TO: Honorable Mayor and City Council

FROM: Harold Dominguez, City Manager

DATE: August 27, 2024

SUBJECT: 2025 Proposed Operating Budget Summary

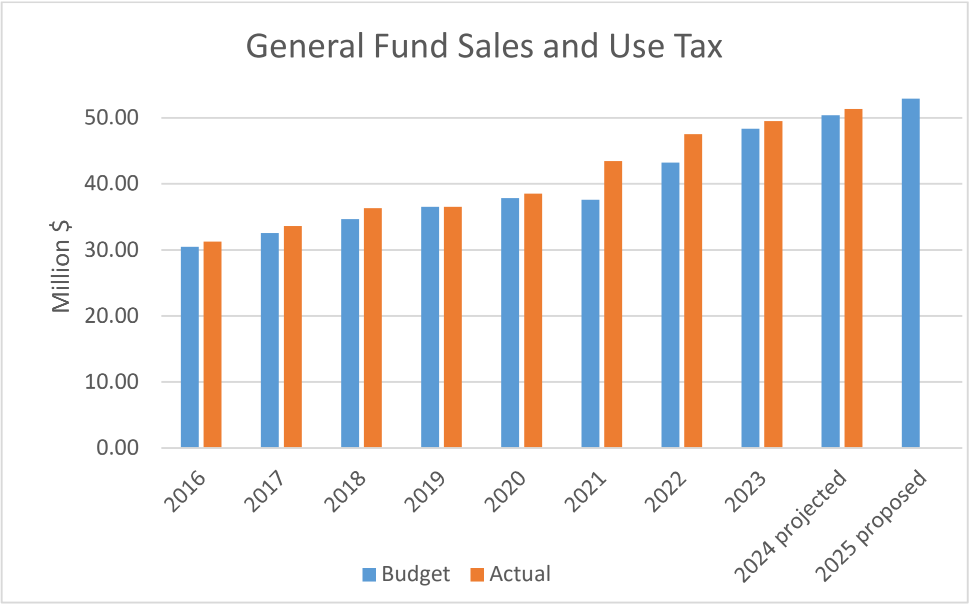
I hereby present to you the 2025 Proposed Operating Budget for the City of Longmont, as required by the Longmont City Charter. It is a balanced budget with no tax rate increases. The total proposed operating budget for 2025, including all funds, is $469.67 million, which is $25.72 million more than the budget adopted for 2024. This is a 5.79% increase from the 2024 budget of $443.95 million. All funds are balanced with sources of revenue identified to meet all projected expenses. Included, as part of this budget, is an average increase of 6.8% in electric rates, and an average increase of 10% in sewer rates, that were approved in separate ordinances previously adopted by the City Council. There will also be increases to certain recreation fees. Approximately $31.48 million in accumulated fund balances will be drawn down in 2025, primarily to meet capital improvement needs.

This proposed budget has been very challenging in a number of ways that have all led to our only being able to present a summary budget to you in advance of the September 1st City Charter deadline. We will still provide you the typical line item budget that is required to be adopted by the City Council under the City Charter. It may not be until mid-September but it will be before the first public hearing for sure. Uncertainty over sales & use tax and property tax revenues, extended collective bargaining, delays in key data needed for setting citywide expenses and initial gaps between projected revenues and expenditures all contributed to our inability to compile a full line item proposed budget to present at the August 27th meeting.

The $25.72 million increase in the total operating budget for 2025 is driven by growth of over $28 million in five individual funds, the General Fund, the Electric & Broadband Fund, the Water Fund, the Sewer Fund and the Streets Fund. A brief summary of the activity in each of those funds is included further below in this summary budget message.

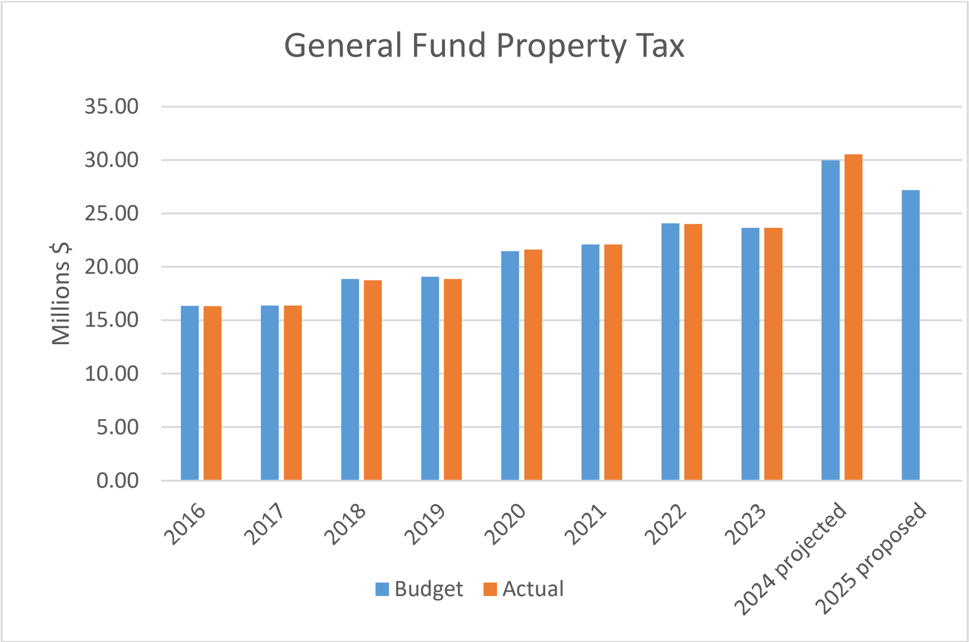
Projected growth in sales and use tax revenue and fees revenue in this proposed budget helps allow our operating funds to maintain service levels and provide market pay adjustments to employees. Previous debt financing and fund balances are funding continued expansion and improvements to our utility infrastructure and City facilities. Longmont continues to experience growth in both the residential and commercial areas, and this budget strives to position the organization to respond to that growth.

Other than charges for services in the enterprise funds, sales and use tax and property tax are the two key drivers of resources in our proposed budget. The performance of these two tax sources has a significant impact on the City's annual budget, particularly for the General Fund. It is important to understand what influences the performance of both of these tax sources and how they are being projected and budgeted for 2025.



Sales and use tax has shown continued growth since the 2008-09 economic downturn. The chart above shows the amount of sales and use tax revenue that was budgeted for the General Fund over 10 years. Except for the 2021 budget there has always been an increase during this period. The amount of that increase has varied from year to year. Sales and use tax growth has been relatively strong from year to year since we came out of the economic downturn that began in 2008-09. While 2016 appears to show very little growth, it was actually stronger because the tax rate between the General Fund and the Public Improvement Fund was reset and also there was the impact of sales tax increment going to the Urban Renewal Authority. Overall sales and use tax growth in 2016 was over 6.7%. Until 2021, during the previous seven years the minimum budgeted growth from the General Fund sales and use tax was $1.31 million in 2020 with the maximum growth at $2.15 million in 2015. Actual sales and use tax revenues in 2017 and 2018 grew by 7.9% each year driven by new retail at Village at the Peaks and from Amazon as well as growth in building permit use tax. While the budget for sales and use tax growth for 2021 was actually a 2.65% decline, the actual growth in 2021 was 12.4%. The conservative projecting for 2021 was due to coming out of the restrictions associated with the pandemic. Projections for 2023 were also somewhat conservative leaving us with a budget for 2024 that is 1.53% above actual 2023 sales and use tax revenue.

Sales and use tax activity in 2024 is up 4.6% through six months. The first four months of 2024 were boosted by strong growth in sales tax as they were the final four months in the first full year of revenue from Costco which opened in May of 2023. Use tax had a strong start as well in the first four months with building permit use tax and out of town vehicle sales experiencing a couple of very strong months for each. May and June did not experience as much success with sales tax slowing once Costco reached its thirteenth month and use tax down in all major categories in both months. These recent negative trends are definitely concerns as we look ahead. In considering the revenue projections we were cognizant of all these trends and outliers as well as the slowing of inflation. For this proposed 2025 budget there is $2,133,745 of new ongoing sales and use tax revenue for the General Fund. That is compared to $2,047,881 in the 2024 budget. Further, of that $2,133,745 increase in budgeted sales & use tax revenue, $127,500 is budgeted to be used to repay the loan to the Fleet Fund for the financing of the Costco public improvements.



Unlike the sales and use tax, the trend of property tax has been much less consistent over the same period. The chart above shows the amount of property tax revenue that was budgeted for the General Fund over 10 years. In 2010 the budgeted property tax was almost $14.4 million. It dropped in each of the next three years, and by 2015 it was only $13.9 million. It was quite a while before property values began to grow, which was a product of the economic downturn as well as the property tax assessment process. Property tax assessment timing captures market adjustments every other year with typically only new construction being captured in non-reassessment years. The reassessment years where property value growth was finally recognized resulted in property tax revenue growth of $2.45 million in 2016, $2.47 million in 2018, $2.42 million in 2020, $1.8 million in 2022, and 6.3 million in 2024. The first boost in 2016 offset the low budgeted growth in General Fund sales and use tax referenced above. The second and third boosts in 2018 and 2020, in conjunction with over $2 million and $1.64 million of budget growth in General Fund sales and use tax in 2018 and 2020 respectively, resulted in budgets that addressed numerous needs in the General Fund. For the 2022 budget there was $2,705,999 of new property tax revenue in the General Fund. Knowing that 2023 was not a reassessment year from a revenue perspective staff proposed that $2,327,345 of the new property tax be treated as one-time revenue in 2022 so that it would be available to be used as new ongoing revenue in 2023.

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.

The combined new ongoing revenue in the General Fund for 2025 from sales and use tax and property tax is the $2,133,745 identified above from sales and use tax but $127,500 will go toward repaying the Fleet loan leaving $2,006,245 available for funding ongoing O&M expenses of the General Fund. That $2,133,745 of sales and use tax and property tax compares to $4,485,381 in the 2024 budget and $7,501,210 in the 2023 budget. This limited growth in tax revenues presented major challenges for a proposed 2025 budget that is facing significant market pay adjustments in 2025, particularly in the area of Public Safety where three-year collective bargaining agreements were ending at the end of 2024. Those three years have seen a significant amount of inflation in wages putting the City a ways behind market. Besides increases to salaries and the accompanying benefits, this proposed budget also addresses $1,772,759 of level 1 ongoing expenses.

When compared to 2023, Longmont is experiencing decreased construction activity in 2024. Overall permits are down 8.7% through July and valuations are down 10.9%. We are still on track to meet budget for building permit fees and possibly for building permit use tax. New residential construction value is 49.4% below 2023 after seven months with 2023 having experienced strong multifamily growth. The number of single-family dwellings is down 51.9% with a large drop in single family attached. Total overall new dwelling units are down 73.0%. There is a large increase in valuation for commercial permits of 118.3%. The total use tax generated by building permit activity through June is 16.3% more in 2024 than it was for the same period in 2023.

Revenue activity through July 2024 for other General Fund sources has had mixed results. Franchise revenue from Xcel Energy is down 27.5% and may not reach budget. The cable franchise fee is down 8% and will definitely not meet budget. Revenue from court activity and fines continues to slow causing us to have to lower budget projections from this source. Our investment returns improved in 2024 with our longer term investments cycling in at higher rates of return. Recreation revenues have increased in 2024 and we are projecting that they will exceed budget for the year. Union Reservoir revenues are up 26.9% and have already exceeded budget in 2024.

Sales and use tax is the largest source of revenue for five major operating funds of the City: the General Fund, the Public Improvement Fund, the Streets Fund, the Open Space Fund, and the Public Safety Fund. As indicated above, after six months of activity the combined sales and use tax has increased 4.6% from 2023 collections. Our budgeted projection of sales and use tax growth for 2024 turned out to be 1.53% above the actual level of 2023 collections. We have analyzed the year-to-date results carefully and project to end 2024 with a combined increase in sales and use tax of 3.33%. Sales tax growth has begun to slow once we reached the one year anniversary of the opening of Costco and we expect that to continue in the second half of 2024. On the other hand, use tax is down 1.7% through June and we project that to continue in the remaining six months of the year. We have tried to be optimistic in our projections while still balancing that with our traditional conservative revenue projecting approach.

Revenue estimates included in this 2025 budget are based on actual revenue activity through July 2024 as well as other information available regarding potential developments. This budget is balanced in all funds as a result of a number of factors, some of which include:

- A projected 3.08% increase in sales and use tax revenue in 2025 over the projected collections for 2024
- A projection of 820 building permits for dwelling units for 2025, including 110 single-family units and 710 multifamily units.

The overall sales and use tax increase for 2025 is projected to be 3.08%. Sales tax alone is expected to increase 3.18% in 2025. Our general approach to retail was a 1.1% population growth and 1.45% economic or inflationary growth. No gain or loss of primary jobs or the loss of any other key businesses is considered in this sales tax projection. We are projecting an 8.4% decrease in use tax for 2025 from construction activity from the projected 2024 activity due mainly to decreased valuations and activity. We anticipate an increase in primary employer use tax which is cyclical and has been down 36.6% in the first half of 2024. Auto sales outside the city are also projected to increase in 2025. These assumptions combine for a projected overall use tax increase of 2.4% in 2025. Together these projections combine to form the overall increase in sales and use tax of 3.08% that we are using for this 2024 budget.

In early 2022 an internal loan was authorized and executed from the Fleet Fund to the Harvest Junction East Fund in the amount of $12,083,968 to finance the public improvements for the Costco project. The proposal at that time was to repay that loan with 50% of the 2% non-earmarked city sales tax generated by the development. We have projected that 50% repayment for 2025 at $1,400,000. The sales tax revenue is actually revenue to the General Fund and the Public Improvement Fund under the City financial policy and the policy directs the transfer of the 50% of the 2% non-earmarked city sales tax generated by the development to the Harvest Junction East Fund from which it will be used to repay the loan from the Fleet Fund. If the revenues are on track to exceed the $1,400,000 staff will propose an additional appropriation during 2025 to true up the transfer to cover the revenues generated.

Sales tax revenue from Village at the Peaks (VATP) could exceed $6.5 million in 2024. The payments due on the Certificates of Participation (COP) for 2025 will be $2,046,682. The property tax from the Twin Peaks Metro District and the Twin Peaks Urban Renewal Authority tax increment in 2024 should be over $1.76 million. We are projecting $1.76 million from those sources toward the COP payments again in 2025. The covenants of the COP require a 10% reserve to be maintained which would be $204,668. The actual reserve on hand is projected to exceed $700,000 at the end of 2024. The covenants do require that the pledged sales tax rate be rounded to the nearest tenth of a percent so staff is setting the pledged sales tax rate at the 0.10% level in 2024. This would result in a drawdown of about $84,000 from the reserve in 2025 to meet the debt service payment. The intention is to not allow the reserves to get too high in order to continue to rely on or use the property tax to make latter year payments versus sales tax increment used to build up the reserves greater than required. The reliance on sales tax TIF to make the COP payment in 2025 should be limited with 87.6% of the payment expected to come from property tax and interest revenues. Thus it is projected that only $174,418 of the 2025 VATP sales tax TIF will need to go to the reserve for paying the COP payments.

The City Council’s adopted Financial Policies have always been aimed at assuring the financial stability of the City of Longmont. Staff use the financial policies as a guideline for preparing the annual proposed budget. A key policy in that regard is the Balanced Budget policy, which states that the City will balance operating expenditures with operating revenues. Effectively, this assures that we will not use one-time revenues to pay for ongoing expenses. Our realistic and conservative approach to estimating revenues has been a key factor in ensuring the City’s financial integrity during the economic decline we endured in past years. Revenue estimates for this 2025 budget are derived by using the same process.

The allocation of the 2% sales and use tax between the General Fund and the Public Improvement Fund (PIF) has changed over the years. With the 2016 budget the allocation returned to 85% General Fund and 15% Public Improvement Fund. This allocation helps assure that the PIF is in the long-term position of being able to meet bonded debt requirements of over $2.04 million annually while having over $6.8 million available for capital projects and capital maintenance that is a key responsibility that has been met by this fund in the past.

Another financial policy incorporated as part of this proposed budget is the requirement of maintaining an unrestricted fund balance in the General Fund of from two to three months of operating expenditures (16.67% to 25%). The unrestricted fund balance at the end of 2023 is 33.3% of 2024 budgeted operating expenditures and 31.5% of the 2025 proposed operating expenditures. Within this overall reserve financial policy the General Fund reserves are separated into three components: first is reserve Restricted for Emergencies to meet TABOR requirements; second is a reserve Committed to Emergencies by the City Council of 8% of General Fund operating expenditures; and third is a City Council-imposed Stabilization Reserve of between 3% and 8% of General Fund operating expenditures. If all three components of the reserve policy were funded it would currently be from $18.7 million to $24.3 million. We have reached and exceeded the lower end of this goal with a stabilization reserve of 5.51%. This proposed 2025 budget sets aside $3 million for the reserve, which would raise the reserve balance to $24.56 million and would fully fund the 8% reserve Committed to Emergencies as well as fund 7.29% of operating expenditures toward the Stabilization Reserve. The reserve increase funding is mostly a result of 2023 operations in the General Fund with various sources of revenue exceeding budget and expenditures coming in under budget.

This budget complies with the financial policy of the City that requires operating/ongoing revenues to be used to pay for operating/ongoing expenses. This policy has always been the primary step to maintaining financial stability in times of either increasing or decreasing revenues. This 2025 budget uses General Fund fund balance and any one-time revenue to support one-time expenditures only.

The financial policy regarding the use of Incremental Development Revenues prevents us from treating the volatile revenues from building permits and plan check fees as typical ongoing revenues. The policy established 200 dwelling units as the target above which budgeted revenues generated from development would be considered to be “incremental development revenue” that would be available only for development-related expenses that are either one-time or subject to reduction in the event that this level of revenue is not sustained in the future. With 2025 development revenues based on 820 dwelling units there will be $399,478 of incremental development revenue included as a part of the 2025 proposed budget.

With the 2019 budget, staff identified a concern with the level of growth in building permit use tax revenue. In 2010 and 2011 our annual revenue from this source was about $1 million. In 2012 it was $1.78 million and by 2015 it had doubled to $3.56 million. It continued to grow, reaching $4.65 million in 2016, $5.32 million in 2017, and peaked at $6.63 million in 2018. In 2019 it dropped to $5.63 million; in 2020 to $5.02 million; in 2021 to $4.17 million; in 2022 it rose up to $5.9 million; and in 2023 it dropped slightly to $5.63 million. We projected it to be $5.08 million in 2024 and it is currently on pace to exceed that. Projections for 2025 have it at $5.47 million. In 2018 staff expressed concern about continuing to budget the full amount as ongoing revenues. Similar to how we have treated fees from development as incremental development revenue we built budgets since 2019 treating any revenue from building permit use tax above $5,094,566 as one-time revenue instead of ongoing revenue. As building activity slows we will likely see more declines in this source of revenue. The ongoing revenue limit of $5.09 million was based on an early estimate of permit use tax that had been made for 2019. The limit will likely need to be reevaluated in the future, but we are continuing to use it in this proposed 2025 budget.

In this summary budget message, we are including a brief update on each of the major operating funds. There is a consolidated fund statement showing sources and use for all funds following this summary budget message.

General Fund

Proposed Revenues	$119,393,676
Proposed Expenditures	$127,074,944
Contribution to/(from) fund balance	($7,681,268)

The General Fund for 2025 is balanced with $127.1 million in sources of revenue and expenses. This is an increase of 5.3% or $6,347,951 from the adopted 2024 budget. Virtually all of the growth is occurring in ongoing expenses. There are $119.0 million of ongoing expenses in the 2025 General Fund budget compared to $112.9 million in 2024. One-time expenses increased from $7,739,170 in 2024 to a total of $8,066,546 for capital and other one-time expenses in the 2025 budget. The growth in revenues is mostly made up of $2.5 million of sales & use tax, $811,425 of interest income, $410,667 of building permit fees, $480,000 of recreation revenues, $385,150 of franchise fees from the Electric Fund, $239,482 of administrative transfer fees, and $200,000 of franchise fees from NextLight.

With no budgeted increase in ongoing revenue from property tax and a limited amount of growth in sales and use tax the General Fund budget was challenged to be able to fund the market increases in pay as well as the benefit increases granted in the collective bargaining agreements. The following are steps taken to increase revenue or decrease expense in this proposed 2025 General Fund budget:

- Moved funding of $600,000 for attainable housing to a one time expense
- Moved funding of $300,000 for affordable housing to a one time expense
- Moved $300,000 of parks maintenance to the Conservation Trust Fund
- Funded $135,553 of level 1 parks landscaping contract services from the Conservation Trust Fund
- Impose a 1% franchise fee on broadband service revenues
- Open range to pay at 100% of market instead of 101%
- Exceptional pay budget reduced from 2% of pay to 1.5% of pay
- Eliminated a vacant 0.5 FTE Traffic Safety Coordinator position
- Eliminated 1.0 FTE vacant Library Page positions

Net changes in ongoing expenses in the General Fund are increasing $6,020,575 in this proposed 2025 budget. Major changes include level 1 increases of $1,772,759, ongoing increases related to one-time expenses of $9,360, three positions moved from the Public Safety Fund at a cost of $329,619, and Fleet loan repayment of $127,500. There are $2,581,059 of increases in pay for the Police and Fire bargaining units along with $498,652 of step pay increases, $317,482 towards retiree health, $277,731 towards death & disability and $43,956 toward deferred compensation retirement. Net pay increases for other General Fund employees require $2,326,829 of additional budget and $83,548 for bilingual pay increases. Also, for 2025 there is an increase in liability insurance of $12,888 and workers compensation of $30,212. Decreases in ongoing expenses for the General Fund include Attainable Housing funding of $600,000, Affordable Housing funding of $300,000, parks maintenance funding of $300,000, fleet lease charges of $388,672, lease payments of $285,439, credit card fees of $164,456, business personal property tax rebates of $100,014, exceptional pay budget reduction of $88,937, sales tax auditing expense of $40,000, elimination of vacant Library page positions of $45,369, elimination of traffic safety coordinator vacancy of $34,851, Development Project Manager position shifted to other funds of $35,552, temp wages in City Manager office reduction of $20,000, public broadcasting reduction of $20,000, and Human Service Agency decreases of $12,330.

Net changes in ongoing budgeted revenue in the General Fund for 2025 has increased by $6,020,575, and this also is made up of a number of changes. The largest source of the increased revenue is $2,133,744 from sales and use tax. Another significant source of increased revenue is $811,425 of interest revenue. Other sources of increased revenue are $695,563 from City enterprise franchise revenues, $480,000 of recreation revenue, $410,667 from building permit revenue, $329,619 from traffic camera fines, $294,317 from right of way maintenance, $239,482 from administrative transfer fees, $200,000 from the ambulance provider, $118,943 from miscellaneous charges for services, $110,000 from disconnect tag fees, $101,457 for wildland fires, $79,730 from Longmont Housing Authority, $72,533 for oil and gas royalties, $68,290 from parking fines, $52,339 from Union Reservoir fees, $45,000 from pet licensing, $40,000 from state marijuana tax, $30,000 from forfeitures, $20,000 from cigarette taxes, $24,733 from other miscellaneous revenues, and $23,775 from other licenses and permits. Sources of ongoing revenue that decreased include $100,000 from the natural gas franchise revenue, $100,000 from credit card convenience fees, $65,000 from court fines and revenues, $40,000 from cable TV franchise revenue, $22,000 of museum revenue, $20,847 in other intergovernmental revenue, and $13,195 from other fines and forfeitures.

One-time resources for 2024 are strong because of the sales tax in 2023 exceeding projections and because the General Fund generated significant expenditure savings in 2023. These all contributed to significant fund balances that allowed us to address one-time expenses in this proposed 2025 budget. One-time expenses from the General Fund are $8,066,546 in this proposed 2025 budget. Of this amount, $7,681,268 is coming from projected available fund balance. The rest is coming from one-time revenues including $379,678 of use tax, and $5,600 from Union Reservoir fees. Of the $7.69 million, significant expenses are $2,244,850 for Public Safety Retiree Health benefits, $1,357,241 for the Police take home car program, $1 million for Attainable Housing, $300,000 for Affordable Housing, $414,750 for the St Vrain Greenway, $400,000 for Primary & Secondary Greenway Connections, and $300,000 for public safety radio replacements.

Further, in order to help balance the budget of the Public Safety Fund, 3 FTE Police Officer positions were moved to the General Fund and are to be funded through revenue to be generated by traffic camera enforcement.

<u>Public Safety Fund</u>

Proposed Revenues	$19,484,913
Proposed Expenditures	$21,013,239
Contribution to/(from) fund balance	($1,528,326)

The proposed 2025 budget of the Public Safety Fund funds $21,013,239 of expenditures, an increase of $1,367,032 or 6.96% over 2024. In the 2024 budget, 87.7% of the Public Safety Fund budgeted revenue is from sales and use tax. The sales and use tax projected for this fund in 2025 only increased by $861,575. The Public Safety Fund budget for 2025 funds $198,858 of level 1 expenses and $1,544,994 of increases in pay for the Police and Fire bargaining units along with $132,291 of step pay increases, $85,690 towards retiree health, $97,705 towards death & disability and $12,034 toward deferred compensation retirement. This is a total of $2,071,572 of new ongoing expenses in 2025 with less than $1 million of new ongoing revenues being added to fund them. This put the Public Safety Fund in a position where it needed to make reductions to base ongoing expenses to be able to afford the new ongoing costs. In order to reduce expense in the 2025 proposed budget the following vacant positions were eliminated:

- 2 FTE Firefighters
- 1 FTE Core Paramedic
- 2 FTE Police Officers
- 1 FTE Communications Shift Supervisor

Additionally, three vacant Police Officer positions were moved from where they were previously funded by the Public Safety Fund into instead being funded by the General Fund.

Electric & Broadband Fund

Proposed Revenues	$125,321,139
Proposed Expenditures	$126,862,321
Contribution to/(from) fund balance	($1,541,182)

The Electric & Broadband Fund for 2025 includes $126.8 million in sources of revenue and expenses. This is an increase of 4.76% or $5,762,255 from the adopted 2024 budget. $2.16 million of the increase is from purchased power expense. A little over $1 million is from increased pay and benefits. The electric franchise fee is budgeted to increase by $702,908 and the broadband franchise fee is budgeted to increase by $201,813. Other notable increases include $489,082 of broadband capital, $392,065 for broadband contracted services, $369,000 for a transfer from electric to the UBCIS fund, $305,000 for broadband ads and legal notices, $145,800 for rebates in electric, $100,000 for broadband bad debt expense, and $181,701 for the broadband administrative transfer fee.

Water Fund

Proposed Revenues	$32,614,074
Proposed Expenditures	$40,269,163
Contribution to/(from) fund balance	($7,655,089)

The $40.27 million of proposed budgeted expenditures from the Water Fund for 2025 are a 14.59% increase or $5,127,580 from the 2024 adopted budget. A significant portion of the increase is a result of an increase in CIP projects of $4,554,948. Other significant increases include $486,934 for assessments, $451,800 for new vehicles, $197,495 for increased pay and benefits, $198,000 for a transfer to the UBCIS fund, and $82,500 for a transfer to the Sanitation for building 7.

Sewer Fund

Proposed Revenues	$21,837,133
Proposed Expenditures	$23,007,519
Contribution to/(from) fund balance	($1,170,386)

The Sewer Fund for 2025 includes $23 million in sources of revenue and expenses. This is an increase of 19.39% or $3,736,942 from the adopted 2024 budget. Over $1.36 million is from an increase in CIP projects. Other significant increases include $620,000 for the Wastewater Master Plan, $309,450 for new vehicles, $251,043 for increased pay and benefits, $275,000 for chemicals, $180,000 for a transfer to the UBCIS fund, and $92,967 for the administrative transfer fee.

Storm Drainage Fund

Proposed Revenues	$12,002,516
Proposed Expenditures	$13,825,336
Contribution to/(from) fund balance	($1,822,820)

The proposed 2025 budget of the Storm Drainage Fund funds $13,825,336 of expenditures, an increase of $2,680,082 or 24.05% over 2024. There is an increase in CIP projects of $1,660,837. Other significant increases include $360,000 for the Dry Creek flood plain analysis, $286,350 for new vehicles, $193,392 for increased pay and benefits, $62,700 for a transfer to the UBCIS fund, and $91,000 for a transfer to the Sanitation for building 7.

Public Improvement Fund

Proposed Revenues	$10,399,939
Proposed Expenditures	$12,317,808
Contribution to/(from) fund balance	($1,917,869)

The Public Improvement Fund for 2025 includes $12.32 million in sources of revenue and expenses. This is an increase of 20.89% or $2,128,309 from the adopted 2024 budget. The increase is driven mostly from the use of fund balance for funding CIP projects. New allocations to existing project for 2025 include $1,200,000 for PBF201 Safety & Justice Center rehabilitation, $613,620 for PBF163 Municipal Buildings Keyless Entry, $1,291,822 for PBF001 Municipal Buildings Roof Improvements, and $855,925 for PRO147 Kensington Park Improvements was moved up a year to 2025.

Transportation CIF Fund

Proposed Revenues	$778,830
Proposed Expenditures	$1,850,000
Contribution to/(from) fund balance	($1,071,170)

The $1.85 million of proposed budgeted expenditures from the Transportation CIF Fund for 2025 are a 362.50% increase from the 2024 adopted budget. The significant increase of $1,450,000 is a result of three CIP projects budgeted for 2025 including $350,000 for TRP092 Boston Avenue Connection-Price to Martin; $1,250,000 for TRP011 Transportation System Management Program; and $250,000 for TRP137 Main Street Corridor Plan.

DDA Fund

Proposed Revenues	$4,022,689
Proposed Expenditures	$3,690,377
Contribution to/(from) fund balance	332,312

The DDA Fund proposed budget for 2025 includes $3,690,377 of expenditures. This is an increase of 23.87% or $711,201 from the adopted 2024 budget. The reason for the increase is the proposed CIP project DTR037 600 Main Rehabilitation in the amount of $800,000.

New FTE in the Proposed Budget

There are a total of 18.0 new FTE being added in this budget: 3.35 in the Water Fund, 3.30 in the Open Space Fund, 3.0 in the Parks & Greenway Fund, 2.50 in the Streets Fund, 2.30 in the Sewer Fund, 1.3 in the Storm Drainage Fund, 1.0 in the Electric & Broadband Fund, 1.0 in the Affordable Housing Fund, and 0.25 in the Sustainability Fund. New positions included in this budget are:

- 1.0 FTE Volunteer Projects Coordinator-fixed term-offset by temp wages: from the Open Space Fund/Water Fund/Sustainability Fund
- 1.0 FTE Volunteer Projects Coordinator-fixed term-offset by temp wages: from the Open Space Fund
- 1.0 FTE Natural Resources Technician III- offset by temp wages: from the Open Space, Storm Drainage and Water Funds
- 1.0 FTE Agricultural Resource Specialist/Project Manager II-fixed term: from the Open Space Fund
- 1.0 FTE Housing Compliance Specialist: from the Affordable Housing Fund
- 3.0 FTE Grounds Maintenance Technician II: from the Park & Greenway Fund
- 1.0 FTE Energy Technologies Specialist: from the Electric & Broadband Fund
- 1.0 FTE Transportation Engineering Assistant: from the Streets Fund
- 1.0 FTE Construction Inspector: from the Storm Drainage, Streets, Water & Sewer Funds
- 2.0 FTE Public Works Tech I: from the Streets Fund
- 1.0 FTE Field Engineer: from the Water and Sewer Funds
- 1.0 FTE Logistics Supervisor: from the Water and Sewer Funds
- 2.0 FTE Water Utility Tech II: from the Water and Sewer Funds
- 1.0 FTE Water Utility Tech I: from the Water and Sewer Funds

The overall impact of all changes to FTEs in this budget is an increase of 18.0 FTE, which brings the total budgeted positions to 1,161.105.

Summary Budget conclusion
We will provide you with more detailed information on many of the issues identified in this summary budget message. You will receive budget review packets in your weekly Council packets in September. To make it easier for future references, this information will be consecutively numbered.

Budget Presentation Schedule
We will provide an overview of the Proposed 2025 Operating Budget to you on September 3rd. At other scheduled meetings in September, we will present specific issues identified in this budget. Included in the

Supplemental Information section is the September presentation schedule. We plan to provide the proposed 2025 Classification and Pay Plan, a list of one-time expenses included in the proposed budget, and the full proposed 2025 Operating Budget over the coming weeks.

I thank you for your time, attention and guidance in preparing the City's operating budget for 2025. This is one of the most important tasks that you undertake each year as members of the Longmont City Council. The staff and I look forward to discussing the proposed budget with you in greater detail.

2025 Budget Presentations

August 27 - Regular Meeting

Summary Budget presented

September 3 – Study Session

2025 Budget Overview
2024 – 2028 Proposed CIP

September 10 - Regular Meeting

Employee Compensation & Benefits
General Fund Budget Summary
Public Safety Fund Budget Summary

September 17 - Study Session

Property tax revenue
New positions
One-time Expenses
Human Service Agency Funding
LDDA Budget
Supporting Actions for Mental Health & Addiction
Early Childhood Capacity Building
Grants/External funding sources
Parks Maintenance Funding
Transportation Fund

September 24 - Regular Meeting

Financial Policies
Public Hearing

October 1 – Study Session

Second Public Hearing
Final Direction from Council

October 8 - Regular Meeting

Budget Ordinances

October 22 - Regular Meeting

Budget Ordinances and Resolutions