City of Louisville
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CITY COUNCIL COMMUNICATION
AGENDA ITEM 8E

SUBJECT: DISCUSSION/DIRECTION – 2025-2026 BIENNIAL BUDGET

DATE: SEPTEMBER 3, 2024

PRESENTED BY: SAMMA FOX, INTERIM CITY MANAGER
RYDER BAILEY, CPA, FINANCE DIRECTOR
MARIA OSTROM, CPA, INTERIM FINANCE DIRECTOR
MAHYAR MANSURABADI, FINANCIAL ANALYST

BUDGET DEVELOPMENT PROCESS
The formulation of the City's Biennial Budget is one of the most important financial activities that the City of Louisville undertakes each year. The budget process provides a comprehensive plan to deliver efficient services to residents and stakeholders of the City in a manner that aligns resources with the policies, goals, mission, and vision of the City.

The Budget Study Session is a continuation of the budget process and an opportunity to engage with City Council to shape the budget and set priorities**.** The Budget Study Session ensures the City Manager's final recommended budget follows Council's Policy direction.

The Biennial Budget Process begin with a budget retreat on July 24th 2024, where staff presented information on all City Funds, reviewed applicable financial policies, and long term forecasts. On August 15th 2024, at the Finance Committee meeting, staff presented progress made on development of the General Fund, Parks Fund, and Capital Projects Fund budgets. Information to be presented at the Budget Study Session incorporates direction received at the Finance Committee meeting.

FISCAL IMPACT:
To be determined by City Council.

PROGRAM/SUB-PROGRAM IMPACT:
The budget impacts all program areas of the City.

RECOMMENDATION:
1. Discussion/Direction on materials
2. Set the public hearing on the budget for October 15, 2024

ATTACHMENT(S):
1. Presentation

STRATEGIC PLAN IMPACT:

☒	**Financial Stewardship & Asset Management**	☒	**Reliable Core Services**
☒	**Vibrant Economic Climate**	☒	**Quality Programs & Amenities**
☒	**Engaged Community**	☒	**Healthy Workforce**
☒	**Supportive Technology**	☐	**Collaborative Regional Partner**

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2025/2026 Budget
September 3, 2024
Discussion / Direction

Samma Fox, Interim City Manager
Ryder Bailey, CPA, Finance Director
Mahyar Mansurabadi, Financial Analyst
Maria Ostrom, Interim Finance Director

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Today's Agenda

- Budget Calendar
- Recap of Budget Retreat and Finance Committee
- Council Requests for Information
- General Fund
  - Budget Gap Revisited
  - Revenue and Expense Changes
  - Summarize Changes
- Parks Fund Structural Imbalance, move Parks Projects to Capital Projects Fund
- Capital Projects Fund

Budget Calendar – Looking Forward

- Tuesday, Sept 3 – (Council Meeting) – Budget Discussion/Direction
- September/October – Budget Working Study Session(s), as necessary
- Tuesday, Oct 1 – (Council Meeting) – City Manager's Recommended
- Tuesday, Oct 15 - (Council Meeting) - Budget Public Hearing
- Monday, Nov 4 - 2025/2026 Biennial Budget Adopted

Budget Retreat Recap

- What did we cover?
- Where did we leave off?
  - Council requests for info
  - General Fund Budget Gap
  - Parks Fund Structural Imbalance
  - Capital Projects Fund (CIP Prioritization)

Key Considerations

- We are not alone! Other cities are going through similar.
- Louisville has a high quality of life, and high levels of service
- The City has taken on truly impressive and aspirational work
- We need to balance that with resources
- There is a way through this
- We are seeking Council guidance on proposed recommendation
- We will have a balanced budget for adoption this fall

Closing the Gap - Staff Actions

- Continue to refine forecasts, including revenue, and costs
- Potential to re-allocate resources to higher priorities, this will likely include programmatic and service level reductions
- May re-assess currently vacant positions
- May re-assess policies
- Will seek efficiencies
- This may be impacted by future development and policies

Preliminary 2025 Priorities

Based on early 2025 Council Work Planning and the Resident Survey:

- Economic Prosperity
- Public Safety
- Maintaining Core Services
- Affordable Housing
- All through the lenses of equity, diversity, and inclusion (EDI) and environmental sustainability

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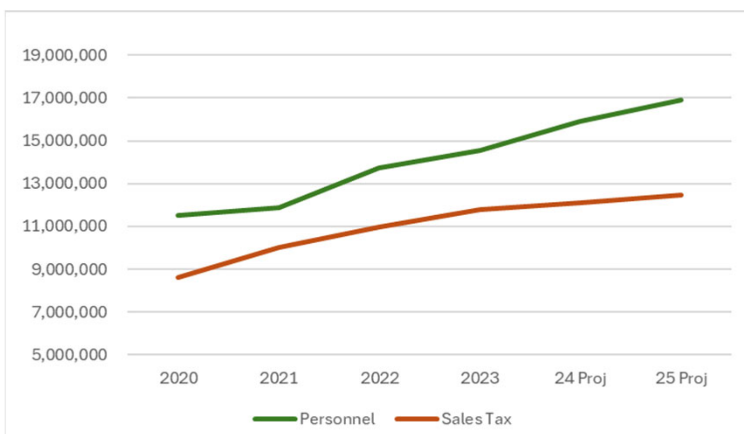
Council Request - General Fund Personnel & Sales Tax Growth

Year	Personnel	Sales Tax
2021	3.4%	16.3%
2022	15.7%	9.1%
2023	5.9%	7.4%
2024*	9.1%	2.9%
2025*	6.3%	2.9%

*Projected net of turnback



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Council Request – FTE/Population

Jurisdiction	Population	Full Time EEs	FT EE % to population
Louisville	**21,226**	**212**	**1.00%**
Boulder	105,156	1,236	1.18%
Broomfield	77,650	750	0.97%
Erie	36,886	253	0.69%
Golden	20,500	224	1.09%
Lafayette	30,411	242	0.80%
Longmont	97,000	900	0.93%
Superior	13,146	56	0.43%
Thornton	150,000	1,139	0.76%
Westminster	115,117	1,115	0.97%
Wheatridge	20,500	270	1.32%

Superior uses third-party providers for many services, average excluding Superior is 0.97%

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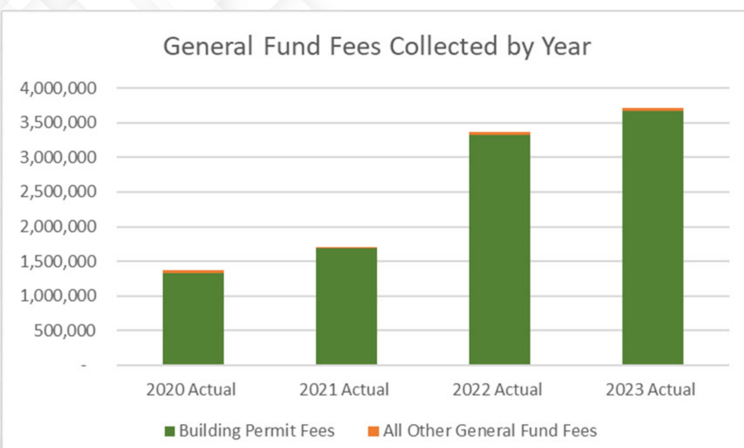
Council Request – General Fund Fees



- 98.4% of General Fund fees collected are related to a building permit (4-year average).
- 1.6% of General Fund fees all other (avg. $36k/year):
  - Art Center Rentals
  - Museum Memberships
  - Library Fines, Copies, Rentals
  - Special Event
  - Boat Permit
  - Car Charging Fee
  - Returned Check Fees
  - Arborist License

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General Fund

General Fund – Gap Revisited

Description	Amount
Revenue + Transfers In	$25.7M
Expenses	($30.2M)
Transfers Out	($ 2.5M)
General Fund Gap	($ 7.0M)

- Personnel costs increasing (salary & benefits)
- 10.5 new FTE's requested
- Increase in on-going expenses
  - Need to cover contractual increases
- One-time requests

General Fund - Revenue Changes

Description	Original Amount	Adjusted Amount	Difference
Property Tax	$4,983,900	$5,168,562	$184,662
Sales Tax	$12,121,350	$12,405,611	$284,261
ST Business Assistance	($144,050)	($93,411)	$50,639
Consumer UT Bus. Asst.	($134,700)	($75,020)	$59,680
Franchise Tax-Xcel Energy	$827,010	$1,050,000	$222,990
Interest Earnings	$263,680	$438,735	$175,055
Building Permits/License Fees	$1,180,500	$1,468,156	$287,656
Grant Revenue	$155,500	$270,936	$115,436
Court Fines	$60,000	$100,000	$40,000
Total Increase-GF Revenue			$1,420,379

General Fund Expenses - Additions

- Increase projected annual salary for new City Manager based on compensation survey +15k*
- Increase HR budget to help cover recruiting cost for new HR Director +5k*
- Improve website functionality for resident engagement +20k*
- Increase Microsoft, firewall, and other software licenses +118k

**Added item after 8/15 Finance Committee Meeting*

General Fund Expenses – Personnel Changes

- Remove proposed new FTE's (10.5 net, partial allocation in other funds)
  - Grants & Special Projects Manager (CMO)
  - Administrative Clerk (CCO)
  - Application Support Spec., Business Analyst (IT)
  - Sergeant & Records Tech (PD)
  - Civil Engineer (PW)
  - Parks Project Manager, Parks Tech (PROS)
  - Librarian I, Museum Associates (CS)
- Keep market/merit adjustments flat, at 2024 level
- Remove plans examiner (MF), EDI Manager, and Finance Intern, positions currently vacant*
- Health insurance premiums flat, no increase from 2024*

**Item was previously listed on "General Fund expense changes by program (4 of 4)" in 8/15 Finance Committee Packet*

General Fund Ongoing Expense Changes – by Program (1 of 4)*

PROGRAM: Transportation	Amount
Move Vehicle Replacement to Capital Projects**	$139,500

PROGRAM: Utilities	Amount
No Proposed General Fund Reductions	$-

PROGRAM: Public Safety and Justice	Amount
Reduce 2025 Vehicle Replacement (from 5 to 3)	$182,494
Move Remaining Vehicle Replacement to Capital Projects**	$273,741

PROGRAM: Parks, Open Space & Trails, Recreation, and Golf	Amount
Adjust Water Usage to Expected Actual**	$26,000

**Onetime items displayed in 8/15 Finance Committee packet have been moved to another slide*
***New item since 8/15 Finance Committee meeting*

General Fund Ongoing Expense Changes – by Program (2 of 4)*

PROGRAM: Cultural Services	Amount
eBooks Expansion	$10,000
Special Events (Summer Concerts, Fourth of July, etc.)	$23,000
Holiday Lights Expansion	$15,000
Eliminate Underperforming Online Resources	$10,000

PROGRAM: Community Design	Amount
Potential Policy Change: Credit Card Fees**	$45,000
Remove Vehicle (was purchased in 2024)**	$29,700

**Onetime items displayed in 8/15 Finance Committee packet have been moved to another slide*
***New or changed items since 8/15 Finance Committee meeting*

General Fund Ongoing Expense Changes – by Program (3 of 4)*

PROGRAM: Other	Amount
Recovery and Resilience Program Expansions**	$68,100

PROGRAM: Economic Prosperity	Amount
No Proposed General Fund Reductions	$-

**Onetime items displayed in 8/15 Finance Committee packet have been moved to another slide*
***New or changed items since 8/15 Finance Committee meeting*

General Fund Ongoing Expense Changes – by Program (4 of 4)*

PROGRAM: Administration & Support Services	Amount
Sustainability Service Expansions	$183,000
Allocate shared software to Utility funds**	$104,954
IT Items (rebid and reductions)**	$61,773
IT duplication (Capital Project item covers expense)	$90,000
Change Training Approach (Virtual)**	$80,200
Bid Process - Actuals came in lower (Custodial Service)	$12,720
Training/Travel Reductions**	$30,000
Property/Liability Insurance increase less than projected**	$33,570
Potential Policy Change: Publication Rules for Ordinances	$8,000
Council Outreach Expansion	$8,000

**Onetime items displayed in 8/15 Finance Committee packet have been moved to another slide*
***New or changed items since 8/15 Finance Committee meeting*

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General Fund –One Time Requests Revised

Description	Cost
Land code re-write (Community Development)	$450,000
Microsoft retooling (IT)	$30,000
Cyber security consultants (IT)	$30,000
Updated website (Community Facilitation)	$120,000
Revised Total Included in 2025 Budget	$630,000

Removed from 2025:

- Pilot – Innovation Program – $75K
- Sustainability action plan – 5-year update $200K
- Pilot – Louisville Academy $100K
- Citywide traffic counts – budgeted in Capital Projects Fund) - $25K
- Recovery/resilience mitigation incentives (CMO) - $20K

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General Fund – Summarize Changes

Description	Amount
General Fund gap	($7,058,277)
Refine revenue forecast	$1,420,379
Net expense reductions	$3,532,236
Operational turnback	$1,469,485
Use FB for one-time expenses	$630,000
Remaining GF gap	($6,177)

- Departments diligently reviewed their existing programs and are recommending reductions to help move toward a structurally balanced budget.

General Fund – Key Considerations

- If Council Supports the previous recommendations, the gap is $6k
- Future revenue is uncertain, with potential in both directions
- Financial Policies:

5.3 Balanced Budget. The City's definition of a balance budget requires each fund's revenue plus appropriated fund balance/working capital to be equal to, or greater than, each fund's total appropriations. However, it is the City's intent to go further and develop structurally balanced budgets for the General Fund and the other major operating funds (excluding capital project funds). In a structurally balanced budget, annual recurring revenue will be projected to equal or exceed annual recurring expenditures for each fund. If a structural imbalance (recurring expenditures exceeding recurring revenue) should occur in the General Fund or in any of the major operating funds, a plan will be developed and implemented to bring the budget back into structural balance.

General Fund – Path Forward

Finance Committee Direction:

- Strive to achieve structural balance in 2025, limit major impacts to staff and the community (such as closures, program reductions, or delays) and/or reductions with greater risk
- Use fund balance for remaining one-time items
- Review overhead allocations, adjust as necessary by fund
- Move vehicle replacement to Capital Projects Fund
- Revisit fees, are we keeping up with inflation and cost to provide service

Parks Fund

Parks Fund Structural Imbalance

- Staff collaborated to present a workable option for 2025/2026 while preserving current service levels.
- Longterm outlook, ongoing expenses > ongoing revenue
  - Revisit Projection from March 2024 Finance Committee meeting (next slide)
  - Slowing sales tax growth
  - Impact of 2C defining split of original 3/8ths evenly
  - Turnback required in future years, or need more from General Fund
- Parks capital moved to Capital Projects Fund

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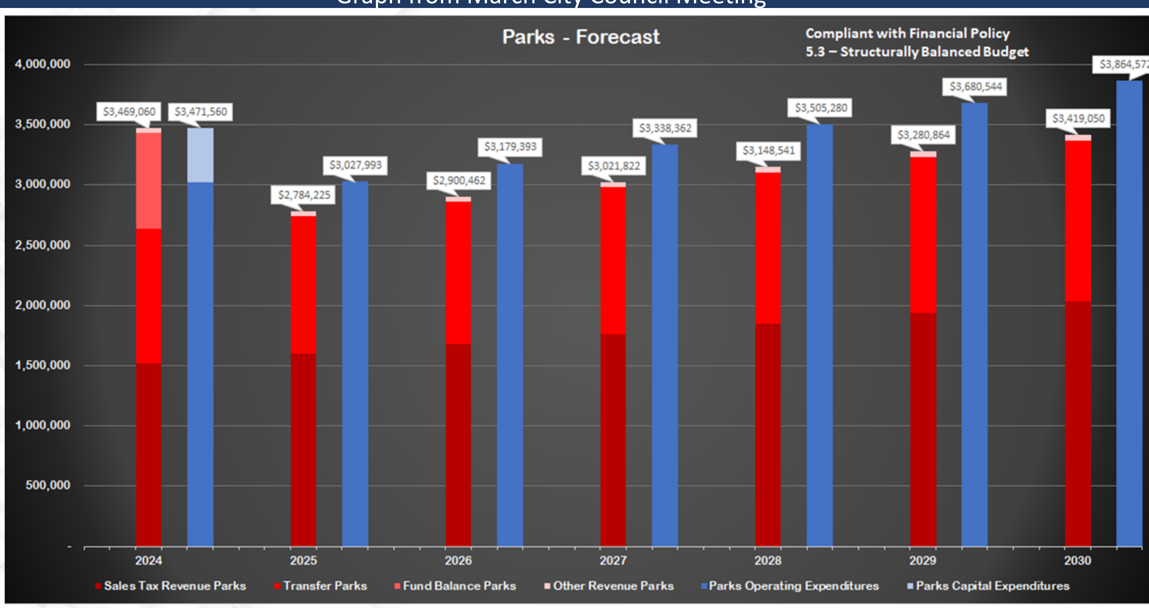
Graph from March City Council Meeting



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Parks Fund – Gap Revisited

Description	Amount
Revenue + Transfers In	$2,612,075
Operating Expenses	($3,125,760)
Turnback	($187,546)
Parks Fund Gap	($326,129)

- Moved Parks Capital to Capital Projects Fund ($578K)
- Finance Committee Meeting on 8/15, Council provided direction to close gap without increasing general fund transfer

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Parks Fund – Revised

Description	2025	2026
Projected Beg. Fund Balance	$540,378	$571,179
Projected Revenue	$1,598,405	$1,629,669
Transfer from General Fund	$1,048,400	$1,079,900
Operating Expenses	($2,782,984)	($2,935,054)
Capital Expenses	-	-
Expected Turnback (6%)	$166,980	$176,100
Projected Ending Fund Balance	$571,179	$521,794

- Meet 15% required reserve without additional transfer from General Fund, must continue to operate with 6% turnback to be sustainable in future years.
- 2025 Projected Reserve $417k (Reserve Per Policy is 15% of operating expense)

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Parks Fund – Closed the Gap

- Refined Revenue Forecasts +$35K
  - Updated Sales & Use Tax Projections
  - Moved Impact Fee Transfer to Capital Projects Fund
- Moved Vehicle Replacement to Capital Projects Fund -$162K
- Removed New FTEs and Health Premiums Flat -$84K
- Aligned Water Usage with Actual -$47K
- Adjusted Bridge House Contract -$50K

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Parks Fund – Path Forward

- Continue to seek efficiencies in operations to help ensure long-term financial sustainability (ongoing revenue covers ongoing expenses)
  - Personnel costs growing faster than revenue
  - Parks Fund requires operational turnback to stay balanced
- Move planned Parks Capital to Capital Projects Fund
  - Moving Parks Projects to the Capital Fund will allow Council to review all Capital Projects and prioritize based off community needs/desires

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Capital Projects Fund

Capital Fund – Gap Revisited

Description	Amount
Revenue + Transfers In	$13,251,740
Operating Expenses	($585,769)
Capital Requests	($29,357,526)
Transfer to Recreation Fund	($158,200)
Capital Fund Gap	($16,849,755)

Original Capital Requests:

- Pavement – $12.3M
- DeCarb Related Projects- $7.8M
- Maintenance Items - $4.3M
- New Capital - $5.1M

Capital Projects Fund - Actions

- Staff collaborated to create a viable 2025/2026 CIP Plan
- CMO, Department and Finance Staff evaluated timing of capital projects to ensure Maintenance of City Assets and Decarbonization were prioritized.
- Grant funding was maximized to leverage city funds,
- Marshall Fire impacted roads incorporated into the on-going pavement program.
- Parks Capital Requests incorporated into Capital Projects Fund.

Capital Projects Fund – Closed the Gap (Page 1 of 3)

- Refined Revenue Forecasts +$7.1M
  - Updated Sales & Use Tax Projections
  - Grant Revenue
  - LRC Bond
  - Interest Earnings
  - Moved Impact Fee Transfer from Parks to Capital Projects Fund
- Removed New FTEs, Projected Health Premiums Flat -$107K
- Adjusted Capital Improvements plan -$9.0M (next two slides)

Capital Projects Fund – Closed the Gap (Page 2 of 3)

Req No.	Description	2025 Original	2025 Revised	Comments
215	Community Park Stage Shade	$80,000	-	Removed
15	Median Renovations	$700,000	-	Moved to 2026
156	Via Appia Pedestrian Improv.	$110,000	-	Moved to 2027
163	Marshall Fire Resurfacing	$7,238,000	-	Incorporated into paving program
98	CH Interior Finishes	$25,000	-	Moved to 2027
103	City Services Roof Repairs	$184,000	-	Work completed
106	Library Millwork	$57,500	-	Moved to 2027
118	Police/Court Interior Refresh	$172,500	-	Moved to 2027
120	Police/Court Decarbonization	$2,346,000	$1,446,000	Reduced-no solar
143	IT Vehicle	$70,000	$45,000	Reduced Cost

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Capital Projects Fund – Closed the Gap (Page 3 of 3)

Req No.	Description	2025 Original	2025 Revised	Comments
136	Library Decarbonization	$2,316,150	$1,841,150	Reduced-no solar
137	Museum Improvements	$28,750	-	Moved to 2027
138	Museum Building Improvements	$113,850	-	Moved to 2027
N/A	Police Fleet Plan	-	$274,000	Moved from General Fund
N/A	Street Maintenance Vehicle	-	$139,500	Moved from General Fund
N/A	Parks Vehicle	-	$70,000	Moved from Parks Fund
*	Parks Capital Projects	-	$578,000	Moved from Parks Fund
	Total	$13,441,750	$4,393,650	Total Decrease $9.0M
				-

* Parks Capital Projects – Playground replacement (13), Convert inline rink to pickleball (16), Tech. Improvs. (23), Irrigation upgrades (24), Surfacing materials (25), Equip. replacements (28), New Equip. (29), Landscaping improv. (31), Concrete replace-Sports Complex (33), Furnishing replacements (38)

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Capital Projects Fund – Updates since Finance Committee Meeting

- Affordable Housing – $2M designated for unknown prospective projects included in 2025 budget recommendation
- Paving Program
  - Restored to $5M and growing for ongoing paving program
  - Incorporated Marshall Fire paving into regular program
  - Paving turnback for 2024 projected $1.5M
    - *Total of $6.5M available in paving program for 2025 with this carryover*
- Decarbonization
  - Solar removed from Library, Police/Court, and City Services, $2.2M reduction
- LRC Bond Funding ($7.25M to $10M)

Capital Projects Fund - Revised

Description	2025	2026
Projected Beg. Fund Balance	$5,154,052	$4,606,852
Projected Revenue	$20,179,913	$19,208,538
Transfer from Impact Fees Fund	$219,500	$514,000
Operating Expenses	($478,987)	($512,140)
Capital Expenses	($20,309,426)	($22,257,944)
Transfer to Recreation Fund	($158,200)	($162,900)
Projected Ending Fund Balance	$4,606,852	$1,396,406

- Includes planned parks projects
- Transfer from Impact Fees Fund includes money tied to parks projects

Capital Projects Fund - DeCarb

- Total Decarb spending over 6 years - **$9.8M**
  - $5.4M Grant Funding (DOLA, HEEHA, PBEG, Charge Ahead)
  - $4.4M Sales/Use Tax Funding
  - Replaces end of life HVAC systems at City Hall, Recreation Center, Police/Court, and Library
  - Includes solar for the Recreation Center
- **$6.4M** proposed spending in 2025 budget

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DeCarb spending by year

Project	2025	2026	2027	2028	2029	2030	Total
Austin Niehoff	-	-	-	$46,000	-	-	$46,000
City Hall	-	-	$25,000	$2,070,000	-	-	$2,095,000
City Wide EV	$632,500	-	-	-	-	-	$632,500
Police/Court	$1,446,000	-	-	-	-	-	$1,446,000
Recreation Center	$2,484,000	-	-	$86,250	-	-	$2,570,250
Arts Center	-	-	$60,200	-	-	-	$60,200
City Services	$1,000	-	-	-	-	$1,105,150	$1,106,150
Library	$1,841,150	-	-	-	-	-	$1,841,150
Total Cost	**$6,404,650**	**-**	**$85,200**	**$2,202,250**	**-**	**$1,105,150**	**$9,797,250**

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Capital Projects Fund - South Street Underpass

Description	2025	2026	Total
Total Project Cost	$1,163,876	$9,119,378	$10,283,254
LRC Bond			$1,000,000
DRCOG Grant			$3,000,000
IGA			$2,000,000
Net City Cost			**$4,283,254**

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Capital Projects Fund - Downtown Vision

Description	2025	2026	2027	2028	Total
Project Expense	$1,000,000	$2,400,000	$2,400,000	$3,200,000	$9,000,000
LRC Bond					$9,000,000
Net City Cost					**-**

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Capital Projects Fund – Maintenance Items Funded in 2025 (Page 1 of 2)

Request No.	Description	Amount
140	Access control	374,000
141	Camera & DVR replace	27,500
144	MDT refresh & equip initiative	125,000
148	Printer replacement	50,000
151	IT UPS modernization	38,600
214	Automated Materials Handler replacement	200,000
213	Flock cameras	75,000
24	Irrigation upgrades	100,000
161	Concrete replacement	115,000
164	Traffic signal maintenance	1,094,500
165	Sign truck replacement	70,000

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Capital Projects Fund – Maintenance Items Funded in 2025 (Page 2 of 2)

Request No.	Description	Amount
166	Replacement snowplow/dump truck	212,500
174	Loader box plow	60,000
109	Museum fire panel	28,750
119	Police/court roof replacement	315,100
179	Pavement marking program	218,750
13	Playground replacement parts (Parks Fund)	15,000
25	Surfacing materials-playground (Parks Fund)	25,000
28	Park equipment replacements (Parks Fund)	128,000
31	Landscaping improvements (Parks Fund)	15,000
33	Concrete replacement (Parks Fund)	150,000
38	Parking furnishing replacements (Parks Fund)	15,000

Total Maintenance Items in 2025 - $3.5M

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Capital Projects Fund – New Items Funded in 2025

Request No.	Description	Amount
143	IT vehicle	45,000
145	Middle mile fiber enhancements	100,000
146	NetAlly tester	17,000
11	Office workstations	65,000
67	Indoor batting cage	16,000
155	Annual traffic calming program	50,000
157	ADA transition plan	240,000
178	Citywide traffic counts	25,000
16	Convert inline rink to pickleball (%) (Parks Fund)	80,000
23	Technology improvements (Parks Fund)	20,000
29	Parks Equipment (Parks Fund)	80,000
New	Parks Vehicle	70,000
121 (New)	Police Fleet Plan	274,000
New	Street Maint. Vehicle	139,500

Total New Items in 2025 - $1.2M

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Capital Projects – Path Forward

- Prioritize maintenance of City assets
  - Decarbonization projects (repair and replace end of life systems while maximizing use of grant funds)
- Incorporate Parks Capital to Capital Projects Fund
  - Allows Council to review all Capital Projects and prioritize based off community needs/desires
- Preserve set aside for potential affordable housing project
  - $2M included in 2025 budget
- Maintain paving program at or near current level
  - $5M included in 2025 budget
  - Additional $1.5M available from 2024 expected turnback
  - Goal is to be at a Pavement Condition Index (PCI) of 70 or better

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Summary and Next Steps

Today we discussed the:

- General Fund
- Parks Fund
- Capital Fund

- City Staff will continue to work collaboratively towards developing the 2025/2026 City Manager's Recommended Budget for City Council's consideration.

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Budget Calendar

- Wednesday, July 24th – (Council Chambers) – Budget Retreat
- Thursday, August 15th – (Virtual) – Finance Committee
- Tuesday, Sept 3rd – (Council Meeting) – Budget Discussion/Direction
- September/October – Budget Working Study Session(s), as necessary
- Tuesday, Oct 1st – (Council Meeting) – City Manager's Recommended Budget
- Monday, November 4th – 2025/2026 Biennial Budget Adopted

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2025/2025 Budget –
9/3/2024 City Council Meeting

Thank you!

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