



STUDY SESSION MEMORANDUM

TO: Mayor and Members of City Council

FROM: Nuria Rivera-Vandermyde, City Manager
Chris Meschuk, Deputy City Manager
Kara Skinner, Chief Financial Officer
Mark Woulf, Budget Officer

DATE: September 14, 2023

SUBJECT: 2024 Recommended Budget

EXECUTIVE SUMMARY

The purpose of this study session is to present [the 2024 Recommended Budget](#) to City Council and community as a measured and responsive approach to investing in our collective goals and priorities while maintaining core services. This year's budget was created in a more constrained environment yet continues our commitments in many key areas across the community.

The total 2024 Recommended Budget is \$514.8 million across all funds. This budget includes a change in budgeting practice for capital bond proceeds, which impacts Utilities-related capital projects in 2024. Excluding Utilities, the total 2024 Recommended Budget is a 4.7% change from the 2023 Approved Budget. This includes a 2024 Operating Budget of \$374.1 million, representing an annual increase of 5.5%, and a 2024 Capital Budget of \$140.7 million. The 2024 Recommended General Fund Budget is \$196.1 million, a 4.1% increase over 2023.

Key year-over-year changes proposed in the operating budget reflect the voter creation of a Boulder Library District that eliminates library operating costs, the subsequent programming of available resources to meet our commitments in service expansions, and perhaps most importantly, our continued investment in city employees to ensure a competitive and effective workforce.

The 2024 Recommended Budget proposes [\\$21.1 million in total enhancements](#). Overall, the budget proposes making permanent investments in critical areas, such as wildfire resilience, behavioral health response programs, day services center operations, and housing support.

A total of \$903.2 million in planned spending is included across the six-year 2024-2029 Capital Improvement Program (CIP), which includes significant investments to advance capital projects, including the city's largest affordable housing project to-date and a municipal campus at the Alpine-Balsam site, several key Community, Culture, Resilience, and Safety (CCRS) tax projects, such as renovations at the East Boulder Community Center, Civic Area Phase 2, fire station replacements, and critical water and flood management projects. This budget also makes important and lasting investments in city staff, who are fundamental to carrying out city services and programs across the community.

This budget also built on previous work to better center prioritization based on our intended community outcomes. The work to align funding to our most important outcomes is an iterative process and the 2024 Recommended Budget takes another meaningful step towards this budgeting approach.

Additionally, the 2024 Budget development process incorporated community input in a new and different way through partnership with the City's Community Connectors-in-Residence, who offered important perspectives on budget priorities. Those priorities are reflected in the funding decisions throughout the 2024 Budget.

Questions for Council

1. Does Council recommend any substantive changes in advance of first reading consideration of the 2024 Budget?

BACKGROUND

During the [May 11, 2023 Council Study Session](#) on the Financial Update and Budget Outlook, staff presented several key budget assumptions that provided the context in which the 2024 Budget was developed. The following assumptions are addressed through this memo and the 2024 Recommended Budget:

1. Slowing economic growth and known funding requirements significantly limit budget flexibility for ongoing costs.
2. Key Council priorities (behavioral health, day services center, and Alpine-Balsam/Western City Campus development) will be prioritized for use of library budget reallocation funds.
3. The Capital Improvement Program will include long-range facilities planning to ensure sustainable funding strategies for building maintenance and associated services.
4. Flexibility within dedicated funds will be explored and emphasized to ease the burden on the General Fund, including other revenue strategies such as the Parks & Recreation fee policy.
5. Uncertainty related to the expiring 0.15% undedicated General Fund sales tax necessitates preservation of ongoing funding from library reallocation.
6. Other ongoing funding needs are significant and beyond funding availability, requiring a long-term financial strategy across all funds and city functions.

The development of the 2024 Budget will represent the fourth budget year impacted by the pandemic. Reaction to the global shutdown included immediate steps in 2020 and led to cautious budgeting approaches in the subsequent annual budgets. Mid-year adjustments in

2022 and the development of the 2023 Budget represented rapid recovery from the pandemic in an economic environment with growing revenues. At the time of 2023 Budget adoption, staff provided information about potential economic headwinds, including the potential impact of high inflation on the economy. Over the past year, the Federal Reserve has taken aggressive measures through interest rate increases to dampen inflationary pressures. This has proved mostly successful without significantly impacting the overall economy, at least thus far. While the broader economy remains resilient, the City of Boulder (and the state as a whole) have seen slowing economic growth, especially in retail sales that impact local sales and use tax collections. Additionally, the investments made in 2023 addressed important needs across the community and also limited our future budget flexibility. These factors, combined with potential voter action on the expiring 0.15 cents General Fund sales and use tax, make the 2024 Recommended Budget a constrained spending plan. Despite the restrictive nature of available ongoing resources, this budget will continue our commitments in some of our most critical areas within the community.

The City of Boulder budget is comprised of 41 funds designed to comply with legal restrictions and aid financial management across all government functions and activities. Most funds fall into two main categories; governmental, which are used to account for most governmental general activities and includes special revenue funds (such as Open Space & Mountain Parks), capital project funds (such as the Community, Culture, Resilience, and Safety Tax Fund) and the General Fund; and, proprietary, which are enterprise funds (such as Utilities) or internal service funds that collect revenues or interdepartmental transfers to provide a specific service to the community and organization.

Pursuant to city charter Section 93, each year, Council considers a recommended budget that is put forward by the City Manager after an extensive internal process to reflect community and council goals within the budget and spending plan for the upcoming fiscal year. Council then has an opportunity, usually through a study session, to review the recommended budget and suggest any changes in advance of the public hearings at the first and second reading of the budget. Budget adoption, including the approval of the appropriation ordinance (authorization for spending) and special district budget resolutions, must be completed by late November each year as required by charter section 95. The typical City budget cycle plans for budget adoption by the end of each October.

Economic Outlook, Revenue Projections, & Fund Context

The city contracts with the University of Colorado Business Research Division to forecast sales and use taxes and its forecast uses Moody's Analytics U.S. Macroeconomic Outlook forecasts for model inputs. For the current forecast, CU recommends using Moody's Baseline forecast which is a moderate outlook on the economy. There are several factors that are considered in the projections, which are revised slightly down from last year's projections, including:

- Inflation slowing across most major categories, which impacts sales and use tax collections.
- National and local slowdown in retail sales.
- State economy is slowing at a faster pace than rest of country.
- City is experiencing negative population growth and a tight labor market.

In the recovery from the pandemic, the city used a very cautious approach in both revenue for projections and subsequent budgeting practices. This was an intentional risk posture due to the uncertainty. In approaching the 2023 recommended budget, staff analyzed local sales and use tax performance against previous revenue models. Not surprisingly, actual performance was much stronger than forecasted levels and while uncertainty still exists, the endemic nature of COVID-19 combined with strong local performance, prompted us to revisit our risk posture and local sales and use tax budgeting levels. This new posture will continue to be examined each year.

Retail Sales Tax Performance & Revised Revenue Projections

The 2024 Sales & Use tax projections were calculated at the current rate of 3.86%, which is distributed to the General Fund, as well as dedicated to special revenue funds. These include Parks & Recreation, Open Space & Mountain Parks, Transportation, and the Community, Culture, Resilience & Safety (CCRS) Capital Tax. 2024 projections assume the expiration of 0.15% General Fund sales & use tax, which is examined in a subsequent section.

2022: A new model was developed in May 2021 to reflect improving economic conditions and continuing impact of the pandemic to inform the 2022 budget development and revenue projections. The city used the average of the medium and low projections for 2022 budget development but revised the end-of-year forecast using the medium projection. Actual collection was \$1.28 million less than the revised projection.

Fiscal Year	Projected Retail Sales Tax Revenue (2022 Revised)	Actual Sales Tax Revenue
2022	\$136,966,741	\$135,681,553

2023: Supported by 2021 and July 2022 sales tax performance against the model, staff believed it to be prudent to utilize the medium projection for 2023 budget development. For 2023, the city projected \$141,340,972 in sales tax collections. Taking into consideration state and local economic factors, including slowing retail sales growth in several categories, the latest projections are revised slightly down from last year's projections. The revised projections would represent a 3.5% increase above 2022 actual sales tax collections.

Fiscal Year	Projected Retail Sales Tax Revenue (July 2022 Model)	Projected Sales Tax Revenue (July 2023 Model)
2023	\$141,340,972	\$140,410,935

2024: This lower projection is carried into future years. For 2024, the city is projecting \$144,651,065 in retail sales tax collections, or a 3.1% increase above revised 2023 projections.

Other Notable Trends

The Recreational Marijuana Sales Tax, which is dedicated to the General Fund, has seen a significant decrease of 26% from the prior year actuals. This decrease primarily stems from waning demand since the pandemic period coupled with oversupply of product in the market driven by pandemic-level demand. Currently, the city collects the base 3.86% sales and use tax on medical and recreational marijuana and an additional 3.50% sales and use tax on recreational marijuana.

Expiration of General Fund 0.15 Cents Sales and Use Tax

Annual budget projections do not anticipate future voter action and the 2024 Budget is no exception. The 2024 Recommended Budget includes the expiration of the 0.15% General Fund sales and use tax at the end of 2024. As covered extensively over the past several months, the 0.15% General Fund sales and use tax is a critical undedicated tax that currently funds many general fund services and generates an estimated \$6.8 - \$7.5 million per year. Per Council action on August 17, voters will consider a ballot question to renew the 0.15% tax and dedicate half of the annual revenue to support arts, culture, and heritage uses, with the other half remaining as an undedicated general fund tax.

Without the renewal of the tax as proposed, the General Fund would face a deficit as soon as 2025. This would equate to a reduction in current General Fund services in the 2025 Budget (this reduction would be approximately \$7.1 million). If voters reject the current proposal, there would be an additional opportunity to propose a ballot item to renew the tax in 2024.

In the scenario where voters approve the current 50/50 tax renewal proposal, the General Fund's flexibility to fund ongoing services and initiatives is severely limited over the next several years without a new revenue source or service reductions. Below is a table that demonstrates the current projected ongoing sources versus ongoing uses within the General Fund, based on the 2024 Recommended Budget.

Figure 1. General Fund Ongoing Sources/Uses (With 50/50 0.15% Tax Approved)

	2024 Recommended	2025 Projected	2026 Projected	2027 Projected	2028 Projected	2029 Projected
Total Ongoing Sources	\$179.1M	\$183.0M	\$190.3M	\$193.2M	\$200.4M	\$203.4M
Total Ongoing Uses	\$172.4M	\$184.6M	\$188.9M	\$193.4M	\$198.1M	\$202.8M
<i>Surplus/(Deficit)</i>	<i>\$6.8M</i>	<i>(\$1.6M)</i>	<i>\$1.4M</i>	<i>(\$0.3M)</i>	<i>\$2.4M</i>	<i>\$0.6M</i>

As demonstrated, there is an average of approximately \$500,000 over the years 2025-2029. This means that there is an estimated \$500,000 of “room” to add ongoing services within the General Fund over the next 6 years.

Property Tax

Property taxes are the second largest source of revenue for the General Fund after Sales & Use taxes and are a primary source of revenue for the Community Housing Access Fund and the Permanent Parks & Recreation Fund. For every \$1 property owners in the City of Boulder pay for property tax in 2024, about 13 cents goes to the City of Boulder, while the remainder is remitted to other taxing entities including Boulder Valley School District, Boulder County, and the newly formed Boulder Public Library District.

Property values are reassessed in odd years, and property taxes are collected on their new Assessed Values (AVs) in the following even year. 2023 was a reassessment year, and

preliminary AVs received from the County Assessor indicated a 32% growth in property values over the previous assessment period.

As a response to rapidly increasing home values across Colorado, the State Legislature enacted SB23-303, which will place Proposition HH on the November 2023 ballot. If approved by voters, Proposition HH will reduce the assessment rates for both residential and commercial properties for property taxes payable in 2024, decreasing the residential assessment rate from 6.765% to 6.7%, and decreasing assessment rates for most commercial property sub-classes from 29% to 27.85%. Should voters approve Proposition HH, the year-over-year increase in property tax revenue is anticipated to be reduced to 28% growth. To budget conservatively, Budget staff have budgeted 2024 and out-year revenues with the expectation that Proposition HH will pass.

While more aggressive state-wide voter action is unlikely to appear on the ballot this November, there remains the possibility that property tax growth may be limited in 2025 and beyond as initiatives that would cap future property tax growth have been filed and are gathering signatures for the November 2024 election.

Additionally, Boulder is entitled to one-time partial reimbursement from the State in 2024 for the impacts that SB22-238 had on property tax collections.

Other Revenue Notes

In November 2022, voters approved the creation of the Boulder Public Library District and an associated 3.5 mill levy to fund library district operations. To facilitate the ease of transition to a district model, the city is continuing to provide library services to the community until the district is able to fully operate. As outlined at the March 2 Regular Council Meeting, the effect of the district creation was also to eliminate the existing 0.33 mill levy that was partially funding city-provided library services. As such, all library services provided in 2023 are funded with general revenues.

Since the new district 3.5 mill levy was effective at the beginning of 2023, City of Boulder taxpayers are paying both the new mill levy and other general fund sales and property taxes that support the provision of library services in 2023. Given this “double” taxation, it was always anticipated that the district would reimburse the city the full 2023 cost of providing library services on behalf of the district.

The estimated cost of providing library services in 2023 is \$13.0 million and the 2024 Recommended Budget includes the anticipated one-time revenue of \$13.0 million in 2024 and is programmed to one-time uses in the General Fund, such as:

- Horizontal infrastructure to support affordable housing and city campus development at Alpine-Balsam.
- EMS equipment and vehicles to support the CARE Program.
- Supplemental human services organizational funding.
- Extension of the pilot components of safe and managed public spaces.

The timing and total amount of repayment is subject to negotiation with the district. Any delay or reduction in funding will impact General Fund services and projects.

Constrained General Fund & Dedicated Funds Analysis

As discussed with the adoption of the 2023 Budget and the recent financial update, there were several key investments made that require the use of ongoing funding within the General Fund, including the CARE Program, day services center operations, and future debt service related to Alpine-Balsam. The additional pressure created by the potential of 0.15 General Fund sales and use tax expiration or half dedication, increased demand for city services, especially in the behavioral and human services, and commitment to city employees to remain a highly competitive employer, put the General Fund in a difficult position to meet future needs going forward.

The General Fund tends to receive a majority of the discussion and scrutiny on an annual basis because it is the largest, most flexible in terms of use, and primarily responsible for funding core governmental services, such as police and fire services, urban parks, arts and culture, behavioral and mental health, homelessness services, amongst others. One of the reasons the General Fund is constrained is from the historical use of dedicated revenues, or taxes, created for limited, specific purposes to fund certain areas, such as open space, parks and recreation, transportation, and climate action. While dedicated funding may be a successful method to generate community interest and galvanize support, it restricts future opportunities to react quickly to changing community needs and interests, and, as we learned during the pandemic, makes resilience in economic downturns more challenging.

Currently, approximately 68% of all revenue collected by the city is dedicated or restricted to a specific purpose – this includes all Utilities-related revenues and other taxes, such as accommodations tax, that is collected and restricted in use. For sales and use tax, the single largest source of revenue for the city, approximately 54% of revenues are dedicated.

Figure 2. Sales & Use Tax Rates and Uses

<i>Sales Tax Type</i>	<i>Sales Tax Rate</i>	<i>2024 Projection</i>
<i>General Fund</i>	1.79%	\$81,404,494
<i>Community, Culture, Resilience, & Safety</i>	0.30%	\$13,643,211
<i>Parks & Recreation</i>	0.25%	\$11,369,343
<i>Open Space</i>	0.77%	\$35,017,576
<i>Transportation</i>	0.75%	\$34,104,028
<i>TOTAL</i>	3.86%	\$175,542,652

Given the city's reliance on dedicated funding, it is extremely important to maximize the use of these resources as aligned with community expectations and any voter restrictions. As highlighted during the March 16, 2023 Council Study Session on Library Budget Reallocation, the needs across the community and organization should be addressed within existing resources before tapping or exploring other sources of revenues. As such, staff

embarked on an analysis of dedicated funding to review the capacity of these sources to make new investments while considering the long-term financial sustainability of such funds. This analysis was completed and utilized to help guide the development of the 2024 Budget.

Summary of analysis and implications for 2024 Budget

The dedicated funding analysis included exploration of dedicated funding sources supporting City of Boulder operations and their intended uses. Analysis of funding restrictions based on voter-approval, municipal code, and/or management policy were central to the research. Examination of formal or informal policies or practices associated with each funding area or mechanism also provided context to the current uses of dedicated funds. Ultimately there were several key areas of flexibility to alleviate pressure on the General Fund and expanded opportunities for uses of funds not previously considered. Additional details are outlined in Attachment A.

- Parks & Recreation – The analysis resulted in some strategic shifts, including allocating more Lottery Fund dollars to support Parks & Recreation capital projects which freed up 0.25 Cent Sales Tax Fund dollars to support the Recreation Activity Fund at higher levels.
- Transportation Fund – The analysis looked at the Transportation fund’s ability to support priority citywide projects, particularly in the out-years. Much flexibility is traditionally reserved for larger capital projects to enhance multi-modal access across the community. This must be balanced with significant need to meet our core basic maintenance levels and priority citywide projects that have a transportation element. Additional analysis is needed to determine the appropriate balance over the next several years while there remains flexibility within the fund.
- Climate Tax Fund – Flexibility within this fund lies in the ability to incur debt to further climate investments, as well as long-term financial planning for ongoing investments.
- Planning & Development Services – Due to several cost recovery mechanisms, this fund will need a review and analysis of the fee structure and cost recovery, which will be incorporated into the 2024 workplan.
- University Hill General Improvement District – The intent of the fund is to maintain parking and access, as well as economic vitality of commercial area. This analysis showed long-term financial instability and strategies will be explored in 2024 to meet the needs of the commercial district.

Budgeting for Resilience (Outcome-Based Budgeting) & Citywide Strategic Plan

The 2024 Recommended Budget represents the second full year of implementation of Budgeting for Resilience, or outcome-based budgeting. In late 2022, the first step that the organization took to improve our process was to align our investments by programs. Programs were organized by the [Sustainability, Equity, and Resilience](#) (SER) framework goal that most aligned with the intended outcomes of each program.

This alignment allowed us to inventory the various ways we were investing our operating dollars and provided greater insight into the purpose of our investments by department and across departments. For the 2023 budget development, departments budgeted at the program

level and began to provide information on how proposed investments impacted the intended outcomes of the program in alignment with and consideration of citywide goals, especially our racial equity and climate action goals.

For 2024 budget development, the focus of the process was on standardizing the approach and language in aligning outcomes to the SER Framework and to begin identifying outcome measurements that will eventually be used to understand impact. During the presentation of the 2023 Budget, staff discussed the need to drive greater alignment across all city functions towards the SER Goals and Objectives. Over the past year, staff has advanced important work to align the citywide work plan to SER Goals and prepare to create an organization-wide strategic plan. The citywide strategic plan is currently being developed and is targeted to be shared with Council in the first quarter of 2024.

The goal of this effort, in addition to driving organizational alignment and tracking progress on the pursuit of our broader goals, is to engage Council in a prioritization exercise within the confines of the strategic plan. The hope is that this will help us better achieve Council priorities while maintaining a realistic vision for what can be accomplished based on our current commitments and funding availability, and better understand the tradeoffs associated with additional investments and priorities.

This work will also impact how and when we redesign master plan processes. As previously discussed with Council, the current process often produces results that are not realistic or lack a clear financial strategy in the context of all city priorities. It is also the desire of the organization to phase out the term “master” from all city activities because of the negative, historical connotations. In addition, a strategic planning tool for departments to continue active engagement with community is necessary and should be aligned with a citywide strategic plan. Council will hear more about this work and the future of department strategic planning tools in 2024.

For the year ahead, the budget process improvement will focus on continued work towards alignment and common understanding about outcomes, while refining citywide measurements for long-term outcomes. Council is familiar with the organizational need for clear and centralized data collection and analysis especially as it relates to our equity goals. The work to modernize our data practices will coincide with and enhance our efforts to improve how we budget and hopefully the impact of our investments. The success of our budget process improvements depends on our ability to measure progress towards our equity goals and make subsequent budgeting choices based on this data.

Outcome Measurements

In addition to departmental programs being organized by the [Sustainability, Equity, and Resilience](#) framework goal that most aligned with the intended outcomes of each program, departments also provided measurements for these intended outcomes. Some departments are actively engaged in tracking data to demonstrate program effectiveness, however other departments are in exploration of potential measures. For those programs that need to develop and maintain data to support measurement tracking, the Central Budget team and Data and Analytics team have partnered to provide support in creating, collecting, tracking, and reporting measurements in support of the third year of Budgeting for Resilience. In looking to the 2025 budgeting process, these measurements will assist in the prioritization of

programs, as well as reporting effectiveness of city investment as we consider tradeoffs or the creation of new programs to better meet our goals.

2023 Budget Recap

In October 2022, City Council adopted the 2023 Budget of \$515.4 million across all funds which represented an 11% increase over the 2022 Approved Budget. Excluding internal services and transfers and adjusted for the renewed Community, Culture, Resilience, and Safety (CCRS) Tax, the recommended total budget is \$493.7 million, or a 5.9% increase over the 2022 Approved Budget. The 2023 General Fund budget was \$188.4 million, a 14.2% increase over 2022. Excluding internal services and transfers, the recommended General Fund budget is \$159.3 million or a 17% increase over 2022.

ANALYSIS

2024 Recommended Budget Overview

The total 2024 Recommended Budget is \$514.8 million across all funds. This budget includes a change in budgeting practice for capital bond proceeds, which impacts Utilities-related capital projects in 2024. Excluding Utilities, the total 2024 Recommended Budget is a 4.7% change from the 2023 Approved Budget. This includes a 2024 Operating Budget of \$374.1 million, representing an annual increase of 5.5%, and a 2024 Capital Budget of \$140.7 million. The 2024 Recommended General Fund Budget is \$196.1 million, a 4.1% increase over 2023.

Community Engagement & Alignment with Priorities

In 2024, community engagement was an integral component to the budget development process. Central to the community engagement was working with the Community Connectors-in-Residence (CC-in-R) to receive valuable input on top priorities and incorporate those priorities into the 2024 budget, with particular focus on hearing input from historically excluded communities.

In March and April 2023, Central Budget staff engaged CC-in-Rs to provide an overview of the annual budget cycle, receive feedback on 2023 investments, perform prioritization of the [SER Framework](#) objectives, and receive input on top priorities to consider for the 2024 budget. CC-in-Rs provided valuable feedback on prioritization of their top SER objectives, which included identifying and prioritizing ten SER objectives out of the 30 objectives in the SER Framework. CC-in-Rs focused on SER objective prioritization to align with the Budgeting for Resilience and Equity work of the organization; with the 2024 budget development process, departments also performed alignment of their department programs to SER objectives.

CC-in-Rs performed further direct engagement by hosting in-person sessions and sharing online surveys with community members. A total of 74 community members participated in providing input, of whom were 50% low-income households (under \$50,000/year) and 91% community members of color (Latine/x, Nepali, Black or African American, or Indigenous). The top ten SER objectives identified by community members is listed below.

1. Provide a variety of housing types with a full range of affordability (Livable).
2. Support financial security and economic opportunity regardless of race, gender, ability, or socioeconomic status (Economically Vital).
3. Support the City of Boulder advancing racial equity and implementing equity strategies and tools (Responsibly Governed).
4. Support community members who are unhoused or underhoused to navigate services to achieve housing security (Livable).
5. Support the natural environment and its ecosystems so they can resist damage and recover quickly (Environmentally Sustainable).
6. Seek to enhance the affordability of goods, services, and real estate that support the needs of all community members (Economically Vital).
7. Support the physical and mental well-being of its community members by providing public gathering places (Healthy & Socially Thriving).
8. Cultivate a wide range of recreational, cultural, educational, civic, and social opportunities (Healthy & Socially Thriving).
9. Ensure City of Boulder programs and decisions do not have a disparate impact on historically excluded community members (Responsibly Governed).
10. Enhance transparency, accuracy, and efficiency of customer service for City of Boulder services (Responsibly Governed).

In May, CC-in-Rs shared their budget priorities with Department Directors to help inform the department budget development process. Departments received these priorities and input and uplifted these top priorities their budget submissions, where feasible, which were highlighted across numerous department budget submissions.

In August, Central Budget staff met with CC-in-Rs to provide a summary of the 2024 Recommended Budget, including a summary of the budget enhancements and investments as aligned to the CC-in-R top SER objectives. Examples of budget enhancements included in the 2024 Recommended Budget aligning to the CC-in-R top three priorities are listed below.

1. **Provide a variety of housing types with a full range of affordability (Livable).**
 - a. \$18.3 million to support the development of the city's largest affordable housing project to-date and municipal campus, with 144 new affordable units at the Western City Campus site at Alpine Balsam in north central Boulder.
 - b. \$2.3M for the Ponderosa Stabilization Project for continued development of long-term affordability and displacement aversion for residents of the Ponderosa neighborhood. Investments focus on reducing flood risk, updating outdated infrastructure, adding site amenities such as green space, play areas and gardens, and building 73 new energy-efficient permanently affordable homes in the neighborhood.
 - c. \$2.0M for the Mt. Calvary/Hilltop Senior Living Affordable Housing Project to support 60 permanently affordable apartment homes in South Boulder for residents earning 40-60% of Boulder County's area median income.
2. **Support financial security and economic opportunity regardless of race, gender, ability, or socioeconomic status (Economically Vital).**

- a. \$415,000 in ongoing funding for Health Equity Fund community grant funding to support Boulder community members experiencing health disparities.
 - b. \$15,000 for a one-time enhancement for Growing Up Boulder Partnership to support youth civic engagement opportunities.
- 3. Support the City of Boulder advancing racial equity and implementing equity strategies and tools (Responsibly Governed).**
- a. \$50,000 in ongoing funding for stipends and partnership funding for Community Connectors-in-Residence.

CC-in-Rs will provide additional input by further prioritizing these aligned enhancements and investments included in the 2024 Recommended Budget, and CC-in-Rs plan to summarize this prioritization and feedback and share with City Council at the September 14th Study Session.

In addition to this prioritization, staff plans to partner with CC-in-Rs on the development of two programs included in the 2024 Recommended Budget: Boulder Social Streets and the Community Wildfire Resilience Grants Program. Boulder Social Streets is a 2023 pilot program that reimagines streets as public space for people to enjoy and connect. While the 2023 pilot program focuses on the downtown core, the 2024 program will utilize \$150,000 in funding to further pilot a citywide, neighborhood-based program.

A total of \$570,000 in the 2024 Recommended Budget will support a new Community Wildfire Resilience Grants Program, which aims to increase the resiliency of community members who are traditionally less resourced to withstand wildfire impacts and to help community members maintain resilience through those impacts. With CC-in-R input, staff aims to utilize an equity-based approach early in the program development process to ensure considerations from community members are intentionally incorporated into program implementation.

2024 Recommended Budget Highlights

Continued Investments in City Staff – \$8.3 million

City employees are an invaluable asset to the organization and provide fundamental support for core operational services and key community programs. Therefore, it is imperative that we continue to invest in our city staff to ensure continuous and enhanced delivery of community programs and services. The 2024 Recommended Budget achieves this commitment through several important investments, including living wage increases for City of Boulder employees as well as contractors, salary increases for public safety and union personnel through renegotiated and approved contracts, and building upon annual increases budgeted for performance merits for non-union staff in the organization. A summary of these funding enhancements include:

- **Living Wage Increases:** Consistent with Council Resolution 1266, an increase of \$489,000 is included in the 2024 Recommended Budget to support living wage increases for city staff and service contractors. This adjustment will increase wages to \$22.44 per hour for all impacted city staff and contractors, estimated at 121 city staff and six current service contractors.
- **Updated Collective Bargaining Agreements:** In July 2023, the City of Boulder finalized three collective bargaining agreements with the International Association of

Fire Fighters Local 900 (IAFF), Boulder Police Officers Association (BPOA), and Boulder Municipal Employees Association (BMEA) unions. Increases included in the 2024 Recommended Budget total \$3.6 million, which includes wage increases, market rate increases, and stipend allowance adjustments.

- Non-Union Annual Budgeted Merit Increases: The 2024 Recommended Budget includes a budgeted annual merit increase for non-union staff in the organization. This budgeted increase represents a standard yearly base cost driver included in the annual budget, and in 2024 this annual increase is \$4.2 million across all funds (\$1.7 million in the General Fund).

Behavioral Health Response – \$2.1 million

In the 2023 Budget, Council approved one-time additions of \$965,000 to support the newly created Community Assistance Response Engagement (CARE) pilot program, which would be created to serve as a non-law enforcement alternative behavioral health response program for response to low-acuity behavioral health, human services, and medical calls that do not present safety concerns, with subsequent case management services for a subset of clients. In response to job market pressures and needing to ensure continued program development, the city moved forward mid-year in 2023 with making permanent 7.0 new FTEs in the Housing & Human Services (HHS) Department and Fire-Rescue Department, including 5.0 FTE supporting clinician and case management services and 2.0 paramedic FTEs. The CARE program is modeled after successful programs in other cities, and it also serves as a complementary program to the existing Crisis Intervention Response Team (CIRT). With these mid-year additions, the 2023 Revised Budget reflects a total CARE budget of \$1.3 million.

Recognizing the importance of continued investments in behavioral health programming and demand for services, the 2024 Recommended Budget further invests in behavioral health response by adding \$774,000 in funding to support mental health services and paramedic equipment for the CARE program. The specific increase in investments include:

- \$471,000 for a State of Colorado HHS Behavioral Health Administration Grant for intensive staff training to better serve community members.
- \$200,000 in ongoing support for behavioral health services, such as substance use disorder treatment, through community-based mental health providers.
- \$63,500 in ongoing funding for program staff equipment and supplies
- \$39,000 in ongoing enhancements for CARE paramedic personal protective equipment and emergency vehicle supplies.

These additions bring the total CARE program budget to \$2.1 million in 2024. This funding will support continued development of the Behavioral Health program and staff will continue to monitor and evaluate the program as it performs further development.

Day Services Center Implementation – \$6.6 million

In January 2022, City Council established the two-year priority of providing space for day services for individuals experiencing homelessness. In the 2023 Budget, Council approved \$750,000 in funding to support the development of a Homeless Day Services Center. Staff has taken steps towards the establishment of a Center, with goals to reduce returns to homelessness and increase transition to housing. The HHS Department aims to accomplish

this by co-locating housing-based case management and outreach services to encourage coordinated assistance, provide peer support services, and encourage engagement through the provision of basic needs services. Staff also supported this investment with a \$5.0 million transfer of General Fund monies to the Governmental Capital Fund in 2023 ATB1.

In the 2024 Recommended Budget, a total of \$6.6 million is included in appropriation to support the operations of the center, at \$1.6 million, and the construction or purchase with \$10 million contribution from the city, \$5.0 million supported by the General Fund and \$5.0 million supported by the Affordable Housing Fund and Community Housing Assistance Program Fund, with an anticipated opening in 2024.

Funding for Housing Affordability – \$31.8 million

In the 2024 Recommended Budget, a total of \$31.8 million is included in the Affordable Housing Fund and General Fund to support housing affordability. Specifically, the HHS Department plans to implement the following projects in the affordable housing pipeline:

- Alpine-Balsam Development: A total of \$18.3 million is included in the 2024 Capital Budget to support the Western City Campus at Alpine-Balsam, which is a significant project in the 2024-29 CIP that will result in the city's largest affordable housing project to-date, with 144 new affordable housing units at the site.
- Keep Families Housed Program, Emergency Family Assistance Association (EFAA): The 2024 Recommended Budget includes an increase of \$137,000 in funding for EFAA's Keep Families Housed Program to support housing stability for low-income families in Boulder and help avoid homelessness.
- Additional Funding for Permanently Supportive Housing (PSH) Vouchers: A total ongoing increase of \$100,000 is included in the 2024 Recommended Budget for the local vouchersing program to fund a total of 48 local PSH vouchers for supportive services and monthly rental assistance. This brings the total PSH budget to \$300,000.
- Additional Affordable Housing Projects: Several affordable housing project investments are included in the 2024 Recommended Budget, such as the two projects highlighted below. Within the Affordable Housing Fund, a total of \$13.1 million is included in the 2024 budget to support affordable housing project development.
 - Ponderosa Stabilization Project: A total of \$2.3M from the Affordable Housing Fund will support the Ponderosa Stabilization Project to continue development of long-term affordability and minimize displacement for residents of the Ponderosa neighborhood. Investments focus on reducing flood risk, updating outdated infrastructure, adding site amenities such as green space, play areas and gardens, and building 73 new energy-efficient permanently affordable homes in the neighborhood.
 - Hilltop Senior Living Center: \$2.0M from the Affordable Housing Fund will support the Mt. Calvary/Hilltop Senior Living Affordable Housing Project for the construction of 60 permanently affordable apartment homes in South Boulder, reserved for residents earning 40-60% of Boulder County's area median income.
- Code Amendment Staffing Increase: An additional Code Amendment Planner (1.0 FTE, \$122,000) is included in the 2024 Recommended Budget to support proactive code changes that simplify processes as well as City Council priority code changes, including permanently affordable housing.

Human Services, Supplemental Basic Needs Support, and Community Funding for Underrepresented Populations - \$1.2 million

As part of the city's goals to create a healthy and socially thriving community, the 2024 Recommended Budget includes several increases in human services and basic needs support as well as community grants funding. The highlighted list below includes a total of \$1.2 million in increased investments for human services and community funding:

- Community Grants to support Community Members with Health Disparities - Health Equity Fund: \$415,000 increase for Health Equity Fund community grant funding to support Boulder community members experiencing health disparities.
- Community Activations through Events on Public Spaces – Boulder Social Streets: \$150,000 for community activations through designing a new program, Boulder Social Streets, aimed to bring diverse community members together with events and activities in public spaces, building upon the learnings of the 2023 events in downtown Boulder.
- Community Events to Raise Awareness of Civil Rights, Human Rights, and Equity Issues: \$25,000 in increased funding for community-initiated activities focused on raising awareness of civil rights, human rights, or equity issues and problems in Boulder, with events being granted funding through the City's Human Relations office.
- Civic Engagement Opportunities for Underrepresented Youth – Growing Up Boulder Partnership: \$15,000 enhancement for Growing Up Boulder Partnership to support youth civic engagement opportunities for underrepresented children and youth.
- Community Connectors in Residence Stipends and Partnership Funding: \$50,000 ongoing budget approved for stipends and partnership funding for Community Connectors in Residence.
- Home Repairs and Improvements for Manufactured Home Communities: \$525,000 to support manufactured home communities through community engagement efforts and energy efficiency upgrades, such as energy-related home repairs and weatherization improvements.
- Outreach and Inclusion Initiatives for People with Disabilities and Underrepresented Youth: \$63,000 to support outreach and inclusion initiatives through Park & Recreation's EXPAND and Youth Services Initiatives programs that supports participation in recreational and educational opportunities for community members with disabilities and 150 youth of underrepresented communities in Boulder.

Community Wildfire Resilience – \$1.5 million

Given the urgency of wildfire resilience and preparedness, the city continues to invest across many areas to address community risk, planning, and emergency response. Supporting these efforts, voters approved an expanded Climate Tax in November 2022, which included \$1.5 million in additional funding to support wildfire resilience efforts.

In the 2024 Recommended Budget, staff plan to utilize \$456,000 in Climate Tax funding to implement the results of the anticipated newly updated Community Wildfire Protection Plan (CWPP), which will apply strategies to reduce the risk of fuels, increase community outreach

and education, and improve wildfire response. The CWPP implementation aims to assist the city and landowners in making informed decisions for wildfire preparation and management.

In addition, the 2024 budget includes an increase of \$682,000 in Climate Tax funding to support a new Community Wildfire Mitigation Grants program, which will utilize an equity-based approach to help support the resiliency of community members in relation to potential wildfire impacts. A total of \$570,000 is included to support community grants funding, and this new program will be supported by a new grants program administrator (1.0 FTE, \$112,000). In future years, staff aims to further utilize Climate Tax Wildfire Resilience funding to leverage input from community members and the city's nonprofit partners to continue its focus on enhancing and strengthening community resilience.

Safe & Managed Public Spaces (SAMPS) – \$2.4 million

In April 2021, Council approved an 18-month pilot program to expand the City's approach to managing public spaces across the community with a focus on the legal and compassionate management of encampments.

The 2023 Budget included a total budget of approximately \$2.8 million with permanent costs of approximately \$1.5 million and one-time costs of \$1.3 million to be reevaluated in the 2024 budget cycle. For 2024, staff is recommending the one-time expanded budget for an additional year of \$945,000.

The SAMPS work is guided by [an action plan](#) that outlines several goals of the program:

1. No unsanctioned camping.
2. Individuals experiencing homelessness are connected to services.
3. Access to public space and public infrastructure is not impeded.
4. Reduce crime and disorder in designated areas of emphasis.
5. Visitors have access to knowledgeable resources or city services.
6. Maintenance crews can safely access critical infrastructure in public spaces.
7. Waterways are free of contamination.
8. Users of public spaces report feeling safe and welcome.

The SAMPS program includes direct costs related to the operations and encampment management teams, urban park rangers, downtown ambassadors, and a dedicated police unit, and is supported by BTHREE outreach, data and analytics, legal, and communication. The progress of the program can be tracked in the city's [dashboard](#). In summary, since October 2021 and as of July 2023, the SAMPS program has cleaned up 1,185 unsanctioned camping sites and 240.2 tons of debris while connecting community members to critical services.

Importantly, while the SAMPS team interacts with some of our unsheltered community members, the goal of the program is not to solve homelessness but rather to ensure our public spaces are safe and accessible to all. The objective of the extended pilot is to continue to make progress towards program goals and outcomes, collect meaningful measurements, and make a full recommendation on the future of the program during the 2025 Budget development.

2024-2029 Capital Improvement Program (CIP)

The 2024-2029 Capital Improvement Program (CIP) comprises \$140.7 million in new appropriation for 2024, with \$903.2 million in planned spending between 2024-2029 to support over 200 capital projects. Due to the multi-year nature of the capital budget, appropriations for capital projects do not expire at the end of the fiscal year and remain in effect until the project is completed. In addition, capital appropriation from the annual CIP may significantly fluctuate between years due to timing of projects and availability of funding. This can be demonstrated by the range in annual spending in the 2024-2029 CIP, ranging between \$82.5 million and \$239.9 million over the six-year period.

Capital maintenance and enhancement projects typically comprise most investments within the CIP. By total number of capital projects, the 2024-2029 CIP comprises 57% percent of capital maintenance projects and 31% percent of capital enhancement projects, once again demonstrating the city's continued focus and investment into taking care of its existing physical assets in the community. By total amount of funding, the 2024-2029 CIP comprises 33% percent of capital enhancement projects, 40% percent of capital maintenance projects, and 24% percent of planned spending for new facilities and infrastructure.

Summarized by the three main capital project types, key capital projects in the 2024-2029 CIP include:

Capital Enhancement

- East Boulder Community Center Retrofit and Renovations (\$4.0 million in 2024, \$51.5 million in the 2024-29 CIP)
- 19th Street Multi-Modal Improvements (\$4.3 million total in 2024)
- East Mapleton Park (\$2.0 million total in 2024)
- Homelessness Day Services Center (\$5.0 million in 2024)
- Sunshine Campus Hydroelectric Facility Improvements (\$1.0 million total in 2024)
- Gateless Parking Infrastructure (\$1.0 million)

Capital Maintenance

- Potable Water Transmission System Maintenance (\$14.0 million in 2024, \$45.5 million in the 2024-29 CIP)
- Barker Dam Outlet Rehabilitation & Replacement (\$13.2 million total in 2024)
- Transportation Pavement Management Program (\$5.4 million in 2024, \$32.3 million in the 2024-29 CIP)
- East Boulder Community Park (\$2.2 million total in 2024)

New Facility/Infrastructure

- Alpine-Balsam Design, Horizontal Infrastructure, and Construction (\$18.3 million in 2024, \$168.3 million in 2024-29 CIP)
- Fire Stations #2 and #4 Replacement (\$6.0 million in 2024, \$37.0 million in the 2024-29 CIP)
- Violet Park in North Boulder (\$500,000 in 2024, \$3.4 million in the 2024-29 CIP)

Facilities Master Plan Implementation & the Western City Campus at Alpine-Balsam Project

Council accepted the Facilities Master Plan (FMP) in November 2021 to address an aging portfolio, advance our climate goals, and begin significant work towards greater consolidation of city facilities and sustainable building enhancements and developments.

Staff visited with Council in May 2023 and received policy direction related to the implementation of the FMP and the development of the Western City Campus at Alpine-Balsam site, including support for the consolidation of city facilities with the goal of selling vacated properties to support future facility developments, the ring-fencing of savings related to the consolidated properties to support future ongoing costs (including potential debt service), and the exploration of potential public-private partnerships to facilitate and leverage long-term investment across the portfolio.

This policy direction affirmed the importance of the Western City Campus project and informed the approach to project financing within the 2024 Recommended Budget. The total project cost is currently estimated at \$168.3 million, with \$18.3 million included in the 2024 Recommended Budget and \$150.0 million planned for construction beginning in 2025. In addition to the Western City Campus facility construction, this funding will support horizontal infrastructure and parking structure improvements that will serve the entire Alpine-Balsam site, which will include residential development on the western side of the site. Notably, this project will support the city's largest affordable housing development to-date with 144 new affordable housing units administered by Boulder Housing Partners (BHP). The city will support initial costs for the affordable housing component, and BHP will provide repayment of shared components once BHP secures financing for the project.

For 2024, the project requires \$18.3 million in funding to support the horizontal infrastructure development and additional schematic design for the city campus. Staff recommends cash financing the \$18.3 million utilizing General Fund resources:

- \$5.6 million from Governmental Capital Fund Balance (via 2023 ATB transfer)
- \$8.0 million in 2024 General Fund transfer to Governmental Capital Fund (proposed)
- \$4.7 million in additional Governmental Capital Fund Balance

These investments will drive the Governmental Capital Fund ending fund balance to \$2.1 million in 2024. Therefore, it is important to continue to replenish the fund balance through General Fund available savings to support the Western City Campus project in addition to future citywide capital projects.

Community, Culture, Resilience, and Safety (CCRS) Tax

Boulder voters approved the renewal of the 0.3% Community, Culture, Resilience, and Safety (CCRS) sales & use tax in November 2021 to support citywide capital infrastructure investments as well as dedicate 10% of revenues for community non-profit grants. Council approved \$1.9 million mid-year in 2022 to kick-start capital projects such as multimodal transportation projects and the enterprise data platform and, with adoption of the 2023 Budget, Council approved \$29.6 million in 2023 for several key CCRS infrastructure projects, including:

- Fire Station #3 Construction final funding (\$14.5M)

- Xcel Energy Streetlight Acquisition (\$7.0M)
- Planning & Design for Civic Area Phase 2 and East Boulder Community Center Renovations (\$2.0M), and;
- Central Avenue Bridge Replacement and Pavement Management Program Support (\$1.1M)

The 2024-2029 Capital Improvement Program recommends an additional \$13.0 million in 2024 to support several CCRS capital projects, including land acquisition for the replacement of Fire Station #2 or #4, continued planning and design for the East Boulder Community Center, and design for the replacement of the Central Avenue Bridge.

Most significantly, the CIP proposes \$123.7 million over the six-year time horizon for key community projects supported by CCRS, which includes an anticipated debt issuance in 2026 of \$62 million. These key community projects include:

- *Civic Area Phase II*: \$18.0 million in planned spending is included in the 2024-2029 CIP to support schematic design and scoping for Boulder's most centralized park and public spaces.
- *East Boulder Community Center (EBCC) Retrofit & Renovations*: A total of \$51.5 million in planned spending is included in the six-year CIP for a full energy efficiency and infrastructure retrofit of the EBCC.
- *Pearl Street Mall Refresh*: A total of \$1.2 million in CCRS funding to support capital maintenance and transformative enhancements on the Pearl Street Mall ahead of the 50th Anniversary celebration in 2027. This project will be further supported with a funding from the Downtown Commercial District (CAGID) Fund.
- *Fire Stations #2 and #4*: A total of \$37.0 million is included in the 2024-2029 CIP to support the acquisition, design, and construction of replacements of fire stations #2 and #4, which will help support the Fire-Rescue department's current and future operational needs.
- *Central Avenue Bridge Replacement*: \$5.7 million is included in the 2024-2029 CIP for the critical replacement of the Central Avenue Bridge in Flatirons Business Park to support the safety and reliability of mobility options in the area.

Investments Across Sustainability, Equity, and Resilience (SER) Goal Areas

While most municipal budgeting processes tend to focus on the upcoming new investments, the new program-based budgeting approach allows us to lift up the many existing services and programs that address community goals and Council [priorities by SER Goal Area](#). Each of the example programs are linked to the OpenGov program page which includes details related to program changes and intended outcomes and measurements. The total budget by goal area includes capital expenses. Figure 3 demonstrates the year-over-year change in operating expenses by goal area.

Environmentally Sustainable (\$63.1 million budget)

- [Resources & Stewardship \(\\$8.4 million\)](#). The Resources & Stewardship program within OSMP enhances Boulder's natural environment by protecting its ecological, agricultural, cultural, and water assets. A large portion of the 2024 budget increase

includes a shift in CIP to operating budget to support the important ongoing work required to protect and maintain the open space system to meet the objective of supporting the natural environment and its ecosystems so they are better able to resist damage and recover quickly.

- [Planning & Ecological Services \(\\$4.8 million\)](#). This program area of Parks & Recreation manages capital project planning, design, and construction, and twelve historic and cultural resources. This team leads asset management and park renovation projects, and community engagement related to planning efforts. In advancement of this SER goal, this program's outcomes include accessibility to well-maintained parks, maintenance of the health of the urban tree canopy and natural land areas, as well as providing an environment in which staff work can occur safely and effectively.
- [Energy Management \(\\$0.6 million\)](#). This program focuses on coordinating a strategic approach to the city's energy portfolio, aiming to reduce the city's carbon emissions and spur the transition to renewable energy sources where available, in advance of the Environmentally Sustainable SER objective.

Livable (\$46.3 million budget)

- [Community Investments \(Affordable Housing\) & Compliance \(\\$29.7 million\)](#). Programs invest in affordable housing development projects, Community Development Block Grant (CDBG) projects and programs, housing assistance, and human services fund grants.
- [Homelessness Services \(\\$3.4 million\)](#). Continued outreach through the existing Municipal Court community court program, BThere, and other contracted outreach providers.
- [Behavioral Health Response \(\\$2.5 million\)](#). Programs include the new Community Assistance Response Program (CARE) and the co-response Crisis Intervention Response Team (CIRT).
- [Community Mediation & Resolution \(\\$1.4 million\)](#). The program invests in eviction protection and rental assistance through the EPRAS Fund.

Accessible & Connected (\$39.4 million budget)

- [Transportation Planning & Operations \(\\$13.2 million\)](#). The base budget includes meeting the increased costs for providing HOP transit service operations and transportation demand management (TDM) programming and planning. These programs aim to increase the safety and connectivity along the city's multimodal street network, especially among underserved communities and neighborhoods, in advancement of the Accessible & Connected SER objective.
- [Creative Services & External Communications \(\\$2.9 million\)](#). These programs provide external communications and other services such as Channel 8.

Safe (\$87.6 million budget)

- [Emergency Operations \(\\$18.1 million\)](#). Fire-Rescue emergency operations provide critical life-safety response across the community. Outcomes include increased cardiac event survivability, enhanced call response times, and higher levels of staff training.
- [Patrol Services \(\\$16.6 million\)](#). Police patrol services contribute to the safety of the community through proactive and engaging policing. This program's services

include patrol, traffic enforcement, and neighborhood impact team with oversight by the Deputy Chief of Operations. Outcomes for this program include improved police services delivery to the community, improved proactive policing and traffic enforcement, faster response to calls for service resulting in safer resolution of incidents, and management of more complex multi-officer calls for service safely and effectively.

Healthy & Socially Thriving (\$38.4 million budget)

- [Recreation & Parks Operations \(\\$20.6 million\)](#). The Operations team performs the day-to-day management of facilities and public spaces. Within the program, there are three service areas which includes Urban Parks, Recreation and Regional Facilities. Urban Parks is responsible for the operations and maintenance of urban park land. In advancement of the Healthy & Socially Thriving goal, this program's outcomes include providing equitable access to all recreation facilities, parks, services, and community benefit programs, delivering services and programs that the community has deemed most important, community access to safe, well-maintained, and usable close-to-home parks & facilities, as well as youth and teen focused programming.
- [Trails & Facilities \(\\$7.0 million\)](#). The Trails & Facilities division supports the design, construction, and maintenance of OSMP's physical assets which include trail networks, signs, trailheads, office buildings and other structures across the open space system. A large portion of the 2024 budget increase includes a shift in CIP to operating budget to support trail maintenance, signs maintenance, hiring of youth corps and contracted crews for trails projects, and road and parking area repairs in order to advance the objective of supporting the physical and mental well-being of its community members by providing public gathering places and programs to encourage social connection and prevent isolation.
- [Older Adult and Family Services \(\\$2.5 million\)](#). Older Adult Services (OAS) provides programs and services to adults age 60+ at the East and West Age Well Centers which include program content such as health and wellness, fitness, lifelong learning and social programs, day trips, and educational programs. Outcomes include increasing opportunities for older adults to participate in cultural, social, and educational activities and overall well-being.

Responsibly Governed (\$105.8 million budget)

- [Fleet Services \(\\$11.2 million\)](#). This includes the planned capital replacement of city vehicles that are reaching the end of their useful life and replacing these units with all-electric or plug-in hybrid electric vehicles whenever possible to meet the city's climate goals.
- [Risk Management \(\\$9.1 million\)](#). The Risk Management program minimizes risk exposure for city employees, residents and visitors, and the city's fleet and facilities. The division works closely with departments, providing training, guidance, and recommendations to safely meet objectives. This program also manages the city's insurance programs, including workers' compensation insurance and liability insurance. The program works to proactively reduce the likelihood and severity of claims by proactively addressing known risks and reducing the likelihood they would occur. By way of best practices and intentionally managing the risk profile of the city the division reduces the impact on the city, its residents, visitors, and employees allowing them to focus on their own mission, vision, and values.

- [IT Infrastructure Services \(\\$8.6 million\)](#). The Infrastructure Services group provides a reliable and robust data, voice, and fiber optic communications infrastructure supporting over 1,600 city employees. Outcomes for this program include ensuring digital access to government services for both internal customers and community members, timely and responsive support, regular monitoring and evaluation of hardware and cloud services, continuous exploration of emerging technologies and best practices, uninterrupted access to services, equitable availability and usability of digital platforms, and continuous improvement and optimization of solutions.
- [Facility Operational Maintenance \(\\$3.2 million\)](#). This program is the primary maintenance function for city facilities, which aims to create a welcoming, inclusive, safe, and resilient environment for both members of the public and city staff.

Economically Vital (\$11.3 million budget)

- [Economic Vitality & District Management \(\\$2.9 million\)](#). These programs support a healthy and sustainable local business environment and the complementary services and programs within special general improvement districts.
- [Taxpayer Services & Compliance \(\\$1.2 million\)](#). This program promotes a fair and equitable tax collection system while providing proactive and responsible customer services.

Figure 3. Summary of Operating Budget Changes by Goal Area

<i>Goal Area</i>	2023 Adopted Budget	2024 Recommended Budget	% Change
Safe	\$79.3M	\$82.5M	4.0%
Responsibly Governed	\$68.8M	\$76.0M	10.4%
Environmentally Sustainable	\$49.5M	\$60.5M	22.2%
Livable	\$42.7M	\$45.8M	7.2%
Accessible & Connected	\$33.1M	\$35.6M	7.4%
Healthy & Socially Thriving*	\$31.2M	\$35.5M	13.8%
Economically Vital	\$11.0M	\$11.3M	3.6%

*Excludes Library from Healthy & Socially Thriving

American Rescue Plan Act (ARPA) Spending Update

In early 2023, [City Council appropriated](#) the remaining American Rescue Plan Act (ARPA) funds to support many key initiatives and needs. Utilizing the \$20.1 million in resources, the city is advancing support in many areas, including housing and homelessness, economic,

financial, basic needs, mental and behavioral health, arts and culture, and public health. An update on spending and initiative progress can be found in Attachment B.

Unfunded Needs & Long-Term Financial Strategy

The 2023 Budget made important investments to advance many Council and community priorities. To achieve these investments, we examined our revenue projections and risk posture, improved our personnel budgeting to maximize the use of resources, and other enhancements to free up as much ongoing dollars as possible. In exchange for advancing these initiatives, we had to limit our ability to add ongoing costs in 2024 and required even greater prioritization to ensure alignment with our goals. As outlined above, we are able to continue critical investments, but future flexibility to meet community needs will be very constrained. This is with the knowledge that there are many known underfunded or unfunded needs across the community. Here are a few known examples:

- Core service operations (pavement management, snow plowing, park maintenance, etc.).
- Continued ARPA-related investments including Guaranteed Income Program and Strengthening Behavioral Health Partners.
- Facilities Master Plan “Maintain Well” funding.
- Continued investments in City Staff.
- ALS/EMS implementation and other Fire Master Plan investments.
- Continued demand on basic needs and other social safety net services.
- Reimagining policing implementation costs.

These known unfunded needs, and recent and upcoming issues have emphasized the need for a long-term financial strategy. The city’s move towards outcome-based budgeting, utilizing data to make better informed decisions related to resource allocation, recent financial lessons learned from the pandemic, emerging budget policy issues, and the upcoming expiration of the 0.15% general fund sales and use tax all point to the need to articulate a coherent, long term, sustainable financial strategic plan.

Policy guidance related to sustainable funding is not new to the organization. The city commissioned a Blue-Ribbon Commission on Revenue Stabilization in 2008 that developed a comprehensive report related to sustainable revenue and budgeting approaches. The Blue-Ribbon Commission issued reports in 2008 and 2010, which called for a comprehensive financial plan, suggested realigning resources to better meet community goals, cautioned on the over-reliance on retail sales tax and dedicated funding sources, and encouraged the city to pursue a performance measurement system related to budget.

In addition to the 2008 and 2010 recommendations, more recent policy guidance includes the work of consultants in 2018 to develop recommendations related to Budgeting for Resilience, which provided a blueprint for a data-based approach to budgeting. The adaptation of previous reports to the budget process improvements begun in 2022, has outlined a specific timeline to outcome-based budgeting and an alignment to citywide goals.

Many action steps will help lay a foundation for the development of a long-term financial strategy. Strategy elements may include:

1. Confirmation of fiscal philosophy (e.g. sales/property tax balance, dedicated funding appropriateness, etc.).
2. Memorialization of outcome-based approach to budgeting and other expenditure best practices.
3. General parameters to overall taxing levels and any shifts over time in revenue sources and dedicated resources.
4. Alignment of budgeting practices and processes to long-term strategy.

Staff will continue to work with Council's Financial Strategy Committee to review components of a long-term strategy. Several likely components include:

- Overall Fiscal Philosophy
 - Sales/Property Tax Balance
 - Diversification of Revenue Targets
 - Property Tax Maximum
 - Sales Tax Maximum
 - Fund Management Principles
 - Core Service/Infrastructure Definition
- Revenue Policies
 - Fees Policy Guidelines
 - Tax Renewal Approach
 - Approach to Dedicated Funding Sources
- Reserve Policies
 - Fund Reserve Targets
 - Emergency Reserves
 - Use of Investment Portfolio
- Performance Budgeting
 - Memorialize Budgeting for Resilience (Outcome-Based Budgeting)
 - Internal Service Delivery Efficiencies
 - Use of KPIs and Measurements to Support Decision-Making
- Structures & Processes
 - Guidelines for Community & Council Engagement
 - Prioritization Approach in Alignment with Performance Budgeting
 - Fund Management Structures

The goal is to utilize such a document to guide future decision making, both within the budget and as we approach major policy issues that implicate the city's long-term financial health. This will guide future councils and staff as we seek long-term financial stability to meet our biggest challenges as a community.

NEXT STEPS

- Adoption of the 2024 Budget, first reading on October 5, second reading on October 19.

ATTACHMENTS

- A. Summary of Dedicated Funding Analysis
- B. ARPA Spending Update

Summary of Dedicated Funding Analysis and Implications for 2024 Budget

The dedicated funding analysis included exploration of dedicated funding sources supporting City of Boulder operations and their intended uses. Analysis of funding restrictions based on voter-approval, municipal code, and/or management policy were central to the research. Examination of formal or informal policies or practices associated with each funding area or mechanism also provided context to the current uses of dedicated funds. Ultimately there were several key areas of flexibility to alleviate pressure on the General Fund and expanded opportunities for uses of funds not previously considered.

Parks & Recreation

One area of opportunity rests in the diverse funding structure of the Boulder Parks & Recreation department. The department utilizes at least five funding sources in conjunction with grants and fees for services and programs. This includes (but is not limited to) a dedicated property tax, dedicated sales and use tax, use of General Fund dollars, CCRS funding, and Lottery funding.

The analysis provided a holistic look at the Parks funds and how to best provide services utilizing capacity in areas previously unrealized. This includes tapping into increased revenues in the Lottery fund to fund Parks capital projects, an allowable use under this restricted funding source. The realignment of these projects to the Lottery fund allows the .25 sales tax fund to subsidize the Recreation Activity fund, which functions as a quasi-enterprise fund while still providing community benefit and low-cost programming. This creative restructuring serves as a launching point for long-term financial wellness for all components of funding for the department, as well as expanding services to the community.

Transportation Fund

In examination of the .75% sales and use tax dedicated to Transportation, the language provided broad latitude to fund “transportation construction and services such as maintenance of pavement, construction of transportation infrastructure, transit service, and other transportation purposes.”

The analysis looked at the Transportation fund’s ability to support priority citywide projects, particularly in the out-years. Much flexibility is traditionally reserved for larger capital projects to enhance multi-modal access across the community. This must be balanced with significant need to meet our core basic maintenance levels and priority citywide projects that have a transportation element. Additional analysis is needed to determine the appropriate balance over the next several years while there remains flexibility within the fund.

Climate Tax Fund

Approved by voters, the Climate Tax is levied on providers of natural gas and electricity and provides the ability to the city to borrow funds of up to \$52.9 million. This dedicated tax supports the city’s climate-focused programs, clean energy goals, and climate resilience efforts. Additionally, \$1.5 million of this tax annually is earmarked for wildfire resiliency efforts. Flexibility within this fund lies in the ability to incur debt to further climate investments, as well as long-term financial planning for ongoing investments.

Planning & Development Services

The Planning & Development Services fund provides building services in which cost recovery is achieved through direct customer charges (such as permitting fees) or through a General Fund transfer for general city benefit projects, such as work on the Boulder Valley Comprehensive Plan.

Some fees have limited cost recovery, so the General Fund also supplements the cost recovery. There is a need for a review of the fees and structure of cost recovery. This review and analysis will be incorporated into the 2024 work plan.

University Hill & Central Area General Improvement Districts

Both the University Hill and Central Area General Improvement Districts are structured to manage parking and access, as well overall economic vitality of the commercial areas, through an additional mill levy with these areas. The Central Area General Improvement District (CAGID) is the largest General Improvement District (GID) in the city, comprised of most of the core downtown area surrounding the Pearl Street Mall. CAGID owns several parking structures that generate significant revenue in addition to the mill levy. CAGID paid off the last remaining debt in 2023 and is debt free as a fund. The fund is in a strong financial position for future investments.

The University Hill General Improvement District (UHGID) is a much smaller district that overlays most of the commercial area on University Hill. The district owns one parking asset (parking lot at 14th Street) after the sale of the second asset (Pleasant St. lot) to facilitate the development of a hotel. While the sale of the asset is buoying UHGID fund balance, the current sources of funds (mill levy, parking revenues, General Fund subsidy) will not sustain activities without an additional source of revenue. Staff is continuing to research potential solutions to the long-term financial viability of the district, which will be brought forward in 2024.

In early 2023, [City Council appropriated](#) the remaining American Rescue Plan Act (ARPA) funds to support many key initiatives and needs. Utilizing the \$20.1 million in resources, the city is advancing support in many areas, including housing and homelessness, economic, financial, basic needs, mental and behavioral health, arts and culture, and public health. Some current ARPA appropriation may need to be reauthorized in early 2024 through a special adjustment. Staff is planning a full update on ARPA expenditures in early 2024. Below is a summary of current activities.

Arts + Culture Support. Most arts and culture projects funded by ARPA have been successfully completed or are underway. In collaboration with the Arts Commission, the nonprofit stabilization grants and workforce incentives have been distributed to 66 organizations and have resulted directly in the hiring of 34 artists and arts administrators. Temporary public art projects are underway, including a series of 13 artworks in the Experiments in Public Art series to be installed starting this Autumn and all focused on recovery and reconnection. One project that is in beginning stages is the re-launch of support programs for professional artists and cultural venues focused on the recovery of the creative sector of the economy.

Guaranteed Income (Elevate Boulder). HHS staff are working to launch the application in late October, for *Elevate Boulder: Direct Cash Assistance for Financial Stability*. Under the current timeline, 200 low-income community members, randomly selected from an eligible applicant pool, will begin receiving \$500 per month in cash assistance in January 2024, for 24 months. To ensure an inclusive, equitable and dignified outreach and application process the city is contracting with five local, constituent-led nonprofit organizations serving diverse populations, for their staff time and expertise; many more organizations will be helping with outreach to recruit applicants from eligible community members. All ARPA funds are on track for expenditure. The city has also set up a dedicated fund in partnership with the Community Foundation of Boulder County to enable additional project donations and lay the groundwork for project sustainability post-ARPA.

Manufactured Housing Communities Support. HHS staff have identified an initial set of Ponderosa community members interested in the second mortgage program, to enable and increase homeownership among low-income households in this community. Staff are now working on an ARPA agreement with the Impact Development Fund to commence use of the \$3M in funds for this program.

Building Home Project. This project has launched, and staff with nonprofit agency contractors have begun providing professional peer-support services that are helping community members in permanently supportive housing, to better navigate and utilize support services and retain their housing.

Strengthening Behavioral Health Safety Net. To date, funds have been expended through a grant to Mental Health Partners for workforce capacity support (specifically, staff training, recruitment and retention support) and strategic diversity, equity and inclusivity planning, policy and practices. HHS staff are executing a consultant contract for coordination on a pilot Medicaid provider and client support project, to maintain quality mental health services for, and increase the number of low-income community members receiving mental health services. Staff are also working with local federally qualified health centers and other mental health provider groups to determine the impact of the Medicaid public health emergency unwind; and local nonprofit organizations and professionals to solicit guidance on supporting greater diversity in mental health services and service providers.

Additional Basic Needs Support. HHS staff have expended funds for rental assistance, food assistance and sheltering in response to the crisis-level needs among low-income community members in Boulder. Staff are currently reassessing priority needs for any remaining funds based on the most recent trends in assistance demands.

Child Care Capacity & Industry Support. A cross-department staff team is actively working to plan renovations for the Salberg community center so that it can be used for child care services. HHS staff are currently working to allocate funds for 1) training to increase professional practices and certification for at-home child care providers; 2) the Thriving Providers direct cash assistance program to support an estimated 20 low-income family, friends and neighbor child care providers; 3) grants to local nonprofit child care agencies in collaboration with the Boulder County Survive & Thrive program; and 4) additional funds to support an increased number of providers and families in the city's Child Care Subsidy program. HHS and Community Vitality staff will continue to collaborate to ensure that all funds on track for expenditure.

Economic Support. Over \$1.7 million of ARPA funding has been used to support inclusive economic recovery. Of that amount, \$1,032,500 has been paid to nonprofit organizations that have used the funds for grants and programming to facilitate recovery of small local businesses, the tourism industry, retailers in the University Hill district, and minority-owned businesses disproportionately impacted by the pandemic; and \$688,343 has been used to fund programs managed by the city for economic support. The remaining ARPA funds appropriated for economic support will be used to fund continued economic recovery and transformational economic initiatives. Remaining ARPA funding will be used to fund programs to support continued economic recovery, strengthen economic resilience, address the affordability of commercial space, and expand business and employment opportunities for BIPOC-owned businesses and historically underserved communities.

Summary of ARPA Appropriation Categories and Spent-to-Date

<i>Project Category</i>	<i>Original Appropriation</i>	<i>Spent-to-Date (as of 8/23/23)</i>
Housing & Homelessness Support	\$4.5M	\$0.9M
Economic Support	\$4.2M	\$1.5M
Financial Assistance	\$3.2M	\$0.5M
Basic Community Needs	\$2.8M	\$1.4M
Mental & Behavioral Health Support	\$2.5M	\$1.1M
Arts & Culture Support	\$1.4M	\$1.1M
Public Health	\$0.7M	\$0.7M
Other	\$0.8M	\$0.7M
<i>TOTAL</i>	\$20.1 million	\$7.9 million