



**City of  
Loveland**

# **FY2026 Budget Second Reading**

---

**Jim Thompson, City Manager**

**Brian Waldes, Chief Financial Officer**

**Molly Elder, Deputy Chief Financial Officer**

**Matthew Elliott, Budget Manager**

**Chloe Romero, Senior Budget & Policy Analyst**

**October 21, 2025**

# Agenda

---

The Finance Department will present an updated financial status report and will outline efforts to prioritize City services, identifying updated FY2026 forecasts.

- **General Fund History & Future Forecasts**
- **General Fund Revenues**
- **General Fund Expenses**
  - **Capital**
- **Budget Summaries by Fund and Category**
- **Moving Forward: Budget Timeline**

# Why & What

---

## Why are we here?

To brief Council in detail about the City Manager's proposed 2026 Budget with particular focus on our General Fund.

## What are we asking?

We are asking for Council's questions and comments in anticipation of Budget adoption in October.

# Background

- Budget Process Details
- No Operational Cuts in 2026
- Balancing budget by underfunding Capital Projects and Maintenance Levels
- Cost Recovery (credit card fees)
- Funding Priorities
- What is Next for the General Fund?



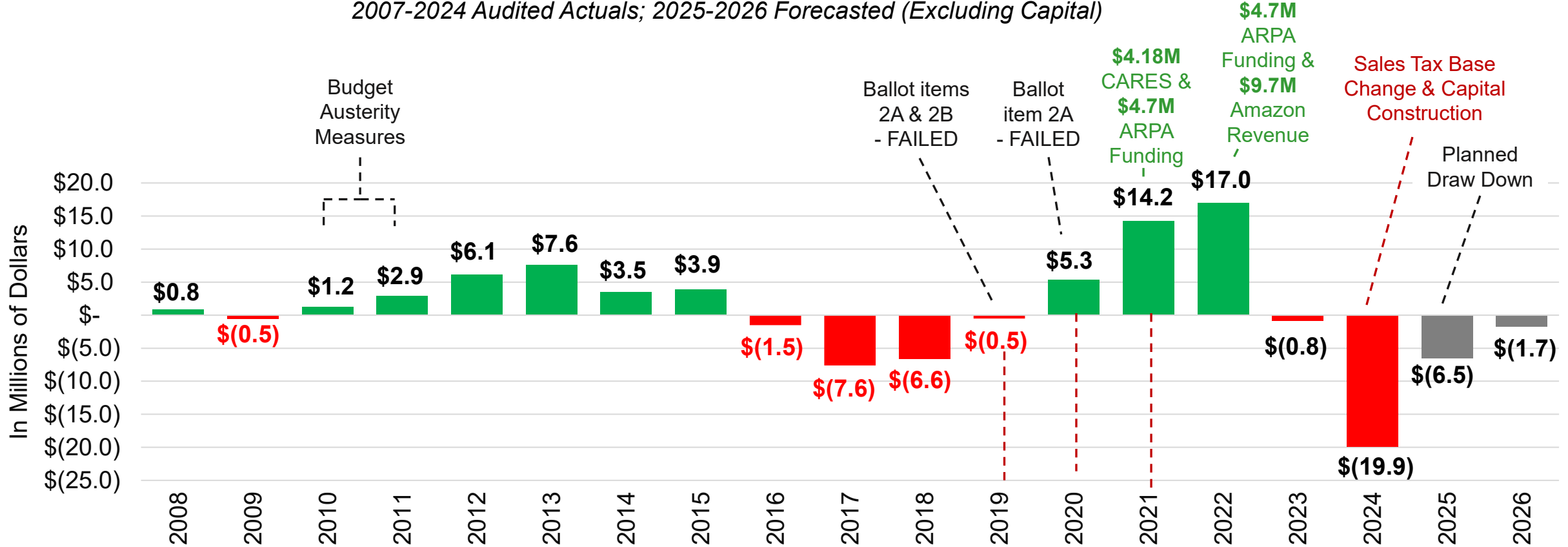
# General Fund History & Future Forecasts



# General Fund History - Structural Imbalance

(Revenues less Expenses)

2007-2024 Audited Actuals; 2025-2026 Forecasted (Excluding Capital)



**\$350K** Budget Reduction & **\$1.61M** Transfer from Internal Service Funds

**\$4.4M** Budget & **\$8M** COVID Reductions & **\$4.94M** Transfer from Internal Service Funds

**\$4.75M** Budget Reduction & **\$750K** Transfer from Internal Service Funds

# General Fund Structural Balance History

## Where did the monies go?

### ARPA Funds

Public Safety Salaries & Overtime	\$ 4,721,201
5.725 New FTE (2022-2024)	1,333,116
External Organization Support	1,316,130
Facilities Projects	1,183,500
Salary Adjustments	460,000
IT Projects	428,455
<b>Total ARPA</b>	<b>\$ 9,442,402</b>

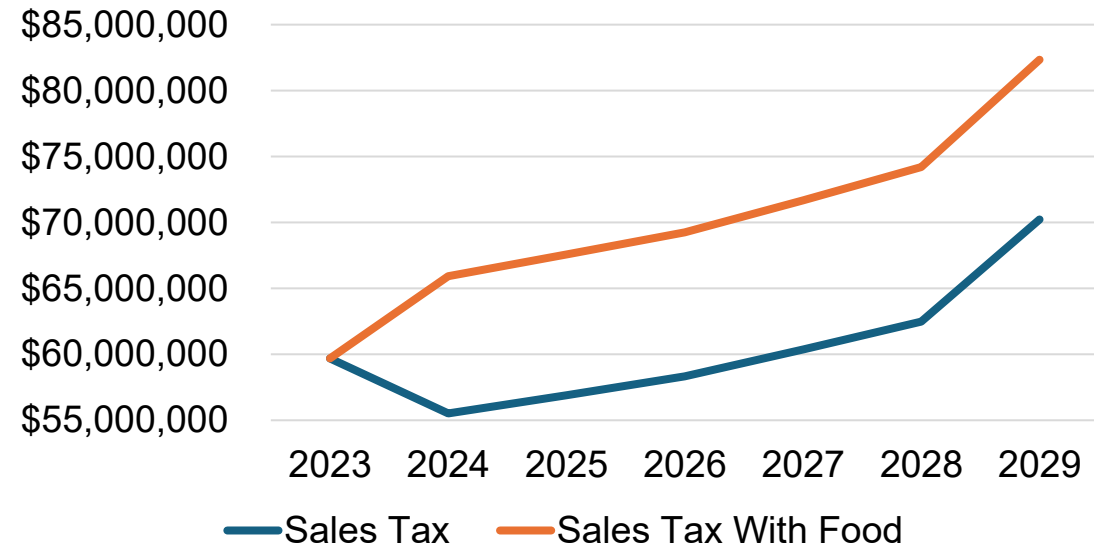
### Other

Pulliam Community Building	\$ 7,500,000
Homeless Response (2022-2024)	6,200,000
LFRA Fire Truck	1,300,000
<b>Total Other</b>	<b>\$ 15,000,000</b>

### Combined Total:

\$24,442,402

# Sales Tax Revenue With and Without Taxes on Food



Sales Tax on Food						
2024	2025	2026	2027	2028	2029	Total
10,400,000	10,660,000	10,926,500	11,308,928	11,704,740	12,114,406	<b>\$ 67,114,573</b>

# Assumptions Summary – Annual Revenues (in Millions)

<b>Revenues (by Class)</b>		<b>2026 Proposed</b>	<b>2027 Forecasted</b>	<b>2028 Forecasted</b>	<b>2029 Forecasted</b>	<b>2030 Forecasted</b>
2	<b>Property Tax</b>	17.3	17.4	18.3	18.5	21.4 <sup>A</sup>
3	<b>Sales Tax (net of TIF increments)</b>	58.3	60.4	62.5	70.2 <sup>A</sup>	72.7
4	<b>Use Tax</b>	9.5	9.8	10.2	10.5	10.9
5	<b>Other Taxes</b>	4.0	4.2	4.3	4.5	4.6
6	<b>Licenses &amp; Permits</b>	3.5	3.5	3.6	3.7	3.8
7	<b>Fines and Penalties</b>	1.0	1.0	1.0	1.0	1.0
8	<b>Intergovernmental</b>	1.2	1.2	1.3	1.3	1.3
9	<b>Charges for Services</b>	6.2	6.2	6.4	6.6	6.8
10	<b>Cost Allocations (Non-General Fund)</b>	10.2	10.5	10.8	11.2	11.5
11	<b>Interest</b>	2.5	2.6	2.6	2.7	2.7
12	<b>Payment in Lieu of Taxes (PILT)</b>	13.3	13.7	14.1	14.6	15.0
13	<b>Miscellaneous</b>	0.9	0.9	0.9	0.9	0.9

Numbers correspond to the rows on the Financial Master Plan (FMP)

Forecast based on FY2025 data through June 30<sup>th</sup>, 2025

*\*All figures are in Millions of Dollars*

<sup>A</sup>Note: Additional sales tax (2029) and property tax (2030) from the Centerra MFA Expiry are included in the forecast.

# Assumptions Summary – Annual Expenses (in Millions)

Numbers correspond to the rows on the Financial Master Plan (FMP)

## Expenditures (by Class)

		2026 Proposed	2027 Forecasted	2028 Forecasted	2029 Forecasted	2030 Forecasted
46	Personnel Services	67.2	69.5	72.0	74.5	77.1
47	Supplies	4.4	4.5	4.6	4.7	4.8
48	Purchased Services	20.7	21.3	22.0	22.6	23.3
49,51,64, & 65	Transfers Out - Operating	13.9	14.8	14.9	15.4	15.9
70 & 71	Transfers Out - Capital	<i>Subject to Annual Review</i>				
72	Capital	1.9	3.0	3.0	3.0	3.0
53	Contribution to Fire	19.3	20.0	20.7	21.4	22.2
54 - 63	Other Contributions	<i>Based on Contractual Obligations and IGA's</i>				

Forecast based on FY2025 data through June 30<sup>th</sup>, 2025

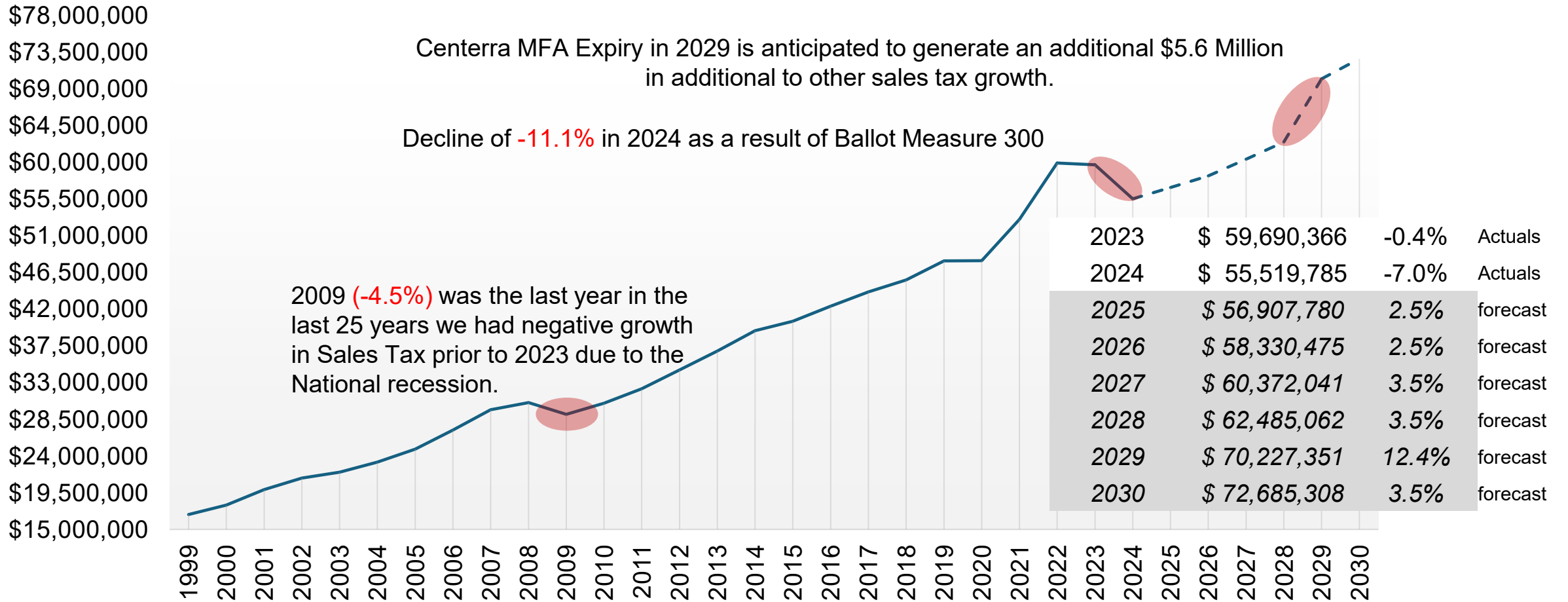
*\*All figures are in Millions of Dollars*

# General Fund Revenue



# Sales Tax

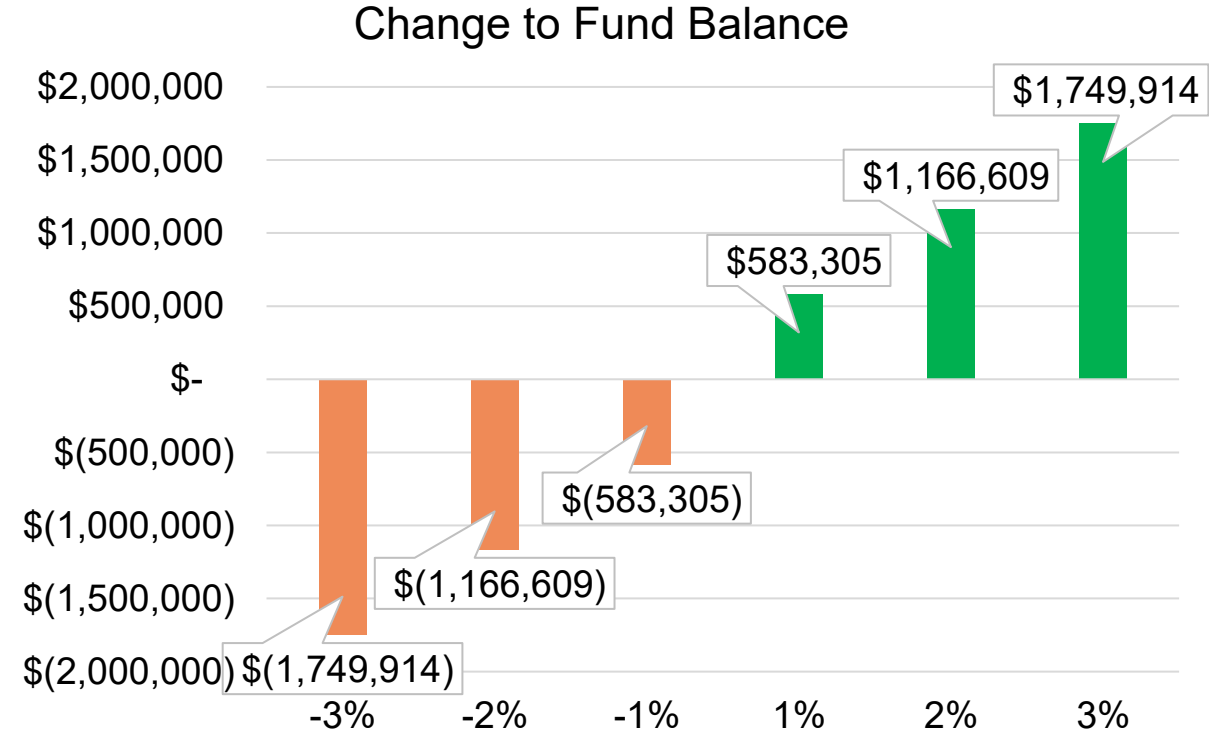
City of Loveland Sales Tax  
(Net of TIF Increment)  
1999-2024 Actuals; 2025-forward Anticipated



# General Fund Sales Tax Sensitivity Analysis

General Fund FY2026 Sensitivity Analysis			
		Sales Tax	Estimated Change
Better Than Forecast	3%	\$ 60,080,389	\$ 1,749,914
	2%	\$ 59,497,084	\$ 1,166,609
	1%	\$ 58,913,779	\$ 583,305
<b>Base Forecast*</b>	<b>2.5%</b>	<b>\$ 58,330,475</b>	<b>\$ -</b>
Worse Than Forecast	-1%	\$ 57,747,170	\$ (583,305)
	-2%	\$ 57,163,865	\$ (1,166,609)
	-3%	\$ 56,580,560	\$ (1,749,914)

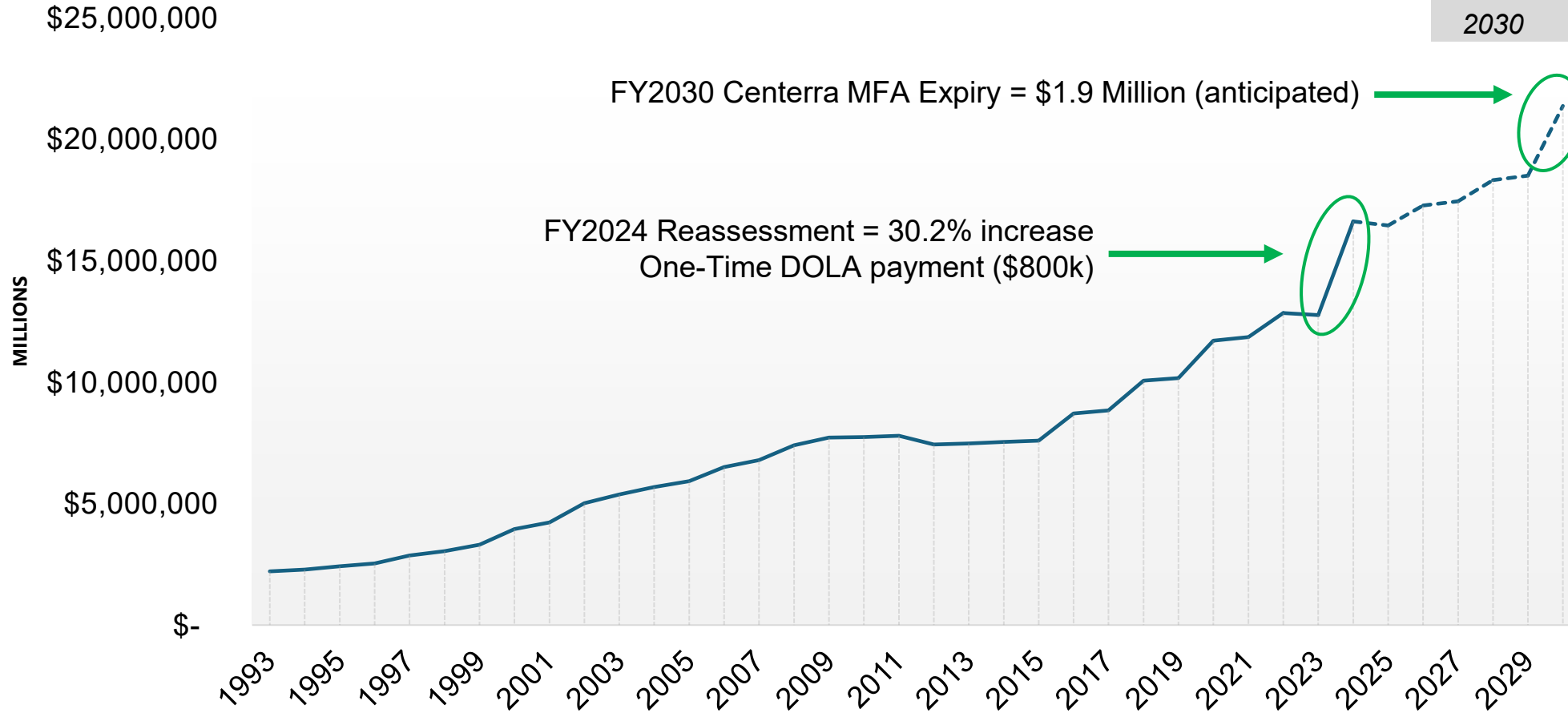
\*Note: The Base Forecast ties to the Financial Master Plan.



# Property Tax

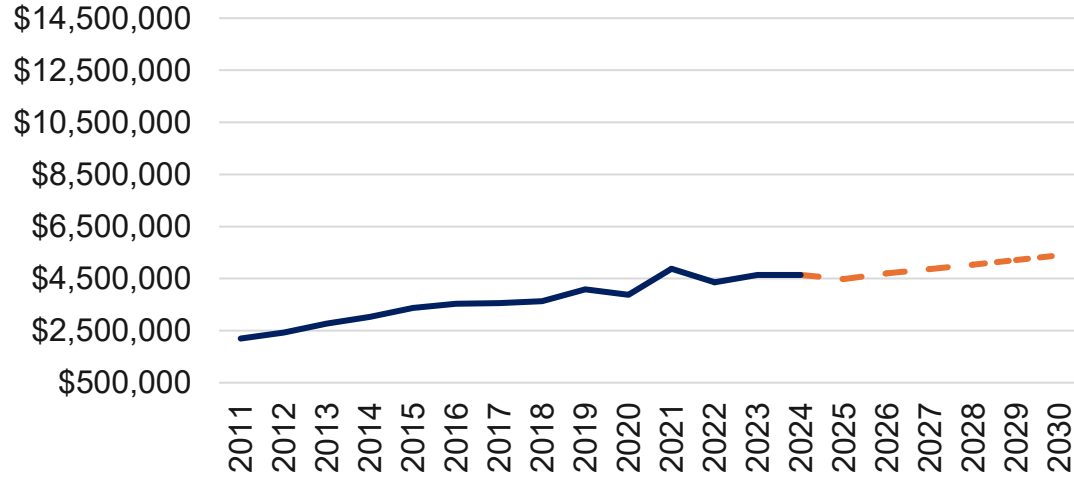
2023	\$	12,759,960	-0.7%
2024	\$	16,616,572	30.2%
2025	\$	16,449,522	-1.0%
2026	\$	17,271,998	5.0%
2027	\$	17,444,718	1.0%
2028	\$	18,316,954	5.0%
2029	\$	18,500,124	1.0%
2030	\$	21,370,421	15.5%

General Fund Property Tax  
FY1993-2024 Actuals; FY2025 Forward Forecasted



# Use Tax

## Motor Vehicle Use Tax



## Building Use Tax



## 2026 Use Tax Forecast

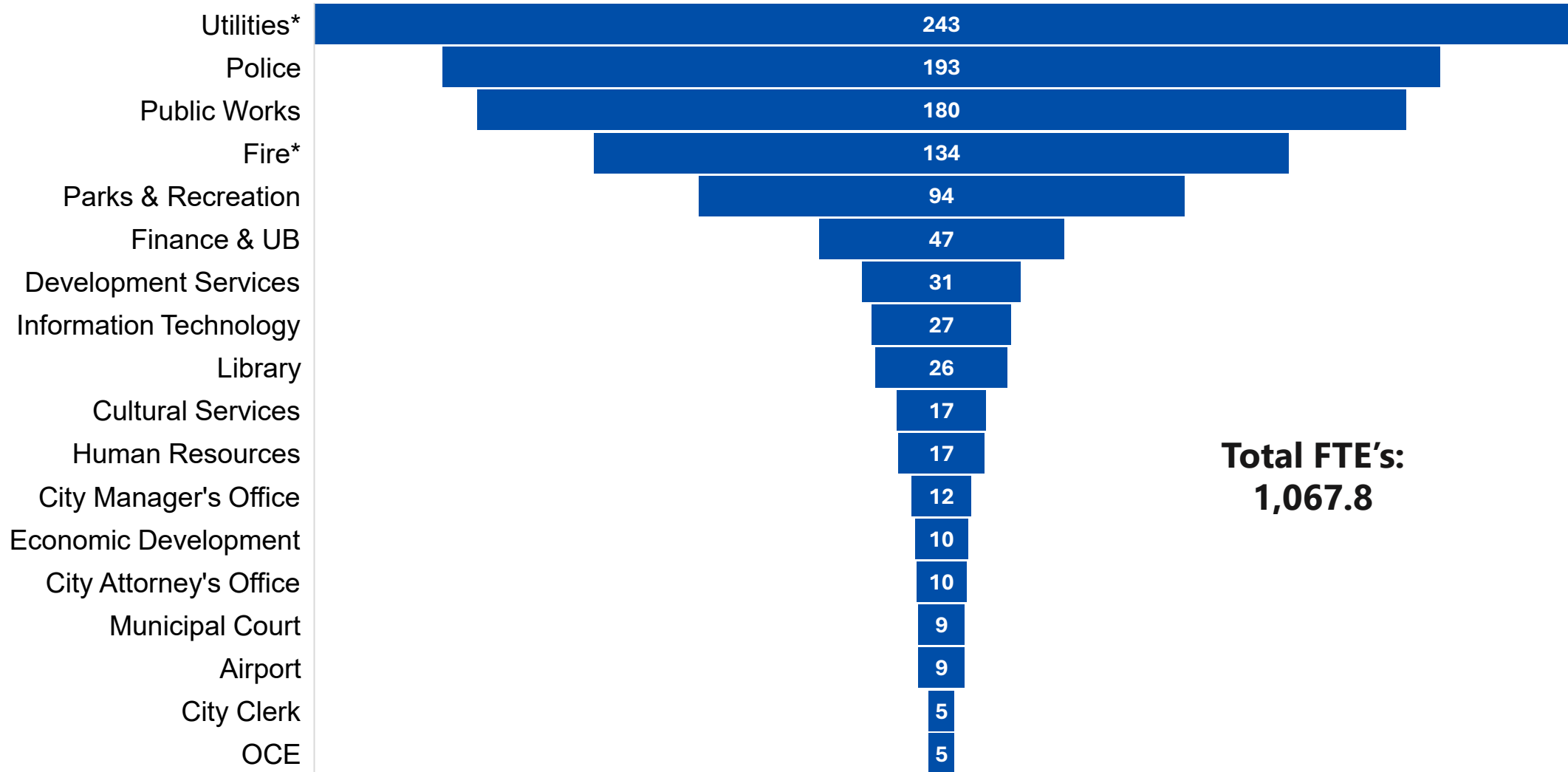
Year	Motor Vehicle Use Tax		Building Material Use Tx		Total Use Tax	
	Amount	% Change	Amount	% Change	Amount	% Change
2011 Actuals	2,197,494		956,239		3,153,733	
2012 Actuals	2,430,295	10.59%	1,500,063	56.87%	3,930,358	24.63%
2013 Actuals	2,770,604	14.00%	1,612,819	7.52%	4,383,423	11.53%
2014 Actuals	3,026,015	9.22%	2,039,002	26.42%	5,065,017	15.55%
2015 Actuals	3,374,051	11.50%	3,247,868	59.29%	6,621,919	30.74%
2016 Actuals	3,535,036	4.77%	3,332,366	2.60%	6,867,402	3.71%
2017 Actuals	3,551,873	0.48%	2,725,224	-18.22%	6,277,097	-8.60%
2018 Actuals	3,625,929	2.08%	2,886,965	5.93%	6,512,894	3.76%
2019 Actuals	4,090,348	12.81%	2,221,679	-23.04%	6,312,026	-3.08%
2020 Actuals	3,877,863	-5.19%	3,835,224	72.63%	7,713,087	22.20%
2021 Actuals	4,877,790	25.79%	5,657,004	47.50%	10,534,795	36.58%
2022 Actuals	4,359,022	7.26%	12,756,331	217.38%	17,115,354	111.74%
2023 Actuals	4,640,356	6.45%	5,021,749	-60.63%	9,662,105	-43.55%
2024 Actuals	4,640,356	0.00%	5,021,749	0.00%	9,662,105	0.00%
2025 Forecast	4,480,000	-3.46%	4,700,000	-6.41%	9,180,000	-4.99%
2026 Forecast	4,700,000	4.91%	4,812,498	2.39%	9,512,498	3.62%
2027 Forecast	4,864,500	3.50%	4,980,935	3.50%	9,845,435	3.50%
2028 Forecast	5,034,758	3.50%	5,155,268	3.50%	10,190,026	3.50%
2029 Forecast	5,210,974	3.50%	5,335,703	3.50%	10,546,677	3.50%
2030 Forecast	5,393,358	3.50%	5,522,452	3.50%	10,915,810	3.50%
2031 Forecast	5,582,126	3.50%	5,715,738	3.50%	11,297,864	3.50%

Forecast based on FY2025 data through June 30<sup>th</sup>, 2025

# General Fund Expenses



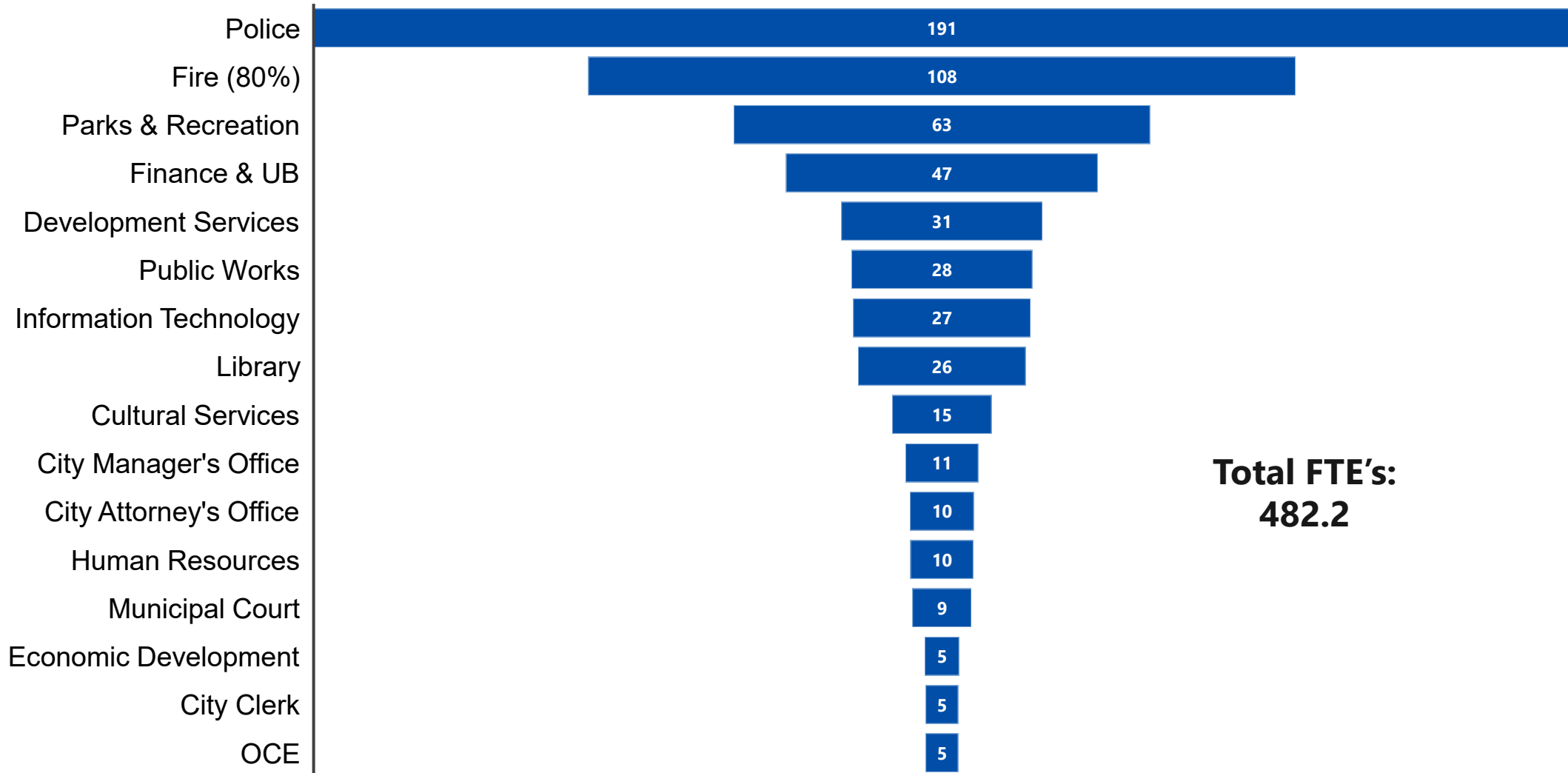
# Personnel – Full Time Equivalent (FTE) Positions All Funds



\*Note: Utilities represents Water, Wastewater, Power & PULSE

\*Note: FTE's for Fire are funded 80% by the City and 20% by the Rural Authority.

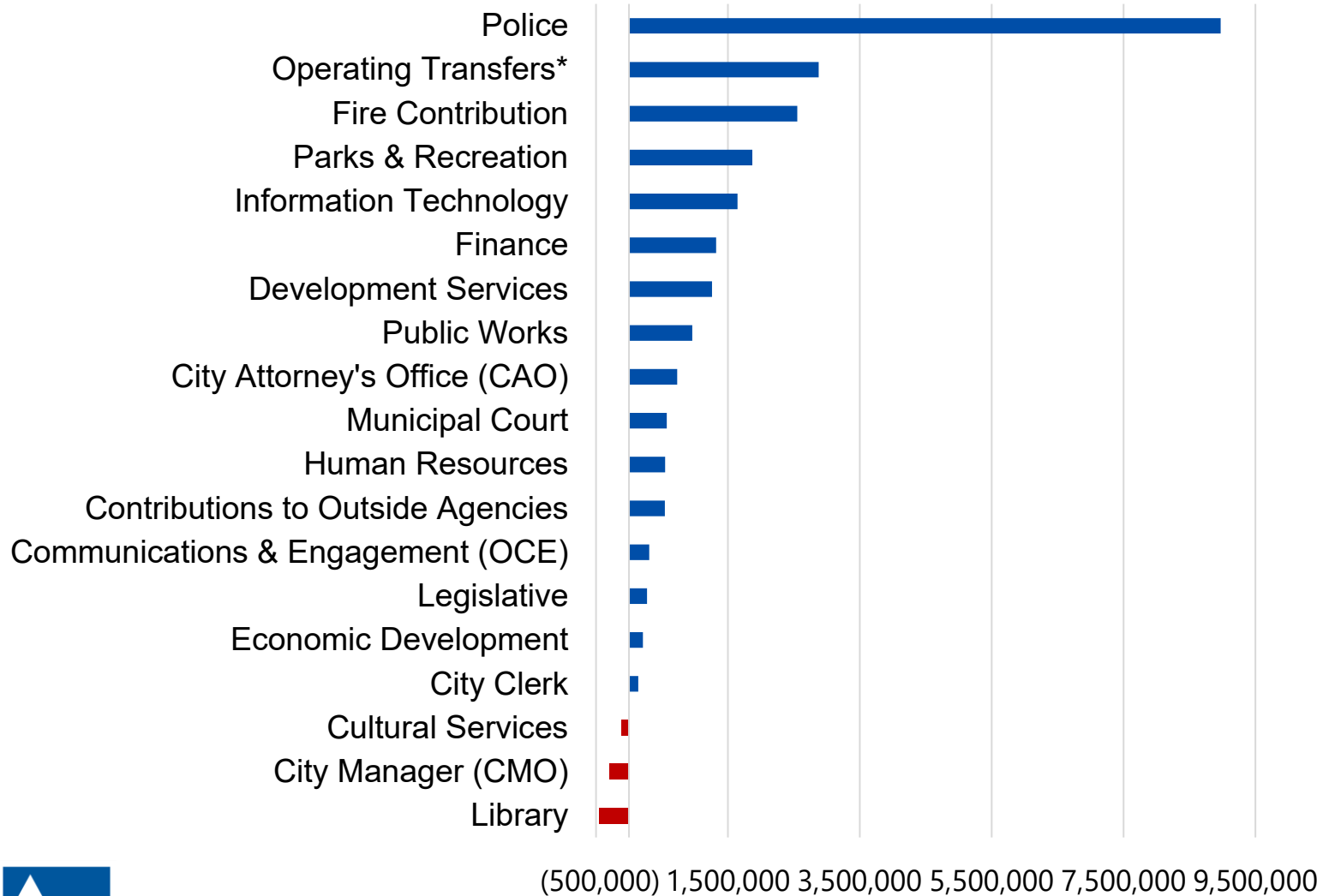
# Personnel – Full Time Equivalent (FTE) Positions General Fund



**Total FTE's:  
482.2**

# General Fund Operating Expense Growth (Five Year)

General Fund 5yr Departmental Growth  
2022-2026



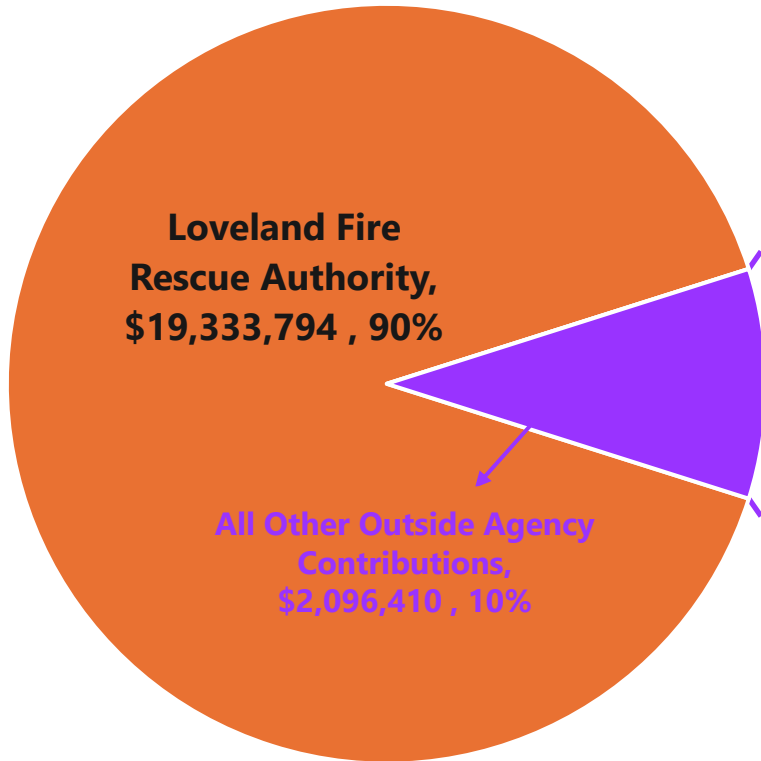
Department	5 Yr Change \$	5 Yr Change %
Police	8,974,689	32.8%
Operating Transfers	2,876,510	26.1%
Fire Contribution	2,550,295	15.2%
Parks & Recreation	1,869,421	15.2%
Information Technology	1,647,691	30.2%
Finance	1,322,538	19.4%
Development Services	1,260,614	41.5%
Public Works	960,073	15.7%
City Attorney's Office (CAO)	730,032	46.9%
Municipal Court	571,237	74.5%
Human Resources	547,320	29.8%
Contributions to Outside Agencies	543,351	35.0%
Communications & Engagement (OCE)	308,373	65.1%
Legislative	273,510	134.0%
Economic Development	212,123	27.5%
City Clerk	139,470	19.6%
Cultural Services	(108,861)	-4.3%
City Manager (CMO)	(289,610)	-9.0%
Library	(455,868)	-13.3%
<b>Total Growth</b>	<b>\$23,932,906</b>	



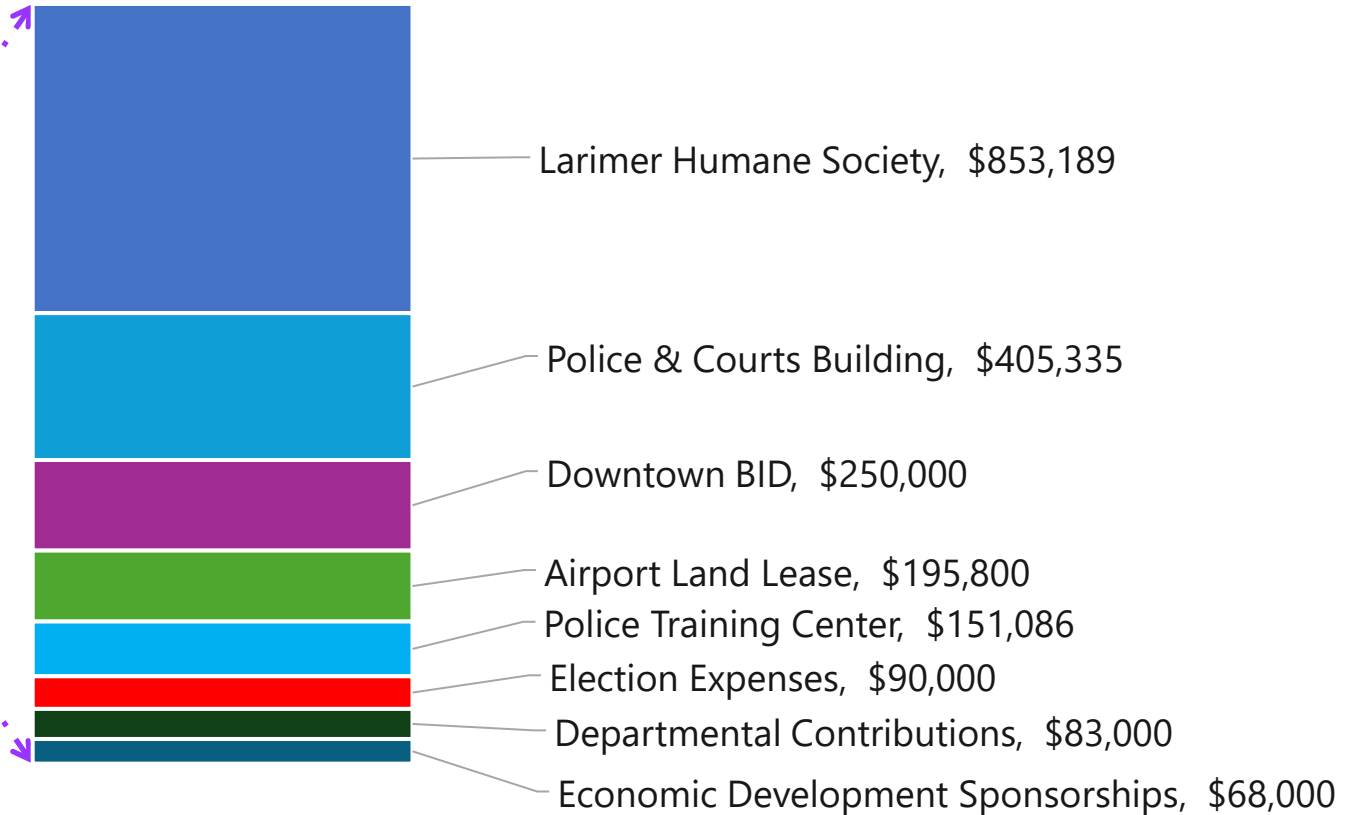
\*Note: Operating Transfers are mostly comprised of transfers to Transportation (Streets) and Transit (COLT Buses)

# General Fund 2026 Contributions to Other Partners

Total Outside Agency Contributions



Outside Agency Contributions (Excluding LFRA)



Total Payments to Outside Agencies: \$21,430,204

# General Fund 2026 Transfers

---



Transportation (Streets) Operating	\$ 10,119,558
Transit (COLT Buses)	1,902,824
Economic Incentives & Sales Tax Rebates	824,998
Foundry Garage Plaza O&M	467,904
COP Debt Payments	591,600
<b>Total Operating Transfers</b>	<b>\$ 13,906,884</b>
Capital Projects	4,500,000
<b>Total 2026 Transfers</b>	<b>\$ 18,406,884</b>

# General Fund Expenses by Class

Class	2024 Actuals	2025 Adopted	2026 Proposed	2025 Adopted / 2026 Proposed
Personal Services	\$ 62,049,551	\$ 63,760,562	\$ 67,191,388	5.4%
Capital Outlay	2,409,999	1,749,046	1,944,782	11.2%
Supplies	4,090,390	4,583,655	4,394,980	-4.1%
Purchased Services	43,111,562	40,075,919	42,101,142	5.1%
Debt Service-Exp	614,627	-	335,200	
Transfers	35,472,641	23,562,965	18,406,884	-21.9%
<b>Total</b>	<b>\$ 147,748,769</b>	<b>\$ 133,732,147</b>	<b>\$ 134,374,376</b>	<b>0.5%</b>



# General Fund Expenses by Department

Department	2024 Actuals	2025 Adopted	2026 Proposed	'25/'26	Notable Changes
City Manager	\$ 4,491,818	\$ 3,894,197	\$ 2,930,074	-24.8%	0.5 FTE – Split with City Council, Encampment Demobilization
City Council	369,346	292,089	477,669	63.5%	0.5 FTE – Split with City Manager's Office
City Attorney's Office	2,737,811	1,817,828	2,317,196	27.5%	1.0 FTE, Professional Services Costs
City Clerk	853,152	872,660	941,012	7.8%	Temporary Staffing Costs
Communication & Engagement	736,704	737,815	782,351	6.0%	Engagement Events / Programs
Finance	6,612,264	6,647,351	8,159,237	*22.7%	Sales Tax Software, Professional Services Costs
Information Technology	5,790,405	6,911,385	7,109,969	*2.9%	1.0 FTE, City Website Rebuild / Maintenance, Development Software
Human Resources	2,022,361	2,249,434	2,386,811	6.1%	UKG Time Management Module, Awards & Recognition Funding
Economic Development	964,673	1,039,725	1,050,980	1.1%	
Development Services	3,484,564	4,220,617	4,313,989	2.2%	
Municipal Court	1,060,219	1,142,237	1,307,495	14.5%	Jail Services Cost Increase
Police	34,242,121	36,053,445	36,384,943	*0.9%	4.0 FTE (Detective, Lieutenant, Patrol & Marijuana/Alcohol/Tobacco), July 4th
Public Works	6,485,753	6,278,732	7,022,862	11.9%	Miscellaneous Operational Increases, Utilities Cost Increase,
Parks & Recreation	13,849,876	12,638,180	14,170,760	*12.1%	1.0 FTE (Parks), Contracted Security, Park Restroom Hours, July 4th
Cultural Services	2,275,328	1,987,423	2,439,098	22.7%	0.475 Temp FTE, Lagoon Concerts, Exhibit Marketing
Library	4,119,157	2,966,367	2,959,196	-0.2%	1.75 FTE (1.0 Grant Funded), Physical Collections Increase
Non-Departmental	57,653,218	43,982,662	39,620,734	-9.9%	Elimination of Econ Incentives, CHDF; Reduced CIP
<i>Total Contribution to LFRA</i>		18,954,701	19,333,794	2.0%	← Broken out to show LFRA. \$19.3M is Part of total \$39.6M Non-D
<b>Total</b>	<b>\$ 147,748,769</b>	<b>\$ 133,732,147</b>	<b>\$134,374,376</b>	<b>0.5%</b>	<b>← 2026 Increase Over 2025</b>

\*Offset by varying revenue components (i.e. software fees, reimbursements, program revenue)

# General Fund Balances FY2026 Proposed

			FY2026	FMP Row
<b>Beginning Fund Balance*</b>			<b>\$ 33,727,763</b>	<b>1</b>
Total Revenues	+		127,951,451	20
Total Resources	=		161,679,214	22
Total Expenses	-		(134,374,376)	45
<b>Remaining Balance</b>	=		<b>\$ 27,304,838</b>	<b>N/A</b>
15% Fiscal Contingency Reserve	-		(19,139,159)	83
Other Reserves	-		(5,126,671)	Multiple
<b>Unassigned Fund Balance</b>	=		<b>\$ 3,039,008</b>	<b>89</b>
Unassigned FB Target Reserve	-		(1,500,000)	N/A
<b>Year-End 2026 Remaining Unassigned Fund Balance</b>	=		<b>\$ 1,539,008</b>	

# 2026 General Fund Capital

2026 General Fund Capital Improvement Plan (CIP)		
Project Title	Amount	%
TRANS - Street Rehabilitation Program	\$ 2,604,198	57.9%
TRANS - Garfield Bike Route	447,430	9.9%
TRANS - US 287 and CO 402 Intersection	400,000	8.9%
TRANS - Annual Bridge Maintenance	300,000	6.7%
TRANS - Boyd Lake Ave/LCR 20E Roundabout	247,000	5.5%
TRANS - Annual ITS & Communications	199,962	4.4%
TRANS - US 34 Transit Sidewalk Connectivity	100,000	2.2%
TRANS - Annual Transportation Planning	100,000	2.2%
TRANS - HSIP Ped Crossing Improvements	51,410	1.1%
TRANS - Annual Extended Projects	50,000	1.1%
<b>Total 2026 Capital Projects</b>	<b>\$ 4,500,000</b>	<b>100.0%</b>



# Capital Improvement Projects (CIP)

---

Capital improvement projects are high-dollar projects that maintain, replace or improve City infrastructure

- US 34 widening
- US 287 bridge replacement

Large operation and maintenance projects are also included in the capital budget:

- Roof replacements
- HVAC (heating and air conditioning units)
- Street maintenance (paving, crack-sealing)



# Needs Outpacing Funding

---

2025 CIP budget was reduced by 6.8 million.

Impacts:

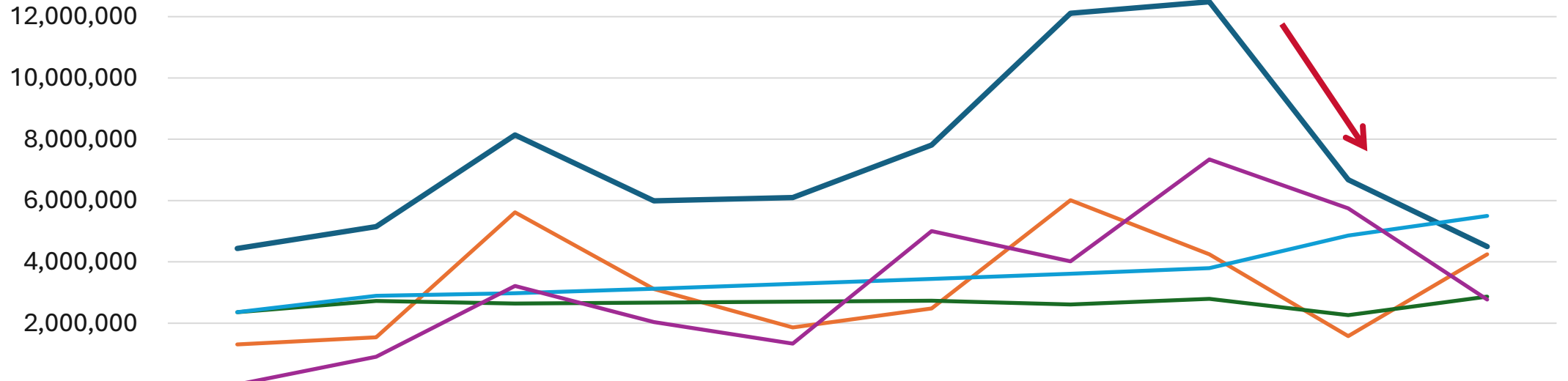
- Run to failure model, average age of buildings is 41 years
- Higher long-term costs due to reactive spending, and inflation increases
- Deferred projects compound infrastructure backlog of safety projects
- Higher risk of temporary building closures, program impacts, reduced service, poor road conditions

**Strategic investment is needed to break the cycle.**



# Funding Sources for Public Works Capital Projects

## Facilities and Transportation

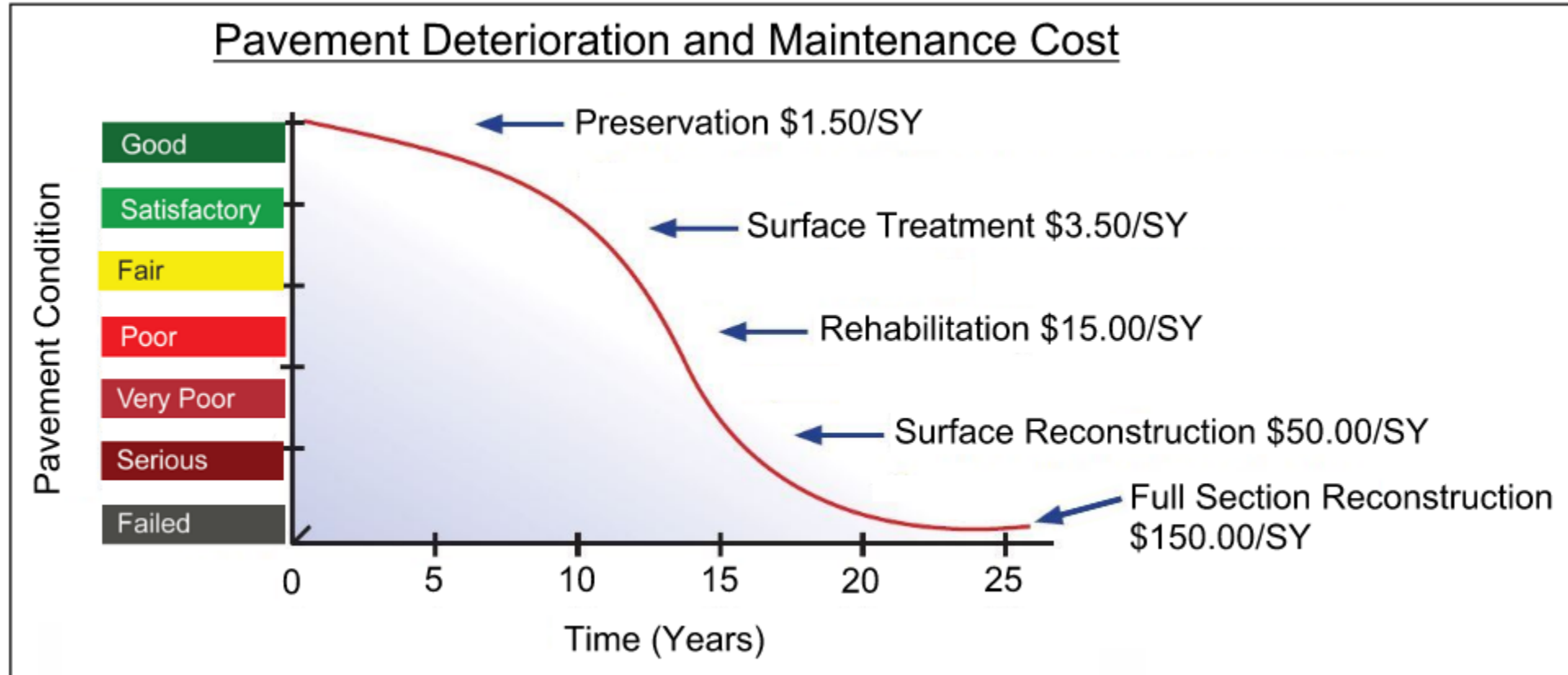


	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
General/TABOR	4,437,154	5,153,077	8,139,693	5,995,162	6,097,134	7,808,688	12,113,034	12,484,913	6,679,806	4,500,000
Streets CEF	1,307,299	1,542,109	5,614,101	3,117,788	1,859,535	2,481,268	6,011,550	4,250,610	1,580,000	4,250,000
HUTF	2,360,335	2,729,044	2,641,265	2,671,749	2,702,234	2,732,718	2,608,327	2,793,688	2,262,228	2,866,697
Fees	2,360,335	2,891,606	2,974,955	3,123,703	3,279,888	3,443,882	3,616,076	3,796,880	4,859,955	5,500,000
Other	-	904,850	3,217,232	2,039,000	1,333,600	5,003,037	4,014,471	7,342,540	5,749,325	2,769,000
Total	10,465,123	13,220,686	22,587,246	16,947,402	15,272,391	21,469,593	28,363,458	30,668,631	21,131,314	19,885,697

— General/TABOR — Streets CEF — HUTF — Fees — Other

# Street Maintenance Rehabilitation Program (SMRP)

Asset Road Network Value = \$1,316,936,250



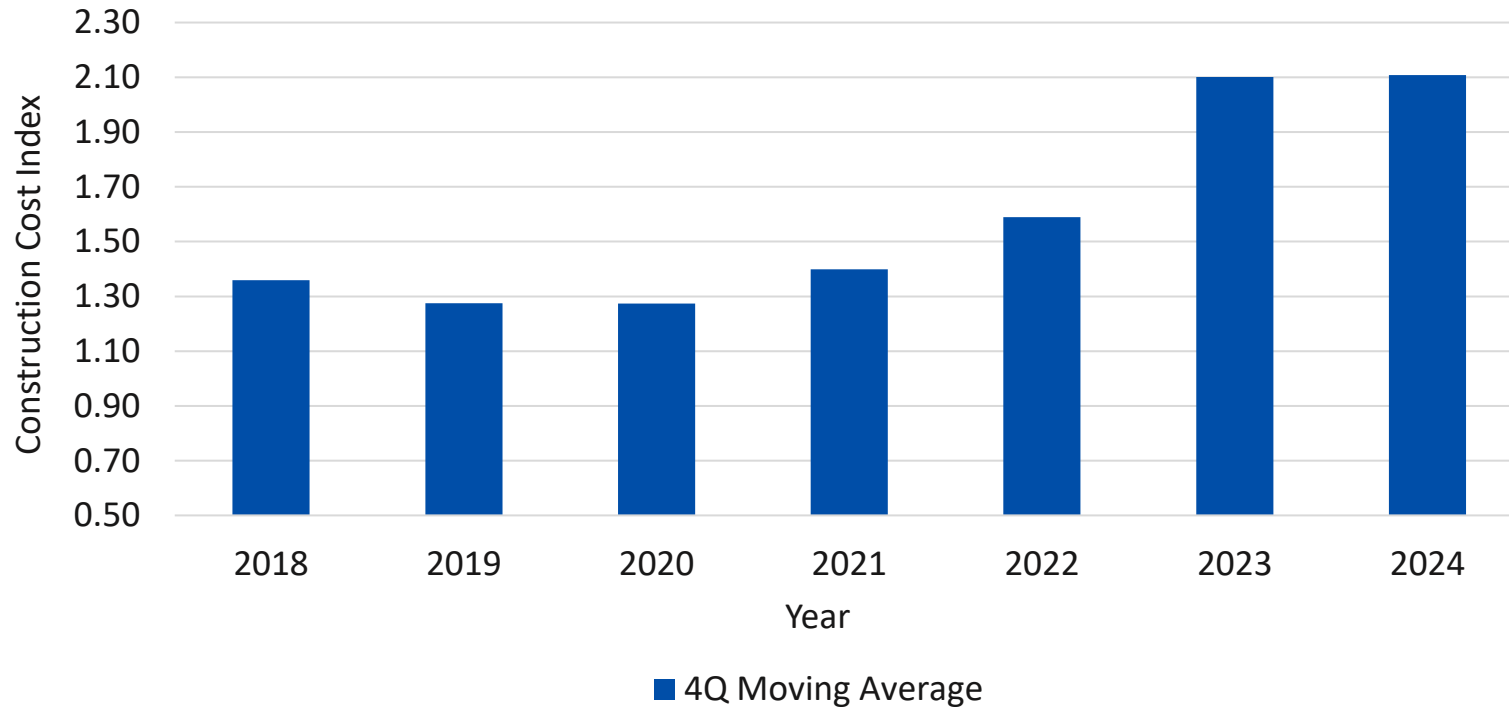
396 Centerline Miles

~1100 Lane Miles

8.8 million Square Yards of Pavement

# Construction Cost Index and Road Network Growth

Colorado CCI - 4Q Moving Average  
Calculated End of Q2 of Each Year



Network Growth Per Year		
<u>Year</u>	<u>Miles Added</u>	<u>Total Miles</u>
2019	-	370.60
2019-2020	5.71	346.31
2020-2021	1.30	377.61
2021-2022	10.78	388.39
2022-2023	4.47	392.86
2023-2024	3.14	396.00

# Staff Priorities with Current Funding Levels

---



- Rank project priority based on safety needs
- Work to establish and maintain steady funding CIP amounts  
Allows for outside funding sources to grow (FASTER, HUTF)
- Seek appropriate grant funding for all transportation projects  
Utilize General Funds for grant required 20% match
- Strive to maintain current 59.8 pavement condition based on current funding levels

# Budget Summaries By Fund and Category

The City currently has **over 60 funds** that live within the below categories:

- **General Government Services Funds**
- **Other Entities Funds**
- **Dedicated Services Funds**
  - Utility Funds broken out further

Due to the volume of detail within these funds, a **summary is being provided** for General Government Services Funds and Dedicated Services Funds.

# Funds Summary

General Government Funds				
	2024 Actuals	2025 Adopted	2026 Proposed	25 Adopted / '26 Proposed
<b>Revenues</b>				
General Fund	128,095,619	123,365,711	127,951,451	3.7%
Transportation & COLT	53,016,116	34,536,500	30,449,553	-11.8%
Other Governmental Funds	9,572,608	8,651,748	2,190,502	-74.7%
<b>Revenues Total</b>	<b>\$ 190,684,343</b>	<b>\$ 166,553,959</b>	<b>\$ 160,591,506</b>	<b>-3.6%</b>
<b>Expenses</b>				
General Fund	147,748,769	133,732,147	134,374,376	0.5%
Transportation & COLT	33,485,301	33,045,594	34,743,498	5.1%
Other Governmental Funds	9,389,994	8,037,874	3,740,502	-53.5%
<b>Expenses Total</b>	<b>\$ 190,624,065</b>	<b>\$ 174,815,615</b>	<b>\$ 172,858,376</b>	<b>-1.1%</b>
<b>Revenue vs. Expenses</b>	<b>\$ 60,278</b>	<b>\$ (8,261,656)</b>	<b>\$ (12,266,870)</b>	<b>48.5%</b>

# Funds Summary

Other Entities Funds				
	2024 Actuals	2025 Adopted	2026 Proposed	25 Adopted / '26 Proposed
<b>Revenues</b>				
Other Entities	76,515,445	78,331,432	29,080,524	-62.9%
<b>Revenues Total</b>	<b>\$ 76,515,445</b>	<b>\$ 78,331,432</b>	<b>\$ 29,080,524</b>	<b>-62.9%</b>
<b>Expenses</b>				
Other Entities	62,761,068	80,012,175	30,649,172	-61.7%
<b>Expenses Total</b>	<b>\$ 62,761,068</b>	<b>\$ 80,012,175</b>	<b>\$ 30,649,172</b>	<b>-61.7%</b>
<b>Revenue vs. Expenses</b>	<b>\$ 13,754,377</b>	<b>\$ (1,680,743)</b>	<b>\$ (1,568,648)</b>	<b>-6.7%</b>

# Funds Summary

## Dedicated Funds

	2024 Actuals	2025 Adopted	2026 Proposed	'25 Adopted / '26 Proposed
<b>Revenues</b>				
Special Revenue Funds	24,091,987	19,477,266	18,472,111	-5.2%
Utility Funds	205,211,203	292,082,380	216,885,314	-25.7%
Enterprise Funds	36,939,738	31,186,789	31,430,152	0.8%
Internal Service Funds	34,406,391	33,335,601	34,777,058	4.3%
<b>Revenues Total</b>	<b>\$ 300,649,319</b>	<b>\$ 376,082,036</b>	<b>\$ 301,564,635</b>	<b>-19.8%</b>
<b>Expenses</b>				
Special Revenue Funds	31,726,921	12,970,475	22,763,937	75.5%
Utility Funds	162,749,473	276,487,350	270,690,726	-2.1%
Enterprise Funds	22,869,615	36,704,826	30,639,418	-16.5%
Internal Service Funds	29,317,290	33,371,642	35,041,620	5.0%
<b>Expenses Total</b>	<b>\$ 246,663,299</b>	<b>\$ 359,534,293</b>	<b>\$ 359,135,701</b>	<b>-0.1%</b>
<b>Revenue vs. Expenses</b>	<b>\$ 53,986,020</b>	<b>\$ 16,547,743</b>	<b>\$ (57,571,066)</b>	<b>-447.9%</b>

# Funds Summary: Utility Enterprise Funds



# City of Loveland Utilities

---



## Utilities Department

	2025 Adopted	2026 Proposed	25 Adopted / '26 Proposed
Operating Expenses	\$140,264,508	\$154,891,451	10.43%
Capital	\$106,026,144	\$83,611,337	-21.14%
<b>Total</b>	<b>\$246,290,652</b>	<b>\$238,502,788</b>	<b>-3.16%</b>



# Changes Impacting All Utilities

---

- Staffing – 7.70 New Full-time Equivalent (FTE) Positions Proposed
  - Utility Asset Manager – Utility Application Services
  - Computer Support Technician – Utility Application Services
  - Utility Locator – Inspecting/Locating (30% funding from Pulse)
  - Journey Water Systems Operator – Water Operations
  - Lead Plant Operator – Water Treatment Plant
  - Distribution Systems Operator Supervisor – Dispatch
  - Senior Groundworker – Power Line Crews
  - Energy Code Analyst – Distributed Energy Resources
  
- \$936,000 Increase in Personal Services Expense from Staffing Increases
  - \$337K Increase for Water
  - \$202K Increase for Wastewater
  - \$397K Increase for Power

# Changes Impacting All Utilities

---

- Increase in Salaries for Performance-based Merit and Competitive Market Adjustments: \$873K
  - \$285K increase for Water
  - \$226K increase for Wastewater
  - \$362K increase for Power
- Cost Allocations: Increase of \$642K
  - \$229K increase for Water
  - \$117K increase for Wastewater
  - \$296K increase for Power
- Non-recurrence of Utility Network Migration of ESRI Software: Decrease of \$500K
  - \$175K decrease for Water
  - \$140K decrease for Wastewater
  - \$185K decrease for Power

# Changes Impacting All Utilities Continued

---

- Audit of Utility Billing Customer Accounts: Increase of \$200K (\$26K Funded by Public Works)
  - \$34K increase for Water
  - \$24K increase for Wastewater
  - \$116K increase for Power
- Transfers for Assets Funded By Multiple Utilities: Decrease of \$188K
  - \$75K decrease for Water,
  - \$43K decrease for Wastewater
  - \$70K decrease for Power
- Capital Programs
  - \$246 million for Water and Raw Water over next 10 years
  - \$215 million for Wastewater over next 10 years
  - \$361 million for Power over next 10 years

# 2026 Proposed Budget Overview

## - Water -

---



- Water Key Changes in O&M Expenses for 2026
  - Water Resources: Windy Gap Unit Annual Assessments – Increase of \$850K
  - Water Operations: Repair and Maintenance – Increase of \$650K
  - Water Engineering: Professional Services – Increase of \$250K
  - Customer Experience: Professional Services – Decrease of \$110K
  - Finance and Accounting: Professional Services – Increase of \$72.5K
  - Debt Service for Water Capital Projects – Increase of \$3.3M
- Water 10-Year Financial Plan and Rates
  - 2026 Rate Increase of 4%, followed by an alternation between 7% and 8% increases/yr. through 2035
  - Positive variances vs. target through 10 years; Unrestricted Fund has a loan of \$15M programmed in for 2029; SIF Fund has no loans programmed in; Raw Water Fund has an internal loan from Water SIF of \$3M programmed in 2030

# 2026 Proposed Budget Overview

## - Wastewater -

---



- Wastewater Key Changes in O&M Expenses for 2026
  - Water Engineering: Professional Services – Increase of \$120K
  - Water Engineering: Repair and Maintenance – Increase of \$50K
  - Finance and Accounting: Professional Services – Increase of \$72.5K
  - Debt Service for Wastewater Capital Projects – Increase of \$3.5M
  - 1% For The Arts Contribution – Decrease of \$332K
- Wastewater 10-Year Financial Plan and Rates
  - 2026 Rate Increase of 4%, followed by two years of 8% increases/yr., capped off by seven years at 6%/yr.
  - Positive variances vs. target through 10 years; Unrestricted Fund has a loan of \$3M in 2033; SIF Fund Balance supported by \$26.75M loan in 2027, \$35M loan in 2030, and \$35M loan in 2033

# 2026 Proposed Budget Overview

## Power

---



- Power Key Changes in O&M Expenses in 2026
  - Distributed Energy Resources (DER): Energy Efficiency Rebates – Decrease of \$302K
  - Customer Experience: Professional Services – Decrease of \$952K
  - Finance and Accounting: Professional Services – Decrease of \$70K
- Power 10-Year Financial Plan and Rates
  - 2026 rate increase of 5.88%, followed by three years of 6.18%/yr., then two years of 3.92%/yr., capped off by 2.00%/yr. from 2032-2035
  - 2026 rate increase is combination of 4.88% pass-through of wholesale power increase from PRPA and 1.0% for increased O&M and capital expenses
  - Positive variances vs. target through 10 years; PIF Fund balance supported by loans of \$30M in 2027 and \$20M in 2030

# Pulse Highlights

## Revenue:

- \$1.077M Increase in Revenues from Sales
- \$9.4M Decrease in Capital Aid-To-Construction

## Expense:

- Pulse Re-organization:
  - 15 New FTEs in Operations & Engineering – \$1.4M Increase
  - 2 New FTEs in Sales & Marketing – \$260K Increase
- 2.3 New FTEs Proposed for 2026 – \$187K Increase:
  - 2 On-Premise Support Technicians
  - Utility Locator (30%)
- Salary Increases for Performance Based Merit and Competitive Market Adjustments – \$230K



# Other O&M Expense Highlights

---

- Wholesale Costs – Increase of \$441K
- Distribution O&M – Increase of \$311K
- Sales & Marketing/Customer Service – Increase of \$473K
- Administrative – Increase of \$88K
- General Expenses – Increase of \$63K
- Capital – Includes \$1.6M of Capitalized In-house Labor



# 10-Year Financial Plan

---

- \$25M external loan received in 2025
- Projected increase in customer count from 17,500 to 25,400 from 2026-2035
- \$47.0M in Capital Expenditures over next 10 years
- Projected Fund Balance will be between \$225K and \$775K in 2030-2035, but capital will be fully funded from 2031 forward





---

# Public Comment & Council Questions

# Budget Timeline





# Thank You!

---

**Jim Thompson, City Manager**

**Brian Waldes, Chief Financial Officer**

**Molly Elder, Deputy Chief Financial Officer**

**Matthew Elliott, Budget Manager**

**Chloe Romero, Senior Budget & Policy Analyst**