



October 1, 2024

Honorable President and City Council Members of the City of Steamboat Springs:

In accordance with Section 9.4 of the Steamboat Springs Home Rule Charter, we hereby present the proposed Budget for the 2025 calendar year. As prepared and submitted, the 2025 Budget is intended to serve as a policy guide for the ensuing fiscal year relative to City Council's and the community's goals and priorities. It also serves as a description and accounting of the resources necessary to achieve the service delivery levels, projects, and programs of the city.

Mission, Vision, Values

Our Vision – What We Aspire to Be:

We are an innovative and inclusive organization strategically providing outstanding municipal services.

Our Mission – Why We Exist:

Proudly serving our community with excellence and distinction.

Our Values – What We Believe:

Service: We are dedicated to the community and each other.

Integrity: We build trust through responsible actions and honest relationships.

Respect: We value everyone and treat people with dignity and professionalism.

Teamwork: We work together with colleagues, citizens, customers and partners with open communication and accountability.

Well-Being: We do meaningful work and improve quality of life by promoting work-life balance, health, and wellness.

Compassion: We are kind and caring to everyone we encounter.

2024-2025 City Council Goals

Priority Goals

Affordable/Attainable Housing

- Continue pursuit of Brown Ranch Annexation for affordable and attainable housing
- Evaluate and consider policies and legislation that result in more workforce housing
- Pursue city-owned employee housing

Transportation and Mobility

- Aggressively pursue formation of the Rural Transportation Authority
- Partner with CDOT for US 40 West improvements
- Enhance transportation and mobility options for residents and visitors of Steamboat Springs

- Prioritize bike/ped/bus options over cars

Environmental Sustainability

- Operationalize and implement the Climate Action Plan (CAP) in city decisions (this includes water conservation)

Ongoing City Council Efforts

Culture and Historic Preservation

- Support the city's historic preservation and educational efforts through policy
- Continue to partner with and support cultural arts organizations

Fiscal Sustainability

- Identify additional revenue sources to diversify our revenue base
- Link services with funding source (user fees)

Recreation

- Expand our Parks and Recreation services to meet current and future demands of the community

DEI

- Provide equitable access to city services through continued DEI efforts and policy decisions

Childcare

- Facilitate the provision of more childcare opportunities

Strategic Plan

The Strategic Plan outlines short- and mid-term objectives, influences the city's budgeting process and guides the implementation of the city's full range of services to:

- Set priorities aligned with organizational strategy
- Strengthen operations
- Ensure the team is working on common goals

The 2025 budget evaluates available resources, allocates resources to the highest priorities, and seeks to fund the programs and services that are most likely to achieve the six Strategic Outcomes identified by Council:

1. Community Livability & Economic Health
2. Culture & Recreation
3. Environmental Health
4. High Performing Government
5. Safe Community
6. Transportation & Mobility

2025 Budget

Navigating the Seas in the Boat – Trimming the Sails

This year's budget theme is "Navigating the Seas in the Boat – Trimming the Sails." With continuing inflation and minimal revenue growth, it is not possible to maintain the same level of service for basic community needs. In a time where the desire exists to expand services, the city is challenged to maintain current services and assets.

Guiding Principles

When starting the 2025 budget process, guiding principles were set and referred to by staff throughout the process. They are as follows:

- Plan for a slowing economy.
- Propose budgets that align with the Strategic Plan.
- Consider community impacts to changes in service levels.
- Consider current resources to ensure completion of capital projects.
- *Be prepared to make hard choices.*

Overview

The total 2025 budget includes \$150.2M in budgeted expenditures and \$163.7M in corresponding revenue across 10 funds. Expenditures are typically budgeted to be higher than revenue due to capital projects and capital equipment purchases; however, with the Short-Term Rental Tax Fund, the corresponding 2025 expenditures have not been identified and revenue will remain in fund balance until City Council appropriates these funds. Fund balance across all funds is projected to be \$87.9M at the end of 2025.

The city's financial policies indicate that it is a goal to provide City Council an operating budget that is balanced by current revenue. The total 2025 General Fund budget is balanced with approximately \$145,000 surplus.

Costs are allocated amongst multiple departments and divisions to address the highest community needs. This includes Public Works, Police, Fire, Parks & Recreation, Planning, Legal, Municipal Court and General Government. These expenditures are further broken down into classifications of operating, personnel, transfers, community support, debt service, and capital outlay.

Operating

City services have largely been budgeted at existing service levels for 2025; however, with high year-over-year inflation and flat revenue growth, there are significant budget requests that are not funded in this budget. The city strives to provide best-in-class services, but with increased community growth, increased demand for services, and lack of diversified revenue, providing a balanced budget to City Council requires difficult choices and reduction of services to the community. These reductions will be most noticeable to the community in transit with reduction of services, and the police department with a reduction in community service officers and delays in hiring patrol officers. The budget reductions that aren't noticeable immediately but will be felt over

time are deferred maintenance projects, insufficient staffing levels, reduction of merit increases for staff, reduction of training, delayed equipment purchases, and budget reductions related to the strategic plan implementation. The budget being proposed to City Council is balanced, but not without hard choices and sacrifices by all departments and divisions.

Personnel

Over the past several years, the City has undertaken efforts to establish and maintain our Total Rewards programs including competitive compensation and benefits. These steps forward have made an overall positive difference, though recruitment, retention, and staff capacity to sustain current service levels; however, increasing demand for services continues to present challenges, underscoring the importance of our total rewards strategy.

Employee Recruitment and Retention

To stay competitive and address recruitment and retention issues, the City has committed to the common practice of participating in annual compensation studies to ensure our pay structures are aligned to the market. As a result of the market analysis conducted in the summer of 2024, the 2025 personnel budget includes adjustments to the pay structures as recommended by our external compensation consultant, Graves Consulting, LLC. The most recent market analysis prior to this year was completed last year in 2023 and implemented as part of the 2024 budget. To ensure pay equity and per best practice every couple of years, we participated in a pay equity statistical analysis which was also conducted by Graves Consulting. Pay equity is important to ensure equitable pay as we are committed to being an equal opportunity employer.

Due to the nature of salary surveys, the data generally lags by a year or so, but it is the most current information available to us. To address this, the city has aligned with the common compensation philosophy to “age” the data to compensate for the lag. This allows us to be more proactive with our recruitment and retention efforts to keep pace with the market. This philosophy also assists us in addressing both rising housing costs and inflation. Based on the evaluation of job descriptions, job families, and job classes, the increased market adjustments for Labor Trades, Professional, Management, and Civilian job families are placed to increase by 2% this year. If a position’s market rate was determined by the consultant to be upgraded to the next grade based on market data, it was moved to the appropriate grade.

The city takes an approach to move employees within their pay ranges and through their range via a merit increase philosophy. This means the city proposes to adjust salaries by the 2% range movement per job family and provide merit increases of 0-3%, as determined by the employee’s supervisor. Those positions that were recommended for upgrade to the appropriate grade per market benchmarking or highlighted for review in the pay equity analysis have been adjusted appropriately, inclusive of range movement and merit potential.

Sworn Police employees and Fire/EMS employees have separate pay plans that are based on a step program. There are different steps depending on the position and each step has specific requirements to advance. The market shift for sworn personnel for the Police Department was 2%. The Fire Department pay plan was adjusted by 5% per this year’s market data. Each step for both the Police Department and Fire Department ranges from 5-7%, and this increase is in addition to the market shift.

The best practices of conducting annual benchmarking and (at least) biennial pay equity analysis will continue to allow the City of Steamboat Springs to stay competitive with the market and not fall behind, helping with employee recruitment and retention per our total rewards strategy.

Personnel Requests:

Twenty-three positions were requested in the 2025 budget process and only a small portion of them are funded in the proposed budget due to funding constraints. The 2025 budget includes a net 2.52 additional FTEs (Full Time Equivalents). Leadership Team discussed and ranked requested positions based on these 5 criteria:

1. Level of Service
2. Health & Safety
3. Mission Critical
4. Strategic Plan
5. New Service

The ranking is beneficial to the discussion of new FTEs, but the two largest deciding factors to adding FTEs was available budget and maintaining current service levels where possible. Several of the proposed FTEs will be funded with outside funding sources such as grant funding or dedicated revenue.

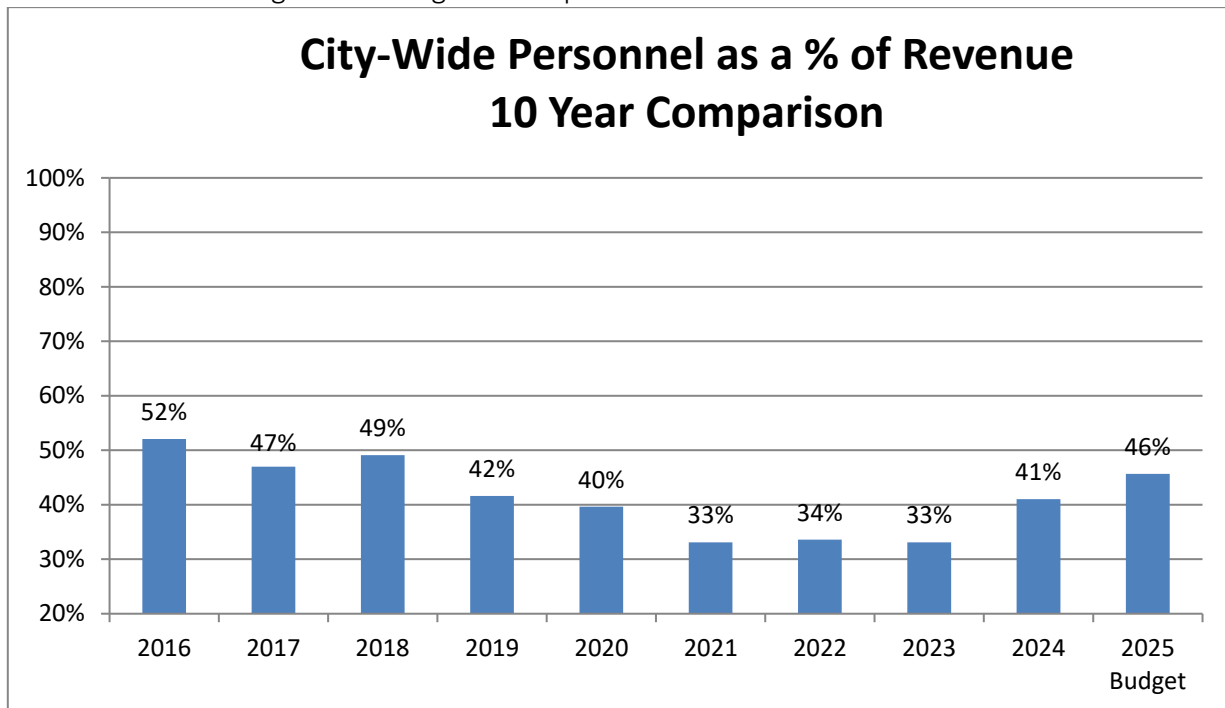
Positions Requested and Funded in the Proposed 2025 Budget

2024 Original Budgeted FTEs - (FT, PT, Seasonal & Elected Officials)		353.32
<u>2024 Mid-Year Changes</u>		
IT Business Analyst	DCM	1.00
Temporary Positions for Workday (ERP) Implementation	Fin/HR	<u>4.00</u>
2024 Projected FTEs		358.32
<u>Proposed FTE Additions – 2025 Budget</u>		
General Fund		
Police Department Sergeants	PD	2.00
Reduce Community Service Officers (CSOs)	PD	(1.00)
Deputy Chief of Administration (Fire)	Fire	1.00
Assistant Finance Director	Finance	1.00
Community Engagement Specialist (Pending Grant Funding)	DCM	1.00
Equipment Operator (Delay start until 11/25)	PW	1.00
Housing Innovation Specialist (Pending Grant Funding)	Planning	1.00
Botanic Park Seasonal (Donation Funded)	P&R	0.50
Maintenance Technician – Ice Arena	P&R	1.00
Ice Arena Seasonal Reductions	P&R	(0.61)
Recreation Seasonal Reductions	P&R	(0.62)
Miscellaneous Corrections	Multiple	(3.75)
Community Recycling Coordinator/CAP Coordinator (added FT)	DCM	<u>N/A</u>
Total Change from 2024 Projected FTEs		2.52
2025 FTE Budget – (FT, PT, Contracted, Seasonal, & Elected)		360.84

The following positions were requested by departments, but were not funded:

FTEs Requested in 2025 Budget – Unfunded		
HR & Risk Coordinator	CM/HR	1.00
Facilities Maintenance Worker	DCM	1.00
Water Quality and Conservation Specialist	PW	1.00
Urban Forester	P&R	1.00
Police Investigations Detective	PD	1.00
Code Enforcement Supervisor	PD	1.00
Civilian Investigator/Community Engagement Specialist (Contract)	PD	1.00
Irrigation Technician	P&R	2.00
Summer Intern – Engineering	PW	0.25
Executive Assistant	Fire	1.00
Natural Resources Manager	P&R	1.00
Parks Maintenance Technician (Open Space/Trails/Howelsen Hill)	P&R	1.00
Project Manager	P&R	1.00
Total FTEs Requested but Not Funded in 2024 Budget		13.25

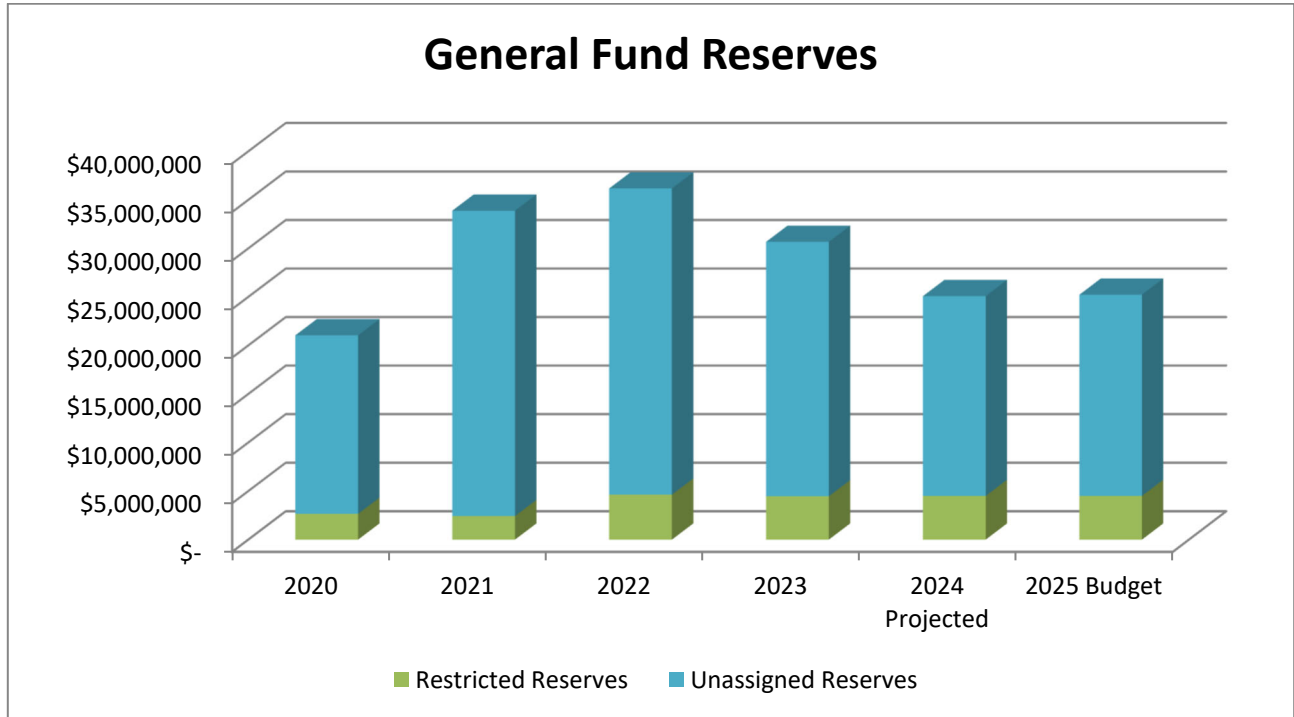
As a people-driven service organization, the graph below represents the personnel costs for the entire city budget as a percent of revenue. This graph is intended to evaluate the growth of personnel costs in relation to the growth of revenue. Based on this information, personnel expenditures compared to revenue are lower than they were prior to 2019. This can indicate personnel isn't keeping up with community growth (either wages or number of employees), increasing amount of City services being outsourced, inability to hire an adequate number of FTEs, or revenue increasing at a rate higher than personnel costs.



Fund Overview

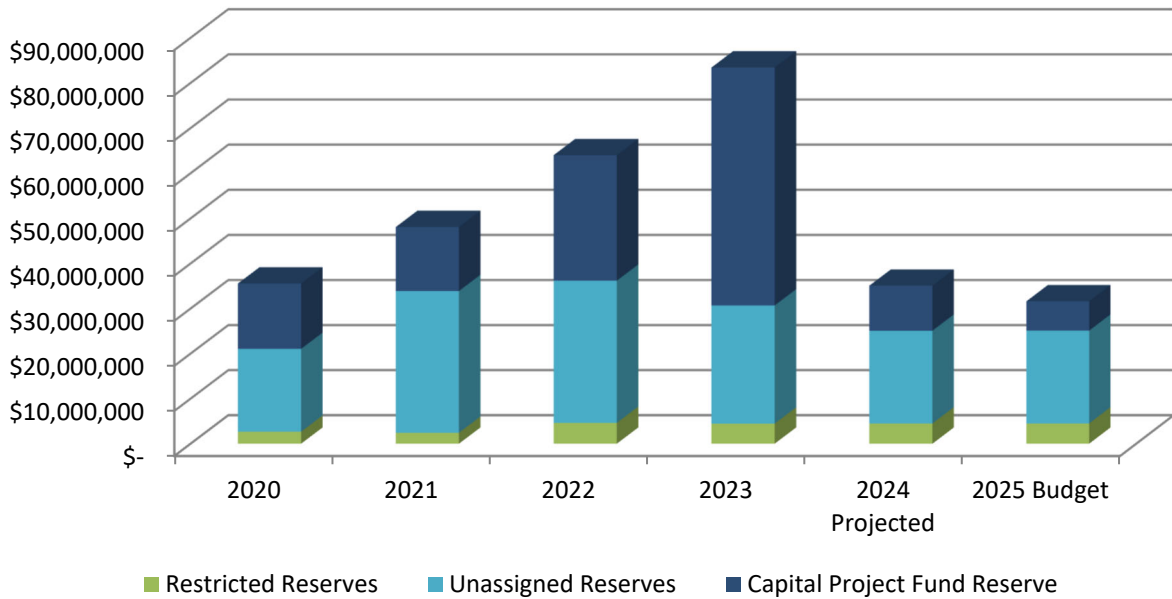
General Fund & Capital Projects Fund

The General Fund reserve balance at the end of 2025 is projected to be about \$25.2M and Capital Projects Fund reserve balance is projected to be about \$6.5M.



<u>General Fund Reserves</u>	<u>2025 Projected</u>
Restricted, Committed & Assigned (Includes TABOR Emergency Reserves)	\$4.5M
Unassigned Budget Stabilization Reserves (25% prior year expenditures)	\$13.0M
Unassigned	\$7.7M
General Fund Reserves	\$25.2M

General Fund & Capital Project Fund Reserves



		<u>2025 Projected</u>
Capital Projects Fund	Used to Fund 6-Year CIP	\$6.5M
<u>General Fund</u>		
Restricted or assigned	Agreement ordinance, contract or TABOR restricted	\$4.5M
Unassigned Fund Balance	Budgetary Stabilization Reserves (Fiscal Policy)	\$13.0M
Unassigned Fund Balance	Spendable with an appropriation	\$7.7M
Total General & Capital Fund Reserves		\$31.7M

The unassigned fund balance for 2025 includes the Budget Stabilization Reserve which, based on the city's financial policies, should be 25% of prior year expenditures. The calculated Budget Stabilization Reserve for 2025 is \$13M. The reduction of reserves from the 2023 to 2024 budget is utilization of reserves for capital projects including the Central Fire Station, City Hall, Bear River Park, Pine Grove Road Reconstruction, and employee housing project at the Transit Facility.

Accommodation Tax Fund

The Accommodation Tax Fund is also considered a capital project fund but is funded specifically with a 1% city tax on accommodations. This revenue and available reserves are restricted based on ballot language from 1986, 2013, and 2023.

In 1986 voters approved a 1% accommodation tax to fund improvements and amenities to promote tourism and enhance the vitality as a premier destination resort and enhance the community identity, environmental desirability, and economic health of Steamboat Springs.

In 2013 voters approved ballot language that restricted \$660K of the Accommodation Tax Funds annually for 10 years to be utilized for the development of trails in accordance with the “Trails Alliance Proposal”, purchase and develop Workman Park on Yampa Street, a small portion to Haymaker Golf Course and marketing of the amenities.

In November 2023, voters approved expanding the use of this tax to include maintenance of improvements and amenities that enhance the community identity, environmental sustainability, and economic health of Steamboat Springs; acquisition of real property for parks, recreation, and open space purposes; and preservation of the City’s natural resources.

In recent years, City Council appropriated funds for the Howelsen Hill Chair Lift replacement, Tennis Center membrane replacement, Bear River Park, and West Multi-Modal Trail project.

In accordance with the 2013 ballot language, City Council appropriated approximately \$2M in 2024 restricted for development of trails identified in the “Trails Alliance Proposal.” These funds will continue to be held until City Council directs spending on specific projects.

In addition to the \$2M held for expenditures related to the 2013 ballot language, the fund balance is projected to be approximately \$2.5M at the end of 2025 to be spent in accordance with the 2023 ballot language.

Community Housing Fund

The Community Housing Fund is a special revenue fund established in 2007 to account for revenues and expenditures related to community housing. The primary source of revenue for this fund has been inclusionary zoning fees that have been suspended for the last several years and then repealed in 2019. However, this fund receives revenue in the form of a loan repayment from the Yampa Valley Housing Authority (YVHA) along with repayments from prior affordable housing subsidy agreements. According to a Resolution approved by City Council in 2007, “the funds shall be used only for the purpose of planning, subsidizing, developing, and administering Community Housing. The city may allocate these funds to an entity that agrees to acquire land or units that will be devoted to Community Housing Program.” In 2020, City Council appropriated \$500,000 to YVHA for an 80-unit project that will support local households making between 30%-80% of the Area Median Income. The remaining amount of the project will be funded with YVHA property tax, Low-Income Housing Tax Credits, and other public-private partnerships. For 2025, YVHA requested \$50,000 from the city for administration and this contribution has been reflected as a budgeted expenditure from this fund in accordance with appropriate uses of these funds. The projected ending fund balance is approximately \$128,000.

Fire/EMS Fund

In 2019, a 2-mill property tax was passed for the City of Steamboat Springs to be dedicated to Fire/EMS operations and capital. The city utilized \$5.1M from this tax to fund a portion of the Central Fire Station scheduled for completion at the end of 2024. City Council approved 4 new Firefighter/EMTs in 2022 and an additional 5 Firefighter/EMTs in 2023 funded from the Fire/EMS property tax. In addition to these FTEs, there is a proposed FTE for a Deputy Chief of Administration in 2025 funded from the Fire/EMS property tax.

The Fire/EMS Department operations are accounted for in the General Fund and related capital equipment is in the Capital Projects Fund. For increased transparency, dedicated property tax funds are transferred from the Fire/EMS Fund to the General Fund and Capital Projects Fund for expenditures related to the dedicated funding source.

The transfer to the General Fund is approximately \$1.2M for operating and personnel expenditures associated with the 10 positions expanding the Fire Department since the tax passed. In addition to the operating transfer, there is a capital transfer for \$1.5M to help fund fire engine replacement and refurbishment scheduled for 2025. With the anticipated property tax revenue in 2025, this will leave the fund balance at approximately \$1M at the end of 2025.

Short-Term Rental Tax Fund

In November 2022 a 9% short-term rental tax was approved by the voters. Collections began in January 2023. These funds are restricted by the ballot language that dedicates the proceeds for the purpose of increasing the stock of affordable and attainable housing at locations including, but not limited to, Brown Ranch by providing incentives, contributions, and funding infrastructure associated with affordable and attainable housing, including, without limitation, energy, stormwater, water, wastewater, and multi-modal transportation.

City Council has discussed and is evaluating several housing initiatives related to near-term delivery of affordable housing units including short-term rental to long-term rental incentives. In 2024, City Council appropriated funds for a loan for \$2.6M in exchange for 11 deed restricted workforce housing units. In addition to this loan, City Council appropriated \$2.5M of STR funds to aid in the purchase of Casey's Pond Senior Living Facility directly related to the employee housing units provided in the facility.

The 2025 ending reserve balance in the Short-Term Rental Tax Fund is projected to be \$34.7M pending budget appropriations related to housing initiatives.

Utility Fund

The city accounts for the water and wastewater revenues and expenditures as two separate funds, however, they are budgeted as one fund in the budget ordinance as well as reported as one fund called the Utility Fund in our Annual Comprehensive Financial Report.

The Utility Division completed a comprehensive rate study in 2021 and City Council adopted utility rates for 3 years (2022-2024). City Council approved \$150K for an updated rate study in 2024 and staff has been working with consultants to plan for the future and provide City Council with proposed utility rates for the next 3 years. The rate study and corresponding adjustments will enable the city to maintain proper service levels while adhering to an adequate long-term capital plan for water and wastewater in the City of Steamboat Springs.

The budget projections being presented result in an estimated fund balance of (\$3.2M) in the Water Fund and \$10.9M in the Wastewater Fund for a combined balance of \$7.7M at the end of 2025. Under the current scenario, the Water Fund is borrowing from the Wastewater Fund and will need to repay over a series of years. Proposed rates and funding scenarios will be presented to City Council for consideration in the next 2 months.

Airport Fund

The Airport Fund is classified as an Enterprise Fund; however, it is the city's only Enterprise Fund that requires a transfer from the General Fund on an annual basis to maintain a positive fund balance. The 2025 budget includes a \$143K General Fund transfer to bring the fund to a projected \$0 fund balance. The subsidy from the General Fund is approximately \$400K on an annual basis, however the projections anticipate savings from prior years enabling the transfer to be reduced in 2025.

Golf Fund

Another Enterprise Fund the city maintains is for the Haymaker Golf Course to account for revenue and expenditures related to the city-owned golf course. As of 2025, Haymaker Golf Course is not funded by any tax dollars. In the past, the golf fund received accommodation tax to build the course and the clubhouse, along with \$30K per year for capital from 2014-2023 in accordance with the accommodation tax ballot language in 2013.

The demand for outdoor recreation has been high over the last few years and is projected to remain steady in 2025. Haymaker Golf Course is projected to increase their reserves by almost \$182K in 2024 and another \$140K in 2025 bringing the projected reserve balance to \$2.7M at the end of 2025.

Fleet Services Fund

The Fleet Services Fund is the city's only Internal Service Fund. This fund accounts for the operations and maintenance of fleet equipment along with the planned replacement cost. Transit buses are excluded from the maintenance and replacement because Transit has a separate maintenance division and the buses have historically been funded with grant funds. Most Fire and EMS equipment are excluded from the replacement component of this fund; however, the Fleet Division performs routine maintenance and repairs on these vehicles. This fund was established in 1996 and this type of accounting for fleet services is considered "best-practice" by the Government Finance Officers Association.

The 2025 budget includes 6 scheduled replacement vehicles/equipment and 2 additions to the Fleet for a total of \$1.3M. The additions to the Fleet include purchasing a new police patrol vehicle for the Special Assignment Unit and a Combination Truck (jet and hydro excavation truck) for Public Works. The projected fund balance at the end of 2025 is \$7.4M.

Acknowledgements

This budget reflects the efforts and many hours contributed by staff from all city departments and divisions. Leadership Team was vital to the success of presenting City Council with this balanced budget, which was also a collaborative effort between staff and management to meet our goal of balancing the budget while substantially maintaining service levels in 2025.

A special thank you to City Council members for establishing goals to guide our budgeting process and for providing direction and staff support necessary to continue delivering quality services throughout the year.

Respectfully submitted,

A handwritten signature in blue ink that reads "Gary Suiter". The signature is written in a cursive style with a large, sweeping initial "G".

Gary Suiter, City Manager

A handwritten signature in blue ink that reads "Kim Weber". The signature is written in a cursive style with a large, sweeping initial "K".

Kim Weber, Finance Director