Public Workshop on 2021 Budget
August 26, 2020
Agenda

Goal: Provide Information and Seek Ideas

1. Introduction to the City’s Budget, Tough Decisions

2. Financial Projections & Understanding Sales Tax

3. Efficiencies, Innovations, and Partnerships

4. **Discussion #1** What other operational innovations efficiencies, or cost reductions should the City explore?

5. Increasing Revenues

6. **Discussion #2** What ideas do you have about potential new revenue sources for the City?

7. Next Steps and Summary: Keep the conversation going
Workshop Conversation Guidelines

• Treat each other with respect
• Listen to learn
• Help to make sure everyone has a chance to share
• Assume good intentions
• Use the raise hand function in Zoom to provide comment, when asked
• Our moderator will allow one person to speak at a time
• Comments limited to 2 minutes
Introduction to the City’s Budget
Important Annual Budget milestones

Council Goals In Progress

Public Workshop (Today)

Staff Prepares Budget

Budget Presented to Council/Feedback

Adoption

Public Engagement
| 1. | Continue to address Durango’s affordable/attainable housing, including options for homeless population |
| 2. | Expand Durango’s unique identity as a driver of enhanced quality of life and sense of place |
| 3. | Improve environmental resiliency and encourage responsible stewardship of natural resources |
| 4. | Require & support effective utilization of resources to supply the following |
| 5. | Advance fiscal sustainability and resiliency |
Budget Basics

- A fiscal year is a twelve-month period used for budgeting, forecasting, and reporting. The City’s fiscal year is Jan 1 – Dec 31
- General Fund is the primary operating fund to pay for basic City services, programs, and the daily operations of the City
- Separate funds for standalone businesses (or enterprises) like water and sewer utilities;
  - Water
  - Sewer
  - Airport
- Special Revenue Funds (legally-restricted sources of revenue)
  - 2005 Sales Tax; 2015 Sales Tax; 2019 Sales Tax
  - Durango Tourism Fund
- Internal Service Funds (services provided internally)
  - Vehicle Replacement
  - Risk Management
General Budget assumptions

Personnel:
- Changes to staffing will support City Council Goals or legal mandates
- Hiring hiatus - for positions that must be refilled, may consider 60-day hiring hiatus when possible (dependent on revenue projections)

Operating:
- General Fund - Through June 31, 2020 Sales Tax is reflecting a 11% decrease in actual collections for sales tax compared 2020 budget estimates. Departmental budgets will be developed using the assumption of a 7-16% reduction over 2020 budget- to be reviewed in further
- Use of special revenues for maintenance in operating budget for Streets Maintenance and Parks Maintenance

Capital Guidance:
- Review of existing carryforward projects should be considered first
- Capital Improvement Program (CIP) Process/Policy adoption by council as part of 2021 budget process With the reduction in sales tax capital project funds will also see a 7-16% reduction in anticipated revenues
Tough Decisions

Revenue Shortfalls

COVID-19 Pandemic will result in a 7-15% revenue shortfall for the 2021 budget and beyond.

City Facilities & Asset Management

2015 Facilities Master Plan estimates $81.9 M in facility improvements needed in the next 10 years, which includes $19 M for a new Police Station. With no dedicated funding source in place to finance the improvements.

Infrastructure & CIP

As part of the FY 2020 budget the City deferred Capital Improvement Projects as a result of the COVID-19 Pandemic.

Service Delivery

The budget process also evaluates service delivery methods and addresses structural deficits in operational expenditures.
Balanced General Fund Budget

Revenues – Where it Comes From

- 15% Decline
- City Sales Tax 55%
- Other Taxes 9%
- Property Tax 3%

Expenditures – Where it Goes

- General Government 25%
- Public Safety 36%
- Streets 7%
- Parks & Rec 19%
- Library 6%
- Community Support 3.6%
- Non Departmental 5%

Taxes 67%

Licenses & Permits
Fines & Forfeits
Other Taxes
Intergovernmental
Miscellaneous
Charges for Services
City Sales Tax
Property Tax
Budgeting by Fund (Enterprise)

- **fees**
- **charges**
- **grants**

Users pay for the service

Available Revenues

- **Water Fund**
- **Sewer Fund**
- **Airport Fund**
- **Sustainable Services**
- **Transportation Fund**

- Revenue
- Expenditures

Bar chart showing the comparison of revenues and expenditures for different funds.
Financial Projections & Understanding Sales Tax
Sales Tax Trends 2007-2021

$30,000,000
$25,000,000
$20,000,000
$15,000,000
$10,000,000
$5,000,000
$


Great Recession
COVID-19

Actual
SPENDING $100 IN DURANGO

+ $8.40 TAX

$108.40 TOTAL

$2.90 STATE OF COLORADO

$5.50 STAYS LOCAL

$1.78 COUNTY WIDE SHARED

LA PLATA COUNTY $1.27

CITY OF DURANGO $0.36

BAYFIELD $0.08

IGNACIO $0.07

$0.22 JOINT (CITY/COUNTY)

PUBLIC LIBRARY

SENIOR CENTER

$3.50 CITY OF DURANGO

GENERAL FUND $2.00

SPECIAL REVENUE FUNDS $1.50
Efficiencies, Innovations, and Partnerships
Efficiencies, Innovations, and Partnerships

- Exploring grant opportunities

- Shared service models utilized for 911 Communications, POST Regional Training for Police Officers

- Reviewing existing contracted services for potential savings

- 2020 Budget prepared on 5-year actual averages 2021 to be prepared from 2020 with 15% reduction due to revenue shortfall forecasts

- Partnerships with the County, health organizations, and school districts to support services for COVID-19 Pandemic

- Providing community support services to outside agencies, generating revenue for the City
Steps Towards Best Practices

- **Questica** Budget software for transparency
- Moved Investment Fiduciary responsibility to **Morgan Stanley**
- **SUTS System** (Sales and Use Tax Software)
  - May generate additional revenues from remote remittance.
  - Makes filing easier!
- Exploring having a **vendor collect sales tax and business licenses**
- Following **GFOA best practices** for Policies
  - CIP and Reserve Policy in process
- Isolating **Special Revenue Capital projects** in each of their own funds
- **Evaluating a two-year budget cycle** starting in FY 2022-2023
- Overhauled **Quarterly CIP report** and Monthly Financials for greater Transparency and Council decision making
What other operational innovations efficiencies, or cost reductions should the City explore?
Typical new revenue options

- Attract Sales Tax generator Annual averages
  - Grocery Store: $500K average
  - Car Dealership: $215K average
  - Restaurants: $264K average
  - Big Box Retailer: $2.9 Million average
  - Local Retailer:
    - Corporate Retail: $165K
    - Liquor stores: $100K
    - Outdoor retail / Entertainment: $25K average

- Lodgers Tax Increase (Hotel and Vacation Rental Tax)

- Business License Tax increases

- Increases to charges and services
DISCUSSION #2

What ideas do you have about potential new revenue sources for the City?
Next steps

Oct. TBD    City Manager Presents Proposed Budget to City Council

Oct/Nov    Council will review departmental budgets and host public study sessions

Nov. 10    Public Hearing on Proposed FY2020 Budget

Dec. 1    FY2021 Final Budget Adoption
Opportunities to Learn More and Provide Feedback

Send comments by September 14th to:
City Manager
949 E. 2nd Avenue
Durango, CO 81301
or
CityManager@DurangoGov.org