td>
<td>(1.00)</td>
<td>(125,000)</td>
</tr>
<tr>
<td>position will not be filled in 2021 and the workload will be redistributed</td>
<td></td>
<td></td>
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<tr>
<td>to existing staff.</td>
<td></td>
<td></td>
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<tr>
<td>A decrease in personnel services due to a vacant Program Administrator</td>
<td>(1.00)</td>
<td>(49,500)</td>
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<tr>
<td>expiring at the end of 2020.</td>
<td></td>
<td></td>
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<tr>
<td>A decrease in personnel services due to a vacant Licensing Technician</td>
<td>(1.00)</td>
<td>(6,200)</td>
</tr>
<tr>
<td>expiring at the end of 2020.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>A decrease in personnel services due to an unfilled position.</td>
<td>(1.00)</td>
<td>(6,200)</td>
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<tr>
<td>A decrease in services and supplies due to a temporary reduction in funding</td>
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<td>(400,000)</td>
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<tr>
<td>for the High School marijuana youth education campaign.</td>
<td></td>
<td></td>
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<tr>
<td>The program will continue in 2021 but at a reduced capacity, which will</td>
<td></td>
<td></td>
</tr>
<tr>
<td>allow staff to re-categorize the program and identify how best to allocate</td>
<td></td>
<td></td>
</tr>
<tr>
<td>funding.</td>
<td></td>
<td></td>
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<tr>
<td>A decrease in services and supplies due to a temporary reduction in</td>
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<td>(10,000)</td>
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<tr>
<td>professional services budget for a licensing analyst contract.</td>
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<tr>
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<td>(5,000)</td>
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<tr>
<td>capital equipment to align with prior year spending.</td>
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<td></td>
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</table>
Tables in the Agency Detail

### Department Table

#### Department Budget

<table>
<thead>
<tr>
<th></th>
<th>2020 Actual</th>
<th>2020 Appropriated</th>
<th>Recommended</th>
<th>Variance $</th>
<th>Variance %</th>
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</thead>
<tbody>
<tr>
<td>General Fund Expenditures by Agency</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>General Services Administration</td>
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#### General Fund Expenditures by Type

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<th>2020 Actual</th>
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<th>Recommended</th>
<th>Variance $</th>
<th>Variance %</th>
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<tbody>
<tr>
<td>Personnel Services</td>
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<td>12,459,123</td>
<td>12,459,123</td>
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<td>0.00</td>
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<tr>
<td>Goods and Services</td>
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<td>10,691,944</td>
<td>10,691,944</td>
<td>0.00</td>
<td>0.00</td>
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<tr>
<td>Capital Outlay</td>
<td>200,000</td>
<td>200,000</td>
<td>200,000</td>
<td>0.00</td>
<td>0.00</td>
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<tr>
<td>Supply and Services</td>
<td>1,235,000</td>
<td>1,235,000</td>
<td>1,235,000</td>
<td>0.00</td>
<td>0.00</td>
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<tr>
<td>Total</td>
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<td>0.00</td>
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#### General Fund Expenditures by Activity

<table>
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<th>Variance $</th>
<th>Variance %</th>
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<tr>
<td>Personnel Services</td>
<td>12,459,123</td>
<td>12,459,123</td>
<td>12,459,123</td>
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<tr>
<td>Goods and Services</td>
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<td>10,691,944</td>
<td>10,691,944</td>
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<td>0.00</td>
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<tr>
<td>Capital Outlay</td>
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<td>200,000</td>
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<td>0.00</td>
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<tr>
<td>Supply and Services</td>
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<td>1,235,000</td>
<td>1,235,000</td>
<td>0.00</td>
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</tr>
<tr>
<td>Total</td>
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<td>24,086,067</td>
<td>24,086,067</td>
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<td>0.00</td>
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#### Capital Improvement

<table>
<thead>
<tr>
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<th>2020 Actual</th>
<th>2020 Appropriated</th>
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</thead>
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<tr>
<td>Capital Improvements</td>
<td>0</td>
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<td>0</td>
<td>0.00</td>
<td>0.00</td>
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<tr>
<td>Other Capital Outlay</td>
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<td>0.00</td>
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<tr>
<td>Total</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0.00</td>
<td>0.00</td>
</tr>
</tbody>
</table>

### Budget Detail Table

#### Budget Detail

<table>
<thead>
<tr>
<th></th>
<th>2020 Actual</th>
<th>2020 Appropriated</th>
<th>Recommended</th>
<th>Variance $</th>
<th>Variance %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Personnel Services</td>
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<td>8,317,230</td>
<td>8,317,230</td>
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<td>0.00</td>
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<tr>
<td>Goods and Services</td>
<td>6,594,860</td>
<td>6,594,860</td>
<td>6,594,860</td>
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<td>0.00</td>
</tr>
<tr>
<td>Total</td>
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<td>14,912,090</td>
<td>14,912,090</td>
<td>0.00</td>
<td>0.00</td>
</tr>
</tbody>
</table>

Note that there are general fund and non general fund depending upon the size of the agency, it could be after the changes section.
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?

- No/Low Confidence or Payment will be deferred
- Moderate Confidence
- High Confidence

Graph showing the percentage distribution of responses for the use of stimulus Economic Impact Payment and confidence in paying rent or mortgage.
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

-38.0% -21.4% -10.7% -4.3% 11.3%
-36.5% -34.2% -18.6% -6.6% 12.8%
-13.5% -3.3% -4.2% 4.0%
-20.7% 19.8% 36.2%
-18.5% -11.3% -0.5%
-15.8% -2.2%
-19.2% -16.8% -9.0% -2.1%
-15.7% -16.8% -9.0% -2.1%

U.S. Retail Sales Denver Retail Sales

- Retail and Food Services YTD Monthly Sales
- Food services & drinking places
- Motor vehicle & parts dealers
- Building material & garden dealers
- Food & Beverage Stores
- Clothing & accessories
- Electronics & appliance stores
- Furniture & home stores
- Miscellaneous Store Retailers
- Nonstore Retailers (Online & mail-order)
- Department Stores
- Health & Personal Care Stores
- Sports, hobby, music & book stores
- Gas Stations
- TOTAL: RETAIL & FOOD SERVICES

16
Denver Unemployment

Weekly Unemployment Claims and Unemployment Rate, Denver

Unemployment Rate
Weekly Initial Unemployment Claims
Weekly Continued Unemployment Claims
Lodging Activity

Available vs. Occupied Room Nights, Downtown Denver

<table>
<thead>
<tr>
<th>Month</th>
<th>Available Room Nights</th>
<th>Occupied Room Nights</th>
</tr>
</thead>
<tbody>
<tr>
<td>January</td>
<td>285,138</td>
<td>268,400</td>
</tr>
<tr>
<td>February</td>
<td>245,544</td>
<td>245,544</td>
</tr>
<tr>
<td>March</td>
<td>180,754</td>
<td>180,754</td>
</tr>
<tr>
<td>April</td>
<td>100,000</td>
<td>100,000</td>
</tr>
<tr>
<td>May</td>
<td>50,000</td>
<td>50,000</td>
</tr>
<tr>
<td>June</td>
<td>150,000</td>
<td>150,000</td>
</tr>
<tr>
<td>July</td>
<td>200,000</td>
<td>200,000</td>
</tr>
</tbody>
</table>

Available vs. Occupied Room Nights, Downtown Denver

RevPAR and Occupancy %, Downtown Denver

<table>
<thead>
<tr>
<th>Month</th>
<th>RevPAR</th>
<th>Occupancy %</th>
</tr>
</thead>
<tbody>
<tr>
<td>January</td>
<td>67%</td>
<td>71%</td>
</tr>
<tr>
<td>February</td>
<td>71%</td>
<td>71%</td>
</tr>
<tr>
<td>March</td>
<td>32%</td>
<td>28%</td>
</tr>
<tr>
<td>April</td>
<td>10%</td>
<td>31%</td>
</tr>
<tr>
<td>May</td>
<td>21%</td>
<td>28%</td>
</tr>
<tr>
<td>June</td>
<td>28%</td>
<td>28%</td>
</tr>
<tr>
<td>July</td>
<td>31%</td>
<td>31%</td>
</tr>
</tbody>
</table>

*RevPAR (revenue per available room)
Unemployment Insurance

- 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.

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
**Economic Updates**

Weekly Permit Volume and Valuation

- **Year to Date Permits Issued**
  - 48 K
  - Year Over Year Change: -15.1%

- **Year to Date Permit Valuation**
  - $3.7 bn
  - $2.1 bn
  - Year Over Year Change: -43.8%

Weekly Permit Valuation and Volume (2019-2020)
Aggregate Consumer Bankcard Activity, Denver

Weekly YoY Growth by Date

Weekly YoY Growth

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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

- Baseline (Pre-Virus)
- Scenario 1
- Scenario 2 (May Forecast)
- Scenario 2 (July Revision)
- Scenario 3 (Virus Resurgence)
**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.
In 2020 and 2021, the city will reduce spending by $428M, which is 96% of the amount the city reduced over the four years of the Great Recession.
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

Total General Fund Revenue

- 2008: $866
- 2009: $810
- 2010: $903
- 2011: $935
- 2012: $1,036
- 2013: $1,125
- 2014: $1,204
- 2015: $1,309
- 2016: $1,345
- 2017: $1,406
- 2018: $1,265
- 2019: $1,328
- 2020 Est.: $1,250
- 2021 Est.: $1,370
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

2008-2019 Actual Collections, 2020-2021 Estimated

Year-Over-Year % Change

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Lodgers' Tax

2008-2019 Actual Collections, 2020-2021 Estimated

- 2008: $14.6M
- 2009: $11.9M
- 2010: $15.3M
- 2011: $15.9M
- 2012: $17.6M
- 2013: $21.1M
- 2014: $23.1M
- 2015: $25.0M
- 2016: $32.1M
- 2017: $31.8M
- 2018: $35.0M
- 2019: $17.7M
- 2020 Est.: $11.7M
- 2021 Est.: $17.7M

Year-Over-Year % Change

- 2008: 8%
- 2009: -18%
- 2010: 12%
- 2011: 14%
- 2012: 5%
- 2013: 11%
- 2014: 20%
- 2015: 10%
- 2016: 8%
- 2017: 29%
- 2018: -1%
- 2019: 10%
- 2020 Est.: 50%
- 2021 Est.: -66%
2C Excise Tax Transfer to the General Fund

2008-2019 Actual Collections, 2020-2021 Estimated

- 2008: $25
- 2009: $24
- 2010: $26
- 2011: $23
- 2012: $27
- 2013: $29
- 2014: $37
- 2015: $46
- 2016: $40
- 2017: $39
- 2018: $40
- 2019: $42
- 2020 Est.: $19

Year-Over-Year % Change

- 2009: -3.7%
- 2010: 8.4%
- 2011: 18.3%
- 2012: 9.5%
- 2013: 25.6%
- 2014: 26.3%
- 2015: -16.9%
- 2016: 3.2%
- 2017: -1.9%
- 2018: 3.3%
- 2019: 3.3%
- 2020 Est.: -54.5%
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

<table>
<thead>
<tr>
<th>Fund</th>
<th>2A Max Mill Levy</th>
<th>2A Max Property Tax</th>
<th>Restored Mill Levy</th>
<th>Restored Property Tax</th>
</tr>
</thead>
<tbody>
<tr>
<td>General Fund</td>
<td>7.881</td>
<td>163,243,164</td>
<td>0.448</td>
<td>9,276,087</td>
</tr>
<tr>
<td>Capital Improvement</td>
<td>1.917</td>
<td>39,712,283</td>
<td>0.110</td>
<td>2,279,317</td>
</tr>
<tr>
<td>Human Services</td>
<td>2.622</td>
<td>54,308,627</td>
<td>0.150</td>
<td>3,114,840</td>
</tr>
<tr>
<td>Affordable Housing</td>
<td>0.415</td>
<td>8,606,481</td>
<td>0.024</td>
<td>494,109</td>
</tr>
<tr>
<td>TOTAL</td>
<td>12.835</td>
<td>265,870,556</td>
<td>0.732</td>
<td>15,164,353</td>
</tr>
<tr>
<td>-------------------------------------</td>
<td>------------</td>
<td>------------</td>
<td>------------</td>
<td>---------------</td>
</tr>
<tr>
<td>Fund Revenues</td>
<td>$1,268,978</td>
<td>$1,305,295</td>
<td>$1,363,980</td>
<td>$1,432,241</td>
</tr>
<tr>
<td>Transfers</td>
<td>40,455</td>
<td>39,583</td>
<td>42,283</td>
<td>53,268</td>
</tr>
<tr>
<td>Total</td>
<td>$1,309,433</td>
<td>$1,344,878</td>
<td>$1,406,262</td>
<td>$1,485,509</td>
</tr>
<tr>
<td>Uses of Resources</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Annual Appropriations</td>
<td>$1,303,073</td>
<td>$1,376,626</td>
<td>$1,442,078</td>
<td>$1,475,508</td>
</tr>
<tr>
<td>General Contingency</td>
<td></td>
<td>29,200</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Estimated Unspent Appropriations</td>
<td></td>
<td></td>
<td>(15,500)</td>
<td></td>
</tr>
<tr>
<td>Identified/Sequestered Savings</td>
<td></td>
<td></td>
<td></td>
<td>(127,895)</td>
</tr>
<tr>
<td>Additional Budget Reductions</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>$1,303,073</td>
<td>$1,376,626</td>
<td>$1,442,078</td>
<td>$1,489,208</td>
</tr>
</tbody>
</table>

| 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 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

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

<table>
<thead>
<tr>
<th>Department</th>
<th>Salary</th>
<th>Health</th>
<th>Retiree Health</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>DPD</td>
<td>TBD</td>
<td>TBD</td>
<td>TBD</td>
<td>TBD</td>
</tr>
<tr>
<td>DFD</td>
<td>$4,268,700</td>
<td>$333,000</td>
<td>TBD</td>
<td>$4,601,700</td>
</tr>
<tr>
<td>DSD</td>
<td>TBD</td>
<td>TBD</td>
<td>TBD</td>
<td>TBD</td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th>FTE Numbers</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>GF Employees Enrolled</td>
<td>181</td>
</tr>
<tr>
<td>GF Backfilled in 2021</td>
<td>65</td>
</tr>
<tr>
<td>Net</td>
<td>116</td>
</tr>
</tbody>
</table>

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>2021 GF Salary Savings</td>
<td>($12,658,200)</td>
</tr>
<tr>
<td>2021 GF Incentive Payment</td>
<td>$2,628,000</td>
</tr>
<tr>
<td>2021 Unfunded Liability</td>
<td>$3,700,000</td>
</tr>
<tr>
<td>Net</td>
<td>($6,330,000)</td>
</tr>
</tbody>
</table>
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
- $2.9 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
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**

- CRF 67%
- FEMA 19%
- SRF 14%
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

<table>
<thead>
<tr>
<th></th>
<th>Cash Advance</th>
<th>FEMA Obligation</th>
</tr>
</thead>
<tbody>
<tr>
<td>PPE</td>
<td>$6M</td>
<td>$12M</td>
</tr>
<tr>
<td>Shelter</td>
<td>$10M</td>
<td>$20M</td>
</tr>
<tr>
<td>EOC Expenses</td>
<td>$1.5M</td>
<td>$3M</td>
</tr>
<tr>
<td>CITY TOTAL</td>
<td><strong>$17.7M</strong></td>
<td><strong>$35.4M</strong></td>
</tr>
<tr>
<td>DEN</td>
<td>$2M</td>
<td>$4M</td>
</tr>
<tr>
<td>DHHA</td>
<td>$19M</td>
<td>$38M</td>
</tr>
</tbody>
</table>
FEMA Process

### Expedited PW Process

1. **Submit estimate** of 90-day expenditures to State/FEMA
2. **Advance of 50% of** FEMA’s 75%
3. **Evidence full/final documentation:** bids, quotes, PO’s, signed contracts, proof of payment
4. **Versioning to add new expenses**

- 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

<table>
<thead>
<tr>
<th>Phase #1</th>
<th>Rent, utility and mortgage assistance programs</th>
<th>Food support for vulnerable populations</th>
<th>Grant programs for small businesses and non-profits</th>
<th>Testing &amp; PPE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Release Date: May 19th</td>
<td>($20M)</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Phase #2</th>
<th>Additional small business and non-profit support</th>
<th>Support for artists and cultural orgs.</th>
<th>Additional shelter space</th>
<th>Additional food assistance</th>
<th>Social equity and innovation support</th>
<th>Left behind workers</th>
</tr>
</thead>
<tbody>
<tr>
<td>Release Date: Mid-August</td>
<td>($26.05M)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>City Operations</th>
<th>Accommodates some categories of payroll expenses (public health and safety employees, unemployment, paid sick leave)</th>
<th>Laptops, teleworking expenses</th>
<th>Some categories of technical consultative services</th>
</tr>
</thead>
<tbody>
<tr>
<td>($25M)</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Reserve + FEMA Cost Share</th>
<th>Preserve funds for potential resurgence</th>
<th>Flexibility for future needs and programs</th>
<th>FEMA cost share (25% local match)</th>
</tr>
</thead>
<tbody>
<tr>
<td>($55.84M)</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
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

**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.

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

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

**State Conservation Trust Fund**
Dedicated by State Statute to benefit parks, recreation & open space.

**Capital Improvement Fund**
Primarily funded through property tax assessments
Includes 2.5 mills in property tax for capital maintenance
-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

- **Grant/Other Capital Funds**: 31%
- **Bond Project Funds**: 35%
- **Capital Improvements**: 25%
- **Winter Park and Recreation Funds**: 1%
- **State Conservation Trust Funds (Lottery)**: 2%
- **Parks, Trails, and Open Space Capital Fund**: 4%
- **Entertainment and Cultural Capital Funds**: 2%

Total Capital Funding: $484M

*Includes fund balance and general fund transfers for technology.
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:
- Transportation: 51%
- City Buildings: 15%
- Parks and Recreation: 22%
- Performing Arts & Cultural Facilities: 8%
- Technology: 4%
- Contingency: 4%

CIP Expenditures by Type:
- Payments: 18%
- Expansion: 31%
- Maintenance: 47%
2020 Capital Program Funding by Department

- Department of Parks and Recreation: 8%
- Denver Department of Public Health and Environment: 1%
- Department of Finance: 8%
- Department of General Services: 1%
- Denver Arts and Venues Special Revenue Fund: 1%
- Technology Services: 1%
- Department of Transportation and Infrastructure: 80%
## 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)
2021 Capital Improvements – Access to Opportunity

*Discrete locations for some citywide projects are programmed throughout the year and are subject to further planning efforts. As a result, they may not appear on this map.

Projects by Capital Portfolio*
- Transportation Project
- Parks Projects
- City Facilities
- More access to opportunity
- Less access to opportunity

*311 | POCKETGOV | DENVERGOV.ORG | DENVER 8 TV
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
  o 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
  o DEDO positions supported by general fund transfer
• Able to retain staff supporting the delivery of capital projects

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

<table>
<thead>
<tr>
<th>Department</th>
<th>2020</th>
<th>2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>Arts and Venues</td>
<td>$205,300</td>
<td>$259,000</td>
</tr>
<tr>
<td>DEDO - Workforce</td>
<td>$186,800</td>
<td>$195,800</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>$392,100</td>
<td>$454,800</td>
</tr>
</tbody>
</table>
Several eligible costs to support project delivery have been shifted to CIP and the Elevate Bond program to provide general fund savings in 2020 and 2021:

<table>
<thead>
<tr>
<th>Capital Improvement Program (2021 only)</th>
<th>Elevate Denver Bond (2020/2021)</th>
</tr>
</thead>
<tbody>
<tr>
<td>• $2.45M for project/program management services (Parks, DOTI, and DOF)</td>
<td>• $7.5M program management services ($3.75M for 2020/2021) previously supported by general fund transfer to CIP</td>
</tr>
<tr>
<td>• $2.75M for charging of salaries for city project management staff supporting delivery of CIP projects</td>
<td>• $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</td>
</tr>
</tbody>
</table>
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