

2021 BUDGET PREVIEW

FINANCE | September 1, 2020



TOWN OF VAIL

BUDGET PREVIEW | Agenda

- Panel Discussion
- Budget Philosophies
- Revenue Assumptions
- Reserves
- Operating Expenditures
- Council Focus Areas
- Capital Plan

BUDGET PREVIEW | Panel Discussion

Panel Guests include:

Beth Howard (Vail Resorts)

Beth Slifer (Vail Local Marketing District Advisory Council)

Brian Nolan (Vail Economic Advisory Council / Restaurant group)

Johannes Faessler (Vail Economic Advisory Council / Lodging group)

Tom Foley (Inntopia/Destimetrics)

BUDGET PREVIEW | Panel Discussion

- What are the biggest challenges as we head into this winter?
 - Public health orders and uncertainty of a resurgence
 - Social distancing requirements for restaurants, lodging, ski resort, transit capacity
 - Seasonal hiring (town-wide)
- What are the most important things the Town can do to contribute to a successful recovery of the Vail economy?
 - Vitality in the villages (music, entertainment, dining)
 - Marketing support
 - Sense of safety/cleanliness for guests
 - Positive / seamless guest experience from Town and Vail Resorts
 - Quality municipal services (snow removal, emergency response, etc)

BUDGET PREVIEW | Panel Discussion

- What is the #1 priority focus area for the Town this season/budget year?
- How can we collaborate more on the upcoming winter season?

BUDGET PREVIEW | Budget Philosophies



BUDGET PREVIEW | Budget Philosophies

- Budget will reflect the town's vision and support the Council Action Plan
- Revenues are projected conservatively using analytical and trending processes such as forecasting
- General Fund reserves of at least 35% of revenue ***in a "normal" year (\$15.0M)***
- Town develops a five-year financial projection for all major funds, including a long-term capital improvement plan
- The town will operate within annual revenue streams ***with exception for years when the town's recession plan is implemented.***
- Sales tax split between the General Fund and Capital Projects Fund is ***recommended to change based on recession plan level.*** The more that revenue is impacted, the higher the share to the General Fund

BUDGET PREVIEW | Budget Philosophies

- Town has generally adopted a ‘save and pay’ approach toward its capital projects and programs; no debt outside of Renewal Authority (TIF)
- Importance of reserve fund balances is to enable the town to withstand unforeseen events and economic downturns
- The annual budget process is thorough and comprehensive, allowing for informed appropriations in accordance with fiscal policies and objectives

BUDGET PREVIEW | Revenue Projections

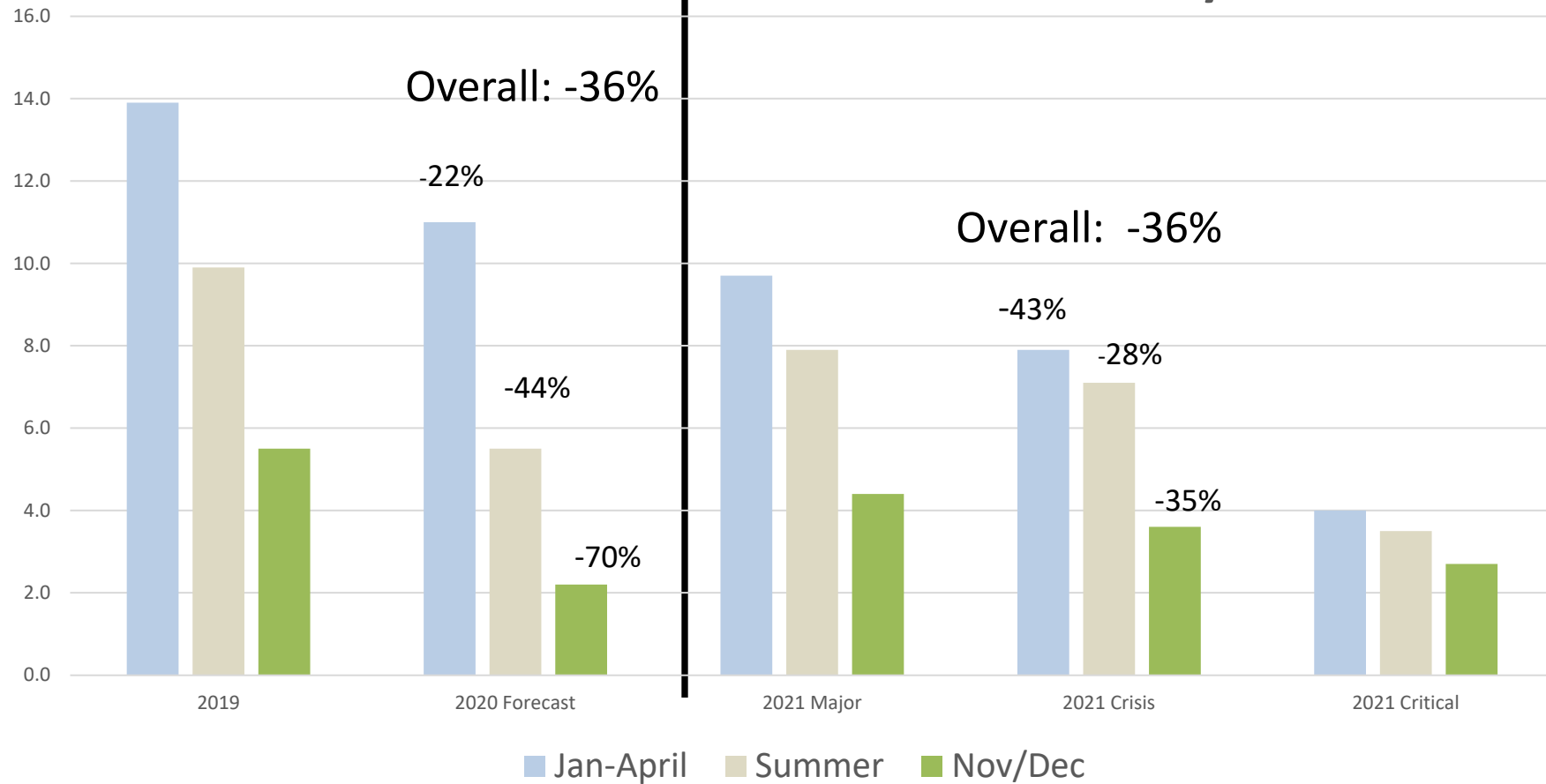


BUDGET PREVIEW | Revenue Projections

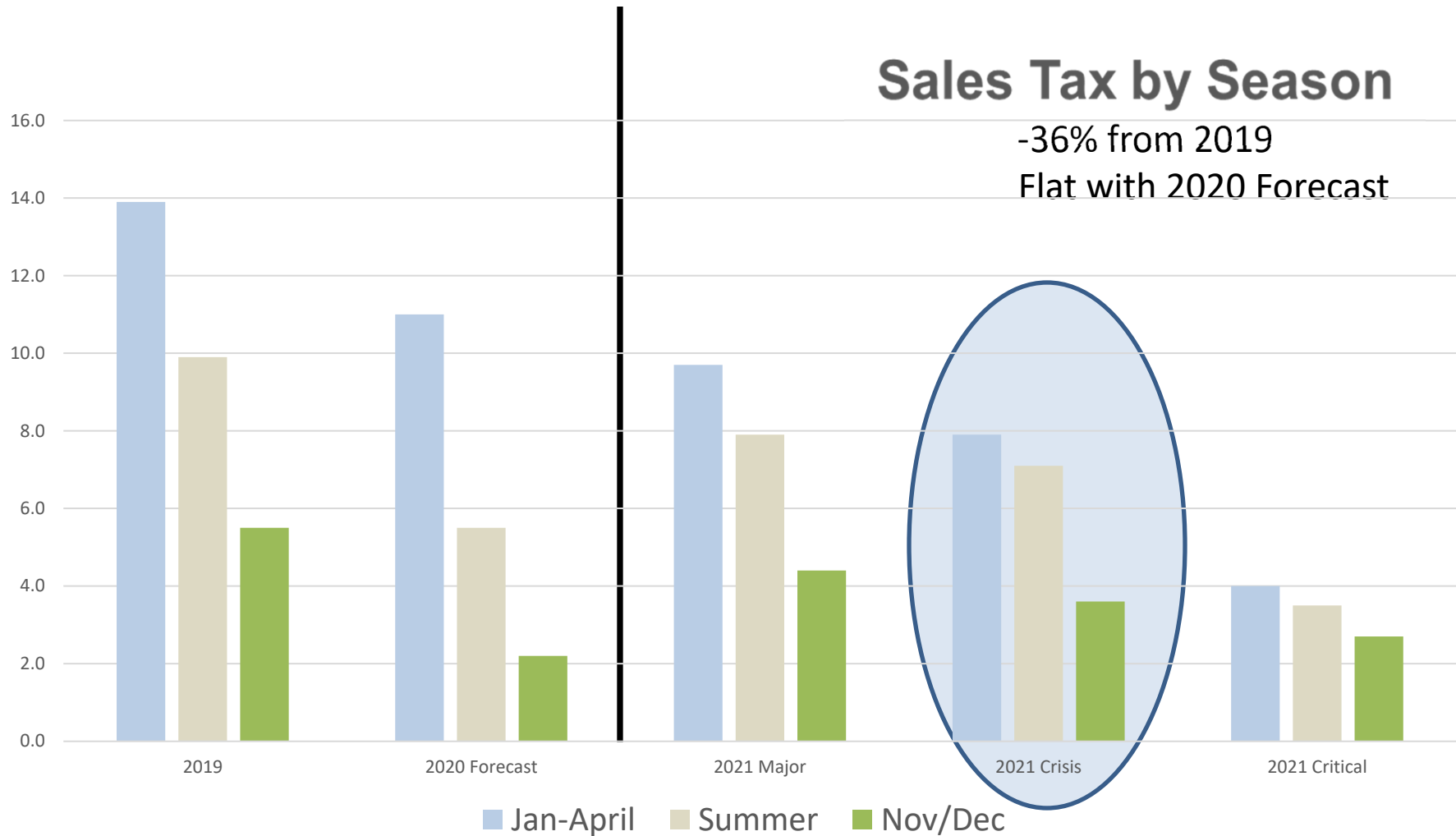
Vail Sales Tax Collections					
	Amended	Forecast	2021 "Major"	2021 "Crisis"	2021 "Critical"
	2020	2020	% from 19	% from 19	% from 19
Jan-April	-22%	-22%	-30%	-43%	-71%
Summer	-75%	-40%	-20%	-28%	-65%
Nov/Dec	-35%	-70%	-20%	-35%	-51%
Total %	-43%	-36%	-25%	-36%	-65%
Total \$	\$16.8M	\$18.6M	\$22.0M	\$18.6M	\$10.2M

BUDGET PREVIEW | Revenue Projections

Sales Tax by Season



BUDGET PREVIEW | Revenue Projections



BUDGET PREVIEW | Revenue Projections

- RETT: Flat with 2020 at \$6.3M
- Parking and Lift Tax: Decreases mirror Sales tax winter performance by recession level
- Construction Use Tax and Construction Fees: Flat with 2020 plus new developments
- Property Tax: 2021 flat with 2020 budget; impact from Gallagher Amendment is a decrease of 12% in 2022
- No CARES Act \$ assumed for 2021

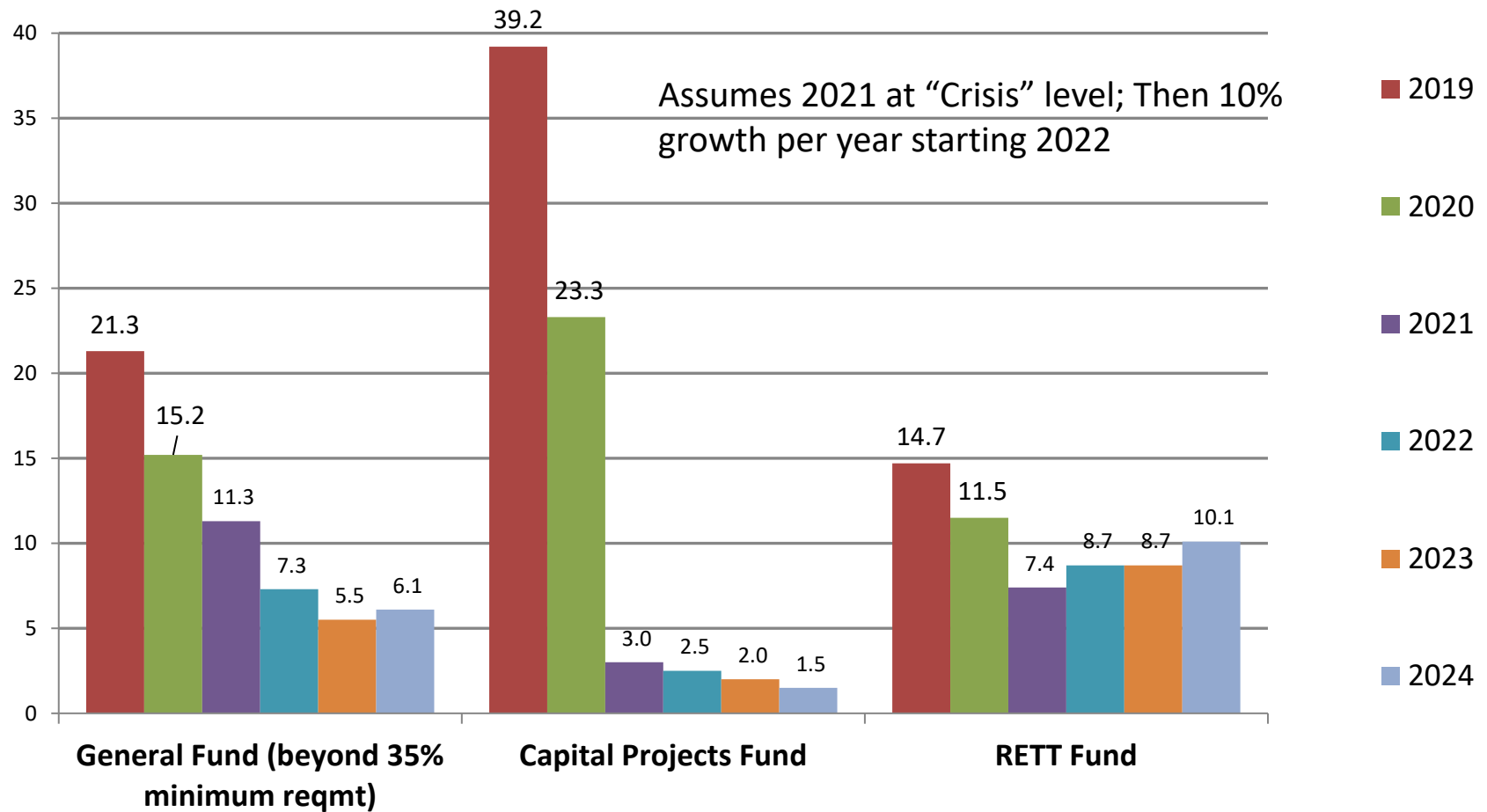
BUDGET PREVIEW | Revenue Projections

- Maintaining the “Crisis” level recession plan into 2021 means overall revenue projections would be up 2% from 2020 forecast and a decrease of 22% from 2019 across all funds.
- Staff will develop internal operating plans should revenue improve to “Major”, or worsen to “Critical”

BUDGET PREVIEW | Reserves



BUDGET PREVIEW | Available Reserves



BUDGET PREVIEW | Operating Expenditures



BUDGET PREVIEW | Operating Expenditures

2021 Proposal will include:

- Staff and compensation recommendations set for October 20th Council meeting
 - Merit recommendations based on recession plan level
 - Previously approved 2020 positions deferred to 2021
 - State of Colorado Equal Pay Act impacts
 - Estimated healthcare cost impact
 - PTO or sick leave for seasonal and PT employees
- Operating expenditures will be presented to Council at the November 3rd meeting with a first draft of the Town Manager Budget
 - Expense levels vary by recession plan level
 - Impacts to town services from COVID

BUDGET PREVIEW | Operating Expenditures

	Major (Improved)	Crisis (Flat)	Critical (Worse)
	Sales tax down 25% from 2019 and +18% from forecast	Sales tax down 36% from 2019 and Flat with forecast	Sales tax down 65% from 2019 and down 45% from forecast
Staffing	0% - 2% merit; Assess quarterly	0% - 2% merit; Assess quarterly	0% merit; Furloughs/layoffs
Operating Exp	5% decrease from 2020 Original	10% decrease from 2020 Original (Flat with Amended)	25% decrease from 2020 Original
Events	23% down from 2020 Forecast (no Burton)	23% down from 2020 Forecast (no Burton)	31% decrease from 2020 Forecast (no Burton & -10%)
Total Expense cuts (from 2020 Original)	\$3.3M	\$3.5M	\$7.9M
Use of GF Reserves	\$2.7M	\$4.7M	\$8.9M
Cost share (cuts/reserves)	55/45	43/57	47/53

BUDGET PREVIEW | Council Action Plan



BUDGET PREVIEW | Council Focus Areas



BUDGET PREVIEW | Council Focus Areas

The following slides identify projects, programs and services that promote Town Council's Focus Areas within the Council Action Plan

- List includes some (not all) current items that will continue into 2021
- How should priorities within this action plan change given the current budget challenges as we head into 2021?
- Important core services of the town have been identified as “Excellent Municipal Services” within the Experience focus area and encompass a wide variety of services
- New areas have been added to reflect more recent initiatives

BUDGET PREVIEW | Council Focus Areas

COMMUNITY

	Ongoing	Deferred	New	Fund	Budget
InDEED Housing Program	X			CPF	\$ 2.5M
Children's Garden of Learning relocation			X	CPF	
Permanent funding source for Hsg		X			
Explore local & regional housing opportunities	X				
Alternative Housing site initiatives			X		\$ 300K
Update Vail Visioning Plan?		X		GF	\$ 300K
Continue West Vail Master Plan	X			GF	\$ 325K
Develop objectives for Timber Ridge Redevelopment		X		TR	
Civic Area Plan		X		GF/ CPF	\$ 250K/ \$ 1M

BUDGET PREVIEW | Council Focus Areas

EXPERIENCE

	Ongoing	Deferred	New	Fund	Budget
Guest Experience Initiative	X			GF	\$ 150K
East Vail bus service enhancements	X			GF	\$ 75K
Excellent municipal services	X			GF	
Summer managed parking	X			GF	\$ 110K
Bus replacements	X			CPF	\$ 6.5M
Smart Transit System / “Info hub”	X			CPF	
Town-wide network infrastructure	X			CPF	
Trail Management (Front Country Ranger & Summer programs)	X			RETT	\$ 80K
Nature Center redevelopment plans		X		RETT	
Cultural Heritage	X			GF	

BUDGET PREVIEW | Council Focus Areas

ECONOMY

	Ongoing	Deferred	New	Fund	Budget
Civic Area Enhancements Study		X		GF	\$ 250K
West Vail Master Plan	X			GF	\$ 325K
Signature Events (Council \$1.1M)	X	X		GF	\$ 786K
Destination Events (Council \$1.0M)	X	X		GF	\$ 541K
Commission on Special Events (\$837K)	X	X		GF	\$ 548K
Summer Marketing (\$3.5M)	X	X		VLMD	\$ 2.6M
Plan for next TIF projects		X		VRA	
Recovery and Relief Initiatives (2020)			X	GF	\$1.5M

BUDGET PREVIEW | Council Focus Areas

SUSTAINABILITY

	Ongoing	Deferred	New	Fund	Budget
Water Quality Infrastructure Improvements	X			RETT	\$ 1.0M
Solar array at Public Works Shops		X		RETT	\$ 1.0M
Wildlife Habitat Improvements	X			RETT	\$ 75-100K
USFS Fuels Reduction			X	RETT	
Gore Creek Strategic Plan Implementation	X			RETT	
TOV Employee Retention	X			GF	
Enhance regional transit	X			GF	
Sustainable Destination Tracking	X			RETT	\$ 30K
Actively Green & Energy Smart prgms	X			RETT	\$ 73K

BUDGET PREVIEW | Capital Plan



BUDGET PREVIEW | 5 Year Capital Plan

- Revenues within the Capital Fund are used for capital projects as identified through the Capital Improvement Plan (CIP).
- A well written CIP ensures that the physical assets of the Town are maintained or improved at a level adequate to (1) protect the Town's capital investment; (2) minimize future maintenance and replacement costs; and (3) meet the growing needs of the Vail community.
- The priorities the departments, boards & commissions and Town Council are collectively considered in the Plan.
- Only the current year is appropriated by Council, projects in later years represent a capital plan, not a budget.

BUDGET PREVIEW | 5 Year Capital Plan

A look at capital spending cuts this year (2020):

	Capital Projects Fund	RETT Fund	Housing Fund	VRA
2020 Original	\$47.0M	\$15.2M	\$2.5M	\$4.5M
2020 Amended	<u>25.5M</u>	<u>10.3M</u>	<u>7.0M</u>	<u>3.4M</u>
Change in Budget	\$(21.5)M	\$ (4.9)M	\$9.5M	\$(1.1)M

Total cuts in capital spending in 2020: \$18.0M

BUDGET PREVIEW | 5 Year Capital Plan

Projects started/continued in 2020:

- InDEED Housing Program
- Children's Garden of Learning relocation / Lot 3 Middle Creek
- Alternative Housing sites exploration
- Public Works partial Phase I (electric infrastructure only)
- Vail Valley Drive bike lanes
- Covered Bridge pocket park renovations
- Data Center

BUDGET PREVIEW | 5 Year Capital Plan

Projects deferred until later years:

- Public Works Expansion (\$19.6M over 2 years) CPF
- Parking structure camera systems (\$1.0M) CPF
- Neighborhood bridge repair (\$750K) CPF
- East Vail Underpass sidewalk (\$500K) CPF
- Civic Area study for outcomes (\$500K) GF and planning/design (\$3.0M) CPF
- Public Works Solar project (\$1.1M) RETT
- Annual Open Space land acquisition allocation (\$250K) RETT

BUDGET PREVIEW | Recap

- Does Council agree with the standard budget philosophies and practices?
- Does Council have comments on staff's preliminary revenue assumptions?
- Staff will be bringing the capital plan on October 6 and compensation and benefits on October 20th. Are there any items we've missed or other considerations for these items?
- Is there anything else you would like staff to be aware of as we build the budget?

BUDGET PREVIEW | Timeline

Budget Item	Council Meeting Date
Capital Plan	October 6
Compensation & Benefits	October 20
First Draft Town Manager Budget	November 3
First reading Budget Ordinance	November 17
Second reading Budget Ordinance	December 1