



CITY OF LONGMONT | Office of the City Manager

TO: Honorable Mayor and City Council
FROM: Harold Dominguez, City Manager

A handwritten signature in blue ink, reading "Harold Dominguez", with a horizontal line underneath.

DATE: August 26, 2025

SUBJECT: 2026 Proposed Operating Budget Summary

Executive Summary

The proposed 2026 operating budget totals \$520.24 million, representing a 9.85% increase from the 2025 budget. This balanced budget maintains service levels while addressing strategic priorities through priority-based budgeting aligned with City Council and Envision Longmont's guiding principles. National economic headwinds, including persistent inflation, elevated interest rates, and volatility in the construction industry, continue to impact municipal revenues and operational costs.

Key Highlights:

- No tax rate increases
- Market-competitive employee compensation
- Enhanced infrastructure investments
- Strategic fund balance utilization of \$43.87 million
- Level One expense management addressing inflationary pressures on essential services

Budget Contingencies: Several projects currently in development may have a positive impact on the budget, pending certainty. Staff will return to the Council with proposed budget modifications if these projects are advanced.

Priority-Based Budgeting

Since 2013, the City has used priority-based budgeting to allocate resources based on program scores across four quartiles. Programs are evaluated on their influence toward the six guiding principles, as well as key attributes, including mandate requirements, city reliance, cost recovery, and the community served.

Guiding Principles (with community-determined weightings):

- Housing, services, amenities, and opportunities for all (20.3%)
- A safe, healthy, and adaptable community (17.7%)
- Livable centers, corridors and neighborhoods (17.1%)
- Job growth and economic vitality through innovation and collaboration (16.7%)
- Responsible stewardship of our resources (16.0%)
- A complete, balanced and connected transportation system (12.2%)

New resources prioritize higher quartile programs, with funding for the fourth quartile limited primarily to mandated programs that do not score highly during priority-based budgeting.

Revenue Overview

- **Sales & Use Tax Volatility:**
 - Use tax decline consistent with regional trends in development and business investment
 - Current macroeconomic conditions, including Federal Reserve interest rate policies, construction industry slowdown, and business investment uncertainty, require cautious flat revenue estimates consistent with national municipal trends
 - Most municipalities experiencing similar use tax challenges
- **Property Tax Legislative Impact:**
 - Colorado legislative changes to property assessment rates ([SB23B-001](#), [SB24-233](#)) reduce local government revenues
 - Assessment rate reductions impacting future revenue stability and long-term budget planning
 - Current State Legislature special session addressing budget shortfall from Federal tax code changes, with unknown consequences for local governments
- **Recreation Revenue Enhancements:** Strategic fee adjustments while maintaining community accessibility through low-cost programming (swim lessons, youth activities) and scholarship programs for income-qualified residents
- **Traffic Safety Camera Revenue:** Enhanced enforcement addressing unsafe driving behaviors with public safety as the primary objective, leading to increased revenue
- **Water rate** increase (2024 ordinance: 2025-2027)
- **Electric and Sanitation rate** adjustments pending Council direction are not included in the 2026 budget
- **NextLight** franchise fee increased to 4% aligns with operational needs and capital requirements without impacting customer rates

Budget Challenges

Economic Environment:

- Federal and state policy uncertainty affecting long-term revenue planning
- Post-pandemic economic adjustment continues affecting the retail and construction sectors
- Higher interest rates are reducing development financing and business expansion
- National construction material costs and labor shortages are impacting project timelines and costs

Marijuana Revenue Decline:

- State share reduction from 10% to 3%
- Decreased city sales tax from four existing stores (13.4%)
- Reduced special retail marijuana sales tax directly impacting affordable housing and mental health services funding (10.91%)

Development Revenue Pressures:

- Building permit revenue decreased due to reduced construction activity
- Continued uncertainty in development patterns affecting long-term projections
- Incremental development threshold increased from 200 to 300 dwelling units

Collective Bargaining:

- Negotiated salaries outpaced growth in the sales and use tax revenue feeding the Public Safety Fund

Lean Organization:

- Any reduction to staffing levels will directly impact services

Budget by Major Funds

Fund	Proposed Revenues	Proposed Expenditures	Contribution to/(from) fund balance
Electric and Broadband Fund	129,252,351	136,500,803	(7,248,452)
General Fund	124,709,177	131,155,724	(6,446,547)
Water Fund	37,990,849	46,354,633	(8,363,784)
Street Fund	29,254,950	37,423,891	(8,168,941)
Sewer Fund	22,347,148	22,299,860	47,288
Fleet Fund	16,324,684	21,740,380	(5,415,696)
Public Safety Fund	20,099,309	20,784,238	(684,929)
Storm Drainage Fund	12,913,300	14,905,178	(1,991,878)
Sanitation Fund	9,939,200	11,511,764	(1,572,564)
Public Improvement Fund	9,931,510	7,948,851	1,982,659
Open Space Fund	6,612,892	6,298,550	314,342
Utility Billing CIS Fund	6,036,346	6,036,346	-
Golf Fund	4,223,000	4,263,813	(40,813)
DDA Fund	3,789,326	3,914,238	(124,912)
Total	433,424,042	471,138,269	(37,714,227)

*The proposed expenditures from these funds represent 90.6% of the total 2026 budget.

New Resources

- **Level 1 Ongoing:** Required cost increases beyond our control needed to maintain current service levels (existing contracts, dues, inflation-driven bills); driven by inflationary pressures, including both Consumer Price Index and Producer Price Index
- **Level 2 Ongoing:** Requested items to enhance existing services or provide new services (new positions, expanded hours, new equipment maintenance contracts)
- **One-time:** Items requested for one year only (vehicles, equipment, projects)

In the proposed budget, we are unable to fund any Level 2 General Fund or Public Safety Fund requests.

2026 Budget: Funded Requests

Budget Highlights

Compensation & Benefits

Our goal is to maintain compensation at market rates (what similar jobs pay at other organizations). Over the past few years, we have worked to catch up with rapidly changing market conditions, and this year's analysis shows that we've largely achieved that goal. We also strive to pay our employees slightly above market rates (102% of the market) because Longmont staff continually take on more work with fewer staff members overall compared to other cities in our area. Last year, we were only able to pay at 100% of market, but the 2026 budget proposes paying at 101% of market as we work toward our 102% target in future years.

Medical premiums are increasing for employees, depending on their chosen plan, but no more than 10%. The increases do not impact the employee-only DHMO plan. The contributions to the pension plans will remain the same.

Department Budget Overviews

Shared Services

The 2026 Shared Services budget focuses on enhancing **Core Services** while supporting **Equity, Safety, and Sustainability** through technology advancements, security enhancements, and organizational development.

This includes:

- **Technology Roadmap** – advancing customer service improvements and employee empowerment tools
- **Enterprise System Implementation** – Salesforce adoption with citywide Single-Sign On for residents, unified profile integration across city services, and CareNet case management streamlining, including new income qualification processes
- **Security & Infrastructure** – enhancing existing systems with a focus on Criminal Justice Information Systems (CJIS) compliance
- **New Divisions Support** – continuing resources for Equity, GIS, Customer Request Management (CRM), Data and Analytics, and Best Value Approach (BVA) purchasing
- **Workforce Development** – implementing PTECH internship program alongside existing mentorship programs
- **Project Management** – advancing organizational resources and implementation capabilities
- **Organizational Changes** – finalizing Communications and Utility Billing restructuring

External Services

The 2026 External Services budget focuses on strengthening the City's ability to deliver responsive governmental services while fostering stronger community connections through enhanced engagement and improved access to public resources.

This includes:

- **Community Engagement** – enhanced outreach programs and public participation opportunities
- **Public Resource Access** – improved accessibility and availability of city services and information
- **Regional Partnerships** – collaborative initiatives with partner organizations for enhanced quality of life
- **Responsive Service Delivery** – maintaining the city as a trusted, community-focused partner

The **Transportation Planning Services** budget advances **Transportation** Council priorities through Vision Zero implementation, continued commitment to Microtransit, and progress on the 1st and Main Transit hub.

This includes:

- **Vision Zero Implementation** – comprehensive safety initiatives reducing traffic fatalities and serious injuries
- **Microtransit Services** – continued operation and expansion of on-demand public transportation
- **Transit Hub Development** – advancing 1st and Main transit center planning and construction
- **Multimodal Planning** – integrated transportation system development supporting all travel modes

The **Human Services** budget advances **Equity, Safety, Sustainability** and **Housing for All** priorities by addressing the community's greatest needs, including mental health resources, food security and homeless outreach.

- **Senior Center Operations** – comprehensive programming and services supporting aging community members
- **Youth Center Programs** – recreational, educational, and support services for young residents
- **Mental Health Resources** – community-based services and crisis intervention support
- **Food Security Initiatives** – programs addressing hunger and nutrition access for vulnerable populations
- **Homeless Outreach Services** – coordinated support and housing assistance for individuals experiencing homelessness
- **Health and Human Service Organization Funding** – grants and partnerships with community organizations delivering essential services

The **Library** budget enhances **Places & Amenities** and **Early Childhood Care and Education** priorities by creating connections that address community and regional needs through expanded access to collections, programs, and spaces as a central hub for learning and engagement.

This includes:

- **Collection Expansion** – broadening access to diverse materials and resources supporting early childhood literacy
- **Program Development** – enhanced educational and community programming with emphasis on early learning initiatives
- **Space Optimization** – maximizing facility use for community gatherings and activities
- **Regional Collaboration** – strengthening partnerships to serve broader community needs

The **Recreation** budget supports **Places & Amenities** and **Equity** priorities by maintaining financial sustainability through an 80% cost recovery rate while strategically expanding programs to meet growing community needs.

This includes:

- **Financial Sustainability** – maintaining cost recovery targets while expanding services
- **Program Expansion** – strategic growth in offerings for all age groups

- **Quality Assurance** – ensuring high-quality, affordable opportunities for residents
- **Community Access** – balancing fiscal responsibility with inclusive service delivery

The **Museum** budget advances **Places & Amenities** priorities by supporting ongoing expansion efforts to provide enhanced opportunities for residents and visitors to connect with art, history, and culture.

This includes:

- **Facility Expansion** – continued development of museum spaces and capabilities
- **Exhibition Development** – new displays reflecting Longmont's community and heritage
- **Educational Programming** – expanded learning opportunities for all ages
- **Public Events** – community celebrations and cultural programming

The **Parks and Open Space** budget strengthens **Places & Amenities** and **Sustainability** priorities by investing in navigable path networks that connect residents to parks, open spaces, and natural amenities.

This includes:

- **Path Network Development** – creating connected trails linking neighborhoods to natural areas
- **Safety and Accessibility** – ensuring inclusive access for all community members
- **Natural Preservation** – protecting and showcasing Colorado's natural beauty
- **Neighborhood Connectivity** – direct access from residential areas to outdoor amenities

The **Planning and Development Services** budget advances **Housing for All** and **Core Services** priorities by sustaining existing service levels while ensuring adequate funding for ongoing projects and City Council priority initiatives.

This includes:

- **Service Level Maintenance** – continuing current development review and planning services
- **Project Completion** – adequate resources for ongoing initiatives
- **Council Priorities** – funding alignment with strategic city objectives
- **Development Support** – maintaining responsive service to community growth needs

The **Housing & Community Investment** budget centers on supporting **Housing for All** by providing resources to strengthen our community and ensure opportunities for long-term prosperity while promoting **Equity, Safety and Sustainability**.

This includes:

- **Facilitating Affordable and Attainable Development** – utilizing a systems approach to reduce market pressure across the housing spectrum by funding projects and creating or refining incentive programs
- **Supporting Regional Partnerships** – collaborating to strategize on housing solutions
- **Finding Triple Bottom Line Solutions** – ensuring projects and programs support multiple Council priorities, including early childhood education, economic development, and sustainability

NextLight

The 2026 NextLight budget advances **Equity** and **Core Services** priorities through a balanced \$23 million budget supporting 29,000 residential and commercial customers with continued network expansion and service enhancement.

This includes:

- **Network Expansion** – leveraging existing assets and building to new brownfield and greenfield developments, supporting community growth
- **Infrastructure Reliability** – maintaining resilient network operations with increased capacity and redundancy measures, ensuring consistent service delivery
- **Technology Investment** – software improvements enhancing employee efficiency and customer experience through streamlined processes
- **Customer Growth** – elevated marketing and website development to expand service reach and community connectivity
- **Workforce Development** – supporting staff growth and development to maintain high-quality service standards
- **Digital Equity Programs** – affordable internet access initiatives supporting low-income households and bridging the digital divide
- **Economic Development Support** – high-speed connectivity enabling business growth and innovation throughout Longmont

Public Safety

The 2026 Public Safety budget advances **Safety** and **Core Services** priorities by strengthening community protection through strategic staffing, technology investments, and expanded community engagement programs.

This includes:

- **Strategic Staffing Enhancement** – increasing personnel levels to prevent overextension while replacing certain positions with highly qualified professional staff, allowing more sworn officers and firefighters to focus on frontline duties with direct community safety impact
- **Technology as Force Multiplier** – expanding camera systems for traffic enforcement and community safety coverage in parks and open spaces to enhance operational efficiency without increasing personnel strain
- **Community Engagement Programs** – deepening personal and human-level connections, including expansion of services for individuals experiencing homelessness, mental health crises, or substance abuse
- **School Partnership Initiative** – introducing Community Outreach, Response, and Engagement (CORE) program into local schools through partnership with St. Vrain Valley School District

- **Fleet Management** – long-term planning with take-home vehicles (one per officer) extended to eight-year lifecycles from four years, providing operational savings despite supply chain delays and cost increases during the 2023-2025 funded purchase period
- **Operational Efficiency** – focused on addressing efficiency by identifying cost-saving measures and streamlining operations to cut expenses while improving overall effectiveness in serving the community

Utilities and Public Works

The 2026 **Longmont Power and Communications** budget advances **Climate Action** through renewable energy expansion and advanced grid management capabilities, while ensuring the reliable delivery of **Core Services**.

This includes:

- **Infrastructure Maintenance** – adding one 4-person line crew dedicated to system maintenance and reliability
- **Renewable Energy Integration** – increased wholesale energy purchases to support CIP expenditures for utility-scale batteries, aero-derivative generation, and virtual power plant programs
- **Staff Training & Development** – enhanced training for substation and line crew operations, Distributed Energy Resources (DER), DER Management System, Advanced Distributed Management System (ADMS), and Grid Management System (GMS) functions
- **Grid Modernization** – advancing smart grid technologies and distributed energy management capabilities

The 2026 **Water, Wastewater and Sanitation** budget ensures reliable **Core Services** while advancing **Equity, Safety and Sustainability** through infrastructure improvements, environmental stewardship, and regulatory compliance.

This includes:

- **Water Fund** – inflationary increases for treatment chemicals, critical equipment replacement, and fleet vehicle updates
- **Water Resources** – Chimney Hollow assessments for Windy Gap water utilization and strategic watershed land acquisitions
- **Laboratory Services** – additional testing equipment and contract lab work to improve data collection reliability
- **Sewer Fund** – inflationary contract increases and carbon needs study for anticipated nutrient removal regulations
- **Waste Services** – Sanitation proposed budget includes reductions to operating expenses; If the proposed rate study is adopted, the budget will be adjusted to reflect the proposal presented to the City Council

- **Master Planning** – comprehensive treated water and wastewater planning to guide future infrastructure needs

The 2026 **Streets & Transportation** budget advances **Transportation** and **Equity, Safety and Sustainability** priorities while maintaining comprehensive **Core Services** and Vision Zero safety initiatives across six operational areas.

This includes:

- **Street Operations** – daily maintenance, repair, and snow removal for all streets and alleys; regular sweeping and debris clearing; traffic sign manufacturing, installation, and maintenance; concrete infrastructure repair for curbs, gutters, sidewalks, and cross-pans
- **Streets/Storm Engineering** – management and supervision of traffic, transportation, and storm drainage programs; development planning oversight; capital project coordination; Vision Zero transportation system management
- **Traffic Signals** – maintenance and operation of signal systems, school flashers, overhead signs, and radar signs; preventive maintenance planning and equipment procurement
- **Survey and Engineering Support** – technical assistance for development and capital improvement programs across Utilities, Public Works, and citywide departments
- **Construction Inspection** – quality assurance for public improvement projects; development inspection services; street work-in-right-of-way permit oversight; storm water management compliance
- **Storm Operations** – maintenance and repair of drainage infrastructure, including ditches, channels, culverts, catch basins, detention facilities, and storm sewers

New Positions

The 2026 budget includes 12.00 new FTE positions strategically aligned with service delivery needs and growth projections.

- Electric: 4.00
- IT Services: 4.00 (all fixed term)
- Open Space: 0.85
- Street: 1.00
- Water: 2.15

Capital Improvements

Major 2026 capital investments focus on infrastructure renewal and facility improvements:

Transportation	\$38,415,350	Street reconstruction, traffic improvements, and multimodal connectivity
Water	\$16,451,720	Water storage, transmission and treatment, and acquisitions

Electric	\$13,377,588	Capacity increases, rehabilitation and improvements
Parks, Recreation & Open Space	\$11,064,801	Rehabilitation and improvements, acquisitions, and parks and trails expansions
Public Buildings & Facilities	\$4,474,624	Rehabilitation, maintenance and improvements
Sewer	\$3,019,500	Collection and treatment rehabilitation and improvements
Drainage	\$2,850,850	Rehabilitation and improvements
Broadband	\$2,770,191	Reliability, undergrounding and installation
Downtown Redevelopment	\$820,000	Downtown redevelopment for 600 Main rehabilitation and wayfinding

Financial Policies & Fund Balance

The 2026 budget maintains compliance with all adopted financial policies:

- **General Fund Reserve** – 20.6% of operating expenditures (target: 17.0%-22.0%)
- **Balanced Budget** – ongoing revenues fund ongoing expenses
- **Enterprise Fund Cost Recovery** – rates aligned with operational requirements
- **Capital Replacement** – systematic infrastructure renewal funding
- **Compensation** – paying at 101% of the market
- **Incremental Development Revenue** – threshold increased from 200 to 300 dwelling units
- **Recreation Cost Recovery** – 80% recovery achieved in this budget

Implementation Timeline

August 26, 2025 – Budget summary presentation

September 2025 – Detailed departmental reviews and public input sessions

October 2025 – Public hearings and Council adoption

January 1, 2026 – Budget implementation

2026 Budget Presentations

August 26 – Regular Meeting

- 2026 Budget Presented

September 2 – Study Session

- 2026 Budget Summary
- General Fund budget summary
- Public Safety Fund budget summary
- Employee Compensation and Benefits
- Unfunded needs

September 9 – Regular Meeting

- New positions
- One-time expenses
- Transportation Funding
- LDDA budget

September 16 – Study Session

- 2026 – 2030 Proposed CIP
- Sanitation Fund budget summary
- NextLight budget summary
- Utilities budget summaries
- New Information Technology Fund

September 23 – Regular Meeting

- Airport Fund budget summary
- Financial Policies
- Public Hearing

September 30 – Study Session

October 7 – Study Session

- Second Public Hearing
- Final Direction from Council

October 14 – Regular Meeting

- Budget Ordinances

October 28 – Regular Meeting

- Budget Ordinances & Resolutions