

CITY COUNCIL COMMUNICATION



MEETING DATE: September 28, 2021

ITEM NUMBER: 6.A

SECOND READING:

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TYPE OF ITEM:

PRESENTED BY:

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Other City Staff

SUBJECT/AGENDA TITLE:

2022 Budget Presentation and First Public Hearing

EXECUTIVE SUMMARY:

The Proposed 2022 Budget presentation will focus on follow up from prior council meetings, the 2022 proposed financial policies, priority based budgeting and the 2022 budget, and an Airport Fund update. Council will then need to hold the first public hearing on the 2022 Proposed Budget and the 2022-2026 Proposed Capital Improvement Program. 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 2022 proposed budget documents should we need to refer back to any information from this communication as we continue to move through the weekly 2022 budget presentations.

<https://www.longmontcolorado.gov/departments/departments-e-m/finance/budget-office/2022-budget-documents>

COUNCIL OPTIONS:

Click or tap here to enter text.

RECOMMENDED OPTIONS:

FISCAL IMPACT & FUND SOURCE FOR RECOMMENDED ACTION:

BACKGROUND AND ISSUE ANALYSIS:

Citizens wishing to view the 2022 Proposed Budget, the 2022-2026 Proposed Capital Improvement Program or the 2022 Proposed Pay Plan can access these documents on the City's website at the following location:

<https://www.longmontcolorado.gov/departments/departments-e-m/finance/budget-office/2022-budget-documents>

FOLLOW-UP FROM SEPTEMBER 21 MEETING

Automated Materials Handler

During the September 21 meeting council moved that staff fund the Automated Materials Handler from the General Fund. \$250,000 in one time funding will be added to the Library budget for this purpose. The ongoing costs associated with operating and maintaining this equipment is not known at this time. Once those costs are identified they will need to be added as a level 1 budget item in a future budget.

Status of Current Funding for the 529 Jump Program

The City signed a contract with the Education Foundation for the St. Vrain Valley in April 2021 for \$25,000, which is the amount of ongoing funding in the Children, Youth and Families (CYF) operating budget allocated for the 529 Jump program. The contract can be extended for five additional one year terms by written consent of both parties. Staff will be extending that contract for the 2021 – 2022 school year to include \$25,000 in one-time funds (carried over from 2020), and the \$70,000 in one-time funds included in CYF 2021 budget.

Staff has opened requisitions for this funding, but had not yet issued any payments, pending receipt of invoices from the Education Foundation. Upon further review of the contract terms/conditions, the payment schedule calls for monthly distribution. Staff will initiate those payments.

CYF staff are working with Foundation staff and program volunteers to implement the marketing and outreach plan. Staff will submit a progress report at year-end.

PROPOSED FINANCIAL POLICIES

As part of the 2022 budget process staff has reviewed and updated the City's current financial policies. All changes to the financial policies will be adopted by resolution (scheduled for October 27) and will become effective on January 1, 2022. The complete policies can be found in **Attachment M** and reflect the proposed changes by using strikeouts for phrases to be removed and bold blue letters for new words or phrases to be added.

Various policies include the comment **[TO BE UPDATED AFTER THE 2022 BUDGET IS COMPLETED]**. After staff receives final direction on the 2022 Operating budget from Council these policies will be revised to include 2022 Budget figures.

Several of the proposed changes recommended by staff are minor updates or clarification of information and are not listed in this communication. If Council has questions on any changes, staff will be available to discuss them during the presentation. New policies as well as changes that go beyond updates or basic clarification are highlighted below.

New Policies

The Fleet Service Fund is an Internal Service Fund of the City which was created to centralize control over the acquisition, maintenance, allocation and disposal of all city-owned motor vehicles and motorized equipment. The Fleet Fund accumulates replacement monies over the useful life of the vehicle and equipment assets so that replacement can be made when the vehicle is removed from service. With 836 vehicles or motorized equipment at a value of over \$48.6 million, there is always a significant fund balance in the Fleet Services Fund representing accumulated replacement dollars. In 2020 the accumulated fund balance for replacements was approximately \$26.8 million. In the past we have found that we have been able to make loans to other funds for equipment or capital projects at much lower interest rates than if we were to secure financing from the private sector.

With the increase in loans in 2019 and 2020, staff believes it is prudent to propose a new financial policy regarding the amount of loans from the Fleet Fund. The Fleet Fund operating and maintenance expenses are all always covered by annual fleet lease charges. The only need for the monies in the accumulated fund balance for replacements is for replacements. With vehicles with useful lives as long as 15 years, financial projections are always maintained out at least 15 years so we always have a very good sense of timing of replacements and likewise the use and size of the fund balance for replacements. There are peaks and valleys in the amount of our annual replacements. Years in which we replace fire trucks and trash trucks can be expensive and need to be considered. Thus staff recommends the following financial policy:

Fleet Fund Interfund Loans

Interfund loans from the Fleet Fund should never exceed the lower of 70% of the current fund balance for replacements or 70% of the average of the projected fund balance for replacements over the next five years.

The City currently meets this policy.

Updated Policies

Staff is proposing the following changes that are more than basic clarifications:

The Human Service Agency Funding policy is being updated to show 3.0% of the General Fund's taxes will be allocated for this purpose.

Human Service Agency Funding

In order to provide a stable funding source to independent human service agencies, which provide needed programs to Longmont residents and/or to fund Council-directed initiatives that address system changes to improve human service outcomes, 2.52% **3.0%** of the General Fund's budgeted tax revenues (to include property tax, sales and use tax, cigarette tax, and all franchises) revenues will be allocated for this purpose.

~~The 2021 Operating Budget includes \$1,724,481 for contracts for service with human service agencies.~~ **[TO BE UPDATED AFTER THE 2022 BUDGET IS COMPLETE]**

In October 2020 the Purchasing and Contracts division inserted the living wage requirements into procurement contracts. This policy has been updated to reflect this.

Living Wage Requirement

The City supports a living wage for employees of suppliers under contract with the City. ~~therefore beginning in In October 2020 a clause will be~~ **was** added to every **procurement** contract that includes **with** a service component that ~~requires~~ **requiring** the contractor ~~to agree~~ to pay a living wage to full time employees working under the contract. Non-profit organizations, state or federal mandated or funded programs, goods and supplies contracts, loans or grants awarded by the City, and cooperative contracts awarded by other agencies and utilized by the City are exempt from this requirement.

~~The City is currently working to draft the language to add to contracts.~~ **The City currently follows this policy.**

The Affordable Housing policy has been updated to include the statement that 10% of the revenues may be used to cover administrative costs

Affordable Housing

In order to provide a secure funding source for affordable housing in Longmont, all revenues from payments made by developers in the form of “fees-in-lieu” of providing affordable housing under the Inclusionary Housing program as well as loan payments are deposited into the AH Fund. The \$1 million from the General Fund and ½ of the marijuana tax collected will be transferred to the Affordable Housing Fund. In addition, the City will strive to transfer from the General Fund enough funding annually to cover the Administrative costs associated with managing the Affordable Housing programs. **Starting in 2022, up to 10% of all revenues deposited into the Affordable Housing Fund may be accessed to cover administrative costs for managing the Affordable Housing Fund as well as any CDBG or HOME administrative costs not covered by those grants (in excess of their administrative caps).** The City will accept cash, land and property donations on behalf of Affordable housing with all donations transferred to the AH Fund or in the case of property/land held in perpetuity for affordable housing purposes unless determined by Council for a higher and better use.

The City currently follows this policy.

PRIORITY BASED BUDGETING AND THE 2022 BUDGET

Since 2013 the City Council has made a commitment to use priority based budgeting to make decisions regarding resource allocations. A key component of the priority based budgeting process is to identify the results that the City is in business to achieve. Initially the City used the Focus on Longmont strategic policy directions to identify the desired results. Starting in 2014, all of the programs of the City were identified, costed and scored based on how they influence the desired results as well as the key Basic Program Attributes: mandate to provide the program, reliance on the City to provide the program, cost recovery of the program, and portion of the community served by the program. Each individual program has an overall score based on its influence on these results and attributes that places it in one of four quartiles. Since 2014, in our annual budget processes staff has used this information to evaluate budget requests. As there are limited resources available the intent is to ensure that our new resources are going toward programs in the higher quartiles. With limited



exceptions most new resources that go toward fourth quartile programs are for salary and benefit increases for employees who are part of existing programs.

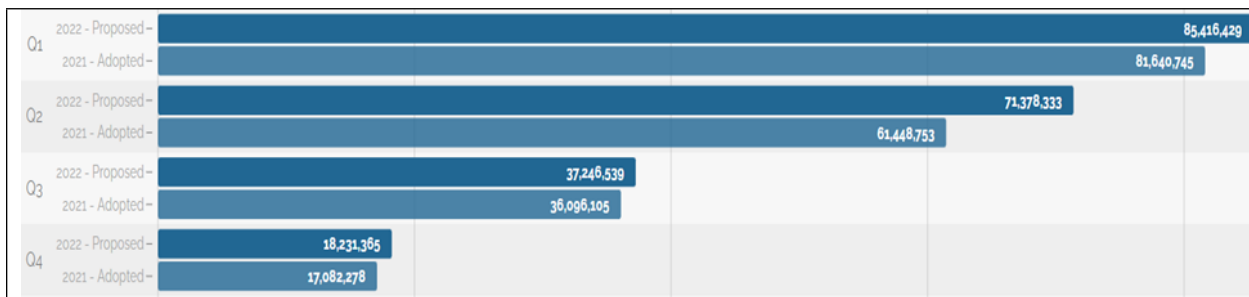
In 2016 the City Council adopted Envision Longmont, a multimodal and comprehensive plan that provides strategic direction and guidance for Longmont over a period of 10 to 20 years. Both the priority based budgeting process and the Envision Longmont process include community input toward goals and priorities. Envision Longmont includes six guiding principles that reflect key elements of the community's desired future. These guiding principles provide focus in terms of where efforts and resources should be directed over 10 to 20 years to ensure that Longmont remains a livable, prosperous and attractive community. During the first half of 2018 the staff worked to incorporate the Envision Longmont guiding principles into the priority based budgeting process. This included the involvement of the City Council and the community along with a diverse representation of City staff. We now are using the guiding principles from Envision Longmont as the desired results in priority based budgeting. The guiding principles and their relative priority weightings as determined by the community are:

- | | |
|---|-------|
| • Livable centers, corridors and neighborhoods | 17.1% |
| • A complete, balanced and connected transportation system | 12.2% |
| • Housing, services, amenities, and opportunities for all | 20.3% |
| • A safe, healthy, and adaptable community | 17.7% |
| • Responsible stewardship of our resources | 16.0% |
| • Job growth and economic vitality through innovation and collaboration | 16.7% |

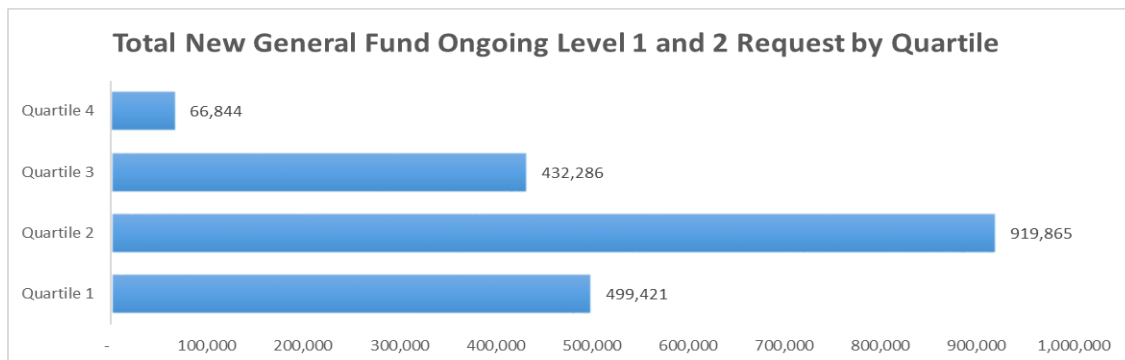
Maintaining Longmont's outstanding quality of life has been a long-standing Council goal. To keep Longmont a quality place to live as the economy struggles requires that limited resources are allocated proficiently among multiple priorities.

An overview of the City's PBB process, including the scoring criteria and the data from prior budgets, and the community PBB model can be found on the City's website at the following address: <https://www.longmontcolorado.gov/departments/departments-e-m/finance/budget-office/budget-prioritization>

Below is the Priority Based Budgeting quartile comparison of the 2021 adopted budget and the 2022 proposed budget. These amounts do not include any budgeted amounts for CIP, transfers, debt service, or purchased power. As shown below the 2022 proposed budget has \$85.42 million (40.2%) that supports quartile 1 programs and another \$71.38 million (33.6%) that supports quartile 2 programs. **Attachment N** includes the quartile graphs for each major operating fund.

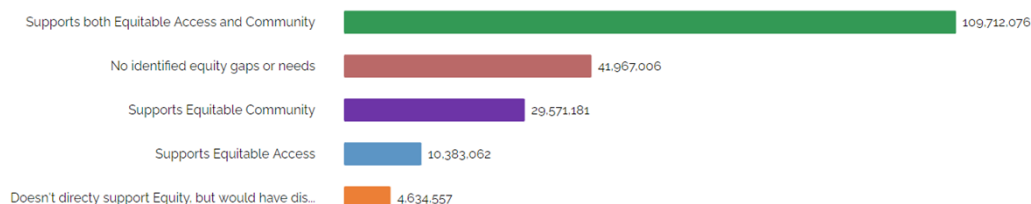


This graph below shows by quartile the Level 1 and Level 2 ongoing increases for the General Fund.



A complete list of all programs and the 2022 budget amounts broken out by personnel, non-personnel and total budget can be found in **Attachment O** for Community Programs and **Attachment P** for Governance Programs.

Council previously directed staff to incorporate an equity component into our PBB process. As a first step, for this year staff incorporated equity by creating *equity insights* that allow us to gather equity information for each program based on the Equity Team's definitions of the various levels of equity. Each department was asked to evaluate each program against these definitions and provide information on how the *equity insight* is achieved by the program. As shown below the 2022 proposed budget has \$109.71 million (55.90%) that supports both Equitable Access and Community.



The complete list of programs by *equity insight* can be found in **Attachment Q**.

The second step will be to turn these *equity insights* into a Basic Program Attribute which will fully incorporate equity into our PBB scoring process, such that it influences the overall program score and placement within the Quartile matrix. This step will be conducted in early 2022 so the resulting data can be utilized during the budget process for 2023.

During the Council meeting we will be reviewing the 2022 Proposed PBB data, the *equity insight* process and information as well as providing a timeline for incorporating equity into our PBB scoring process.

AIRPORT FUND

The proposed budget for the Airport Fund can be found on pages 522-525 in the 2022 Proposed Budget document. For 2022 staff is proposing a total budget of \$637,085. This is an increase of \$163,117 (34.4%) over the 2021 adopted budget. Increases are in the Personal Services and Capital areas. The increase in Personal Services is due to the addition of the new Operations and Maintenance Technician position while the increase Capital is from a vehicle for the new FTE and \$60,000 in the Airport CIP project TRP012, Vance Brand Airport Improvements.

TRP012 can be found on page 161 in the 2022-2026 Proposed CIP document. Funding in 2022 will be used to perform minor maintenance and completely remark the entire runway with FAA required runway markings in accordance with FAA standards to improve safety and visibility of the severely faded markings. This \$60,000 budget is offset by \$54,000 of state grant funding with the remaining \$6,000 being the Airport grant matching funds. Future projects include:

- 2023 new taxiway to the south side to facilitate continued expansion and development which will allow for the airport to be more self-sustaining by generating additional revenue through development.
- 2025 includes two projects: 1) joint seal and replace cement panels on the aircraft parking apron to prevent further damage, and 2) rehabilitation of the section of taxiway that leads from the east end of Taxiway A around in front of the Airport Manager's office and connects back into the northeast corner of the aircraft ramp.

PUBLIC HEARING

The Municipal Charter of the City of Longmont requires that the City Council hold a public hearing on the proposed operating budget for the next fiscal year on or before October 1 and advertise the hearing five days prior to the meeting date. The City has historically also included in this public hearing the proposed Capital Improvement Program (CIP).



This is the evening of the first public hearing on the proposed budget and CIP. The second public hearing is scheduled for October 5. Both public hearings have been advertised in the *Times Call*.

Staff recommends that you hold one public hearing and take citizen comment on both of these topics, since CIP budgets are included in the Proposed 2022 Operating Budget.

ATTACHMENTS:

Attachment M – 2022 Proposed Financial Policies

Attachment N – PBB Quartile Graphs

Attachment O – 2022 PBB Community Program List

Attachment P – 2022 PBB Governance Program List

Attachment Q – PBB Program List by Equity Insight