

2025 Proposed Budget Presentation

SEPTEMBER 10, 2024



PRESENTATION TOPICS

- Employee Compensation and Benefits
 - Proposed 2025 Pay Plan
 - Retirement Plans
 - Old Hire Police and Old Hire Fire Plans
 - General Employees Retirement Plan
 - Police and Fire Retirement Plans
 - Health Benefit Fund
- Self Insurance Funds

PRESENTATION TOPICS continued

- Budget Summary by Fund
- Revenue Projections
- General Fund Budget Summary
- General Fund Reserves
- Use of General Fund Fund balance
- Public Safety Fund Budget Summary

EMPLOYEE COMPENSATION AND BENEFITS

COMPENSATION IN 2025

- In 2024, the City implemented the results of the Mercer compensation study for approximately 208 open range positions. For the 2025 pay plan, the remainder of the positions, approximately 200 were reviewed. Those positions not benchmarked to custom internal surveys, were benchmarked to new market surveys.
- The following surveys were used: Mercer Benchmark Database (General Industry & High-tech industry), Mercer IHN Healthcare Survey, and Willis Towers Watson (General Industry, High-tech), Pay Factors Peer and Market. For surveys used containing national data, the City utilized a geographical differential of 10% for the cost of labor differential.
- Positions were matched to the market 50th percentile to keep consistency with the City's compensation philosophy.

COMPENSATION IN 2025

- For the City's primarily municipal positions, the labor market is defined as employers in the Denver metropolitan area (Adams, Arapahoe, Denver, Douglas, and Jefferson Counties), and Northern Colorado (Boulder, Larimer and Weld Counties). The defined employers above are contributing their data to the Pay Factors surveys. Benchmarks are pulled from Pay Factors surveys and may contain additional reporting sources.
- Positions were benchmarked to public or private data according to the prevalence of each position in the labor market. Where applicable, a mixture of public & private data was used.

COMPENSATION PHILOSOPHY

- The City's compensation philosophy states that *the City will strive to pay competitive prevailing market rates.*
- In 2017, as previously discussed with Council, the City began to move toward a philosophy of paying at 102% of market.

PHILOSOPHY APPLIED TO 2025

- Adjust for new benchmarks in the 2025 Pay Plan.
- Update midpoints for positions where current midpoint is below the target market range.
- Recommendation is to pay at 100% of market for 2025.

2025 NON-BARGAINING SALARY INCREASES

- 3% increase in salary ranges beyond current market analysis.
- Exceptional pay budget to continue.

SPECIAL POSITION RECOMMENDATIONS

- Collective Bargaining to follow CBA contract.
- LPC Step Positions to continue on step rate to remain competitive with benchmark positions.

BENEFITS 2025

- Kaiser to continue to provide Health Care
 - 2025 3.71% total increase
 - Plan design changes made to mitigate the original 11.78% negotiated renewal
 - The HMO plan will be in place in 2025
 - The Triple Option Plan will be replaced with the Choice PPO Plan in 2025
 - Projection for future years unknown at this time
- VSP
 - VSP to continue to provide Vision care

BENEFITS 2025

- Delta to continue to provide Dental care.
 - 2.95% rate increase for 2025
 - 2 year rate guarantee

- Mines & Associates EAP
 - Continue to provide EAP services for 2025
 - In year 2 of a 2 year rate guarantee

FUTURE DIRECTION

- Employee Benefits:
 - Review additional employee benefits currently not offered to the city of Longmont employees
- Continue the analyzation of data received to determine how salaries should be adjusted to achieve and maintain market competitiveness
- 102% remains the target for salaries as budget and conditions allow

OLD HIRE PENSION FUNDS

- Old Hire Police Plan has a negative unfunded liability (surplus) of \$13,256 and is 101.4% funded.
- Old Hire Fire Plan has a negative unfunded liability (surplus) of \$692,224 and is 137.3% funded.

OLD HIRE PENSION FUNDS

- Staff recommends a benefit increase for the members of the two old hire plans
- Benefit increases are typically granted every three years
- Staff recommends a benefit increase of 2% per year, a total increase of 6% in January

GENERAL EMPLOYEES' RETIREMENT PLAN

- The GERP plan had a history of being fully funded through 2008.
- Benefit increases are not built into the plan and cannot occur under TABOR unless the plan is fully funded.
- The plan is to move more aggressively to full funding.

GENERAL EMPLOYEES' RETIREMENT PLAN

- In 2016, the GERP Board proposed a change to the funding policy to amortize the unfunded liability over a closed 30-year period with subsequent gains/losses amortized over closed 20-year period.
- Although this approach moves toward full funding it is still over a significant period of time.

GENERAL EMPLOYEES' RETIREMENT PLAN

- Funding policy amortizes the unfunded liability over 24 years from January 1, 2021.
- Gains and losses are smoothed and recognized over five years.
- In 2024, GERP increased to an unfunded liability of \$41.7 million and 83.6% funding versus an unfunded liability of \$41.0 million in 2023 and 82.8% funding.

GENERAL EMPLOYEES' RETIREMENT PLAN

- Contribution requirement slightly decreased from 15.4% to 15.2% of compensation.
- No changes to employer or employee contribution recommended in the 2025 budget.

GENERAL EMPLOYEES' RETIREMENT PLAN

- In 2023, with contributions not set to cover the actuarial contribution requirement, staff recommended a contribution of \$700,000 in 2023 and \$200,000 in 2024 from the Health Benefit Fund to the GERP

POLICE & FIRE RETIREMENT PLANS

2022 CBA's approved offering FPPA retirement system; Current police & fire utilization is as follows:

	Police	Fire
City DC Plan	81	33
FPPA defined benefit	14	15
FPPA Hybrid DB	8	1
FPPA Hybrid money purchase	4	30

New Hires in FPPA DB	47	27
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POLICE & FIRE RETIREMENT PLANS

2025 Contribution Requirements for the City will be:

- City DC plan employees 12.10%
- FPPA DB plan – re-entry employees 10.60%
- FPPA Hybrid plan – re-entry employees 12.10%
- FPPA DB plan – Post Nov 21 employees 10.50%

HEALTH BENEFIT FUND

- 2025 proposed budget includes health benefit cost inclusive of 3.7% increase in cost from Kaiser.
- Kaiser costs since 2007 averaged aggregate blended premium increases are at 3.79% compared to industry average increases of 7% to 11%.
- City contributions to health benefit fund as a percentage of salary remain at 14.5%.

HEALTH BENEFIT FUND

- Health Benefit Fund costs include a projected \$33,000 for wellness incentive costs.
- \$50,000 for police and fire physicals.
- \$90,000 for Public Safety counseling program
- Health Benefit Fund fund balance projected to end 2024 at \$9.4 million.
- Balance projected to increase in 2025.

SELF INSURANCE FUNDS

SELF INSURANCE FUNDS

- Liability Self Insurance Fund fund balance of \$4.1m with \$1,119,999 of claim reserves
- Workers Compensation Self Insurance Fund fund balance at YE 2023 of close to \$6m with \$684,571 of claim reserves.

BUDGET SUMMARY BY FUND

2025 OVERALL PROPOSED BUDGET

- **\$469.67 million** – 5.79% and \$25.72 million more than the 2024 adopted budget of \$443.95 million
- 45 individual funds
- Large percentage increases or decreases in individual funds are due mostly to capital expenses
- CIP projects increased from \$63.04 million to \$71.01 million

2025 CIP

- Major CIP decreases in individual funds include \$4.98m in the Open Space Fund, \$1.06m in Electric CIF Fund, \$948,286 in the Sanitation Fund, \$816,834 in the Airport Fund, \$772,228 in Electric & Broadband Fund, and \$504,145 in the Golf Fund.
- Major increases of \$5.71m in the Streets Fund, \$4.34m in Water Fund, \$2.6m in the Public Improvement Fund, \$1.81m in Storm Drainage Fund, \$1.45m, in the TCIF Fund, and \$1.36m in the Sewer Fund.

REVENUE PROJECTIONS

SALES AND USE TAX REVENUE PROJECTIONS

Performance through June 2024	
Sales Tax	5.8%
Use Tax	(1.7%)
Combined	4.6%
Projections to end 2024	
Sales Tax	4.3%
Use Tax	(2.0%)
Combined	3.42%
Projections for 2025	
Sales Tax	3.18%
Use Tax	2.4%
Combined	3.08%

PROPERTY TAX REVENUE ESTIMATES

- The proposed 2025 budget includes \$2.8 million less of property tax revenues than the 2024 budget.
- Preliminary assessed valuations for tax year 2024 were received in late August.
- Final assessed value certifications will be received in late November.

PROPERTY TAX REVENUE ESTIMATES

- The 2025 proposed budget uses all General Fund budgeted property tax for ongoing expenses
- With the receipt of the preliminary AV, staff recommends adding \$2.68 million of property tax to the proposed 2025 budget for one time expenses
- After the final assessed valuation is known and the impacts of HB24B-1001 staff may recommend considering partial use for ongoing expense.

BUILDING PERMITS

Growth in 2025 budget

- Single-family 110 dwelling units
- Multifamily 710
- Combined 820

GENERAL FUND BUDGET SUMMARY

2025 GENERAL FUND PROPOSED BUDGET

- 2024 adopted General Fund budget ongoing revenues and expenses were \$112,987,823.
- 2025 proposed General Fund budget ongoing revenues and expenses are \$119,008,398.
- The proposed 2025 budget ongoing revenues and expenses are \$6,020,575 greater than 2024.

2025 GENERAL FUND PROPOSED BUDGET

2024 ongoing revenues	\$ 112,987,823
Reduction in ongoing revenue	(\$ 361,042)
Increase in ongoing revenue	<u>\$ 6,381,617</u>
2025 ongoing revenues	\$ 119,008,398

2025 GENERAL FUND PROPOSED BUDGET

Major *decreases* in ongoing revenue:

- Natural gas franchise \$ 100,000
- Credit card convenience fees \$ 100,000
- Fines & forfeits \$ 78,195
- Cable television franchise \$ 40,000

2025 GENERAL FUND PROPOSED BUDGET

Major *increases* in ongoing revenue:

- Sales & Use tax \$ 2,133,744
- Interest income \$ 811,425
- Recreation revenue \$ 480,000
- Building permits \$ 410,667
- Electric franchise revenue \$ 385,150

2025 GENERAL FUND PROPOSED BUDGET

Major *increases* in ongoing revenue:

- Traffic camera fines \$ 329,619
- Right of way maintenance \$ 294,317
- Administrative transfers \$ 239,482
- Broadband franchise fees \$ 201,813
- Ambulance provider \$ 200,000

2025 GENERAL FUND PROPOSED BUDGET

2024 ongoing expenses	\$ 112,987,823
Increase in ongoing expense	\$ 8,456,195
Reduction in ongoing expense	<u>(\$ 2,435,620)</u>
2025 ongoing expenses	\$ 119,008,398

2025 GENERAL FUND PROPOSED BUDGET

Decreases in ongoing expenses:

- Attainable Housing transfer \$ 600,000
- Affordable Housing transfer \$ 300,000
- Parks Mtc moved to CTF fund \$ 300,000
- Fleet lease charges \$ 388,672
- ESCO lease payment \$ 285,439

2025 GENERAL FUND PROPOSED BUDGET

Decreases in ongoing expenses:

- Credit card fees \$ 164,456
- Property tax rebates \$ 100,014
- Exceptional pay budget \$ 88,937
- 1 FTE Library Page \$ 45,369
- .5 FTE Traffic Safety Coordinator \$ 34,851

2025 GENERAL FUND PROPOSED BUDGET

Major increases in ongoing expenses:

- Ongoing Level 1 \$ 1,772,759
- CBA Pay & related benefit increases \$ 3,718,880
- Non-CBA Pay & benefit increases \$ 2,326,829
- 3 FTE Police Officers- Pub Sfty Fund \$ 329,619

2025 GENERAL FUND PROPOSED BUDGET

Major increases in ongoing expenses:

- Fleet loan repayment \$ 127,500
- Bilingual pay \$ 83,548
- Transfers to Museum Svcs Fund \$ 44,600

GENERAL FUND RESERVES

2024 GENERAL FUND RESERVE

Reserve Policy Targets		
TABOR Reserve	5.58%	\$ 6,301,519
Emergency Reserve	8%	\$ 9,035,940
Stabilization Reserve	3% to 8%	\$ 3.4m to \$ 9.0m
Total Reserve Target	16.6% to 21.6%	\$ 18.7m to \$24.4m
Current Funded Reserves		
TABOR Reserve	5.58%	\$ 6,301,519
Emergency Reserve	8.0%	\$ 9,035,940
Stabilization Reserve	5.51%	\$ 6,224,794
Total Reserve Target	19.1%	\$ 21,562,253

2025 GENERAL FUND PROPOSED BUDGET

Reserve Policy Targets		
TABOR Reserve	5.30%	\$ 6,301,519
Emergency Reserve	8%	\$ 9,520,672
Stabilization Reserve	3% to 8%	\$ 3.6m to \$ 9.5m
Total Reserve Target	16.3% to 21.3%	\$ 19.4m to \$25.34m
Current Funded Reserves		
TABOR Reserve	5.30%	\$ 6,301,519
Emergency Reserve	8.0%	\$ 9,520,672
Stabilization Reserve	7.34%	\$ 8,740,062
Total Reserve Target	20.6%	\$ 24,562,253

USE OF GENERAL FUND FUND BALANCE

GENERAL FUND USE OF FUND BALANCE

- One-time expenses \$8,066,546
 - From FB reserved for Union Reservoir \$ 5,600
 - From IDR from use tax \$ 379,678
 - From undesignated FB \$ 7,681,268
- Emergency reserve \$3,000,000

2025 GENERAL FUND PROPOSED BUDGET

General Fund one time expenses:

- Public Safety retiree health \$ 1,982,850
- Police take home cars \$ 1,357,241
- Attainable Housing \$ 1,000,000
- Affordable Housing \$ 300,000

2025 GENERAL FUND PROPOSED BUDGET

General Fund one time expenses:

- St Vrain Greenway \$ 414,750
- Greenway connections \$ 400,000
- Radio replacements \$ 300,000
- Zoll 1 Cardiac monitors \$ 300,000
- One-time for additional 3 GMT \$ 328,600

PUBLIC SAFETY FUND BUDGET SUMMARY

2025 PUBLIC SAFETY FUND PROPOSED BUDGET

- 2025 revenues include \$18.1 million of sales and use tax, over \$1.16 million of grants and other intergovernmental revenues, and a projected \$168,683 from Firing Range operations.
- Public safety sales tax was approved in 2006 at 0.325% then increased in 2017 to 0.58%.

2025 PUBLIC SAFETY FUND PROPOSED BUDGET

Proposed expenditures of \$19.5 million include 106.03 FTE:

- Police (51 FTE)
- Fire (21 FTE)
- Collaborative Services (16.65 FTE)
- Office of the Chief (14 FTE)
- City Attorney (1 FTE)
- Children, Youth and Families (2 FTE)
- Graffiti removal (0.38 FTE)

2025 PUBLIC SAFETY FUND PROPOSED BUDGET

- Includes \$21m of expenditures, a net increase of 6.96% or \$1,367,032
- Budgeted sales & use tax increased by \$861,575
- Proposed budget includes increase of \$198,858 of level 1 expenses, pay & benefit increases of \$1,544,994, step increases of \$132,291, \$85,690 for retiree health, \$97,705 for death & disability, and \$12,034 for deferred compensation retirement.

2025 PUBLIC SAFETY FUND PROPOSED BUDGET

- Total of \$2,071,572 of new ongoing expenditures, with less than \$1 million of new ongoing revenue
- This imbalance forced the elimination of 2 FTE Firefighters, 2 FTE Police Officers, 1 FTE Core Paramedic, and 1 FTE Communications Supervisor
- 3 FTE Police Officers were moved to the General Fund

2025 PUBLIC SAFETY FUND PROPOSED BUDGET

- \$1,540,563 for one-time expenses in Police and Fire
- \$537,750 for Retiree Health benefits
- \$411,350 for one time resources including take home cars, radio replacements, ballistic vests, and cradlepoint upgrades
- PBF109 Parking Lot rehab for \$184,000
- PBF163 Keyless entry for \$407,463

PUBLIC SAFETY FUND FUTURE BUDGETS

- With sales and use tax as the primary revenue source, this fund is tied to the health of the local economy,
- 80.67% of Public Safety Fund total expenses in the 2025 proposed budget are salary and benefits.
- 84.29% of Public Safety Fund ongoing expenses in the 2025 proposed budget are salary and benefits.
- Proforma estimates are conservative but reflect that with only 3% sales tax growth this level of ongoing expenses is not sustainable.

BUDGET TOPICS FOR NEXT WEEK

TOPICS FOR SEPTEMBER 17

- Property Tax Revenue
- New Positions
- One-Time Expenses
- LDDA Budget
- Human Service Agency Funding

TOPICS FOR SEPTEMBER 17

- Mental Health and Addiction
- Early Childhood Capacity Building
- Grants and External Funding Sources
- Street Fund
- Sanitation Fund



Thank You