



# **Pre-Budget Review**

August 22, 2017

# Overview

- Revenue and Expenditure Projections
- General Fund Five-Year Projections
- Capital Projects Fund Five-Year Projections
- Conclusions and Path Forward

# General Fund Revenues

- Sales and Use tax revenues (51%)
  - Largest revenue source
  - Average increase over next five years is 2.61%
- Intergovernmental Revenues (26%)
  - Second largest revenue source
  - Primarily consists of fire service contract reimbursements
  - Increases/decreases dependent on fire service expenditures
- Property tax revenues (9%)
  - A 16% increase was experienced in 2016
  - A 17% increase is expected in 2018
- Overall average increase in revenues through 2022 is 2.73%

# General Fund Expenditures

- Municipalities provide many services to citizens
- Personnel costs are about 77% of total expenditures
- Average increase for personnel costs through 2022 is 3.61%
  - Colorado economy is strong
  - City is competing for qualified staff
  - Employee retention concerns
- Overall average increase in expenditures through 2022 is 3.07%



# **GENERAL FUND FIVE-YEAR PROJECTIONS**

# General Fund Five-Year Projections

- Fiscally constrained through 2022
  - Operating revenues will not exceed operating expenditures
  - Ending fund balance will be 17% of current year's estimated operating expenditures
  - Continuation of the total compensation plan approved by council in 2014
- Changes implemented
  - 2018 budget very constrained – “status quo” budget
  - No transfers to the Capital Projects Fund after 2016
  - No new employee positions incorporated into future projections
  - A reduction of expenditures in 2019 and 2020 of \$200,000 each year required to maintain the reserve

# Changes From Last Review

- Slight revenue adjustments
- Increased expenditure estimates for 2017
- TABOR impact to minimum fund balance requirement
- Property and liability costs
- Full elimination of transfers to Capital Projects Fund
- Review of emergency medical service costs
  - Changes in program
  - Performed a five-year projection
  - May not be sustainable as a TABOR enterprise

# Sustainability

- The General Fund is not sustainable past 2022 without significant changes
  - Priority based budgeting
  - Discussion of level of service
  - Contracting services



# Revenue Options

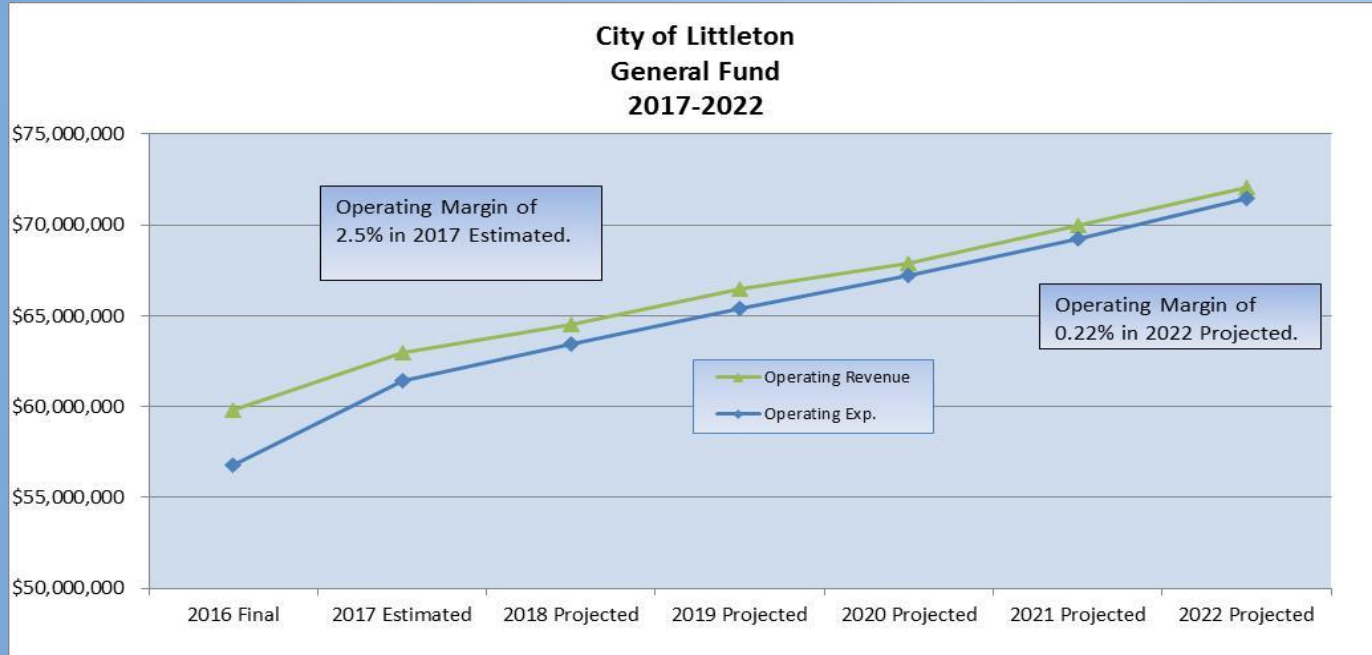
- Additional revenues may be needed to maintain a fiscally constrained five-year plan past 2022
- List of revenue options to be discussed at the budget sessions in September

# General Fund Five-Year Projections

Description	2016 Final	2017 Estimated	2018 Projected	2019 Projected	2020 Projected	2021 Projected	2022 Projected
<b>Operating Revenues</b>	\$ 59,779,618	\$ 62,999,311	\$ 64,553,315	\$ 66,481,316	\$ 67,883,863	\$ 69,955,843	\$ 72,060,004
<b>Operating Expenditures</b>	\$ 56,776,745	\$ 61,425,490	\$ 63,480,970	\$ 65,380,546	\$ 67,217,222	\$ 69,262,985	\$ 71,438,428
<b>Net Oper. Rev.</b>	\$ 3,002,873	\$ 1,573,821	\$ 1,072,345	\$ 1,100,770	\$ 666,641	\$ 692,858	\$ 621,576
<b>Net Transfers In/Out</b>	\$ (3,682,070)	\$ (529,710)	\$ (414,260)	\$ (432,902)	\$ (452,382)	\$ (472,739)	\$ (494,013)
<b>Net Cash Flow</b>	\$ (679,197)	\$ 1,044,111	\$ 658,085	\$ 667,868	\$ 214,259	\$ 220,119	\$ 127,563
<b>Begin. Fund Balance</b>	\$ 9,829,570	\$ 9,150,373	\$ 10,194,484	\$ 10,852,569	\$ 11,520,437	\$ 11,734,696	\$ 11,954,815
<b>End. Fund Balance</b>	\$ 9,150,373	\$ 10,194,484	\$ 10,852,569	\$ 11,520,437	\$ 11,734,696	\$ 11,954,815	\$ 12,082,378
<b>Operating Margin</b>	5.02%	2.50%	1.66%	1.66%	0.98%	0.99%	0.86%

# General Fund Five-Year Projections

*(cont.)*



# General Fund Five-Year Projections

## (cont.)

City of Littleton  
General Fund Sources / Uses  
2017-2022 Financial Projections

8/15/17

	2016 Final	2016 Change from 2015	Approved 2017 Budget	2017 Estimated	2017 Change from 2016	2018 Projected	2018 Change from 2017	2019 Projected	2019 Change from 2018	2020 Projected	2020 Change from 2019	2021 Projected	2021 Change from 2020	2022 Projected	2022 Change from 2021
<b>REVENUES</b>															
Taxes:															
Sales and Use Taxes	\$30,984,140	1.9%	\$32,162,980	\$32,858,068	6.1%	\$33,233,530	3.3%	\$34,263,911	3.1%	\$35,195,910	2.7%	\$36,375,692	3.4%	\$37,560,591	3.3%
Franchise and Other Taxes	2,769,574	2.0%	2,804,500	2,783,760	0.5%	2,830,300	0.9%	2,882,766	1.9%	2,937,282	1.9%	2,991,867	1.9%	3,047,545	1.9%
Total Taxes	\$33,753,714	1.9%	\$34,967,480	\$35,641,828	5.6%	\$36,063,830	1.2%	\$37,146,677	3.0%	\$38,133,192	2.7%	\$39,367,559	3.2%	\$40,608,136	3.2%
Property Tax*	4,708,640	15.4%	4,823,000	4,833,300	2.7%	5,663,236	17.2%	5,776,501	2.0%	5,487,676	-5.0%	5,597,430	2.0%	5,709,379	2.0%
Intergovernmental	14,663,592	10.6%	17,011,540	16,583,714	13.1%	16,850,652	1.6%	17,480,504	3.7%	18,081,058	3.4%	18,702,293	3.4%	19,344,923	3.4%
Other Revenues	6,653,672	-27.4%	5,907,210	5,940,469	-10.7%	5,975,597	0.6%	6,077,634	1.7%	6,181,937	1.7%	6,288,561	1.7%	6,397,566	1.7%
Total Revenues	\$59,779,618	5.1%	\$62,709,230	\$62,999,311	5.4%	\$64,553,315	2.5%	\$66,481,316	3.0%	\$67,883,863	2.1%	\$69,955,843	3.1%	\$72,060,004	3.0%
<b>EXPENDITURES</b>															
Personnel Costs	\$44,625,111	9.1%	\$48,281,370	\$47,066,700	5.5%	\$48,959,170	4.0%	\$50,789,684	3.7%	\$52,534,721	3.4%	\$54,339,856	3.4%	\$56,207,164	3.4%
Non-Personnel Costs	12,151,634	8.8%	14,540,740	14,358,790	18.2%	14,521,800	1.1%	14,590,862	0.5%	14,682,501	0.6%	14,923,129	1.6%	15,231,264	2.1%
Total Expenditures	\$56,776,745	9.1%	\$62,822,110	\$61,425,490	8.2%	\$63,480,970	3.4%	\$65,380,546	3.0%	\$67,217,222	2.8%	\$69,262,985	3.0%	\$71,438,428	3.1%
Transfer to Cap Proj Fund	(1,400,000)		(925,000)	(1,937,904)	-	-	-	-	-	-	-	-	-	-	-
Tabor Refund/Transfer	(1,937,904)		-	1,937,904	-	-	-	-	-	-	-	-	-	-	-
Transfer to Other Funds	(75,000)		-	(200,000)	-	-	-	-	-	-	-	-	-	-	-
Transfer to Fire Comm Ctr	(269,166)		(351,690)	(329,710)	-	(414,260)	-	(432,902)	-	(452,382)	-	(472,739)	-	(494,013)	-
Total Other Fin Sources/(Uses)	(3,682,070)	52.1%	(1,276,690)	(529,710)	-68.5%	(414,260)	-21.8%	(432,902)	4.5%	(452,382)	4.5%	(472,739)	4.5%	(494,013)	4.5%
Net Cash Flow	\$ (679,197)	-308.6%	(\$1,389,570)	\$1,044,111	-253.7%	\$658,085	-37.0%	\$667,868	1.5%	\$214,259	-67.9%	\$220,119	2.7%	\$127,563	-42.1%
FUND BALANCE BEG	\$9,829,570	3.4%	\$9,948,370	\$9,150,373	-6.9%	\$10,194,484	11.4%	\$10,852,569	6.5%	\$11,520,437	6.2%	\$11,734,696	1.9%	\$11,954,815	1.9%
FUND BALANCE END	\$9,150,373	-6.9%	\$8,558,800	\$10,194,484	11.4%	\$10,852,569	6.5%	\$11,520,437	6.2%	\$11,734,696	1.9%	\$11,954,815	1.9%	\$12,082,378	1.1%
FUND BAL AS % OF OP EXPS	16%		14%	17%		17%		18%		17%		17%		17%	

\* - The CAFR reports property tax revenues net of senior refunds



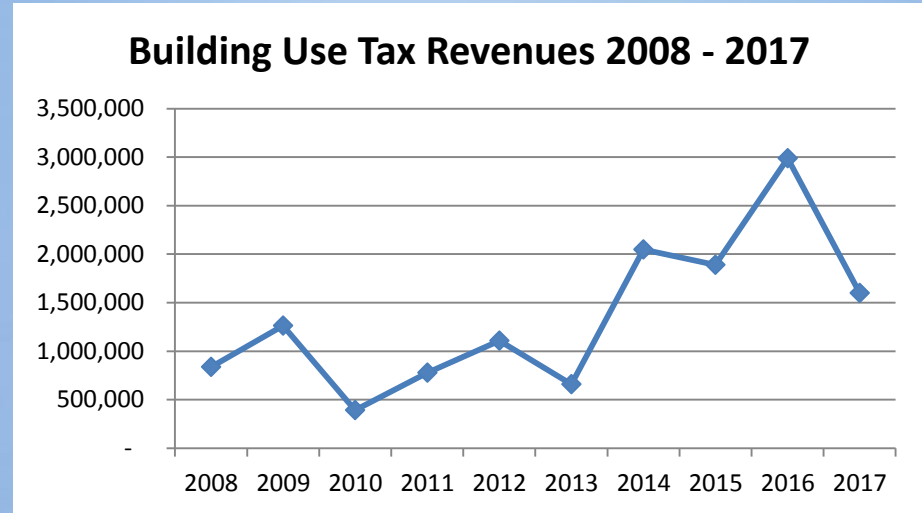
# **CAPITAL PROJECTS FUND FIVE-YEAR PROJECTIONS**

# Capital Projects Fund Five-Year Projections

- Fiscally constrained through 2022
  - Reserve ending fund balance equivalent to one year of debt payments at end of 2022 – approx. \$1.7 million
  - Use of all available resources each year – no excess
- Changes implemented
  - Full depletion of available fund balance above reserve
  - No transfers from the General Fund after 2016
  - Significant reduction in many core areas such as street maintenance, technology, and fleet replacement
  - Projects delayed indefinitely

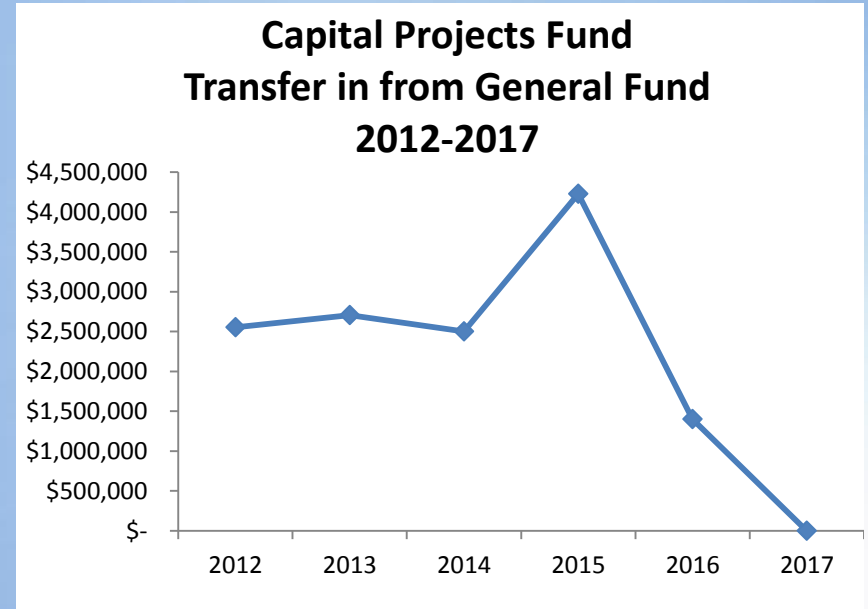
# Capital Projects Fund Revenues

- Only dedicated funding source is building use tax
- Highly volatile
- Approx. \$1,500,000 projected each year from 2018 through 2022
- Essentially, only \$1.5 million each year to fund capital and infrastructure needs for the entire city



# Capital Projects Fund Revenues

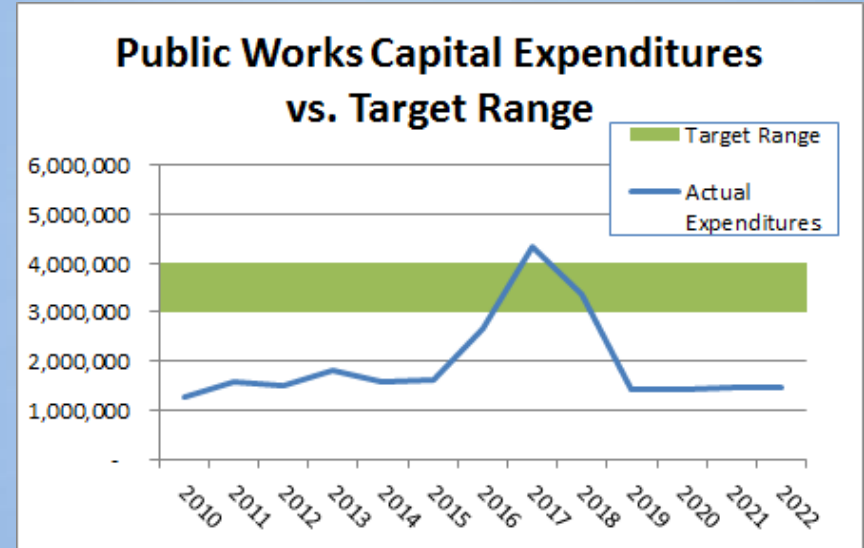
- Since 2012, the General Fund has contributed \$13.4 million to the Capital Projects Fund
- Transfers from the General Fund must end in order to sustain the General Fund





# Capital Projects Fund Expenditures

- Significant reduction in many core areas such as street maintenance, technology, and fleet replacement



# Unfunded Capital Projects

- Broadway improvements
- Widening of County Line Road
- Traffic signal replacement
- Street improvements throughout the city
- Sidewalk replacement
- Service Center building #2
- Littleton Center improvements
- ADA Accessibility
- Police and Fire equipment replacement
- City vehicle replacement program
- Technology improvements and replacements
- Museum building systems replacements

# Capital Projects Fund Five-Year Projections

<u>2016 Adjusted Ending Fund Balance for Budgeting</u>									
2016 Actual Ending Fund Balance		\$	15,803,853						
Less: one year's lease payments			(1,724,770)						
Available at 12/31/16		\$	14,079,083						
									<u>Total</u>
<u>Project Funding</u>			<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2017-2022</u>
Available at 12/31/16		\$	14,079,083	\$ 11,332,024	\$ 7,508,210	\$ 5,233,809	\$ 2,741,472	\$ 1,265,183	\$ 42,159,780
Revenues									
General Fund Transfer		\$	1,937,904	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,937,904
Grants			117,190	117,190	126,000	126,000	126,000	126,000	738,380
Fire Partners			750,227	301,480	892,908	563,221	299,024	90,404	2,897,263
Other			391,360	379,500	147,500	130,000	100,000	100,000	1,248,360
Lease Proceeds			1,400,000	-	-	-	-	-	1,400,000
Building Use Taxes			1,600,000	1,500,000	1,515,000	1,530,150	1,545,452	1,560,907	9,251,509
Highway Users Tax (Streets)			1,400,000	1,414,000	1,428,140	1,442,421	1,456,845	1,471,413	8,612,819
	Subtotal	\$	7,596,681	3,712,170	4,109,548	3,791,792	3,527,321	3,348,724	26,086,235
Total Resources		\$	21,675,764	\$ 15,044,194	\$ 11,617,758	\$ 9,025,601	\$ 6,268,793	\$ 4,613,906	\$ 68,246,015
<u>Funded Projects</u>	<u>Priority</u>								
Leases	1	\$	1,724,770	\$ 1,752,860	\$ 1,748,806	\$ 1,748,846	\$ 1,752,816	\$ 1,750,566	\$ 10,478,664
Vehicles & Apparatus	1		3,133,070	1,250,000	2,153,660	1,385,000	1,014,000	650,000	9,585,730
Technology	1		531,270	584,000	720,250	1,374,069	395,458	399,419	4,004,466
Equipment	1		304,350	352,220	333,093	333,793	384,491	341,711	2,049,658
TABOR Capital Projects	1		-	1,937,904	-	-	-	-	1,937,904
Streets & Infrastructure (HUTF portion)	1		1,400,000	1,414,000	1,428,140	1,442,421	1,456,845	1,471,413	8,612,819
Street & Related Infrastructure	2		2,945,240	-	-	-	-	-	2,945,240
Building Maintenance Proj	3		305,040	245,000	-	-	-	-	550,040
	Subtotal	\$	10,343,740	\$ 7,535,984	\$ 6,383,949	\$ 6,284,129	\$ 5,003,610	\$ 4,613,109	\$ 40,164,521
Ending Fund Balance after Priority #1		\$	11,332,024	\$ 7,508,210	\$ 5,233,809	\$ 2,741,472	\$ 1,265,183	\$ 797	

# Conclusions

- The city is able to maintain a fiscally constrained General Fund and Capital Projects Fund through 2022 – but at a cost
  - No new positions over the 5 year period
  - Operating levels of service are “status quo”
  - Capital Projects begin significant reductions in 2018
- The funding gap will require both:
  - Resource prioritization – General Fund
  - A new dedicated revenue source – Capital Projects Fund
- Capital improvement needs are exponentially higher than current revenue source

# Path Forward

- 2018 Budget discussions September 11-13
  - Revenues/Expenditures in more detail
- Priority based budgeting approach
  - Review plan first quarter 2018
  - Implementation for the 2019 budget
- Pursuit of revenue options
  - First and second quarter of 2018



**Questions?**