

CITY COUNCIL COMMUNICATION



MEETING DATE: September 10, 2024

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TYPE OF ITEM: General Business

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SUBJECT/AGENDA TITLE:

2025 Proposed Budget Presentation

EXECUTIVE SUMMARY:

The Proposed 2025 Budget presentation will focus on the categories of Employee Compensation and Benefits, General Fund Budget Summary, and Public Safety Fund Budget Summary. This communication includes a brief overview of each topic and has been consecutively numbered. This information will be available on the City's website with the 2025 proposed budget documents should we need to refer back to any information from this communication as we continue to move through the weekly 2025 budget presentations.

COUNCIL OPTIONS:

RECOMMENDED OPTIONS:

FISCAL IMPACT & FUND SOURCE FOR RECOMMENDED ACTION:

BACKGROUND AND ISSUE ANALYSIS:

Citizens wishing to view the 2025 Budget information access this on the City's website at the following location:

<https://longmontcolorado.gov/finance/budget-office/2025-budget-documents/>

EMPLOYEE COMPENSATION ISSUES

Compensation Plan

Human Resources staff will present the pay plan which is included in the proposed 2025 information that is available on the City's website at the above link. Additionally, employee compensation will be addressed within the Budget Message in the budget document.

Defined Benefit Pension Plans

The City sponsors three defined benefit (DB) pension plans. Two of those plans are closed plans that covered fire and police employees hired before April 8, 1978. The third defined benefit plan is for non-uniformed general employees. Each of these DB plans have their actuarial status measured annually based on actuarial assumptions along with actual membership, contribution, and investment performance data. Each are governed by a retirement board and the City Council ultimately approves any plan amendments by ordinance as well as city contributions through the annual budget.

Old Hire Fire Pension Plan and Old Hire Police Pension Plan

Actuarial reviews are performed on the old hire plans every year and the most recent was as of January 1, 2024. These valuations indicate that the Old Hire Fire plan has an unfunded accrued liability of (\$692,224) and the Old Hire Police plan has an unfunded accrued liability of (\$13,256). The Old Hire Fire plan is considered to be 137.3% funded and the Old Hire Police plan is considered to be 101.4% funded. For 2025, no contribution is required to be made to either plan. With both of these plans fully funded, the staff and retirement boards are recommending a benefit increase to the members of these plans. The last benefit increase for each plan was three years ago effective in January of 2022. The recommended increase is 2% per year since the last increase, a total increase in January of 6%. The increases will not require any city contributions in 2025. **Attachment B** is the presentation made to the retirement boards on the 2024 actuarial reports for these two defined benefit plans and is included for your information.

General Employees Retirement Plan

The City sponsors a defined contribution retirement plan and a defined benefit pension plan for each of its non-uniformed general employees. The defined contribution plan is provided to regular employees in lieu of Social Security. The defined benefit plan, called the General Employees Retirement Plan (GERP), is funded through contributions by the City and employees. Historically the City contributed 6% of compensation to the GERP while employees contributed 4.5% of compensation. In the year 2001 the City created a Retirement Health Savings (RHS) plan for employees and the City annually contributes \$400 for each regular full time employee to this defined contribution plan. In 2001 the City reduced its funding to the GERP from 6% to 5% to create funding for the RHS plan. The combined contributions of 9.5% (5% city; 4.5% employee) were sufficient to meet the annual actuarially required contribution to the GERP for a number of years as shown below.

The economic downturn in the fall of 2008 had a significant impact on the investment returns of the GERP. When the actuary study was performed in 2009 the full contribution requirement rose from 8.3% to 13.4% of pay. Despite the actuarial approach of smoothing investment returns over five years the funded ratio of the plan dropped from 105.9% to 86.7%. In the 2010 budget the contributions were changed to 13.36% (8.36% city; 5% employee) but there was a transfer of \$490,666 from the Health Benefit Fund to the GERP to help meet the General Fund share of the actuarially required contribution. Very strong investment returns in 2009 moved the plan to 96.9% funded and the contribution requirement dropped to 11% (6% city; 5% employee) for 2011. Since then, there have been gradual increases in the actuarial contribution requirement that have been split between the city and the employees.

<u>Year</u>	<u>Employee Contribution</u>	<u>City Contribution</u>
2012	5.0%	6.0%
2013	5.0%	6.0%
2014	5.7%	6.7%
2015	5.7%	6.7%
2016	5.7%	6.7%
2017	5.8%	7.2%
2018	5.8%	7.7%
2019	5.8%	7.7%
2020	6.0%	8.0%
2021	6.0%	8.4%
2022	6.6%	9.0%
2023	6.6%	9.0%
2024	7.0%	9.4%

The contribution requirement for 2014 rose to 12.5% and the increase was again split so that required contributions were 6.7% city and 5.7% employee. Although there was a drop in the required contribution for 2015 and 2016, the contributions were maintained at this level to move the GERP plan toward a fully funded status. For 2017 the required contribution increased from 11.5% to 11.77%. Also for 2017, the GERP Board adopted a funding policy that amortizes the existing unfunded liability over a closed 30 year period and amortizes subsequent bases (due to gains or losses) over closed 20 year periods. That funding policy increased the current required contribution even further to 11.9%. In order to more aggressively address funding, the 2017 budget changed the city contribution requirement from 6.7% to 7.2% and the employee contribution requirement from 5.7% to 5.8%. Then in the 2018 budget the city contribution requirement was raised from 7.2% to 7.7% for the same purpose. No increase was proposed for the 5.8% employee contribution as a reduced

city contribution to the Health Benefit Fund more than covered the cost of the contribution increase to the GERP plan. No change in contributions was necessary in 2019. Poor investment returns in 2018 required further adjustments and for 2020 the employee contribution requirement was raised from 5.8% to 6.0% and the city contribution requirement was raised from 7.7 to 8.0%.

An actuarial loss in 2019 caused the need for an increase of city contributions in the 2021 budget from 8.0% to 8.4%. Additionally, because of the timing of the actuarial study always being in arrears we effectively implement the actuarially required contributions a year too late. That caused us to recommend that a lump sum contribution of \$400,000 be made from the Health Benefits Fund to the GERP during 2019 and 2020, with a \$200,000 contribution recommended in 2021. Those amounts were the amount of the projected contribution deficit each year per the actuary report. Employee contributions for 2021 were maintained at 6.0% for pre-2012 employees and 5.0% for post-2011 employees because there were no compensation adjustments budgeted for employees in 2021. In 2021 the GERP Board updated the mortality assumption and lowered the discount rate from 7.5% to 7.0%. Those changes increased the required contribution again and for the 2022 budget contributions were moved for city contributions from 8.4% to 9.0%, pre-2012 employees from 6.0% to 6.6%, and post-2011 employees from 5.0% to 5.6. Besides an actuarial loss in 2022 on investment returns there was also an actuarial loss on pay projections resulting in an overall actuarial loss in 2022 of \$10.2 million. With the 2023 actuarial study the required contribution increased from 14.9% to 15.4% while the funded ratio decreased from 86.3% to 82.8%. That caused these further recommendations for 2024: increase City contributions from 9.0% to 9.4%; increase Pre-2012 employees from 6.6% to 7%; and increase post-2011 employees from 5.6% to 6.0%. With the employee blended percentage at 5.9% the total of 15.3% was still below the 15.4% requirement. Staff also recommended another lump sum contribution be made from the Health Benefits Fund to the GERP in 2023 in the amount of the projected contribution deficit of \$700,000 with a similar contribution in the amount of \$200,000 recommended for 2024. With the plan assumptions and contribution levels, it was projected that the GERP plan could reach a fully funded status in approximately 2045.

Investment performance in 2023 was strong with a market value gain of 14.45%. From an actuarial perspective, gains and losses are recognized over five years. Thus, with prior historical losses the actuarial value return was 8.0% in 2023. As indicated above, the actuarial assumption is a 7.0% annual return. While there was an actuarial gain in 2023 on investment returns, contributions and retirement experience, there was an actuarial loss on pay projections. These combined for an overall minor actuarial loss in 2023. In August the City received the 2024 actuary study, and the actuarially required contribution decreased from 15.4% to 15.2% while the funded ratio increased from 82.8% to 83.6%.

Attachment C is the presentation made to the GERP Board on the 2024 actuarial report for the plan and is included for your information.

Staff and the GERP retirement board believe that bringing the plan to a funded status needs to continue to be a goal. As long as the plan remains unfunded there can be no cost-of-living adjustment to the benefits of the retirees. The last adjustment was made in 2009. TABOR requires that any such adjustment cannot be made unless it is fully funded.

Police & Fire Retirement Benefits

In July of 2021 the City Council approved collective bargaining agreements for Police & Fire personnel. As part of those agreements the City agreed to allow the sworn Police & Fire who were covered by the City New Hire Police & New Hire Fire retirement plans to make a one-time irrevocable choice to enter into the Colorado Fire and Police Pension Association (FPPA) system. As of November of 2021, all sworn Police & Fire new hires become members of the FPPA defined benefit plan. Employees hired before November of 2021 made a choice in the 4th quarter of 2021 to either enter the FPPA system or remain in the existing City New Hire retirement plans. Those that chose to enter the FPPA retirement system also had a choice to enter the FPPA defined benefit plan or the FPPA hybrid plan which offers both a defined benefit as well as a money purchase benefit. Among the Police employees, 109 chose to stay in the city defined contribution plan, 19 entered the FPPA defined benefit plan, and 19 entered the FPPA hybrid plan. Among the Fire employees, 36 chose to stay in the city defined contribution plan, 18 entered the FPPA defined benefit plan, and 37 entered the FPPA hybrid plan.

For 2024, the FPPA defined benefit plan requires an employer contribution of 10.5% for new hires since November of 2021. For employees prior to November 2021 the employer contribution for the FPPA defined benefit plan will be 10.60%. Employees prior to November 2021 in the FPPA hybrid plan require an employer contribution of 12.10%. Finally for employees prior to November 2021 that remained in the city defined contribution plans the employer contribution for 2024 is 12.10%.

Health Benefits Fund

In the Budget Message there is a section on Health and Dental Benefits, and it provides a brief summary about the Health Benefits Fund. The following information is presented to help provide an understanding of our projections pertaining to the Health Benefits Fund.

During the budget process staff estimates the annual City cost for all employee health and dental benefit expenditures and converts that cost into a percentage of budgeted salaries for the next budget year. These City contributions to the Health Benefits Fund are transferred monthly from each of the respective funds. Employee contributions for these benefits are withheld from each pay check and transferred into the Health Benefits Fund on a biweekly

basis. Retiree contributions are withheld monthly from pension benefit checks. These three sources comprise the majority of the revenues to the Health Benefits Fund. All employee benefit-related expenditures are made from the Health Benefits Fund. **Attachment D** is an operating statement for the Health Benefits Fund and it provides a detailed summary of the revenues and expenditures for the fund.

The Health Benefits Fund experienced expenses in excess of annual revenues from 2009 through 2012. City contributions to the Fund were increased from 14.5% of pay in 2012 to 15.7% in 2013 and then to 17% for 2014. Since that time, it hovered between 17% and 16% until reaching 16% in 2022. In 2023, with significant growth in compensation for 2023 and no increase in the Kaiser premium we were able to reduce the city contribution percentage to 15.0%. Even still the fund balance grew in 2023. For 2024, there was a 5% increase in the Kaiser health premium but also a market pay adjustment of 4.64% or higher increasing city contributions as well. Thus, the level of contributions to the Health Benefit Fund was lowered to 14.5% for 2024. While there is an increase in the Kaiser cost again for 2025 there are again increases of 3% and greater in employee pay so it is expected that the 14.5% contribution level can be maintained with little if any decrease to the fund balance of the Health Benefits Fund.

The Health Benefits Fund fund balance to begin 2024 was \$9.4 million and 2024 operations could potentially increase that balance by up to \$1.2 million. The fund balance has been growing with recent growth in budget compensation and, thus, contributions to the Health Benefit Fund. In turn, vacancies have reduced the actual costs of the fund. Staff reevaluated the contribution methodology at the end of 2023 to try and stabilize the growth of the fund and bring the revenues into closer balance to the fund expenses. Contributions for vacant positions were not made and we will continue that in 2024.

Since Kaiser became sole carrier in 2007, our average annual aggregate blended premium rate increase has been 3.79% which is substantially below the industry average of around 7%-11%. Besides the provision of health benefits, the Health Benefit Fund is also used to pay premiums for dental, vision, long term disability and life insurance coverage as well as EAP services for our employees. In addition, the fund is used to provide Public Safety wellness exams at a cost of up to \$50,000; Public Safety counseling expenses of approximately \$90,000; and wellness incentives of up to \$87,000 in the form of health benefit premium discounts or rebates.

As discussed regarding the retirement plans, monies from the Health Benefit Fund fund balance have been used in the past to help offset an unfunded liability in the General Employees Retirement Plan (GERP). As indicated in the retirement plan section, staff proposed another lump sum contribution be made from the Health Benefits Fund to the GERP in 2024 in the amount of the projected contribution deficit of \$200,000.

While the Health Benefit Fund has been very strong in the last few years, unpredictable changes could quickly destabilize it, and fiscal prudence calls for a minimum fund balance level for optimal future management. As recommended in past years, staff believes three months of expenses from this fund, currently about \$4.6 million, should always be maintained to serve as an emergency reserve to guard against a drop in revenues.

Self Insurance Funds

The City maintains two self insurance funds, one for general & property claims and another for workers compensation claims. In each instance the City is self insured but secures insurance coverage for claims above a certain limit. Essentially the City is using these self insurance funds to pay deductibles or amounts that do not rise to our level of insurance coverage. These two funds are internal service funds which are not budgeted. The revenues to these funds are primarily from transfers from the major operating funds of the City. The transfers to the Liability Insurance Fund are budgeted as a liability expense line item throughout the operating budgets while the transfers to the Workers Compensation Fund are budgeted as a workers compensation expense line item throughout the operating budgets. Transfer amounts are based on claims experience and claims exposure.

The fund balances in these two funds at the end of 2023 were \$4.1 million in the Self Insurance Fund and \$6 million in the Workers Compensation Fund. Claims reserves at the end of 2022 were \$1,119,999 in the Liability Insurance Fund and \$684,571 in the Workers Compensation Fund. Transfers from the operating funds in the proposed 2025 budget are budgeted at \$1.8 million to the Liability Insurance Fund and \$1.3 million to the Workers Compensation Fund.

Workers Compensation Fund - During 2022, a major cleanup of workers comp claims reserves took place that reduced the total balance from over \$2 million to as low as \$500,000. The reserves have remained below \$1 million since. With the significant drop in claim reserves, the Workers Compensation Fund was more than well-funded. In 2023, a transfer of \$1 million of fund balance was proposed and made from the Workers Compensation Fund to the Liability Insurance Fund. The current fund balance is still quite sufficient.

Liability Insurance Fund – Claims expenses and reserves were climbing in this fund in recent years. Cyber loss liability has become a major issue in business and government. Local governments which have been subject to ransomware strikes have relied on reserves to resolve the threats. Last year, staff thought it prudent to increase the fund balance in this fund for this purpose. Thus, the transfer of \$1 million from the Workers Compensation Fund. In this fund the claims reserves are currently at \$977,564. Claims paid are down in 2024 but

premium costs are exceeding \$1 million annually. The fund balance will need to be monitored to see if further increases are necessary.

TOTAL BUDGET SUMMARY BY FUND

The 2025 Proposed Budget totals \$469.67 million. This is a \$25.72 million increase from the 2024 Adopted Budget of \$443.95 million. **Attachment E and F** are summaries of the 2025 Proposed Budget by Fund vs the 2024 Adopted Budget. **Attachment E** identifies the contribution to or use of fund balance for each individual fund in the proposed budget. In **Attachment F** we have separated operating expenses from CIP expenses to make it easier to see where the increases/decreases by fund is coming from. Highlights from this attachment include:

- There are 45 individual funds proposed to be budgeted for 2025.
- Funds with large increases in expenditures include the Street Fund (\$7.67 million); General Fund (\$6.35 million); Electric & Broadband Fund (\$5.76 million); Water Fund (\$5.13 million); Sewer Fund (\$3.74 million); Storm Drainage Fund (\$2.68 million); Public Improvement Fund (\$2.13 million); and the Transportation CIF Fund (\$1.45 million).
- Funds with large decreases in expenditures include the Open Space Fund (\$4.60 million); Water Acquisition Fund (\$1.83 million); Fleet Services Fund (\$1.47 million); Electric CIF Fund (\$1.06 million); and the Airport Fund (\$883,454).
- CIP projects increased from \$63.04 million in 2024 to \$71.00 million in 2025.
- Major decreases in CIP projects in individual funds include the Open Space Fund (\$4.98 million); Electric CIF Fund (\$1.06 million); and the Airport Fund (\$883,454).
- Major increases in CIP projects in individual funds include the Streets Fund (\$5.71 million); Water Fund (\$4.34 million); Public Improvement Fund (\$2.61 million); Storm Drainage Fund (\$1.81 million); Transportation CIF Fund (\$1.45 million); and the Sewer Fund (\$1.36 million).

REVENUE PROJECTIONS

Funding for several individual funds in the proposed budget is driven by three key revenue sources: Sales & Use tax; Property tax; and Building Permits. The following are projections for each of those for 2025:

Sales and Use Tax

	Sales Tax	Use Tax	Combined
Performance thru June 2024	5.8%	(1.7%)	4.6%
Projections to end 2024	4.3%	(2.0%)	3.42%
Projections for 2025	3.18%	2.4%	3.08%

Property Tax

The most recent reassessment was in 2023 with the final assessed values intended to initially impact the 2024 budget. In May of 2023 the County Assessor released preliminary values that indicated an increase of 36.5% for 2023 values. The State legislature passed Senate Bill 23-303 to put on the November 2023 ballot Proposition HH that would reduce property taxes and voter-approved revenue change. That proposition was not approved by the voters. Within weeks the Governor summoned a special session of the legislature resulting in the passage of SB23B-001 which reduced the assessment rates for most property types. The bill also called for the State to backfill lost revenue to local governments.

With the City having to propose a 2024 budget by September 1, of 2023, and with the City's typical budget process timed to adopt a budget in October before November City Council elections, staff built the proposed 2024 budget based on limited information of the potential impact of Proposition HH. For the proposed 2024 budget there was a projection of \$6.3 million of new property tax revenue in the General Fund. Knowing that 2025 was not a reassessment year from a revenue perspective staff proposed that \$2.8 million of the new property tax be treated as one-time revenue in 2024 assuming it might be lost if Proposition H were to pass or else that it would be available to be used for one time expense in 2024 and as new ongoing revenue in 2025. With SB23B-001 passed by the legislature, we assumed that any impacts on our 2024 property tax revenue would reduce the \$2.8 million that we had treated as one-time revenue. Ultimately, the State did backfill to the City, most if not all of the impacts of SB23B-001.

While 2024 is not a reassessment year, it once again has brought more efforts from the voters and the legislature to control property tax growth. In May, the legislature passed SB24-233 which further reduced assessment rates. Meanwhile, two initiatives are currently scheduled to be on the ballot in November with projections of significant property tax revenue reduction statewide. Most recently, we learned that the State legislature will again be called into a special session this very week to work out a compromise bill that would result in the initiatives being pulled from the November ballot. Specific details on such legislation are still unknown.

For this proposed 2025 budget, staff has used information gathered from the State and both the Boulder County and Weld County Assessors. At a training session that staff attended in July, the Chief economist for the State Legislative Council Staff projected an 8% decline statewide in assessed value from SB24-233. We applied that information to the early projected assessed values from both County Assessors. Since it is not a reassessment year, the only increase to assessed values is from new construction which was also provided. In building this proposed budget, staff included \$27.17 million of property tax revenue for ongoing expenses. This is an amount equal to what was budgeted for ongoing expenses in 2024 but \$2.8 million less than the total property tax budgeted for 2024.

On August 22nd we received preliminary assessed valuations that would result in as much as \$29.85 of 2025 property tax revenue. While that does not seem to synch with the 8% decline projected by the State, it does make sense in that the assessment rates and actual value adjustments for tax year 2024 from SB24-233, are the same as the assessment rates and actual value adjustments for tax year 2023 from SB23B-001. The assessment rates from SB24-233 do decline in tax year 2025 which will impact 2026 revenue. SB24-233 does once again call for backfill from the State but it does not guarantee full backfill. Further, the backfill is limited only to local governments whose real property actual values have decreased from tax year 2022 to tax year 2024. Longmont does not fall into that category. While it appears we are underbudgeted for property tax revenue in our proposed budget by \$2.68 million, staff believes it is still best to not change the amount of ongoing property tax within the 2025 proposed budget without knowing what the property tax revenue landscape may look like within the next two weeks or three months. Even if nothing were to change from the legislature or the November elections, the reduction in assessment ratios in tax year 2025 currently called for from SB24-233 would still impact 2026 revenues. Restricting the remaining property tax to one-time expenses in 2025 will help to hedge against any limits impacting 2026 property tax revenue.

Building Permits

Dwelling units	Single Family	Multi Family	Combined
2024 Adopted Budget	50	700	750
Projections for 2024	50	440	490
Performance thru July 2024	56	117	173
Projections for 2025	110	710	820

GENERAL FUND BUDGET SUMMARY

Ongoing Revenue and Expenses

The ongoing General Fund revenue and expense in the 2024 adopted budget was \$112,987,823. The proposed budget for 2025 includes total ongoing revenues in the General Fund of \$119,008,398, an increase of \$6,020,575 over 2024.

Increases in revenue total \$6,381,617 and decreases in other sources of revenue total \$361,042. A more detailed breakdown of the change in revenues is included in **Attachment G**. The line-item detail can be found as well within the proposed budget document. Major increases in ongoing revenue include the following:

- \$2,133,744 of sales & use tax
- \$811,425 from interest income
- \$480,000 in recreation revenues
- \$410,667 of building permits
- \$385,150 from the electric franchise

- \$329,619 from traffic camera fines
- \$294,317 from right of way maintenance
- \$239,482 of administrative transfers
- \$201,813 of broadband franchise
- \$200,000 of ambulance provider revenue
- 118,943 of other miscellaneous charges for services
- \$110,000 of disconnect tag fees

The major decreases in ongoing revenue include the following:

- \$100,000 from the natural gas franchise
- \$100,000 of credit card convenience fee
- \$65,000 of fines & forfeits
- \$40,000 of cable television franchise fee

The 2025 proposed budget includes new ongoing expenses of \$8,456,195 but decreases in other ongoing expenses of \$2,435,620 result in a net increase of \$6,020,575 in ongoing expenses. A breakdown of the changes in ongoing expenses is also included in **Attachment G** with **Attachment H** showing the detail for the non-pay related ongoing additions. The \$2,435,620 of reductions in ongoing expenditures is comprised of the following areas:

- \$600,000 transfer to attainable housing shifted to one-time
- \$388,672 for fleet lease decreases
- \$300,000 transfer to affordable housing shifted to one-time
- \$300,000 parks maintenance shifted to Conservation Trust Fund
- \$285,439 ESCO lease payment ended
- \$164,456 credit card fees reduction
- \$100,014 reduction in business personal property tax rebate
- \$88,937 of reductions in exceptional pay budget

The \$8,456,195 of ongoing increases is due to the following:

- \$3,718,880 for CBA pay and related benefit increases
- \$2,326,829 for non-CBA pay and related benefit increases
- \$1,772,759 of ongoing level 1 increases which are those expenses that we really have no control over such as contracts or utilities
- \$329,619 for 3 FTE Police Officers moved from the Public Safety Fund
- \$127,500 for Fleet loan repayment
- \$83,548 for bilingual pay
- \$44,600 for transfer to the Museum Services Fund
- \$30,212 for workers compensation insurance
- \$12,888 for liability insurance
- \$9,360 of ongoing expenses associated with one-time funded items

General Fund Reserves

The General Fund reserve policy includes the following three reserve targets. First is the statutorily required TABOR reserve equal to 3% of “fiscal year spending” as defined in the Colorado Constitution. Second is an Emergency Reserve at 8% of General Fund operating expenditures. Third is a Stabilization Reserve at from 3% to 8% of General Fund operating expenditures.

In 2024, those Reserve Policy targets equate to the following:

TABOR reserve	5.58%	\$6,301,519
Emergency reserve	8.0%	\$9,035,940
Stabilization reserve	at 3%	\$3,388,477
Stabilization reserve	at 8%	\$9,035,940

Currently in 2024, the General Fund Reserves are funded as follows:

TABOR reserve	5.58%	\$6,301,519
Emergency reserve	8.0%	\$9,035,940
Stabilization reserve	at 5.51%	\$6,224,794

With the amount of General Fund operating expenditures in the proposed 2025 budget the 2025 Reserve Policy targets would equate to the following:

TABOR reserve	5.30%	\$6,301,519
Emergency reserve	8.0%	\$9,520,672
Stabilization reserve	at 3%	\$3,570,252
Stabilization reserve	at 8%	\$9,520,672

The proposed 2025 budget includes an increase to the General Fund reserve of \$3,000,000. Pending the annual adjustment to the TABOR reserve next April, the funding of the General Fund Reserves in 2025 would be as follows:

TABOR reserve	5.30%	\$6,301,519
Emergency reserve	8.0%	\$9,520,672
Stabilization reserve	at 7.34%	\$8,740,062

Use of General Fund Fund Balance

The General Fund summary above discusses changes in ongoing revenues and expenses. The General Fund proposed budget is also made up of one-time revenues and expenses. A good deal of those one-time revenues come from the General Fund fund balance. Essentially, this is made up of monies accumulated from revenue exceeding budgeted projections and expenses being below budgeted projections. Operations from 2023 left about \$21.4 million in the General Fund fund balance with commitments into 2024 reducing it to \$7.5 million. The 2023 operations included sales & use tax exceeding budget by \$1.2 million, development

revenue exceeding budget by \$2.25 million, investment revenue exceeding budget by almost \$2 million, and significant expenditure savings from across the General Fund. Part of the \$21.4 million fund balance was projected in the 2024 budget process and thus was already earmarked for use in 2024 with \$4.3 million used for one-time expenses. Staff also projects 2024 operations to add another \$2.8 million to the General Fund fund balance.

All the above contributing factors combine to make fund balance available for one-time purposes and thus the proposed budget includes recommendations for the following uses:

One-time expenses	\$8,066,546
Increase emergency reserve	\$3,000,000

PUBLIC SAFETY FUND BUDGET SUMMARY

The Public Safety tax was originally approved at a rate of 0.325% in November of 2006. In November of 2017 it was increased to 0.58%.

With the 2024 level of sales and use tax we were able to fund 115.03 FTE in the 2024 budget including 52 FTE in Police including the SROs that were added per the agreement with the St Vrain Valley School District, 27 FTE in Fire, 21.65 FTE in Collaborative Services, 15 FTE in the Office of the Chief which includes Emergency Management and Emergency Communications, 1 Legal Advisor in the City Attorney office, 2 FTE in Children, Youth and Families for Gang Intervention, and .38 FTE for Graffiti Removal.

Public Safety staff covered by collective bargaining agreements are currently under a three-year contract, negotiated in 2021, that ends at the end of 2024. Recently, new two-year agreements were reached with the FOP and the IAFF. With the three years of the current contract paralleling a period of high inflation the 2025 wages under the new contract are significant increases. Additionally, with this new contract the City has agreed to provide for some new benefits, particularly retiree health. Altogether the CBA commitments alone are adding \$1.87 million of new expense in 2025. Further, there are level 1 expenses of \$198,858 that also need to be funded. The Public Safety sales tax only projects to add \$861,575 of new ongoing revenue in 2025. To balance ongoing revenues with ongoing expenses staff was forced to eliminate six vacant FTE from the proposed 2025 budget. Those FTE were 2 firefighters, 2 police officers, 1 core paramedic, and 1 communications supervisor. Additionally, three police officer FTE were moved to the General Fund. Our ability to add FTE back to this fund in the future will be driven by growth in the sales and use tax revenue collections.

As with the General Fund, the approach to the Public Safety Fund has been to balance ongoing revenues with ongoing expenses for this fund. The Public Safety Fund proforma has been updated with 2025 budget amounts and is included as **Attachment I**. The fund balance

for the Public Safety Fund was \$15.09 million at the end of 2023, including the 8% emergency reserve of \$1,477,150 and \$4.27 million that was then carried over into 2024 to cover one-time expenses that were budgeted in 2023 and still needed for the purpose for which they were budgeted. The adopted 2024 budget also used \$1,125,490 of the fund balance for 2024 one-time expenses. The proposed 2025 budget for the Public Safety Fund uses \$1.54 of fund balance as well for one-time expenses. The staff will be bringing an additional appropriation ordinance forward next month that uses \$1.89 of the fund balance for PBF201, the Safety & Justice rehab project and \$89,000 for one-time payments for Public Safety sworn CBA members.

We project this fund to finish with a fund balance of about \$6.3 million by the end of 2025. Extending the pro forma through 2034 indicates that a 3% annual increase in estimated sales & use tax revenue may not be enough to cover the estimated ongoing expense of this fund. Depending on actual annual expenditure outcomes, there may not be ongoing dollars available for one-time expense each year. The Fund would have to rely on the fund balance as a potential source of one-time expenses.

ATTACHMENTS:

Attachment B - Longmont Old Hire Pension Presentation
Attachment C - Longmont General Employee Pension Presentation
Attachment D - Health Benefits Fund Operating Statement
Attachment E - 2025 Budget by Fund vs 2024 Budget
Attachment F - 2025 Budget by Fund vs 2024 Budget with CIP Separate
Attachment G - General Fund Changes in Ongoing
Attachment H - General Fund Ongoing Additions
Attachment I - Public Safety Fund Proforma