



JOHN W. SUTHERS
MAYOR

January 1, 2019

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

In accordance with the City Charter of Colorado Springs, I present to you a balanced budget that reflects an allocation of resources in line with our strategic plan goals: Promoting Job Creation, Investing in Infrastructure, Building Community and Collaborative Relationships, and Excelling in City Services.

2019 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 2019 General Fund budget is \$308.1 million, which is \$21.4 million or 7.5% more than the 2018 budget. The increase is largely due to a projected increase in sales and use tax revenue of 4.5% over the 2018 budget (and 3.25% over the current 2018 end-of-year forecast). However, with this revenue growth, the City anticipates being over the 2018 TABOR revenue limit.

During 2018, Colorado Springs has been rated by leading national news organizations that apply objective metrics to compare the most dynamic and economically prosperous cities in America. U.S. News and World Report rated Colorado Springs the second best place in America to live and the number one most desirable city in America. Colorado Springs rated the highest of any city in quality of life, but also ranked very high in affordability, job opportunities and other economic criteria. Our health care and educational institutions also rate high.

A key contributing factor in achieving our current national status is the manner in which we have confronted, in three short years, a very large public infrastructure deficit:

- In November of 2015, voters in Colorado Springs passed Issue 2C, agreeing to invest in our roads with \$250 million over 5 years
- In November of 2017, voters passed Issue 2A, agreeing to invest in our stormwater program, including reinstating a stormwater fee which will allow us, over the next 20 years, not only to meet our various legal obligations, but to create the best stormwater program in Colorado

General Fund dollars freed up by the passage of the stormwater fee will allow us to hire 120 police officers and 32 firefighters by 2020. The additional sworn personnel are essential to reducing critical incident response times and making our public safety capabilities among the best in the country.

Across all departments and functions, we have an obligation to our citizens to continue to provide quality and responsive services, and as such the 2019 General Fund Budget includes the following high priority items that allow us to enhance and improve our service delivery:

- \$4.5 million increased funding for 53 new Police Officer positions and 8 new sworn Fire positions
- \$950,000 increased funding for park maintenance, recreational and cultural service needs, including a new Forestry crew
- \$1.0 million increased funding for Parks water
- \$1.36 million increased funding for the City's Americans with Disabilities Act operating and capital programs
- \$2.7 million continued funding for city facilities maintenance
- \$1.1 million increased funding for city fleet replacement
- \$171,000 increased funding for an additional Quality of Life/Camp Cleanup crew
- \$209,000 increased funding to Mountain Metro Transit
- \$1.8 million increase to address Information Technology core infrastructure, applications, and cybersecurity improvements and sustainment
- \$9.9 million to bring police and fire sworn position compensation to the market average and implement year two of the civilian compensation strategy

While we focus on the City's General Fund, it is important to acknowledge the City's other funding sources which are available for City services, 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 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: PROMOTING JOB CREATION

Our first and primary strategic plan goal remains promoting job creation. After years of stagnant job and wage growth, the Pikes Peak region has emerged as one of the best economies in the country. For-profit and non-profit organizations are moving here and expanding here. We've created approximately 27,000 jobs since the beginning of 2015, an average of 6,750 jobs per year. Wages have climbed significantly during that same time also, with the median salary for posted jobs in our region currently over \$82,000, far above the median salary for the State of Colorado. Tourism continues to grow, although at a more modest rate, reflected in the fact that LART revenues, after growing 14% in 2017, are up another 7.5% in 2018.

While a lot of our economic success over the last year reflects an improving economy, the Chamber and EDC, the City's Economic Development Office, and many other groups have been creating an environment conducive to economic growth. This 2019 budget includes additional funding for an online permit, land use and licensing system, which will contribute to Colorado Springs becoming a more business friendly city.

Highlights of funding included in this 2019 Budget related to the Job Creation strategic plan goal are the following:

- Continued funding for the Chamber/EDC and the Small Business Development Center
- Continued funding for arts and cultural organizations and events, sporting events, festivals and parades, and the Convention and Visitors Bureau for visitor promotion, provided with revenue from the LART Fund
- \$640,000 in funding from the Parking Enterprise for downtown streetscapes and alley lighting, which increases the attractiveness and vibrancy of the core of our City
- Increased funding for a Small Business Development Manager to further support Economic Development goals for our region

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.

One of our foremost challenges, sustainable stormwater funding, was addressed on November 7, 2017 when the voters passed Ballot Issue 2A, creating a dedicated stormwater fee for infrastructure and maintenance. The Stormwater Enterprise has assumed all construction, improvement, operation and maintenance of public stormwater facilities and public stormwater systems in the city.

Improving our roads is a continued effort in 2019. With the passage of Issue 2C, we are able to raise, over a five-year period, approximately \$250,000,000 for improvements to our deteriorating roads. As of the end of 2018, we have paved 678 miles of road and improved 491,300 linear feet of curb and gutter, including the addition or retrofit of 3,419 pedestrian ramps that are in compliance with the Americans with Disabilities Act.

Highlights of funding decisions included in this 2019 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
- \$1.36 million increased funding for the City's Americans with Disabilities Act operating and capital programs
- \$1.1 million increased funding to implement the fleet replacement strategy to replace highest priority vehicles and equipment (based upon age, mileage/hours and maintenance history)
- \$385,000 increased funding for a new Forestry crew of 3 positions
- \$1.8 million increased funding to address Information Technology core infrastructure, applications, and cybersecurity improvements and sustainment
- \$250,000 additional funding for the Citywide Transportation Plan
- \$2.7 million for critical facility maintenance - spread across the City's many facilities including police and fire stations, parks facilities and public works facilities

STRATEGIC PLAN GOAL: BUILDING COMMUNITY & COLLABORATIVE RELATIONSHIPS

The 2019 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 included in this 2019 Budget related to the Building Community and Collaborative Relationships strategic plan goal are the following:

- Continued funding for the Council of Neighborhood Organizations (CONO)
- 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
- Increased funding for an additional Quality of Life/Camp Cleanup crew
- Increased funding for Downtown security

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 included in this 2019 Budget related to the Excelling in City Services strategic plan goal are the following:

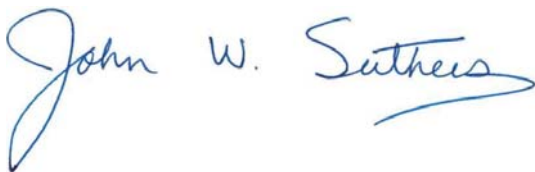
- \$4.5 million increase to fund 53 new Police Officer positions and 8 new Fire positions
- \$9.9 million to bring police and fire sworn compensation to the market average and implement year two of the civilian compensation strategy - our employees are the key to successful, effective delivery of programs and services
- Increased funding for rising healthcare costs
- Increased funding for Enterprise Resource Planning (ERP) business improvements to enhance Procure-to-Pay functionality

This 2019 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 to withstand an economic downturn. While the Government Finance Officers Association (GFOA) generally recommends an unrestricted fund balance target of 16.7% of the following year's expenditure budget, I have set a realistic goal of restoring the fund balance to 20%. As we close 2018, if revenue continues to come in over budget and department expenditures continue on budget, we expect the unrestricted fund balance to be between 17% and 18%.

The 2019 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 2019 budget and produce the 2019 budget document before you.

It is my honor to serve as the Mayor of this great City and we continue the task of building a city that matches our scenery, a shining city at the foot of a great mountain.

Very Respectfully,



John W. Suthers
Mayor, City of Colorado Springs