



JOHN W. SUTHERS  
MAYOR

Honorable President Bennett, President Pro-tem Gaebler and City Council Members,

## **2017 BUDGET OVERVIEW**

The City's General Fund is the City's main operating fund and the one over which the City has the most discretionary budget control. The 2017 General Fund budget is \$272.4 million, \$5.7 million or 2.1% more than the 2016 budget. The increase is largely due to a projected increase in sales and use tax revenue of 3.1% over the 2016 budget (and 3.2% over the current 2016 end-of-year forecast). As we began the 2017 budget process, we knew it would be challenging because over the last year we have identified a number of priorities that need to be funded: additional dollars for transit services to meet the Pikes Peak Rural Transportation Authority (PPRTA) transit services maintenance of effort funding level; the firefighting staff for the City's newest fire station – Station #22; a more robust stormwater control program in line with the Intergovernmental Agreement (IGA) with Pueblo County approved in April by City Council; and, a modest employee pay increase after foregoing one in 2016 due to budget constraints. The budget picture grew even more challenging when the City received its 2017 "bill" for contributions to its closed sworn pension plans, \$2.2 million more than in 2016 due to an actuarial review of plans assumptions. With that, funding for pay increases was constrained and there was little room to fund other very high priority needs identified by chiefs and department directors. The City would not have been able to fund the priorities listed above with only a 2.1% overall increase to the General Fund had it not been for the retirement of the voter-approved Springs Community Improvement Program (SCIP) bonds. In December of this year, the City will have made its final SCIP debt service payment -- thereby "freeing up" approximately \$2.8 million in budget.

More specifically, the high priority funding decisions included in the 2017 General Fund budget are the following:

- \$577,000 increased funding to Mountain Metro Transit – increasing funding from \$5.1 million to \$5.7 million, which for the first time since the Great Recession, brings the City to the \$5.7 million PPRTA transit maintenance of effort commitment made in 2004 when the PPRTA was created
- \$995,000 funding for 12.0 additional firefighting staff (plus operational dollars) to staff the City's newest first station, Fire Station #22

- \$1 million increased funding for the stormwater control program to meet our IGA commitment with Pueblo; with a plan to increase that funding further in subsequent years
- \$3.2 million increased funding for employee pay increases: to address a number of pay band/zone/sworn rank adjustments based upon a market review, a 2% adjustment for other sworn ranks, and a 2% pay for performance pool for civilian employees
- \$2.2 million increased funding for closed sworn police and fire pension plans to fund the annual required contribution as determined by actuarial reports

While we focus on the City's General Fund, it is important to acknowledge the City's other funding sources available, most significantly special revenue funds which have specific designated uses. Important special revenue funds include: 2C – Road tax fund, Public Safety Sales Tax (PSST) fund, Trails, Open Space and Parks (TOPS) fund, Conservation Trust Fund (CTF or Lottery Fund) for parks, and other federal, state and private grant funds. These designated revenue sources are critically important to the City's ability to provide core municipal services.

### **STRATEGIC PLAN GOAL: INVESTING IN INFRASTRUCTURE**

Maintaining our City's infrastructure and assets are a core responsibility of our City and essential to effective service delivery. In addition, the quality of our streets, sidewalks, stormwater drainage and other infrastructure is a priority as it affects our citizens' quality of life and our ability to attract new business.

I am pleased to report we made extraordinary progress in the past year investing in public infrastructure. In November, voters overwhelmingly supported Issue 2C, with 65% of the vote. 2C raised the sales tax 0.62% for five years generating approximately \$250 million for improvements to our deteriorating roads. We are now hard at work implementing 2C, coordinating with Colorado Springs Utilities, PPRTA and others to maximize the impact of our efforts. From May to the end of the paving season we will have paved approximately 221 lane miles and poured over 177,082 tons of asphalt. We will have also replaced 93,015 lineal feet of curb and gutter and replaced or repaired 240 pedestrian ramps. This 2017 budget includes the second year of 2C funding and honors the commitment to maintain the General Fund level of spending on road maintenance prior to the approval of 2C.

We have also made considerable progress in the past year confronting the serious deficiencies in our stormwater program. In April, we successfully negotiated an IGA with Pueblo under which the City and Colorado Springs Utilities will spend \$460 million over the next 20 years on our stormwater program, to include the completion of 71 infrastructure projects. We are already working on 8 of these projects and have approximately \$16 million budgeted for the stormwater program in 2017.

Highlights of funding decisions included in this 2017 Budget related to the Investing in Infrastructure strategic plan goal are the following:

- \$50.0 million 2C funding for road and street improvements which includes the replacement of deteriorated adjacent curb, gutter, and sidewalk and to bring adjacent pedestrian ramps into compliance with ADA requirements
- \$307,000 increased funding to Public Works Operations and Maintenance for streets maintenance activities to continue to comply with the PPRTA transportation maintenance level of effort commitment
- \$15.9 million funding (General Fund and grants) for the City's stormwater control program
- \$1.5 million for the first of 10 annual payments on the construction of a new Sand Creek Police Substation, which will allow the Colorado Springs Police Department (CSPD) to more effectively provide essential public safety services to the southeast part of the City
- \$250,000 for a second year to fund the City's first Comprehensive Plan in 15 years – a plan that will be relevant to today's economic markets, and land use planning principles, which will reflect the City's vision to become a more progressive, mixed-use, revitalized, and multi-modal community.
- \$500,000 funding to implement the first phase of a fleet replacement strategy. The first year is budget neutral as the City will enter into leases to replace highest priority vehicles and equipment (based upon age, mileage/hours and maintenance history) with offsetting revenue from the sale of the fleet being replaced. Lease payments in subsequent years will need to be funded from general revenue.
- \$1.25 million funding (Pikes Peak America's Mountain Enterprise and Lodging and auto rental tax (LART)) for the much needed replacement of the Pikes Peak Summit House Complex – the visitor facility on top of North America's most visited mountain. This project will be funded by additional sources including private fundraising – total project is expected to be \$45 to \$50 million.
- \$180,000 for a second application of aerial spraying to combat the Tussock Moth and preserve the City's parks, trails and open space
- \$1.6 million in TOPS funding for trail connections and enhancements
- \$1.1 million for critical facility maintenance – spread across the City's many facilities including police and fire stations, parks facilities, public works facilities, city hall and the city administration building
- \$200,000 specifically for facility ADA improvements

## **STRATEGIC PLAN GOAL: PROMOTING JOB CREATION**

After a decade of very little job growth, the city's economy is doing very well and good jobs are being created. According to the recently published 2015 census estimate, Colorado Springs grew by 11,000 people last year, becoming the 40th largest city in America. Most importantly, El Paso County added almost 9,000 jobs in 2015. Our unemployment rate has dropped from 9.6% in 2010 to as low as to 3.4 % this year, the lowest in 15 years, and many of our citizens are returning to the work force for the first time since the recession. The local real estate market is now considered one of the very best in the

country. The median price of a home rose 6.5% last year and residential demand is very high with 2016 home sales on pace to set a record.

The local tourism industry is having a very good year. Hotel and motel occupancy rates have climbed to record levels. LART revenues, after growing 13.4% last year, are up another 14.5% so far this year. Tourism is a very large segment of our economy and we need to continue to nurture and promote it.

Key to tourism is the success of our local airport. Our airport's commercial aeronautical zone continues to attract new businesses and see existing businesses expand. The increased revenues on the general aviation side of the airport, which allowed us to reduce fees charged to our commercial carriers, resulted in Frontier Airlines returning to Colorado Springs. Already this year Frontier announced daily direct flights to Las Vegas, Phoenix and Orlando and we are optimistic about the possibility of additional flights by multiple carriers in the future.

While a lot of our economic success over the last year reflects an improving economy, the Regional Business Alliance (RBA), the City's Economic Development Office and many other groups have been creating an environment conducive to economic growth. This 2017 budget includes the final business personal property tax (BPPT) credit phase-in, thereby eliminating the City's BPPT. This action helped Colorado Springs become a more business friendly city.

Highlights of funding decisions included in this 2017 Budget related to the Job Creation strategic plan goal are the following:

- Final BPPT tax credit phase-in, thereby eliminating the City's BPPT
- Continued funding for the RBA
- Increased funding of \$27,500 for the Small Business Development Center
- Increased LART budget to \$5.2 million based upon revenue forecasts, with funding allocated to arts and cultural organizations and events, sporting events, festivals and parades, and the Convention and Visitors Bureau for visitor promotion
- Increased funding of \$740,000 from the Parking Enterprise for downtown streetscapes, which affects the attractiveness and vibrancy of the core of our City

### **STRATEGIC PLAN GOAL: BUILDING COMMUNITY & COLLABORATIVE RELATIONSHIPS**

The 2017 budget was again the result of an open and collaborative process between City Council and Administration. In parallel, the City has worked to enhance and expand partnerships within our community, with local organizations, our business community, and non-profit sector to achieve more together. Much of what we do as the City, whether it is public safety, addressing homelessness or improving the walkability and bikeability of our City relies on strategic partnerships with others and the ability to align efforts and work together towards common goals.

Highlights of funding decisions included in this 2017 Budget related to the Building Community and Collaborative Relationships strategic plan goal are the following:

- Increased funding of \$577,000 to Mountain Metro Transit to connect the community, improve overall quality of life and increase transportation options
- Continued funding for the Council of Neighborhood Organizations (CONO)
- \$1.5 million continued funding for the City's contribution to the Pikes Peak Regional Communication Network (PPRCN) radio tower infrastructure upgrade
- Continued funding (General Fund and grants) for the Public Safety Community and Public Health program that integrates Emergency Medical Services into the broader healthcare system and provides the proper level of response in a timely and cost-effective manner
- Continued staff support and participation in the community response to homelessness, including the Springs Rescue Mission campus
- While not included in this budget document, we want to acknowledge that the Colorado Springs Health Foundation, a City established health foundation made possible through lease of the City's hospital system to the University of Colorado Health System, has extended funding of \$2.5 million to 40 regional partners to address access to care for those in greatest need, primary care and/or psychiatric workforce development, suicide prevention, and school-based healthy eating/active living for children/families. Also, additional dollars will be invested with regional partners as the board continues to review grant proposals.

#### **STRATEGIC PLAN GOAL: EXCELLING IN CITY SERVICES**

Lastly, but certainly not least, it is imperative that the City, as a large organization and major employer, continues to seek efficiencies, improve effectiveness, and take steps to ensure long-term fiscal sustainability.

Highlights of funding decisions included in this 2017 Budget related to the Excelling in City Services strategic plan goal are the following:

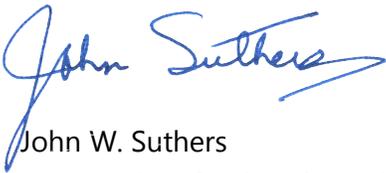
- \$3.6 million for employee pay adjustments to attract and retain highly qualified employees. Our employees are the key to successful, effective delivery of programs and services.
- \$750,000 to upgrade the City's Enterprise Resource Planning System (PeopleSoft) which is a core financial, human resources, and payroll system (with additional funding planned for 2018)
- For 2017, centralized oversight of Citywide utility usage and expenses, records management and the armored car service contract for greater focus and accountability
- Continued support for the virtual Office of Sustainability and leadership for a cross-organization Sustainability Committee to develop a City Sustainability Plan/Strategy with goals of increased efficiency and lower costs

This 2017 budget is a reflection of our shared strategic goals and collaborative relationships between City Council and Administration and between our local government and our community. When building the annual budget there is always a tension between the need to invest in our facilities, infrastructure and services and the need to build reserves for emergencies and to withstand an economic downturn. We have built this 2017 balanced budget without a draw from the fund balance. While the Government Finance Officers Association (GFOA) specifically recommended that the City of Colorado Springs have an unrestricted fund balance target of 25% of the following year's expenditure budget, I have set a realistic goal of restoring the fund balance to 20%. As we close 2016, if revenue continues on budget and departments realize expenditure savings, we expect the unrestricted fund balance to be between 16% and 17%.

The 2017 budget document provides citizens an overview of the City's resources and costs of providing core municipal services. The document also provides very specific line-item expenditure details so citizens can see the City's specific spending plans. We acknowledge that we are accountable to the citizens and will provide the highest level of financial transparency. I would like to specifically thank all City department directors, their staff and the Budget Office – a great City team that worked collaboratively to develop the 2017 budget and produce the 2017 budget document before you.

It is my honor to serve as the Mayor of this great City and I look forward to the coming year where we will continue to work together toward our enduring challenge - to create a society that matches our scenery. Let us embrace the challenge.

Very Respectfully,



John W. Suthers  
Mayor, City of Colorado Springs