



MEETING DATE: September 15, 2020

ITEM NUMBER: 6.B

SECOND READING:

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TYPE OF ITEM:

PRESENTED BY:

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SUBJECT/AGENDA TITLE:

2021 Budget Presentation

EXECUTIVE SUMMARY:

The Proposed 2021 Budget presentation will focus on the categories of a budget tutorial, total budget summary by fund, revenue projections, General Fund budget summary, Public Safety Fund budget summary, 2020 budget projections, early childhood education, Human Service Agency funding, Affordable Housing Fund, Library feasibility study, and equity in the 2021 budget and beyond. 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 2021 proposed budget documents should we need to refer back to any information from this communication as we continue to move through the weekly 2021 budget presentations.

<https://www.longmontcolorado.gov/departments/departments-e-m/finance/budget-office/2021-budget-documents>

COUNCIL OPTIONS:

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RECOMMENDED OPTIONS:

Click or tap here to enter text.

FISCAL IMPACT & FUND SOURCE FOR RECOMMENDED ACTION:

Click or tap here to enter text.

BACKGROUND AND ISSUE ANALYSIS:

Citizens wishing to view the 2021 Proposed Budget, the 2021-2025 Proposed Capital Improvement Program or the 2021 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/2021-budget-documents>

2021 BUDGET PRESENTATIONS SCHEDULE

As the schedule in the Budget Message has changed, **Attachment D** is included with a revised schedule.

FOLLOW-UP FROM SEPTEMBER 8 MEETING

Councilman Waters asked about the Funded Projects presentation on pages 14-16 of the 2021-2025 proposed CIP and why it only included some but not all of the 2019 bond projects. The presentation in the CIP document only included projects that have new funding in the 2021-2025 CIP. The three 2019 bond projects included have new funding in either 2024 or 2025. The amount shown in the 2020 column includes the 2020 budget and any budget amounts carried forward from previous year's budgets, any additional funding added through Ordinances O-2020-25, O-2020-26 and O-2020-30 which are the ordinances that have been passed by council up through August 25, as well as any CIP amendments that have been approved by the City Manager where budgetary savings has been moved from one project to another. To make this presentation more complete, all CIP projects that have funding in 2020 have now been added. This information can be found in **Attachment E** and the 2021-2025 CIP will be updated with this new presentation.

BUDGET TUTORIAL

As staff was unable to provide this presentation at the September 8 meeting it will be provided during this council meeting.

TOTAL BUDGET SUMMARY BY FUND

The 2021 Proposed Budget totals \$371.78 million. This is a \$17.9 million increase from the 2020 Adopted Budget of \$353.91 million. **Attachment F and G** are summaries of the 2021 Proposed Budget by Fund vs the 2020 Adopted Budget. **Attachment F** identifies the contribution to or use of fund balance for each individual fund in the proposed budget. In **Attachment G** 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 43 individual funds proposed to be budgeted for 2021.
- Funds with large increases in expenditures include the Electric & Broadband Fund (\$7.54 million); Water Fund (\$8.64 million); Streets Fund (\$4.86 million); Fleet Fund (\$1.5 million); Conservation Trust Fund (\$1.2 million); Sewer Construction Fund (\$2.33 million); and the Water Construction Fund (\$13.6 million).
- Funds with large decreases in expenditures include the General Fund (\$3.57 million); Sewer Fund (\$1.2 million); Public Improvement Fund (\$2.87 million); Park



Improvement Fund (\$2.3 million); Downtown Development Authority (\$5.2 million); and the Utility Billing CIS Fund (\$4.08 million).

- CIP projects increased from \$52.4 million in 2020 to \$84.7 million in 2021.
- 2021 includes \$31.87 million for the Price Park Tank Replacement and the Nelson-Flanders Water Treatment Plant Expansion but are incumbent on voter approval of bonding for additional funding of these projects.
- Major decreases in CIP projects in individual funds include \$960,000 in the Airport Fund; \$2.41 million in the Public Improvement Fund; \$2.3 million in the Park Improvement Fund; and \$2.15 million in the Downtown Development Authority.
- Major increases in CIP projects in individual funds include \$7.4 million in the Electric & Broadband Fund; \$9.4 million in the Water Fund; \$3.9 million in the Streets Fund; \$1.2 million in the Conservation Trust Fund; \$2.39 million in the Sewer Construction Fund; and \$14.68 million in the Water Construction Fund.

REVENUE PROJECTIONS

Funding for a number of 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 2021:

Sales and Use Tax

	Sales Tax	Use Tax	Combined
Performance thru June 2020	3.7%	(12.3%)	0.8%
Projections to end 2020	2.4%	(15.5%)	(0.67%)
Projections for 2021	2.2%	4.5%	2.54%

Property Tax

Property tax assessment timing captures market adjustments every other year with typically only new construction being captured in non-reassessment years. Tax year 2020 is a non-reassessment year. Typically the County Assessor has to provide preliminary assessed valuations by August 25th but due to COVID-19 the state relaxed the deadline until October 13th. The proposed 2021 budget does not yet include any new property tax revenue from tax year 2020. There is an expectation of growth in the Weld County assessed valuation from business personal property from Smucker's. Under the economic incentive agreement between the City and Smucker's the property tax revenue from the business personal property will be rebated to Smucker's.

With over \$2.4 million of property tax revenue growth in 2020, and knowing that 2021 is not a reassessment year from a revenue perspective, when the 2020 budget was built staff proposed that \$885,887 of the new property tax be treated as one-time revenue in 2020 so that it can be available to be used as new ongoing revenue in 2021. That amount, along with another \$145,729 from the final assessed valuation after the adoption of the 2020 budget,

provides \$1,031,616 of new ongoing revenue from property tax in the proposed 2021 budget.

Once again for 2021, staff is recommending that any other new property tax revenue from the tax year 2020 assessed valuations be used for one time expenses instead of ongoing expenses. This will position the City better in the event of a decrease in the residential assessment ratio due to the Gallagher Amendment. If the residential ratio drops it will negatively impact the City's property tax revenue in tax year 2021 which is budget year 2022. By using the property tax revenue on one time expenses in 2021, it will keep it available to be used for ongoing expenses in 2022. Potential uses for any one-time revenue could include to either increase the funding towards TRP131, the 1st & Main Transit Station Area improvements; or TRP094, Railroad Quiet Zones.

Building Permits

Dwelling units	Single Family	Multi Family	Combined
Projections for 2020	320	600	920
Performance thru July 2020	161	519	680
Projections for 2021	230	526	756

GENERAL FUND BUDGET SUMMARY

Ongoing Revenue and Expenses

The ongoing General Fund revenue and expense in the 2020 adopted budget was \$86,791,080. The proposed budget for 2021 includes total ongoing revenues in the General Fund of \$86,798,750, an increase of \$7,670 over 2020.

Decreases in revenue total \$2,081,002 but increases in other sources of revenue total \$2,088,672. A more detailed breakdown of the change in revenues is included in **Attachment H**. The line item detail can be found on pages 45 through 49 of the proposed budget document. Major reductions in ongoing revenue include the following:

- \$1,127,792 of recreation fees
- \$337,307 of building permits
- \$250,000 of interest income

The major increases in ongoing revenue include the following:

- \$1,031,616 of property tax
- \$502,880 of utility franchise revenue
- \$197,151 of sales and use tax
- \$136,137 of oil & gas royalty revenue

The 2021 proposed budget includes new ongoing expenses of \$1,276,897 but decreases in other ongoing expenses of \$1,269,227 result in a net increase of \$7,670 in ongoing expenses. A breakdown of the changes in ongoing expenses is also included in **Attachment H** and a list

of the ongoing increases can be found in **Attachment I**. The \$1,269,227 of reductions in ongoing expenditures is comprised of the following:

- \$1,127,792 for recreation services line item reductions
- \$10,000 for video services & public access media
- \$72,894 reduction in workers comp insurance
- \$52,066 reduction in liability insurance
- \$6,475 reduction in the cost of unemployment insurance

The \$1,276,897 of ongoing increases is due to the following:

- \$248,219 for pay and related benefit increases
- \$20,980 for shift of .25 FTE from Senior Services Fund
- \$99,158 increase for the city's contribution to pension plans
- \$597,540 of ongoing level 1 increases which are those expenses that we really have no control over such as contracts or utilities
- \$142,500 of ongoing level 2 increases
- \$15,620 of ongoing expenses associated with one time funded items
- \$107,498 for Human Service Agency funding
- \$38,718 for fleet lease increases
- \$6,664 for transfers to other funds

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 2020, those Reserve Policy targets equate to the following:

TABOR reserve	5.59%	\$4,852,155
Emergency reserve	8.0%	\$6,943,667
Stabilization reserve	at 3%	\$2,603,875
Stabilization reserve	at 8%	\$6,943,667

Currently in 2020, the General Fund Reserves are funded as follows:

TABOR reserve	5.59%	\$4,852,155
Emergency reserve	8.0%	\$6,943,667
Stabilization reserve	at 2.0%	\$1,700,968

With the amount of General Fund operating expenditures in the proposed 2021 budget the 2021 Reserve Policy targets would equate to the following:

TABOR reserve	5.59%	\$4,852,155
Emergency reserve	8.0%	\$6,943,900

Stabilization reserve	at 3%	\$2,603,963
Stabilization reserve	at 8%	\$6,943,900

The proposed 2021 budget includes an increase to the General Fund reserve of \$1,667,300. Pending whether it is necessary to utilize stabilization reserves in 2020 for revenue shortfalls, and the annual adjustment to the TABOR reserve next April, the funding of the General Fund Reserves in 2021 would be as follows:

TABOR reserve	5.59%	\$4,852,155
Emergency reserve	8.0%	\$6,943,900
Stabilization reserve	at 3.65%	\$3,168,081

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 2019 left about \$3.3 million in the General Fund fund balance with most of it coming from expenses, after carryover and encumbrances, being below budget. The expenditure savings are from across the General Fund as budgets were managed closely in 2019. Of course part of this fund balance was projected in the 2020 budget process and thus was already earmarked for use in 2020 with almost \$1 million used for one time expenses and another \$1.7 million used to increase the General Fund reserves. Staff also projects 2020 operations but little is expected from there since projected expenditure savings and the OPEB equity transfer are being counted on to offset projected revenue shortfalls. Changes in designations of fund balance for things like prepaid expenses, contract commitments, and amounts being held for specific purposes like wildland fire and incentive rebates also impact the amount of fund balance available.

All of 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	\$1,040,232
Increase emergency reserve	\$1,467,113

Finally, there is also another \$564,882 that remains in the fund balance. An application for grant funding for Fire SCBA equipment has been made in that approximate amount. This application has been in for over a year but the State has delayed making awards due to COVID-19. If we do not receive the grant funding we would propose to appropriate those dollars to purchase the needed replacement equipment. If the grant is funded the monies would otherwise remain in the fund balance.

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 2020 level of sales and use tax we were able to fund 98.38 FTE in the 2020 budget including 53 FTE in Police including the SROs that were added per the agreement with the St Vrain Valley School District, 17 FTE in Fire, 8 FTE in Community Health and Resiliency, 4 in Public Safety Support Services, 13 FTE in Communications; 1 Legal Advisor in the City Attorney office, 2 FTE in Community Services, and .38 FTE for Graffiti Removal.

There are no additional FTE being added in the Public Safety Fund in the proposed 2021 budget. Our ability to add further FTE from this fund in the future will be driven by growth in the sales and use tax revenue collections. Our strategy is to be conservative in projecting sale and use tax growth so that we have less, if any, future need to make budget adjustments downward.

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 2020 budget amounts and is included as **Attachment J**. The fund balance for the Public Safety Fund was \$6.62 million at the end of 2019, including the 8% emergency reserve of \$943,365 and \$2.99 million that was then carried over into 2020 to cover one-time expenses that were budgeted in 2019 and still needed for the purpose for which they were budgeted. We project this fund to finish at about \$2.95 million by the end of 2020 after taking into consideration the revenue shortfalls and expenditure reductions that were made to offset those shortfalls as well as an 8% emergency reserve of around \$1.1 million. Beginning in 2021, the lease on the fire station will be paid off. The original intent was to use these dollars to cover one-time expenses in future budgets but that savings is now being used to cover ongoing increases needed in 2021. Extending the pro forma through 2030 indicates that estimated ongoing revenues will not be enough to cover the estimated ongoing expenses of this fund starting in 2022. An annual deficit in ongoing revenues/expenditures is an outcome of annual revenue growth projections of 1% in 2022/2023, 2% in 2024/2025 followed by 3% in 2026-2030. These revenue increases are the result of an anticipated recession that is expected have an extended gradual recovery. Expenditure growth is projected at 5% in 2022 followed by 3% in each of the out years. Actual results tend to be within the conservative projections but if an ongoing deficit does develop we will need to react in the near future by reducing ongoing expenses. The fund unreserved fund balance is shown to go negative at the end of 2023. We will need to manage the fund so that it does not decrease below the reserve requirement.

2020 BUDGET PROJECTIONS

March: From a revenue projection perspective, much has changed from just six months ago. The 2020 budget for sales and use tax is 2.8% greater than the actual sales & use tax in 2019. In the second week of March we released the January sales and use tax results which reported growth of 2.9% which seemed to be right on target. Within a few days things began to change dramatically and we had no clue what to expect from a revenue perspective. On March 25th staff released our first estimate of a \$14 million revenue shortfall. Of that amount, \$13 million was sales & use tax (\$6.8 million in the General Fund) and the other \$1 million was recreation revenue and investment revenue. The sales & use tax projection assumed two full months of severe impacts on sales & use tax followed by eight more months of a recession.

April: Despite February activity not yet being impacted by COVID-19, the sale and use tax revenue report for February, issued in the 2nd week of April, was down 1.5% that month as some vendors were unable to make their February tax payments due on March 20th. After two months our YTD sales & use tax was up only 0.7%. Staff did a more extensive revenue shortfall projection in April of \$15.3 million (\$8.7 million in the General Fund), identifying potential impacts in more areas such as development revenues; fines & forfeits; utility disconnects; Union reservoir fees; Museum fees; and golf revenues. The sales and use tax projection was pretty much the same at a \$13.2 million shortfall with two full months of severe impacts on sales & use tax followed by eight more months of a recession with sales & use tax 5% below 2019 levels.

Staff presented these shortfall projections to the City Council on April 14th and with it identified plans to deal with the shortfalls including emergency reserves; OPEB equity; deferral of capital projects; and expenditure savings including from a selective hiring freeze.

May: In the second week of May the sales & use tax results for March surprised us with growth of 6% and YTD growth of 2.7%. On May 12th we presented revised projections once more, this time with an \$18 million revenue shortfall (\$10.6 million in the General Fund) in 2020. Much of the growth came from identifying more sources of shortfalls including \$2.85 million of recreation revenue; \$475,000 of highway use tax; \$300,000 of lodgers tax; and \$400,000 of golf revenue. Regarding sales and use tax we wrote "Our new projections expect that April results will be the worst with a gradual strengthening as businesses return to some level of operations in May and June. We then project the second half of 2020 to be impacted by a recession with sales and use tax 8% below 2019 levels". The sales and use tax shortfall projection was lowered slightly to \$12.3 million. Staff presented savings solutions to offset the projected shortfalls as well as projects being deferred in some other funds where shortfalls were not projected. Deferred projects and reduced levels of services were also identified.

June: As expected, April sales and use tax results were dismal, down 12.7% bringing the YTD results to a 1.3% decline. Staff decided not to update the projections in June.

July: May sales and use tax results were better than expected at 1.6% growth. While the YTD results were still down 0.6%, this was the first real sign that our estimates to this point had been too negative. On July 14th we brought new projections to the City Council. We still remained cautious with a projection that June would be down 7.92% followed by the second half of 2020 down 6% below 2019 levels. The overall revenue shortfall was lowered to \$11.33 million (\$6.9 million in the General Fund). The sales and use tax shortfall projection was lowered to \$5.88 million (\$2.83 million in the General Fund).

August: In late July and into early August staff was working to balance the proposed 2021 operating budget. With a close eye on June sales and use tax receipts (due on July 20th) it was apparent that we were having a second straight month of revenue growth. The decision was made to budget 2021 sales & use tax at 1.85% above 2019 actual collections. While still concerned with the many threats we identified in the budget message such as a virus resurgence and/or a recession, we believed it was worth the risk to set the sales & use tax at a level where we could maintain existing service levels. At the same time, we planned to continue to maintain much of the savings plans that have been in place for the past five months or more. By doing so we believed we would be in position to handle it if our sales and use tax revenue projection did not play out.

In the second week of August the June sales & use tax results were released with 6.5% growth for the month and 0.8% growth YTD. As part of the budgeting process staff projects how revenue and expense may finish the current year in the General Fund in order to project an ending fund balance for 2020. We continued to project a recessionary impact in the second half but lowered it to 2% below 2019. The result was a 2020 full year sales & use tax projection of a 0.67% decline below 2019 actual revenue. Working in the revisions to the projections the overall revenue shortfall was lowered to \$8.17 million (\$5.54 million in the General Fund). The sales and use tax shortfall projection was lowered to \$2.67 million (\$1.28 million in the General Fund).

In the General Fund, besides the projected sales & use tax shortfall of \$1.28 million, there are a number of other revenue shortfalls we are projecting totaling \$4.26 million (net of some revenues exceeding projections), only some of which are a result of COVID-19. The larger of these are the following:

Recreation revenues	\$2,850,000
Property tax	215,000
Electric franchise revenue	250,000
Utility billing shutoff/collection fees	215,000

Investment earnings	170,000
Union reservoir fees	151,600
Credit card fees	125,000
Museum fees	123,500
Natural gas franchise fees	75,000
Court revenues	73,200
Cell tower revenues	48,000
Library fines	36,000
Cable franchise revenue	20,000

Attachment K is a comparison of the total revenue shortfall projections from July with the total revenue shortfall projections used in the proposed budget. It also indicates which of the savings solutions that staff identified in May are likely to be utilized to offset the shortfalls. Those solutions are highlighted in gold. The solutions highlighted in green may not be needed under the current projections. Staff recommends we continue to hold on to most of them until we can be confident that they will remain unneeded. The City Manager may decide to authorize use of some of them for their originally budgeted purpose if they are determined to be strategically necessary.

EARLY CHILDHOOD EDUCATION

Children, Youth and Families' (CYF) total Early Childhood budget of \$250,000 for 2020 included \$50,000 ongoing, \$150,000 one time and an additional \$50,000 funded from the Special Marijuana Tax Fund. Initially, CYF staff worked with community partners and stakeholders to identify areas of focus for this funding, which included training and capacity development in the early childhood arena. However, in response to COVID-19 impacts, CYF conducted an early childhood business needs assessment and as a result, modified its funding strategy for 2020. Some of these funds have been used to purchase personal protective equipment (PPE) for early childhood providers in Longmont. The remaining funding will be used to meet the needs for childcare for families as parents are able to go back to work, as we know that the provision of childcare for families is a key to our economic recovery. These funds will also support those providers who have experienced a significant impact and loss of revenue due to the COVID 19 pandemic. Preschools, centers and daycares in Longmont are reporting a loss of revenue due to parents choosing to keep their toddlers at home with older kids as they are enrolled in virtual learning. It is estimated that only 40% of homes, preschools and daycares remain open, but many are struggling financially to keep the doors open. CYF staff is also working with the City's Emergency Management Coordinator to potentially obtain reimbursement for some these costs, in order to use some of these funds for their initial pre-COVID intended purpose.

In 2021, Children, Youth and Families will continue to work with early childhood community partners and stakeholders to determine the best use of 2021 funding. The total budget for

2021 is \$100,000 which includes \$50,000 (proposed) one time and \$50,000 ongoing in CYF budget. At this point the additional \$50,000 that was funded from the Marijuana Tax has not been included in the proposed 2021 budget pending the upcoming discussion with Council. It is expected that these funds will be needed again in 2021 to provide for the level of programming that was originally planned pre-COVID. It is anticipated that it will be necessary to continue to monitor the need for subsidizing childcare slots and PPE needs and meet those needs and others as they arise. Once those needs are met or other sources of funding are identified to meet them, staff would continue with the initial 2020 plan for early childhood training and capacity development.

HUMAN SERVICE AGENCY FUNDING

The City of Longmont human services fund (HSF) supports critical services and resources that assist Longmont's most vulnerable residents. Part of the City's HSF is allocated for the human services agency grant program. This program funds services that assist low-moderate income Longmont residents to meet their individual and/or family's basic physical, social, economic, and/or emotional well-being needs. This long-standing City program has a critical role in carrying out Council's work plan goal *to make sure that Longmont's most vulnerable residents have the resources and opportunities to thrive*, and is called out as a specific action to achieve that goal. The other portion of the HSF has been allocated to address adult homelessness and to prevent Longmont households at risk of losing their housing from becoming homeless. This approach aligns with the Council's goal *to incentivize and provide housing and support services that end the risk of homelessness in the Longmont community*.

The proposed 2021 budget contains an increase in the General Fund set-aside revenues from 2.37 percent to 2.52 percent for human service funding (\$1,712,455). While this is short of the Housing and Human Services Advisory Board's (HHSAB) second year request of 2.7% (of a three-year strategy to increase the human service funding set-aside to 3%), it still increases the amount available to the base HSF by \$107,948. This will add more resources to the human services agency grant program. City Staff and the HHSAB are launching its 2021 competitive grant process in September, and will bring funding recommendations to the Council in late December 2020 or early January 2021.

2020 Funding Allocations

The following is a breakdown of how 2020 HSF was allocated between both the human services agency grant program and the allocation for adult homelessness and homelessness prevention program:

2020 Human Services Funding		
Purpose	Base	One-time
Navigation	\$400,000	
Housing Stabilization Program	\$200,000	
Diversion	\$40,000	\$5,000

Locally-funded Housing Vouchers	\$175,000	\$70,000
Housing and Homeless Subtotal	\$815,000	\$75,000
Human Services Agency Grant Program	\$789,957	
One Time		\$12,000
Total amount for HSF	\$1,604,957	
Total amount for HSF + One Time \$	\$1,691,957	

2020 Human Services Needs Assessment

In 2019, staff leveraged and aligned its human service needs assessment process (to be completed in 2020) with Consolidated Plan process that is required by Housing and Urban Development (HUD) every five years as entitlement community that receives Community Development Block Grant (CDBG) funding. As part of this joint effort, the Consolidated Plan consultant expanded its scope of work that incorporated additional data gathering and research about local human service needs and priorities. Furthermore, the consultants recommended outcome metrics based on those priority recommendations that staff will use when drafting scopes of works with the funded agencies. The Human Services Needs Assessment (HSNA) was completed in August of 2020.

The HSNA included primary research in the form of resident surveys. In total, more than 1,100 Longmont residents completed the survey to help determine which human services needs are a priority for residents. The HSNA also reviewed a plethora of secondary sources such as US Census Data and other recent needs assessments. Finally, the HSNA gathered input from focus groups to help analyze the survey results and distill recommendations for priority areas for the next five years. The recommendations from the 2020 HSNA to consider in the human services agency grant program are:

1. Continue to prioritize housing
2. Childcare continues to be a growing priority for low to moderate income families
3. The need for digital inclusion and reducing the digital divide
4. Increase case management capacity to support residents navigating complex systems

The HHSAB decided that many of these priorities and activities continue to fit well under the six priority areas that were selected after the previous human services need assessment and decided to maintain them as the City's HSF priorities:

1. Housing Stability: supporting a continuum of emergency and transitional housing options; helping people find and sustain stable housing.
2. Health & Well-being: ensuring access to affordable medical, dental and mental health care.
3. Food & Nutrition: helping households obtain adequate quantity and quality of food.
4. Self-sufficiency & Resilience: supporting households during tough economic times; helping households attain steady employment with livable wages and move toward self-sufficiency; and helping households remain as self-reliant as possible.

5. Education & Skill Building: starting young and continuing throughout all stages of life, offering education, and skills training that are the building blocks of self-sufficiency.
6. Safety & Justice: ensuring safe and supportive environments for vulnerable children and adults.

The HHSAB and staff will continue work on ensuring that the recommendations and activities found within the HSNA are taken into account in the 2021 human services agency grant program process. The full needs assessment report will be presented to City Council when staff brings forward the 2021 funding recommendations.

2021 Funding Allocation

While the HHSAB will continue to working on the detail work of prioritization, the following is the proposed way that staff is recommending the HSF be allocated between the current two main uses of the HSF:

2021 Human Services Funding		
Purpose	Base	One-time
Navigation	\$400,000	
Housing Stabilization Program	\$200,000	
Diversion	\$20,000	
Locally-funded Housing Vouchers	\$215,000	
Housing and Homeless Subtotal	\$835,000	\$0
Human Services Agency Grant Program	\$877,455	
Total amount for HSF	\$1,712,455	\$0

Of the base amount, 51 percent will be allocated to the human services agency grant program and 49 percent will be used to fund the homelessness and homelessness prevention programs. The City is currently determining how to allocate its one-time dollars from the CARES Act. It is likely that additional funding will be allocated to address additional human service needs linked to the 2020 pandemic; however, these funds will need to be spent by December 31, 2020.

AFFORDABLE HOUSING FUND

Within the proposed 2021 budget there is again \$1 million of ongoing funding from the General Fund to continue efforts to capitalize the City's Affordable Housing Fund. These capital funds will be made available to for-profit and nonprofit developers to provide a total of approximately 100 new affordable homes (primarily rental units affordable at or below 60% of the area median income). Beginning in 2019, affordable housing development is boosted by 50% of the 3% special sales tax on the sale of marijuana. This revenue is estimated at \$205,000 for 2021. Ongoing support of \$206,543 from the General Fund is provided to supplement staffing and administration costs associated with the City's

Affordable Housing Fund, CDBG and HOME programs that support and provide affordable housing and community reinvestment efforts throughout the city. Due to reductions to this transfer amount in the 2019 budget, an increase in the amount of costs associated with administering Affordable Housing programs with the addition of the Inclusionary Housing Program, the anticipated close out of CDBG-DR funding, and continued decreases in CDBG and Home administrative funding, staff is estimating that up to an additional \$115,000 in administrative costs in 2021 will need to be covered from the capital funding.

This seems like a large jump from what we needed for additional administrative costs for many years prior to 2019 (\$159,815) to the current need. The following is a more detailed explanation:

A good portion of administrative costs were transferred to the Disaster Recovery (DR) Grant from 2015-2018. When the City took on the management of the DR funding for the Boulder County Collaborative (BCC), and for our own local housing flood recovery work, Housing and Community Investment (HCI) staff were each spending at least half, if not more, of their time on DR and working minimally to keep our regular ongoing programs moving along. DR has been covering the majority of 4 staffs' salaries/costs from 2014 - 2017. In 2018, Kathy Fedler went from less than one-quarter time spent on Affordable Housing Fund (AHF) administration to over 50% spent there, and Molly McElroy shifted from one-quarter to over 70% of her time spent on affordable housing because of the increased work on the Inclusionary Housing Program. These high levels maintained through 2019 and into 2020. In 2021 several employees will have an additional increase to AHF as DR begins its closeout process and the work on Affordable Housing and other housing issues takes its place. Most everyone else will also be shifting to a full normal administrative ratio with much less time spent on DR activities due to the close-out. This raises the costs in CDBG/HOME and AHF.

While spending so much time administering the DR programs and costs were covered by the DR grant funds, there were savings in the AHF as we did not entirely spend the Administrative Transfer each year. Staff did not ask for an increase in the Administrative Transfer for several years due to this, even when staff started to transition back to regular program management. We used savings (unspent administrative funding) from 2015 - 2017 to cover administrative expenses, but in 2018 with the abrupt shift to more costs in the AH Fund, and the loss of \$53,000 from the 2019 transfer, we needed additional funding from the Community Services' Administration budget to cover costs in 2018 and 2019. Luckily, the Community Services budget had salary savings that could be utilized. In 2018, we also lost HOME administrative funding, which was about \$20,000, in order to support the administrative costs of the Regional Affordable Housing Partnership.

In 2021, staff is now looking at a more normal resumption of duties and allocation of staff time to the CDBG, HOME and Affordable Housing Programs and the establishment and administration of the new Inclusionary Housing Program, which started in 2019. One DR staff position will be term limited and end 12/31/20. The current fixed-term IH Position is being funded with incremental development revenue (IDR) in Planning and Development Services,

but will also need to be added to the Administrative Transfer or funded with ongoing revenues in the future.

As mentioned previously, staff is estimating that up to an additional \$115,000 in administrative costs in 2021 will need to be covered from other sources (e.g. the Affordable Housing Fund). This gap will continue to grow each year (plus staff needs to close the funding gap in 2019 and in 2020). Staff would like to receive Council's input about using Affordable Housing Funds to cover the gap in administrative expenses and/or explore other sources of administrative funding.

LIBRARY FEASIBILITY STUDY

In late 2019, the City of Longmont contracted with Kimberly Bolan and Associates to conduct a feasibility study for the Longmont Public Library to discover the community's desires for a 21st century library and recommend sustainable funding models to offer desired services and facilities. The formal information gathering phase began in earnest in December 2019, in conjunction with a multi-day visit to Longmont. Consultants met with the Library's Management Team, Library Staff, Community Services Staff, representatives from SVVSD, the Friends of the Library, and the Library Advisory Board. They also spent time evaluating the Library building, looking at space needs, general building condition, amenities, and ADA requirements. The next step was the creation and issuance of a Community Survey in English and in Spanish, which received over 1500 thoughtful responses.

A second Consultant visit in February, 2020 involved multiple in-person listening sessions held in several different venues. While attendance at these sessions was not what we had hoped, community members who attended were very engaged in the process. During these first several months, Library staff worked with the consultants to supply pertinent data on collections, usage, door counts, checkouts, and services as compared to peer libraries in Colorado, and across the country. The consultants also studied demographics, growth projections, library card holders from surrounding areas outside of Longmont, and space needs and constraints.

The Consultant's planned next step was to synthesize this information and present several options for moving forward. They had also planned to engage the services of a second consultant, who is an expert in the financial analysis portion of presenting future options. All of this information was to be presented at a stakeholder retreat in March or April for discussion and further input. These steps have not yet been completed due to COVID-19 and not knowing at the time how serious the situation would turn out to be, or what economic impacts would result. This past month, staff asked the consultants to go ahead and compile their report of their findings thus far, along with recommendations on best practices moving forward, but not to go ahead with the financial analysis at this time. Staff has received a draft copy of their report, and are supplying some additional statistical data and making some revisions prior to its release.

Here are a few overarching themes from the analyses contained in the report:

- The Longmont community uses and values the Library.
- Circulation is very high compared to peer libraries.
- Expenditures per capita are low compared to peer libraries.
- The Library is too small to serve a community of this size, especially one that is growing.
- Having a single location is somewhat unusual for a City of this size, unless the single library facility is very large.
- There are advantages and disadvantages of the City Library model versus a Library District model, and most people are unaware of what those models entail.
- Print materials are strong, but digital holdings lag.
- Program attendance is robust, despite lack of funding. Almost all programs are funded by the Friends of the Library.
- Areas seen as needing the most improvement were parking, state-of-the-art technology, accessibility, and adequacy of collections.

The need for increased digital resources highlighted in the preliminary findings has clearly been illustrated during the COVID19 Stay at Home and Safer at Home public health orders. Therefore, the 2021 proposed budget includes \$22,000 in one-time funding for digital resources for children and adults who do not have access to what they need for online learning, learning about critical resources for food and financial assistance, and staying connected during a time of isolation. Staff will return to Council later this fall to share more details found in the preliminary report, and seek Council direction about how to best move forward with the remaining work to be completed regarding financial modeling in these uncertain economic times.

EQUITY IN THE 2021 BUDGET AND BEYOND

Within the proposed 2021 operating budget there are resources that address equity either directly or indirectly including:

- Nextlight programs targeted for income-qualified families
- \$9,500 for meal program funding in Children & Youth Resources
- \$22,000 of one time resources for Library digital and print resources augmentation
- \$10,000 of ongoing funding for Language Line services
- \$107,498 of increased ongoing funding for human service needs
- \$100,000 of ongoing funding for Affordable Housing & CDBG administrative costs
- \$50,000 of one time funding for investment in early childhood
- \$268,524 of one time funding park infrastructure rehabilitation and replacement

ATTACHMENTS:

Attachment D – Revised Budget Schedule

Attachment E – 2021-2025 Capital Improvement Program: Funded Projects

Attachment F – 2020 Adopted and 2021 Proposed Budget Summary by Fund



Attachment G - 2020 Adopted and 2021 Proposed Budget Summary by Fund with CIP separate

Attachment H – General Fund Comparison of Ongoing Changes

Attachment I – General Fund 2021 Proposed Base Budget Ongoing Increases

Attachment J – Public Safety Fund Proforma

Attachment K – 2020 Potential Shortfall & Savings by Fund