CITY OF LONGMONT | Office of the City Manager

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

DATE: September 1, 2026

SUBJECT: 2027 Operating Budget Summary

Executive Summary

The proposed 2027 operating budget totals $547.5 million, representing a 5.32% increase from the 2026 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.

This year's budget was more complex to develop than in recent years. Sales and use tax revenue remained volatile, and staff waited for an additional month of collections data before finalizing projections to avoid skewing estimates in either direction. Property tax also posed challenges: the State's ongoing adjustments to assessment ratios for both commercial and residential properties were not reflected in the County's initial data, requiring staff to manually calculate them, which delayed revenue projections. A budget gap identified in the final weeks of budget development required staff to reduce Level One expenses and revisit planned adjustments in compensation and fleet. Throughout this process, the goal was to minimize the impact on the community and on the staff members who carry out this work every day, while maintaining current service levels.

Key Highlights:

- No tax rate increases
- A 3% market range adjustment to employee compensation
- Enhanced infrastructure investments
- Strategic fund balance utilization of $34.4 million
- Level One expense management addressing inflationary pressures on essential services

Long-Term Budget Contingencies:

This budget does not include the potential impact of the proposed public safety sales tax ballot measure. If voters approve the measure, staff will return to Council with proposed amendments to incorporate the additional revenue.

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 are 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
  - Initial estimates showed about $750,000 in new property tax revenue from new construction; that figure did not yet reflect the State's assessment ratio adjustments, and once those adjustments were factored in, the net impact was closer to a $1 million reduction
- **Museum Fee Increases**: Expanded amenities at the Longmont Museum, opening in late 2026, led to higher gallery admission fees. Fees will begin in late 2026 and are included within this budget.
- **Traffic Safety Camera Revenue**: Enhanced enforcement addressing unsafe driving behaviors with public safety as the primary objective, leading to increased revenue

- **Adopted Water, Electric, and Waste Services rate** increases to continue to recover the cost of providing utility services
- **Additional adjustments to Waste Services rates** pending Council direction are not included in the 2027 budget

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:

- The State reduced its shared marijuana revenue from 10% to 3% and has since eliminated it entirely; the City no longer receives any state share.
- Two new marijuana stores in recently annexed enclaves, largely offsetting this loss and resulting in minimal net growth in overall marijuana-related revenue.
- National trends also point to declining alcohol and marijuana use among youth, which may affect long-term demand as these cohorts age (SAMHSA, 2025 National Survey on Drug Use and Health).

Development Revenue Pressures:

- Continued uncertainty in development patterns affecting long-term projections
- Limited remaining land available for development is reducing the organic revenue growth the City has historically seen from new construction

Fleet Fund Pressures:

- Vehicle acquisition costs and supply chain disruptions stemming from the pandemic drove up costs and delayed depreciation schedules, requiring the fund to catch up on deferred depreciation as a one-time cost that will phase out as the fleet is fully replaced
- Enhanced auction sale strategies increased proceeds well beyond projections, and the City is developing an internal vehicle leasing model, similar to approaches used in the private market, to help manage long-term fleet costs

Collective Bargaining:

- Negotiated salaries outpaced growth in the sales and use tax revenue feeding the Public Safety Fund
- Funding nine firefighter positions that were eliminated when Fire Station 1 opened; restoring them reduces reliance on overtime, which is paid at time-and-a-half, providing savings over the long term despite the near-term budget impact

- Fire compensation markets shifted from an annual-hours basis to an hourly basis, consistent with peer agencies such as Denver and Aurora, requiring recalibration of market pay comparisons

Airport Fund:

- The budget balances the Airport Fund by maintaining the Administrative Transfer Fee to the General Fund at 50% and deferring capital projects that require a local matching contribution; adding back any project with a required match would cause the fund balance to decline faster than currently projected

Lean Organization:

- Any reduction in staffing levels will directly impact services

Budget by Major Funds

Fund	Proposed Revenues	Proposed Expenditures	Contribution to/(from) fund balance
Electric and Broadband Fund	144,660,577	153,060,214	(8,399,637)
General Fund	127,499,855	133,715,921	(6,216,066)
Water Fund	41,945,523	51,011,926	(9,066,403)
Street Fund	33,240,117	33,931,919	(691,802)
Sewer Fund	22,902,784	26,880,023	(3,977,239)
Public Safety Fund	21,322,338	22,194,674	(872,336)
Fleet Fund	18,778,650	21,640,006	(2,861,356)
Storm Drainage Fund	14,137,014	14,171,444	(34,430)
Sanitation Fund	14,056,441	13,263,412	793,029
Public Improvement Fund	11,393,288	13,034,576	(1,641,288)
Open Space Fund	7,126,149	9,591,463	(2,465,314)
Water Construction Fund	3,592,160	8,422,315	(4,830,155)
Technology Services Fund	6,539,990	6,586,599	(46,609)
Utility Billing CIS Fund	5,211,182	5,211,182	-
Golf Fund	4,916,436	4,832,783	83,653
Total	**477,322,504**	**517,548,457**	**(40,225,953)**

*The proposed expenditures from these 15 funds represent 94.5% of the total 2027 budget.

New Resources

- **Level One 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 Two 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 funded minimal Level 2 requests in the General Fund or Public Safety Fund.

Budget Highlights

Compensation & Benefits

Our goal is to maintain compensation at market rates (what similar jobs pay at other organizations). For 2027, the City will hold the 2026 pay plan benchmarks and will not apply a separate 2027 market adjustment or market movement. Rather than adjusting the pay plan based on updated 2027 market data, the City will apply a 3.0% across-the-board movement to all non-collectively bargained positions. This approach allows the City to provide a consistent annual increase while maintaining the compensation structure's 2026 market positioning.

The City also strives to pay employees slightly above market, with a long-term target of 102% of market. This recognizes that Longmont employees continue to take on increasing responsibilities while overall staffing levels remain lean compared with other cities in the area. Last year, the City maintained compensation at 101% of market, and for the 2027 budget, we will continue to target 101% of market as we work toward our 102% goal in future years.

Medical premiums are increasing for employees, depending on their chosen plan, but no more than 10.1%. 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 2027 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** – continuing to advance customer service improvements and employee empowerment tools
- **Enterprise System Implementation** – continued Salesforce adoption with citywide Single-Sign On for residents, unified profile integration across city services, and CareNet case management maintenance and enhancements
- **Security & Infrastructure** – enhancing existing systems with a focus on Criminal Justice Information Systems (CJIS) compliance
- **Workforce Development** – implementing PTECH internship program alongside existing mentorship programs
- **Project Management** – advancing organizational resources and implementation capabilities
- **Communications** – streamlining workflow and asset management, and continuing to expand resident engagement

External Services

The 2027 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 the Council's goal of encouraging housing, neighborhood, and human resilience 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
- **Children, Youth and Families (Youth Center Programs) –** recreational, educational, prevention, intervention 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 the Council's goal of providing reliable and equitable core services for a resilient community by creating connections that address community and regional needs through expanded access to collections, programs, and spaces, serving 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 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 **creating a strong sense of character and place in our community** 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 our community's **strong sense of character and place** 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 the priorities of **encouraging housing, neighborhood and human resilience,** and **providing reliable and equitable core services for a resilient community** 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 **Redevelopment and Revitalization** budget advances the goals of **creating economic and business ecosystem resilience** through innovation and collaboration, while **creating a strong sense of character and place in our community through innovative transportation and development.**

This includes:

- **Urban Renewal** – revitalize the physical, economic, social, and environmental conditions of underutilized areas
- **Nurturing Public Private Partnerships** – collaborating to strategize innovative planning and financing solutions
- **Spur Private Investment** – creating vibrant, inclusive places that improve quality of life for our residents while generating economic activity that benefits the whole community

Housing and Community Investment

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 2027 NextLight budget advances **Equity, Core Services, and Customer Experience priorities with a $24 million budget, supporting 30,000 residential and commercial customers through continued network expansion and service enhancements** via an updated technology stack.

This includes:

- **Network Expansion –** extending fiber to remaining brownfield properties and new greenfield developments, supporting customer growth
- **Infrastructure Reliability** – maintaining resilient network operations with increased capacity and redundancy measures, ensuring consistent service delivery
- **Technology Investment** – improving the technology stack to simplify, streamline and automate processes, yielding desired customer and employee experiences
- **Customer Growth** – elevating our marketing and lead generation efforts, maximizing growth potential
- **Workforce Development** – continually supporting staff growth and development to maintain high-quality service standards
- **Digital Equity Programs** – promoting affordable internet access for qualified individuals and families, bridging the digital divide
- **Economic Development Support –** enabling business growth and attraction with unparalleled fiber-based solutions

Public Safety

The 2027 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** – Public Safety will continue evaluating staffing and organizational needs following position reductions and the loss of grant funding. Priorities will focus on sustaining core services and identifying resources for critical programs such as LEAD.
- **Technology as Force Multiplier** – Public Safety will expand responsible use of technology, including traffic enforcement cameras and Drones as First Responders, to improve efficiency and response. New technologies will be evaluated with the City's Technology Committee with an emphasis on transparency, privacy, accountability, and community trust.
- **Community Engagement Programs** – Public Safety remains committed to community-based responses for homelessness, behavioral health, substance use, and other complex needs. As grant funding declines, the department will evaluate sustainable funding options and how these services fit within the broader Public Safety model.
- **Operational Efficiency** – Public Safety will continue reviewing staffing, programs, technology, contracts, fleet, and other expenses to identify efficiencies and funding priorities. The focus will be on protecting essential frontline services while managing anticipated budget pressures in 2027.

Utilities and Public Works

The 2027 **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:

- **Maintaining Safe Infrastructure** – adding one 3-person arborist crew dedicated to managing trees growing near power lines (as part of a larger wildfire mitigation plan) and performing pole and equipment inspections to guide prioritized equipment maintenance; continued drone inspections and focused attention from new (in 2026) maintenance crew, enhanced underground line replacement and replacement of out-of-standard equipment that could pose safety concerns
- **Renewable Energy Integration** – increased wholesale energy purchases to support CIP expenditures for local utility-scale batteries, community solar, 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; addition of two staff to address these priorities
- **Grid Modernization** – advancing smart grid technologies and distributed energy management capabilities

The 2027 **Water, Wastewater and Sanitation** budget ensures **Reliable**, **Equitable, and Sustainable Core Services** 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 meet changing regulations
- **Sewer Fund –** inflationary contract increases and carbon needs study for anticipated nutrient removal regulations
- **Waste Services –** evaluation of recycle center operations and routing software with waste identification capability to improve customer service
- **Master Planning** – comprehensive treated water and wastewater planning to guide future infrastructure needs

The 2027 **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 2027 budget includes 20.00 new FTE positions strategically aligned with service delivery needs and growth projections.

- General Fund: 10.41
- Electric Fund: 5.00
- Broadband Fund: 1.00
- Storm Drainage Fund: 0.18
- Sanitation Fund: 1.27
- Street Fund: 0.89
- Sustainability Fund: 0.50
- Utility Billing/CIS Fund: 0.75

In addition, 8.00 fixed-term FTE moved from ongoing funding to one-time funding to better align with the fixed-term status.

- General Fund: 2.29
- Electric Fund: 0.30
- Broadband Fund: 0.10
- Water Fund: 0.28
- Sewer Fund: 0.12
- Storm Drainage Fund: 0.08
- Sanitation Fund: 0.04
- Affordable Housing Fund: 0.21
- Street Fund: 0.44
- Open Space Fund: 0.10
- Fleet Fund: 0.04
- Technology Services Fund: 4.00

Capital Improvements

Major 2027 capital investments focus on infrastructure renewal and facility improvements:

Transportation	$16,064,500	Street reconstruction, traffic improvements, and multimodal connectivity
Water	$30,665,470	Water storage, transmission and treatment, and acquisitions
Electric	$18,487,302	Capacity increases, rehabilitation and improvements
Parks, Recreation & Open Space	$6,876,973	Rehabilitation and improvements, acquisitions, and parks and trails expansions
Public Buildings & Facilities	$7,787,190	Rehabilitation, maintenance and improvements
Sewer	$8,400,000	Collection and treatment rehabilitation and improvements
Drainage	$3,661,350	Rehabilitation and improvements
Broadband	$3,065,502	New construction, new customer buried drops and network rehabilitation
Downtown Redevelopment	$30,000	Downtown parking lot improvements

Financial Policies & Fund Balance

The 2027 budget maintains compliance with all adopted financial policies:

- **General Fund Reserve** – 19.4% 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 remains at 300 dwelling units
- **Recreation Cost Recovery** – 80% recovery achieved in this budget

Conclusion

Thank you for your time, attention and guidance in preparing the City's operating budget for 2027. This is one of the most important tasks that you undertake each year as members of the Longmont City Council.

Preparation of the 2027 Operating Budget and the 2027 – 2031 Capital Improvement Program was made possible through the dedication and efforts of many staff members throughout the organization. We look forward to working together to implement this budget and provide the best services and programs possible for the residents of Longmont.