

Financial Update

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Agenda

- 2020 Financial Results
- Recovery - 2021/2022 Outlook
- American Rescue Plan Act Funding
- Next Steps & Questions



2020 Financial Results

What we will cover



2020 Sales and Use Tax Results - All Funds



2020 General Fund and Other Funds Results



City Heavily Reliant on COVID Impacted Economy

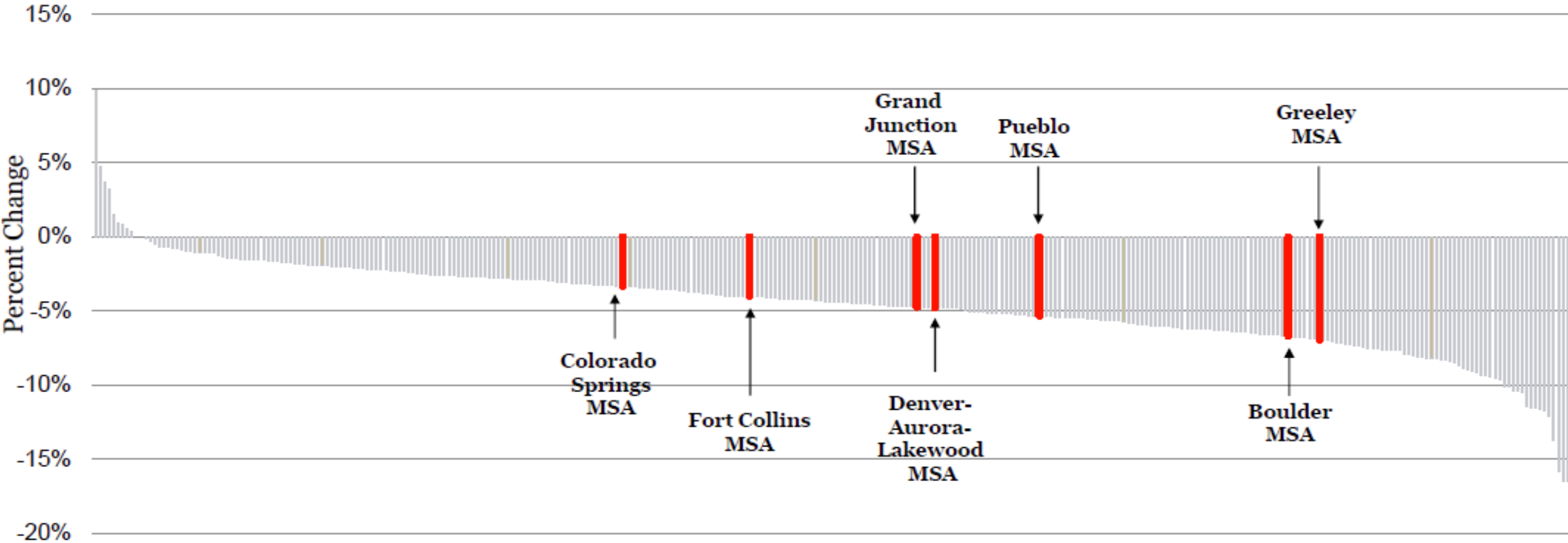
During 2020:

- >70% loss of in-person workforce
- CU remote learning, cancellation of events
- 60% decline in accommodation tax (key indicator of visitor activity)
- 75% of businesses adjusted staffing and/or wages in 2020
- City of Boulder: negative job growth (7%)
- Lower wage jobs were disproportionately impacted by COVID-related reductions
- (\$14.4M) or (17%) decline in retail sales tax from LOCAL sources



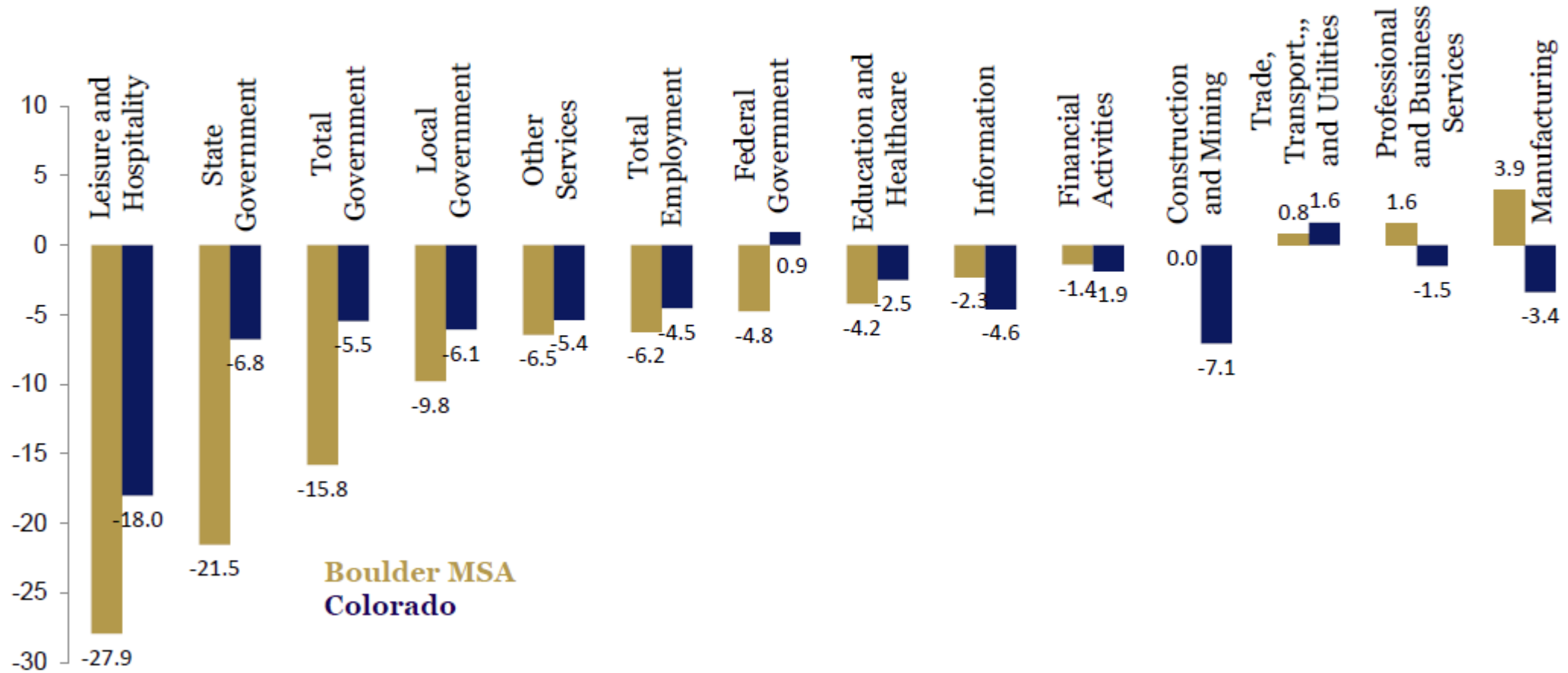
Employment by MSA

1-Year Change, March 2021



Source: Bureau of Labor Statistics, Current Employment Statistics (Seasonally Adjusted).

Boulder MSA v. Colorado (March 2021)

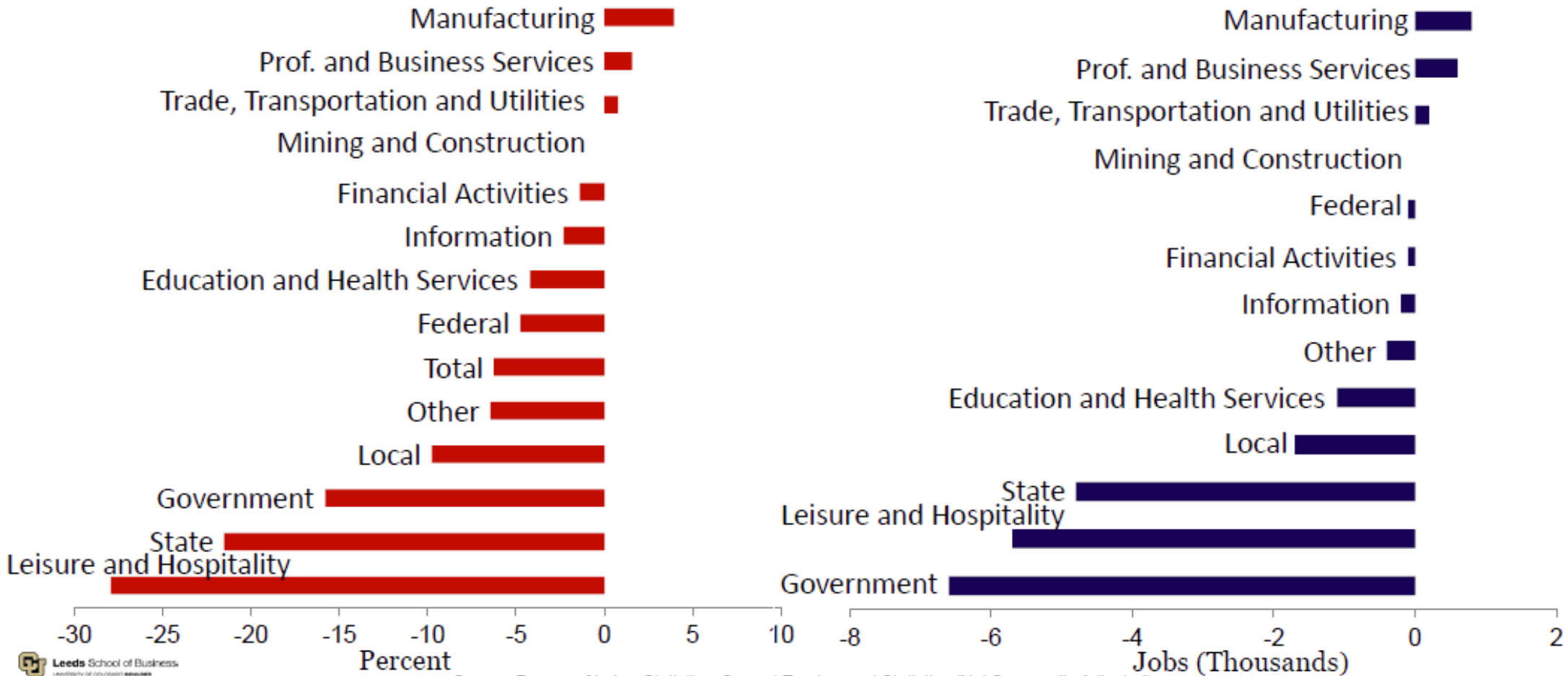


Source: Bureau of Labor Statistics, Current Employment Statistics (Not Seasonally Adjusted).



Boulder MSA Employment Change

March Year-over-Year

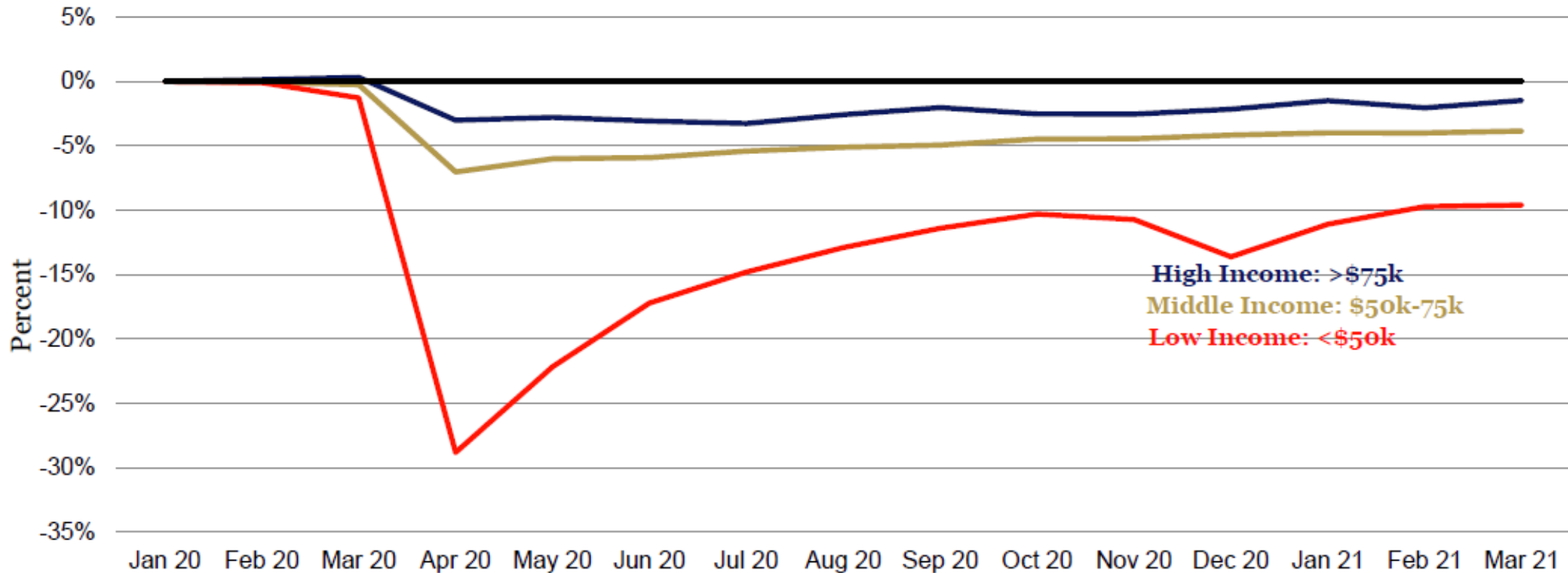


Source: Bureau of Labor Statistics, Current Employment Statistics (Not Seasonally Adjusted).



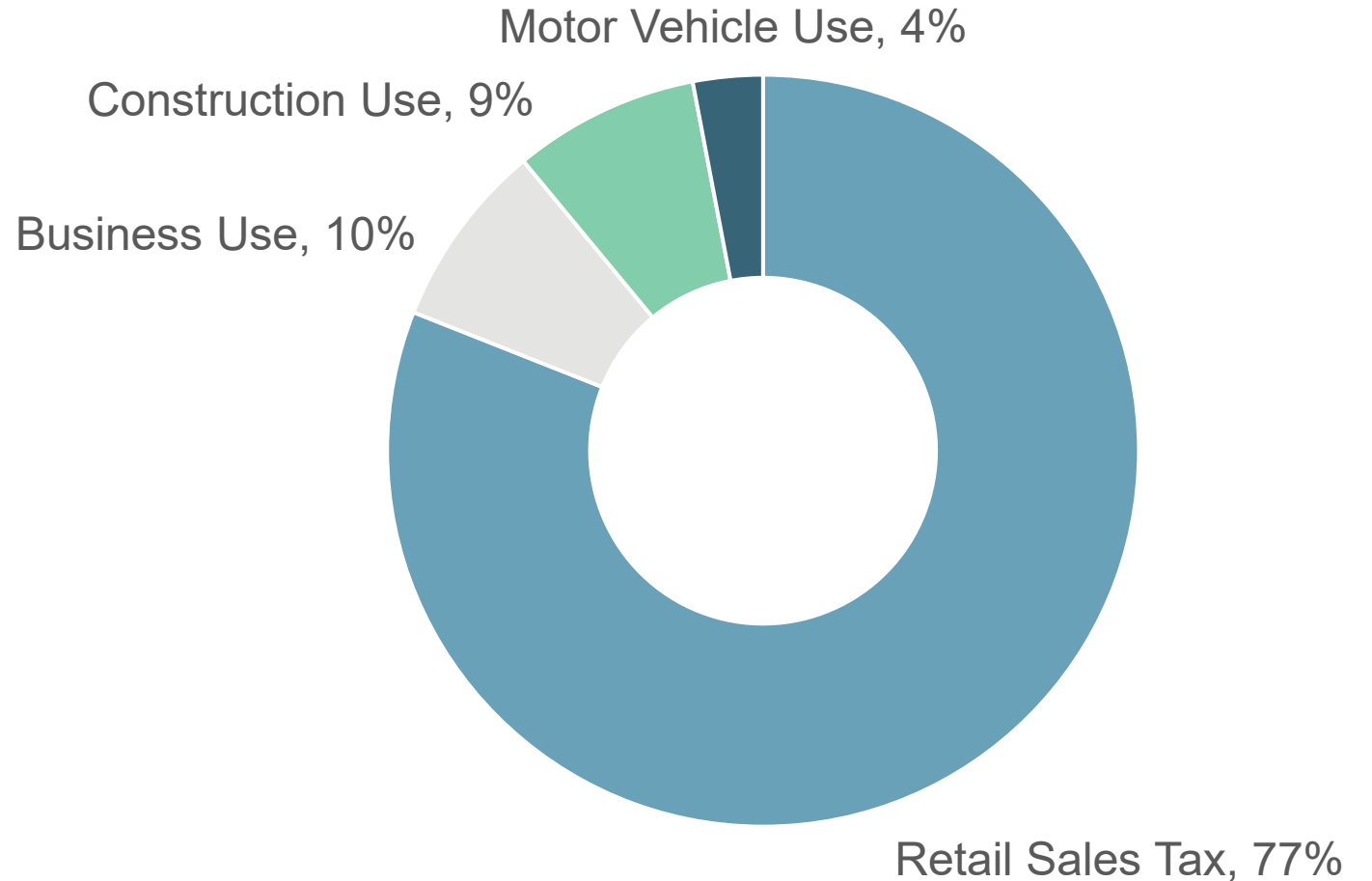
Colorado Employment by Wage Group

Percent Change from January 2020

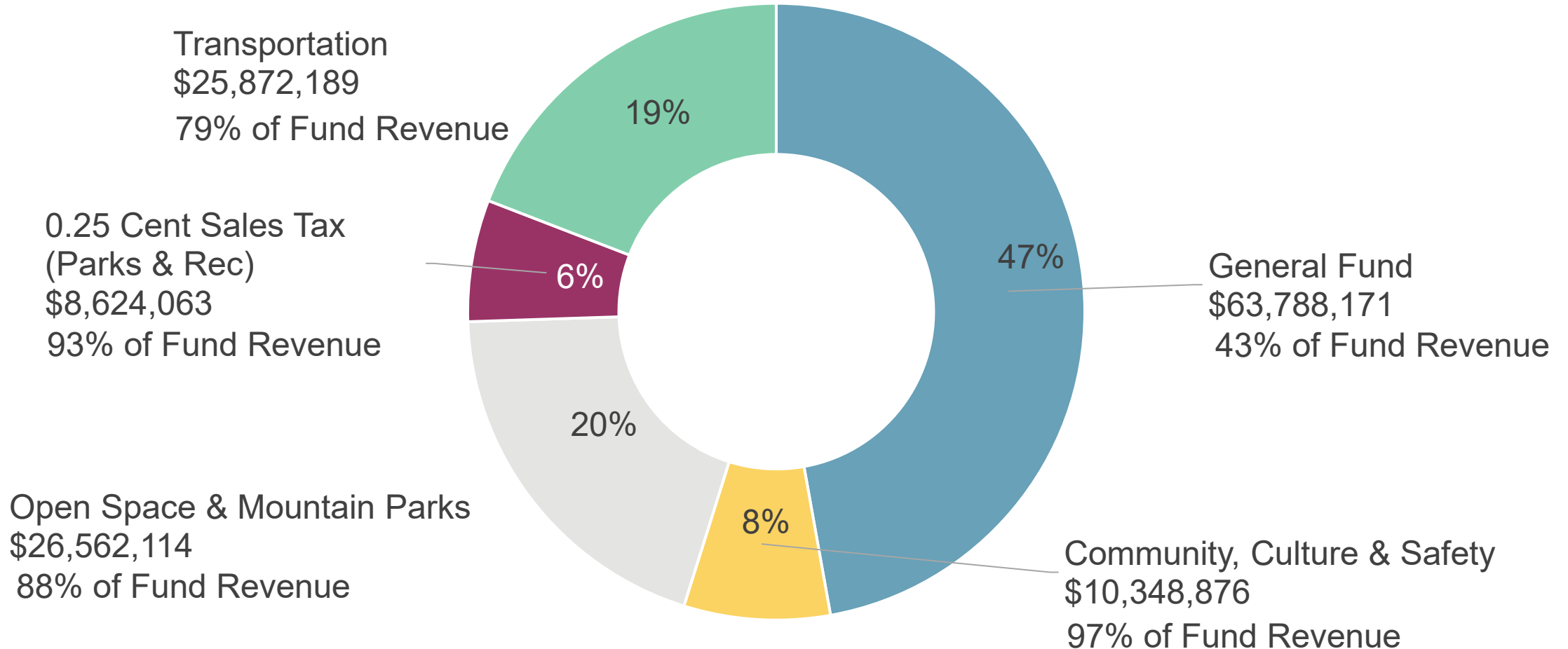


2020 Actual Sales & Use Tax – All Funds

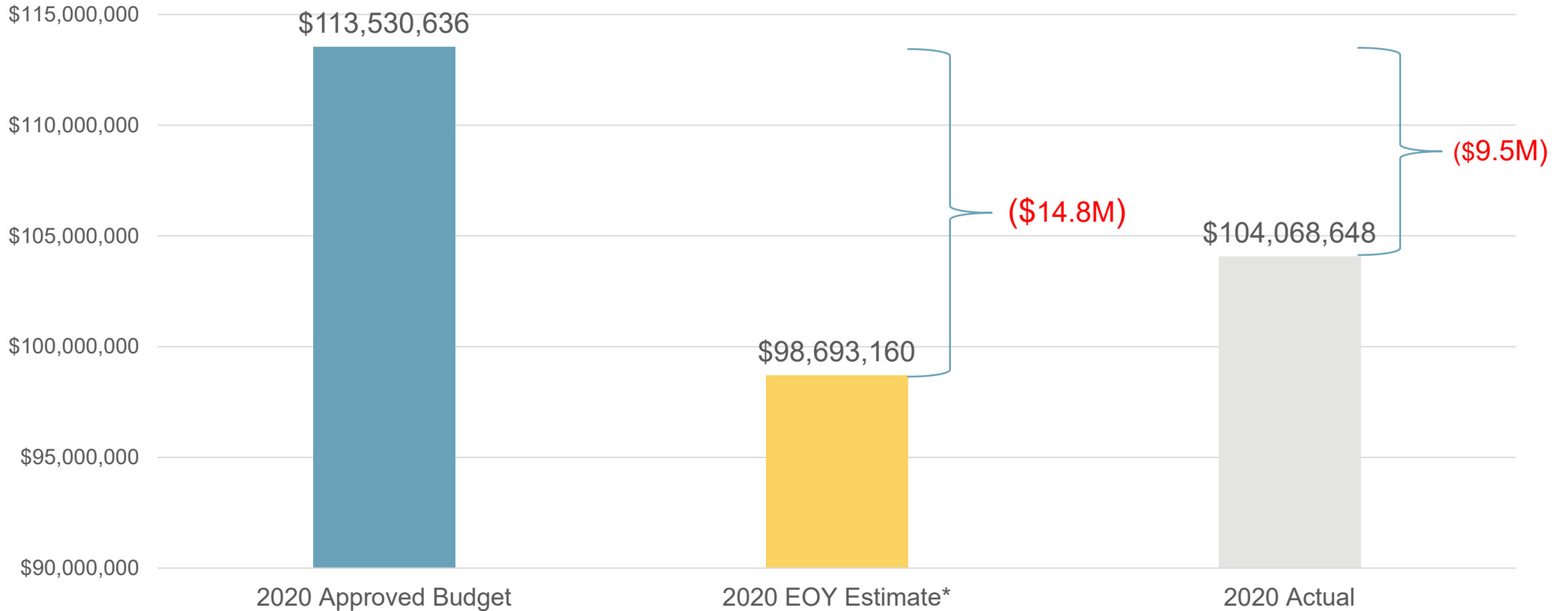
- 47% of Total Revenue, excluding Utilities
- 2020- \$133.2M
- 2019 - \$140.1M
- \$6.9M or 4.9% decrease from 2019



2020 Actual Sales and Use Tax – By Fund



2020 Retail Sales Tax – All Funds



*Includes Recreational Marijuana additional 3.5% and Sales Tax Audit Revenue and used to develop the 2021 Budget



2020 Retail Sales Tax by Industry

Retail Sales Tax by Industry	2019	2020	\$ Change	% Change
Apparel Stores	\$4,690,411	\$3,433,109	(\$1,257,302)	(27%)
Automotive Trade	5,695,650	4,960,141	(735,509)	(13%)
Building Material - Retail	4,795,996	5,024,734	228,738	5%
Computer Related Business Sector	6,129,081	7,646,434	1,517,353	25%
Construction Sales Tax	865,461	987,360	121,899	14%
Consumer Electronics	3,743,669	3,636,197	(107,472)	(3%)
Eating Places	17,876,697	11,648,442	(6,228,255)	(35%)
Food Stores	20,293,689	20,552,797	259,108	1%
General Retail	25,040,422	24,447,896	(592,527)	(2%)
Home Furnishings	3,067,952	2,408,639	(659,313)	(21%)
Medical Marijuana	277,908	299,390	21,482	8%
Rec Marijuana	3,743,240	4,223,515	480,275	13%
Transportation/Utilities	8,878,938	7,708,565	(1,170,373)	(13%)
All Other	8,428,367	7,091,430	(1,336,937)	(16%)
Total	\$113,527,481	\$104,068,648	(\$9,458,832)	(8%)

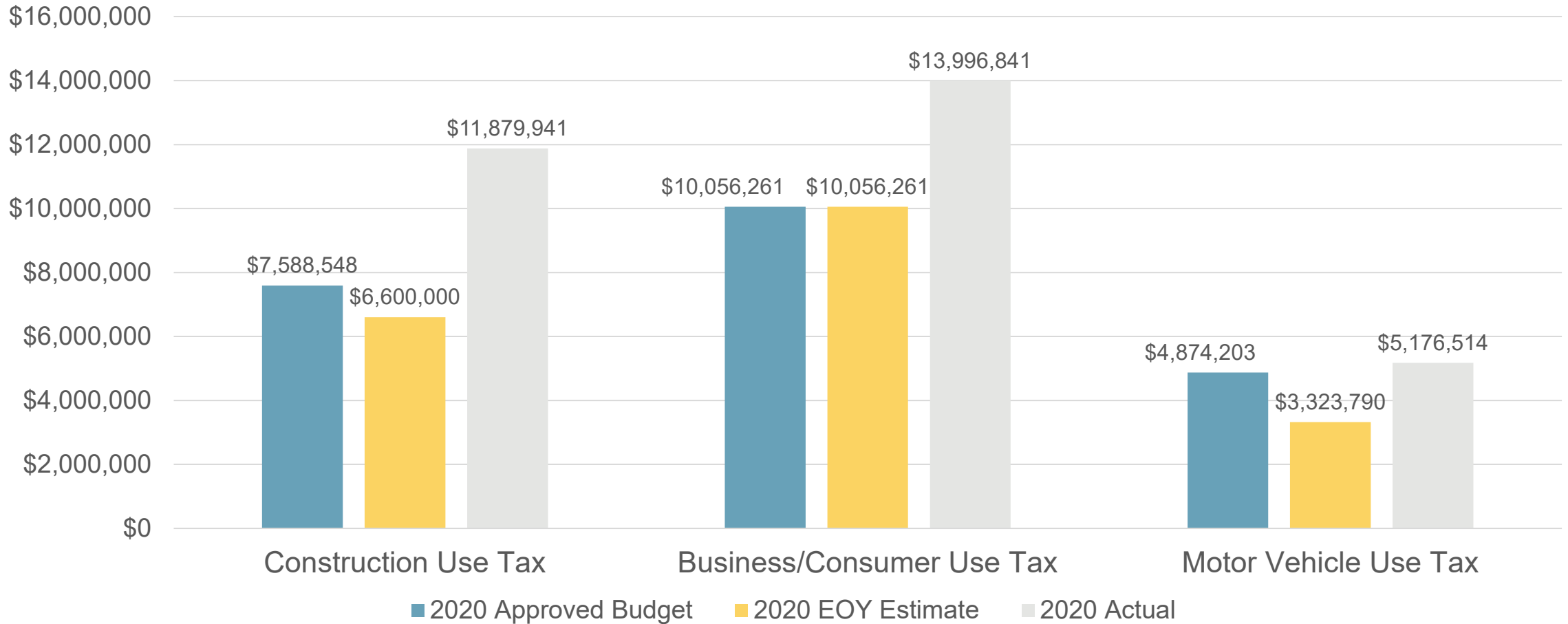


2020 Retail Sales Tax by Location

Retail Sales Tax by Location	2019	2020	\$ Change	% Change
Downtown	\$8,800,961	\$5,253,717	(\$3,547,244)	(40%)
29th Street	8,385,093	5,092,313	(3,292,780)	(39%)
BVRC-Boulder Valley Regional Center	24,717,313	22,549,540	(2,167,773)	(9%)
Pearl Street Mall	3,964,887	2,351,039	(1,613,848)	(41%)
Boulder Industrial	7,565,622	6,854,754	(710,868)	(9%)
University of Colorado	1,269,719	689,204	(580,515)	(46%)
All Other Boulder	5,502,555	4,968,676	(533,879)	(10%)
Table Mesa	3,327,953	2,877,999	(449,955)	(14%)
UHGID (the "hill")	1,560,362	1,141,856	(418,505)	(27%)
Out of State	\$18,693,966	\$23,664,579	\$4,970,614	27%



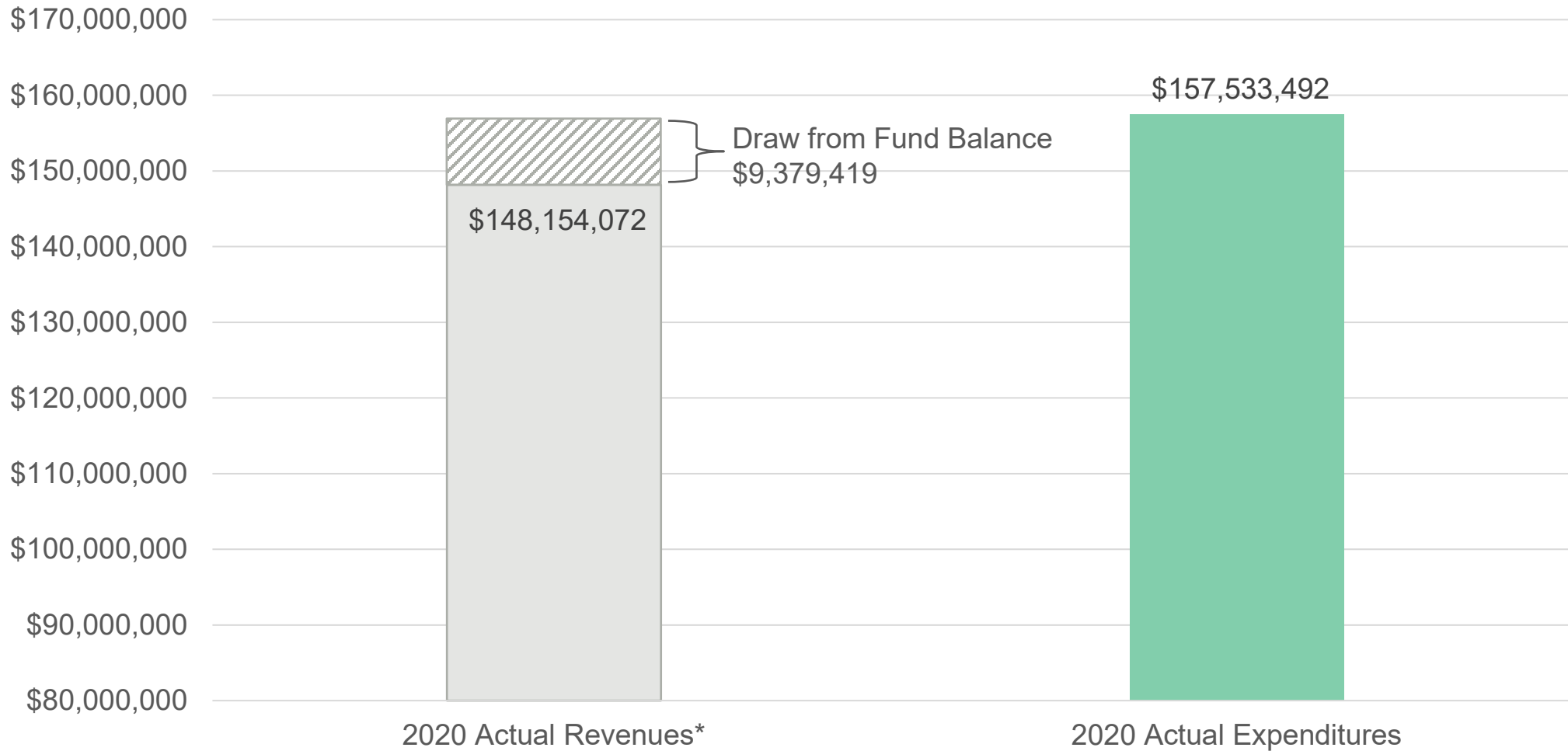
2020 Use Taxes – All Funds



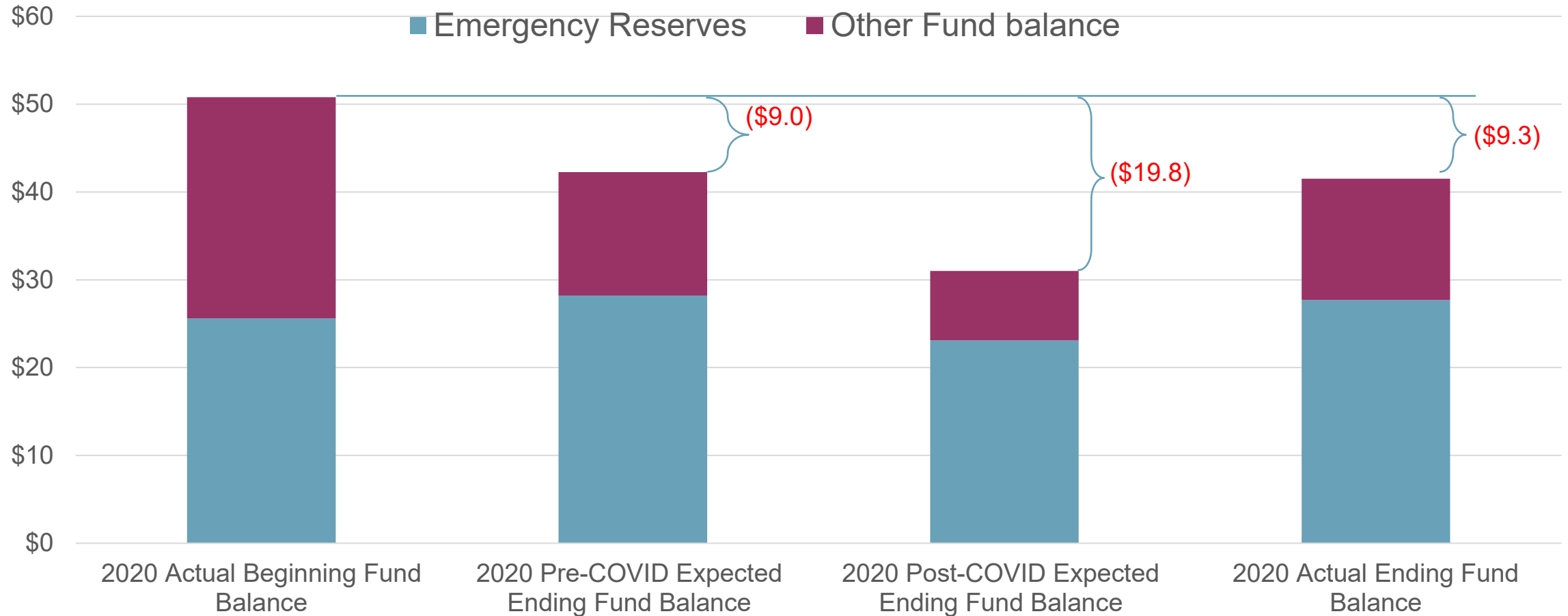


**2020 General Fund and
Other Funds
Actuals**

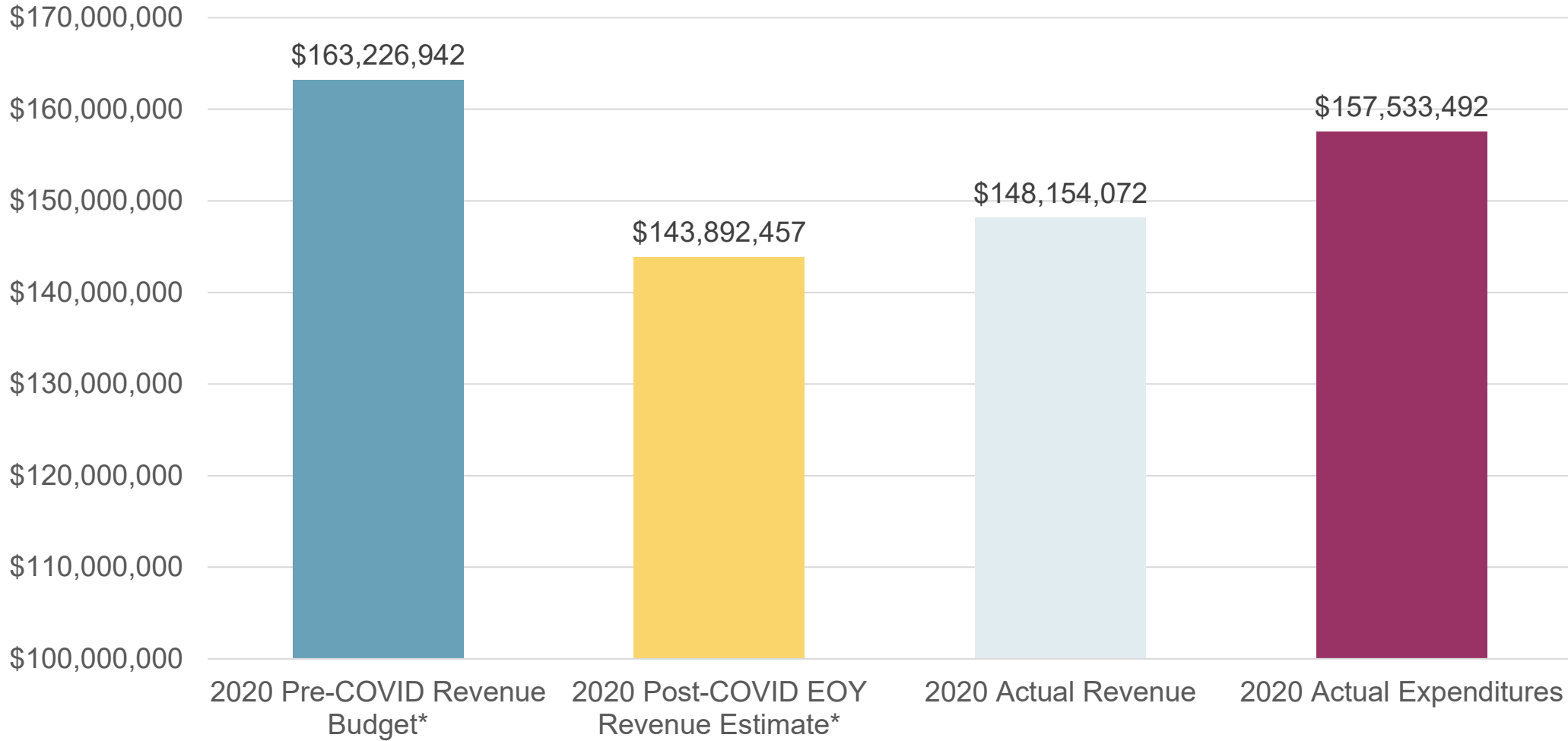
2020 General Fund



General Fund - Fund Balance - \$ Millions



2020 General Fund



*Includes ATB items



2020 General Fund Revenue – by Major Source

Revenue Source	2020 Pre-COVID Approved Revenue Budget*	2020 Post-COVID EOY Revenue Estimate*	2020 Actual Revenue	Actual – Approved \$ Difference	Actual – Approved % Difference
Retail Sales Tax	\$51.5M	\$44.8M	\$46.9M	(\$4.6M)	(8.9%)
Construction/Business Use Tax	8.5M	8.0M	11.7M	3.2M	37.6%
Property Tax	39.5M	39.5M	39.5M	-	-
Accommodations Tax	8.7M	4.4M	3.3M	(5.5M)	(63.2%)
Other Taxes	19.1M	14.8M	18.6M	(0.5M)	(2.6%)
Charges, Fines and Fees	11.4M	9.7M	7.1M	(4.4M)	(38.6%)
Other Revenue	24.4M	20.1M	21.2M	(3.2M)	(13.1%)
Total	\$163.2M	\$143.9M	\$148.2M	(\$15.0M)	(9.2%)

*Includes ATB items



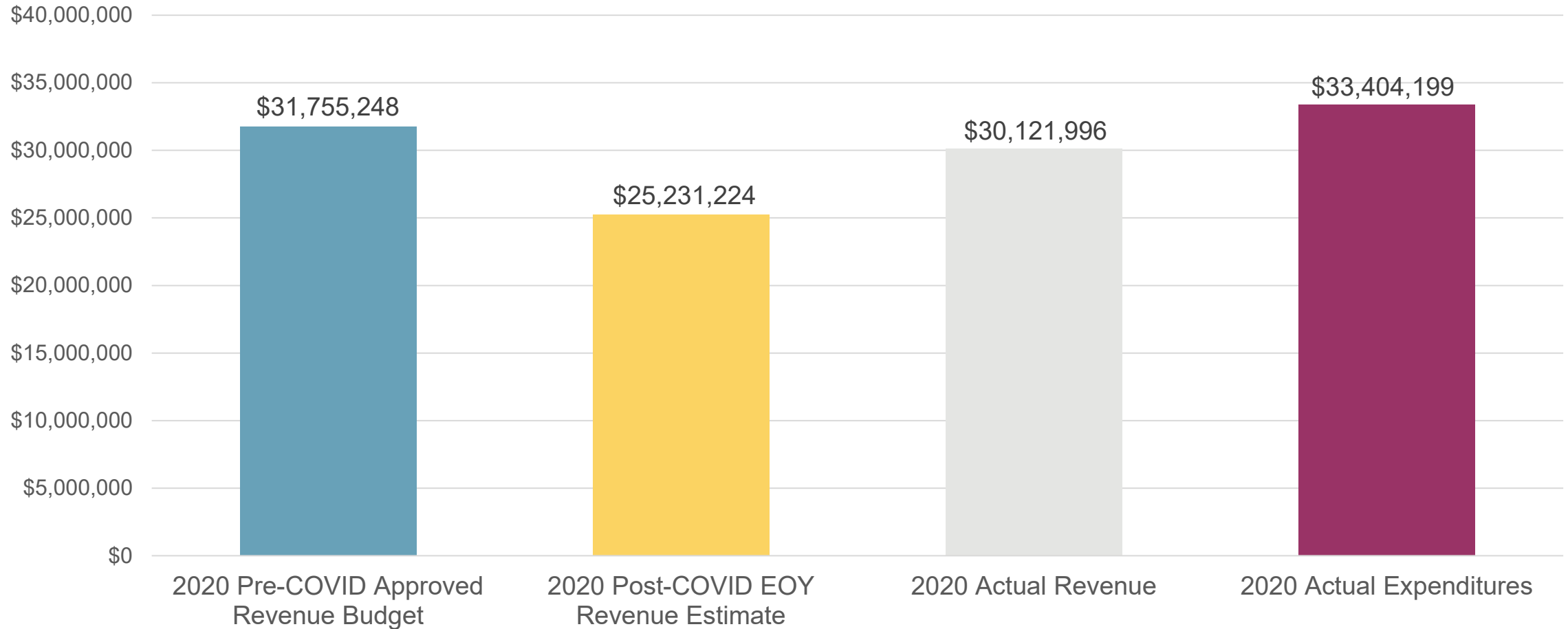
2020 General Fund Expenditures

Expense Category	2020 Pre-COVID Approved Budget*	2020 Post-COVID Mid-Year Reduced Expenditure Budget*	2020 Actual Expenditures	Actual – Approved \$ Difference	Actual – Approved % Difference
Personnel	\$93.9M	\$87.8M	\$86.8M	(\$7.1M)	(7.6%)
Non-Personnel	81.9M	75.8M	70.7M	(11.2M)	(13.7%)
Total	\$175.8M	\$163.6M	\$157.5M	(\$18.3M)	(10.4%)

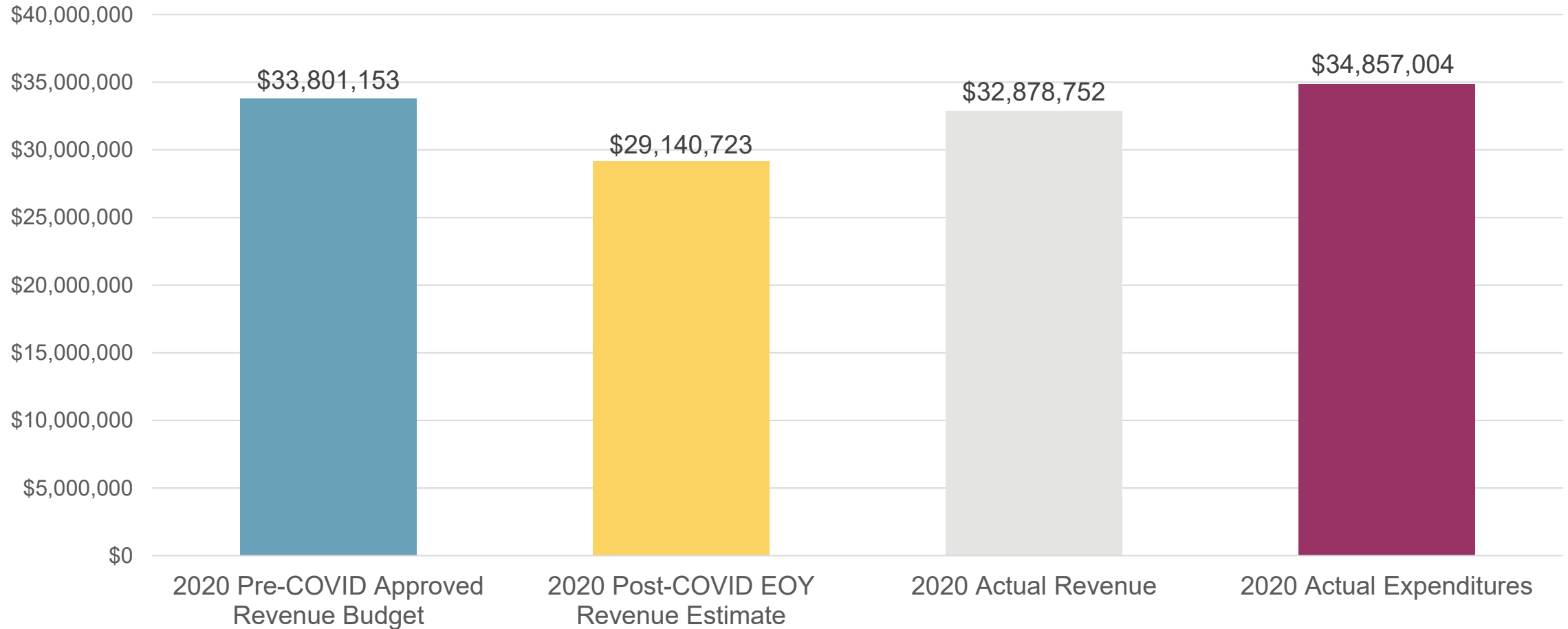
*Includes ATB items



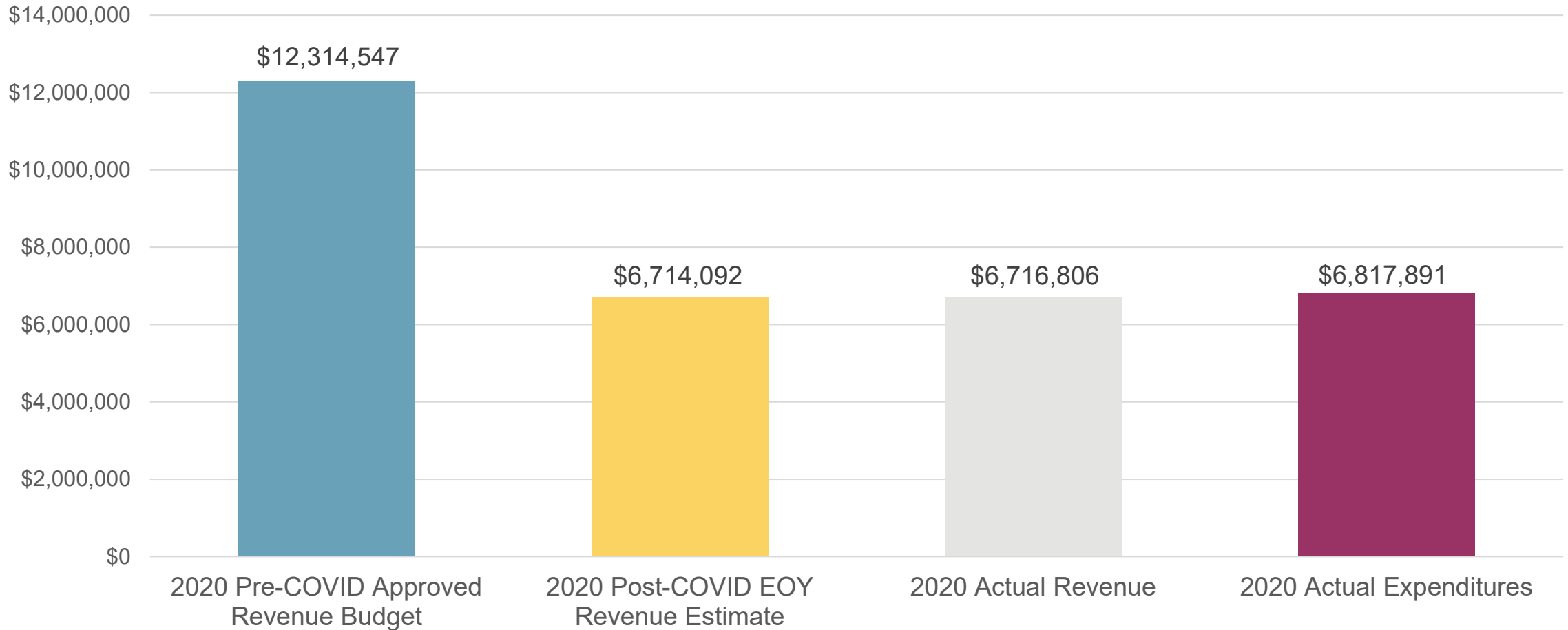
2020 Open Space & Mountain Parks Fund



2020 Transportation Fund



2020 Recreation Activity Fund



2020 Key Takeaways



Reacted quickly to revise the revenue and expenditure budgets



Finished 2020 better than anticipated early in the pandemic



2020 draw from General Fund, fund balance was less than mid-year forecast



2020 emergency reserves remain at 19.5%



Recovery 2021/2022 Budget Outlook

Economic Outlook – *Moody's Baseline Scenario*

- U.S. economy performing better than previously expected
- More rapid recovery - full recovery could be ~ 3 years (early 2023)
- \$1.9T American Rescue Plan Act - significant stimulus
- Expect COVID-19 herd immunity by summer
- Total U.S. Jobs expected to grow steadily
- Pent up demand for experiences and travel



Boulder Outlook

- Boulder has lagged in the economic recovery
- Return of student population in the fall will mitigate
- Uncertain pace of visitors returning
- Concern about enduring systemic shifts
 - Work from home
 - Impact to retail, restaurant and services customer base
 - Impact to commercial property occupancy and values/property tax revenue
 - Accelerated online shopping habits
 - Impact to brick-and-mortar shops
 - Aging population
 - Impact to retail sales tax



2021 Year-to-Date Retail Sales Tax – by Industry through February

Sales Tax by Industry	February 2020 Year-to-Date	February 2021 Year-to-Date	YTD \$ Change	YTD % Change
Apparel Stores	\$521,375	\$469,570	(\$51,805)	(9.94%)
Automotive Trade	825,948	774,900	(51,048)	(6.18%)
Building Material - Retail	554,349	656,563	102,215	18.44%
Computer Related Business Sector	928,713	867,105	(61,608)	(6.63%)
Construction Sales Tax	116,981	144,828	27,846	23.80%
Consumer Electronics	463,044	592,662	129,618	27.99%
Eating Places	2,262,544	1,688,152	(574,392)	(25.39%)
Food Stores	2,859,038	3,079,163	220,126	7.70%
General Retail	3,285,873	4,040,082	754,209	22.95%
Home Furnishings	353,712	352,949	(763)	(0.22%)
Medical Marijuana	55,064	25,272	(29,792)	(54.10%)
Rec Marijuana	502,521	607,869	105,348	20.96%
Transportation/Utilities	1,360,393	1,368,155	7,762	0.57%
All Other	1,041,615	1,000,831	(40,784)	(3.92%)
Total	\$15,131,169	\$15,668,102	\$536,933	3.55%



2021 Year-to-Date Retail Sales Tax – by Location through February

Retail Sales Tax by Location	February 2020 Year-to-Date	February 2021 Year-to-Date	YTD \$ Change	YTD % Change
29th Street	\$905,699	\$626,374	(\$279,325)	(30.84%)
Downtown	900,464	629,323	(271,141)	(30.11%)
University of Colorado	337,872	90,907	(246,965)	(73.09%)
Gunbarrel Industrial	236,138	110,953	(125,184)	(53.01%)
Boulder Industrial	1,055,483	980,380	(75,103)	(7.12%)
UHGID (the "hill")	233,691	168,019	(65,671)	(28.10%)
Pearl Street Mall	392,507	327,344	(65,163)	(16.60%)
Table Mesa	370,107	410,062	39,955	10.80%
BVRC-Boulder Valley Regional Center	3,350,666	3,583,632	232,966	6.95%
Out of State	2,709,499	3,947,421	1,237,922	45.69%



2021 General Fund Revenue Forecast vs. Spending Needs

2021 Additional Revenue

\$3.3M-\$6.0M Estimated revenue above budget

2021 Needs

- \$3.0M Adjustment to Base #1 (May Council meeting)
- \$0.3M Eliminate two employee furlough days
- \$5.0M Restore 2021 one-time cuts to ongoing expenses
- \$3.9M Restore 2021 ongoing cuts

\$12.2M Total 2021 Needs

2021 Potential Deficit
\$6.2M-\$8.9M



2021 1st Adjustment to Base ~ \$3,000,000+

- Homeless encampments/services
- Public safety overtime
- Police Record Management System
- Insurance renewals
- Building Performance Ordinance
- Others – process currently underway



2022 General Fund Revenue Forecast vs. Spending Needs

2022 Additional Revenue

\$7.5M-\$10.6M Estimated revenue above 2021 budget

2022 Needs

- \$2.1M 2021 Adjustment to Base #1 ongoing expenses
- \$5.2M Restore 2021 one-time cuts to ongoing expenses
- \$4.1M Restore 2021 ongoing cuts
- \$1.4M 2% employee salary increase
- \$0.6M 10% employee healthcare increase
- \$TBD Other new funding needs

\$13.4M+ Total 2022 Needs

**2022 Potential
Deficit**

\$2.8M-\$5.9M+



2021/2022 Budget Outlook - Key Takeaways



National and state economic growth projections strong - Boulder may lag



Higher sales tax revenue expectations for 2021/2022



Risks remain



Funding needs outpace revenue growth

American Rescue Plan Act (ARPA) Funding

ARPA Funding

- \$65 billion - total allocated to cities
- \$20.5 million - City of Boulder estimated allocation
- Eligible uses:
 - ✓ Revenue replacement for the provision of government services to the extent of the reduction in revenue due to the COVID-19 public health emergency, relative to revenues collected in the most recent fiscal year prior to the emergency
 - ✓ COVID-19 expenditures or negative economic impacts of COVID-19, including assistance to small businesses, households, and hard-hit industries, and economic recovery
 - ✓ Premium pay for essential workers
 - ✓ Investments in water, sewer, and broadband infrastructure

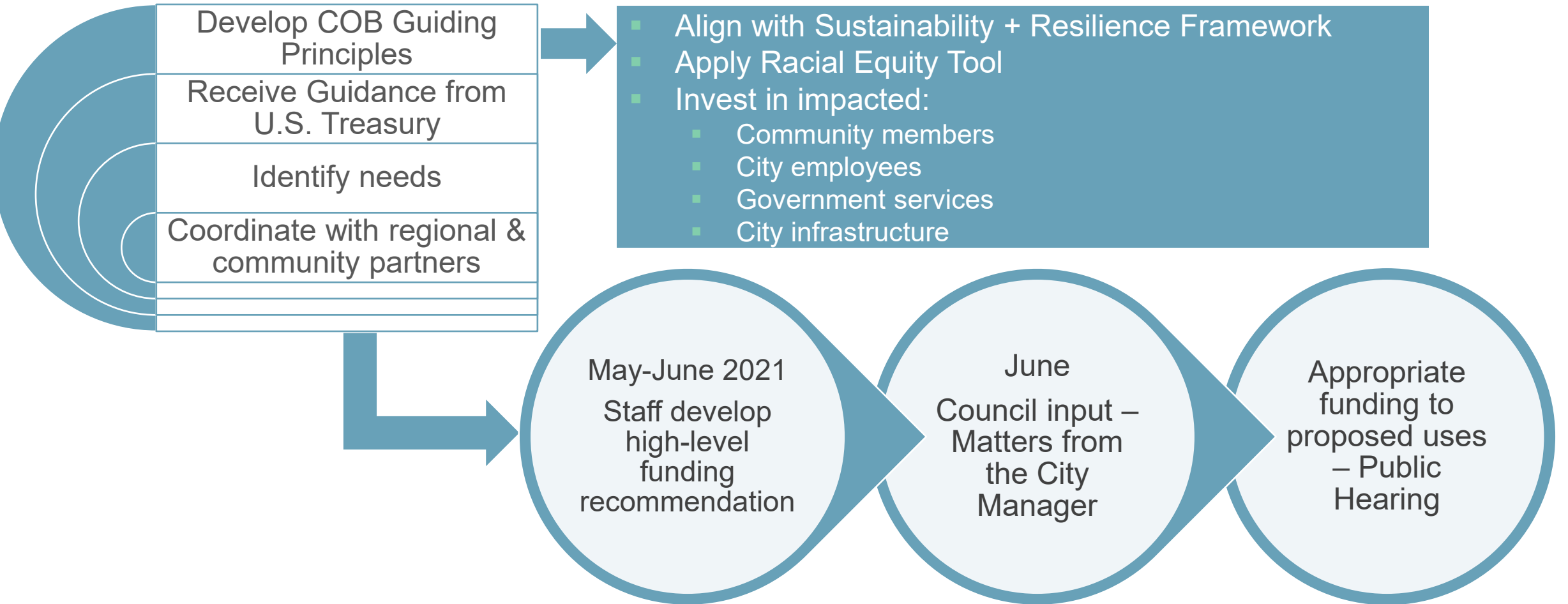


ARPA Funding

- 2 equal payments – 2021 and 2022
- Must be spent by December 31, 2024
- U.S. Treasury guidance and FAQs ~ May 11
- Government Finance Officers Association (GFOA) guidance:
 - Focus on long-term value of investments and financial stability
 - One-time infusion should be used for one-time uses

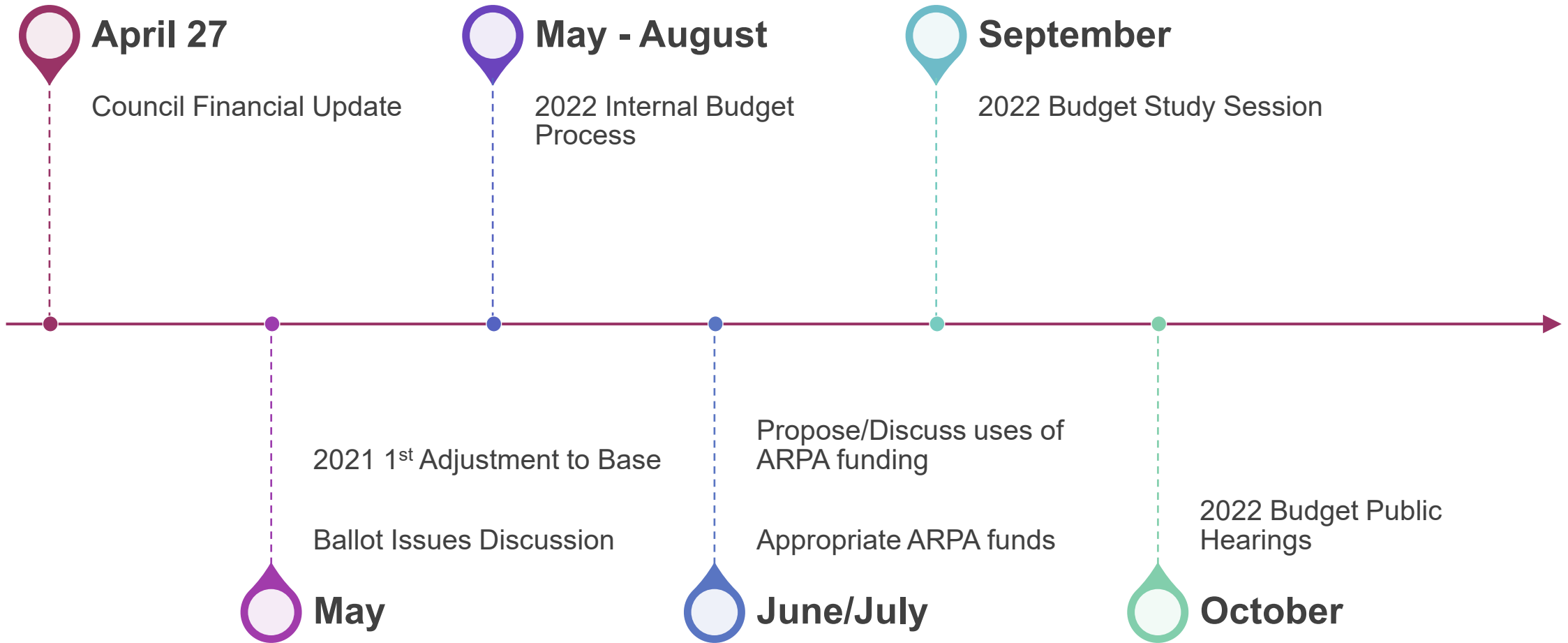


ARPA – Proposed Process



Next Steps & Questions

Next Steps



Questions for Council

- Does council have any questions regarding the 2020 preliminary, unaudited 2020 year-end financial results?
- Does council have any questions regarding the 2021/2022 economic outlook?
- Does council have any questions regarding the American Rescue Plan Act?



End of Presentation