

City of Englewood, Colorado
Budget Advisory Committee
2023 Annual Report

Submitted on August 7, 2023

Committee Members:

Bill Lesage, Chair
Josh Newel, Vice Chair
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Introduction

The past year has fortunately been a period of stability for the Budget Advisory Committee (BAC). One member, Minkyu Jeon, departed the Committee in spring of 2023 and a new member, Jay Knight, joined the Committee in the summer of 2023. The Committee is extremely grateful for Jeon's service as a volunteer on the BAC and for the City of Englewood and likewise welcomes Knight to membership on the BAC going forward. The committee elected to retain Bill Lesage as Chair, and elected, Peter Eckel, in the role of Vice Chair.

In 2022, for the first time, the BAC engaged in the capital improvement project (CIP) planning process, including the first ever Committee recommendations for 2023 Capital Projects. The BAC was pleased to once again engage in this process this year for projects planned for the 2024 fiscal year. Due to the timing of City Council's consideration and approval of capital improvement preceding the issuance of this report, the contents of this report will not reference the Committee's recommendations as a part of that process, but may reference them as part of its overall budget priorities.

In the interest of providing continuity with the Committee's recommendations to City Council, last year's report included a focus on the following:

- Recruitment and Retention
- Capital Projects Process and associated Return on Investment (ROI)
- Community Outreach and Engagement
- Support for Grant Writing
- Public Safety and Police Funding
- Potential Parks and Recreation Bond Issuance

This year's report retains focus on some of these areas while also highlighting new areas of focus. The Committee encourages continued and sustained progress in areas identified last year while also focusing on these new areas. As will be outlined in this year's report, the BAC focused on the following priority areas for the upcoming fiscal year:

- Discussion of Debt Funding and Bond Measures – to include Sales and Use Tax and/or Mill Levies
- Expanded and Improved Engagement/Partnership with the BAC to include possible discussion/review of the following:
 - Project Updates
 - Housing Affordability
 - Downtown Redevelopment
 - Future Bond Issuance
 - Energy Usage Audit
 - Consideration of Sales and Use Tax Increase
 - Consideration of Drawdown from Reserves
 - Progress with the City Diversity, Equity and Inclusivity (DEI) Initiative

- Maintaining the City of Englewood as an Employer of Choice

In compiling this report, the BAC greatly appreciates the opportunity to have met over the past year with the following city departments: Administration; the Office of the City Attorney; Information Technology (IT); Human Resources (HR); Finance; Parks, Recreation and Golf; Englewood Library; Community Development; Communications; Englewood Police Department; Englewood Municipal Court; Public Works and Utilities.

Funding: Debt and Alternatives

In considering debt and alternative funding, the City has a few options including bonds funded through property taxes, issuing municipal bonds, mixed revenue sources including sales and use tax, reserve policy funding or place debt through private bank lending. All options provide benefits while also carrying drawbacks. For example, the existing recreation bonds were issued after voter approval in 2001 and were used for expansion of and improvements to Englewood Recreation Center and the Malley Recreation Center and for construction of the Pirates Cove Aquatic Center. These will expire at the end of 2023 when voters may have to approve a property tax mill levy increase following a reassessment year in Colorado. The property tax increase, should voters approve, would come at a time when taxes are increasing substantially for property owners.

The Parks and Recreation citizen survey performed this year provided feedback on the bond proposal with several responses that show voter opinion around property tax levies to fund projects. The survey found that 70% of those surveyed were extremely likely to vote in a local bond measure for the proposed improvements. However, many are concerned with the overall proposed amount, some commented about reducing and scaling back the total proposal and many indicated the impact on property taxes was already burdensome given the recent Colorado property tax reassessment. The recent reassessment increased property values substantially following the rise in residential property values due to Covid impacts as many remained home and interest rates stayed low spurring high prices in the real estate market. This funding could come from other sources of city revenue than a property tax mill levy increase given the recent property tax reassessments.

Another funding option would be to issue municipal bonds. Municipal bond issuance and investment has grown in recent years as investors seek low risk returns and defaults along with favorable tax treatment when investing in municipal bonds. Currently, there are over 60,000 municipal bond issuers across the country which provides investors diverse investment options and would provide the City with a wide investor base. The issuance of municipal bonds would come either through competitive sales or an underwriting syndicate. The competitive sales option would provide set terms of a municipal bond sale with pledged revenue sources for repayment accepting bids from underwriters in an auction. This process would improve access to the market by encouraging competitive sale through bids from multiple underwriters. Otherwise, a negotiated sale could be achieved through an underwriting syndicate at a negotiated term of sale and the bond could be issued to municipal bond investors. The

municipal bond issuance process may benefit from a municipal advisor to assist in the process. Issuing municipal bonds in the current rising interest rate environment may not be favorable however investor appetite is strong for municipal bonds and this may provide the City with a strong funding option.

An alternative source of funding could come from mixed revenue sources including the recent voter approved sales and use tax increase and revenue debt as opposed to levying a large property tax increase above the expiring bond. Also, a general obligation bond could combine both a property tax levy, sales and use tax contribution and include other revenue generating sources within the parks and recreation district reducing the increase on property taxes. However, the recent sales and use tax increase does not allow the City to issue debt against the sales and use tax levy which may be restrictive along with the limited sales and use tax revenue of just \$2.936 million.

Reserve policy funding could also be considered and structured around not only the total fund balance but also be allocated for the purpose of funding large City projects. This may or may not be appropriate for certain projects however can be included in fund planning and help to alleviate the potential for bond fatigue.

Long-term debt funding through private bank lending is an option for the City however, the cost of private debt placement in a high interest rate environment may not be in the City's best interest and would need to meet underwriting requirements. Most bank lending to states and local governments is done via term loans but also includes credit lines and to a lesser extent leases. This debt is heavily collateralized, has high contractual priority and contains additional guarantees. Most term loans are secured with banks having first-lien priority on the assets secured. Bank loans are typically short with just 7-8 years for term loans which is unfavorable when compared to longer term public bonds. It should be noted that private debt placement for municipalities has quadrupled since 2016 for state and local governments.

Ultimately, the funding of major City projects should consider both the immediate and long-term impacts to the community, citizens and the City as funding could come through property tax levies, municipal bond issuance, sales and use tax with mixed revenue sources and/or going to the private lending market for term debt.

Expanded and Improved Partnerships

The Committee has welcomed new responsibilities over the past few years. Namely, the involvement within the Capital Project prioritization and the upcoming engagement in reviewing the impact of the ballot measures passed in 2022. The Committee would like to continue this momentum and partner with Council and Staff to have a deeper understanding of certain initiatives and the impact they are having to the budget as they move forward or conversely if the decision is made to delay or cancel the initiative. Initiatives in which the Committee would like to review in more detail include City Center redevelopment, DEAI adoption, accessibility to rights of way and public spaces, future bond issuance, and the energy audit. We feel this can be accomplished by requesting summative information from staff prior to their departmental

reviews and potentially brief checkpoints with the City Manager and Deputy City manager during the regular meeting cadences. The summative information would include the metrics and standards that are being tracked as a part of determining if the project is successful or meeting the expected ROI, be it financial or impact based. For example, reviewing metrics such as how often the Neighborhood Engagement Trailer and Backyard Movie Kit are being reserved by residents.

We ask Council to recommend focus areas that they would like to see the BAC involved in for the 2024 budget season. For example, a review in the policy for using reserve funds has been mentioned recently as an area where BAC could be leveraged to provide input.

From an internal perspective the Committee plans to look at how to set processes and potentially templates in best managing and working with Council and Staff to be most efficient when requesting information or being requested of information. We hope this not only benefits our current Committee but can assist future Committee members.

Employer of Choice

In recent years, department directors reported challenges with staff recruitment and retention and the impact of vacancies on employee satisfaction and city operations. This last year, the BAC is pleased to see a lesser degree of turnover and vacancy strains - an indication the City is emerging out of the “Great Resignation”.

While this trend may be visible nationwide, it is the BAC’s belief that this shift is correlated to City’s focus on becoming an “Employer of Choice”.

For the FY24 budget, the BAC recommends that Council and directors continue to explore opportunities and favor policies that 1) define Englewood as an “Employer of Choice” in the Greater Denver Metropolitan area and the public administration job market, and 2) yield a positive return on investment to the City’s budget.

Inherently, some benefits are designed in such a way that higher earning employees may have more opportunity to participate in a benefit than lower earning employees. As a part of defining Englewood as Employer of Choice, we encourage the city to ensure they are reviewing data on the satisfaction and usage of benefits offered, ensuring all employees have an opportunity to utilize benefits they are offered and are more likely to rate the city as an Employer of Choice.

Recognition

The Budget Advisory Committee (BAC) acknowledges and appreciates the City Council and City’s department directors for preserving funds for projects and initiatives that foster civic engagement, community wellbeing and advancement of Englewood as a strong community:

- Continuing grants for small businesses and citizens: e.g. Get To Know Your Neighbor, neighborhood improvement initiatives, small business grants, Storm Assistance Grants

- Sustaining board, commission and committee involvement in the capital improvement project (CIP) budgeting process. The Committee would like to acknowledge that the process for making CIP prioritization recommendations was improved over the previous year (which was the first year the Committee offered recommendations).
- Ongoing engagement and support of the Committee by both Mayor Pro Tem, Steve Ward, and City Council Member at Large, Rita Russell.
- Extensive participation, technical assistance and professional support by Shawn Lewis, City Manager, Tim Dodd, Deputy City Manager, Jackie Loh, Director of Finance, and Jennifer Nolan, Budget Administrator, in Committee activities throughout the year.
- Department Directors of City of Englewood – the Committee noted that many of the Department Directors expressed increased optimism in a number of areas, especially staff recruitment and retention. Likewise, throughout the year the Committee was impressed with the Directors' commitment to collaboration and the dedication of these leaders, not only to their departments, but also in benefiting the City of Englewood and its citizens.

Conclusion

The Committee commends City leadership and City Council for their ongoing diligence and prudence in managing the City budget with limited resources. Having continued insight into the capital improvement project planning process allowed the BAC to remain more engaged in the budgeting process, and the Committee appreciates both the City Manager's office and City Council for inviting the Committee to further advise in this capacity. In summarizing areas of focus from Committee meetings over the past year, the BAC recommends the City Council consider prioritizing the following areas for the upcoming fiscal year:

- Continue to focus on improved partnership and engagement with the Committee, both in existing areas as well as potential new areas (see below for the latter).
- Provide information to the Committee concerning the total cost of proposed projects (i.e. "pricing projects to completion")
- Provide data as a regular segment of presentations to the Committee related to the metrics (outcomes and/or outputs) used to measure the success of approved and ongoing projects.
- Consider presenting more limited and scalable options to the Committee as alternatives to the comprehensive plan presented this past year for improving or rebuilding city parks. This will be impactful in the Committee's consideration of capital improvement projects and may be of particular support to the City in light of significant property tax increases taking place in advance of a potential ballot measure in 2024. Consideration should also be given to funding mechanisms, including sales and use taxes, mill levies or general obligation (GO) bonds.
- Offer suggestions to the Committee around areas for spending/project review that would be of support to the Council Members over the coming year.
- Retain focus on continued and sustained progress in priority areas identified in the previous year's report.

The BAC appreciates the opportunity to offer advice and recommendations to the City Council and the Committee looks forward to presenting this report at the August 14, 2023 Meeting of the Englewood City Council.

Respectfully submitted on behalf of the Budget Advisory Committee on August 7, 2023.