

# 2024 Proposed Budget Presentation

SEPTEMBER 12, 2023



# PRESENTATION TOPICS

- Employee Compensation and Benefits
  - Proposed 2024 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

# 2023 Compensation Study

In 2023 the city contracted with Mercer to conduct a compensation study for the City of Longmont.

The study consisted of 4 parts:

- Compensation Assessment
- Review of current Pay Plan
- Review of the City's Paid Leave
- Recommendations for consideration

# Compensation Assessment

- 151 jobs were selected by the city & Mercer to be benchmarked. Mercer was able to successfully match 106 jobs to comparable survey data. The Human Resources department was able to match an additional 102 jobs through the back slotting process.
- 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).
- Positions were matched to the market 50<sup>th</sup> percentile to keep consistency with the City's compensation philosophy.
- Because these surveys are national data Mercer utilized a geographical differential of 10% for the cost of labor differential.
- The Human Resources Department is confident that starting next year additional jobs will be matched to the Mercer & Willis Towers Watson data once the city has access to the full surveys.

# Review of Current Pay Plan

- After reviewing the cities current pay plan Mercer determined it is the second most common pay structure used in the market.
- The current structure is an excellent match for the City of Longmont's compensation philosophy. Jobs are very closely aligned to market and evaluated yearly to ensure they remain competitive.
- All these factors contribute to the high level of confidence around the internal pay equity within the city.

# Review of the City's Paid Leave

- Mercer reviewed the current accrual amounts for vacation, sick, holiday, and personal day.
- For employees with less than 15 years of service, Mercer determined the current accrual in sick, holiday & Personal days leave plans offered by the city are competitive with market.
- Current accrual amounts for vacation time were low for the 15 year & over employees.
- Mercer has recommended that the city consider offering Parental Leave. The city has accepted this recommendation and is working on the plan design.
- For attraction of new employees, many competitors have started to offer initial time off at offer acceptance and/or accrual rates commensurate with experience. The City will be making recommendations in this area together with Personnel Policy changes for Council consideration.



# Recommendations

- Update the current ranges to be +/- 10% so the midpoint will truly be the middle of the range. The 2024 job range as 90% - 110%.
- Update midpoints for positions where current midpoint is below the target market range.
- Mercer recommended the implementation of a compensation software program to manage the cities compensation plan including survey data. The city selected Pay Factors software because of its vast capabilities. In addition to compensation management Pay Factors also has a large internal database of survey information. Pay Factors has both peer and market data for public & private entities within their surveys.
- Mercer has recommended the city participate in and purchase robust published data sets to maintains the results of the compensation study going forward. The city has participated in both Mercer & Willis Towers Watson surveys and intend to purchase data.

# 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.

# Compensation in 2024

- Positions included in the compensation study 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.
- Additional positions within the City benchmark to both private and public employers in the Denver/Boulder and Northern Colorado areas are included in these surveys plus fire districts, parks and recreation districts, public and private utility associations, housing authorities, and rural electric authorities.

# Positions Over Market Value

- The compensation study identified some positions that were benchmarked over market value.
- After review with the directors, 5 positions will be frozen as a result of the compensation study.
- Once the market catches up with these positions, they will become unfrozen.

# Compensation in 2024

- At the beginning of 2023 the City was notified by Employers Council they would no longer be collecting survey data for positions.
- Currently the City has approximately 133 jobs that are considered solely municipal in nature. Classically these positions have been benchmarked each year to a municipal salary survey conducted by Employers Council.
- Going forward, Pay Factors will be collecting the information on the positions that were formerly benchmarked by the Employers Council.

# Compensation in 2024

- During the planning process for the 2024 budget, the Human Resources staff set up an ongoing meeting with compensation representatives for cities and counties across the front range to address this issue and work towards a solution. Based on the information obtained from these meetings the city staff made the decision to age the 2023 data for the 2024 pay plan. The data would be aged by the projected market increase percentage from 2023 to the 2024 market.
- The Human Resources department surveyed 17 cities and 5 counties across the front range to see what percent increase they were projecting to use for 2024. Based on the results we received, the average increase was 4.64%. Staff made the decision to use the 4.64% increase for 2024 market movement.

# Philosophy applied to 2024

- Where reliable market data is available, adjust for new benchmarks in 2024 Pay Plan.
- For benchmarks with incomplete data, age the 2023 salary data by the projected market increase percentage for the 2024 Pay Plan.
- Additional salary adjustments are anticipated.
- Recommendation is to continue to pay at 101% of market for 2024.
- Exceptional Pay budget to continue

# Special Position recommendations

- Collective Bargaining to follow CBA contract
  - Police step positions increase 4%
  - FOP open ranges increase 4.64%, guaranteed at least 3% increase
  - Fire step positions increase 4%
- LPC Step Positions to continue on step rate to remain competitive with benchmark positions
  - LPC step positions increase 4.64%



# Benefits 2024

- Kaiser to continue to provide Health Care
  - 2024 5% increase per the approved rate cap
  - Projection for future years unknown at this time
- VSP
  - Exam-Only Plan 6% rate decrease
  - Exam & Materials- flat renewal with an increased frame & benefit allowance.

# Benefits 2024

- Delta to continue to provide Dental care.
- Mines & Associates EAP
  - 3% increase for 2024
  - 2 year rate guarantee

# Future Direction

- Employee Benefits:
  - Review additional employee benefits currently not offered to the city of Longmont employees
- Re-benchmark positions with new data sets
- 102% remains the target for salaries as budget and conditions allow

## OLD HIRE PENSION FUNDS

- Old Hire Police Plan has an unfunded liability of \$78,379 and is 92.4.0% funded.
- Old Hire Fire Plan has a negative unfunded liability (surplus) of \$548,799 and is 129.3% funded.

## OLD HIRE PENSION FUNDS

- A city contribution of \$12,267 is required and budgeted for the Police plan in 2024.
- Staff recommends a contribution of \$20,000 in 2023 from the Health Benefit Fund to the Old Hire Police Plan

# 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 2023, GERP dropped to an unfunded liability of \$41.0 million and 82.8% funding versus an unfunded liability of \$30.6 million in 2022 and 86.3% funding.



# GENERAL EMPLOYEES' RETIREMENT PLAN

- Contribution requirement increased from 14.9% to 15.4% of compensation.
- Proposed 2024 budget includes a change in the city contribution requirement of 9.0% to 9.4%.
- Employee contribution requirement to grow from 6.6% for Tier 1 employees and 5.6% for Tier 2 employees to 7.0% and 6.0%.

# GENERAL EMPLOYEES' RETIREMENT PLAN

- With 2023 contributions not set to cover the actuarial contribution requirement, staff recommends a contribution of \$700,000 in 2023 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	86	33
FPPA defined benefit	16	16
FPPA Hybrid DB	8	1
FPPA Hybrid money purchase	5	42

New Hires in FPPA DB

38

15

# POLICE & FIRE RETIREMENT PLANS

2024 Contribution Requirements for the City will be:

- City DC plan employees 12.85%
- FPPA DB plan – re-entry employees 10.95%
- FPPA Hybrid plan – re-entry employees 12.85%
- FPPA DB plan – new employees 10.0%

# HEALTH BENEFIT FUND

- 2024 proposed budget includes health benefit cost inclusive of 5% 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 drop from 15.0% to 14.5%.

## HEALTH BENEFIT FUND

- Health Benefit Fund costs include a projected \$32,000 for wellness incentive costs.
- \$50,000 for police and fire physicals.
- \$50,000 for Public Safety counseling program
- Health Benefit Fund fund balance projected to end 2023 over \$11.5 million.
- Balance projected to increase in 2024.

# SELF INSURANCE FUNDS

# SELF INSURANCE FUNDS

- Liability Self Insurance Fund fund balance of \$3.5m with \$918,875 of claim reserves
- Workers Compensation Self Insurance Fund fund balance of close to \$7m with \$754,010 of claim reserves.
- Staff proposes a \$1m transfer in 2023 from WC Fund to Liability Fund.



# BUDGET SUMMARY BY FUND

# 2024 OVERALL PROPOSED BUDGET

- **\$444.52 million** – 7.61% and \$31.43 million more than the 2023 adopted budget of \$413.09 million
- 45 individual funds
- Large percentage increases or decreases in individual funds are due mostly to capital expenses
- CIP projects decreased from \$63.99 million to \$63.04 million

## 2024 CIP

- Major CIP decreases in individual funds include \$5.98m in the Streets Fund, \$3.32m in Sewer Construction Fund, \$2.79m in Park Improvement Fund, \$1.86m in Conservation Trust Fund, and \$1.58m in the Golf Fund.
- Major increases of \$5.22m in the Open Space Fund \$1.55m in Sewer Fund, \$1.5m in the Public Improvement Fund and \$1.27 in Storm Drainage Fund

# REVENUE PROJECTIONS

# SALES AND USE TAX REVENUE PROJECTIONS

Performance through July 2023	
Sales Tax	5.1%
Use Tax	(9.9%)
Combined	2.5%
Projections to end 2023	
Sales Tax	5.6%
Use Tax	(14.9%)
Combined	2.23%
Projections for 2024	
Sales Tax	3.15%
Use Tax	5.7%
Combined	3.49%

# PROPERTY TAX REVENUE ESTIMATES

- The proposed 2024 budget includes \$7,006,877 more of new property tax revenues from tax year 2023.
- Preliminary assessed valuations for tax year 2023 were received in late August.
- Final assessed value certifications will be received in late November.

# PROPERTY TAX REVENUE ESTIMATES

- The 2024 proposed budget uses \$3,506,877 of property tax for ongoing expenses and \$3,500,000 for one time expenses
- Within the 2024 budget, only \$500,000 of the \$3,500,000 of one time expenses have been specifically designated (TRP131, 1<sup>st</sup> & Main Transit Station) with the remaining \$3 million to be designated after the final assessed valuation is known.

# BUILDING PERMITS

Growth in 2024 budget

- Single-family                      50 dwelling units
- Multifamily                         700
- Combined                            750



# GENERAL FUND BUDGET SUMMARY

# 2024 GENERAL FUND PROPOSED BUDGET

- 2023 adopted General Fund budget ongoing revenues and expenses were \$104,228,425.
- 2024 proposed General Fund budget ongoing revenues and expenses are \$112,949,248.
- The proposed 2024 budget ongoing revenues and expenses are \$8,720,823 greater than 2023.

# 2024 GENERAL FUND PROPOSED BUDGET

2023 ongoing revenues	\$ 104,228,425
Reduction in ongoing revenue	(\$ 221,668)
Increase in ongoing revenue	<u>\$ 8,942,491</u>
2024 ongoing revenues	\$ 112,949,248

# 2024 GENERAL FUND PROPOSED BUDGET

Major *decreases* in ongoing revenue:

- State marijuana tax           \$ 50,000
- Disconnect tag fees           \$ 42,000
- Fines & forfeits               \$ 39,554

# 2024 GENERAL FUND PROPOSED BUDGET

Major *increases* in ongoing revenue:

- Property tax \$ 3,506,877
- Sales & Use tax \$ 2,047,881
- Administrative transfers \$ 1,058,394
- Interest income \$ 650,000
- Natural gas franchise revenue \$ 400,000

# 2024 GENERAL FUND PROPOSED BUDGET

Major *increases* in ongoing revenue:

- Recreation fees \$ 259,000
- Building permit fees \$ 220,363
- Plan check fees \$ 197,376
- Wastewater franchise fees \$ 188,740

# 2024 GENERAL FUND PROPOSED BUDGET

2023 ongoing expenses	\$ 104,228,425
Increase in ongoing expense	\$ 8,739,902
Reduction in ongoing expense	<u>(\$ 19,079)</u>
2024 ongoing expenses	\$ 112,949,248

# 2024 GENERAL FUND PROPOSED BUDGET

Decreases in ongoing expenses:

- Mental health & addiction \$ 15,000
- Workers comp expense \$ 4,000



# 2024 GENERAL FUND PROPOSED BUDGET

Major increases in ongoing expenses:

- Ongoing Level 1 \$ 2,027,762
- Ongoing Level 2 \$ 439,671
- 13.5 new FTE \$ 1,267,223
- Pay & related benefit increases \$ 2,824,461
- Fleet loan repayment \$ 1,062,500
- Human Service Agency funding \$ 248,196

# 2024 GENERAL FUND PROPOSED BUDGET

Major increases in ongoing expenses:

- Smucker's prop tax rebate \$ 160,833
- Longmont Public Media \$ 115,000
- Fleet lease increases \$ 141,768
- Ongoing assoc. w/1 time exp \$ 367,160
- Liability insurance \$ 44,847

# GENERAL FUND RESERVES

# 2023 GENERAL FUND RESERVE

Reserve Policy Targets		
TABOR Reserve	5.43%	\$ 5,654,646
Emergency Reserve	8%	\$ 8,338,274
Stabilization Reserve	3% to 8%	\$ 3.1m to \$ 8.3m
Total Reserve Target	16.4% to 21.4%	\$ 17.1m to \$22.3m
Current Funded Reserves		
TABOR Reserve	5.43%	\$ 5,654,646
Emergency Reserve	8.0%	\$ 8,338,274
Stabilization Reserve	4.87%	\$ 5,070,983
Total Reserve Target	18.30%	\$ 19,063,903

# 2024 GENERAL FUND PROPOSED BUDGET

Reserve Policy Targets		
TABOR Reserve	5.01%	\$ 5,654,646
Emergency Reserve	8%	\$ 9,035,940
Stabilization Reserve	3% to 8%	\$ 3.3m to \$ 9.0m
Total Reserve Target	16.0% to 21.0%	\$ 18.1m to \$23.72m
Current Funded Reserves		
TABOR Reserve	5.01%	\$ 5,654,646
Emergency Reserve	8.0%	\$ 9,035,940
Stabilization Reserve	6.08%	\$ 6,871,667
Total Reserve Target	19.1%	\$ 21,562,253

# USE OF GENERAL FUND FUND BALANCE

# SOURCES OF GENERAL FUND ONE TIME EXPENSES

- Operations from 2022 \$ 4.80 million
- Projected Operations from 2023 \$ 2.03 million

# GENERAL FUND USE OF FUND BALANCE

- One-time expenses \$4,329,340
  - From FB reserved for Union Reservoir \$ 48,938
  - From undesignated FB \$ 4,280,402
  
- Emergency reserve \$2,500,000



# **PUBLIC SAFETY FUND BUDGET SUMMARY**

# 2024 PUBLIC SAFETY FUND PROPOSED BUDGET

- 2024 revenues include \$17.2 million of sales and use tax, over \$1 million of grants and other intergovernmental revenues, and a projected \$91,711 from Firing Range operations.
- Public safety sales tax was approved in 2006 at 0.325% then increased in 2017 to 0.58%.

# 2024 PUBLIC SAFETY FUND PROPOSED BUDGET

Proposed expenditures of \$19.6 million include 115.03 FTE:

- Police (52 FTE)
- Fire (24 FTE)
- Collaborative Services (20.65 FTE)
- Office of the Chief (15 FTE)
- City Attorney (1 FTE)
- Children, Youth and Families (2 FTE)
- Graffiti removal (0.38 FTE)

# 2024 PUBLIC SAFETY FUND PROPOSED BUDGET

- 4 new FTE including 3 in Fire, and 1 in Collaborative Services
- \$1,178,785 for one-time expenses in Police and Fire
- Firing Range operations expenses of \$569,808 are 15.8% offset by projected user fee revenues from other governments and the public.

# 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,
- 78.6% of Public Safety Fund expenses in the 2024 proposed budget are salary and benefits.
- Proforma estimates are conservative but reflect that with consistent sales tax growth this level of ongoing expenses is sustainable.

# BUDGET TOPICS FOR NEXT WEEK

# TOPICS FOR SEPTEMBER 19

- Property tax revenue
- New positions
- One-time expenses
- Human Service Agency funding
- LDDA Budget
- Supporting Actions for Mental Health
- Early Childhood Capacity Building
- Grants and external funding sources



**Thank You**