



**WESTMINSTER**  
COLORADO

# **City Council Financial Sustainability Update**

Sunday, July 26, 2020

# Today's Goals

- Achieve deeper understanding of the current financial crisis
- Review the steps already taken to mitigate
- Outline of potential steps to mitigate

## Question

On a scale of 1 - 10, how concerned are you about the financial status of the City?

# Guiding principles for financial decision-making

- Protect existing employees
- Make use of existing staff where possible instead of contracting out or filling vacant positions
- Rebuild reserves
- Using CIP guiding principles, proceed with certain critical capital projects
- Implement employee and community-generated feedback to
- Protect and preserve assets
- Encourage departments to take a close look at their programs and services to identify opportunities to shift funds between programs and service offerings under a fiscally-constrained environment, and/or encourage new ways of approaching service delivery through innovation.
- Ongoing, existing operations/maintenance needs should be a high priority.

## General Fund Overview

- General Fund is the City's Primary Operating Fund
- Sales & Use Tax Fund Considered General Fund
  - Accounts for 3.0% general and .6% public safety taxes

# Other Funds Impacting General Fund

## General Capital Improvement Fund (GCIF)

- Pays for capital and a portion of ongoing FTEs
- Most funding sources through transfers, but also receives \$7+ million in restricted revenues
- Restricted revenues sensitive to economic conditions

## Parks, Open Space & Trails Fund (POST)

- Pays for staffing/operations and capital
- More sensitive to economic conditions compared to General Fund

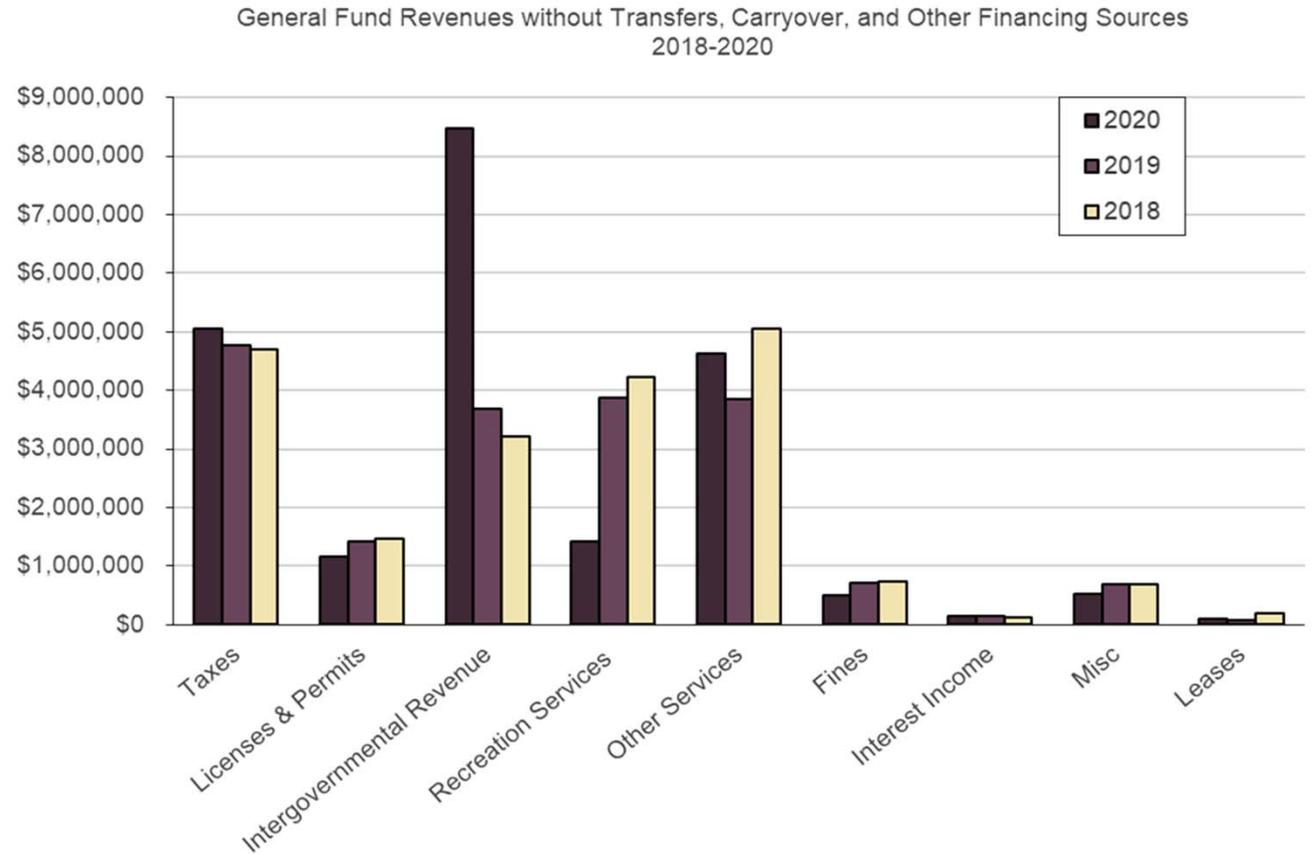
## Golf Fund

- Pays for staffing/operations and capital
- Somewhat sensitive to economic conditions
- Typically receives direct subsidies from POST

# 2020 Revenue Shortfalls

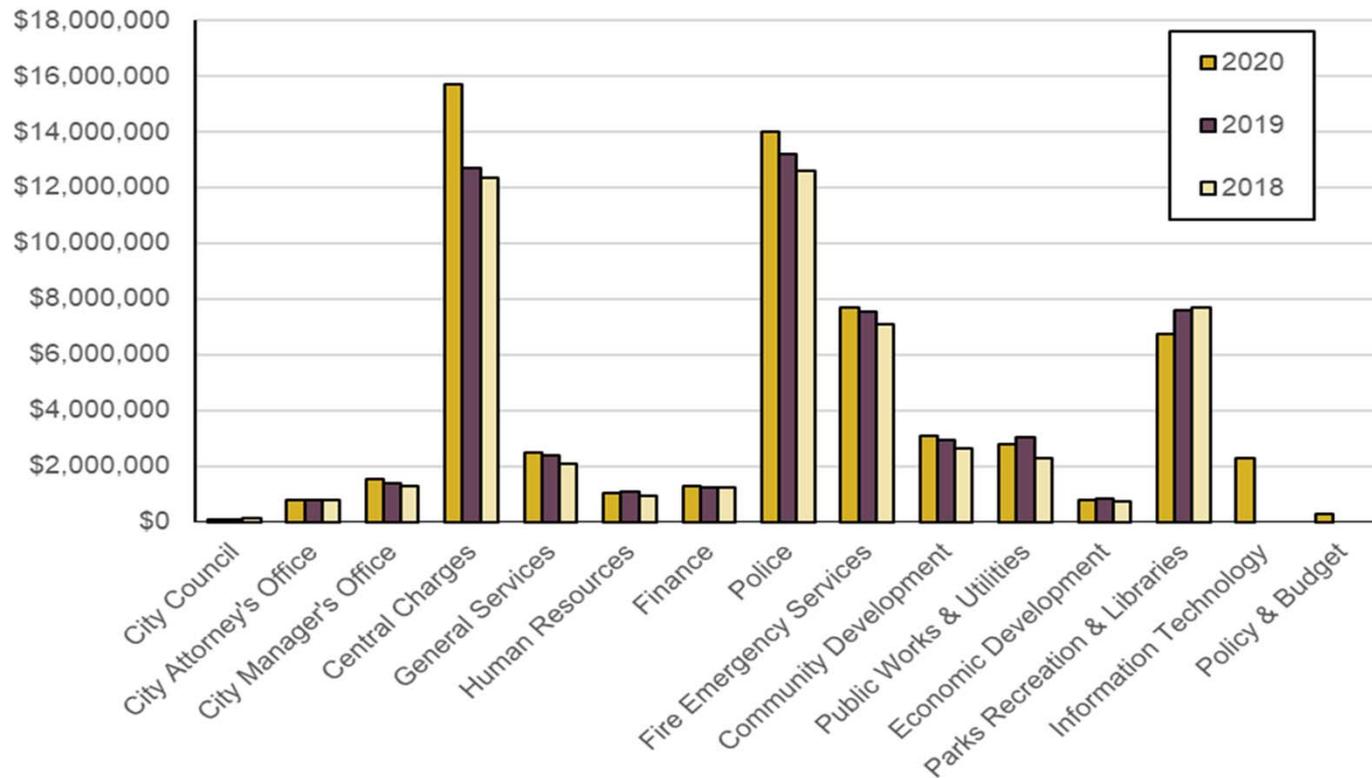
# General Fund-YTD Revenue Comparisons Through June

- Excludes sales & use taxes
- Intergovernmental **UP** significantly due to CARES Act, Thornton revenue sharing, e911 authority
- Other revenues **UP**, however, 2019 unusually low due to write-offs
- Recreation **DOWN** significantly due to COVID closures
- Permits & Fines **DOWN**, likely affected by COVID



# General Fund-YTD Expenditure Comparisons Through June

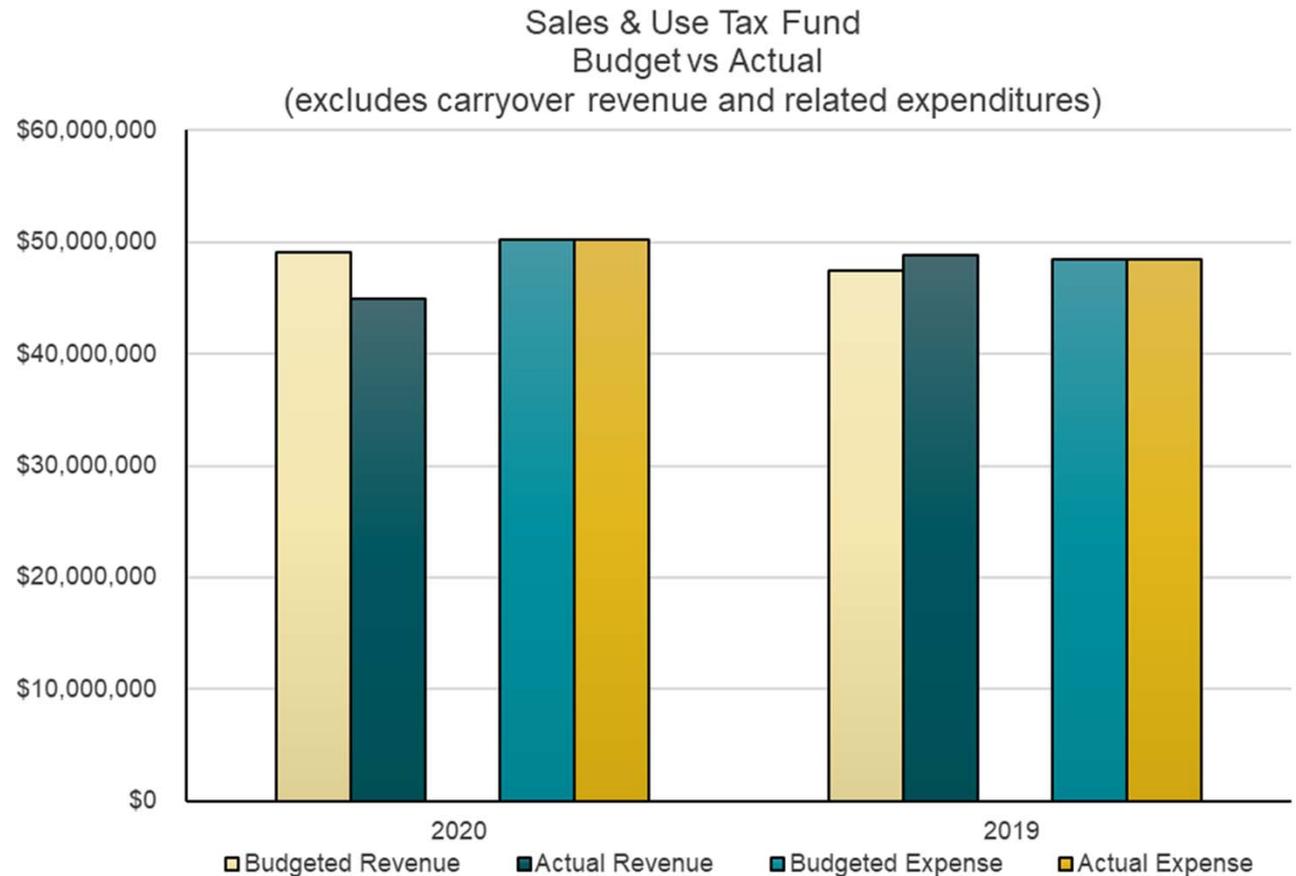
General Fund Expenditures by Function, less Other Financing Uses  
2018-2020



- Most notably, central charges UP significantly due to emergency assistance for businesses
- Police UP due to personnel expenditures

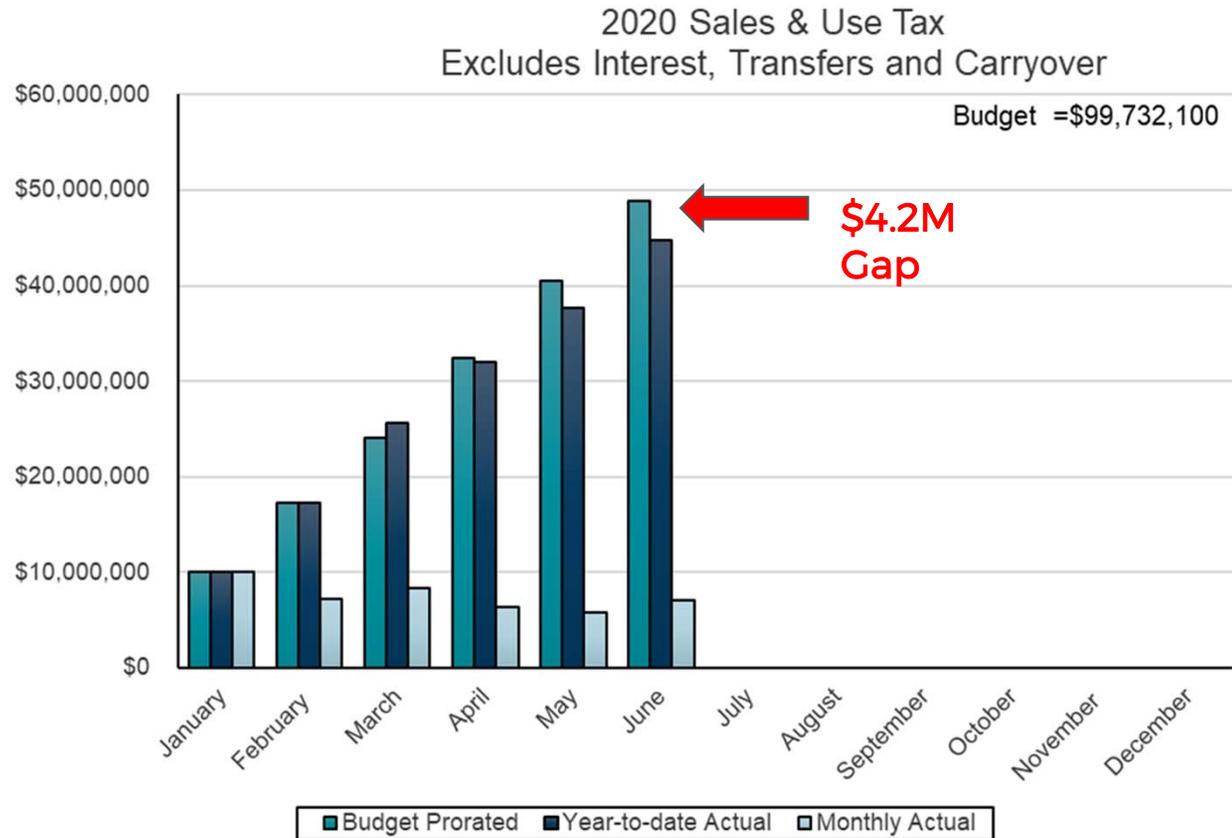
# Sales & Use Tax Fund Budget & Actual Comparisons Through June

- Represents nearly 70% of ALL General Fund Revenues
- Includes 3.0% general and .6% public safety sales & use taxes
- 2020 **DOWN** significantly compared to 2019 due to impacts of COVID



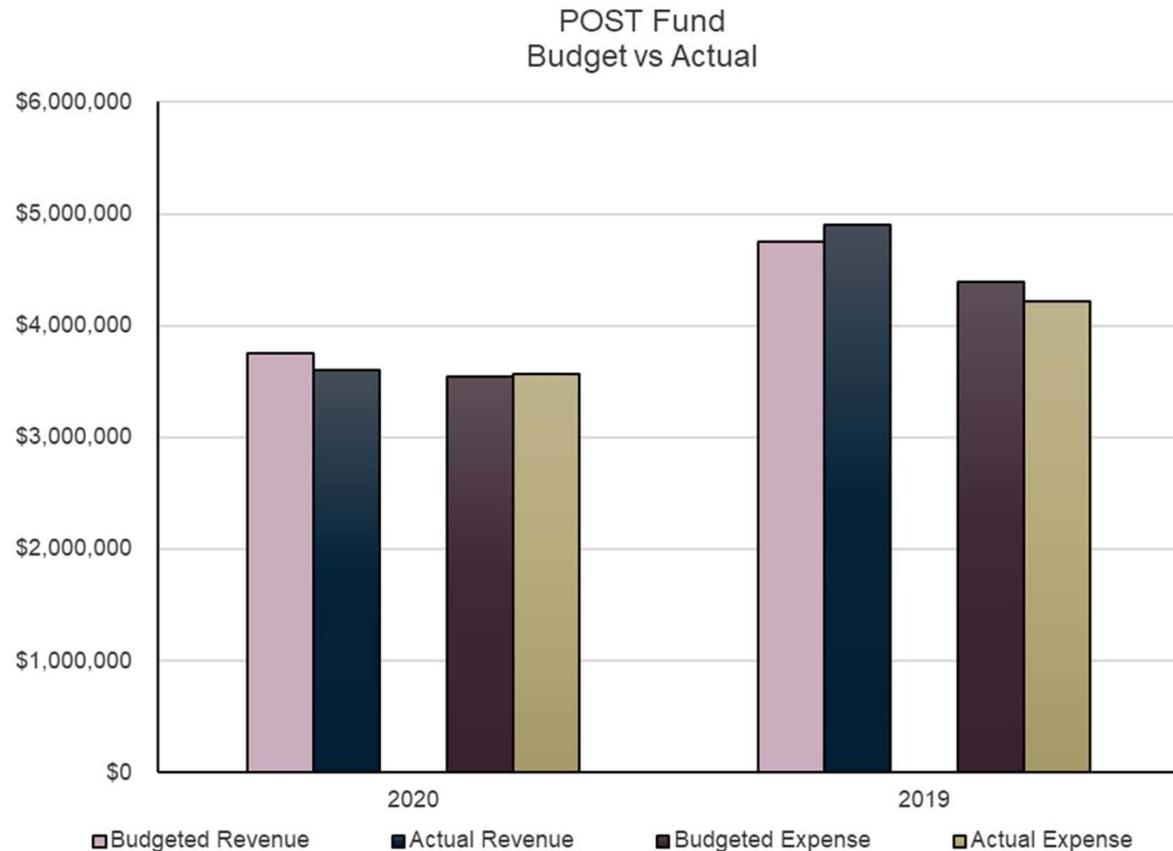
# Sales & Use Tax Fund 2020 Revenue Budget & Actual Through June

- Collections significantly impacted beginning in April
- Collections have fallen behind the pro-rated budget



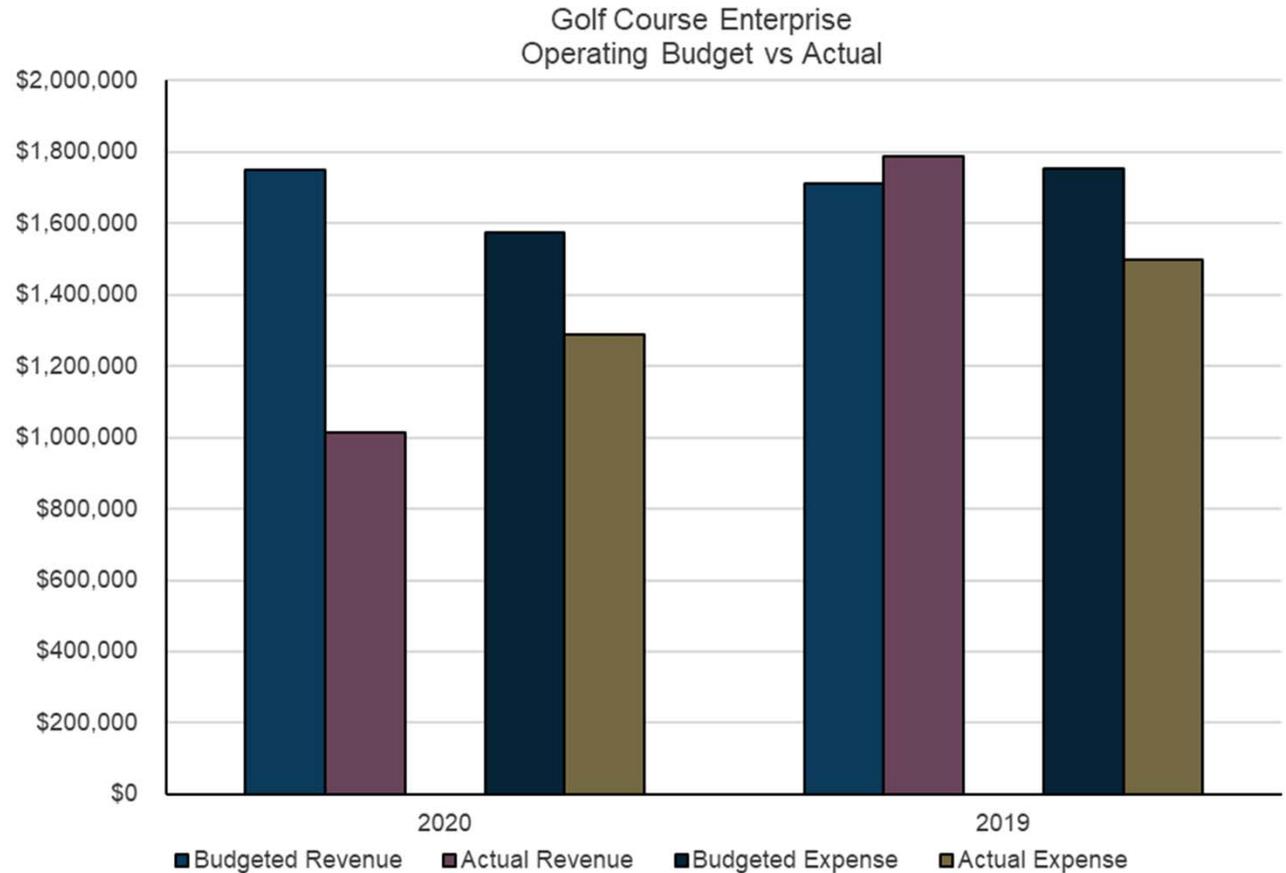
# Parks, Open Space & Trails (POST) Fund YTD Budget & Actual Comparisons Through June

- POST revenue primarily comprised of .25% POST sales & use tax
- Similar to Sales & Use Tax Fund, 2020 **DOWN** compared to 2019 due to impacts of COVID; although, revenues still exceed expenditures.
- 2019 revenues and expenditures **UP** overall compared to 2020 due to elevated carryover in 2019



# Golf Fund-YTD Budget & Actual Comparisons Through June

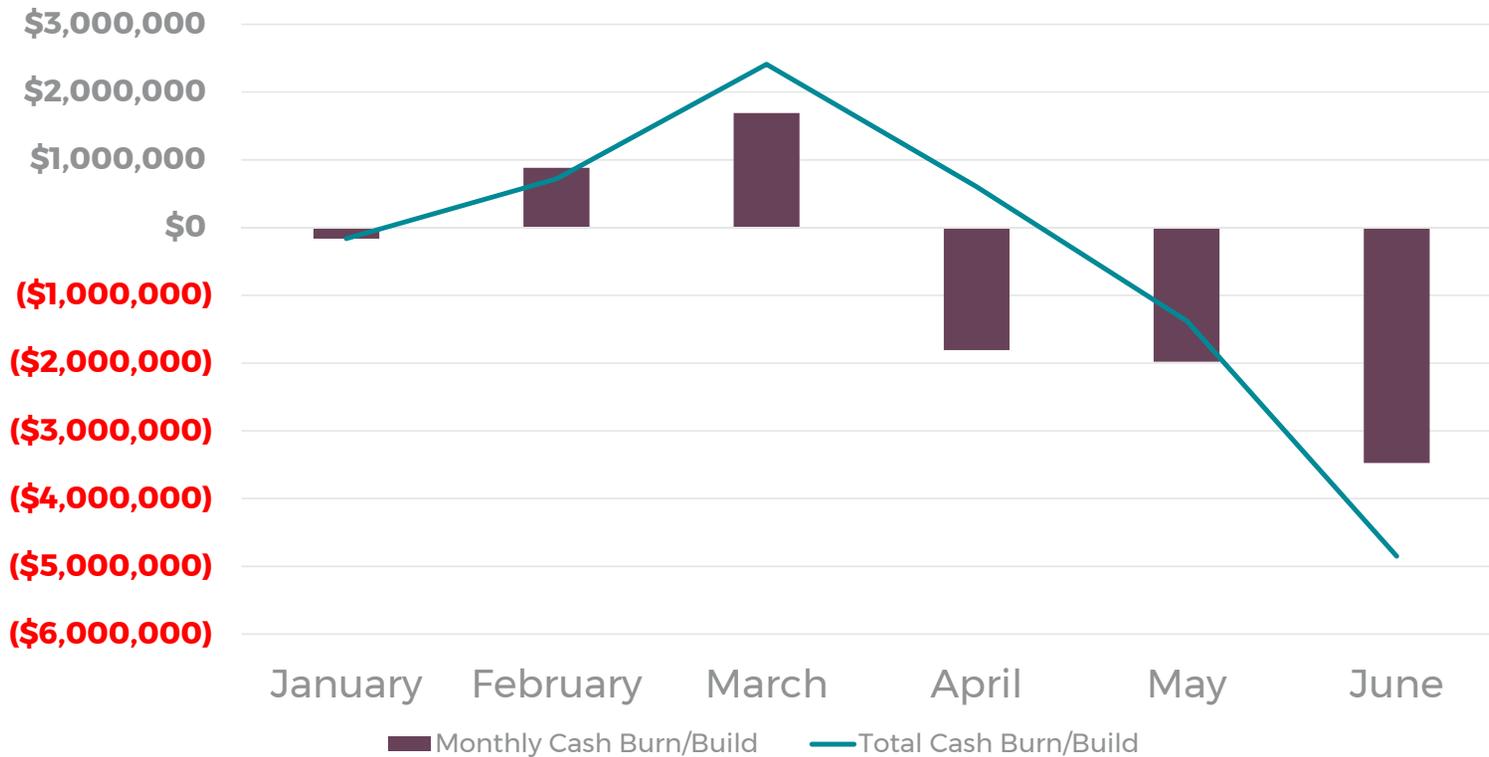
- 2020 revenues **DOWN** significantly compared to 2019 due to impacts of COVID closures
  - **Collections have significantly improved** with re-opening in May
  - Most recent collections in June/July **exceed** collections from same time in 2019
- 2020 expenditures **DOWN** due to COVID closures
  - Will help mitigate revenue shortfall



## Targeted/Most Impacted Revenue Categories YTD Comparisons Through June

Revenues	2019	2020	\$ Change	% Change
Sales & Use Tax (all funds)	51,963,844	48,037,954	(3,925,890)	-7.56%
Accommocations Tax (all funds)	1,441,863	829,156	(612,707)	-42.49%
Recreation Fees	3,863,629	1,425,457	(2,438,172)	-63.11%
Golf Revenues	1,806,631	1,031,969	(774,662)	-42.88%

# Cash Burn/Build Actual vs Pro-rated Budget Adjusted for Seasonal Flows

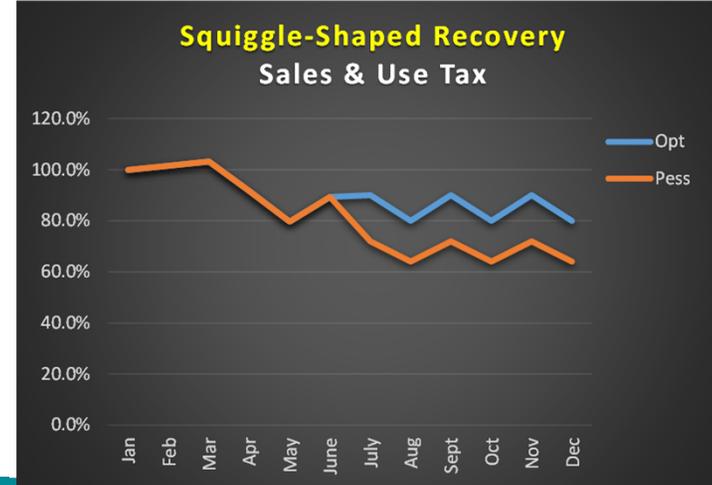
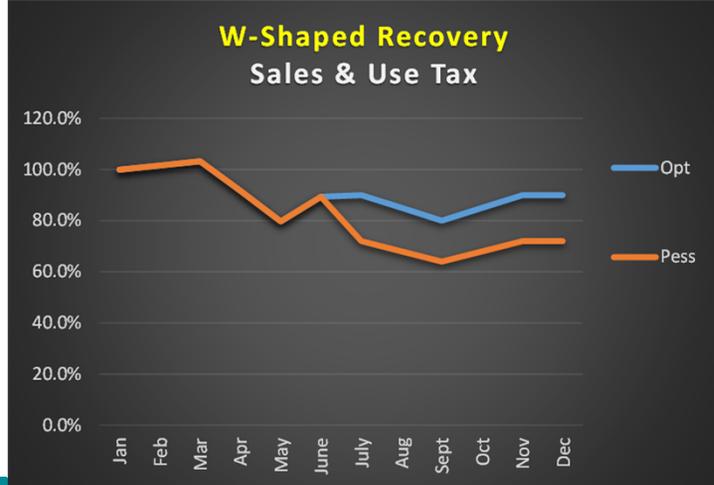
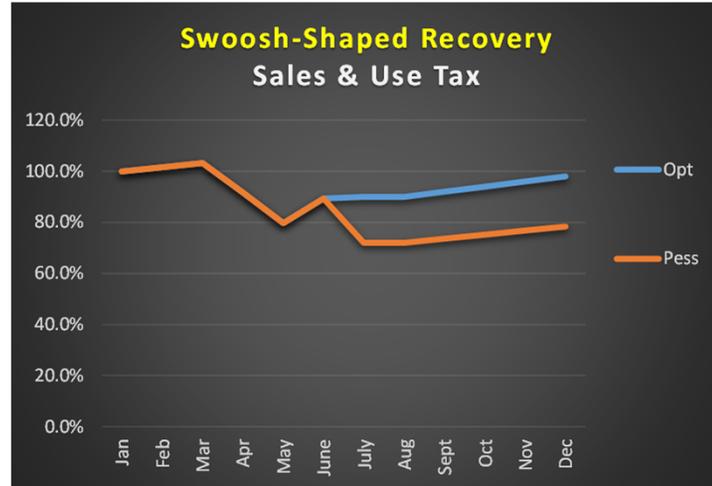
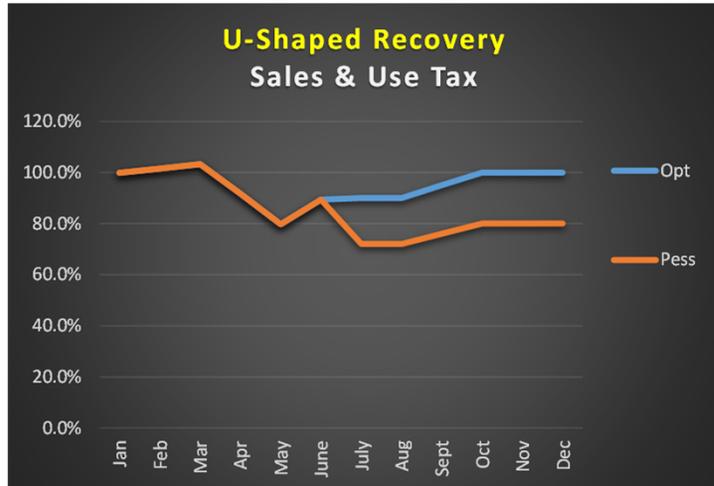


# 2020 Revenue Projections

## 2020 Revenue Shortfall Scenarios

- Focus is General Fund and other funds impacting General Fund (GCIF, POST, Golf)
- Projections for stable revenues remain constant for each scenario
- Projections for the following are adjusted in each scenario as they are most affected by consumer and institutional spending:
  - Sales & Use taxes
  - Accommodations Taxes
  - Recreation Fees
  - Major golf revenues (Merchandise, Green Fees, Cart Rental, Driving Range)
- We think the W or the Squiggle are most likely because:
  - Liquor restrictions, Rising hospitalizations, Delayed reopenings, School uncertainty

# Revenue Recovery Scenario Patterns



# Scenario Shortfall Results for Total Fund Revenues

<b>"Mid-Point" Results- Stated in \$ Millions</b>				
<b>Fund</b>	<b>U-Shaped Recovery</b>	<b>Swoosh-Shaped Recovery</b>	<b>W-Shaped Recovery</b>	<b>Squiggle-Shaped Recovery</b>
General	\$ (19.6)	\$ (20.9)	\$ (23.7)	\$ (24.3)
POST	\$ (0.7)	\$ (0.8)	\$ (1.0)	\$ (1.1)
GCIF	\$ (1.1)	\$ (1.3)	\$ (1.5)	\$ (1.6)
Golf	\$ (0.7)	\$ (0.7)	\$ (1.1)	\$ (0.9)
<b>Total Shortfall :</b>	<b>\$ (22.1)</b>	<b>\$ (23.7)</b>	<b>\$ (27.3)</b>	<b>\$ (27.9)</b>
<b>% below budget:</b>	<b>-13.6%</b>	<b>-14.5%</b>	<b>-16.7%</b>	<b>-17.1%</b>
<b>Shortfall Range:</b>	<b>\$16.8-\$27.5 M</b>	<b>\$18.5-\$28.8 M</b>	<b>\$22.5-\$32 M</b>	<b>\$23.1-\$32.6 M</b>
<b>Shortfall Range:</b>	<b>-10.3% to -16.9%</b>	<b>-11.4% to -17.7%</b>	<b>-13.8% to -19.7%</b>	<b>-14.2% to -20%</b>

# How To Mitigate

## -Short Term

## Tools to Mitigate Revenue Decline - Short-Term

- Carryover from 2019 into 2020 - \$9.5M
- General Fund Reserves
  - General Fund Stabilization: \$9.1M
  - General (Emergency) Reserve: \$14M
- Budget Reductions and/or Cost Avoidance
  - Refinance debt
  - Travel/training restrictions
  - Hiring freeze
  - Frozen capital project budgets

## 2020 Hiring Freeze Update

- Positions Frozen: 39 FTE (28 GF & 11 UF)
- Positions Hired/Approved: 42.5 FTE (36.5 GF & 6 UF)
- Savings Realized YTD: \$1.4 Million (\$1.1m GF & \$300k UF)
- Additional Savings in 2020 through Year End:
  - \$1.4 Million (\$1.1 m GF & \$300k UF)

# Summary of Currently “Frozen” CIP Projects

## Currently:

- \$31 million unrestricted funds (general and accommodations tax)
- \$11 million in restricted funds
  
- CIPs will be “frozen” until January 1
- Status update on September 15; including the impacts to the 2021 CIP Budget

## Why “freeze” CIPs?

- Cash on hand to
  - ✓ Pay salaries and benefits
  - ✓ Continue critical operations

## List of Currently “Frozen” CIP Projects

- Rodeo Market Renovation
- Bridge/Pedestrian Railing Replacement
- City Hall & City Park HVAC
- City Hall & Facilities Renovations
- Federal Parkway Improvements - 120th to 122nd
- Downtown Westminster Projects
- Holly Park Infrastructure Reconstruction
- Legacy Irrigation System Replacement
- New Municipal Court Facility
- Quiet Zone at 72nd/Lowell/Bradburn
- Real Estate ED Strategic Fund
- 3050 W 71st Ave Renovation

# Looking Ahead to 2021

# 2021 Legislative Matters or Mandates Affecting the Budget

## Fire and Police Pension Association (FPPA)

- 0.5% increases for next 10 years
- \$150k cost increase in 2021

## Police Integrity Bill

- Mandatory training on new use of force by September 1, 2020
- Body-worn camera implementation by July 1, 2023
  - \$830K purchase AND \$585K annual maintenance
  - New employee(s) for data management, reporting, release, etc. (not included in costs above)

# Organization and Community Input

- (Internal) Innovation Ideas: Goal of Better Serving Our Residents
  - Received 230 ideas
  - Tapping into the creative genius of our employees to improve our day-to-day operations, discover new efficiencies and implement new revenue generating ideas.
- (External) WestyRISE Budget 2021: It Takes All of Us
  - Asked the community to share innovative thoughts with us and be a part of the solution
  - <https://cityofwestminster.ideascale.com/>
  - Examples received include internet for all, refurbishing strip malls, community assistance liaisons, crowdsourcing GIS, new murals, refilling Lower Church Lake, and business/education partnerships.

## Financial Outlook for the 2021 Budget

- Moving target and expected economic volatility
- Deficit budget – revenues less than expenditures
  - Balanced with reserve/fund balance utilization as necessary
- Operating budgets: no increases over current year budget as an optimistic scenario
- No major CIP and focus on maintenance

# How To Mitigate

**-Long Term**

## High Probability for 10% to 20% Gap in 2021 Means

- Deficit Budget
- Capital Program Reduction
- Program Reductions

## Expected Expenditure Impacts

- Hiring freeze
- Frozen salaries
- Benefits:
  - Plan reductions
  - All benefit cost increases to employees
- Early retirement program
- No new major capital projects
- Use of reserves/fund balance
- Administrative reductions:
  - Travel
  - Memberships
  - Consultant Services

# Potential Programmatic Reductions?

- Animal Management
- Recreation Facilities
- Code Enforcement
- Recreation programs
- Golf
- Social Services
- Passport Services
- Library services
- Traffic enforcement
- Events
- Reduced programs/hours
- Planning
- Regionalize EMS

## Revenue Mitigation Opportunities

- Delete tax exemptions - cigarettes
- Retail marijuana
- Fee increases:
  - Golf and recreation
  - Infrastructure Fee
- Tax increases
  - For every 0.1% in sales & use tax, \$2.9M (pre recession)
  - For every 1.0 mills in property tax, \$1.8M
  - CIP bonding capacity
  - Accommodations Tax

## Question

On a scale of 1 - 10, how concerned are you now about the financial status of the City?



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## **City Council Retreat Financial Update**

Sunday, July 26, 2020